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First semester 2014 earnings

August 28, 2014



Olivier Piou, CEO

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Basis of preparation

Ongoing operations and adjusted income statement

For a better understanding of the current and future year-on-year evolution of the business, the Company provides revenue from “ongoing operations” for both the 2014 and 2013 reporting periods except where otherwise noted.

The adjusted income statement for ongoing operations excludes, as per the IFRS income statement, the contribution from discontinued operations, and also the contribution from assets classified as held for sale and from other items not related to ongoing operations.

In this presentation, reported figures for ongoing operations only differ from figures for all operations by the contribution from assets held for sale for the year 2013. There is no difference for the year 2014.

Segment information

From January 1, 2014, segment information is modified to report on progress towards the objectives set as part of the Company’s new development plan covering the years 2014 to 2017, publicly announced on September 5, 2013.

The Mobile segment reports on businesses associated with mobile cellular technologies. The former Mobile Communication and Machine-to-Machine segments are part of Mobile. The security evaluation business for third parties, whose contribution to Mobile Communication was minor, is now managed together with the Patents business and is as of 2014 reported in the Patents & Others segment.

The Payment & Identity segment reports on businesses associated with secure personal interactions. The former Secure Transactions and Security segments are part of Payment & Identity.

In addition to this segment information, the Company also reports as of 2014 revenue of Mobile and Payment & Identity by type of activity: Embedded software & Products (E&P) and Platforms & Services (P&S).

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.

First semester 2014 highlights

- First semester revenue of €1.13 billion and profit from ongoing operations at €120 million
- Strong performance in Mobile Financial Services (+24%) and EMV payment cards (+22%) dampened by lower revenue from Government documents and Netsize
- Excluding the recently announced acquisition of SafeNet, Gemalto anticipates a double-digit expansion in its profit from operations in 2014 and an acceleration of its revenue growth at constant exchange rates in the second semester

All revenue variations are at constant exchange rates

Key figures from H1 2014 financial results

Revenue	€ 1,133m
+5%	(2013 H1: € 1,129m)
Gross Profit	€ 418m
(2%)	(2013 H1: € 428m)
Gross Margin	36.9%
(100bp)	(2013 H1: 37.9%)
Profit from operations	€ 120m
(8%)	(2013 H1: € 131m)
PFO Margin	10.6%
(100bp)	(2013 H1: 11.6%)
Earnings per share	€ 1.11
(10%)	(2013 H1: € 1.23m)

- For the first semester 2014, Gemalto's revenue growth from its ongoing operations was +5% at constant rates and stable at historical rates, with growth in both Mobile and Payment & Identity.
- Activities within Embedded software & Products and Platforms & Service both contributed to the growth of Gemalto in the first semester of 2014 up by +5% and +10% respectively.
 - Growth in Embedded software & Products came mostly from EMV payment cards, which were up +22% in the period, more than offsetting the impact of the project and delivery delays reported in the first quarter in other businesses.
 - Platforms & Services contributed 37% of the total revenue growth during the period and the double-digit increase was driven by solid performance in Mobile Financial Services as well as Enterprise, eBanking, and Government Programs.
- Adverse effects of currency variations during the second quarter were very significant with revenue expanding by +6% at constant rates and stable at historical exchange rates in the two main segments, resulting in a negative impact on profitability from unhedged net exposure

Jacques TIERNY - CFO

Financial results

Adjusted income statement and IFRS

Adjusted income statement

€ in millions

	Ongoing operations	Reconciling items (assets held for sale)	All operations	Amortization of intangible assets	Share based compensation	Restructuring and acquisitions related expenses	IFRS
H1 2014							
Revenue	1,133	-	1,133				1,133
Profit from operations	120	-	120				
Operating profit				(11)	(27)	(21)	61
H1 2013							
Revenue	1,129	5	1,134				1,134
Profit from operations	131	(1)	130				
Operating profit				(13)	(13)	(1)	104

Mobile – key financial information

Revenue
+2%
€ 586m
(2013 H1: € 601m)

Gross Profit
(5%)
€ 237m
(2013 H1: € 250m)

Gross Margin
(110bp)
40.5%
(2013 H1: 41.6%)

Profit from operations
(19%)
€ 64m
(2013 H1: € 79m)

PFO Margin
(230bp)
10.9%
(2013 H1: 13.2%)

- After the flat revenue variation recorded during the first quarter, performance improved sequentially with +4% recorded during the second quarter, on top of the strong +12% year-on-year growth posted for the second quarter of 2013.
- Embedded software & Products (E&P) revenue increased by +4% for the second quarter after (1%) for the first quarter, resulting in +2% growth for the first semester 2014.
 - Deployment of Upteq multitenant SIMs continued in the United States and the roll-out progressed in Europe and Asia as more countries prepare for launches.
 - In Europe, we finalized agreements for multi-country commercial deployments starting in the second semester.
- Platforms & Services (P&S) grew by +6%, on top of the +44% revenue growth recorded for the first semester of 2013, with uneven performances within the portfolio of offers.
 - Mobile Financial Services and Mobile Subscriber Services grew by +24% and +13% respectively
 - Netsize activities reduced by 12% for the first semester due to the adaptation of IPX business to new European regulations in the payment and opt-in messaging space.
- Gross profit reduced by €13 million due primarily to the reduced revenue in the cards business in the first quarter and the reduced Netsize activity. Operating expenses increased slightly by €3 million resulting in a profit from operations of €64 million

Payment & Identity – key financial information

Revenue
+10%
€ 537m
(2013 H1: € 512m)

Gross Profit
+5%
€ 172m
(2013 H1: € 163m)

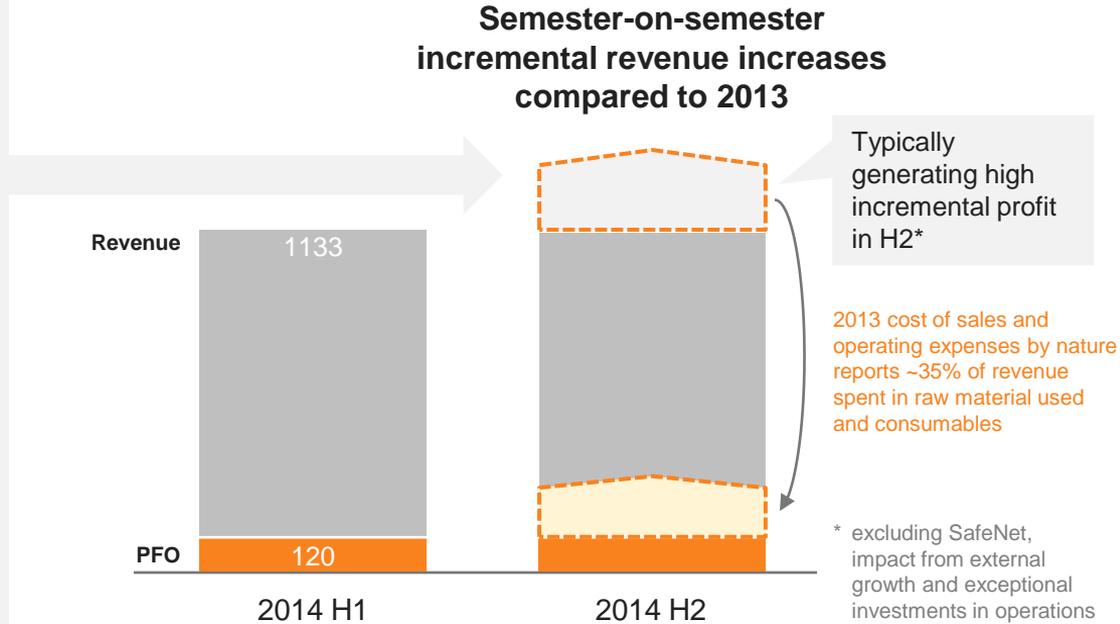
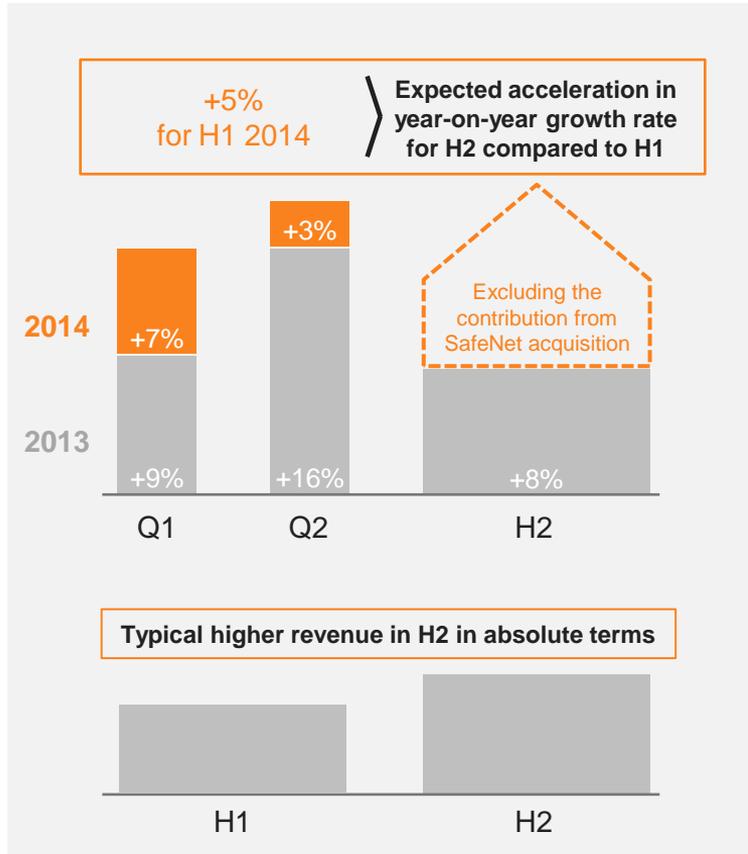
Gross Margin
+20bp
32.0%
(2013 H1: 31.8%)

Profit from operations
+16%
€ 53m
(2013 H1: € 46m)

PFO Margin
+100bp
9.9%
(2013 H1: 8.9%)

- Payment & Identity's first semester revenue came in at €537 million, increasing by +10% compared to the same period in 2013.
- Commercial momentum for EMV continued to build around the world as all regions contributed double-digit growth to the +18% performance recorded in payment activities.
 - The migration in China continued, encompassing additional regional financial institutions.
 - In the US, Gemalto reinforced its organic investments made over the last two years with the acquisitions of Shoreline and SourceOne Direct, both provide personalization and card services to US financial institutions
- The Identity businesses were lower by (3%) overall in the first semester of 2014 with a strongly positive +13% performance in internet and mobile banking activities offset by lower performance in Government Programs.
 - The Government business slowed down in a similar pattern in both the first and second quarter due to lower deliveries of documents, especially in the Middle East.
 - In the Identity & Access Management business, Gemalto entered into a definitive agreement to acquire SafeNet, extending its position in the online security market.
- Profit from operations in Payment & Identity for the first semester 2014 came in at €53 million, up +16% from the €46 million recorded in the first semester 2013.

Impact of seasonality on profit generation



Expected double digit PFO expansion for the full year 2014

Key items of the cash flow statement

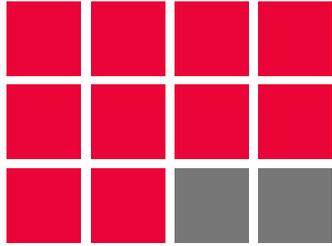
<i>€ in millions</i>	First semester 2014	First semester 2013
Cash generated by operating activities before changes in working capital	128	127
Cash used by working capital increase	(75)	(83)
Cash used in restructuring actions	(4)	(1)
Cash generated by operating activities	49	45
Capital expenditure and acquisition of intangibles	(50)	(56)
Acquisitions and divestitures	(43)	(25)
Dividend and share buy-back program	(47)	(44)
Net cash, at end of the period	363	277

Olivier PIOU - CEO

Moving forward

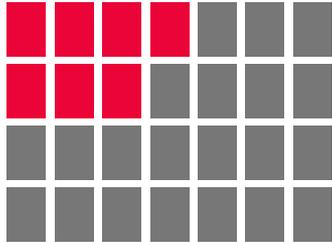
EMV in the US market has now become a reality

Credit



The top 10 issuers (~80% of credit market) will begin migrating in 2014

Debit



The top 7 issuers (~25% of debit market) will begin migrating in 2014

500mn+
chip-enabled cards
issued over 2014 – 2015

1bn+
payment cards
in circulation
(total market)



Gemalto has significantly reinforced its access to the US market at the right time

Managing security in a multiple service–multiple device context

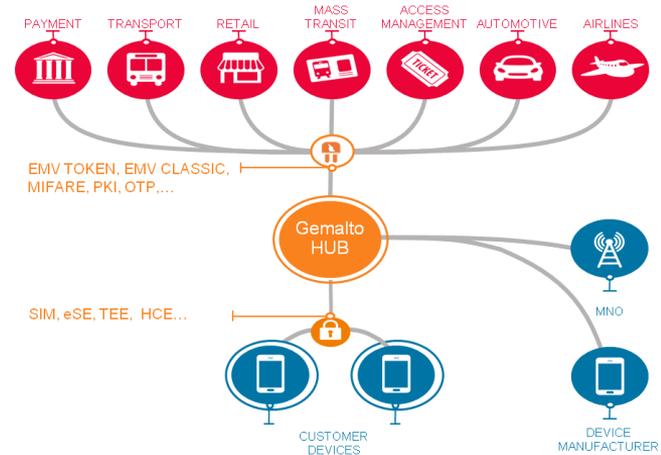
Service providers face the complexity of a heterogeneous environment to protect their mobile services

Each handset-maker also decides to deploy

Each MNO decides to deploy	Each handset-maker also decides to deploy	
	No SE / HCE	Embedded SE / TEE
Standard SIM	Secured at the core only	Secured at the core + Handset maker-centric security at the edge
Multitenant SIM	Secured at the core + MNO-centric security at the edge	Secured at the core + Secured at the edge with various security enablers

These configurations **coexist** and their mix is complex to manage

Establishing bilateral agreements between multiple service providers and multiple security enablers is complex



Gemalto raises the assurance of service security by protecting assets regardless of technological scenarios

Gemalto hub is the most comprehensive interconnection service that makes the protection of mobile transactions simple

Acquisition of SafeNet: to become the leading supplier of solutions to secure data software and users for cloud and private networks

Security at the core



Security at the edge

Gemalto and SafeNet together will have an extended global presence and a unique offering

Gemalto brings



DIRECT CHANNEL

TRUSTED RELATIONSHIPS WITH MNOs, BANKS, AND GOVERNMENTS



SECURITY AT THE EDGE

ADVANCED PROVISIONING, USER AUTHENTICATION AND MANAGEMENT SOLUTIONS



SafeNet brings



INDIRECT CHANNEL

LARGE AND SKILLED PARTNER AND RESELLER NETWORK FOR THE ENTERPRISE SEGMENT



SECURITY AT THE CORE

DATA ENCRYPTION
CRYPTO MANAGEMENT

Complementary positions and additional scale increase our ability to serve customers

Outlook for 2014

For 2014, Gemalto anticipates double-digit expansion in profit from operations for the full year as well as an acceleration of year-on-year revenue growth at constant exchange rates for the second semester.

This does not take into account the SafeNet acquisition that is expected to start contributing at some point in the fourth quarter of 2014. As a result of the acquired business's anticipated profitability, growth and synergies, Gemalto expects to increase its 2017 profit from operations objective of €600 million by around +10%.

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 ✧