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Full year 2014 results

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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 2014 Highlights

- Full year revenue of €2.5 billion, up +5%
- Profit from operations up +10%, at €383 million
- Platforms & Services revenue passed the €500 million mark
- Strong demand in the United States, revenue up +32%
- Upgraded 2017 PFO objective to over €660 million

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

Key figures from FY 2014 financial results

Revenue +5%	€2,465m		at historical rates +3%
Gross profit +2%	€952m	38.6%	Gross margin (70bp)
Operating expenses (3%)	(€569m)	(23.1%)	OpEx ratio +160bp
Profit from operations +10%	€383m	15.5%	PFO margin +90bp
Proposed dividend +11%	€0.42	€3.64	EPS (100bp)

Extracts from the adjusted income statement for ongoing operations

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	Equity based compensation	Restructuring and acquisitions related expenses	IFRS
FY 2014							
Revenue	2,465	0	2,465				2,465
Profit from operations	383	0	383				
IFRS operating profit				(27)	(55)	(30)	270
FY 2013							
Revenue	2,384	5	2,389				2,389
Profit from operations	348	(1)	347				
IFRS operating profit				(27)	(35)	(3)	282

Mobile – key financial information

Revenue
+2%
€ 1,290m
(2013: € 1290m)

Gross Profit
(3%)
€ 550m
(2013: € 567m)

Gross Margin
(130bp)
42.7%
(2013: 43.9%)

Profit from operations
+4%
€ 237m
(2013: € 228m)

PFO Margin
+70bp
18.4%
(2013: 17.6%)

- Revenue from Embedded software & Products was stable and Platform & Services grew by +7% on top of the +21% revenue growth recorded for the full year of 2013.
 - The high-end products range growth was offset by lower sales of mid-range products in Latin America and Eastern Europe. Machine-to-Machine growth accelerated to +10% for the full year, due to the ongoing deployment of connected devices and embedded secure elements (eSE) for the Internet of Things.
 - Mobile Financial Services (MFS) grew +51%, Mobile Subscriber Services (MSS) posted +8% growth compared to the full year 2013 and Netsize resumed growth in the fourth quarter after having adjusted to new opt-in regulation issued in the first part of the year.
- Operating expenses decreased by €26 million, i.e. 8%, due to lower variable cost of performance incentives conditional in part to revenue objectives and the effect of tighter control over external operating costs as well as internal resource transfers
- Profit from operations was €237 million, 18% profit margin from operations, up +70 basis points.

Payment & Identity – key financial information

Revenue
+9%
€ 1,158m
(2013: € 1076m)

Gross Profit
+9%
€ 386m
(2013: € 354m)

Gross Margin
+50bp
33.3%
(2013: 32.9%)

Profit from operations
+21%
€ 142m
(2013: € 117m)

PFO Margin
+130bp
12.3%
(2013: 10.9%)

- Sales were up by +8% in Embedded software & Products and by +14% in Platforms & Services.
 - Commercial momentum for EMV continues to be strong around the world with all regions contributing to the +16% revenue expansion recorded in payment business. Migration in China continued, regional financial institutions adding to the deployments of tier 1 issuers.
 - Progressive ramp-up of EMV in the United States led to the +38% revenue growth recorded in the Payment business in the Americas. Gemalto reinforced its personalization services capacity to serve US financial institutions and secured a large outsourcing contract with a leading US bank.
 - Revenue from the government businesses was lower by (2%) for the full year 2014, with improving performance in the second semester. Lower revenue from the Middle-East was the principal reason for the limited expansion of this activity. Europe and Africa continued to grow.
 - Gemalto entered into an exclusive agreement to acquire SafeNet announced in the third quarter and closed in January 2015.
- Profit from operations in Payment & Identity for the full year 2014 was at €142 million, up by a notable +21% compared to the €117 million recorded in 2013.

Changes in full year contributions to PFO

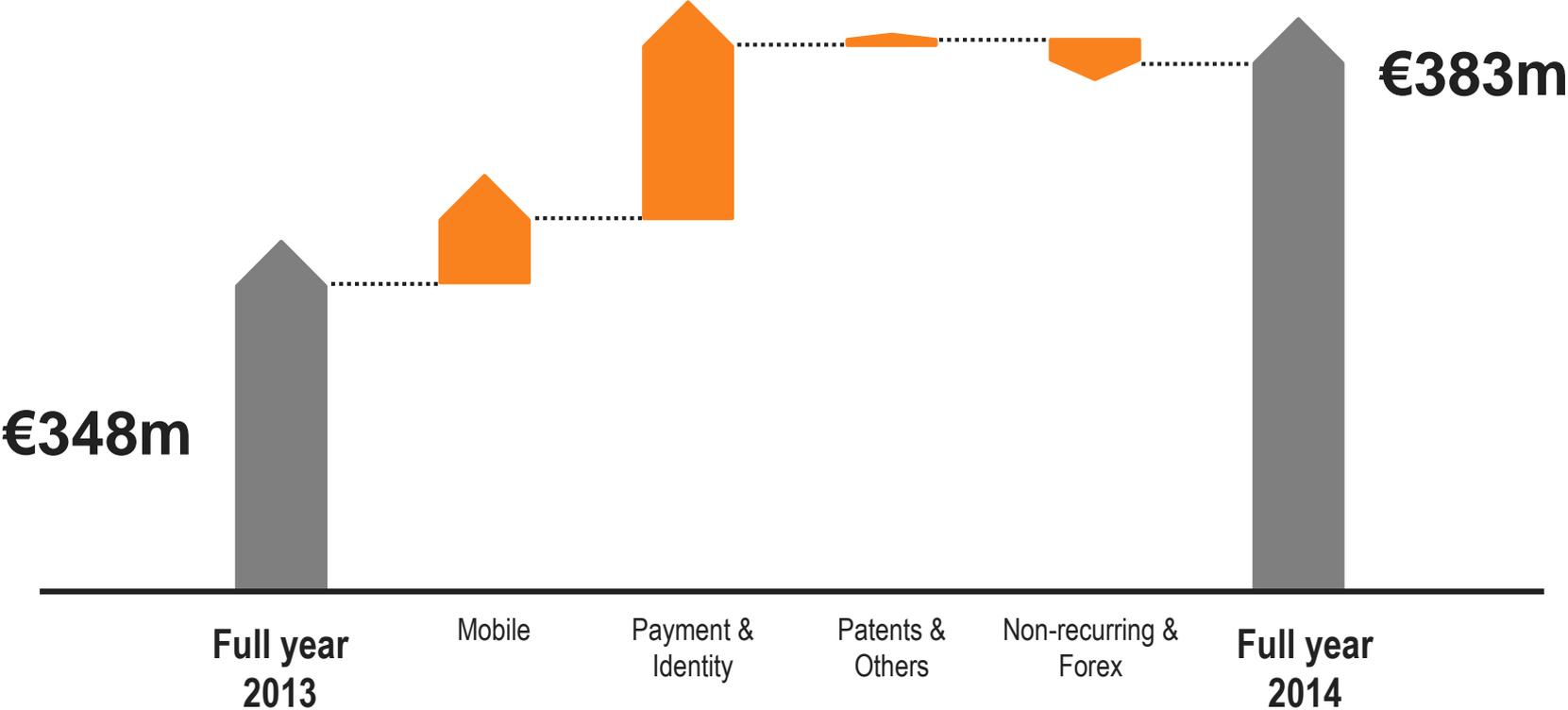


Chart not at exact scale

Key items of the cash flow statement

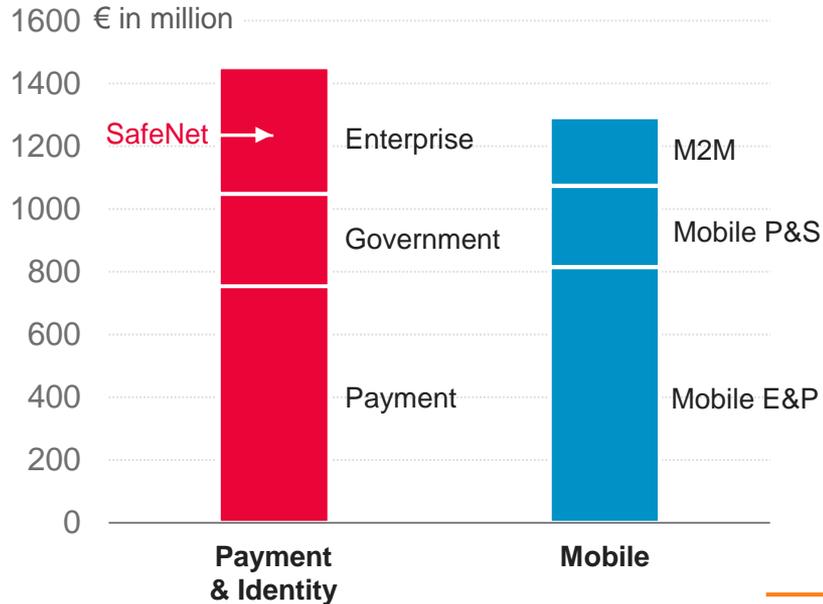
<i>€ in millions</i>	Full Year 2014	Full Year 2013
Cash generated by operating activities before changes in working capital	394	332
Cash used by working capital increase	(81)	(76)
Cash used in restructuring actions	(20)	(2)
Cash generated by operating activities	294	255
Capital expenditure and acquisition of intangibles	(125)	(103)
Acquisitions and divestitures	(84)	(30)
Dividend and share buy-back program	(50)	(53)
Proceeds from bond issuance and credit line drawdown	555	-
Net cash, at end of the period	493	449

Olivier PIOU - CEO

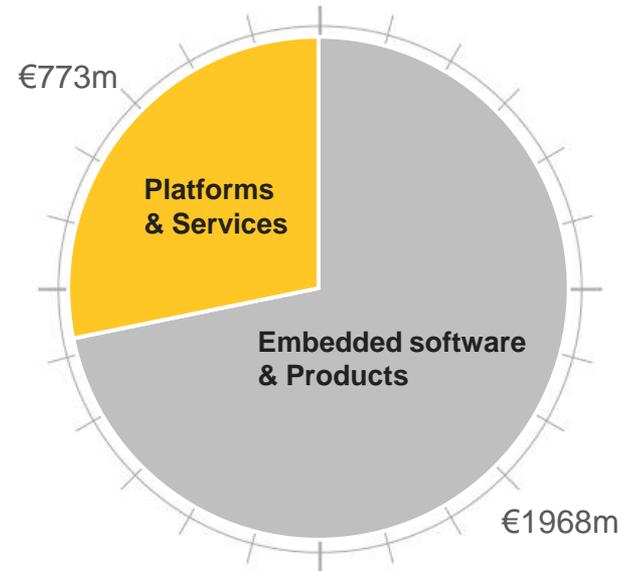
Moving forward

Gemalto's improved profile with SafeNet

Payment & Identity becomes our largest business segment



Platforms & Services approach 30% of our sales



Gemalto including SafeNet pro forma full year 2014 contribution - (Company estimates)

Trends in 2015

- 1) Deployment of EMV continues in US and China beyond tier 1 issuers
- 2) Strong market demand for data protection and cybersecurity solutions stimulated by the threats of security breaches.
- 3) Solid backlog in eGovernment business
- 4) Expansion in the Internet of Things, including connectivity modules and embedded secure elements (eSE)
- 5) Solid demand in Mobile Platform & Services worldwide

Outlook for 2015

For 2015, Gemalto anticipates a steady expansion in annual profit from operations towards its upgraded 2017 objective of over €660 million

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 ✧