

Listen-only live audio webcast available from [www.gemalto.com/investors](http://www.gemalto.com/investors)

# First semester 2013 earnings release



Olivier Piou, CEO  
Jacques Tierny, CFO

August 29, 2013

# Disclaimer

This communication does not constitute an offer to purchase or exchange or the solicitation of an offer to sell or exchange any securities of Gemalto.

This communication contains certain statements that are neither reported financial results nor other historical information and other statements concerning Gemalto. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, events, products and services and future performance. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates" and similar expressions. These and other information and statements contained in this communication constitute forward-looking statements for purposes of applicable securities laws. Although management of the Company believes that the expectations reflected in the forward-looking statements are reasonable, investors and security holders are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by the forward-looking information and statements, and the Company cannot guarantee future results, levels of activity, performance or achievements. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this communication include, but are not limited to: trends in wireless communication and mobile commerce markets; the Company's ability to develop new technology and the effects of competing technologies developed; effects of the intense competition in the Company's main markets; challenges to or loss of intellectual property rights; ability to establish and maintain strategic relationships in its major businesses; ability to develop and take advantage of new software, platforms and services; profitability of the expansion strategy; effects of acquisitions and investments; ability of the Company's to integrate acquired businesses, activities and companies according to expectations; ability of the Company to achieve the expected synergies from acquisitions; and changes in global, political, economic, business, competitive, market and regulatory forces. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. The forward-looking statements contained in this communication speak only as of the date of this communication and the Company or its representatives are under no duty, and do not undertake, to update any of the forward-looking statements after this date to conform such statements to actual results, to reflect the occurrence of anticipated results or otherwise except as otherwise required by applicable law or regulations.

# Basis of preparation for 2013 publications

For a better understanding of the current and future year-on-year 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 ongoing operations.

## Adjusted income statement and Profit from operations (PFO)

Profit from operations 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.

## Ongoing operations

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.

## Currency exchange rates

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

- **Overview**  
Olivier Piou, CEO

- Financial Results

- Moving Forward



# First semester 2013 Highlights

- Record first semester with revenue at over € 1.13 billion, up +13%
- Platforms & Services revenue up +25%, to € 208 million
- Profit from ongoing operations up +14%, with increased investments in operations
- Dynamic market momentum in all businesses

---

Extracts from the adjusted income statement for ongoing operations

# Key figures from H1 2013 financial results

Extracts from the adjusted income statement for ongoing operations

Revenue +13%	€1,129m		+11% at historical rates
Gross profit +11%	€428m	37.9%	Gross margin (20bp)
Operating expenses +9%	(€297m)	(26.3%)	Operating expenses +40bp
Profit from operations +14%	€131m	11.6%	PFO margin +30bp
EPS +5%	€1.23		

✦ Overview

✦ **Financial Results**  
Jacques Tierny, CFO

✦ Moving Forward



# 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
<b>H1 2013</b>							
Revenue	1,129	5	1,134				1,134
Profit from Operations	131	(0.7)	130.1				
Operating profit				(13)	(13)	(0.6)	104
<b>H1 2012</b>							
Revenue	1,016	5	1,020				1,020
Profit from Operations	115	(3)	112				
Operating profit				(10)	(25)	(2)	75



# Segments key financial information

## Mobile Communication

Revenue			€505m
+8%			
<hr/>			
Gross Profit	€217m	Gross Margin	43.0%
+9%		+100bp	
<hr/>			
PFO	€71m	PFO Margin	14.0%
+2%		(60bp)	

- Deployment of next generation technologies generated strong organic expansion.
- Growth in both “Embedded software & Products” as well as “Platforms & Services” activities
- Gross margin increased to 43% from improvement in the product mix, though strong resources driving further deployment of software platforms limited margin increase.
- Operating expenses grew to account for 29% of revenue
- PFO up to €71 million to account for 14% of revenue

## Machine-to-Machine

Revenue			€97m
+7%			
<hr/>			
Gross Profit	€33m	Gross Margin	34.2%
+11%		+150bp	
<hr/>			
PFO	€8m	PFO Margin	8.5%
+80%		+350bp	

- Machine-to-Machine revenue grew to €97 million, up +7% at constant exchange rates. In Q2 the increase in revenue accelerated to +11%
- New commercial offerings enjoy growing success in the fields of automotive, and other multi-service connectivity systems. Platforms & Services activities also started to record first successes.
- Gross margin expanding to 34% of revenue reflecting the improved portfolio of products and the initial developments of platforms and services.
- PFO up by over +80%, i.e. 9% of revenue.

# Segments key financial information

## Secure Transactions

Revenue			€311m
+18%			
<hr/>			
Gross Profit	€93m	Gross Margin	30.0%
+6%		(280bp)	
<hr/>			
PFO	€29	PFO Margin	9.2%
+7%		(80bp)	

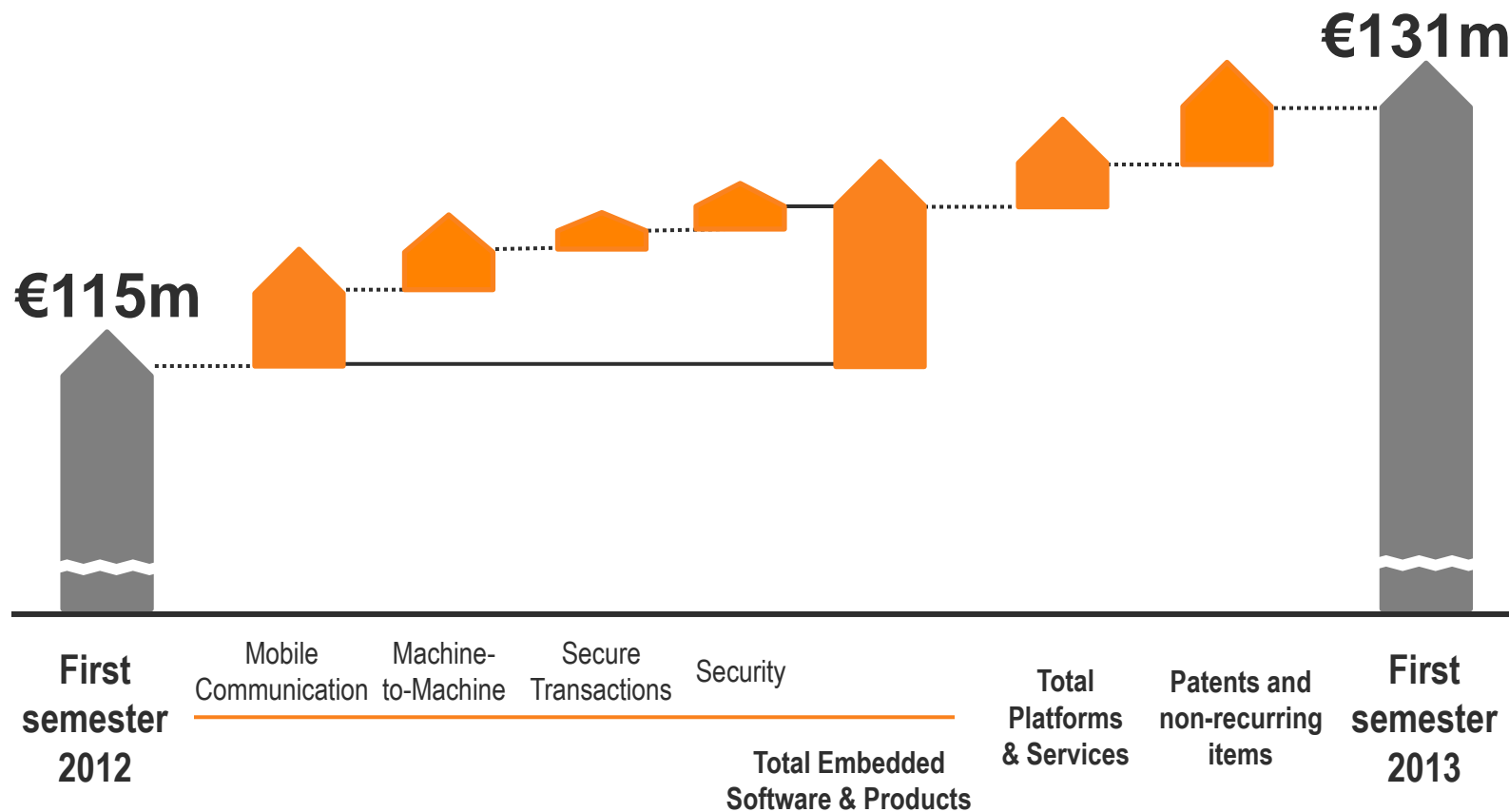
- Revenue up +18% with momentum picking up in the Q2 with an increase of +23%
- Gross margin of 30% reflects less favorable product mix and additional initial costs and lower productivity temporarily incurred by setting up of new operations in strongly growing regions
- Gross margin improved regularly throughout Q2 as operational efficiencies began to kick in and is expected to be back close to last year's figure for the H2 of 2013.
- PFO increases to €29 million, representing 9% of revenue

## Security

Revenue			€202m
+12%			
<hr/>			
Gross Profit	€70m	Gross Margin	34.6%
+3%		(300bp)	
<hr/>			
PFO	€17m	PFO Margin	8.5%
(10%)		(210bp)	

- Another semester of double-digit revenue growth, through GP and IAM revenue expansion.
- Gross profit increased to €70 million. Gross margin was 35% with costs incurred to move activities in new facilities in order to better manage the rapid growth in GP.
- Operational performance improved regularly over the semester as operational efficiencies began to kick in.
- PFO lower by €2 million, to €17 million, and 9% of revenue is expected to improve over the course of the year

# Changes in first semester contributions to PFO



Charts are not to exact scale

# Cash flow

## Key items from the cash flow statement

<i>€ in millions</i>	First semester 2013	First semester 2012
<b>Cash generated by operating activities before WCR variation</b>	<b>127</b>	<b>109</b>
Working Capital requirement	(83)	(19)
<b>Cash generated by operating activities</b>	<b>45</b>	<b>90</b>
Capital expenditure and acquisition of intangibles	(56)	(48)
Acquisitions and divestitures	(25)	(7)
Dividend and Share buy-back program	(44)	(57)
<b>Net cash, at end of the period</b>	<b>277</b>	<b>300</b>

✦ Overview

✦ Financial Results

✦ **Moving Forward**  
Olivier Piou, CEO



# Outlook for 2013

For the full year 2013 Gemalto anticipates double-digit expansion in both profit from operations and revenue at constant exchange rates. Increased investment in operations to drive business development beyond 2013 should lead to a more pronounced seasonality in profit from operations between the two semesters.

Gemalto's next long-term development plan and objectives will be announced on September 5, 2013.



- ✧ 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 ✧