



SEMI-ANNUAL FINANCIAL REPORT AS AT JUNE 30, 2013

TABLE OF CONTENTS

First semester 2013 Management Report	3
Highlights	4
Basis of preparation of financial information	5
IFRS results	6
Adjusted financial information for all operations	6
Statement of financial position and cash position variation schedule	8
Segment information	9
Outlook	15
Acquisition of businesses and subsidiaries	16
Transactions with related parties	16
Risks and uncertainties	16
Changes in share capital ownership	16
Appendices	17
Interim condensed consolidated financial statements as at June 30, 2013 (unaudited)	23
Interim consolidated statement of financial position (unaudited)	24
Interim consolidated income statement (unaudited)	25
Interim consolidated statement of comprehensive income (unaudited)	26
Interim consolidated statement of changes in equity (unaudited)	27
Interim consolidated cash flow statement (unaudited)	28
Notes to the interim condensed consolidated financial statements	30
Management Statement	52

First semester 2013 management report

Gemalto first semester 2013 results

- Record first semester with revenue at € 1.13 billion, up +13%
- Platforms & Services revenue up +25% to €208 million
- Profit from ongoing operations up +14%

To better assess past and future performance, the income statement is presented on an adjusted basis (see page 2 “Basis of preparation of financial information”). Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with the consolidated financial statements. The reconciliation with the IFRS income statement is presented in Appendix 2. The statement of financial position is prepared in accordance with IFRS, and the cash position variation schedule is derived from the IFRS cash flow statement. All figures in this press release are unaudited.

Amsterdam, August 29, 2013 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the first semester 2013.

Key figures of the adjusted income statement

Ongoing operations ¹ (€ in millions)	First semester 2013	First semester 2012	Year-on-year variations	
			at historical exchange rates	at constant exchange rates
Revenue	1,129	1,016	+11%	+13%
Gross profit	428	386	+11%	
Operating expenses	(297)	(271)	+9%	
Profit from operations	131	115	+14%	
Profit margin	11.6%	11.3%	+0.3 ppt	

Olivier Piou, Chief Executive Officer, commented: “Gemalto recorded another strong semester of profitable growth, more than offsetting increased investments in operations made in the second part of last year. Over the period, our teams continued to deploy milestone programs and we are on track to meet our objectives for 2013. The announcement next week of our new development plan will provide company’s stakeholders with Gemalto’s blueprint to leverage the expanding opportunities we have in front of us.”

¹ See basis of preparation on page 2, and Appendix 1 of this document for more information on ongoing operations.

Basis of preparation of financial information

In this press release, the information for the first semester of both 2013 and 2012 is presented for "ongoing operations" and under the 2013 format of segment reporting unless otherwise specified

Adjusted income statement and profit from operation (PFO) non-GAAP measure

The interim condensed consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

To better assess its past and future performance, the Company also prepares an adjusted income statement where the key metric used to evaluate the business and take operating decisions over the period 2010 to 2013 is the 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. These items are further explained as follows:

- Amortization and depreciation of intangibles resulting from acquisitions are defined as the amortization and depreciation expenses related to the intangibles recognized as part of the allocation of the excess purchase consideration over the share of net assets acquired.
- Share-based compensation charges are defined as (i) the discount granted to employees acquiring Gemalto shares under Gemalto Employee Stock Purchase plans; and (ii) the amortization of the fair value of stock options and restricted share units granted by the Board of Directors to employees, and other related costs.
- Restructuring and acquisitions-related expenses are defined as (i) restructuring expenses which are the costs incurred in connection with a restructuring as defined in accordance with the provisions of IAS 37 (e.g. sale or termination of a business, closure of a plant,...), and consequent costs; (ii) reorganization expenses defined as the costs incurred in connection with headcount reductions, consolidation of manufacturing and offices sites, as well as the rationalization and harmonization of the product and service portfolio, and the integration of IT systems, consequent to a business combination; and (iii) transaction costs (such as fees paid as part of the acquisition process).

These non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with our interim condensed consolidated financial statements prepared in accordance with IFRS.

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

EBITDA is defined as PFO plus depreciation and amortization expenses, excluding the above amortization and depreciation of intangibles resulting from acquisitions.

The Appendix 2 bridges the adjusted income statement to the IFRS income statement.

Ongoing operations

For a better understanding of the current and future year-on-year evolution of the business, the Company provides an adjusted income statement for "ongoing operations" for both 2013 and 2012 reporting periods.

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.

For the first semester 2013, reported figures for ongoing operations only differ from figures for all operations by the contribution from assets held for sale, considered non-strategic and currently being disposed.

Appendix 1 bridges the adjusted income statement for ongoing operations to the adjusted income statement for all operations.

Historical exchange rates and constant currency figures

Revenue variations are at constant exchange rates, except where otherwise noted.

All other figures in this press release are at historical exchange rates, except where otherwise noted.

The Company sells its products and services in a very large number of countries and is commonly remunerated in other currencies than the Euro. Fluctuations in these other currencies exchange rates against the Euro have in particular a translation impact on the reported Euro value of the Company revenues. Comparisons at constant exchange rates aim at eliminating the effect of currencies translation movements on the analysis of the Group revenue by translating prior-year revenues at the same average exchange rate as applied in the current year.

IFRS results

The interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). To better assess its past and future performance, the Company also prepares an adjusted income statement. Appendix 2 provides the reconciliation between IFRS and adjusted income statements.

Gemalto's IFRS income statement for the first semester 2013 shows an operating profit (EBIT) of €104 million. This profit is up +38% on the first semester of 2012.

Restructuring and acquisition-related expenses amounted to €0.7 million (€2.4 million in the first semester of 2012). The equity-based compensation charge was €13 million (€25 million in the first semester of 2012) and amortization and depreciation of intangibles resulting from acquisitions amounted to €13 million (€10 million in the same period of 2012).

As a result, the IFRS net profit also showed a strong increase, up +38% over the first semester of 2012 to €81 million.

IFRS basic earnings per share and diluted earnings per share showed the same strong year-on-year increase. At €0.96 and €0.94 respectively for the reported period, IFRS basic earnings per share were higher by +36% and IFRS diluted earnings per share were higher by +39% when compared to the corresponding figures of the first semester of 2012.

Adjusted financial information for all operations

In this section, the financial information is presented for all operations.

In comparison to the adjusted income statement for ongoing operations, the adjusted income statement for all operations also includes the contribution from assets held for sale. For the years 2012 and 2013, assets held for sale are minor non-strategic assets currently being disposed.

Extract of the adjusted income statement for all operations	First semester 2013		First semester 2012		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	1,134.0		1,020.5		+11%
Gross profit	427.0	37.7%	387.5	38.0%	(0.3 ppt)
Operating expenses	(296.9)	(26.2%)	(275.1)	(27.0%)	+0.8 ppt
EBITDA	172.4	15.2%	145.8	14.3%	+0.9 ppt
Profit from operations	130.1	11.5%	112.4	11.0%	+0.5 ppt
Net profit	105.0	9.3%	94.9	9.3%	+0.0 ppt
Basic Earnings per share (€)	1.24		1.14		+9%
Diluted Earnings per share (€)	1.21		1.09		+11%

First semester 2013 management report

Revenue for all operations for the first semester was €1,134 million, up by +13% at constant exchange rates and by +11% at historical rates, with all segments increasing their revenue. The pace of growth accelerated over the course of the semester with the second quarter revenue increase settling at +16%, following +9% in the first quarter. The Secure Transactions segment developed particularly well over the semester with revenue growth of +18% and the Security segment once again posted double digit revenue growth. Platforms & Services revenue expanded across the Company by +25%, generating 36% of total Company revenue growth, to reach €208 million for the semester².

Gross profit was up +10%, i.e. up by €40 million, to €427 million, representing essentially stable year-on-year gross margin of 38%. The gross margin increase in Mobile Communication and Machine-to-Machine segments, resulting from a better product mix, and in the Patents segment, benefiting from a partial resumption in licensing activity, offset lower gross margin in the Secure Transactions and Security segments. Both those segments incurred additional operational costs this semester in order to properly address the strong growth in their businesses, and benefited from gross margin improvements only towards the end of the second quarter when operational efficiencies began to kick in.

Operating expenses for all operations, at €297 million, were stable when compared to the previous semester and were up +8% year-on-year. The planned increase, driving profit seasonality, was essentially attributable to additional investments in research and development, up +10%, as well as in sales and marketing, up +11%, excluding the impact of assets held for sale.

As a result, first semester 2013 profit from operations for all operations came in at €130 million or 11.5% of revenue, up +16% on the comparable period of 2012. This expansion was driven by the increase in the contribution from ongoing operations from all segments other than the Security segment.

Gemalto's financial income for all operations was (€3.1) million compared to (€6.0) million for the first semester of 2012 with net interest income at (€0.5) million and foreign exchange transactions and other financial items at (€2.6) million.

Including a share of profit in associate of (€2.0) million, adjusted profit before income tax for all operations came in at €125 million, up +16% on the previous year.

Adjusted income tax expense was (€20) million, with an estimated IFRS annual income tax rate of 18% for the year 2013.

Consequently, the adjusted net profit for all the operations of the Company was €105 million, an +11% increase when compared to last year's figure of €95 million.

Adjusted basic earnings per share for all operations came in at €1.24, and adjusted diluted earnings per share for all operations at €1.21, increasing by +9% and +11% respectively when compared to the first semester 2012 adjusted basic earnings per share for all operations of €1.14 and adjusted diluted earnings per share for all operations of €1.09.

² Revenue growth of +25% compares the first semester 2013 revenue to the first semester 2012 revenue with revenue from Platforms & Services in the Security segment following the same definition as in the other segments, i.e. not only includes personalization services but also server platforms, application software and services. Revenue grew by +48% when compared to the revenue of €140 million reported on the first semester of 2012.

Statement of financial position and cash position variation schedule

In the first semester of 2013, operating activities generated a cash flow of €127 million before changes in working capital, up +17% on the €109 million generated in the first semester of 2012. Changes in working capital reduced cash flow by €83 million compared to €19 million in the same period of 2012. This impact was essentially due to the strong +16% revenue growth observed in the second quarter, to the transient effects of the longer cash collection cycle associated to specific accelerating businesses in Asia and to the differences in quarter-on-quarter seasonality patterns.

Capital expenditure and acquisition of intangibles amounted to €56 million, or 5.0% of revenue, of which €35 million were incurred for Property, Plant and Equipment assets with, in particular, specific investments in personalization centers and other facilities to support innovative products ramp-up and future growth in the financial services and government sectors. Capitalization of development expenses reduced as a percentage of revenue to 1.4% and total expenditure incurred for intangible assets was reduced to €21 million, representing 1.9% of revenue.

Acquisitions reinforcing Gemalto's offering in the Security segment, and divestiture of subsidiaries and businesses, net of cash acquired, used €25 million in cash.

Gemalto's share buy-back program used €15 million in cash in the first semester of 2013, for the purchase of 238,445 shares, net of the liquidity program. As at June 30, 2013, the Company held 2,273,085 shares, or 2.58% of its own shares in treasury. The total number of Gemalto shares issued was unchanged, at 88,015,844 shares. Net of the 2,273,085 shares held in treasury, 85,742,759 shares were outstanding as at June 30, 2013. The average acquisition price of the shares repurchased on the market by the Company as part of its buy-back program and held in treasury as at June 30, 2013 was €47.03.

On May 24, 2013, Gemalto paid a cash dividend of €0.34 per share in respect of the fiscal year 2012, up 10% on the dividend paid in 2012 (€0.31 per share). This distribution used €29 million in cash. Other financing activities generated €5 million in cash, including €16 million of proceeds received by the Company from the exercise of stock options by employees and a €10 million repayment of borrowings.

As a result of these elements, cash and bank overdrafts represented €285 million, as at June 30, 2013

Gemalto's net cash position, including €7 million of borrowings, was €277 million as at June 30, 2013, versus €300 million as at June 30, 2012.

Segment information

In this section, for a better understanding of Gemalto's business evolution, comments and comparisons refer to ongoing operations, i.e. excluding assets held for sale. Revenue variations are expressed at constant currency exchange rates unless otherwise noted.

Segment contribution to first semester 2013 results	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Patents	Total ongoing operations
As a percentage of ongoing revenue	45%	9%	27%	18%	1%	100%
As a percentage of ongoing PFO	54%	6%	22%	13%	5%	100%

With all segments growing vigorously, including Mobile Communication, the contribution to revenue of the other segments continued to expand compared to the first semester of the previous year, illustrating the regularly improving balance between Gemalto's businesses. Together, these businesses excluding Mobile Communication accounted for 55% of Gemalto's total revenue (53% in the first semester 2013) and for 46% of Gemalto's total profit from operations (40% in the first semester 2012).

Year-on-year variations and currencies impact (€ in millions)	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Patents	Total ongoing operations
Second quarter						
Revenue	266	52	167	110	16	612
At constant rates	+12%	+11%	+23%	+5%	n.m.	+16%
At historical rates	+10%	+10%	+21%	+5%	n.m.	+15%
First semester						
Revenue	505	97	311	202	16	1,129
At constant rates	+8%	+7%	+18%	+12%	n.m.	+13%
At historical rates	+6%	+6%	+16%	+12%	n.m.	+11%
Profit from operations	71	8	29	17	6	131
At historical rates	+2%	+80%	+7%	(10%)	n.m.	+14%

For the first semester 2013, Gemalto's revenue growth from its ongoing operations was +13% at constant rates and +11% at historical rates, with double-digit growth in Secure Transactions and in Security. At constant perimeter and constant exchange rates, organic revenue growth was +11%. In the second quarter, revenue growth was even higher, with +16% at constant rates and +15% at historical rates, on the back of double-digit growth in all segments apart from the Security segment which recorded +5% growth on top of its particularly high revenue level of the second quarter of 2012.

The evolution of foreign currency translation in Euro resulted in an unfavorable 160 basis point impact on the revenue growth recorded in the first semester, coming notably from lower US dollar and Japanese Yen value vs. Euro.

Mobile Communication

	First semester 2013		First semester 2012		Year-on-year variation	
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	505.0		476.5		+6%	+8%
Gross profit	217.4	43.0%	200.3	42.0%	+1.0 ppt	
Operating expenses	(146.9)	(29.1%)	(130.9)	(27.5%)	(1.6 ppt)	
Profit from operations	70.5	14.0%	69.4	14.6%	(0.6 ppt)	

In Mobile Communication, revenue increased by +8% over the period, with growth accelerating in the second quarter, to +12%, as deployment of next generation technologies generated strong organic expansion. Growth in both “Embedded software & Products” as well as “Platforms & Services” activities came from the continuing deployment of LTE networks and of a global trust infrastructure to secure services on mobile devices in the Americas, Europe and, to a lesser extent, Asia. Recently acquired businesses contributed €9m to the revenue increase recorded for the first semester.

Gross margin increased to 43%, reflecting the improvement in product mix, a full basis point above last year’s figure, though the strong resources increase driving further deployment of software platforms in Gemalto datacenters and at customer sites limited the semester’s gross margin expansion.

Operating expenses, higher by €16 million, or +12%, on the previous year, grew by 1.6 percentage points, to account for 29% of revenue as investments were made to accompany the very strong expansion in the Platforms & Services activity and prepare further growth. G&A expenses were stable as a percentage of revenue.

As a result, the segment’s profit from operations rose to €71 million to account for 14% of revenue.

Machine-to-Machine

	First semester 2013		First semester 2012		Year-on-year variation	
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	96.6		91.0		+6%	+7%
Gross profit	33.0	34.2%	29.8	32.7%	+1.5 ppt	
Operating expenses	(24.8)	(25.6%)	(25.2)	(27.7%)	+2.0 ppt	
Profit from operations	8.3	8.5%	4.6	5.0%	+3.5 ppt	

Machine-to-Machine revenue grew to €97 million, up +7% at constant exchange rates. In the second quarter, the increase in revenue accelerated to +11% as new commercial offerings enjoyed growing success in the fields of automotive, and other multi-service connectivity systems. Platforms & Services activities also started to record first successes.

Gross profit increased by €3 million to €33 million with gross margin expanding to 34% of revenue reflecting the improved portfolio of products and the initial developments of platforms and services.

Operating expenses remained essentially stable at €25 million and were down 2.0 percentage points on last year, when expressed as a percentage of revenue.

As a result, the segment's profit from operations grew markedly over the period, by over +80%, to €8 million, i.e. 9% of revenue.

Secure Transactions

	First semester 2013		First semester 2012		Year-on-year variation	
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	310.5		267.1		+16%	+18%
Gross profit	93.2	30.0%	87.7	32.8%	(2.8 ppt)	
Operating expenses	(64.6)	(20.8%)	(61.0)	(22.8%)	+2.0 ppt	
Profit from operations	28.5	9.2%	26.7	10.0%	(0.8 ppt)	

In Secure Transactions, revenue grew very strongly, up +18% at constant exchange rates to €311 million. Here too the revenue momentum picked up in the second quarter growth with an increase of +23% as the shift to EMV stepped up.

Gross profit increased by €6 million to €93 million. The gross margin of 30% reflects the less favorable product mix in the new countries adopting the EMV standards and the additional initial costs and lower productivity temporarily incurred due to the setting up of new operations in order to manage these deployments. Gross margin improved regularly throughout the second quarter as operational efficiencies began to kick in. It is expected to be back close to last year's figure for the second semester of 2013.

With operating expenses growing by +6% year-on-year to €65 million, profit from operations increased to €29 million, representing 9% of revenue.

Security

	First semester 2013		First semester 2012		Year-on-year variation	
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	201.6		180.0		+12%	+12%
Gross profit	69.8	34.6%	67.8	37.7%	(3.0 ppt)	
Operating expenses	(52.7)	(26.1%)	(48.6)	(27.0%)	+0.9 ppt	
Profit from operations	17.2	8.5%	19.2	10.6%	(2.1 ppt)	

Security delivered another semester of double-digit revenue growth, up +12% at constant exchange rates to €202 million. Both Government Programs and Identity and Access Management drove revenue expansion.

Gross profit increased to €70 million. Gross margin was lower this semester by 3 percentage points to 35%, as certain costs were incurred due to the move of activities in new facilities in order to better manage the rapid growth in Government Programs. In this segment as well, the operational performance improved regularly over the semester as operational efficiencies began to kick in.

The segment's first semester operating expenses rose by €4 million or +8% to €53 million as investments were made to support its strong revenue growth.

As a result, profit from operations for the semester came in slightly lower, by €2 million, to €17 million, and 9% of revenue. The Profit from operations margin is expected to improve over the course of the year through the continuing pick up in performance of the new facilities.

Patents

	First semester 2013		First semester 2012		Year-on-year variation	
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	15.6		1.1		n.m.	n.m.
Gross profit	14.4	92.3%	1.0	90.0%	+2.3 ppt	
Operating expenses	(8.0)	(51.4%)	(5.8)	n.m.	n.m.	
Profit from operations	6.4	40.9%	(4.8)	n.m.	n.m.	

The litigation procedure engaged in the United States reinforced the validity of Gemalto's patents portfolio. In light of this, a set of licensing agreements was renewed in the second quarter. As a result, revenue was €16 million and profit from operations was €6 million during the period.

The procedure regarding the merits of the claim construction issue that was elevated to the Appellate Court for ruling continued along the lines previously reported. We expect the presentation before the Appellate Court to be completed in the Fall of 2013, and a conclusion of the case in the first half of 2014 if a trial is needed.

The company does not anticipate recording any significant additional revenue as part of its Patents activity this year.

Outlook

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.

Acquisition of businesses and subsidiaries

Acquisition of businesses and subsidiaries for the period represented an estimated purchase consideration of €19million. For additional disclosures regarding acquisitions of businesses and subsidiaries, reference is made to the note 5 to the interim condensed consolidated financial statements as at June 30, 2013.

Transactions with related parties

For disclosure regarding transactions with related parties, reference is made to the note 25 to the interim condensed consolidated financial statements as at June 30, 2013.

Risks and uncertainties

In our Annual Report 2012, we have extensively described certain risk categories and risk factors which could have a material adverse effect on the Company's financial position and results. Those risk categories and risk factors are deemed incorporated and repeated in this report by reference.

For the second semester 2013, we currently believe none of them should be particularly emphasized.

Additional risks not known to us, or currently believed not to be material, could later turn out to have a material impact on our businesses, objectives, revenues, incomes, assets, liquidity or capital resources.

Changes in share capital ownership

On April 8, 2013, EuroPacific Growth Fund notified the AFM that their holding in Gemalto's ordinary shares was 5.16%.

On March 21, 2013, Capital Research and Management Company and Capital Group International Inc. notified the AFM that they had the right to vote on 10.26% of Gemalto's share capital issued.

Appendix 1

Adjusted income statement by business segment and Contribution of assets held for sale

For the years 2012 and 2013, assets held for sale comprise the contribution from non-strategic assets currently being disposed.

First semester 2013 Adjusted income statement (€ in millions)	Ongoing operations						Total	Assets held for sale	Total Gemalto
	Mobile Communication	Machine-to- Machine	Secure Transactions	Security	Patents				
Revenue	505.0	96.6	310.5	201.6	15.6	1,129.4	4.7	1,134.0	
Gross profit	217.4	33.0	93.2	69.8	14.4	427.8	(0.8)	427.0	
Operating expenses	(146.9)	(24.8)	(64.6)	(52.7)	(8.0)	(297.0)	0.1	(296.9)	
Profit from operations	70.5	8.3	28.5	17.2	6.4	130.8	(0.7)	130.1	

First semester 2012 Adjusted income statement (€ in millions)	Ongoing operations						Total	Assets held for sale	Total Gemalto
	Mobile Communication	Machine-to- Machine	Secure Transactions	Security	Patents				
Revenue	476.5	91.0	267.1	180.0	1.1	1,015.6	4.9	1,020.5	
Gross profit	200.3	29.8	87.7	67.8	1.0	386.5	1.0	387.5	
Operating expenses	(130.9)	(25.2)	(61.0)	(48.6)	(5.8)	(271.5)	(3.6)	(275.1)	
Profit from operations	69.4	4.6	26.7	19.2	(4.8)	115.0	(2.6)	112.4	

Appendix 2

Reconciliation from Adjusted financial information to IFRS

6 month period ending June 30, 2013

	Adjusted financial information for ongoing operations	Items not related to ongoing operations	Adjusted financial information	Adjustments	IFRS financial information
<i>€ in thousands</i>					
Revenue	1,129,358	4,672	1,134,030		1,134,030
Cost of sales	(701,517)	(5,505)	(707,022)	(3,014)	(710,036)
Gross profit	427,841	(833)	427,008	(3,014)	423,994
Operating expenses					
Research and engineering	(70,744)		(70,744)	(3,126)	(73,870)
Sales and marketing	(158,919)	(353)	(159,272)	(1,956)	(161,228)
General and administrative	(64,719)	(143)	(64,862)	(4,963)	(69,825)
Gain on sale of assets held for sale		1,093	1,093		1,093
Other income (expense), net	(2,614)	(507)	(3,121)		(3,121)
Profit from operations	130,845	(743)	130,102		
Share-based compensation charges and associated charges				(13,059)	
Restructuring and acquisition-related expenses				(663)	(663)
Amortization and depreciation of intangibles resulting from acquisitions				(12,545)	(12,545)
Operating profit				(26,267)	103,835
Financial income (expense), net	(4,615)	1,513	(3,102)		(3,102)
Share of profit of associates	(1,964)	(38)	(2,002)		(2,002)
Profit before income tax	124,266	732	124,998	(26,267)	98,731
Income tax (expense) credit	(20,027)		(20,027)	2,320	(17,707)
Profit from continuing operations	104,239	732	104,971	(23,947)	81,024
Profit (loss) from discontinued operation (net of income tax)					
Profit for the period	104,239	732	104,971	(23,947)	81,024
Attributable to:					
Owners of the Company	104,497	1,079	105,576	(23,838)	81,738
Non-controlling interests	(258)	(347)	(605)	(109)	(714)
Earnings per share					
Basic earnings per share	1.23		1.24		0.96
Diluted earnings per share	1.20		1.21		0.94

The first semester 2013 adjusted basic earnings per share are determined on the basis of the weighted average number of Gemalto shares outstanding during the six-month period ended June 30, 2013 i.e. 85,165,349 shares, which takes into account the effect of the share buy-back program. The first semester 2013 adjusted diluted earnings per share are determined by using 87,048,320 shares corresponding to the IFRS treasury stock method, i.e. on the basis of the same weighted average number of Gemalto shares outstanding and considering that all outstanding "in the money" share based instruments were exercised (2,567,540 instruments) and the proceeds received from the instruments exercised (€45,675,247) were used to buy-back shares at the average share price of the first semester 2013 (684,569 shares at €66.72).

First semester 2013 management report

6 month period ending June 30, 2012

	Adjusted financial information for ongoing operations	Items not related to ongoing operations	Adjusted financial information	Adjustments	IFRS financial information
<i>€ in thousands</i>					
Revenue	1,015,602	4,882	1,020,484		1,020,484
Cost of sales	(629,111)	(3,907)	(633,018)	(3,858)	(636,876)
Gross profit	386,491	975	387,466	(3,858)	383,608
Operating expenses					
Research and engineering	(64,478)	(2,343)	(66,821)	(2,042)	(68,863)
Sales and marketing	(143,438)	(1,204)	(144,642)	(9,068)	(153,710)
General and administrative	(63,657)	(90)	(63,747)	(9,963)	(73,710)
Gain on sale of assets held for sale					
Other income (expense), net	83	30	113		113
Profit from operations	115,001	(2,632)	112,369		
Share-based compensation charges and associated charges				(24,931)	
Restructuring and acquisition-related expenses				(2,417)	(2,417)
Amortization and depreciation of intangibles resulting from acquisitions				(9,956)	(9,956)
Operating profit				(37,304)	75,065
Financial income (expense), net	(6,021)	(5)	(6,026)		(6,026)
Share of profit of associates	1,183		1,183		1,183
Profit before income tax	110,163	(2,637)	107,526	(37,304)	70,222
Income tax (expense) credit	(12,540)	(103)	(12,643)	1,209	(11,434)
Profit from continuing operations	97,623	(2,740)	94,883	(36,095)	58,788
Profit (loss) from discontinued operation (net of income tax)					
Profit for the period	97,623	(2,740)	94,883	(36,095)	58,788
Attributable to:					
Owners of the Company	97,607		94,867		58,772
Non-controlling interests	16		16		16
Earnings per share					
Basic earnings per share	1.17		1.14		0.71
Diluted earnings per share	1.12		1.09		0.67

Appendix 3

Interim consolidated statement of financial position

<i>(€ in thousands)</i>	June 30, 2013	December 31, 2012
ASSETS		
Non-current assets		
Property, plant and equipment, net	245,455	237,444
Goodwill, net	854,887	852,240
Intangible assets, net	205,233	198,660
Investments in associates	27,201	25,697
Deferred income tax assets	95,183	108,027
Available-for-sale financial assets, net	-	-
Other non-current assets	69,656	48,883
Derivative financial instruments	7,654	14,290
Total non-current assets	1,505,269	1,485,241
Current assets		
Inventories, net	202,965	185,535
Trade and other receivables, net	700,464	652,752
Derivative financial instruments	20,503	19,340
Cash and cash equivalents	286,541	358,610
Total current assets	1,210,473	1,216,237
Assets held for sale	1,263	13,210
Total assets	2,717,005	2,714,688
EQUITY		
Share capital	88,016	88,016
Share premium	1,207,081	1,207,195
Treasury shares	(106,888)	(151,753)
Fair value and other reserves	91,067	123,388
Cumulative translation adjustments	(13,872)	81
Retained earnings	707,367	654,795
Capital and reserves attributable to the owners of the Company	1,972,771	1,921,722
Non-controlling interests	5,929	10,590
Total equity	1,978,700	1,932,312
LIABILITIES		
Non-current liabilities		
Borrowings	3,481	3,674
Deferred income tax liabilities	34,597	31,994
Employee benefit obligations	79,879	80,039
Provisions and other liabilities	56,572	84,439
Derivative financial instruments	330	277
Total non-current liabilities	174,859	200,423
Current liabilities		
Borrowings	5,632	6,564
Trade and other payables	526,280	539,401
Current income tax liabilities	12,498	23,218
Provisions and other liabilities	16,407	6,990
Derivative financial instruments	2,629	4,803
Total current liabilities	563,446	580,976
Liabilities associated with assets held for sale	-	977
Total liabilities	738,305	782,376
Total equity and liabilities	2,717,005	2,714,688

Appendix 4

Cash position variation schedule

<i>€ in millions</i>	First semester 2013	First semester 2012
Cash and back overdrafts, beginning of period	363	330
Cash generated by operating activities before change in working capital	127	109
Cash provided (used) by working capital decrease (increase)	(83)	(19)
Cash generated by operating activities	45	90
Capital expenditure and acquisitions of intangibles	(56)	(48)
Free cash flow	(12)	42
Interest received, net	1	2
Cash used by acquisitions	(25)	(7)
Other cash provided by investing activities	1	0
Currency translation adjustments	(4)	3
Cash generated (used) by operating and investing activities	(39)	40
Cash used by the share buy-back program	(15)	(31)
Dividend paid to Gemalto shareholders	(29)	(26)
Other cash provided (used) by financing activities	5	4
Cash and bank overdrafts, end of period	285	317
Current and non-current borrowings excluding bank overdrafts, end of period	(7)	(16)
Net cash, end of period	277	300

Appendix 5

Revenue from ongoing operations, by region

First semester € in millions	First semester 2013	First semester 2012	Year-on-year variation	
			at constant exchange rates	at historical exchange rates
Europe, Middle East and Africa	557	516	9%	8%
Americas	345	312	12%	11%
Asia	227	188	26%	21%
Total revenue	1,129	1,016	13%	11%

Second quarter € in millions	Second quarter 2013	Second quarter 2012	Year-on-year variation	
			at constant exchange rates	at historical exchange rates
Europe, Middle East and Africa	299	272	11%	10%
Americas	192	168	15%	14%
Asia	120	92	35%	31%
Total revenue	612	532	16%	15%

Appendix 6

Average exchange rates between the Euro and the US dollar

EUR/USD	2013	2012
First quarter	1.33	1.32
Second quarter	1.29	1.30
First semester	1.31	1.31
Third quarter		1.24
Fourth quarter		1.29
Second semester		1.26
Full year		1.29

Interim condensed consolidated financial statements as at June 30, 2013 (unaudited)

Interim consolidated statement of financial position (unaudited)

In thousands of Euro	Notes	June 30, 2013	December 31, 2012
Assets			
Non-current assets			
Property, plant and equipment, net	8	245,455	237,444
Goodwill, net	9	854,887	852,240
Intangible assets, net	9	205,233	198,660
Investments in associates	10	27,201	25,697
Deferred income tax assets		95,183	108,027
Available-for-sale financial assets, net		-	-
Other non-current assets		69,656	48,883
Derivative financial instruments	7	7,654	14,290
Total non-current assets		1,505,269	1,485,241
Current assets			
Inventories, net	12	202,965	185,535
Trade and other receivables, net	13	700,464	652,752
Derivative financial instruments	7	20,503	19,340
Cash and cash equivalents	14	286,541	358,610
Total current assets		1,210,473	1,216,237
Assets held for sale	11	1,263	13,210
Total assets		2,717,005	2,714,688
Equity			
Share capital		88,016	88,016
Share premium		1,207,081	1,207,195
Treasury shares		(106,888)	(151,753)
Fair value and other reserves		91,067	123,388
Cumulative translation adjustments		(13,872)	81
Retained earnings		707,367	654,795
Capital and reserves attributable to the owners of the Company		1,972,771	1,921,722
Non-controlling interests		5,929	10,590
Total equity		1,978,700	1,932,312
Liabilities			
Non-current liabilities			
Borrowings		3,481	3,674
Deferred income tax liabilities		34,597	31,994
Employee benefit obligations		79,879	80,039
Provisions and other liabilities	15	56,572	84,439
Derivative financial instruments	7	330	277
Total non-current liabilities		174,859	200,423
Current liabilities			
Borrowings		5,632	6,564
Trade and other payables	16	526,280	539,401
Current income tax liabilities		12,498	23,218
Provisions and other liabilities	18	16,407	6,990
Derivative financial instruments	7	2,629	4,803
Total current liabilities		563,446	580,976
Liabilities associated with assets held for sale	11	-	977
Total liabilities		738,305	782,376
Total equity and liabilities		2,717,005	2,714,688

Interim consolidated income statement (unaudited)

		Six-month period ended	
		2013	2012
In thousands of Euro (except earnings per share)			
	Notes		
Continuing operations			
Revenue		1,134,030	1,020,484
Cost of sales		(710,036)	(636,876)
Gross profit		423,994	383,608
Operating expenses			
Research and engineering		(73,870)	(68,863)
Sales and marketing		(161,228)	(153,710)
General and administrative		(69,825)	(73,710)
Gain on sale of assets held for sale		1,093	-
Other income (expense), net	20	(3,121)	113
Restructuring and acquisition-related expenses	17	(663)	(2,417)
Amortization and depreciation of intangibles resulting from acquisitions		(12,545)	(9,956)
Operating profit		103,835	75,065
Financial income (expense), net	21	(3,102)	(6,026)
Share of profit of associates	10	(2,002)	1,183
Profit before income tax		98,731	70,222
Income tax (expense) credit	22	(17,707)	(11,434)
Profit for the period		81,024	58,788
Attributable to:			
Owners of the Company		81,738	58,772
Non-controlling interests		(714)	16
Earnings per share			
Basic earnings per share	23	0.96	0.71
Diluted earnings per share	23	0.94	0.67
Weighted average number of shares outstanding (in thousands)	23	85,165	83,189
Weighted average number of shares outstanding assuming dilution (in thousands)	23	87,048	87,100

Interim consolidated statement of comprehensive income (unaudited)

In thousands of Euro	Six-month period ended June 30,	
	2013	2012
Profit for the period	81,024	58,788
Other comprehensive income that can be reclassified to income statement:		
Currency translation adjustments	(12,913)	10,211
Currency translation adjustments: transfer to income statement (financial income)	(1,413)	423
Effective portion of gains and losses on cash flow hedging	(1,529)	(15,878)
Currency translation differences on fair value gains (losses)	588	(893)
Other comprehensive income that cannot be reclassified to income statement:		
Actuarial gains and losses on employee benefit obligations	2,156	(9,888)
Deferred tax on actuarial gains and losses	(963)	2,476
Total comprehensive income for the period, net of tax	(14,074)	(13,549)
Total comprehensive income for the period, net of tax	66,950	45,239
Attributable to:		
Owners of the Company	68,037	45,092
Non-controlling interests	(1,087)	147

Interim consolidated statement of changes in equity (unaudited)

	Number of shares ³		Attributable to owners of the Company					Non-controlling interests	Total equity	
	Issued	Outstanding	Share capital	Share premium	Treasury shares	Fair value and other reserves	Cumulative translation adjustments			Retained earnings
In thousands of Euro										
Balance as at January 1, 2013	88,015,844	84,085,321	88,016	1,207,195	(151,753)	123,388	81	654,795	10,590	1,932,312
Profit for the period								81,738	(714)	81,024
Other comprehensive income (loss)						252	(13,953)		(373)	(14,074)
Total comprehensive income						252	(13,953)	81,738	(1,087)	66,950
Share-based compensation expense						11,809				11,809
Employee share option plans		1,895,893			63,288	(47,546)				15,742
Purchase of Treasury shares, net		(238,455)			(18,423)	3,164				(15,259)
Dividend paid/payable to owners of the Company ⁴								(29,166)		(29,166)
Excess purchase price on subsequent acquisition of non-controlling interests				(114)					(244)	(358)
Sale of non-strategic assets held for sale									(3,330)	(3,330)
Balance as at June 30, 2013	88,015,844	85,742,759	88,016	1,207,081	(106,888)	91,067	(13,872)	707,367	5,929	1,978,700
Balance as at January 1, 2012	88,015,844	83,019,536	88,016	1,209,216	(156,531)	87,006	8,102	480,702	4,225	1,720,736
Profit for the period								58,772	16	58,788
Other comprehensive income (loss)						(24,183)	10,503		131	(13,549)
Total comprehensive income						(24,183)	10,503	58,772	147	45,239
Share-based compensation expense						21,720				21,720
Employee share option plans		838,220			24,450	(7,691)				16,759
Purchase of Treasury shares, net		(641,855)			(32,422)	995				(31,427)
Shares delivered on acquisition		9,113			296	204				500
Dividend paid/payable to owners of the Company								(25,840)		(25,840)
Dividend paid to non-controlling interests									(166)	(166)
Balance as at June 30, 2012	88,015,844	83,225,014	88,016	1,209,216	(164,207)	78,051	18,605	513,634	4,206	1,747,521

³ As at June 30, 2013 and 2012, the difference between the number of shares outstanding corresponds to the 2,273,085 and 4,790,830 shares held in treasury, respectively.

⁴ See note 27

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30,	
		2013	2012
Profit for the period including Non-controlling interests		81,024	58,788
Adjustment for:			
Tax	22	17,707	11,434
Research tax credit		(5,731)	(6,235)
Depreciation, amortization and impairment		54,877	43,340
Share-based payment expense		12,409	21,720
Gains and losses on sale of fixed assets and write-offs		752	498
Remeasurement to fair value of assets held for sale	11	-	711
Gain on sale of assets held for sale		(1,219)	-
Cumulated translation adjustment transferred to financial income upon liquidation of consolidated entities		(1,413)	423
Net movement in provisions and other liabilities		2,350	(8,399)
Employee benefit obligations		2,334	1,567
Interest income		(1,476)	(1,832)
Interest expense and other financial expense		(45)	2,707
Share of profit from associates	10	2,002	(1,183)
Changes in current assets and liabilities (excluding the effects of acquisitions and exchange differences in consolidation):			
Inventories		(18,227)	(17,125)
Trade and other receivables		(49,338)	3,428
Derivative financial instruments		163	(5,651)
Trade and other payables		(15,334)	665
Cash generated from operations		80,835	104,856

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30,	
		2013	2012
Cash generated from operations		80,835	104,856
Income tax paid		(36,078)	(14,884)
Net cash provided by operating activities		44,757	89,972
Cash flows provided by (used in) investing activities			
Acquisition of business and subsidiaries, net of cash acquired		(17,333)	(6,921)
Purchase of property, plant and equipment		(35,841)	(29,286)
Proceeds from sale of property, plant and equipment		575	863
Acquisition and capitalization of intangible assets		(21,067)	(19,707)
Proceeds from sale of non-current assets		539	132
Purchase of investments in associate and capital contribution		(4,233)	-
Proceeds from sale of assets held for sale net of cash disposed		(3,533)	-
Interest paid		(676)	(553)
Interest received		1,458	2,193
Dividends received from investments in associates	10	106	137
Net cash used in investing activities		(80,005)	(53,142)
Cash flows provided by (used in) financing activities			
Purchase of Non-controlling interests in subsidiaries		(369)	-
Proceeds from exercise of share options		15,742	16,759
Purchase of Treasury shares (net)		(15,259)	(31,427)
Repayments of borrowings		(10,550)	(12,510)
Dividends paid to owners of the Company	27	(29,166)	(25,840)
Dividends paid to Non-controlling interests		-	(166)
Net cash used in financing activities		(39,602)	(53,184)
Net increase (decrease) in cash and bank overdrafts		(74,850)	(16,354)
Cash and bank overdrafts, beginning of period	14	363,040	330,069
Currency translation effect on cash and bank overdrafts		(3,627)	2,900
Cash and bank overdrafts, end of period	14	284,563	316,615

Index of Notes

Note 1	General information	31
Note 2	Basis of preparation	31
Note 3	Accounting policies.....	31
Note 4	Use of judgments and estimates	32
Note 5	Business combinations.....	32
Note 6	Segment information	33
Note 7	Financial risk management.....	37
Note 8	Property, plant and equipment	40
Note 9	Goodwill and intangible assets	41
Note 10	Investments in associate	42
Note 11	Assets held for sale	42
Note 12	Inventories.....	43
Note 13	Trade and other receivables.....	44
Note 14	Cash and cash equivalents	44
Note 15	Non-current provisions and other liabilities.....	45
Note 16	Trade and other payables	46
Note 17	Additional information on specific line items of the income statement.....	46
Note 18	Current provisions and other liabilities.....	46
Note 19	Share-based compensation plans.....	47
Note 20	Other income (expense), net.....	48
Note 21	Financial income (expense).....	49
Note 22	Income tax expense	49
Note 23	Earnings per share	50
Note 24	Commitments and contingencies	50
Note 25	Related parties	50
Note 26	Events after the balance sheet date	50
Note 27	Dividends.....	51
Note 28	Consolidated entities	51

Notes to the interim condensed consolidated financial statements

All amounts are stated in thousands of Euro, except per share amounts which are stated in Euro and unless otherwise stated.

Note 1 General information

Gemalto, the world leader in digital security, is at the heart of our evolving digital society. Billions of people worldwide increasingly want the freedom to communicate, travel, shop, bank, entertain, and work – anytime, everywhere, in ways that are convenient, enjoyable and secure. Gemalto delivers on their growing demands for personal mobile services, identity protection, payment security, authenticated online services, cloud computing access, modern transportation, eHealthcare and eGovernment services. Gemalto does this by providing secure software, a wide range of secure personal devices, transaction platforms and services to telecom operators, banks, retailers, enterprises and government agencies.

Gemalto is in particular the world leader for electronic passports and identity cards, two-factor authentication devices for online protection, smart credit/debit and contactless payment cards, as well as subscriber identification modules (SIM) and universal integrated circuit cards (UICC) for mobile phones. Also, in the emerging machine-to-machine applications, Gemalto is a leading supplier of wireless modules and machine identification modules (MIM). To operate these solutions and remotely manage the software and confidential data contained in the secure devices, Gemalto also provides server software for back office operations, operates public and private transactional platforms, and offers consulting, training, customization, installation, optimization, maintenance and managed services to help its customers achieve their goals.

The Company is a limited liability company incorporated and domiciled in the Netherlands and is listed in the stock exchange of Amsterdam which is its primary market, where it belongs to the main index, the AEX. The address of its registered office is Barbara Strozilaan 382, 1083 HN Amsterdam, the Netherlands. The Company's shares have been listed on Euronext Paris (Euronext NL0000400653) since 2004 and it belongs to the main index, the CAC40. These interim condensed consolidated financial statements for the six-month period ended June 30, 2013 have been authorized for issue by the Board on August 27, 2013.

The activity of Gemalto is subject to seasonal fluctuations, which may result in significant variations in its business and results from operations between the first and the second halves of the fiscal year. Therefore, the financial performance of the first half of 2013 reported in these interim condensed consolidated financial statements is not necessarily indicative of the results of Gemalto for the full year 2013.

Note 2 Basis of preparation

The interim condensed consolidated financial statements of Gemalto for the six-month period ended June 30, 2013 have been prepared in accordance with the provisions of IAS 34 *Interim Financial Reporting* of the International Financial Reporting Standards (IFRS). IFRS as adopted by the European Union are available at the following internet address: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2012.

Note 3 Accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2012 as described in the notes to the annual consolidated financial statements. The Group however, adopted the following amendment to existing standard.

The main new IFRS standards and amendments to existing standards, and IFRIC Interpretations adopted by the European Union and mandatory for 2013 are listed below (these standards do not have a material impact on Gemalto's financial statements):

Notes to the interim condensed consolidated financial statements

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Statements (Revised)
- IAS 28 Investments in Associates and Joint Ventures (Revised)
- IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets
- IFRS 7 Financial Instruments: Disclosures (Amended) – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRSs Improvements to IFRS (2009 – 2011)
- IFRS 10, IFRS 11, IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- IFRIC 20 Stripping costs in the production phase of a surface mine

Note 4 Use of judgments and estimates

The preparation of the interim condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities (including the classification of assets and liabilities as held for sale – see note 11), disclosure of contingent liabilities at the date of the consolidated interim financial statements, and the reported amounts of revenues and expenses (including the classification as restructuring and acquisition-related expenses) during the reporting period.

On an ongoing basis, Gemalto evaluates its estimates, including those related to doubtful accounts, valuation of investments and inventories, warranty obligations, recoverability of goodwill, intangible assets and property, plant and equipment, income tax provision and recoverability of deferred taxes, contingencies and litigations, and actuarial assumptions for employee benefit plans. Gemalto bases its estimates on historical experience and on various other assumptions that, in management's opinion, are reasonable under the circumstances. These results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

As of June 30, 2013, 87% of Gemalto's total benefit obligation and 86% of Gemalto's plan asset fair values were re-measured. The impact of not re-measuring other employee benefit obligations is considered as not material.

Note 5 Business combinations

Gemalto undertook a number of business combinations during the six month period ended June 30, 2013. The main acquisition concluded by Gemalto on that period was Avalon Biometrics, S.L., a leading provider of software solution for border management systems, Visa management systems and document verification systems. The considerations paid by the Group for all its business combinations of the period amounted to €19 million.

Intangible assets identified as part of the purchase price allocation

Gemalto management, assisted by independent qualified experts, provisionally identified and allocated the combination value to the assets acquired and liabilities and contingent liabilities assumed, including those not previously recognized by the acquired companies. Tax effects on the fair value of the intangible assets recognized amounted to €1.4 million.

Notes to the interim condensed consolidated financial statements

The following table summarizes the estimated fair value of the intangible assets acquired and their remaining useful life at the date of the acquisitions:

	2012 acquisitions		2013 acquisitions	
	Fair value	Remaining useful life	Fair value	Remaining useful life
in thousands of Euro				
Existing technologies	4,788	5 years	4,095	7 years
Customer relationships	2,758	5 years		

Note 6 Segment information

In accordance with IFRS 8 *Operating Segments*, the information by operating segment is derived from the business organization and activities of Gemalto.

Gemalto's activities are reported in four main segments: Mobile Communication, Machine-to-Machine, Secure Transactions and Security. In each of these segments, the Group sells a range of solutions comprising microprocessor-based devices powered by embedded secure software; back office server software; and services (including consulting, training, customization, installation, optimization, maintenance, operation of device management platforms, content distribution platforms, international roaming optimization platforms, of electronic ID enrollment and issuance systems, etc., and services aimed at individual personalization of each device) as well as intellectual property right licenses.

Mobile Communication customers are principally mobile network operators. Our solutions comprise SIM and UICC cards, client-server and back-office software, platforms and services including roaming optimization, mobile payment, mobile marketing, personal data management and trusted services management (TSM).

Machine-to-Machine customers include a broad range of industries such as utilities, health and automotive. The solutions comprise modules and software that connect machines in order to improve operations, productivity and efficiency in the 'internet of things', plus support and other services.

Secure Transactions customers are financial institutions, retailers and other card issuers, as well as mass transit authorities. The offer comprises chip card and contactless payment solutions and services, plus mobile financial solutions. The segment also sells subscriber authentication and rights management solutions to Pay TV service providers.

Security customers include government agencies and government service providers; and enterprises and other organizations, including banks, providing secure online services. The solutions comprise secure electronic identity documents, including ePassports and badges, strong multi-factor online authentication and transaction solutions, as well as a range of support services.

Revenue, gross and operating profit derived from the licensing of the Group's patent portfolio is reported into the segment 'Patents'.

To supplement the financial statements presented on an IFRS basis, and to better assess its past and future performance, the Group also prepares an additional income statement where the key metric used to understand, evaluate the business and take operating decisions over the period 2010 to 2013 is the Profit from operations. Profit from operations is a non-GAAP measure defined as IFRS operating profit adjusted for (i) the amortization and depreciation of intangibles resulting from acquisitions; (ii) the restructuring and acquisition-related expenses; and (iii) all equity-based compensation charges and associated costs (reported in the column 'Adjustments' within the tables below). This supplemental non-GAAP measure is used internally to understand, manage and evaluate business and take operating decisions. It is among the primary factors management uses in planning for and forecasting future periods, and compensation of executives is based in part on the performance of the business based on this non-GAAP measure.

For a better understanding of the year-on-year performance of the business, the adjusted income statement for Ongoing operations, as reported within the tables below, not only excludes the contribution from discontinued operation, but also

Notes to the interim condensed consolidated financial statements

the contributions from assets held for sale and from items not related to Ongoing operations reported in the column 'Reconciling items'.

The information reported for each operating segment is the same as reported and reviewed internally on a monthly basis in order to assess performance and allocate resources to the operating segments. Gemalto's operating segments have been determined based on these internal reports.

Financial income and expenses are not included in the result for each operating segment that is reviewed internally. Nor is asset or liability information on a segmented basis reviewed in order to assess performance and allocate resources. The information by operating segment reported in the tables below applies the same accounting policies as those used and described in these consolidated financial statements.

Notes to the interim condensed consolidated financial statements

	<i>Ongoing operations</i>					Adjusted financial information for ongoing operations	Reconciling items	Period ended June 30, 2013		
	Mobile communication	Machine-to-Machine	Secure Transactions	Security	Patents			Adjusted financial information	Adjustments ⁵	IFRS Financial information
Revenue	504,983	96,614	310,510	201,637	15,614	1,129,358	4,672	1,134,030	-	1,134,030
Cost of sales	(287,592)	(63,576)	(217,331)	(131,812)	(1,206)	(701,517)	(5,505)	(707,022)	(3,014)	(710,036)
Gross profit	217,391	33,038	93,179	69,825	14,408	427,841	(833)	427,008	(3,014)	423,994
Operating expenses										
Research and engineering	(34,436)	(7,260)	(10,953)	(12,021)	(6,074)	(70,744)	-	(70,744)	(3,126)	(73,870)
Sales and marketing	(75,704)	(12,077)	(39,122)	(31,952)	(64)	(158,919)	(353)	(159,272)	(1,956)	(161,228)
General and administrative	(37,300)	(5,464)	(13,143)	(8,676)	(136)	(64,719)	(143)	(64,862)	(4,963)	(69,825)
Gain on sale of assets held for sale	-	-	-	-	-	-	1,093	1,093	-	1,093
Other income (expense), net	557	22	(1,420)	(21)	(1,752)	(2,614)	(507)	(3,121)	-	(3,121)
Profit from operations	70,508	8,259	28,541	17,155	6,382	130,845	(743)	130,102		
Restructuring and acquisition-related expenses										(663)
Amortization and depreciation of intangibles resulting from acquisitions										(12,545)
Operating profit										103,835

⁵ The amounts reported in the column 'Adjustments' correspond to €13,059 share-based compensation charges and associated costs.

Notes to the interim condensed consolidated financial statements

	<i>Ongoing operations</i>					Adjusted financial information for ongoing operations	Reconciling items	Period ended June 30, 2012		
	Mobile communication	Machine-to-Machine	Secure Transactions	Security	Patents			Adjusted financial information	Adjustments ⁶	IFRS Financial information
Revenue	476,452	91,006	267,097	179,982	1,065	1,015,602	4,882	1,020,484	-	1,020,484
Cost of sales	(276,161)	(61,230)	(179,430)	(112,183)	(107)	(629,111)	(3,907)	(633,018)	(3,858)	(636,876)
Gross profit	200,291	29,776	87,667	67,799	958	386,491	975	387,466	(3,858)	383,608
Operating expenses										
Research and engineering	(29,392)	(8,123)	(10,897)	(10,475)	(5,591)	(64,478)	(2,343)	(66,821)	(2,042)	(68,863)
Sales and marketing	(67,720)	(11,148)	(35,145)	(29,368)	(57)	(143,438)	(1,204)	(144,642)	(9,068)	(153,710)
General and administrative	(35,889)	(5,924)	(12,875)	(8,812)	(157)	(63,657)	(90)	(63,747)	(9,963)	(73,710)
Other income (expense), net	2,142	10	(2,089)	18	2	83	30	113	-	113
Profit from operations	69,432	4,591	26,661	19,162	(4,845)	115,001	(2,632)	112,369		
Restructuring and acquisition-related expenses										(2,417)
Amortization and depreciation of intangibles resulting from acquisitions										(9,956)
Operating profit										75,065

⁶ The amounts reported in the column 'Adjustments' correspond to €24,931 share-based compensation charges and associated costs.

Notes to the interim condensed consolidated financial statements

The table below shows revenue and non-current assets (excluding goodwill) attributed to geographic areas, on the basis of the location of the customers and the location of the assets respectively:

	Six-month period ended June 30,	
	2013	2012
Revenue		
Europe, Middle East and Africa	557,462	520,198
Asia Pacific	231,736	193,495
North and South America excluding United States of America	185,986	191,614
United States of America	158,846	115,177
	1,134,030	1,020,484

	June 30,	December 31,
	2013	2012
Non-current assets excluding goodwill (net)		
France	252,733	240,454
Europe, Middle East and Africa excluding France and Germany	148,349	149,314
North and South America	88,189	83,356
Asia Pacific	85,604	84,091
Germany	75,507	75,786
	650,382	633,001

Note 7 Financial risk management

The company is exposed to a variety of financial risks, including foreign exchange risk, interest rate risk, liquidity risk, financial counterparty risk and credit risk.

Gemalto overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Gemalto has developed risk management guidelines that set forth its tolerance for risk and its overall risk management policies.

These interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at December 31, 2012.

Notes to the interim condensed consolidated financial statements

Financial assets/liability by category

In accordance with IFRS 7 provisions, financial assets and liabilities would be allocated as follows:

June 30, 2013	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total
Assets					
Available-for-sale financial assets, net	-	-	-	-	-
Other non-current assets	69,656	-	-	-	69,656
Trade and other receivables, net	700,464	-	-	-	700,464
Derivative financial instruments	-	-	28,157	-	28,157
Cash and cash equivalents	108,881	177,660	-	-	286,541
Total	879,001	177,660	28,157	-	1,084,818
Liabilities					
Borrowings			-	9,113	9,113
Derivative financial instruments			2,959	-	2,959
Total			2,959	9,113	12,072

December 31, 2012	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available- for-sale	Total
Assets					
Available-for-sale financial assets, net	-	-	-	-	-
Other non-current assets	48,883	-	-	-	48,883
Trade and other receivables, net	652,752	-	-	-	652,752
Derivative financial instruments	-	-	33,630	-	33,630
Cash and cash equivalents	130,320	228,290	-	-	358,610
Total	831,955	228,290	33,630	-	1,093,875
Liabilities					
Borrowings			-	10,238	10,238
Derivative financial instruments			5,080	-	5,080
Total			5,080	10,238	15,318

Notes to the interim condensed consolidated financial statements

Estimation of derivative financial instrument fair value

The fair value of financial instruments traded in active markets, such as investment funds, is based on quoted market prices at the balance sheet date. A market is regarded as active, if quoted prices are readily and regularly available from a foreign exchange dealer, broker, industry group, pricing service, or regulatory agency. Those prices represent actual and regularly occurring market transactions on an arm's-length basis. These instruments are included in Level 1 of the fair value hierarchy.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques requiring financial inputs observable on the markets. The fair value of derivative financial instruments is calculated at inception and over the life of the derivative. These instruments are classified in Level 2 of the fair value hierarchy.

As at June 30, 2013, we have no available-for-sale financial assets which fair value would be based on a valuation model using assumptions neither supported by prices from observable current transactions nor on available market data. We have consequently no items classified in the Level 3 of the fair value hierarchy.

The following tables present the Group's assets and liabilities that were measured at fair value as at December 31, 2012 and June 30, 2013:

June 30, 2013	Level 1	Level 2	Level 3	Total balance
Assets				
Derivatives used for hedging	-	28,157	-	28,157
Short term bank deposits and investment funds	177,660	-	-	177,660
Available-for-sale financial assets	-	-	-	-
Total Assets	177,660	28,157	-	205,817
Liabilities				
Derivatives used for hedging	-	2,959	-	2,959
Total Liabilities	-	2,959	-	2,959

December 31, 2012	Level 1	Level 2	Level 3	Total balance
Assets				
Derivatives used for hedging	-	33,630	-	33,630
Short term bank deposits and investment funds	228,290	-	-	228,290
Available-for-sale financial assets	-	-	-	-
Total Assets	228,290	33,630	-	261,920
Liabilities				
Derivatives used for hedging	-	5,080	-	5,080
Total Liabilities	-	5,080	-	5,080

Notes to the interim condensed consolidated financial statements

The fair value of the Company's financial instruments is recorded either in current or non-current assets and liabilities as 'Derivative Financial Instruments' and detailed as follows:

Foreign exchange derivative financial instrument fair values by currency

	30-Jun-13					31-Dec-12				
	USD	GBP	JPY	SGD	Other	USD	GBP	JPY	SGD	Other
Cash flow hedges										
Forward contracts	12,791	2,510	11,125	(1,281)	219	17,323	(587)	8,863	182	1,462
Option contracts	(943)				-	(1,100)		120		
Fair value hedges										
Forward contracts	401	(6)	(122)	21	425	1,425	43	705	(28)	297
Disqualified hedges										
Forward contracts					58					(155)
	12,249	2,504	11,003	(1,260)	702	17,648	(544)	9,688	154	1,604

As at June 30, 2013, the total mark-to-market valuation of Gemalto open foreign exchange derivatives is €25.2 million (€28.6 million as at December 31, 2012). The decrease in the positive fair value of our foreign exchange derivatives mainly reflects the strengthening of the EUR against the USD observed over the first semester 2013.

Note 8 Property, plant and equipment

Property, plant and equipment consist of the following:

	Property, plant and equipment
Net book value as at January 1, 2013	237,444
Acquisition of subsidiary and business	929
Additions	37,544
Disposals	(828)
Reclassification to assets held for sale	468
Depreciation charge	(28,064)
Currency translation adjustment	(2,038)
Net book value as at June 30, 2013	245,455
Net book value as at January 1, 2012	222,892
Acquisition of subsidiary and business	974
Additions	29,591
Disposals	(1,519)
Reclassification to assets held for sale	(4,920)
Depreciation charge	(24,369)
Currency translation adjustment	1,712
Net book value as at June 30, 2012	224,361

Notes to the interim condensed consolidated financial statements

Note 9 Goodwill and intangible assets

Goodwill and intangible assets (net) consist of the following:

	Goodwill	Intangible assets
Net book value as at January 1, 2013	852,240	198,660
Acquisition of subsidiary and business	4,256	11,684
Additions	-	22,671
Write-offs	-	(383)
Amortization charge	-	(26,430)
Currency translation adjustment	(1,609)	(969)
Net book value as at June 30, 2013	854,887	205,233
Net book value as at January 1, 2012	812,959	159,223
Additions	-	31,427
Acquisition of subsidiary and business	12,100	2,799
Reclassification to assets held for sale	(4,000)	(2,644)
Amortization charge	-	(18,971)
Currency translation adjustment	3,194	528
Net book value as at June 30, 2012	824,253	172,362

Goodwill arising from the business combinations for the period ended June 30, 2013 was provisionally allocated. As a result, Goodwill may be subject to changes during the course of the purchase price allocation period.

The additions of intangibles assets for the period mainly consist of capitalization of development costs and licensing rights to use and distribute licensed technology for €15,746 (€15,757 as at June 30, 2012) and €3,050 (€11,719 as at June 30, 2012) respectively.

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value in use calculations derived from a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were discussed in the annual financial statements for the year ended December 31, 2012. As at June 30, 2013, there were no indications of goodwill impairment.

Notes to the interim condensed consolidated financial statements

Note 10 Investments in associate

Changes in investments in associate consist of the following:

	June 30, 2013	June 30, 2012
Investments in associates as of beginning of period	25,697	13,783
Increase in investments in associates	3,712	-
Dividends paid by associates	(106)	(137)
Share of profit of associates	(2,002)	1,183
Reclassification to assets held for sale	-	(1,586)
Currency translation adjustment	(100)	106
Investments in associates as of end of period	27,201	13,349

Note 11 Assets held for sale

End of June 2013, Gemalto concluded the sale of most of its non strategic assets classified as held for sale, the consideration has been cashed in end of July 2013.

Assets held for sale

	June 30, 2013	December 31, 2012
Assets held for sale as of beginning of period	13,210	1,711
Additions	3,107	23,422
Reassessment to fair value	(130)	(1,571)
Disposals	(15,198)	(10,208)
Currency translation adjustment	274	(144)
Assets held for sale as of end of period	1,263	13,210

Liabilities held for sale as of beginning of period	977	-
Additions	7,404	7,698
Disposals	(8,402)	(6,709)
Currency translation adjustment	21	(12)
Liabilities held for sale as of end of period	-	977

Notes to the interim condensed consolidated financial statements

	Period ended June 30, 2013
Net assets disposed of	6,796
Cancellation of related Non-Controlling Interest	(3,330)
Total Gemalto share in the net assets disposed off	3,466
Consideration to be received as at June 30, 2013	4,736
Gain on sale of assets held for sale	1,270

The currency translation adjustment reserve, related to the assets disposed off on the period has been recognized in the line item, other financial income (expense), net, for €1.5 million.

Note 12 Inventories

Inventories consist of the following:

	June 30, 2013	December 31, 2012
Gross book value		
Raw materials and spares	62,978	50,895
Work in progress	107,255	106,001
Finished goods	46,066	43,138
Total	216,299	200,034
Obsolescence reserve		
Raw materials and spares	(5,077)	(5,065)
Work in progress	(5,791)	(6,594)
Finished goods	(2,466)	(2,840)
Total	(13,334)	(14,499)
Net book value	202,965	185,535

Notes to the interim condensed consolidated financial statements

Note 13 Trade and other receivables

Trade and other receivables consist of the following:

	June 30, 2013	December 31, 2012
Trade receivables	466,930	478,279
Provision for impairment of receivables	(9,919)	(10,537)
Trade receivables, net	457,011	467,742
Prepaid expenses	23,502	23,654
VAT recoverable and tax receivable	67,686	64,282
Advances to suppliers and related	11,429	9,902
Unbilled customers	122,402	60,002
Other	18,434	27,170
Total	700,464	652,752

The company's broad geographic and customer distribution spreads the concentration of credit risk. No single customer accounted for more than 10% of the company's sales on the six-month period ended June 30, 2013. An allowance for uncollectible accounts receivable is maintained based on expected collectibility. The expected collectibility of accounts receivable is assessed periodically and when events lead to believe that collectibility is uncertain. Additionally, the company performs ongoing credit evaluations of customer's financial position. As at June 30, 2013, trade receivables of €116,784 (December 31, 2012: €116,558) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and whose credit rating is regularly assessed.

Note 14 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	June 30, 2013	December 31, 2012
Cash at bank and in hand	108,881	130,320
Short-term bank deposits and investment funds	177,660	228,290
Total	286,541	358,610

The amount of cash and bank overdrafts shown in the cash flow statement consist of the following:

	June 30, 2013	December 31, 2012
Cash and cash equivalents	286,541	358,610
Cash and cash equivalents classified as assets held for sale	-	4,578
Banks overdrafts	(1,978)	(148)
Total	284,563	363,040

Notes to the interim condensed consolidated financial statements

Note 15 Non-current provisions and other liabilities

Non-current provisions and other liabilities consist of the following:

	June 30, 2013	December 31, 2012
Non-current provisions	34,536	52,076
Other non-current liabilities	22,036	32,363
Total	56,572	84,439
Management compensation	9,220	9,138
Government grants	2,918	3,100
Long term payables ⁷	9,898	20,125
Total other non-current liabilities	22,036	32,363

	Warranty non- current	Restructuring & Reorganization	Litigation	Tax claims	Prov. for other risks	Total
As at January 1, 2013	7,671	-	9,745	30,138	4,522	52,076
Additional provisions	1,152	-	2,993	74	1,714	5,933
Unused amount reversed	(430)	-	(1,958)	(1,409)	-	(3,797)
Used during the period	-	-	(46)	(14,166)	(212)	(14,424)
Reclassifications	(462)	-	(5,000)	(121)	-	(5,583)
Currency translation adjustment	3	-	(26)	499	(145)	331
As at June 30, 2013	7,934	-	5,708	15,015	5,879	34,536

	Warranty non- current	Restructuring & Reorganization	Litigation	Tax claims	Prov. for other risks	Total
As at January 1, 2012	7,050	354	8,235	23,254	4,460	43,353
Additional provisions	1,187	-	20	242	506	1,955
Unused amount reversed	(397)	(78)	(35)	(715)	(218)	(1,443)
Used during the period	(39)	-	(709)	(18)	(7)	(773)
Reclassifications	(208)	-	-	-	(271)	(479)
Currency translation adjustment	24	12	(20)	340	136	492
As at June 30, 2012	7,617	288	7,491	23,103	4,606	43,105

⁷ The carrying value of long term payables is assessed to be equivalent to their fair value.

Notes to the interim condensed consolidated financial statements

Note 16 Trade and other payables

	June 30, 2013	December 31, 2012
Trade payables	233,606	207,600
Employee related payables	139,001	165,986
Accrued expenses	71,645	78,993
Accrued VAT	22,680	31,633
Deferred revenue	57,109	51,406
Other	2,239	3,783
Total trade and other payables	526,280	539,401

Note 17 Additional information on specific line items of the income statement

The Group reported 'Restructuring and acquisition-related expenses' for €663 as at June 30, 2013 (€2,417 in 2012), which are detailed as follows:

	Six-month period ended June 30,	
	2013	2012
Transaction costs on acquisition	507	378
Severance and associated costs	(327)	145
Write-offs and impairments	512	530
Other costs (income)	(29)	1,364
Total	663	2,417

Note 18 Current provisions and other liabilities

	June 30, 2013	December 31, 2012
Warranty - current	2,827	3,482
Provision for loss on contracts	1,347	293
Restructuring and reorganization	882	978
Other	11,351	2,237
Total current provisions	16,407	6,990

Notes to the interim condensed consolidated financial statements

Variation analysis of the current provisions is as follows:

	Warranty - current	Provision for loss on contracts	Restructuring & Reorganization	Other	Total
As at January 1, 2013	3,482	293	978	2,237	6,990
Additional provisions	411	1,325	140	3,682	5,558
Acquisition of a subsidiary	-	-	-	(111)	(111)
Unused amount reversed	(107)	-	(98)	(169)	(374)
Used during the year	(431)	(271)	(135)	(219)	(1,056)
Reclassifications	(533)	-	-	5,996	5,463
Currency translation adjustment	5	-	(3)	(65)	(63)
As at June 30, 2013	2,827	1,347	882	11,351	16,407

	Warranty - current	Provision for loss on contracts	Restructuring & Reorganization	Other	Total
As at January 1, 2012	2,809	106	5,090	2,078	10,083
Additional provisions	1,547	(35)	544	452	2,508
Unused amount reversed	(637)	(29)	(142)	(113)	(921)
Used during the year	(389)	(2)	(2,433)	(1,077)	(3,901)
Reclassifications	208	-	-	271	479
Currency translation adjustment	25	-	48	23	96
As at June 30, 2012	3,563	40	3,107	1,634	8,344

Note 19 Share-based compensation plans

The following table summarizes the main characteristics of the new Restricted Share Unit (RSU) plan granted by the Board of Gemalto N.V. in 2013.

RSU Granted	Grant Date	Vesting schedule and conditions	RSU Vested	Valuation assumptions used amounts in euro
954,500	May-13	Vesting conditions are both performance and service based. RSU will vest if Group PFO reaches a cumulative target value for the years 2013 - 2015 and the employee is employed by the company as at December 31, 2015. Depending on performance, the maximum number of RSUs to be delivered may be 954,500.	none	Share price of €62.69 Risk free rate from Year 1 to Year 5 being 0.51% to 1.70% Share price discount of €1.68 per share.

Notes to the interim condensed consolidated financial statements

In the income statement for the six-month period ended June 30, 2013 and 2012, the compensation expense corresponding to the amortization of the fair value of all the outstanding share options and restricted share units was recorded as follows:

	Six-month period ended June 30,	
	2013	2012
Cost of sales	2,992	2,958
Research and engineering	3,023	1,658
Sales and marketing	1,933	7,984
General and administrative	3,861	8,414
Total	11,809	21,014

Note 20 Other income (expense), net

	Six-month period ended June 30,	
	2013	2012
Fixed assets write-offs and net gains/losses on sales	321	280
Compensation to/from customers and suppliers, net	(2,228)	(1,132)
Other	(1,214)	965
Total	(3,121)	113

Notes to the interim condensed consolidated financial statements

Note 21 Financial income (expense)

	Six-month period ended June 30,	
	2013	2012
Interest expense	(1,930)	(1,730)
Interest income	1,476	1,832
Foreign exchange transaction gains (losses):		
– Foreign exchange gains (losses), including derivative instruments not designated as cash flow hedges	(3,304)	(3,983)
– Ineffective part of derivative instruments Cash flow hedges (hedging)	(1,024)	851
Other financial income (expense), net	1,680	(2,996)
Financial income (expense), net	(3,102)	(6,026)

Note 22 Income tax expense

	Six-month period ended June 30,	
	2013	2012
Income tax expense	(19,094)	(11,925)
(Addition to)/release of unused income tax provisions	1,387	491
Total income tax expense, at the expected rate for the full financial year	(17,707)	(11,434)

The income tax expense recognized is based on management's best estimate of expected tax rate for the full financial year. The average annual income tax rate for the year 2013 is estimated at 17.9%.

Notes to the interim condensed consolidated financial statements

Note 23 Earnings per share

	Six-month period ended June 30,	
	2013	2012
Profit attributable to Owners of the Company	81,738	58,772
Weighted average number of ordinary shares – basic (in thousands)	85,165	83,189
Effect of dilution from share options (in thousands)	1,883	3,911
Weighted average number of ordinary shares – diluted (in thousands)	87,048	87,100
Basic earnings per share	0.96	0.71
Diluted earnings per share	0.94	0.67

The Company presents both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated according to the Treasury Stock method by dividing net income by the average number of common shares outstanding assuming dilution. Dilution is determined assuming that all share-based compensation instruments, which are in the money, are exercised at the beginning of the period and the proceeds used, by the Company, to purchase shares at the average market price for the period.

Note 24 Commitments and contingencies

Legal proceedings

The Company is subject to legal proceedings, claims and legal actions arising in the ordinary course of business. The Company's management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Note 25 Related parties

For a description of Gemalto's transactions with related parties, reference is made to note 31 to the consolidated financial statements as at December 31, 2012.

Transactions with related parties are conducted, in the ordinary course of business, on terms comparable to transactions with third parties. In the first six months of 2013, there have been no related party transactions that have materially affected the Group's financial position or performance.

Note 26 Events after the balance sheet date

To the best of management's knowledge, there is no significant event that occurred since June 30, 2013, which would materially impact the interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

Note 27 Dividends

Amounts in this note are stated in Euro.

The AGM of May 23, 2013 has approved the distribution of a €29,166,258 dividend in respect of the financial year 2012. This represents a dividend of €0.34 per share.

Note 28 Consolidated entities

The main changes in consolidated entities for the six-month period ended June 30, 2013 were as follows:

Entities acquired or created

<u>Country of incorporation</u>	<u>Company name</u>	<u>Percentage of group voting rights</u>	<u>Percentage of ownership</u>
Philippines	Gemalto Technologies Inc.	100%	100%
Spain	Avalon Biometrics S.L.U	100%	100%

Entities sold or dissolved

<u>Country of incorporation</u>	<u>Company name</u>	<u>Percentage of group voting rights</u>	<u>Percentage of ownership</u>
Canada	Cinterion Wireless Modules Canada Inc.	100%	100%
China	Gemplus (Tianjin) New Technologies Co., Ltd	100%	100%
China	Tianjin Gemplus Smart Cards Co., Ltd	51%	51%
France	CP8 Technologies S.A.	100%	100%
France	SLP S.A.S.	100%	100%
Ireland	Celocom Ltd	100%	100%
Singapore	Gemplus Asia Pacific Pte. Ltd	100%	100%

Management statement

Management statement

The Company Management hereby declares that to the best of its knowledge:

- the interim condensed consolidated financial statements prepared in accordance with IAS 34, “*Interim Financial Reporting*”, give a true and fair view of the assets, liabilities, financial position and profit or loss of Gemalto and the undertakings included in the consolidation as a whole; and
- the half year management report includes a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

Amsterdam, August 27, 2013

Mr. Olivier Piou
Chief Executive Officer

Mr. Jacques Tierny
Chief Financial Officer