

## Gemalto full year 2013 results

- **Double-digit expansion in profit from operations and revenue, at €348 million and €2,384 million respectively, delivering a 14.6% operational margin**
- **Platforms & Services revenue up +21% and Embedded software & Products revenue up +8%**
- **Free cash flow generation accelerated over the year with €163 million in the second semester**
- **Dividend increase to 38 cents per share will be proposed to the General Meeting of shareholders**

To better assess past and future performance, the income statement is presented on an adjusted basis and revenue figures above and in this document are for ongoing operations, with variations at constant exchange rates except where otherwise noted (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. Appendix 1 provides synthesis information for ongoing and total operations, and 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.

**Amsterdam, March 6, 2014** - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the full year 2013.

### *Key figures of the adjusted income statement*

Ongoing operations (€ in millions)	Full year 2013	Full year 2012	Year-on-year variations	
			at historical exchange rates	at constant exchange rates
Revenue	<b>2,384</b>	2,236	+7%	+11%
Gross profit	<b>937</b>	862	+9%	
Operating expenses	<b>(589)</b>	(557)	+6%	
Profit from operations	<b>348</b>	305	+14%	
Profit margin	<b>14.6%</b>	13.6%	+1.0 ppt	

**Olivier Piou, Chief Executive Officer, commented:** "Gemalto closed its 2010-2013 development plan with €348 million in profit from operations, surpassing the plan's profit expansion objective by close to 40%. Excellent operational performance with our customers and tight cost control offset the adverse currency effects. The growth drivers in our markets remain in place and we have good momentum entering our new 2014-2017 development plan, having laid the foundations for a steady progression toward our long-term objectives."

## Basis of preparation of financial information

In this press release, the information for the full year 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 consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

As required by IFRS 8 Operating segments, the Group reports the performance of its operating segments using the same metric that is internally reported to the Chief Operating Decision Maker for the purpose of making decisions about allocating resources to the segments and assessing their performance. This key metric used to evaluate the business and make operating decisions over the period 2010-2013 and 2014-2017 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 restricted share units granted by the Board of Directors to employees, and the 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 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.

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 year 2013 and 2012, reported figures for ongoing operations only differ from figures for all operations by the contribution from non-strategic assets held for sale including the gain recognized upon sale of some of these assets.

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 consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. 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.

The IFRS operating profit (EBIT) for the Company for the full year 2013 was €282 million, up by +18% compared to €239 million recorded in the previous year.

Restructuring and acquisition-related expenses fell to €3 million versus €8 million for 2012. Amortization and depreciation of intangibles resulting from acquisitions increased to €27 million from €21 million due to the full year impact of acquisitions closed in the latter part of 2012. Equity-based compensation charges for 2013 reduced to €35 million from the €39 million incurred in 2012.

Profit for the period in 2013 was €258 million, up by +29% compared to €201 million in 2012. Of the €57 million incremental profit, €20 million relates to a non-recurring contribution mostly generated by the recognition of a gain linked to the capital restructuring and initial public offering in Hong Kong of a minority affiliate. Excluding the effect of this contribution, profit for the period increased by +19% on 2012.

As a result, basic earnings per share were €3.01 and diluted earnings per share were €2.92 in 2013 compared to €2.41 and €2.31 in 2012, increases of +25% and +26% respectively.

### Adjusted financial information for all operations

In this section, 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:

- for 2012, the contribution from non-strategic assets and from the assets that were contributed to the joint venture TruStonic Ltd, in November 30, 2012.
- for 2013 the contribution from non-strategic assets, that were disposed of in June 2013.

Extract of the adjusted income statement for all operations	Full year 2013		Full year 2012		Year-on-year variation at historical exchange rates	Year-on-year variation at constant exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue		
Revenue	2,388.6		2,245.5		+6%	+10%
Gross profit	936.2	39.2%	864.4	38.5%	+0.7 ppt	
Operating expenses	(588.8)	(24.7%)	(558.1)	(24.9%)	+0.2 ppt	
EBITDA	434.8	18.2%	381.3	17.0%	+1.2 ppt	
Profit from operations	347.4	14.5%	306.3	13.6%	+0.9 ppt	
Net profit	315.5	13.2%	261.6	11.7%	+1.6 ppt	
Basic Earnings per share (€)	3.68		3.14		+17%	
Diluted Earnings per share (€)	3.57		3.00		+19%	

Revenue for all operations of the company reached €2.39 billion, up by +10% at constant exchange rates and by +6% at historical rates. All business segments contributed positively to growth with an especially strong improvement in Secure Transactions, which represented half of the yearly revenue increase. All regions increased their revenue, with a particularly strong performance in the Americas and Asia. Since the beginning of the 2010-2013 long-term development plan, revenue for all operations of the Company increased by €735 million (€1,654 in 2009), or +44%.

Across all segments, Platforms & Services activities grew by +21%, to account for revenue of €462 million in 2013, generating 36% of the total Company growth and further increasing their share of the Company's revenue. Contributions from both the Mobile sector (subscriber services, trust infrastructure) and Payment & Identity sector (payment platforms, government projects, and authentication services) were similar in proportion.

Gross profit for the Company was up +8%, or €72 million to €936 million, expanding in all segments. This represents a gross margin of 39.2%, higher by +0.7 percentage points compared to 2012. This gross margin improvement came from a better product mix in the Mobile Communication and Machine-to-Machine segments. Improvement in these two segments more than offset both the temporary impact of startup costs for new operations for Secure Transactions and Security that occurred during the first semester and the additional resources expended by Gemalto service delivery teams on the high contract backlog in Platforms & Services.

The increase in operating expenses was +5% with the year-on-year expansion occurring during the first semester. As anticipated, the step-up in investments in operations put in place in the second half of 2012 caused the strong semester-on-semester profit seasonality observed in 2013.

Other income was a charge of (€2) million in 2013 compared to a positive non-recurring contribution of +€9 million in 2012, hence slightly reducing the year-on-year expansion in profit from operations, which came in at €347 million, up +13% on the previous year. All segments contributed significantly to the profit increase, except Security that incurred additional costs in 2013 related to major capacity upgrades. Profit margin from operations for all operations of the Company hence reached 14.5% of revenue, adding +0.9 percentage points on 2012's figure and delivering progress in line with the expected annual gains needed to reach the new long-term objective of €600 million profit from operations in 2017.

Financial income was a charge of €7 million for the year. Net interest income was a charge of €1 million and the foreign exchange transactions and hedging instruments re-evaluation at year-end generated a charge of €11 million. Remaining income mainly came from cumulative translation adjustments recorded upon the sale or liquidation of held-for-sale non-strategic entities.

Share of profit of associates came in at €18 million essentially due to a non-recurring profit relating to associates, mostly generated by the recognition of a gain linked to capital restructuring and IPO of a minority affiliate.

Consequently, adjusted profit before income tax increased by +21%, to €358 million.

Income tax expense was €43 million, resulting in an effective tax rate stable compared to last year and lower than anticipated as a result of the one-off recognition in 2013 of additional deferred tax assets and of a tax credit related to 2012 activities.

As a result, adjusted net profit of the Company for all operations was €315 million in 2013, a +21% increase when compared to €262 million in 2012, and the adjusted net profit margin increased to 13.2%.

Basic adjusted earnings per share for all operations came in at €3.68, up +17%, and fully diluted adjusted earnings per share for all operations settled at €3.57, up +19%.

## Statement of financial position and cash position variation schedule

For the full year 2013, Gemalto generated a cash flow from operating activities before changes in working capital of €332 million compared to €311 million in 2012. Changes in working capital decreased cash flow by (€76) million compared to (€18) million in 2012. The change, which entirely occurred during the first semester, is primarily due to the longer cash collection cycle associated with specific businesses in Asia.

Capital expenditures and acquisition of intangibles amounted to €103 million, or 4.3% of revenue and down from last year's figure of €125 million. Purchases of property, plant, and equipment represented €62 million, versus €68 million in 2012, as investments were made in personalization centers and other facilities to support future growth in the Payment & Identity sector. Capitalized development costs decreased in 2013 to €27 million from €36 million in 2012. Total acquisition and capitalization of intangible assets amounted to €41 million, or 1.7% of sales, down from €57 million in 2012.

Due to the strong variation in working capital observed for the first part of the year, cash conversion demonstrated significant seasonality in 2013, with a positive free cash flow for the full year 2013 of +€152 million composed of a free cash inflow for the second semester of +€163 million and a (€12) million outflow for the first semester relating to rapidly growing businesses in Asia.

Net cash flow from financial income elements was €1 million, corresponding to interest received net. The net impact from investing activities related to acquisitions was €30 million in 2013 down from €73 million in 2012. This consideration corresponds to cash payments made for business combinations completed during the year.

Gemalto's share buy-back program used €23 million in cash in 2013 for the purchase of 336,163 shares, net of the liquidity program. As at December 31, 2013, the Company held 1,743,212 of its own shares in treasury, representing 1.98% of its issued and paid up share capital. The total number of shares issued and paid up remained unchanged during 2013 compared to the end of 2012 at 88,015,844 shares. Net of the 1,743,212 shares held in treasury, 86,272,632 shares were outstanding as at December 31, 2013. The average acquisition price of the shares repurchased on the market as part of the Company's buy-back program and held in treasury as at December 31, 2013 was €50.46.

On May 31, 2013, Gemalto paid a cash dividend of €0.34 per share in respect to the fiscal year 2012. This distribution used €29 million in cash compared to €26 million distributed in 2012, an increase of +13%. Other financing activities generated €19 million, including €32 million received from employees from the exercise of share options and €11 million remitted for the repayment of borrowings.

Consequently, Gemalto's cash and cash equivalents as at December 31, 2013 were €456 million. Current and non-current borrowings reduced to €7 million from €10 million in 2012, resulting in a net cash position of €449 million, an increase of +€97 million when compared to December 31, 2012.

For the year 2013, plant, property and equipment assets net book value was stable compared to 2012, at €237 million. Total assets grew by +8% or +€204 million to €2,919 million as at December 31, 2013, compared to €2,715 million as at December 31, 2012, due to the increase of current assets, balanced between trade receivables and cash in relation to the Company's increased business activities.

Shareholders' equity increased by +11%, or +€221 million, to €2,153 million as at December 31, 2013 compared to €1,932 million as at December 31, 2012. The increase was mainly the result of the positive net profit generation, partly offset by the 2012 dividend distribution.

## Segment information

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

<b>Full year 2013</b> Revenue contributions by sector (€ in millions, ongoing operations)	<b>Mobile<sup>1</sup></b>	<b>Payment<sup>2</sup> &amp; Identity</b>	Total four main segments
Revenue	1,292	1,076	2,368
As a percentage of total revenue	54%	45%	99%
Year-on-year variations at constant exchange rates	+5%	+16%	+10%
As a percentage of total revenue growth at constant exchange rates	28%	66%	94%

<b>Full year 2013</b> Revenue contributions by activity (€ in millions, ongoing operations)	<b>Embedded software &amp; Products</b>	<b>Platforms &amp; Services</b>	Total four main segments
Revenue	1,905	462	2,368
As a percentage of total revenue	80%	19%	99%
Year-on-year variations at constant exchange rates	+8%	+21%	+10%
As a percentage of total revenue growth at constant exchange rates	59%	35%	94%

In 2013, revenue for ongoing operations, including the four main segments and the Patents activity, came in at €2,384 million, growing +11% on the previous year at constant exchange rates. The Mobile sector grew by +5% and contributed to 28% of total Company growth. The Payment & Identity sector, backed by the outstanding performance in Secure Transactions, generated 66% of total Company growth.

Business development across activities showed a strong performance in Embedded software & Products compared to the expected trend of the new multi-year development plan, with +8% in 2013 - slightly above the mid-single digit compound annual growth rate (CAGR) expected for the new plan - and a very solid performance in Platforms & Services, with +21% in 2013, in line with the low twenties CAGR anticipated in the new plan.

From a geographical perspective, the Americas and Asia-Pacific surpassed Europe-Middle-East-Africa in terms of absolute contribution to total growth, accounting for 46%, 34% and 20% of total Company revenue expansion respectively. The United States of America was the largest revenue generating country, with €361 million, or 15% of Gemalto's total revenue, up from €270 million and 12% of total Company revenue in 2012.

<sup>1</sup> "Mobile" includes the Mobile Communication and Machine-to-Machine segments

<sup>2</sup> "Payment & Identity" includes the Secure Transactions and Security segments

Year-on-year variations and currencies impact (€ in millions)	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Total four main segments	Patents	Total ongoing operations
<b>Fourth quarter</b>							
Revenue	300	55	188	116	<b>658</b>	1	<b>659</b>
at constant rates	(4%)	+6%	+27%	+13%	<b>+7%</b>	n.m.	<b>+7%</b>
at historical rates	(9%)	+2%	+21%	+9%	<b>+2%</b>	n.m.	<b>+2%</b>
<b>Second semester</b>							
Revenue	586	104	349	214	<b>1,254</b>	1	<b>1,255</b>
at constant rates	+2%	+7%	+23%	+9%	<b>+9%</b>	n.m.	<b>+9%</b>
at historical rates	(4%)	+2%	+16%	+5%	<b>+3%</b>	n.m.	<b>+3%</b>
Profit from operations	135	14	48	24	<b>220</b>	(3)	<b>217</b>
at historical rates	+9%	+46%	+34%	(9%)	<b>+13%</b>	n.m.	<b>+14%</b>
<b>Full year</b>							
Revenue	1,091	200	660	416	<b>2,368</b>	16	<b>2,384</b>
at constant rates	+5%	+7%	+20%	+11%	<b>+10%</b>	n.m.	<b>+11%</b>
at historical rates	+0%	+4%	+16%	+8%	<b>+6%</b>	n.m.	<b>+7%</b>
Profit from operations	205	22	77	41	<b>345</b>	3	<b>348</b>
at historical rates	+6%	+57%	+23%	(9%)	<b>+10%</b>	n.m.	<b>+14%</b>

In 2013, variations in major currency exchange rates against the Euro created a meaningful adverse translation effect, lowering recorded revenue figures for the full year by (4) percentage points. Most impactful currency variations, in terms of absolute value impact to the Company, were recorded on the US Dollar, Japanese Yen, and Brazilian Real. Growth at constant exchange rates was +11% and +7% at historical exchange rates. This negative impact was particularly important in the second part of the year, as revenue variations observed at historical exchange rates were (6) percentage points lower than variations at constant exchange rates in the second semester.

Profit from operations came in at €348 million, up +14% on the previous year. Since the beginning of the 2010-2013 long-term development plan, profit from operations increased by +€178 million, 37% more than the €130 million increase initially targeted to reach the Company's €300 million objective in 2013. Cash-flow hedging progressively put in place during the plan mitigated a large part of the adverse impact of currencies variations on profit from operations, reducing the negative impact recorded for the full year 2013 to (€8) million.

Over the fourth quarter of 2013, total revenue increased by +7% at constant exchange rates. Year-on-year variations showed different evolutions among segments. In particular, Secure Transactions recorded an outstanding +27% growth, capturing substantial business in Asia, and Mobile Communication's revenue for the fourth quarter was adversely affected by a negative one-off (€8) million net impact from the change in revenue recognition in its Netsize/IPX consolidated entities. In the second semester, all segments contributed to the +9% revenue expansion at constant exchange rates. And for the full year, all segments grew at rates between mid single-digit and low-twenty percent at constant exchange rates.

## Mobile Communication

	Full year 2013		Full year 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	<b>1,091.3</b>		1,089.6		+0%	+5%
Gross profit	<b>496.6</b>	<b>45.5%</b>	471.0	43.2%	+2.3 ppt	
Operating expenses	<b>(291.1)</b>	<b>(26.7%)</b>	(277.7)	(25.5%)	(1.2 ppt)	
Profit from operations	<b>205.5</b>	<b>18.8%</b>	193.3	17.7%	+1.1 ppt	

Mobile Communication recorded annual revenue of €1.09 billion, up +5% at constant exchange rates, posting another solid performance on top of the +10% year-on-year expansion recorded the previous year. Both Embedded software & Products and Platforms & Services activities contributed to revenue growth.

In Embedded software & Products (E&P), deployment of LTE and multi-tenant secure elements drove mix improvement. Revenue grew by +1% after the +6% increase recorded in 2012. The revenue decrease in entry-range Qipso prepaid 2G products lowered the growth of this E&P activity by 3 percentage points, as the Company intentionally limited its market presence in this segment particularly affected by a strong market contraction in India. At the other end of the product portfolio, the increasing penetration of LTE networks and the roll-outs of multi-tenant SIM cards designed to secure third-party mobile services drove a strong sales increase of the Company's UpTeq high-end products.

Platforms & Services (P&S) grew by +19% year-on-year on the back of the continuing deployment of LTE subscription management platforms, trust infrastructure, and other remote management services. In the fourth quarter, a lower growth in this activity was observed, resulting from a change in the revenue accounting methodology in the Netsize/IPX consolidated entity, which reduced Platforms & Services and the total segment revenue by (€8) million net. Activity remained intense throughout the entire year with the ongoing deployment phase of secure mobile services and the number of signed contracts covering Trusted Service Management services and Gemalto Mobile Payment Platforms increased faster than the number of contracts delivered, maintaining a solid delivery pipeline.

Gross margin improved by +2.3 percentage points to 46%, supported by the improved product mix and despite the extensive system integration work engaged in the P&S activity to deploy large-scale high-availability service platforms.

Operating expenses, higher by +5% on the previous year, accounted for 27% of the revenue, a figure up by +1.2 percentage points on the previous year, now including the year-on-year impact of investments made in the second part of 2012 to accompany the strong expansion in the Platforms & Services activity.

As a result of the above, the segment's profit from operations rose by +€12 million to €205 million, up by +6% and accounting for 19% of the segment's revenue.

## Machine-to-Machine

	Full year 2013		Full year 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	<b>200.3</b>		192.2		+4%	+7%
Gross profit	<b>72.0</b>	<b>36.0%</b>	63.8	33.2%	+2.8 ppt	
Operating expenses	<b>(50.1)</b>	<b>(25.0%)</b>	(49.8)	(25.9%)	+0.9 ppt	
Profit from operations	<b>22.0</b>	<b>11.0%</b>	14.0	7.3%	+3.7 ppt	

Machine-to-Machine posted revenue of €200 million, an increase of +7% compared to the previous year, evidencing a solid performance since the global industrial sectors' growth was limited. The automotive sector, a wider usage of secure elements dedicated to machine identification, and new service contracts drove the annual sales increase.

The segment's gross profit was up by +13%, due to the increase in sales and a temporary uplift in gross margin of +2.8 percentage points.

Operating expenses remained under tight control and internal efficiency improved through a better alignment of resources on targeted end-markets.

Consequently, profit from operations rose sharply to €22 million, up +57% on the previous year, to account for 11% of the segment's revenue.

## Secure Transactions

	Full year 2013		Full year 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	<b>659.8</b>		568.0		+16%	+20%
Gross profit	<b>206.2</b>	<b>31.2%</b>	183.2	32.3%	(1.0 ppt)	
Operating expenses	<b>(129.6)</b>	<b>(19.6%)</b>	(120.9)	(21.3%)	+1.6 ppt	
Profit from operations	<b>76.6</b>	<b>11.6%</b>	62.4	11.0%	+0.6 ppt	

Secure Transactions posted revenue of €660 million, expanding by a remarkable +20% at constant exchange rates in comparison to 2012. The segment's growth was driven by the increasing adoption of dual interface payment cards - adding the benefit of NFC contactless tap-and-pay to the traditional chip-based secure payment card experience - and by the accelerating migration to EMV in Asian countries. The multiple ongoing initiatives at financial institutions and retailers for mobile payment also contributed to the expansion of the segment's Platforms & Services activities revenue to €122 million, up by +9%.

Gross profit increased by +13%, to €206 million representing a gross margin of 31%. Improvement over the course of the year in operational efficiency of new facilities built to support high growth regions offset the increasing integration work related to mobile payment projects. This led to a slight increase in gross margin year-on-year in the second semester after a lower performance in the first semester.

Operating expenses increased by +7% in value to support expanding operations, and reduced by (2) percentage points in proportion to sales to represent 20% of revenue.

Significant gross profit expansion and controlled development of the segment's operating costs led to further profit margin improvement, which reached 12% of sales, and increased profit from operations to €77 million, up by +23% versus 2012.

## Security

	Full year 2013		Full year 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	416.1		384.0		+8%	+11%
Gross profit	147.7	35.5%	142.4	37.1%	(1.6 ppt)	
Operating expenses	(106.7)	(25.6%)	(97.2)	(25.3%)	(0.3 ppt)	
Profit from operations	40.9	9.8%	45.2	11.8%	(1.9 ppt)	

Security recorded +11% growth at constant exchange rates on top of the +19% growth delivered the previous year, to reach €416 million. Both Government Programs and Identity & Access Management posted double-digit expansions in sales.

Across the segment, Platforms & Services revenue rose by +42% to €93 million, representing 22% of total segment revenue, driven by the delivery of larger global projects to governments and by the growing sales of strong authentication servers to enterprises and banking institutions.

In Government Programs, business activities developed well, with multiple global projects related to border management and integration of electronic identity into governmental services. Passports, national IDs and driving licenses further supported the increase in sales.

Identity & Access Management continued to expand with organizations that realize how critical cloud security and network users' identification has become to their business and reputation. The investment made towards reinforcing Gemalto's portfolio of strong authentication solutions for on-premise and outsourced cloud infrastructures led to a particularly strong growth in Platforms & Services, complementing the expansion in authentication products for online banking security.

Gross profit increased to €148 million, up +4%. As planned, operational performance steadily improved throughout the year in newly opened facilities to support growth in Government Programs and in the second semester, gross margin returned to about the same level as the previous year.

In order to accompany the segment growth, investments in operations were sustained. The increase in operating expenses was slightly higher in the second semester compared to 2012 since the second semester of 2012 benefited from a €2 million gain in Other income. Operating expenses grew this year essentially in line with sales, adding +10% to 2012 figures.

As a result of these investments, profit from operations was €41 million for the full year 2013 compared to €45 million in 2012, and represented 10% of the segment's revenue.

## Patents

	Full year 2013		Full year 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	16.3		2.1		n.m.	n.m.
Gross profit	14.6	89.5%	1.8	85.7%	+3.8 ppt	
Operating expenses	(11.5)	(70.5%)	(11.6)	n.m.	n.m.	
Profit from operations	3.1	19.0%	(9.8)	n.m.	n.m.	

As anticipated, the Company did not record any significant revenue in its Patents activity in the second semester of 2013. For the full year 2013, patent revenue came in at €16 million, up by €14 million compared to 2012 due to the renewal of a set of licensing agreements signed in the second quarter.

Operating expenses were essentially flat year-on-year resulting in a profit from operations of €3.1 million, compared to a loss of €9.8 million in 2012.

The appeals process of the ongoing litigation initiated by the Company in the United States is expected to wind down in the first semester of 2014.

## Additional information

- On September 5, 2013, Gemalto announced its new multi-year development plan. The Company set for itself the objective of achieving €600 million in Profit from operations by 2017, essentially doubling its 2012 full year performance, on the back of double-digit revenue CAGR expansion, at constant exchange rate, balanced growth between its “Embedded software & Products” and its “Platforms & Services” activities, and operational leverage. Revenue from Platforms & Services is set to grow at more than 20% CAGR at constant exchange rate over the period, to reach €1 billion by 2017, contributing significantly to the global increase in the company profit and representing about half of the expected total revenue growth achieved over the duration of the plan.

This development is based on ten different well-identified opportunities spread across business activities that will serve as growth pillars and there were several related key contracts and developments in 2013 which are expected to contribute to the achievement of the new plan.

- Below is a selection of new contracts and achievements published by the Company in 2013

- **Mobile sector**

- **Mobile secure clients and core subscriber services**

- February 26, 2013 China Unicom selects Gemalto in China's first NFC payment service
    - March 7, 2013 TELUS selects Gemalto SIM to enable secure NFC mobile payments
    - September 19, 2013 US Operator Nex-Tech Wireless selects Gemalto's complete LTE solution
    - October 14, 2013 Gemalto enables commercial Mobile NFC transport and Payment roll-out in Hong Kong

- **Trust Infrastructure**

- February 26, 2013 KDDI using Gemalto TSM in the world's first commercial NFC-based flight boarding service for Japan
    - October 18, 2013 Rio de Janeiro launches pilot for public transportation NFC ticketing with smartphones
    - November 19, 2013 Norway's largest bank DNB and mobile operator Telenor select Gemalto for NFC payment service

- **Machine-to-Machine**

- February 21, 2013 Gemalto enables Audi's industry-first embedded 4G LTE infotainment system
    - September 24, 2013 Gemalto, Oracle and V2COM collaborate to deliver M2M technology for Smart Grid in Latin America

- **Payment & Identity sector**

- **Payment**

- April 17, 2013 MCX selects Gemalto for Mobile Commerce Platform
    - April 29, 2013 Barclaycard Germany signs multi-year contract for debit and credit cards with Gemalto
    - June 20, 2013 Gemalto enables EMV payment for Telefónica-MasterCard joint venture in Brazil
    - November 20, 2013 UniCredit Bank selects Gemalto for mobile payment in Russia

- **Identity for citizens**

- April 8, 2013 Gemalto selected as prime contractor to implement a complete visa and border management system in Ghana
    - June 5, 2013 South Africa selects Gemalto for its national electronic identity card program
    - September 3, 2013 Gemalto automatic border management solution live at Oslo Airport
    - October 1, 2013 Gemalto selected for Belgian ePassport

- **Identity for enterprises and cloud services security**

- April 3, 2013 Gemalto recognized in Gartner's Magic Quadrant for User Authentication
    - September 5, 2013 Gemalto launches strong authentication for cloud service providers
    - November 20, 2013 Gemalto and IBM to offer enhanced eBanking security platform

### Proposed dividend

The Board of Gemalto has decided to propose to the 2014 Annual General Meeting of Shareholders the payment of a cash dividend of €0.38 per share in 2014 in relation with the 2013 financial year, a 12% increase compared to the cash dividend of €0.34 per share paid in 2013 in relation with the 2012 financial year. If approved, the time schedule related to the dividend payment will be as follows:

May 23, 2014	Ex-dividend date (the date as of which shares are traded without the right to the 2014 dividend)
May 27, 2014	Dividend record date (the date on which shareholder positions are recorded as per close of business in order to be entitled to the 2014 dividend distribution)
May 28, 2014	Payment date of dividend

Gemalto shares will trade ex-dividend as from the beginning of the trading session on May 23, 2014. Holders of Gemalto shares on May 23, 2014 who would not have previously sold their shares will be able to freely trade their shares on the stock exchange as from such date and will not need to block their shares until the payment date of the dividend to benefit from such dividend.

### Outlook

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

### Live Audio Webcast and Conference call

Gemalto full year 2013 results presentation will be webcast in English today at 3pm Amsterdam and Paris time (2pm London time and 9am New York time).

This listen-only live audio webcast of the presentation and the Q&A session will be accessible from our Investor Relations web site:

[www.gemalto.com/investors](http://www.gemalto.com/investors)

Questions will be taken by way of conference call. Investors and financial analysts wishing to ask questions should join the presentation by dialing:

(UK) +44 203 367 9454 or (US) +1 855 402 7762 or (FR) +33 1 7077 0934

The accompanying presentation slide set is also available for download on our Investor Relations web site.

Replays of the presentation and Q&A session will be available in webcast format on our Investor Relations web site approximately 3 hours after the conclusion of the presentation. Replays will be available for one year.

### Reporting calendar

The annual report, including the financial statements as of December 31, 2013, is available on our Investor web site ([www.gemalto.com/investors](http://www.gemalto.com/investors)).

Financial reporting for the three first quarters of 2014 will be made before the opening of Euronext Amsterdam on the following dates:

April 24, 2014	Publication of 2014 first quarter revenue
August 28, 2014	Publication of 2014 first semester results
October 23, 2014	Publication of 2014 third quarter revenue

Gemalto N.V. will hold its 2014 Annual General Meeting of Shareholders (AGM) on Wednesday, May 21, 2014. The persons entitled to attend and cast votes at the AGM will be those who are recorded as having such rights after the close of trading on the relevant NYSE Euronext stock exchange on April 23, 2014 (the "Record Date") in Gemalto's shareholders register, or in a register of a financial institution affiliated to Euroclear France S.A., regardless of whether they are shareholders at the time of the AGM.

The Annual General Meeting of Shareholders will be held at the Sheraton Amsterdam Airport Hotel & Conference Center, Schiphol Boulevard 101, 1118 BG Schiphol Airport, the Netherlands at 2:00 p.m. CET.

### Stock Exchange Listing

Gemalto N.V. is dual listed on NYSE Euronext Amsterdam and Paris, in the compartment A (Large Caps).

Mnemonic	GTO
Exchange	Dual listing on NYSE Euronext Amsterdam and Paris
Market of reference	NYSE Euronext Amsterdam
ISIN Code	NL0000400653
Reuters	GTO.AS
Bloomberg	GTO:NA

Gemalto has also established a sponsored Level I American Depository Receipt (ADR) program in the United States since November 2009. Each Gemalto ordinary share is represented by two ADRs. Gemalto's ADRs trade in U.S. dollar and give access to the voting rights and to the dividends attached to the underlying Gemalto shares. The dividends are paid to investors in U.S. dollar, after being converted into U.S. dollar by the depository bank at the prevailing rate.

Structure	Sponsored Level I ADR
Exchange	OTC
Ratio (ORD:DR)	1:2
DR ISIN	US36863N2080
DR CUSIP	36863N 208

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## About Gemalto

Gemalto (Euronext NL0000400653 GTO) is the world leader in digital security with 2013 annual revenues of €2.4 billion and more than 12,000 employees operating out of 85 offices and 25 research and software development centers, located in 44 countries.

We are at the heart of the rapidly 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 enjoyable and safe. Gemalto delivers on their expanding needs for personal mobile services, payment security, authenticated cloud access, identity and privacy protection, eHealthcare and eGovernment efficiency, convenient ticketing and dependable machine-to-machine (M2M) applications. We develop secure embedded software and secure products which we design and personalize. Our platforms and services manage these products, the confidential data they contain and the trusted end-user services made possible.

Our innovations enable our clients to offer trusted and convenient digital services to billions of individuals. Gemalto thrives with the growing number of people using its solutions to interact with the digital and wireless world.

For more information visit

[www.gemalto.com](http://www.gemalto.com), [www.justaskgemalto.com](http://www.justaskgemalto.com), [blog.gemalto.com](http://blog.gemalto.com), or follow @gemalto on Twitter.

**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 required by applicable law or regulations.

## Appendix 1

### Adjusted income statement by business segment

#### Ongoing operations

<b>Full year 2013</b>									
Adjusted income statement (€ in millions)	Mobile Communication	M2M	Secure Transactions	Security	Patents	<b>Total</b>	Assets held for sales	<b>Total Gemalto</b>	
Revenue	1,091.3	200.3	659.8	416.1	16.3	2,383.9	4.7	2,388.6	
Gross profit	496.6	72.0	206.2	147.7	14.6	937.1	(0.8)	936.2	
Operating expenses	(291.1)	(50.1)	(129.6)	(106.7)	(11.5)	(589.1)	0.3	(588.8)	
Profit from operations	205.5	22.0	76.6	40.9	3.1	348.0	(0.6)	347.4	

#### Ongoing operations

<b>Full year 2012</b>									
Adjusted income statement (€ in millions)	Mobile Communication	M2M	Secure Transactions	Security	Patents	<b>Total</b>	Assets held for sale	<b>Total Gemalto</b>	
Revenue	1,089.6	192.2	568.0	384.0	2.1	2,235.9	9.6	2,245.5	
Gross profit	471.0	63.8	183.2	142.4	1.8	862.3	2.1	864.4	
Operating expenses	(277.7)	(49.8)	(120.9)	(97.2)	(11.6)	(557.2)	(0.9)	(558.1)	
Profit from operations	193.3	14.0	62.4	45.2	(9.8)	305.0	1.2	306.3	

## Appendix 2

### Reconciliation from Adjusted financial information to IFRS

12 month period ending December 31, 2013

	Adjusted financial information for ongoing operations	Items not related to ongoing operations	Adjusted financial information	Adjustments	IFRS financial information
<i>€ in thousands</i>					
<b>Revenue</b>	<b>2,383,935</b>	<b>4,672</b>	<b>2,388,607</b>	-	<b>2,388,607</b>
Cost of sales	(1,446,863)	(5,505)	(1,452,368)	(7,116)	(1,459,484)
<b>Gross profit</b>	<b>937,072</b>	<b>(833)</b>	<b>936,239</b>	<b>(7,116)</b>	<b>929,123</b>
<b>Operating expenses</b>					
Research and engineering	(139,276)	-	(139,276)	(4,144)	(143,420)
Sales and marketing	(320,827)	(353)	(321,180)	(11,680)	(332,860)
General and administrative	(127,398)	(143)	(127,541)	(11,612)	(139,153)
Gain on sale of assets held for sale	-	1,128	1,128		1,128
Other income (expense), net	(1,557)	(381)	(1,938)		(1,938)
<b>Profit from operations</b>	<b>348,014</b>	<b>(582)</b>	<b>347,432</b>		
Share-based compensation charges and associated costs				(34,552)	
Restructuring and acquisition-related expenses				(3,469)	(3,469)
Amortization and depreciation of intangibles resulting from acquisitions				(26,912)	(26,912)
<b>Operating profit</b>				<b>(64,933)</b>	<b>282,499</b>
Financial income (expense), net	(8,245)	1,513	(6,732)	-	(6,732)
Share of profit of associates	(2,298)	-	(2,298)	-	(2,298)
Non-recurring profit relating to associates	19,962	-	19,962	-	19,962
<b>Profit before income tax</b>	<b>357,433</b>	<b>931</b>	<b>358,364</b>	<b>(64,933)</b>	<b>293,431</b>
Income tax (expense)	(42,892)	-	(42,892)	7,662	(35,230)
<b>Net profit</b>	<b>314,541</b>	<b>931</b>	<b>315,472</b>	<b>(57,271)</b>	<b>258,201</b>
<b>Attributable to:</b>					
Owners of the Company	<b>314,294</b>	<b>723</b>	<b>315,017</b>	<b>(57,121)</b>	<b>257,896</b>
Non-controlling interests	<b>247</b>	<b>208</b>	<b>455</b>	<b>(150)</b>	<b>305</b>
<b>Earnings per share</b>					
Basic earnings per share	3.67		3.68		3.01
Diluted earnings per share	3.56		3.57		2.92

The full year 2013 adjusted basic earnings per share is determined on the basis of the weighted average number of Gemalto shares outstanding during the twelve-month period ended December 31, 2013, i.e. 85,589,747 shares taking into account the effect of the share buy-back program. The full year 2013 adjusted diluted earnings per share is determined by using 88,310,798 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 share based instruments were exercised (3,508,133 instruments) and the proceeds received from the instruments exercised (€57,973,170) were used to buy-back shares at the average share price of the full year 2013 (787,081 shares at €73.66).

12 month period ending December 31, 2012

	Adjusted financial information for ongoing operations	Items not related to ongoing operations	Adjusted financial information	Adjustments	IFRS financial information
<i>€ in thousands</i>					
<b>Revenue</b>	<b>2,235,936</b>	<b>9,564</b>	<b>2,245,500</b>		<b>2,245,500</b>
Cost of sales	(1,373,670)	(7,419)	(1,381,089)	(6,510)	(1,387,599)
<b>Gross profit</b>	<b>862,266</b>	<b>2,145</b>	<b>864,411</b>	<b>(6,510)</b>	<b>857,901</b>
<b>Operating expenses</b>					
Research and engineering	(133,926)	(3,711)	(137,637)	(3,502)	(141,139)
Sales and marketing	(299,759)	(2,548)	(302,307)	(14,144)	(316,451)
General and administrative	(132,998)	(266)	(133,264)	(14,466)	(147,730)
Gain on sale of a subsidiary		5,584	5,584		5,584
Other income (expense), net	9,455	35	9,490		9,490
<b>Profit from operations</b>	<b>305,038</b>	<b>1,239</b>	<b>306,277</b>		
Share-based compensation charges and associated costs				(38,622)	
Restructuring and acquisition-related expenses				(7,911)	(7,911)
Amortization and depreciation of intangibles resulting from acquisitions				(20,985)	(20,985)
<b>Operating profit</b>				<b>(67,518)</b>	<b>238,759</b>
Financial income (expense), net	(11,494)	61	(11,433)		(11,433)
Share of profit of associates	2,009	(208)	1,801		1,801
<b>Profit before income tax</b>	<b>295,553</b>	<b>1,092</b>	<b>296,645</b>	<b>(67,518)</b>	<b>229,127</b>
Income tax (expense) credit	(34,902)	(103)	(35,005)	6,799	(28,206)
<b>Net profit</b>	<b>260,651</b>	<b>989</b>	<b>261,640</b>	<b>(60,719)</b>	<b>200,921</b>
<b>Attributable to:</b>					
Owners of the Company	<b>260,365</b>	<b>1,270</b>	<b>261,635</b>	<b>(60,594)</b>	<b>201,041</b>
Non-controlling interests	<b>286</b>	<b>(281)</b>	<b>5</b>	<b>(125)</b>	<b>(120)</b>
<b>Earnings per share</b>					
Basic earnings per share	3.13	-	3.14	-	2.41
Diluted earnings per share	2.99	-	3.00	-	2.31

### Appendix 3

#### Consolidated statement of financial position

€ in thousands

	Year ended December 31,	2013	2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net		237,320	237,444
Goodwill, net		850,600	852,240
Intangible assets, net		202,581	198,660
Investments in associates		49,035	25,697
Deferred income tax assets		101,289	108,027
Available-for-sale financial assets, net		-	-
Other non-current assets		47,360	48,883
Derivative financial instruments		11,044	14,290
<b>Total non-current assets</b>		<b>1,499,229</b>	<b>1,485,241</b>
<b>Current assets</b>			
Inventories, net		204,393	185,535
Trade and other receivables, net		737,824	652,752
Derivative financial instruments		21,363	19,340
Cash and cash equivalents		456,370	358,610
<b>Total current assets</b>		<b>1,419,950</b>	<b>1,216,237</b>
Assets held for sale		-	13,210
<b>Total assets</b>		<b>2,919,179</b>	<b>2,714,688</b>
<b>Equity</b>			
Share capital		88,016	88,016
Share premium		1,206,914	1,207,195
Treasury shares		(87,962)	(151,753)
Fair value and other reserves		99,396	123,388
Cumulative translation adjustments		(41,489)	81
Retained earnings		883,525	654,795
<b>Capital and reserves attributable to the owners of the Company</b>		<b>2,148,400</b>	<b>1,921,722</b>
Non-controlling interests		5,053	10,590
<b>Total equity</b>		<b>2,153,453</b>	<b>1,932,312</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		3,098	3,674
Deferred income tax liabilities		25,474	31,994
Employee benefit obligations		82,972	80,039
Provisions and other liabilities		43,708	84,439
Derivative financial instruments		791	277
<b>Total non-current liabilities</b>		<b>156,043</b>	<b>200,423</b>
<b>Current liabilities</b>			
Borrowings		3,812	6,564
Trade and other payables		558,065	539,401
Current income tax liabilities		32,472	23,218
Provisions and other liabilities		10,649	6,990
Derivative financial instruments		4,685	4,803
<b>Total current liabilities</b>		<b>609,683</b>	<b>580,976</b>
Liabilities associated with assets held for sale		-	977
<b>Total liabilities</b>		<b>765,726</b>	<b>782,376</b>
<b>Total equity and liabilities</b>		<b>2,919,179</b>	<b>2,714,688</b>

#### Appendix 4

#### Cash position variation schedule

<i>€ in millions</i>	Full year 2013	Full year 2012
<b>Cash &amp; cash equivalent, beginning of period</b>	<b>363</b>	<b>330</b>
<b>Cash generated by operating activities, before changes in working capital</b>	<b>332</b>	<b>311</b>
Cash provided (used) by working capital decrease (increase)	(76)	(18)
Cash used in restructuring actions	(2)	(8)
<b>Cash generated by operating activities</b>	<b>255</b>	<b>285</b>
Capital expenditure and acquisitions of intangibles	(103)	(125)
<b>Free cash flow</b>	<b>152</b>	<b>160</b>
Interest received, net	1	2
Cash used by acquisitions	(30)	(73)
Other cash provided by investing activities	13	5
Currency translation adjustments	(9)	(4)
<b>Cash generated (used) by operating and investing activities</b>	<b>127</b>	<b>89</b>
Cash used by the share buy-back program	(23)	(45)
Dividend paid to Gemalto shareholders	(29)	(26)
Other cash provided by financing activities	19	14
<b>Cash and cash equivalent, end of period</b>	<b>456</b>	<b>363</b>
Current and non-current borrowings including finance lease and bank overdrafts, end of period	(7)	(10)
<b>Net cash, end of period</b>	<b>449</b>	<b>353</b>

### Appendix 5

#### Platforms & Services

Revenue from ongoing operations in Platforms & Services activities (€ in millions)	2013	2012	Year-on-year variations at constant exchange rates	Year-on-year variations at historical exchange rates
Mobile	247	210	+21%	+18%
Payment & Identity	215	181	+21%	+18%
<b>Total</b>	<b>462</b>	<b>392</b>	<b>+21%</b>	<b>+18%</b>

### Appendix 6

#### Revenue from ongoing operations, by region

€ in millions	Full year 2013	Full year 2012	Year-on-year variation at constant exchange rates	Year-on-year variation at historical exchange rates
EMEA	1,156	1,126	+4%	+3%
North & South America	753	678	+16%	+11%
Asia	475	432	+20%	+10%
Total revenue	2,384	2,236	+11%	+7%

€ in millions	Second half 2013	Second half 2012	Year-on-year variation at constant exchange rates	Year-on-year variation at historical exchange rates
EMEA	599	610	+0%	(2%)
North & South America	408	366	+20%	+11%
Asia	248	244	+15%	+2%
Total revenue	1,255	1,220	+9%	+3%

### Appendix 7

#### 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 half	1.31	1.31
Third quarter	1.32	1.24
Fourth quarter	1.36	1.29
Second half	1.34	1.26
Full year	1.33	1.29