

Gemalto first semester 2014 results

- First semester revenue of €1.13 billion and profit from ongoing operations at €120 million
- Platforms & Services revenue up +10% and Embedded software & Products up +5%
- Strong performance in Mobile Financial Services (+24%) and EMV payment cards (+22%) was dampened by lower revenue from eGovernment documents and Netsize
- Excluding the recently announced acquisition of SafeNet, Gemalto anticipates a double-digit expansion in its profit from operations in 2014 and an acceleration of its year-on-year revenue growth at constant exchange rates in the second semester, and with SafeNet, Gemalto expects its 2017 profit from operations objective of €600 million to increase by around +10%.

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. All figures in this press release are unaudited.

Amsterdam, August 28, 2014 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the first semester 2014.

Key figures of the adjusted income statement

Ongoing operations ¹ (€ in millions)	First semester 2014	First semester 2013	Year-on-year variations	
			at historical exchange rates	at constant exchange rates
Revenue	1,133	1,129	+0%	+5%
Gross profit	418	428	(2%)	
Operating expenses	(298)	(297)	+0%	
Profit from operations	120	131	(8%)	
Profit margin	10.6%	11.6%	(1.0 ppt)	

Olivier Piou, Chief Executive Officer, commented: "The first semester was particularly busy in preparation for a year with pronounced seasonality. We extended our commercial momentum as revenue growth accelerated in the Mobile segment and new contracts were signed in the Payment & Identity segment that will generate significant revenue going forward. The ramp-up of EMV, the acceleration in the Government sector - fueled by the contracts we recently won, the launch of the previously delayed mobile contactless services and our expansion in the Identity & Access Management business all support our expectation for an accelerated revenue growth in the second part of the year. With strong operating leverage in place, we confirm our objective of double-digit increase in profit from operations for the full year 2014."

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 2014 and 2013 is presented for "ongoing operations" and under the 2014 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 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 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 revenue from "ongoing operations" for both the 2014 and 2013 reporting periods.

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

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

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

Segment information

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

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

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

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

Appendix 6 presents revenue information in 2014 and 2013 formats.

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) 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.

Restructuring and acquisition-related expenses grew to €21 million (€1 million in the first semester of 2013) due mainly to the re-balancing of certain industrial and engineering capabilities across worldwide sites to optimize future productivity. The equity-based compensation charge accounted for €27 million (€13 million in the first semester of 2013) as the Company introduced a new long-term incentive plan aligned with its 2014-2017 multi-year development plan objectives and is conditional on overall cumulative progress over the plan period. Amortization and depreciation of intangibles resulting from acquisitions amounted to €11 million (€13 million in the same period of 2013).

As a result of these additional expenses, Gemalto recorded an IFRS operating profit (EBIT) of €61 million for the first semester of 2014 (€104 million in the first semester of 2013). The IFRS net profit decreased to €46 million for the first semester 2014 from €81 million in 2013.

IFRS basic earnings per share and diluted earnings per share reduced to €0.53 and €0.52 respectively for the reported period compared €0.96 and €0.94 in the first semester of 2013.

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 2013, assets held for sale were minor non-strategic assets that were disposed during 2013 and there are no assets classified as held for sale for 2014.

Extract of the adjusted income statement for all operations	First semester 2014		First semester 2013		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	1,133.1		1,134.0		(0%)
Gross profit	418.3	36.9%	427.0	37.7%	(0.7 ppt)
Operating expenses	(298.1)	(26.3%)	(296.9)	(26.2%)	(0.1 ppt)
EBITDA	165.7	14.6%	172.4	15.2%	(0.6 ppt)
Profit from operations	120.3	10.6%	130.1	11.5%	(0.9 ppt)
Net profit	95.4	8.4%	105.0	9.3%	(0.8 ppt)
Basic Earnings per share (€)	1.11		1.24		(11%)
Diluted Earnings per share (€)	1.08		1.21		(11%)

Revenue for all operations for the first semester was €1,133 million, up by +5% at constant exchange rates and stable at historical rates, with growth coming from both main segments. Most of the unfavorable foreign currency translation impact of 5 percentage points came from the lower US Dollar and Chinese Renminbi versus the Euro compared to the same period in 2013. There were notable areas of strong performance in each of the segments and activities. The payment cards business within Payment & Identity continued to develop well over the semester with revenue growth of +22% and double-digit growth in every region as EMV deployments continue worldwide. The Mobile segment grew by +4% year-on-year in the second quarter, accelerating on the stable performance of the first quarter. In the Government business, lower documents sales due to challenging regional circumstances, in the Middle East in particular, reduced the overall expansion of the Payment & Identity segment, which however grew by +10% in the first semester. Commercial activity was high, with significant new contracts won, and Gemalto's market share was unchanged. Platforms & Services revenue expanded across the Company by +10%, generating 40% of total Company revenue growth, to reach €219 million for the semester with a particularly good performance in the mobile payment and government sectors, partially offset by reduced revenue in Netsize.

Gross profit was lower by €9 million to €418 million, representing a gross margin of 37%. The increase in gross margin in Payment & Identity did not fully offset the lower contribution from the Mobile and the Patents & Others segments. The delays reported in the first quarter in the Mobile segment's high-end projects and additional amortization expense in the Machine-to-Machine business weighed on the gross margin, resulting in a seasonally lower contribution.

Operating expenses for all operations, at €298 million, were essentially unchanged year-on-year, with carefully evaluated operational investments balancing the positive impact of the currency translation effect.

As a result, first semester 2014 profit from operations for all operations was €120 million, i.e. 10.6% of revenue. This represents a reduction of (0.9) percentage points compared to the same period of 2013. This result was driven by the aforementioned decrease in the contribution from ongoing operations in the Mobile and the Patents & Others segments as well as by the negative impact from net exposure to various unhedged currency variations.

Gemalto's financial income for all operations was (€3.9) million compared to (€3.1) million for the first semester of 2013 with a negligible net interest income and foreign exchange transactions and other financial items of (€3.8) million.

Including a share of profit in associate of €0.6 million, adjusted profit before income tax for all operations came in at €117 million compared to €125 million the previous year.

Adjusted income tax expense was (€22) million, with an estimated IFRS annual income tax rate of 21% for the year.

Consequently, the adjusted net profit for all the operations of the Company was €95 million, a 9% reduction when compared to last year's figure of €105 million.

Adjusted basic earnings per share for all operations came in at €1.11, and adjusted diluted earnings per share for all operations at €1.08, compared to the first semester 2013 adjusted basic earnings per share for all operations of €1.24 and adjusted diluted earnings per share for all operations of €1.21.

Statement of financial position and cash position variation schedule

In the first semester of 2014, operating activities generated a cash flow of €128 million before changes in working capital, essentially stable year-on-year compared to the €127 million generated in the same period last year. Changes in working capital reduced cash flow by €75 million compared to €83 million in the first semester of 2013. Trade and other receivables increased year-on-year while unbilled customers and trade and other payables reduced.

Capital expenditure and acquisition of intangibles amounted to €50 million, or 4.4% of revenue. Property, Plant, and Equipment assets accounted for €30 million of investment, slightly lower than the €35 million recorded in first semester of 2013. Capitalization of development expenses represented 1.5% as a percentage of revenue and total expenditure incurred for intangible assets came in at 1.8% of revenue, both at similar levels compared to 2013.

Acquisitions, net of cash acquired, used €43 million in cash. This includes the acquisitions made in preparation for the migration to EMV payment cards in the United States that is expected to ramp up in the second part of 2014.

Gemalto's share buy-back program used €14 million in cash in the first semester of 2014, for the purchase of 136,780 shares, net of the liquidity program. As at June 30, 2014, the Company held 1,522,549 shares, or 1.73% of its own shares in treasury. The total number of Gemalto shares issued was unchanged, at 88,015,844 shares. Net of the 1,522,549 shares held in treasury, 86,493,295 shares were outstanding as at June 30, 2014. 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, 2014 was €52.01.

On May 24, 2014, Gemalto paid a cash dividend of €0.38 per share in respect of the fiscal year 2013, up 12% on the dividend paid in 2013 (€0.34 per share). This distribution used €33 million in cash. Other financing activities generated €6 million in cash, including €7 million of proceeds received by the Company from the exercise of stock options by employees and (€1) million used for repayment of borrowings.

As a result of these elements, cash and bank overdrafts represented €372 million, as at June 30, 2014

Considering the €9 million of borrowings, Gemalto's net cash position was €363 million as at June 30, 2014, up +32% compared to June 30, 2013.

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.

Revenue contributions by segment

First semester 2014 (€ in millions, ongoing operations)	Mobile	Payment & Identity	Total two main segments	Patents & Others
Revenue	586	537	1,123	10
As a percentage of ongoing revenue	52%	47%	99%	1%
As a percentage of ongoing PFO	53%	44%	97%	3%

Revenue contributions by activity

First semester 2014 (€ in millions, ongoing operations)	Embedded software & Products	Platforms & Services	Total two main segments
Revenue	903	219	1,123
As a percentage of total revenue	80%	19%	99%
As a percentage of total revenue growth at constant exchange rates	74%	37%	110%

Year-on-year variations and currencies impact (€ in millions)	Mobile	Payment & Identity	Total two main segments	Patents & Others	Total ongoing operations
Second quarter					
Revenue	315	284	599	2	601
At constant rates	+4%	+7%	+6%	(88%)	+3%
At historical rates	(1%)	+2%	+0%	(88%)	(2%)
First semester					
Revenue	586	537	1,123	10	1,133
At constant rates	+2%	+10%	+6%	(36%)	+5%
At historical rates	(3%)	+5%	+1%	(36%)	+0%
Profit from operations	64	53	117	3	120
At historical rates	(19%)	+16%	(6%)	(44%)	(8%)

For the first semester 2014, Gemalto's revenue growth from its ongoing operations was +5% at constant rates and stable at historical rates, with growth in both Mobile and Payment & Identity. The further expansion of the Payment & Identity segment continues to improve the balance of contributions from Gemalto's various businesses. Payment & Identity represented 47% of Gemalto's revenue and 44% of profit from operations in the first semester of 2014 compared to 45% and 35% in the same period the year before. Continuing the long-term trend of profitable growth, its profit from operations grew by +16% while revenue grew at +10% in the first semester of 2014 thanks notably to strong sales of solutions for electronic payments in every region.

Activities within Embedded software & Products and Platforms & Service both contributed to the growth of Gemalto in the first semester of 2014 up by +5% and +10% respectively. Growth in Embedded software & Products came mostly from EMV payment cards, which were up +22% in the period, more than offsetting the impact of the project and delivery delays present in other businesses. Platforms & Services contributed 37% of the total revenue growth during the period and their double-digit increase in revenue was driven by solid performance in Mobile Financial Services as well as Enterprise, eBanking, and Government Programs.

As in the first quarter, adverse effects of currency translation movements during the second quarter were very significant, with revenue in the two main segments expanding by +6% at constant rates and remaining stable at historical exchange rates.

Mobile

	First semester 2014		First semester 2013		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	586.1		601.2		(3%)	+2%
Gross profit	237.3	40.5%	250.1	41.6%	(1.1 ppt)	
Operating expenses	(173.3)	(29.6%)	(170.7)	(28.4%)	(1.2 ppt)	
Profit from operations	64.0	10.9%	79.4	13.2%	(2.3 ppt)	

The Mobile segment posted revenue of €586 million, up +2% year-on-year at constant exchange rates. After the flat revenue variation recorded during the first quarter, performance improved sequentially with +4% recorded during the second quarter, on top of the strong +12% year-on-year growth posted for the second quarter of 2013. Both Embedded software & Products and Platforms & Services activities contributed to revenue growth.

Revenue from Embedded software & Products (E&P) increased by +4% for the second quarter after (1%) for the first quarter, resulting in +2% growth for the first semester 2014. Deployment of Upteq multitenant SIMs continued in the United States and the roll-out progressed in Europe and Asia as more countries prepare for launches. In Europe, where most operators with plans to enable multitenant SIM-based protection of contactless services have been aligning their roadmaps with a greater penetration of contactless payment terminals, Gemalto finalized agreements for multi-country commercial deployments for the second semester. Overall the greater proportion of multitenant SIM cards in conjunction with a greater proportion of LTE products compensated for lower revenue from legacy products sold in countries with high mobile penetration. The mix in connectivity modules sold for the Machine-to-Machine business improved and the sales of MIM secure elements carrying machine subscriptions and protecting data exchange posted a sharp increase.

Platforms & Services (P&S) grew by +6%, a solid increase over the +44% revenue growth recorded for the first semester of 2013, with uneven performances within the portfolio of offers. The two largest contributors to the growth were Mobile Financial Services (MFS), which include trusted service managers and mobile payment platforms, and Mobile Subscriber Services (MSS), which include network-related data, subscription, and customer relationship management activities. These businesses posted +24% and +13% growth respectively compared to the first semester of 2013. The number of new TSM projects awarded continued to increase during the first semester, and with Gemalto winning most of the tenders, the Company is the clear market leader in these platforms for both mobile network operators and service providers. Now that a large part of the first wave of tenders has been awarded, revenue from licensing, support and maintenance has started to increase due to the greater number of systems operating commercially. MSS's performance was driven by a greater activity in developing regions. In contrast, revenue from Netsize's messaging and billing activities reduced by 12% for the first semester due to the required adaptation of the IPX business acquired in 2013 to new European regulations in the payment and opt-in messaging space.

Gross profit reduced by €13 million compared to the first semester 2013, primarily due to the reduced revenue in the cards business in the first quarter and the reduced Netsize sales over the semester. During the second quarter, gross profit generated by card sales was stable and its gross margin improved both sequentially and year-on-year. The other activities composing the Mobile segment had only limited variations year-on-year in terms of gross profit evolution.

Operating expenses increased slightly, by +3 million or +2%, with additional focused investments in specific Platforms & Services activities and tight control over expenses in the other businesses of the segment.

Profit from operations was €64 million or 11% profit margin from operations.

Payment & Identity

	First semester 2014		First semester 2013		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	536.7		512.1		+5%	+10%
Gross profit	171.9	32.0%	163.0	31.8%	+0.2 ppt	
Operating expenses	(118.9)	(22.1%)	(117.3)	(22.9%)	+0.8 ppt	
Profit from operations	53.1	9.9%	45.7	8.9%	+1.0 ppt	

Payment & Identity's first semester revenue came in at €537 million, increasing by +10% compared to the same period in 2013. Sales were up by +8% in Embedded software & Products and +16% in Platforms & Services.

Commercial momentum for EMV continued to build around the world as all regions contributed double-digit growth to the +18% performance recorded in payment activities. The migration in China continued to expand, encompassing additional regional financial institutions beyond the tier 1 issuers that started their deployments last year. The first semester also saw strong commercial activity within the United States as banks prepare for the ramp-up of EMV during the second part of the year. In this region, Gemalto reinforced its organic investments made over the last two years with the acquisitions of Shoreline and SourceOne Direct, both of which provide personalization and card services to US financial institutions. In Europe, further growth came as a result of the ongoing shift to dual-interface and DDA cards featuring more sophisticated software and products, and in the first semester half of Gemalto's deliveries offered dual-interface capability to consumers.

The Identity businesses were lower by (3%) overall in the first semester of 2014 with a strongly positive +13% performance in internet and mobile banking activities offset by lower performance in Government Programs. The Government business slowed down in a similar pattern in both the first and second quarter due to lower deliveries of identity documents, especially in the Middle East. In this adverse environment, Gemalto maintained its leading market share as measured by contract value awarded during the semester, and with the backlog of contracts won, the Government Programs business is expected to drive high single to low double-digit growth for the second semester. Platforms & Services activities for governments were among the fastest growing businesses within the Company, led by the deployment of Coesys automated border control solutions and other services.

In the Identity & Access Management business, Gemalto entered into a definitive agreement to acquire SafeNet, further establishing its leadership position on the online access security market from edge to core. In 2013, SafeNet recorded revenues of US\$337 million and profit from operations of US\$35 million and expects revenues of US\$370 million and profit from operations of US\$51 million for 2014. The closing of the transaction, subject to anti-trust and regulatory authority approvals, is expected in Q4 2014.

Gross margin improved in the Payment & Identity segment to 32% up +0.2 percentage points compared to the first semester of 2013. The segment improvement was dampened by the effect of lower revenue recorded in the Government Programs business for the first semester, which should improve throughout the second semester as growth accelerates. In Payment, year-on-year margin evolution was favorably influenced by the continuing shift to dual-interface and DDA products, balancing the impact of the proliferation of relatively entry-range products in newly adopting countries.

Operating expenses grew slightly year-over-year in the first semester in absolute terms but fell by (0.8) percentage points as a percentage of sales compared to the same period in 2013.

As a result profit from operations in Payment & Identity for the first semester 2014 came in at €53 million, up +16% from the €46 million recorded in the first semester 2013.

Patents & Others

	First semester 2014		First semester 2013		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	10.3		16.0		n.m.	n.m.
Gross profit	9.1	88.8%	14.8	92.5%	(3.6 ppt)	
Operating expenses	(5.9)	(57.4%)	(9.0)	(56.5%)	(0.9 ppt)	
Profit from operations	3.2	31.4%	5.7	35.9%	(4.5 ppt)	

Following the unfavorable ruling by the US Court of Appeals for the Federal Circuit in the second quarter, the litigation initiated in the United States in 2010 has come to an end, and Gemalto will continue with normal business activities in this segment. The Patents & Others segment generated €10 million revenue in the first semester 2014 in relation to renewed cross-licensing agreements. Compared to the first semester of 2013, operating expenses decreased from €9 million to €6 million due to lower legal fees. As a result, profit from operations came in at €3 million in the first semester.

Additional information

- **Gemalto to acquire SafeNet, the worldwide leader in data and software protection**

Gemalto announced on August 8, 2014 that it has signed a definitive agreement to acquire 100% of the share capital of SafeNet, a worldwide leader in data and software protection, from Vector Capital for US\$890 million on a debt free/cash free basis.

Headquartered in Belcamp, Maryland, USA, and presently located in 27 countries, SafeNet is one of the largest dedicated digital information security companies in the world, trusted to protect, control the access to, and manage the world's most sensitive data and high value software applications. As an example, SafeNet's technology protects over 80% of the world's intra-bank fund transfers and its approximately 1,500 employees serve more than 25,000 customers, both corporations and government agencies, in over 100 countries. Customers utilizing SafeNet solutions include Banamex, Bank of America, Cisco, Dell, Hewlett-Packard, Kaiser Permanente, Netflix, Starbucks and many more of the world's best known companies. In 2013, SafeNet recorded revenues of US\$337 million and profit from operations of US\$35 million and expects revenues of US\$370 million and profit from operations of US\$51 million for 2014.

As Gemalto enters into its 2014-2017 multi-year development plan, the digital world enters a period in which proper control over sensitive information is paramount. Nearly 400 million digital data records have been lost or stolen already in 2014, prompting a significant rise in global awareness regarding the effective protection of data. With this acquisition, Gemalto and SafeNet combine the best technologies, expertise and services available for securing a complete infrastructure: its network, its users, its data, its software, both at the core and at the edge.

SafeNet provides an extensive portfolio of data protection solutions including advanced cryptographic key management systems, encryption technologies for civilian applications, authentication servers and authentication as a service, as well as sophisticated software license management and monetization solutions. As an example, HSMs are the essential cloud-based secure elements generating and protecting the fundamental cryptographic keys and processing units used by digital authentication, encryption and signature mechanisms within computer networks and the Internet. All of these will perfectly complement Gemalto's offering of embedded software and portable secure elements, which are used globally at the other end of the network security chain, i.e. in the users' pockets and inside the network-connected terminals.

Once the acquisition is completed, SafeNet will significantly reinforce Gemalto's Identity and Access Management business. It will become part of Gemalto's Payment & Identity segment, and its Platforms & Services activity, that account respectively for €1,329 million and €715 million of the 2013 pro forma revenue.

The purchase price of US\$890 million is self-funded with US\$440 million from available cash, and US\$450 million drawn from existing long-term credit facilities. Depending on market conditions, Gemalto may refinance the credit facilities through a bond issuance or other means. The closing of the transaction is expected to occur in Q4 2014, after approval from the relevant regulatory and antitrust authorities. After the acquisition is completed, Gemalto will retain a strong financial structure with a net debt/EBITDA ratio < 1. The transaction will be accretive to adjusted EPS (Earnings Per Share) before purchase price allocation upon completion.

Outlook

For 2014, Gemalto anticipates double-digit expansion in profit from operations for the full year as well as an acceleration of year-on-year revenue growth at constant exchange rates for the second semester. This does not take into account the SafeNet acquisition that is expected to start contributing at some point in the fourth quarter of 2014. As a result of the acquired business's anticipated profitability, growth and synergies, Gemalto expects its 2017 profit from operations objective of €600 million to increase by around +10%.

Live Audio Webcast and Conference call

Gemalto first semester 2014 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

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 9453 or (US) +1 866 907 5928 or (FR) +33 1 7077 0944

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.

The semi-annual report, including the interim condensed consolidated financial statements as of June 30, 2014, is available on our investor web site (www.gemalto.com/investors).

Reporting calendar

Third quarter 2014 revenue will be reported on Thursday October 23, 2014, before the opening of Euronext Amsterdam.

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 Depositary 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

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Appendix 1

Adjusted income statement by business segment and contribution from assets held for sale

Reported figures for ongoing operations only differ from figures for all operations by the contribution from assets held for sale for the year 2013. There is no difference for the year 2014.

First semester 2014 Adjusted income statement (€ in millions)	Ongoing operations			Total ongoing operations	Assets held for sale	Total Gemalto
	Mobile	Payment & Identity	Patents & Others			
Revenue	586.1	536.7	10.3	1,133.1	-	1,133.1
Gross profit	237.3	171.9	9.1	418.3	-	418.3
Operating expenses	(173.3)	(118.9)	(5.9)	(298.1)	-	(298.1)
Profit from operations	64.0	53.1	3.2	120.3	-	120.3

First semester 2013 Adjusted income statement (€ in millions)	Ongoing operations			Total ongoing operations	Assets held for sale	Total Gemalto
	Mobile	Payment & Identity	Patents & Others			
Revenue	601.2	512.1	16.0	1,129.4	4.7	1,134.0
Gross profit	250.1	163.0	14.8	427.8	(0.8)	427.0
Operating expenses	(170.7)	(117.3)	(9.0)	(297.0)	0.1	(296.9)
Profit from operations	79.4	45.7	5.7	130.8	(0.7)	130.1

Appendix 2

Reconciliation from Adjusted financial information to IFRS

	6 month period ending June 30, 2014				
	Adjusted financial information for ongoing operations	Items not related to ongoing operations	Adjusted financial information	Adjustments	IFRS financial information
<i>€ in thousands</i>					
Revenue	1,133,054		1,133,054		1,133,054
Cost of sales	(714,720)		(714,720)	(4,563)	(719,283)
Gross profit	418,334		418,334	(4,563)	413,771
Operating expenses					
Research and engineering	(72,485)		(72,485)	(3,008)	(75,493)
Sales and marketing	(161,432)		(161,432)	(9,419)	(170,851)
General and administrative	(65,306)		(65,306)	(9,594)	(74,900)
Other income (expense), net	1,146		1,146		1,146
Profit from operations	120,257		120,257		
Share-based compensation charges and associated costs				(26,584)	
Restructuring and acquisition-related expenses				(21,469)	(21,469)
Amortization and depreciation of intangibles resulting from acquisitions				(11,357)	(11,357)
Operating profit				(59,410)	60,847
Financial income (expense), net	(3,922)		(3,922)		(3,922)
Share of profit of associates	615		615		615
Profit before income tax	116,950		116,950	(59,410)	57,540
Income tax (expense)	(21,558)		(21,558)	9,665	(11,893)
Profit from continuing operations	95,392		95,392	(49,745)	45,647
Profit (loss) from discontinued operation (net of income tax)					
Profit for the period	95,392		95,392	(49,745)	45,647
Attributable to:					
Owners of the Company	95,818		95,818	(49,681)	46,137
Non-controlling interests	(426)		(426)	(64)	(490)
Earnings per share					
Basic earnings per share	1.11		1.11		0.53
Diluted earnings per share	1.08		1.08		0.52

The half year 2014 adjusted basic earnings per share is determined on the basis of the weighted average number of Gemalto shares outstanding during the six-month period ended June 30, 2014, i.e. 86,404,134 shares taking into account the effect of the share buy-back program. The first semester 2014 adjusted diluted earnings per share is determined by using 88,776,738 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 (2,791,617 instruments) and the proceeds received from the instruments exercised (€34,359,521) were used to buy-back shares at the average share price of the first semester 2014 (419,014) shares at €82.

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 a subsidiary		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 costs				(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

Appendix 3

Interim consolidated statement of financial position

(€ in thousands)

	June 30, 2014	December 31, 2013
ASSETS		
Non-current assets		
Property, plant and equipment, net	244,694	237,320
Goodwill, net	889,940	850,600
Intangible assets, net	198,251	202,581
Investments in associates	50,290	49,035
Deferred income tax assets	116,146	101,289
Available-for-sale financial assets, net	-	-
Other non-current assets	56,831	47,360
Derivative financial instruments	6,217	11,044
Total non-current assets	1,562,369	1,499,229
Current assets		
Inventories, net	217,333	204,393
Trade and other receivables, net	739,446	737,824
Derivative financial instruments	9,710	21,363
Cash and cash equivalents	372,657	456,370
Total current assets	1,339,146	1,419,950
Total assets	2,901,515	2,919,179
Equity		
Share capital	88,016	88,016
Share premium	1,206,914	1,206,914
Treasury shares	(79,195)	(87,962)
Fair value and other reserves	91,958	99,396
Cumulative translation adjustments	(35,153)	(41,489)
Retained earnings	896,797	883,525
Capital and reserves attributable to the owners of the Company	2,169,337	2,148,400
Non-controlling interests	4,655	5,053
Total equity	2,173,992	2,153,453
Liabilities		
Non-current liabilities		
Borrowings	3,524	3,098
Deferred income tax liabilities	35,652	25,474
Employee benefit obligations	92,331	82,972
Provisions and other liabilities	46,932	43,708
Derivative financial instruments	1,023	791
Total non-current liabilities	179,462	156,043
Current liabilities		
Borrowings	6,499	3,812
Trade and other payables	500,005	558,065
Current income tax liabilities	13,778	32,472
Provisions and other liabilities	22,034	10,649
Derivative financial instruments	5,745	4,685
Total current liabilities	548,061	609,683
Total liabilities	727,523	765,726
Total equity and liabilities	2,901,515	2,919,179

Appendix 4

Cash position variation schedule

<i>€ in millions</i>	First semester 2014	First semester 2013
Cash & cash equivalent, beginning of period	456	363
Cash generated by operating activities, before changes in working capital	128	127
Cash provided (used) by working capital decrease (increase)	(75)	(83)
Cash used in restructuring actions	(4)	(1)
Cash generated by operating activities	49	45
Capital expenditure and acquisitions of intangibles	(50)	(56)
Free cash flow	(2)	(12)
Interest received, net	1	1
Cash used by acquisitions	(43)	(25)
Other cash provided by investing activities	1	1
Currency translation adjustments	(0)	(4)
Cash generated (used) by operating and investing activities	(43)	(39)
Cash used by the share buy-back program	(14)	(15)
Dividend paid to Gemalto shareholders	(33)	(29)
Other cash provided (used) by financing activities	6	5
Cash and cash equivalent, end of period	372	285
Current and non-current borrowings excluding bank overdrafts, end of period	(9)	(7)
Net cash, end of period	363	277

Appendix 5

Platforms & Services

First semester revenue from ongoing operations in Platforms & Services activities (€ in millions)	2014	2013	Year-on-year variations at constant exchange rates	Year-on-year variations at historical exchange rates
Mobile	117	117	+6%	+0%
Payment & Identity	102	91	+16%	+12%
Total	219	208	+10%	+6%

Appendix 6

First semester 2014 revenue under 2013 reporting format

First semester 2014 (€ in millions)	Mobile		Payment & Identity		Patents & Others	Total
	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Patents	
Revenue	485	101	348	189	10	1,133
Year-on-year variations at constant exchange rates	1%	8%	18%	(3%)	(36%)	5%

Appendix 7

Revenue from ongoing operations, by region

First semester € in millions	First semester 2014	First semester 2013	Year-on-year variation	
			at constant exchange rates	at historical exchange rates
Europe, Middle East and Africa	539	557	(1%)	(3%)
Americas	363	345	13%	5%
Asia	231	227	10%	2%
Total revenue	1,133	1,129	5%	0%

Second quarter € in millions	Second quarter 2014	Second quarter 2013	Year-on-year variation	
			at constant exchange rates	at historical exchange rates
Europe, Middle East and Africa	281	299	(4%)	(6%)
Americas	206	192	16%	7%
Asia	114	120	3%	(5%)
Total revenue	601	611	3%	(2%)