

Gemalto first semester 2012 results

- Record first semester revenue of over €1 billion
- Profit from ongoing operations up 56% to €115 million
- Mobile payment, 4G-LTE roll-outs, and digital identity programs drive performance

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

Amsterdam, August 30, 2012 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the first semester of 2012.

Key figures of the adjusted income statement

Ongoing operations (€ in millions)	First semester 2012	First semester 2011	Year-on-year variations	
			at historical exchange rates	at constant exchange rates
Revenue	1,016	921	+10%	+7%
Gross profit	386	320	+21%	
Operating expenses	(271)	(247)	+10%	
Profit from operations	115	74	+56%	
Profit margin	11.3%	8.0%	+3.3 ppt	

Olivier Piou, Chief Executive Officer, commented: “During this semester our teams delivered milestone projects in the digital identity and mobile payment sectors around the world. Gemalto achieved strong results that illustrate its transformation and the benefits of its strategy of innovation in the rapidly-expanding digital security market. We are determined to continue growing our revenue as planned, leveraging our improved business mix and continuing to invest in our new offers. Gemalto will now strive to reach its long-standing 2013 ambition of delivering €300 million in yearly profit from operations one year in advance.”

Basis of preparation of financial information

Adjusted income statement and profit from operations (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 since the key metric used to evaluate the business and make operating decisions over the period 2010 to 2013 is profit from operations (PFO).

Profit from operations is a non-GAAP measure defined as the IFRS operating result adjusted for the amortization and depreciation of intangibles resulting from acquisitions, for share-based compensation charges, and for restructuring and acquisition-related expenses. 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 the Employee Stock Purchase plans; and (ii) the amortization of the fair value of the stock options and 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 the Company's 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 and General and Administrative expenses, and other income (expense) net. For the first semester 2011, it also includes the gain on re-measurement to fair value of an investment in associate, not part of the ongoing operations as defined below.

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

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

Ongoing operations

For a better understanding of the current and future year-on-year evolution of the business, the Company provides an adjusted income statement for ongoing operations for both the 2012 and 2011 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.

In this publication reported figures for ongoing operations only differ from figures for all operations by the contribution from assets held for sale.

Compared to figures reported on the first semester of 2011, figures for ongoing operations for the first semester 2011 reported in this publication were represented to also exclude the contribution from assets classified as held for sale in 2012.

The 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 International Financial Reporting Standards (IFRS). To better assess its past and future performance, the Company also prepares an adjusted income statement. Appendix 2 provides the reconciliation between IFRS and adjusted income statements.

Gemalto's IFRS income statement for the first semester 2012 shows an operating profit (EBIT) of €75 million. This figure is up +16% on the first semester of 2011.

Restructuring and acquisition-related expenses amounted to €2.4 million (€4.0 million in the first semester of 2011). Equity-based compensation charge was €25 million (€16 million in the first semester of 2011), which included a new long-term incentive plan put in place for all employees worldwide and the impact of Gemalto's share price increase. Amortization and depreciation of intangibles resulting from acquisitions remained stable at €10 million.

The IFRS net profit showed a strong increase, up +30% over the first semester of 2011 to €59 million.

IFRS basic earnings per share and diluted earnings per share showed the same strong year-on-year increase. At €0.71 and €0.67 respectively for the reported period, IFRS basic earnings per share were higher by +32% and IFRS diluted earnings per share were higher by +30% when compared to the corresponding figures from the first semester of 2011.

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:

- for 2011, the gain recognized further to the change in shareholding structure of a joint venture held for sale,
- for 2011 and 2012, the contribution from assets held for sale, comprising those that will be contributed to the joint venture announced on April 3, 2012 and other non-strategic assets currently being disposed.

Extract of the adjusted income statement for all operations	First semester 2012		First semester 2011		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	1,020		928		+10%
Gross profit	387	38.0%	321	34.6%	+3.4 ppt
Operating expenses	(275)	(27.0%)	(249)	(26.9%)	(0.1 ppt)
JV deconsolidation gain	-		21		
EBITDA	146	14.3%	124	13.3%	+1.0 ppt
Profit from operations	112	11.0%	93	10.0%	+1.0 ppt
of which ongoing operations	115	11.3%	74	8.0%	+3.3 ppt
and other operations	(3)		19		
Net profit	95	9.3%	74	7.9%	+1.3 ppt
Basic Earnings per share (€)	1.14		0.89		+28%
Diluted Earnings per share (€)	1.09		0.86		+26%

Revenue for the first semester was up by +10% at historical rates and +7% at constant rates to €1,020 million with all main segments posting growth. The Security segment performed particularly well with revenue growth of +19% at constant exchange rates. Platforms & Services¹ revenue expanded across the Company by +12% to reach €140 million for the semester, representing 14% of total Company revenue.

Gross profit was up +21%, or +€66 million, to €387 million. This represents a gross margin of 38%, higher by +3.4 percentage points on the previous year's figure. The improvement was driven by gross margin increases in the Mobile Communication and Secure Transactions segments as well as by the revenue growth in Security. Better revenue mix, economies of scale and operational improvements underpinned the favorable trends observed in these activities.

Operating expenses for all operations, at €275 million, increased by +10 basis points as a percentage of revenue in comparison to the first semester 2011, which benefitted from a one-time positive contribution from non-ongoing operations. The ratio of recurring operating expenses over revenue was stable at 27%, with a decrease in SG&A expenses and an increase in R&D spending.

First semester 2012 profit from operations for all operations came in at €112 million or 11.0% of revenue, up +21%. This expansion was essentially due to the sharp increase in the contribution from ongoing operations, up +56% to €115 million versus €74 million in the first semester of 2011. This increase in the profit for all operations is remarkable as the contribution from ongoing operations more than offset a €22 million adverse comparison impact resulting from a year-on-year variation in the contribution from items not related to ongoing operations (essentially linked to the €19 million one-time gain generated by the change in shareholding structure of the assets held for sale during the first semester of 2011).

Net interest income was not material this semester, similarly to the same period of the previous year. Foreign exchange transactions resulted in a charge of €3.1 million, compared with a charge of €4.3 million in the first semester of 2011 and the other financial expenses represented a €3.0 million charge. As a result, Gemalto's financial income for all operations was a charge of €6.0 million for the first semester of 2012, higher by €3.3 million year-on-year. Share of profit in associates was stable at slightly above €1 million.

Adjusted profit before income tax for all operations came in at €108 million, up 18% on the previous year.

Adjusted income tax expense was €13 million, with an estimated IFRS annual income tax rate of 16% for the year 2012.

Consequently, the adjusted net profit for all the operations of the Company was €95 million, a 29% increase when compared to last year's figure of €74 million.

Adjusted basic earnings per share for all operations came in at €1.14, and adjusted diluted earnings per share for all operations at €1.09, increasing by 28% and 26% respectively when compared to the first semester 2011 adjusted basic earnings per share for all operations of €0.89 and adjusted diluted earnings per share for all operations of €0.86.

¹ "Platforms & Services" was formerly referred to as "Software & Services", with the same scope.

Statement of financial position and cash position variation schedule

In the first semester 2012, operating activities generated a cash flow before restructuring actions of €95 million, up 122% on the €43 million generated in the first semester 2011. This increase includes the higher working capital requirements resulting from favorable business trends, up by €19 million when compared to the beginning of the semester. Cash used in restructuring actions was slightly up at €5 million.

Capital expenditure and acquisition of intangibles amounted to €48 million, or 4.7 % of revenue, of which €28 million was incurred for Property, Plant and Equipment assets with, in particular, investments in datacenters, personalization centers and other facilities to support future growth in financial services activities. Capitalization of development costs remained stable as a percentage of revenue, at 1.5%, and expenditure of €12m was incurred on the acquisition of intangible assets for long-term usage with the corresponding cash outflow expected in the next semester.

Acquisition and divestiture of subsidiaries and businesses, net of cash acquired, used €7 million in cash.

Gemalto's share buy-back program used €31 million in cash in the first semester of 2012, for the purchase of 641,855 shares, net of the liquidity program. As at June 30, 2012, the Company held 4,790,830 shares, or 5.44% of its own shares in treasury. The total number of Gemalto shares issued was unchanged, at 88,015,844 shares. Net of the 4,790,830 shares held in treasury, 83,225,014 shares were outstanding as at June 30, 2012. 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, 2012 was €34.28.

On May 24, 2012, Gemalto paid a cash dividend of €0.31 per share in respect of the fiscal year 2011, up 11% on the dividend paid in 2011 (€0.28 per share). This distribution used €26 million in cash. Other financing activities generated €4 million in cash, including €17 million of proceeds received by the Company from the exercise of stock options by employees and a €10 million payment to acquire the minority interest of one of the Company's affiliates.

As a result of these elements, cash and cash equivalents represented €317 million, as at June 30, 2012. They were €214 million as at June 30, 2011 and €330 million as at December 31, 2011, the beginning of the current period.

Gemalto's net cash position was €300 million as at June 30, 2012, including €16 million of borrowings, down by €5 million compared to €21 million as at the beginning of the current period. Net cash position was up by +62% compared to €186 million as at June 30, 2011, and did not change significantly from the €309 million net cash held at the beginning of the current period.

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.

The basis of preparation of this document describes the evolutions that occurred in the segments' ongoing operations for the year 2012, i.e. excluding the assets that will be contributed to the joint venture announced on April 3, 2012 and non-strategic assets currently being disposed. Revenue and contribution of these assets are detailed in Appendix 1. The segments financial information for 2011 is presented pro-forma on the 2012 basis of preparation.

Segment contribution to first semester 2012 results	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Patents	Total ongoing operations
As a percentage of revenue	47%	9%	26%	18%	0%	100%
As a percentage of ongoing PFO	60%	4%	23%	17%	-4%	100%

The four main segments, Mobile Communication, Machine-to-Machine, Secure Transactions and Security, represented nearly all of Gemalto's revenue and profit from operations.

The contribution to revenue from Secure Transactions, Security and Machine-to-Machine continued to grow. They accounted for 53% of Gemalto's total revenue. The contribution of these three segments to the Company's profit from ongoing operations increased by 16% in value. Their share of the total was reduced to 44% this semester due to the outstanding performance of the Mobile Communication segment.

Year-on-year variations and currencies impact (€ in millions)	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Patents	Total ongoing operations
Second quarter						
Revenue	241	47	138	105	1	532
At constant rates	+2%	+9%	+3%	+24%	(70%)	+6%
At historical rates	+7%	+15%	+6%	+29%	(69%)	+11%
First semester						
Revenue	476	91	267	180	1	1,016
At constant rates	+6%	+5%	+4%	+19%	(59%)	+7%
At historical rates	+9%	+8%	+6%	+23%	(58%)	+10%
Profit from operations	69	5	27	19	(5)	115
At historical rates	+114%	(20%)	+1%	+69%	(120%)	+56%

The evolution of foreign currency translation in Euro had a favorable impact on second quarter revenue, after a limited impact in the first quarter. For the first semester 2012, Gemalto's revenue growth from its ongoing operations was +10% at historical rates and +7% at constant rates. Profit from operations, although consistently hedged, also benefitted from the favorable impact related to foreign currency translations in Euro during the semester.

Mobile Communication

	First semester 2012		First semester 2011 ²		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	476.5		436.2		+9%	+6%
Gross profit	200.3	42.0%	158.9	36.4%	+5.6 ppt	
Operating expenses	(130.9)	(27.5%)	(126.5)	(29.0%)	+1.5 ppt	
Profit from operations	69.4	14.6%	32.5	7.4%	+7.1 ppt	

In Mobile Communication, the impact of customers deploying our next generation technologies drove growth in both the “Embedded software & Products” ³ activity as well as in the “Platforms & Services” ³ activity, with revenue growing by +5% and +13% respectively.

This performance extends the segment’s positive business evolution that surged during the strong fourth quarter of 2011. Growth was partly driven by the continued rise of 4G-LTE in North America and by deployments of several mobile contactless services offered by mobile operators in the Americas, Asia and Europe. In mobile financial services business, key deliveries in mobile contactless and mobile money demonstrated the technological advantage and diversity of Gemalto’s LinqUs™ portfolio of solutions and its ability to serve clients in both the banked and the financial inclusion markets. The fluctuations observed this semester in quarterly revenue growth rates came from the anticipated change in seasonality patterns that took place between 2011 and 2012.

The increase in gross margin at 42% reflects the same improved revenue mix observed since the second semester of last year, and was achieved while continuing Gemalto’s investment strategy in the deployment of mobile financial solutions. Both sets of activities contributed to the gross margin improvement, benefitting from the deployment of new generations of products, scale effects and improved resource allocation. As the launches of advanced customer programs began in the second semester of 2011, the year-on-year improvement of +5.6 percentage points in 2012’s first semester gross profit margin was particularly pronounced when compared to the first semester of 2011 that did not benefit from these programs.

Disciplined control of operating expenses, changes in the seasonality pattern and foreign exchange effects contributed to reduce operating expenses as a percentage of revenue from 29% to 27%.

A strong improvement in profitability resulted from revenue growth, mix improvement and control of expenses. The segment’s profit margin from operations rose considerably from 7.4% to 14.6%, and more than doubled in absolute terms, from €33 million to €69 million, illustrating the Company’s ability to generate value with its strategy of early investment in promising adjacent opportunities.

² The assets that will be contributed to the joint venture announced on April 3, 2012 with ARM and G&D and other non-strategic assets currently being disposed were reported in Mobile Communications. See appendix 1 for more details and reconciliation.

³ “Embedded software & Products” and “Platforms & Services” were formerly referred to as “Products” and “Software & Services” respectively, with the same scopes.

Machine-to-Machine

	First semester 2012		First semester 2011		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	91.0		84.2		+8%	+5%
Gross profit	29.8	32.7%	28.9	34.3%	(1.6 ppt)	
Operating expenses	(25.2)	(27.7%)	(23.1)	(27.5%)	(0.2 ppt)	
Profit from operations	4.6	5.0%	5.8	6.9%	(1.8 ppt)	

Machine-to-Machine revenue grew to €91 million. The sources of demand spanned various sectors and devices, notably security systems, smart meters, and handheld terminals. This revenue expansion, which reflects the longer design-in cycle characterizing the Machine-to-Machine activity, shows that new commercial offerings have begun to bear fruit.

Gross profit increased in value by €0.9 million to €30 million with gross margin settling at 33%. This evolution stems from several factors including a higher level of sales, unfavorable foreign exchange effects and higher impact of amortization of capitalized developments related to long-term customer projects.

Over the period, Gemalto increased its investment in the development of new offers and started the integration of the SensorLogic platform. Accordingly, operating expenses rose by €2.0 million versus last year, to €25 million.

As a result, the segment posted profit from operations of €4.6 million for the first semester compared to €5.8 million in the same period of 2011.

On a full year basis, the segment's year-on-year profit from operations is expected to increase.

Secure Transactions

	First semester 2012		First semester 2011		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	267.1		251.1		+6%	+4%
Gross profit	87.7	32.8%	77.3	30.8%	+2.0 ppt	
Operating expenses	(61.0)	(22.8%)	(50.9)	(20.3%)	(2.6 ppt)	
Profit from operations	26.7	10.0%	26.4	10.5%	(0.5 ppt)	

In Secure Transactions, revenue growth was in line with the current global market rate after the strong gains the Company recorded last year. The drivers of growth continue to be the increasing demand from developing regions, the shift to the higher-end Dynamic Data Authentication software embedded in conventional banking chip cards, and the success of our dual interface Optelio™ products in markets with high EMV penetration.

Gross profit increased by €10 million to €88 million representing a gross margin of 33%, up by +200 basis points. The improvement was mostly driven by favorable mix developments enabled by Gemalto's high-end offering.

Operating expenses were stable on a sequential basis, i.e. when compared with the second semester of 2011, and grew by €10 million year-on-year to €61 million. The increase reflects the strategic investment decisions made in 2011 to capture mid to long-term opportunities. Some notable examples are the development of regional resources in preparation of future EMV migrations and further investment to support the global mobile payment opportunity.

As a result, profit from operations increased to €27 million, representing 10% of revenue.

Security

	First semester 2012		First semester 2011		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	180.0		146.5		+23%	+19%
Gross profit	67.8	37.7%	53.7	36.7%	+1.0 ppt	
Operating expenses	(48.6)	(27.0%)	(42.4)	(28.9%)	+1.9 ppt	
Profit from operations	19.2	10.6%	11.3	7.7%	+2.9 ppt	

Security delivered another strong semester with continued double-digit growth, up +19% to €180 million. New customer wins and excellent project execution in Government Programs contributed significantly to the segment performance. The first semester reinforced the pervasiveness of electronic identity solutions, with numerous key projects that directly benefit Gemalto, such as digitalization of voting procedures, modernization of national identity programs, and deployments of electronic healthcare documents. In Identity and Access Management, the demand for our Ezio™ internet banking security solutions continued to grow.

Gross profit increased by €14 million to €68 million. The +100 basis points increase in gross margin, to 38%, demonstrates that each activity in the segment continues to improve its level of profitability, through the benefits of scale and improved mix.

Operating expenses rose by €6.2 million to €49 million as investments were made to support continued growth in the segment. Further development of the Protiva™ cloud security access offer and additional resources to absorb the growing demand in Government Programs are examples of such investments made during the period. Nevertheless, top-line growth and related gross profit continued to clearly outpace this increase in operating expenses, resulting in a decrease of 190 basis points for operating expenses as a percentage of revenue, to 27%

Hence, profit from operations increased to €19 million, 69% higher than in the same period last year, representing 11% of revenue.

Patents

	First semester 2012		First semester 2011		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	1.1		2.6		(58%)	(59%)
Gross profit	1.0	90.0%	1.5	59.9%	+30 ppt	
Operating expenses	(5.8)	n.m.	(3.7)	n.m.		
Profit from operations	(4.8)	n.m.	(2.2)	n.m.		

As anticipated, the first semester activity in the Patents segment remained limited with revenue of just over €1 million. The current litigation in the United States continued to move ahead, in line with the previously announced timeline, with the completion of the pre-trial Markman hearing milestone during the first semester.

Additional information

- Gemalto continued its momentum in mobile payment announcing the delivery of several high visibility projects spanning its Mobile Financial Services portfolio across geographies. In particular:
 - In Mobile Contactless NFC, Gemalto had important wins in North America and in Europe.
Gemalto will serve as the Trusted Service Management provider for Chase, which will in particular allow Chase cardholders to download mobile payment cards into the ISIS mobile wallet.
Also, after Gemalto officially launched its UpTeq NFC product, the world's most advanced NFC capable UICC/SIM card, at Mobile World Congress in February, Orange announced that it would initiate a large scale roll-out of the Gemalto SIM-based NFC solution for mass deployment of mobile contactless services.
 - In Latin America, América Móvil-Telcel, Banamex, and Banco Inbursa launched a nationwide program in Mexico, Transfer, to turn the mobile phone into an innovative payment device with Gemalto serving as the technology provider. Gemalto not only provides the transactional platform for the service but also the service development, support and operation.

Related press releases:

Feb 27, 2012: Chase Selects Gemalto for Trusted Service Management

Apr 23, 2012: Gemalto selected by América Móvil, Banamex and Banco Inbursa as the technology provider for Transfer mobile payment service in Mexico

Jun 28, 2012: Orange Launches Nationwide Deployment of NFC SIM Cards with Gemalto Solution in France

- A series of notable contracts were signed and announced in the Government Programs activity:
 - eGovernment: Gemalto has been appointed by the Oman Information Technology Authority (ITA) as prime contractor to secure the country's eGovernment services, which Omanis use to securely carry out administrative procedures online and digitally sign official documents and electronic forms without physically visiting government offices.
 - Voter registry creation: Gemalto is providing CENI, the Independent National Electoral Commission of Burkina Faso with its Coesys decentralized enrolment solution to register citizens for the Country's upcoming parliamentary and municipal elections to be held on December 2, 2012.
 - Documents: Gemalto was awarded a multi-year contract by the United Kingdom Driver and Vehicle Licensing Agency (DVLA) to supply between 40 and 80 million secure Sealys documents for a variety of official permits including driver's licenses and biometric residence permits, in a multi-year contract.

Related press releases:

May 3, 2012: Gemalto Signs Multi-Year Contract with the United Kingdom Driver and Vehicle Licensing Agency

May 10, 2012: Gemalto Delivers Complete Enrolment Solution for Burkina Faso's Upcoming Elections

May 15, 2012: Gemalto Secures eGovernment Services for Oman

Outlook

For the full year 2012, Gemalto now expects its profit from operations to come close to its 2013 target of €300 million, with all main segments increasing their revenue and profit, limited revenue from Patents, and less seasonality in Mobile Communication.

Live Audio Webcast and Conference call

Gemalto first semester 2012 results presentation will be webcast in English today at 3pm 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 9457 or (US) +1 866 907 5925 or (FR) +33 1 7077 0940

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 semi-annual report, including the interim condensed consolidated financial statements as of June 30, 2012, is available on our Investor web site (www.gemalto.com/investors).

Third quarter 2012 revenue will be reported on Thursday October 25, 2012, before the opening of Euronext Paris.

ADR (American Depositary Receipt)

Gemalto has 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

Investor Relations

Gabriel Rangoni
M.: +33(0) 6 1426 6956
gabriel.rangoni@gemalto.com

John Lineberger
john.lineberger@gemalto.com

Corporate Communication

Isabelle Marand
M.: +33(0) 6 1489 1817
isabelle.marand@gemalto.com

About Gemalto

Gemalto (Euronext NL0000400653 GTO) is the world leader in digital security with 2011 annual revenues of €2 billion and more than 10,000 employees operating out of 74 offices and 14 Research & Development centers in 43 countries.

We are at the heart of our evolving digital society. Billions of people worldwide increasingly want the freedom to communicate, travel, shop, bank, entertain and work – anytime, anywhere – in ways that are convenient, enjoyable and secure. Gemalto delivers on their expanding needs for personal mobile services, identity protection, payment security, authenticated online services, cloud computing access, modern ticketing systems, M2M communication, eHealthcare and eGovernment services.

Gemalto develops secure software that runs on trusted devices which we develop and personalize. We manage these devices, the confidential data they contain and the services they enable, throughout their life cycle. We innovate so that our clients can offer more ways of enhancing the convenience and security of their end-users' digital lives.

Gemalto is thriving with the growing number of people using its software and secure devices to interact in the digital and wireless world.

For more information visit www.gemalto.com, www.justaskgemalto.com, 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 and Contribution of assets held for sale

The assets held for sale comprise, for 2011, the gain on re-measurement to fair value of an investment in associate, whose change to shareholding structure was completed in 2011, as well as for 2011 and 2012, the assets that will be contributed to the joint venture announced on April 3, 2012 and other non-strategic assets currently being disposed.

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

First semester 2011 Adjusted income statement (€ in millions)	Ongoing operations						Assets held for sale	Total Gemalto
	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Patents	Total		
Revenue	436.2	84.2	251.1	146.5	2.6	920.6	7.9	928.5
Gross profit	158.9	28.9	77.3	53.7	1.5	320.4	0.8	321.2
Operating expenses	(126.5)	(23.1)	(50.9)	(42.4)	(3.7)	(246.6)	18.4	(228.2)
Profit from operations	32.5	5.8	26.4	11.3	(2.2)	73.8	19.2	93.0

Contribution of the assets now held for sale and not held for sale at first semester 2011

First semester 2011 Ongoing operations Adjusted income statement (€ in millions)	As reported in first semester 2012	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Patents	Total	As reported in first semester 2011
Revenue	920.6	7.9	-	-	-	-	7.9	928.5
Gross profit	320.4	0.8	-	-	-	-	0.8	321.2
Operating expenses	(246.6)	(2.8)	-	-	-	-	(2.8)	(249.4)
Profit from operations	73.8	(2.0)	-	-	-	-	(2.0)	71.9

Appendix 2

Reconciliation from Adjusted financial information to IFRS

	6 month period ending June 30, 2012				
	Adjusted financial information for ongoing operations	Items not related to ongoing operations	Adjusted financial information for all operations	Adjustments	IFRS financial information
(€ in thousands)					
Revenue	1,015,602	4,882	1,020,484		1,020,484
Cost of sales	(629,111)	(3,907)	(633,018)	(3,858)	(636,876)
Gross profit	386,491	975	387,466	(3,858)	383,608
Operating expenses					
Research and engineering	(64,478)	(2,343)	(66,821)	(2,042)	(68,863)
Sales and marketing	(143,438)	(1,204)	(144,642)	(9,068)	(153,710)
General and administrative	(63,657)	(90)	(63,747)	(9,963)	(73,710)
Gain on re-measurement to fair value of an investment in associate					
Other income (expense), net	83	30	113		113
Profit from operations (PFO)	115,001	(2,632)	112,369		
Share-based compensation charges and associated costs				(24,931)	
Restructuring & acquisition-related expenses				(2,417)	(2,417)
Amortization and depreciation of intangibles resulting from acquisitions				(9,956)	(9,956)
Operating profit				(37,304)	75,065
Financial income (expense), net	(6,021)	(5)	(6,026)		(6,026)
Share of profit of associates	1,183		1,183		1,183
Gain on sale of investment in associate					
Profit before income tax	110,163	(2,637)	107,526	(37,304)	70,222
Income tax expense	(12,540)	(103)	(12,643)	1,209	(11,434)
Profit from continuing operations	97,623	(2,740)	94,883	(36,095)	58,788
Profit (loss) from discontinued operation (net of income tax)					
Profit for the period (Net profit)	97,623	(2,740)	94,883	(36,095)	58,788
Attributable to					
Owners of the Company - Profit for the period (Net profit)	97,607		94,867		58,772
Non-controlling interests	16		16		16
Earnings per share (€ per share)					
Basic	1.17		1.14		0.71
Diluted	1.12		1.09		0.67

The first semester 2012 adjusted basic earnings per share are determined on the basis of the weighted average number of Gemalto shares outstanding during the six-month period ended June 30, 2012, i.e. 83,189,142 shares, which takes into account the effect of the share buy-back program. The first semester 2012 adjusted diluted earnings per share are determined by using 87,099,908 shares corresponding to the IFRS treasury stock method, i.e. on the basis of the same weighted average number of Gemalto shares outstanding and considering that all outstanding "in the money" share based instruments were exercised (5,645,130 instruments) and the proceeds received from the instruments exercised (€82,418,326) were used to buy-back shares at the average share price of the first semester 2012 (1,734,364 shares at €47.52).

6 month period ending June 30, 2011

	Adjusted financial information for ongoing operations	Items not related to ongoing operations	Adjusted financial information for all operations	Adjustments	IFRS financial information
(€ in thousands)					
Revenue	920,594	7,863	928,457		928,457
Cost of sales	(600,189)	(7,057)	(607,246)	(1,274)	(608,520)
Gross profit	320,405	806	321,211	(1,274)	319,937
Operating expenses					
Research and engineering	(57,390)	(1,141)	(58,531)	(768)	(59,299)
Sales and marketing	(134,687)	(1,461)	(136,148)	(5,108)	(141,256)
General and administrative	(58,910)	(207)	(59,117)	(8,748)	(67,865)
Gain on re-measurement to fair value of an investment in associate		21,147	21,147		21,147
Other income (expense), net	4,413	32	4,445		4,445
Profit from operations (PFO)	73,831	19,176	93,007		
Share-based compensation charges and associated costs				(15,898)	
Restructuring & acquisition-related expenses				(3,997)	(3,997)
Amortization and depreciation of intangibles resulting from acquisitions				(9,972)	(9,972)
Operating profit				(29,867)	63,140
Financial income (expense), net	(4,798)	2,022	(2,776)		(2,776)
Share of profit of associates	1,251		1,251		1,251
Profit before income tax	70,284	21,198	91,482	(29,867)	61,615
Income tax expense	(14,039)	(2,100)	(16,139)	249	(15,890)
Profit from continuing operations	56,245	19,098	75,343	(29,618)	45,725
Profit (loss) from discontinued operation (net of income tax)		(1,543)	(1,543)		(1,543)
Profit for the period (Net profit)	56,245	17,555	73,800	(29,618)	44,182
Attributable to					
Owners of the Company - Profit for the period (Net profit)	56,653		74,208		44,590
Non-controlling interests	(408)		(408)		(408)
Earnings per share (€ per share)					
Basic	0.68		0.89		0.54
Diluted	0.66		0.86		0.52

The adjusted financial information for ongoing operations for the first semester of 2011 was represented to take into account the changes in ongoing operations as described in the basis of preparation of this document.

Appendix 3

Consolidated statement of financial position

(€ In thousands)	June 30, 2012	December 31, 2011
ASSETS		
Non-current assets		
Property, plant and equipment, net	224,361	222,892
Goodwill, net	824,253	812,959
Intangible assets, net	172,362	159,223
Investments in associates	13,349	13,783
Deferred income tax assets	86,277	89,721
Available-for-sale financial assets, net	-	-
Other non-current assets	56,928	44,014
Derivative financial instruments	1,226	7,006
Total non-current assets	1,378,756	1,349,598
Current assets		
Inventories, net	193,180	172,667
Trade and other receivables, net	548,306	558,757
Derivative financial instruments	7,186	8,426
Cash and cash equivalents	311,820	330,384
Total current assets	1,060,492	1,070,234
Assets held for sale	25,586	1,711
Total assets	2,464,834	2,421,543
EQUITY		
Share capital	88,016	88,016
Share premium	1,209,216	1,209,216
Treasury shares	(164,207)	(156,531)
Fair value and other reserves	78,051	87,006
Cumulative translation adjustments	18,605	8,102
Retained earnings	513,634	480,702
Capital and reserves attributable to the owners of the Company	1,743,315	1,716,511
Non-controlling interests	4,206	4,225
Total equity	1,747,521	1,720,736
LIABILITIES		
Non-current liabilities		
Borrowings	12,701	5,762
Deferred income tax liabilities	20,523	23,805
Employee benefit obligations	63,467	51,470
Provisions and other liabilities	72,920	76,228
Derivative financial instruments	7,420	9,704
Total non-current liabilities	177,031	166,969
Current liabilities		
Borrowings	3,580	15,261
Trade and other payables	483,205	467,215
Current income tax liabilities	18,034	22,331
Provisions and other liabilities	8,344	10,083
Derivative financial instruments	24,440	18,948
Total current liabilities	537,603	533,838
Liabilities associated with assets held for sale	2,679	-
Total liabilities	717,313	700,807
Total equity and liabilities	2,464,834	2,421,543

Appendix 4

Cash position variation schedule

(€ in millions)	First semester 2012	First semester 2011
Cash & cash equivalent, beginning of period	330	275
Cash generated by operating activities, before cash outflows related to restructuring actions	95	43
Including cash provided (used) by working capital decrease (increase)	(19)	(2)
Cash used in restructuring actions	(5)	(3)
Cash generated by operating activities	90	40
Capital expenditure and acquisitions of intangibles	(48)	(37)
Free cash flow	42	3
Interest received, net	2	1
Cash used by acquisitions	(7)	5
Other cash provided by investing activities	0	(3)
Currency translation adjustments	3	(6)
Cash generated (used) by operating and investing activities	40	(1)
Cash used by the share buy-back program	(31)	(31)
Dividend paid to Gemalto shareholders	(26)	(23)
Other cash provided (used) by financing activities	4	13
Change in cash and cash equivalent due to change in consolidation method	0	(19)
Cash and cash equivalents, end of period	317	214
Current and non-current borrowings including finance lease and bank overdrafts, end of period	(16)	(28)
Net cash, end of period	300	186

Appendix 5

Revenue from ongoing operations, by region

First semester € in millions	First semester 2012	First semester 2011	Year-on-year variation	
			at constant exchange rates	at historical exchange rates
EMEA	516	494	3%	4%
North & South America	312	256	18%	22%
Asia	188	171	4%	10%
Total revenue	1 016	921	7%	10%

Second quarter € in millions	Second quarter 2012	Second quarter 2011	Year-on-year variation	
			at constant exchange rates	at historical exchange rates
EMEA	272	252	6%	8%
North & South America	168	141	13%	19%
Asia	92	88	(4%)	4%
Total revenue	532	481	6%	11%

Appendix 6

Average exchange rates between the Euro and the US dollar

EUR/USD	2012	2011
First quarter	1.32	1.36
Second quarter	1.30	1.44
First semester	1.31	1.40
Third quarter		1.44
Fourth quarter		1.37
Second semester		1.41
Full year		1.40