SEMI-ANNUAL FINANCIAL REPORT AS AT JUNE 30, 2017

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Gemalto first semester 2017 results

- **Revenue of €1.4 billion, lower by (8%) at constant exchange rates and (7%) at historical exchange rates**
- **Government Programs and Machine-to-Machine acceleration in the second quarter after a slow start**
- **Acquisition of 3M's Identity Management Business well received by customers**
- **Profit from operations at €93 million, with €50 million of free cash flow**
- **€425 million goodwill impairment charge as a result of deteriorated prospects for the removable SIM market**

To better assess past and future performance, the income statement is presented on an adjusted basis and variations in revenue figures above and in this document are 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. Reconciliation with the IFRS income statement is presented in Appendix 1. 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, September 1, 2017, at 12:00am - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the first semester 2017.

Key figures of the adjusted income statement

			Year-on-year variations	
(€ in millions)	**First semester 2017**	First semester 2016	at historical exchange rates	at constant exchange rates
Revenue	**1,393**	1,495	(7%)	(8%)
Gross profit	**502**	586	(14%)	
Operating expenses	**(409)**	(415)	(1%)	
Profit from operations	**93**	172	(46%)	
Profit margin	**6.7%**	11.5%	(4.8 ppt)	

Philippe Vallée, Chief Executive Officer, commented: "In the second quarter, Gemalto's year-on-year base of comparison in the US Payment business was at its most challenging level, reflecting the on-going adjustments in US EMV demand. In addition the removable SIM business deteriorated faster than we expected. As a result, the Company's first semester results were disappointing. Looking ahead, Gemalto expects to generate year-on-year stable revenue in the second semester supported by an acceleration in its Enterprise, Government Programs and Machine-to-Machine businesses leading to the outlook announced in July. The priorities that I have set for the teams are to rapidly integrate the newly acquired Identity Management Business, successfully execute the first actions of the transition plan and focus our investments on offers that are key to our clients' digital transformation."

Basis of preparation of financial information

Segment information

The Mobile segment reports on businesses associated with mobile cellular technologies including Machine-to-Machine, mobile secure elements (SIM, embedded secure element) and mobile Platforms & Services. The Payment & Identity segment reports on businesses associated with secure personal interactions including Payment, Government Programs and Enterprise. The acquisition of 3M's Identity Management business in May 2017 is part of the Government Programs business.

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

Historical exchange rates and constant currency figures

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. Revenue variations are at constant exchange rates and include the impact of currencies variation hedging program, except where otherwise noted. All other figures in this press release are at historical exchange rates, except where otherwise noted.

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

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and with section 2:362(9) of the Netherlands Civil Code.

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 make operating decisions over the period 2010 to 2017 is the profit from operations (PFO).

PFO is a non-GAAP measure defined as IFRS operating profit adjusted for (i) the amortization and impairment of intangibles resulting from acquisitions, (ii) restructuring and acquisition-related expenses, (iii) all equity-based compensation charges and associated costs; and (iv) fair value adjustments upon business acquisitions. These items are further explained as follows:

- Amortization, and impairment of intangibles resulting from acquisitions are defined as the amortization, and impairment expenses related to intangibles assets and goodwill recognized as part of the allocation of the excess purchase consideration over the share of net assets acquired.
- 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 an acquisition process).
- Equity-based compensation charges are defined as (i) the discount granted to employees acquiring Gemalto shares under Gemalto Employee Stock Purchase plans; (ii) the amortization of the fair value of stock options and restricted share units granted by the Board of Directors to employees; and the related costs.
- Fair value adjustments over net assets acquired are defined as the reversal, in the income statement, of the fair value adjustments recognized as a result of a business combination, as prescribed by IFRS3R. Those adjustments are mainly associated with (i) the amortization expense related to the step-up of the acquired work-in-progress and finished goods assumed at their realizable value and (ii) the amortization of the cancelled commercial margin related to deferred revenue balance acquired.

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

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

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

Net debt and net cash

Net debt is a non IFRS measure defined as total borrowings net of cash and cash equivalents. Net cash is a non IFRS measure defined as cash and cash equivalents net of total borrowings.

Adjusted financial information

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.

	First semester 2017		First semester 2016		Year-on-year variations	
Extract of the adjusted income statement	**€ in millions**	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**1,392.8**		1,495.2		(7%)	(8%)
Gross profit	**501.9**	**36.0%**	586.3	39.2%	(3.2 ppt)	
Operating expenses	**(409.1)**	**(29.4%)**	(414.6)	(27.7%)	(1.6 ppt)	
EBITDA	**163.3**	**11.7%**	239.3	16.0%	(4.3 ppt)	
Profit from operations	**92.8**	**6.7%**	171.7	11.5%	(4.8 ppt)	
Net profit (excl. non-controlling interests)	**39.4**	**2.8%**	106.4	7.1%	(4.3 ppt)	
Basic Earnings per share (€)	**0.44**		1.20		(64%)	
Diluted Earnings per share (€)	**0.44**		1.19		(63%)	

Total revenue for the first semester 2017 came in at €1,393 million, lower by (7%) at historical exchange rates and (8%) at constant exchange rates.

Gross profit was lower by €84 million, at €502 million. The reduction in gross profit for the Payment, SIM and related services was partially offset by the increase from the other businesses. Gross margin was 36%, lower by 3 percentage points year-on-year, as the operating leverage of Payment business and Mobile segment were not fully realized during the semester.

Operating expenses were down, by (€5) million, at (€409) million through tight control of expenses in Payment and SIM businesses while the Company continued to invest in the growing businesses. As a result, profit from operations was €93 million. The acquired Identity Management Business contributed €1.5 million in profit from operations since May 1.

Gemalto's financial income was (€11) million compared to (€23) million in the first semester of 2016. This €11 million improvement came mainly from a non-cash currency impact related to the change in classification of equity securities. Impairment of associates was a positive €10 million due to a change in the market capitalization of an associate. As a result, adjusted profit before income tax came in at €93 million.

Adjusted income tax expense was (€54) million in the first semester of 2017 compared with (€29) million one year ago. This (€26) million expense increase mainly reflects the estimated non-cash deferred tax asset reduction following Gemalto's 2017 profit from operations outlook revision. Excluding this non-recurring impact, the adjusted income tax expense would have been (€12) million and the adjusted income tax rate would have been 13% for the first semester. This exceptional charge has no impact on the expected normative adjusted effective tax rate going forward.

Overall, the adjusted net profit of the Company was €39 million. Consequently, adjusted basic earnings per share and adjusted diluted earnings per share came in at €0.44. Excluding the non-recurring tax asset reduction, the adjusted basic earnings per share and adjusted diluted earnings per share came in at €0.91 and €0.90 respectively.

IFRS results

Amortization and impairment of intangibles resulting from acquisitions increased by (€439) million to (€468) million. Most of this increase came from the previously announced (€425) million one-off non-cash impairment, resulting from the deteriorated prospects for the removable SIM market, mainly in relation to the goodwill generated upon the IPO of Axalto in 2004 and the Axalto-Gemplus merger in 2006. To a lesser extent the increase also came from the newly acquired Identity Management Business. Restructuring and acquisition-related expenses increased by (€23) million to (€37) million due to the first actions of the transition plan, the implementation of a new information system (ERP) and business combination costs. Gemalto equity-based compensation expense came in at (€20) million.

Fair value adjustment related to the non-cash amortization of the IFRS revaluation of SafeNet's pre-acquisition deferred revenue accounted for (€1) million for the first semester 2017 compared to (€2) million for the same period last year.

As a result, excluding the non-cash impairment, Gemalto recorded €0.43 million for the first semester of 2017 in its IFRS operating profit compared to €108 million a year ago.

The income tax expense for the first semester at (€41) million is mainly composed of a non-cash deferred tax asset reduction following Gemalto's revised profit from operations outlook. Excluding these non-recurring item, the impairment expenses and the anticipated restructuring expenses, the effective tax rate of the Company is expected to be at the normative level for the full year 2017.

The IFRS net result is at (€473) million for the first semester of 2017 and the IFRS basic earnings per share and diluted earnings per share for the first semester 2017 are (€5.27) and (€5.25) respectively. Excluding the impairments and deferred tax asset reduction, the basic earnings per share and diluted earnings per share are €0.01.

Statement of financial position and cash position variation schedule

In the first semester of 2017, operating activities generated a cash flow of €121 million before changes in working capital, lower compared to €177 million in 2016. Changes in working capital reduced cash flow by (€1) million, less than during the same period of 2016.

Cash used in restructuring actions and acquisition related expenses increased by (€7) million to (€23) million compared with the first semester of 2016 due to the optimization of operation footprint and resources as well as implementation of a new information system.

Capital expenditure and acquisition of intangibles represented a net cash outflow of (€68) million, i.e. 4.9% of revenue compared to (€75) million, i.e. 5% for the same period of last year. Purchase of Property, Plant, and Equipment reduced by €9 million down to (€25) million and acquisition & capitalization of intangibles came in at (€43) million.

As a result, in the first semester of 2017, the Company generated free cash flow of €50 million compared to €64 million for the same period of 2016.

Acquisitions used (€761) million in cash as the Identity Management Business acquisition was closed during the first semester of 2017.

Gemalto's share buy-back and liquidity programs generated a (€0.5) million net cash outflow for the first semester of 2017. As at June 30, 2017, the Company held 496,796 shares, i.e. 0.5% of its own shares in treasury. The total number of Gemalto shares issued increased by 495,175 this semester, to 90,423,814 shares. Net of the 496,796 shares held in treasury, 89,927,018 shares were outstanding as at June 30, 2017.

On May 18, 2017, Gemalto paid a cash dividend of €0.50 per share in respect of the fiscal year 2016, up +6% on the dividend paid in May 2016 which was of €0.47 per share. This May 2017 distribution used €45 million in cash.

Net proceeds from financing instruments generated a €334 million cash inflow, mainly from drawdown of commercial paper, issuance of private placements and borrowings.

Cash in hand, net of bank overdrafts amounted to €236 million as at June 30, 2017.

Considering the €1,074 million total amount of borrowings as at June 30, 2017, Gemalto's net debt position increased to €838 million compared to a net debt position of €334 million as at June 30, 2016. The (€505) million variation is related to the use of cash for the acquisition of 3M's Identity Management Business, partially offset by the Company cash flow generation during the last twelve months.

Segment information

Revenue variations are expressed at constant currency exchange rates unless otherwise noted.

Year-on-year variations and currencies impact (€ in millions)	Payment & Identity	Mobile	**Total two main segments**	Patents & Others	**Total**
Second quarter					
Revenue	471	269	**740**	2	**742**
At constant rates	(7%)	(12%)	**(9%)**	+49%	**(9%)**
At historical rates	(7%)	(10%)	**(8%)**	+49%	**(8%)**

During the second quarter, revenue decreased by (8%) at historical exchange rates and (9%) at constant exchange rates. Payment & Identity segment revenue was lower by (7%) at constant exchange rates. The decrease of the Payment business was partially offset by the increase in Government Programs and Data Encryption business line in the second quarter. The Mobile segment revenue was lower by (12%) at constant exchange rates in the second quarter of 2017 compared to 2016 due to the revenue decrease in the removable SIM business and Mobile Platforms & Services activity.

Year-on-year variations and currencies impact (€ in millions)	Payment & Identity	Mobile	**Total two main segments**	Patents & Others	**Total**
First semester					
Revenue	875	516	**1,391**	2	**1,393**
At constant rates	(8%)	(10%)	**(8%)**	+45%	**(8%)**
At historical rates	(7%)	(7%)	**(7%)**	+45%	**(7%)**
As a percentage of total revenue	63%	37%	**100%**	0%	**100%**

Overall, for the first semester of 2017, the Payment & Identity segment contribution remained unchanged, compared with the same period of last year, at 63% of total Company revenue.

Contribution by activity First semester 2017 (€ in millions, variations at constant exchange rates)	Embedded software & Products	Platforms & Services	**Total two main segments**	Patents & Others
Revenue	937	453	**1,391**	2
Year-on-year revenue growth	(9%)	(8%)	**(8%)**	+45%
As a percentage of revenue	67%	33%	**100%**	0%

In the first semester of 2017, Embedded software & Products were reduced by (9%) due to lower SIM sales to mobile network operators and payment cards in Americas. Platforms & Services activity decreased by (8%) at constant exchange rates, representing 33% of total Company revenue. This is mainly due to the on-going normalization of the US EMV market which reduced the level of issuance services as well as the decline in the Mobile Platforms & Services activity.

Profit from operations (€ in millions)	**Total** (including Patents & Others)	Payment & Identity	Mobile
First semester	**93**	81	16
As a percentage of the total profit from operations	**100%**	87%	18%

First semester profit from operations came in at €93 million as the operating leverage for the Payment and SIM businesses has not been fully realized over the semester. The contribution of the Payment & Identity segment for this semester is 87% of the total profit from operations.

Based on the first semester revenue trends in Payment and removable SIM, Gemalto has launched in April a transition plan which is expected to contribute over €50 million to profit from operations annually. Since then, the Company has started to align its capacity, footprint and resources to long-term US EMV market demand. The Company has also initiated the shut-down of a sub-business line activity as a first result of its portfolio review in order to align itself with its long-term priorities. The Company continues to work on business efficiency and portfolio streamlining. The expected in-year transition plan impact is around €15 million in 2017.

Payment & Identity

	First semester 2017		First semester 2016		Year-on-year variations	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**875.0**		936.8		(7%)	(8%)
Gross profit	**332.8**	**38.0%**	374.0	39.9%	(1.9 ppt)	
Operating expenses	**(252.0)**	**(28.8%)**	(255.8)	(27.3%)	(1.5 ppt)	
Profit from operations	**80.8**	**9.2%**	118.2	12.6%	(3.4 ppt)	

Payment & Identity's first semester revenue came in at €875 million, lower by (8%) at constant exchange rates compared to the same period in 2016. The segment's Embedded software & Products sales were at €532 million and its Platforms & Services sales at €343 million, lower by (8%) and (6%) year-on-year respectively.

The Payment business was lower by (19%) at €414 million. Sales in Americas decreased by (37%) year-on-year during the first semester versus +33% a year ago. This is due to the on-going return to normalized inventory levels of US EMV cards at Gemalto's customers coupled with a soft market environment in Latin America. Payment Embedded software & Products sales were lower by (18%) and Payment Platforms & Services revenue decreased by (19%) compared to the first semester of 2016. Furthermore, Gemalto is currently regrouping its Mobile Financial Services offers with its eBanking offers to better align the digital banking and payment offers in light of the European Payment Service Directive 2 (PSD2) initiative.

Revenue from the Enterprise business came in at €217 million for the first semester of 2017, stable at historical exchange rates and down (1%) at constant exchange rates. The Data Encryption business line grew by 6% during the semester. Authentication and Software Monetization revenues fell due to the shift to cloud and software services subscription models. To meet the market demand for cybersecurity solutions, the Enterprise business is increasing its investments to expand its services portfolio in this growing sector.

The Government Programs business was up +11%, at €243 million. Government Programs' Embedded software & Products revenue sales expansion was +15% year-on-year, and its Platforms & Services sales were up +1% year-on-year. The acquired Identity Management Business contribution in the second quarter was €22 million, more than offset the decline in the organic portion of Government Platforms & Services activity which had grown by +30% in the first semester of 2016. Project backlog continued to expand during the first semester.

Overall, the Payment & Identity segment's gross margin came in at 38%, lower by (1.9) percentage points compared to the first semester of 2016 as the operating leverage in the Payment business was not fully realized due to the revenue decrease.

Operating expenses were €4 million lower at (€252) million in the first semester of 2017, despite increased investment in the Enterprise business and the addition of the acquired Identity Management Business. This was largely due to a tightening of operating expenses in the Payment business.

As a result, profit from operations in Payment & Identity for the first semester 2017 came in at €81 million and profit from operations margin at 9.2%.

Mobile

	First semester 2017		First semester 2016		Year-on-year variations	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**515.6**		556.8		(7%)	(10%)
Gross profit	**167.9**	**32.6%**	212.0	38.1%	(5.5 ppt)	
Operating expenses	**(151.5)**	**(29.4%)**	(153.1)	(27.5%)	(1.9 ppt)	
Profit from operations	**16.4**	**3.2%**	58.9	10.6%	(7.4 ppt)	

The Mobile segment posted revenue of €516 million for the first semester of 2017. Revenue was lower by (7%) at historical exchange rates compared to the same period of 2016.

Embedded software & Products sales for the segment came in at €405 million, lower by (9%) at constant exchange rates. SIM sales decreased by (17%) at €239 million for the first semester partly due to lower market share in a more competitive landscape as mobile network operators continue to shift their investments from removable SIMs to focus on next generation connectivity. This evolution was also coupled to soft demand in regions affected by stricter subscription registration processes. SIM sales now represent only 17% of total Company revenue in the first semester. The Machine-to-Machine business accelerated in the second quarter, up +15% year-on-year, leading to revenue growth of +7% at €166 million in the first semester of 2017. New design wins recorded during the period will support further business acceleration in the second semester.

The Platforms & Services revenue for the Mobile segment was lower by (12%) in the first semester of 2017 at €111 million. The revenue decline is mainly due to lower activity in Mobile Financial Services. Excluding Mobile Financial Services, the Mobile Subscriber Services business line grew by +2%. Since the adoption of GSMA specifications related to embedded SIMs (eSIMs) remote activation and management, Gemalto's Mobile Subscriber Services business has made significant progress with recent project wins in both the machine-to-machine and consumer markets with clients such as Microsoft, Lenovo Connect, AT&T and Telefónica.

Gross margin for the Mobile segment decreased to 32.6% this semester. This is due to operating leverage not being fully realized as a consequence of lower activities in removable SIM and Mobile Platforms & Services combined with an expansion in the historically lower gross margin Machine-to-Machine business.

Operating expenses decreased to (€151) million this semester from (€153) million in the first semester of 2016. This reflects double-digit reduction of the removable SIM business operating expenses while investment continued in Machine-to-Machine and in next generation connectivity.

As a result, the Mobile segment's profit from operations for the first semester of 2017 was €16 million.

Patents & Others

	First semester 2017		First semester 2016		Year-on-year variations	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**2.2**		1.5		+45%	+45%
Gross profit	**1.2**	**56.7%**	0.4	24.6%	-	
Operating expenses	**(5.7)**	**-**	(5.7)	-	-	
Profit from operations	**(4.5)**	**-**	(5.4)	-	-	

The Patents & Others segment, generated €2 million in revenue in the first semester of 2017, versus €1.5 million in the first semester of 2016. Operating expenses were stable, and profit from operations came in at (€4) million in the first semester of 2017.

Additional information

Below is a highlight of new contracts and achievements published by the Company in the first semester of 2017

Payment & Identity	
January, 5 2017	Uganda speeds visa issuance and strengthens border security with Gemalto
January, 31 2017	Gemalto to supply new Digital Identity Solution for the Swedish Tax Agency
March, 21 2017	Gemalto's HSM enables Microsoft Azure Information Protection customers to maintain full control
March, 28 2017	Gemalto releases findings of 2016 Breach Level Index
June, 1 2017	Four Canadian provinces award Gemalto for secure driver's license cards and issuance
Mobile	
January, 3 2017	AT&T strengthens Internet of Things (IoT) offerings with Gemalto's solution
February, 21 2017	Gemalto and Microsoft join forces to provide seamless connectivity for Windows 10 devices
February, 28 2017	GigSky chooses Gemalto to enable seamless connectivity for devices around the world
May, 4 2017	Gemalto's secure smart chip to be integrated in the Samsung Galaxy S8 in selected markets
June, 28 2017	Mobike and Gemalto collaborate to bring IoT connectivity to bike-sharing services beyond China
Industry Recognitions	
January, 18 2017	Gemalto wins Privacy Design Award for its Identity Verification solution
March 7, 2017	Gemalto LTE Cat. 1 solution wins IoT Evolution Connected Home & Building Award
March, 23 2017	Gemalto Wins 2017 Cybersecurity Excellence Award for Best Encryption Product
May, 3 2017	National Police Board of Finland & Gemalto win industry award for new ePassports and eID cards
May, 19 2017	Gemalto wins IoT Excellence Award for industry's first LTE M connectivity module
May, 24 2017	Gemalto wins ICMA Élan Award for Maryland's secure polycarbonate driver's license

Outlook

Looking ahead, compared with the same period of last year, the second quarter double digit revenue decreases in Payment in Americas and the SIM business are anticipated to continue for the second semester. These reductions should be offset by the expected revenue acceleration in Enterprise, Machine-to-Machine and Government Programs including the acquired Identity Management Business, leading to stable Company revenue for the second semester year-on-year.

Taking into account these revenue trends, the operating leverage of Payment and SIM businesses will not be realized as expected. The effect of the transition plan announced in April will start contributing materially towards the end of the year. Gemalto estimates its 2017 second semester profit from operations to be between €200 million and €230 million, leading to an expected full year profit from operations between €293 million and €323 million.

Transactions with related parties

For disclosure regarding transactions with related parties, reference is made to the note 24 to the interim condensed consolidated financial statements as at June 30, 2017.

Risks and uncertainties

In our Annual Report 2016, we have extensively described certain risk categories and risk factors which could have a material adverse effect on the Company's financial position and results. Those risk categories and risk factors are deemed incorporated and repeated in this report by reference.

For the second semester 2017, we currently believe none of them should be particularly emphasized.

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

Changes in share capital ownership

Shareholder disclosures made to the AFM and published on the AFM website between January 1 and June 30, 2017

- On May 25, 2017, Aviva notified the AFM they had the right to vote on 3.21% of Gemalto's share capital issued and their holding of Gemalto's ordinary shares was 3.21%.
- On May 24, 2017, BlackRock, Inc. notified the AFM they had the right to vote on 3.78% of Gemalto's share capital issued and their holding of Gemalto's ordinary shares was 3.02%.
- On May 5, 2017, Capital Group International Inc. and Capital Research and Management Company notified the AFM they had the right to vote on 2.93% of Gemalto's share capital issued and their holding of Gemalto's ordinary shares was 0.0%.

Capital interests and/or voting rights may require several disclosures by companies belonging to the same group.

Appendix 1

Reconciliation from Adjusted financial information to IFRS

Six-month period ended June 30 2017 (€ in thousands)	Adjusted financial information	Amortization and impairment of intangibles resulting from acquisitions	Restructuring and acquisition-related expenses	Equity-based compensation charge and associated costs	Fair value adjustment upon business acquisitions	IFRS financial information
Revenue	**1,392,842**	**-**	**-**	**-**	**-**	**1,392,842**
Cost of sales	(890,920)	(43,580)	(11,692)	(5,172)	(1,042)	(952,406)
Gross profit	**501,922**	**(43,580)**	**(11,692)**	**(5,172)**	**(1,042)**	**440,436**
Operating expenses	(409,147)	(424,671)	(24,940)	(14,662)		(873,420)
Profit from operations	**92,775**					
Operating profit		**(468,251)**	**(36,632)**	**(19,834)**	**(1,042)**	**(432,984)**
Financial income	(11,420)					(11,420)
Share of profit / (loss) from associates	1,773					1,773
Non-recurring profit / (loss) relating to associates	10,105					10,105
Income Tax	(54,262)					(41,225)
Net profit adjusted	**38,972**					**(473,751)**
Non-controlling interests	(459)					(459)
Net profit excluding non-controlling interests	**39,431**					**(473,292)**
Number of shares Basic	89,837					89,837
Number of shares Diluted	90,195					90,195
EPS Basic (€)	0.44					(5.27)
EPS Diluted (€)	0.44					(5.25)
*Adjusted from deferred tax asset reduction				**Adjusted from impairments and deferred tax asset reduction		
EPS Basic (€)	*0.91					**0.01
EPS Diluted (€)	*0.90					**0.01

The first semester 2017 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, 2017, i.e. 89,836,968 shares. The first semester 2017 adjusted diluted earnings per share is determined by using 90,194,882 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 (892,434 instruments) and the proceeds received from the instruments exercised (€29,179,802) were used to buy-back shares at the average share price of the first semester 2017 (534,520 shares) at €54.59.

Six-month period ended June 30 2016 (€ in thousands)	Adjusted financial information	Amortization and impairment of intangibles resulting from acquisitions	Restructuring and acquisition-related expenses	Equity-based compensation charge and associated costs	Fair value adjustment upon business acquisitions	IFRS financial information
Revenue	**1,495,161**	**-**	**-**	**-**	**-**	**1,495,161**
Cost of sales	(908,836)	(29,223)	(6,365)	(2,123)	(1,635)	(948,182)
Gross profit	**586,325**	**(29,223)**	**(6,365)**	**(2,123)**	**(1,635)**	**546,979**
Operating expenses	(414,614)		(7,709)	(16,963)		(439,286)
Profit from operations	**171,711**					
Operating profit		**(29,223)**	**(14,074)**	**(19,086)**	**(1,635)**	**107,693**
Financial income	(22,679)					(22,679)
Share of profit / (loss) from associates	3,576					3,576
Non-recurring profit / (loss) relating to associates	(16,887)					(16,887)
Income Tax	(28,512)					(13,172)
Net profit adjusted	**107,209**					**58,531**
Non-controlling interests	787					787
Net profit excluding non-controlling interests	**106,422**					**57,744**

Number of shares Basic	88,320					88,320
Number of shares Diluted	89,340					89,340

EPS Basic (€)	1.20					0.65
EPS Diluted (€)	1.19					0.65

Appendix 2

Interim consolidated statement of financial position

(€ in thousands)	June 30, 2017	December 31, 2016
ASSETS		
Non-current assets		
Property, plant and equipment, net	323,563	329,448
Goodwill, net	1,495,291	1,561,666
Intangible assets, net	815,024	564,588
Investments in associates	11,577	48,011
Other investments	40,609	-
Deferred income tax assets	63,981	111,467
Other non-current assets	77,219	64,554
Derivative financial instruments	8,352	-
Total non-current assets	**2,835,616**	**2,679,734**
Current assets		
Inventories, net	258,317	244,962
Trade and other receivables, net	961,443	1,027,215
Derivative financial instruments	36,972	11,404
Cash and cash equivalents	238,593	663,517
Total current assets	**1,495,325**	**1,947,098**
Total assets	**4,330,941**	**4,626,832**
Equity		
Share capital	90,424	89,929
Share premium	1,308,279	1,291,795
Treasury shares	(23,202)	(29,042)
Fair value and other reserves	3,735	(59,872)
Cumulative translation adjustments	(20,027)	74,265
Retained earnings	784,971	1,303,176
Capital and reserves attributable to the owners of the Company	**2,144,180**	**2,670,251**
Non-controlling interests	2,477	5,196
Total equity	**2,146,657**	**2,675,447**
Liabilities		
Non-current liabilities		
Borrowings	724,883	557,518
Deferred income tax liabilities	136,853	120,109
Employee benefit obligations	132,356	133,136
Provisions and other liabilities	106,561	121,480
Derivative financial instruments	471	12,604
Total non-current liabilities	**1,101,124**	**944,847**
Current liabilities		
Borrowings	351,908	173,088
Trade and other payables	678,752	715,767
Current income tax liabilities	22,287	31,383
Provisions and other liabilities	26,556	17,332
Derivative financial instruments	3,657	68,968
Total current liabilities	**1,083,160**	**1,006,538**
Total liabilities	**2,184,284**	**1,951,385**
Total equity and liabilities	**4,330,941**	**4,626,832**

Appendix 3

Cash position variation schedule

	Six-month period ended June 30	
€ in millions	**2017**	**2016**
Cash and bank overdrafts, beginning of period	**663**	**405**
Cash generated by operating activities, before changes in working capital	121	177
Net change in working capital	(1)	(43)
Cash used in restructuring actions and acquisition related expenses	(23)	(16)
Net cash generated by operating activities before Time de-correlated hedging effect / (Prepaid derivatives)	**97**	**117**
Time de-correlated hedging effect / (Prepaid derivatives)	21	22
Net cash generated by operating activities	**118**	**139**
Capital expenditure and acquisitions of intangibles	(68)	(75)
Free cash flow	**50**	**64**
Interest received	1	1
Cash used by acquisitions	(761)	(3)
Currency translation adjustments	(7)	1
Cash generated (used) by operating and investing activities	**(717)**	**64**
Cash generated (used) by the liquidity and share buy-back program	(0)	0
Dividend paid to Gemalto shareholders	(45)	(42)
Net proceed (repayment) from/of financing instruments	334	(22)
Interest paid	(2)	(2)
Other cash provided (used) by financing activities	3	(2)
Cash and bank overdrafts, end of period	**236**	**400**
Current and non-current borrowings excluding bank overdrafts, end of period	(1,074)	(734)
Net (debt), cash, end of period	**(838)**	**(334)**

Appendix 4

Revenue, by region

First semester € in millions	**First semester 2017**	First semester 2016	Year-on-year variations at constant exchange rates	 at historical exchange rates
Europe, Middle East and Africa	**636**	635	1%	0%
Americas	**469**	593	(24%)	(21%)
Asia	**288**	267	6%	8%
Total revenue	**1,393**	1,495	(8%)	(7%)

Second quarter € in millions	**Second quarter 2017**	Second quarter 2016	Year-on-year variations at constant exchange rates	 at historical exchange rates
Europe, Middle East and Africa	**349**	336	5%	4%
Americas	**247**	319	(25%)	(23%)
Asia	**146**	149	(3%)	(2%)
Total revenue	**742**	804	(9%)	(8%)

Interim condensed consolidated financial statements as at June 30, 2017 (unaudited)

Interim consolidated statement of financial position (unaudited)

In thousands of Euro	Notes	June 30, 2017	December 31, 2016
Assets			
Non-current assets			
Property, plant and equipment, net	8	323,563	329,448
Goodwill, net	9	1,495,291	1,561,666
Intangible assets, net	9	815,024	564,588
Investments in associates	10	11,577	48,011
Other investments	11	40,609	-
Deferred income tax assets		63,981	111,467
Other non-current assets		77,219	64,554
Derivative financial instruments	7	8,352	-
Total non-current assets		**2,835,616**	**2,679,734**
Current assets			
Inventories, net	12	258,317	244,962
Trade and other receivables, net	13	961,443	1,027,215
Derivative financial instruments	7	36,972	11,404
Cash and cash equivalents	14	238,593	663,517
Total current assets		**1,495,325**	**1,947,098**
Total assets		**4,330,941**	**4,626,832**
Equity			
Share capital		90,424	89,929
Share premium		1,308,279	1,291,795
Treasury shares		(23,202)	(29,042)
Fair value and other reserves		3,735	(59,872)
Cumulative translation adjustments		(20,027)	74,265
Retained earnings		784,971	1,303,176
Capital and reserves attributable to the owners of the Company		**2,144,180**	**2,670,251**
Non-controlling interests		**2,477**	**5,196**
Total equity		**2,146,657**	**2,675,447**
Liabilities			
Non-current liabilities			
Borrowings	15	724,883	557,518
Deferred income tax liabilities		136,853	120,109
Employee benefit obligations		132,356	133,136
Provisions and other liabilities	16	106,561	121,480
Derivative financial instruments	7	471	12,604
Total non-current liabilities		**1,101,124**	**944,847**
Current liabilities			
Borrowings	15	351,908	173,088
Trade and other payables	17	678,752	715,767
Current income tax liabilities		22,287	31,383
Provisions and other liabilities	18	26,556	17,332
Derivative financial instruments	7	3,657	68,968
Total current liabilities		**1,083,160**	**1,006,538**
Total liabilities		**2,184,284**	**1,951,385**
Total equity and liabilities		**4,330,941**	**4,626,832**

Interim consolidated income statement (unaudited)

In thousands of Euro (except earnings per share)	Notes	Six-month period ended June 30, 2017	2016
Continuing operations			
Revenue		**1,392,842**	**1,495,161**
Cost of sales		(952,406)	(948,182)
Gross profit		**440,436**	**546,979**
Operating expenses			
Research and engineering		(100,907)	(99,372)
Sales and marketing		(246,283)	(248,835)
General and administrative		(104,490)	(88,871)
Other income*		2,931	1,421
Other expense*	9	(424,671)	(3,629)
Operating profit		**(432,984)**	**107,693**
Financial income*	20	1,504	1,825
Financial expense*	20	(12,924)	(24,504)
Share of profit of associates	10	1,773	3,576
Impairment of associates	10	10,105	(16,887)
Profit before income tax		**(432,526)**	**71,703**
Income tax (expense)	21	(41,225)	(13,172)
Profit (loss) for the period		**(473,751)**	**58,531**
Attributable to:			
Owners of the Company		(473,292)	57,744
Non-controlling interests		(459)	787
Earnings per share			
Basic earnings per share	22	(5.27)	0.65
Diluted earnings per share	22	(5.25)	0.65
Weighted average number of shares outstanding (in thousands)	22	89,837	88,320
Weighted average number of shares outstanding assuming dilution (in thousands)	22	90,195	89,340

This consolidated income statement has been restated to take into consideration the ESMA's latest recommendations (see Note 2.1 of the Group's annual financial statements as at December 31, 2016).

*The "Other Income (expense), net" and "Financial Income (expense), net" have been restated to present the income and the expense separately.

Interim consolidated statement of comprehensive income (unaudited)

In thousands of Euro	Six-month period ended June 30, 2017	2016
Profit (expense) for the period	**(473,751)**	**58,531**
Other comprehensive income that can be reclassified to income statement:		
Currency translation adjustments	(82,066)	(5,098)
Currency translation adjustments: (credited) / charged to financial (income), expense, net	(12,685)	(337)
Effective portion of gains and losses on cash flow hedging (credited) / charged to gross profit	17,285	19,035
Effective portion of gains and losses on cash flow hedging	66,109	20,433
Deferred tax on cash flow hedging	(12,968)	(12,317)
Equity securities – net change in fair value	(7,359)	-
Currency translation differences on other comprehensive income items	1,005	1,587
Other comprehensive income that cannot be reclassified to income statement:		
Actuarial gains and losses on employee benefit obligations	(303)	(15,436)
Deferred tax on actuarial gains and losses	335	4,161
Total other comprehensive income for the period, net of tax	**(30,647)**	**12,028**
Total comprehensive income for the period, net of tax	**(504,398)**	**70,559**
Attributable to:		
Owners of the Company	**(503,480)**	**69,947**
Non-controlling interests	**(918)**	**612**

Interim consolidated statement of changes in equity (unaudited)

	Number of shares[1]		Attributable to owners of the Company							
In thousands of Euro	Issued	Outstanding	Share capital	Share premium	Treasury shares	Fair value and other reserves	Cumulative translation adjustments	Retained earnings	Non-controlling interests	Total equity
Balance as at January 1, 2017	**89,928,639**	**89,210,804**	**89,929**	**1,291,795**	**(29,042)**	**(59,872)**	**74,265**	**1,303,176**	**5,196**	**2,675,447**
Profit for the period								(473,292)	(459)	(473,751)
Other comprehensive income (loss)						64,104	(94,292)		(459)	(30,647)
Total comprehensive income						**64,104**	**(94,292)**	**(473,292)**	**(918)**	**(504,398)**
Issuance of ordinary shares to fund equity-based compensation plans	495,175	495,175	495	18,024		(18,519)				-
Equity-based compensation charge, equity-settled						18,517				18,517
Other net assets change from associates								28		28
Employee share option plans		238,039			7,160	(1,337)				5,823
Purchase of Treasury shares, net		(17,000)			(1,320)	865				(455)
Non-controlling interests upon 3M's IMB acquisition									40	40
Excess of purchase price on subsequent acquisition of non-controlling interests				(1,540)					(1,841)	(3,381)
Reclassification of the OCI to retained earnings						(23)		23		-
Dividend paid to owners of the Company[2]								(44,964)		(44,964)
Balance as at June 30, 2017	**90,423,814**	**89,927,018**	**90,424**	**1,308,279**	**(23,202)**	**3,735**	**(20,027)**	**784,971**	**2,477**	**2,146,657**
Balance as at January 1, 2016	**89,007,709**	**88,103,992**	**89,008**	**1,240,241**	**(36,329)**	**(8,135)**	**39,505**	**1,158,525**	**6,716**	**2,489,531**
Profit for the period								57,744	787	58,531
Other comprehensive income (loss)						17,463	(5,260)		(175)	12,028
Total comprehensive income						**17,463**	**(5,260)**	**57,744**	**612**	**70,559**
Issuance of ordinary shares to fund long-term employee incentive plans	886,199	886,199	886	49,920		(50,806)				-
Equity-based compensation charge, equity-settled						16,610				16,610
Other net assets change from associates								444		444
Employee share option plans		47,865			1,438	(473)				965
Purchase of Treasury shares, net		(5,622)			492	(805)				(313)
Dividend paid to owners of the Company[2]								(41,528)		(41,528)
Dividend paid to non-controlling interests									(1,273)	(1,273)
Balance as at June 30, 2016	**89,893,908**	**89,032,434**	**89,894**	**1,290,161**	**(34,399)**	**(26,146)**	**34,245**	**1,175,185**	**6,055**	**2,534,995**

[1] As at June 30, 2017 and 2016, the difference between the number of shares issued and the number of shares outstanding corresponds to the shares held in treasury, 496,796 and 861,474 respectively.

[2] See note 27

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30, 2017	2016
Profit (loss) for the period including non-controlling interests		**(473,751)**	**58,531**
Adjustment for:			
Income tax	22	41,225	13,172
Research tax credit		(7,698)	(6,245)
Depreciation and amortization	8,9	105,316	96,839
Equity-based compensation charge, equity settled		18,517	16,610
Gains and losses on sale of fixed assets and write-offs		32	345
Impairment charge	9	433,415	-
Fair value adjustment upon business acquisitions		1,042	1,635
Cumulated translation adjustment transferred to financial income upon liquidation of consolidated entities		(12,685)	(337)
Net movement in provisions and other liabilities		6,875	(6,801)
Employee benefit obligations		513	1,972
Interest income	21	(1,504)	(1,825)
Interest expense and other financial expense	21	6,348	8,881
Share of profit from associates	10	(1,773)	(3,576)
Impairment of associates	10	(10,105)	16,887
Changes in current assets and liabilities (excluding the effects of acquisitions and exchange differences in consolidation):			
Inventories		(4,764)	5,270
Trade and other receivables		35,735	(14,780)
Derivative financial instruments		24,785	34,132
Trade and other payables		(35,377)	(46,472)
Cash generated from operations		**126,146**	**174,238**

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30, 2017	2016
Cash generated from operations		**126,146**	**174,238**
Income tax paid		(7,990)	(35,424)
Net cash provided by operating activities		**118,156**	**138,814**
Cash flows provided by (used in) investing activities			
Acquisition of business and subsidiaries, net of cash acquired	5	(756,767)	-
Purchase of property, plant and equipment		(25,388)	(34,119)
Proceeds from sale of property, plant and equipment		220	246
Acquisition and capitalization of intangible assets		(43,243)	(40,638)
Proceeds from, (increase in) other non-current assets		227	(127)
Purchase of investments in associate and capital contribution	10	(4,505)	(2,500)
Loan to investment in associates		-	-
Interest received		1,065	1,323
Dividends received from investments in associates	10	84	55
Net cash used in investing activities		**(828,307)**	**(75,760)**
Cash flows provided by (used in) financing activities			
Purchase of non-controlling interests in subsidiaries		(3,381)	-
Proceed from issuance of private placements		92,605	-
Proceed from drawdown of commercial paper	15	280,000	300,000
Repayment of commercial paper		(109,000)	(318,500)
Proceeds from exercise of share options		5,823	965
Purchase of Treasury shares (net)		(455)	(313)
Payment of Fair Value hedge Mark-to-Market		(9,484)	(3,932)
Proceed from term loan		80,000	-
Proceed, (repayments), of borrowings		425	(1,347)
Interest paid		(1,851)	(2,283)
Dividends paid to non-controlling interests		-	(1,273)
Dividends paid to owners of the Company	27	(44,964)	(41,528)
Net cash generated/(used) in financing activities		**289,718**	**(68,211)**
Cash and bank overdrafts, beginning of period	**14**	**663,016**	**404,893**
Net increase (decrease) in cash and bank overdrafts		**(420,433)**	**(5,157)**
Currency translation effect on cash and bank overdrafts		(6,879)	674
Cash and bank overdrafts, end of period	**14**	**235,704**	**400,410**

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Notes to the interim condensed consolidated financial statements

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

Note 1. General information

Gemalto, a world leader in digital security, is at the heart of our evolving digital society. Gemalto brings trust to an increasingly connected world. From secure software to biometrics and encryption, our technologies and services enable businesses and governments to authenticate identities and protect data so they stay safe and enable services in personal devices, connected objects, the cloud and in between. Gemalto's solutions are at the heart of modern life, from payment to enterprise security and the internet of things. We authenticate people, transactions and objects, encrypt data and create value for software – enabling our clients to deliver secure digital services for billions of individuals and things.

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

The Company is a public company with limited liability incorporated and domiciled in the Netherlands and is listed in the stock exchange of Amsterdam which is its primary market, where it is included in the main index, the AEX. The address of its registered office is Barbara Strozzilaan 382, 1083 HN Amsterdam, the Netherlands.

The Company's shares have been listed on Euronext Paris (Euronext NL0000400653) since 2004. These interim consolidated financial statements for the period ended June 30, 2017 have been authorized for issue by the Board on August 31, 2017.

The activity of the Group is subject to seasonal fluctuations, which may result in significant variations in its business and results from operations between the first and the second halves of year. Therefore, the financial performance of the first half of 2017 reported in these interim condensed consolidated financial statements is not necessarily indicative of the results of Gemalto for the full year 2017.

Note 2. Basis of preparation

The interim condensed consolidated financial statements of Gemalto for the period ended June 30, 2017 have been prepared in accordance with the provisions of IAS 34 Interim Financial Reporting of the International Financial Reporting Standards (IFRS). The interim condensed consolidated financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2016.

Note 3. Accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2016 as described in the notes to the annual consolidated financial statements.

Note 4. Use of judgments and estimates

The preparation of the interim condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the interim condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

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

As of June 30, 2017, 87% of Gemalto's total benefit obligation and 87% of Gemalto's plan asset fair values were re-measured. The impact of not re-measuring other employee benefit obligations is considered as not material.

Note 5. Business combination

3M's Identity Management Business:

On May 1, 2017, Gemalto concluded the acquisition of 3M's Identity Management Business (3M's IMB) which provides a full spectrum of biometric solutions with a focus in civil identification, border control and law enforcement, and 3M's Document Reader and Secure Materials Businesses.

Headquartered in the United States and present on 3 continents, 3M's Identity Management Business is a trusted partner to governments, law enforcement, border control and civil identification bodies worldwide. It offers world-class biometric based end-to-end solutions enabling identity verification and user-friendly authentication. 3M's Identity Management experienced and highly-skilled team of experts has developed proven biometrics algorithms (finger, face, iris, etc.) and is at the forefront of innovation with the latest biometric solutions. The 3M's Identity Management Business has approximately 450 employees, with a large population of engineering and sales functions. This newly acquired business contributed €22 million in revenue and €1.5 million in PFO since the date of acquisition.

This strategic acquisition completes the Government Business Unit offering by adding biometric technologies to our four underlying core technologies and it also ideally positions Gemalto to provide solutions for the promising commercial biometrics market.

IFRS3R "Business Combination" requires most of the identifiable assets acquired and the liabilities assumed as part of a business combination are measured at the acquisition date at their fair values. The fair value (FV) of most of the identifiable assets acquired and liabilities assumed in a business combination is different from their carrying amounts in the acquired statement of financial position, this gives rise to fair value adjustments in accounting for the business combination.

The following table summarized the fair value of the net assets acquired.

Assets	**3M's IMB**
Non-current assets	20,610
Current assets	35,688
Cash and cash equivalents	21,177
Total assets	**77,475**
Liabilities	
Non-Current liabilities	6,038
Current liabilities	15,228
Borrowings (current)	-
Total liabilities	**21,266**
Cancellation on non-controlling interests	(40)
Identified intangible assets re-measured at Fair value	316,330
Associated deferred tax liabilities	(26,172)
Total fair value of identifiable net assets acquired (A)	**346,327**

Purchase consideration (B)	**764,135**
Hedging effect on the acquisition price **(B)**	15,325
Goodwill **(B-A)**	**433,133**

Analysis of cash flows on acquisitions:	
Purchase consideration settled in cash,	779,460
Net cash acquired	(21,177)
Net cash flows used for the acquisition of 3M's IMB	758,283
Price adjustment on previous acquisitions	(1,516)
Net cash flows used in acquisitions	**756,767**

The provisional goodwill arising from the acquisition of 3M's Identity Management Business amounted to €433 million and may be subject to significant changes over the purchase price allocation period. This goodwill represented the complementary technological expertise, the skills and know-how of the workforce acquired and the synergies expected to be achieved through the integration of this business.

Tax effects on the fair value of the intangible assets recognized amounted to €26 million.

Notes to the interim condensed consolidated financial statements

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

	3M's IMB acquisitions	
	Fair Value	Remaining useful life
Existing technologies	110,642	5-9 years
Customer relationships	150,459	5-9 years
Brand name	28,440	10-12 years
Patents	13,945	6-8 years
Other	12,844	6 years
Total identified intangible assets re-measured at fair value	**316,330**	

Note 6. Segment information

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

Gemalto's activities are reported in two main operating segments: Payment & Identity and Mobile. In each of these operating segments, the Group sells a range of offerings that can be categorized, based on the nature of the activity, as either Embedded software & Products or Platforms & Services.

Embedded software & Products (E&P) refers to client-side software and devices that, among other functions, protect the identity of a user and secure access to a digital network. There are various usages of this secure embedded software: in SIM cards, in electronic payment cards, in electronic passports as well as in network and physical access badges.

The Platforms & Services (P&S) activity complements the client-side with back-office systems and solutions that run in Gemalto's secure facilities or the facilities of customers. Gemalto has developed a variety of server-based platforms tailored to the needs of different market verticals but the core functionalities are the enrollment, issuance, lifecycle management, and verification of electronic identities to enable end-to-end security in authentication and transaction processes. The services offer is an extension of this activity that includes the personalization of objects, consulting, training, software customization, system installation and optimization, infrastructure maintenance, and operations management from Gemalto datacenters.

Payment & Identity customers are financial institutions, retailers, mass transit authorities, government agencies, government service providers as well as enterprises of all sizes. Payment offerings include chip cards, mobile financial services and contactless payment solutions. The segment also sells subscriber authentication and rights management solutions to Pay TV service providers. For governments, the solutions comprise secure electronic identity documents, including ePassports and badges, strong multi-factor online authentication and transaction solutions, as well as a range of support services. For enterprise, the solutions comprise data encryption systems, online authentication as well as software monetization solutions.

The Mobile operating segment encompasses businesses associated with mobile cellular technologies. For mobile network operators, our solutions comprise SIM/UICC cards and back-office platforms and services including roaming optimization, mobile payment, mobile marketing, personal data management and trusted service management (TSM). For industrial organizations, our solutions address the needs of a broad-range of market verticals such as utilities, health and automotive. These industrial solutions enable machine-to-machine (M2M) data exchange through hardware modules and operating software that connect machines to digital networks. Cloud-based M2M application enablement and late-stage personalization (LSP) platforms give industrial customers the ability to harness the power of the "internet of things" (IoT) to improve operations, productivity and efficiency.

In addition, the Company also licenses its intellectual property and provides security and other technology advisory services in an operating segment called 'Patents'.

- To supplement the financial statements presented on an IFRS basis, and to better assess its past and future performance, the Group also prepares an additional income statement where the key metric used to understand, evaluate the business and take operating decisions over the period 2010 to 2017 is the Profit From Operations (PFO). PFO is a non-GAAP measure defined as IFRS operating profit adjusted for (i) the amortization and impairment of intangibles resulting from acquisitions; (ii) the restructuring and acquisition-related expenses; (iii) all equity-based compensation charges and associated costs; and (iv) fair value adjustments upon business acquisitions.

Notes to the interim condensed consolidated financial statements

This supplemental non-GAAP measure is used internally to understand, manage and evaluate business and take operating decisions. It is among the primary factors management uses in planning for and forecasting future periods, and part of the compensation of executives is based on the performance of business measured in accordance with this non-GAAP metric. These items are further explained as follows:

- Amortization, and impairment of intangibles resulting from acquisitions are defined as the amortization, and impairment expenses related to intangibles assets and goodwill recognized as part of the allocation of the excess purchase consideration over the share of net assets acquired.
- 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).
- Equity-based compensation charges are defined as (i) the discount granted to employees acquiring Gemalto shares under Gemalto Employee Share 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 the related costs.
- Fair value adjustments over net assets acquired are defined as the reversal, in the income statement, of the fair value adjustments recognized as a result of a business combination, as prescribed by IFRS 3R. Those adjustments are mainly associated with (i) the amortization expense related to the step-up of the acquired work-in-progress and finished goods assumed at their realizable value and (ii) the amortization of the cancelled commercial margin related to deferred revenue balance acquired.

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

Financial income and expenses are not included in the result for each operating segment that is reviewed internally. Nor is asset or liability information on a segmented basis reviewed in order to assess performance and allocate resources.

The information by operating segment reported in the following tables applies the same accounting policies as those used and described in these interim condensed consolidated financial statements.

Period ended June 30, 2017

	Payment & Identity	Mobile	Patents	Adjusted financial information	Amortization and impairment of intangibles resulting from acquisitions	Restructuring and acquisition-related expenses	Equity-based compensation charge and associated costs	Fair value adjustment upon business acquisitions	IFRS Financial information
Revenue	**875,033**	**515,641**	**2,168**	**1,392,842**	**-**	**-**	**-**	**-**	**1,392,842**
Cost of sales	(542,264)	(347,717)	(939)	(890,920)	(43,580)	(11,692)	(5,172)	(1,042)	(952,406)
Gross profit	**332,769**	**167,924**	**1,229**	**501,922**	**(43,580)**	**(11,692)**	**(5,172)**	**(1,042)**	**440,436**
Operating expenses									
Research and engineering	(51,658)	(40,892)	(5,014)	(97,564)	-	(1,558)	(1,785)	-	(100,907)
Sales and marketing	(158,153)	(79,141)	(398)	(237,692)	-	(1,752)	(6,839)	-	(246,283)
General and administrative	(44,766)	(31,562)	(283)	(76,611)	-	(21,841)	(6,038)	-	(104,490)
Other income	2,616	106	(2)	2,720	-	211	-	-	2,931
Other expense*	-	-	-	-	(424,671)	-	-	-	(424,671)
Profit from operations	**80,808**	**16,435**	**(4,468)**	**92,775**					
Operating profit					**(468,251)**	**(36,632)**	**(19,834)**	**(1,042)**	**(432,984)**

* “Other expense” includes goodwill impairment charge (see Note 9).

Notes to the interim condensed consolidated financial statements

Period ended June 30, 2016

	Payment & Identity	Mobile	Patents	Adjusted financial information	Amortization and impairment of intangibles resulting from acquisitions	Restructuring and acquisition-related expenses	Equity-based compensation charge and associated costs	Fair value adjustment upon business acquisitions	IFRS Financial information
Revenue	**936,845**	**556,824**	**1,492**	**1,495,161**	**-**	**-**	**-**	**-**	**1,495,161**
Cost of sales	(562,852)	(344,859)	(1,125)	(908,836)	(29,223)	(6,365)	(2,123)	(1,635)	(948,182)
Gross profit	**373,993**	**211,965**	**367**	**586,325**	**(29,223)**	**(6,365)**	**(2,123)**	**(1,635)**	**546,979**
Operating expenses									
Research and engineering	(53,203)	(39,644)	(5,288)	(98,135)	-	-	(1,237)	-	(99,372)
Sales and marketing	(159,354)	(82,763)	(421)	(242,538)	-	-	(6,297)	-	(248,835)
General and administrative	(42,538)	(30,248)	(168)	(72,954)	-	(6,488)	(9,429)	-	(88,871)
Other income	859	404	158	1,421	-	-	-	-	1,421
Other expense	(1,551)	(857)	-	(2,408)	-	(1,221)	-	-	(3,629)
Profit from operations	**118,206**	**58,857**	**(5,352)**	**171,711**					
Operating profit					**(29,223)**	**(14,074)**	**(19,086)**	**(1,635)**	**107,693**

Notes to the interim condensed consolidated financial statements

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

	Six-month period ended June 30,	
	2017	2016
Revenue		
Europe, Middle East and Africa	635,609	635,134
United States of America	328,097	413,612
Asia Pacific	288,436	267,350
North and South America excluding the United States of America	140,700	179,065
	1,392,842	**1,495,161**

Non-current assets	**June 30, 2017**	December 31, 2016
United States of America	447,295	352,480
France	382,509	201,861
Europe, Middle East and Africa excluding France	320,719	299,857
Asia Pacific	65,702	100,842
North and South America excluding the United States of America	51,767	51,561
	1,267,992	**1,006,601**

Note 7. Financial risk management

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

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

These interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the Group's consolidated financial statements, and should be read in conjunction with the group's annual financial statements as at December 31, 2016.

Estimation of derivative financial instrument fair value

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

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

As at June 30, 2017, the equity securities are quoted on official market price and classified in Level 1.

The following tables present the Group's assets and liabilities that were measured at fair value as at end of June 30, 2017 and December 31, 2016:

Notes to the interim condensed consolidated financial statements

June 30, 2017	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging	-	45,324	-	45,324
Equity securities	40,609	-	-	40,609
Investments funds	34,996	-	-	34,996
Total Assets	**75,605**	**45,324**	**-**	**120,929**
Liabilities				
Derivatives used for hedging	-	4,128	-	4,128
Total Liabilities	**-**	**4,128**	**-**	**4,128**

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging	-	11,404	-	11,404
Investment funds	407,367	-	-	407,367
Total Assets	**407,367**	**11,404**	**-**	**418,371**
Liabilities				
Derivatives used for hedging	-	81,572	-	81,572
Total Liabilities	**-**	**81,572**	**-**	**81,572**

As at June 30, 2017, the Group held forward contracts, which were designated as qualifying cash flow hedges of forecast sales and purchases denominated in US Dollar, Sterling Pound, Japanese Yen, Mexican Peso, Singapore Dollar and Polish Zloty.

It also held forward contracts not qualified in hedge accounting and evaluated at fair value, denominated mainly in the same currencies and in Russian Ruble, Canadian Dollar, South Africa Rand and Chinese Yuan.

The fair value of the Group's financial instruments for the foreign exchange risk is recorded in current or non-current assets and liabilities, as 'Derivative Financial Instruments' and details as follows (mark-to-market valuations of forward contracts):

	Period ended June 30, 2017				Year ended December 31, 2016			
	USD	**GBP**	**SGD**	**Other**	**USD**	**GBP**	**SGD**	**Other**
Cash flow hedges	16,821	1,591	(262)	2,286	(45,315)	4,496	603	(247)
Derivative at fair value	20,448	(198)	(131)	963	(29,090)	40	33	(484)
Total	**37,269**	**1,393**	**(393)**	**3,249**	**(74,405)**	**4,536**	**636**	**(731)**

As at June 30, 2017, the total mark-to-market valuation of Gemalto open derivatives was €41.5 million for the foreign exchange instruments (€(70.0) million as at December 31, 2016) and €(0.3) million for the equity swap cash-settled instrument (€(0.2) million as at December 2016).

Notes to the interim condensed consolidated financial statements

Note 8. Property, plant and equipment

Property, plant and equipment consist of the following:

	Property, plant and equipment
Net book value as at January 1, 2017	**329,448**
Acquisition of subsidiary and business	19,607
Additions	25,762
Disposals and write-offs	(241)
Depreciation charge	(39,425)
Currency translation adjustment	(11,588)
Net book value as at June 30, 2017	**323,563**
Net book value as at January 1, 2016	**347,994**
Acquisition of subsidiary and business	55
Additions	35,309
Disposals and write-offs	(582)
Depreciation charge	(42,198)
Currency translation adjustment	(774)
Net book value as at June 30, 2016	**339,804**

Note 9. Goodwill and intangible assets

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

	Goodwill	Intangible assets
Net book value as at January 1, 2017	**1,561,666**	**564,588**
Acquisition of subsidiary and business	433,133	316,949
Additions	-	37,702
Amortization charge	-	(65,891)
Impairment charge	(424,671)	(8,744)
Reclassification	-	-
Currency translation adjustment	(74,837)	(29,580)
Net book value as at June 30, 2017	**1,495,291**	**815,024**
Net book value as at January 1, 2016	**1,524,933**	**592,597**
Acquisition of subsidiary and business	10,655	-
Additions	-	35,383
Write-offs	-	-
Amortization charge	-	(54,641)
Reclassification	-	2,500
Currency translation adjustment	(10,526)	(3,524)
Net book value as at June 30, 2016	**1,525,062**	**572,315**

The additions of intangibles assets for the period mainly consist of capitalization of development costs for €35.9 million, (€28.6 million as at June 30, 2016) and €1.8 million in software (€6.6 million as at June 30, 2016).

Goodwill impairment test

In addition to the annual goodwill impairment tests that occur each year (as at December 31), impairment tests are carried out as soon as the Group has indications of a potential reduction in the value of its goodwill.

As announced on July 21, 2017, Gemalto made a downward revision in the expected future profitability of the Group, notably attributable to the SIM business which was considered as a triggering event. Therefore impairment tests were performed for all cash generating units (CGU) at June 30, 2017.

In assessing whether goodwill should be subject to impairment, the carrying value of each CGU is compared to its recoverable value. Recoverable value is the greater of the value in use and the fair value less costs of disposal.

The value in use of each CGU is calculated using a five-year discounted cash flow analysis plus a discounted residual value, corresponding to the capitalization to perpetuity of the normalized cash flows of year 5 (also called the Gordon Shapiro approach). Cash flow generations for the second semester 2017 are based on the latest available internal forecast. For the years 2018 to 2020, cash flow generations are based on management's expectations for the future. Revenue growth beyond management plans horizon is extrapolated using progressively declining growth rate toward a maximum of 2% infinite growth rate used in the computation of the terminal value. For Mobile Communication a 0% infinite growth rate was used. The discount rate used in this calculation is the after-tax weighted average cost of capital estimated at 9.5%, the before-tax weighted average cost of capital was estimated at 11.2%.

The fair value less costs of disposal of each CGU is determined based upon the above mentioned methodology adjusted with assumptions that market participant would make such as cash inflows and outflows relating to restructuring plans or enhancing the CGUs performance.

Further to the impairment tests performed in accordance with the fair value less costs of disposal method, it was determined that the entire amount of goodwill, €424.7 million, of the Mobile Communication cash generating unit was impaired and an operating loss was recorded and presented in the line item Other expenses.

The amount of goodwill as at June 30, 2017 and December 31, 2016 were as follows:

	June 30, 2017	December 31, 2016
Mobile Communication	-	425
Machine-to-Machine	116	116
Secure Transactions	177	181
Government program	520	105
IDSS	682	735
Total	**1,495**	**1,562**

A sensitivity analysis regrouping key parameters, namely the projected cash flows, the discounting rate and the infinite growth rate, has shown that, under all reasonable changes in assumptions, there is no probable scenario in which the recoverable amount of a CGU would be less than its carrying amount. All other variables being held constant and with the exception of the Mobile Communication cash generating unit, no other impairment charge would be recognized in 2017 if discounted projected cash flows were 20% lower, or the weighted average cost of capital before-tax used would have been 200 basis-point higher or the infinite growth rate for the revenue would have been 100 basis-point lower.

Notes to the interim condensed consolidated financial statements

Note 10. Investments in associate

Changes in investments in associate consist of the following:

	June 30, 2017	June 30, 2016
Investments in associates as of beginning of period	**48,011**	**64,897**
Capital contribution to associates	4,505	2,500
Waiver of loan in favor of associates	-	2,692
Other net changes in net assets	28	444
Reclassification to other investments	(47,968)	-
Dividends	(3,186)	(3,985)
Share of profit	1,773	3,576
Reverse of impairment of associates	10,105	(16,887)
Currency translation adjustment	(1,691)	(1,127)
Investments in associates as of end of period	**11,577**	**52,110**

The stock price of Goldpac Group Limited on May 18, 2017, was significantly higher compared to end of 2016 leading to a partial reversal of the impairment recognized last year by €10 million.

On May 18, 2017, the Annual General Meeting of Goldpac Group Limited adopted several changes in the composition of its board of director, including the retirement as a non-executive Director of a former Gemalto N.V. executive. As a consequence, Gemalto considered it no more had significant influence and has consequently classified this investment as equity securities designated as at fair value through other comprehensive income (see note 11).The carrying value of our investment in Goldpac Group Limited was €48 million at the date significant influence was lost.

Note 11. Other investments

Other investments regards the 18.34% stake in the share capital of Goldpac Group Limited, a company listed on Hong Kong Stock exchange (HK: 3315) that is principally engaged in delivering embedded software and secure payment products for global customers and leveraging innovative Fintech to provide personalization service, system platforms and other total solutions for customers in a wide business range including finance, government, healthcare, transportation and retails. Subsequently to the loss of significant influence and in accordance with IAS 39, the investment is initially recognized at its fair value in line with the official quoted share price on the Hong Kong Stock exchange as at May 18, 2017 for an amount equal to €48 million (Level I of the fair value hierarchy). The subsequent changes in the share price of those equity securities gave rise to a €(7.4) million loss recognized in a specific equity reserve as presented in the statement of other comprehensive income.

Notes to the interim condensed consolidated financial statements

Note 12. Inventories

Inventories consist of the following:

	June 30, 2017	December 31, 2016
Gross book value		
Raw materials and spares	88,189	91,520
Work in progress	110,077	106,907
Finished goods	78,445	65,233
Total	**276,711**	**263,660**
Obsolescence reserve		
Raw materials and spares	(3,425)	(4,028)
Work in progress	(5,406)	(10,761)
Finished goods	(9,563)	(3,909)
Total	**(18,394)**	**(18,698)**
Net book value	**258,317**	**244,962**

Note 13. Trade and other receivables

Trade and other receivables consist of the following:

	June 30, 2017	December 31, 2016
Trade receivables	623,507	697,419
Provision for impairment of receivables	(16,415)	(18,045)
Trade receivables, net	**607,092**	**679,374**
Prepaid expenses	51,636	44,403
VAT recoverable and tax receivable	74,609	92,404
Advances to suppliers and related parties	14,329	12,774
Unbilled customers	172,062	141,544
Other	41,715	56,716
Total	**961,443**	**1,027,215**

The Company's broad geographic and customer distribution limits the concentration of credit risk. No single customer accounted for more than 10% of the Company's sales on the six-month period ended June 30, 2017. An allowance for uncollectible accounts receivable is maintained based on expected collectibility. The expected collectibility of accounts receivable is assessed periodically and when events lead to believe that collectibility is uncertain. Additionally, the Company performs ongoing credit evaluations of countries and customer's financial condition. As at June 30, 2017, trade receivables of €170 million (December 31, 2016: €155 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and whose credit rating is regularly assessed.

Note 14. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	June 30, 2017	December 31, 2016
Cash at bank and in hand	172,864	156,075
Short-term bank deposits and investment funds	65,729	507,442
Total	**238,593**	**663,517**

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

	June 30, 2017	December 31, 2016
Cash and cash equivalents	238,593	663,517
Banks overdrafts	(2,889)	(501)
Total	**235,704**	**663,016**

Note 15. Borrowings

Borrowings consist of the following:

	June 30, 2017	December 31, 2016
Bond	400,000	400,000
Deferred costs and premium on bond	(2,907)	(3,247)
Private placement	236,393	149,211
Term Loan	80,000	-
Other financial liability	11,082	11,270
Financial lease liabilities	315	284
Total non-current portion	**724,883**	**557,518**

	June 30, 2017	December 31, 2016
Commercial paper	340,000	169,000
Short-term loans	8,870	3,461
Bank overdrafts	2,889	501
Financial lease liability	149	126
Total current portion	**351,908**	**173,088**

The Group has signed a series of bilateral committed revolving credit lines, arranged with first ranking banks. The total amount is €600 million with maturities falling between September 17, 2017 and July 25, 2023. There are no financial covenants (financial ratios) concerning our financial structure in the documentation of these facilities. As at December 31, 2016 and June 30, 2017 the credit lines were not drawn.

As at June 30, 2017 the bond was booked based on amortized cost method and disclosed entirely in long-term financial payables and the related accrued interests in short term payables. For information the fair value of the bond as at June 30, 2017 is €418.8 million, while its carrying value amount is equal to €400 million.

Note 16. Non-current provisions and other liabilities

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

	June 30, 2017	December 31, 2016
Non-current provisions	34,503	39,649
Other non-current liabilities	72,058	81,831
Total	**106,561**	**121,480**

Variation analysis of the non-current provisions is as follows:

	Warranty	**Restructuring & Reorganization**	**Litigation**	**Tax claims**	**Provision for other risks**	**Total**
As at January 1, 2017	**1,875**	**1,935**	**4,655**	**22,392**	**8,792**	**39,649**
Additional provisions	823	150	13	1,105	320	**2,411**
Acquisition of subsidiary	-	-	-	-	40	**40**
Unused amount reversed	(147)	-	(1,054)	(457)	(104)	**(1,762)**
Used during the period	-	(336)	(391)	-	(53)	**(780)**
Reclassifications	613	(44)	-	31	(3,851)	**(3,251)**
Currency translation adjustment	(21)	-	(21)	(1,399)	(363)	**(1,804)**
As at June 30, 2017	**3,143**	**1,705**	**3,202**	**21,672**	**4,781**	**34,503**

	Warranty	**Restructuring & Reorganization**	**Litigation**	**Tax claims**	**Provision for other risks**	**Total**
As at January 1, 2016	**6,409**	**1,485**	**4,135**	**33,538**	**22,644**	**68,211**
Additional provisions	489	356	612	223	2,496	**4,176**
Acquisition of subsidiary	-	-	-	-	-	**-**
Unused amount reversed	(197)	-	(121)	(2,828)	-	**(3,146)**
Used during the period	-	(560)	-	(5,961)	(555)	**(7,076)**
Reclassifications	(749)	-	-	-	(7,637)	**(8,386)**
Currency translation adjustment	1	-	154	(430)	(481)	**(756)**
As at June 30, 2016	**5,953**	**1,281**	**4,780**	**24,542**	**16,467**	**53,023**

Note 17. Trade and other payables

Trade and other payables consist of the following:

	June 30, 2017	December 31, 2016
Trade payables	213,822	227,194
Employee related payables	158,460	175,823
Accrued expenses	134,186	142,404
Accrued VAT	29,063	28,597
Deferred revenue	140,181	138,847
Other	3,040	2,902
Total trade and other payables	**678,752**	**715,767**

Note 18. Current provisions and other liabilities

	June 30, 2017	December 31, 2016
Warranty	3,184	4,207
Provision for loss on contracts	4,594	6,162
Restructuring and reorganization	16,415	3,428
Other	2,363	3,535
Total current provisions	**26,556**	**17,332**

Variation analysis of the current provisions is as follows:

	Warranty	Provision for loss on contracts	Restructuring & Reorganization	Other	Total
As at January 1, 2017	**4,207**	**6,162**	**3,428**	**3,535**	**17,332**
Additional provisions	787	106	15,562	406	**16,861**
Acquisition of a subsidiary	-	-	-	-	**-**
Unused amount reversed	(656)	-	(169)	(265)	**(1,090)**
Used during the year	(423)	(5,230)	(2,155)	(1,178)	**(8,986)**
Reclassification	(613)	3,916	44	(107)	**3,240**
Currency translation adjustment	(118)	(360)	(295)	(28)	**(801)**
As at June 30, 2017	**3,184**	**4,594**	**16,415**	**2,363**	**26,556**

The increase in provisions for restructuring and reorganization mainly reflected the first actions of the transition plan.

	Warranty	Provision for loss on contracts	Restructuring & Reorganization	Other	Total
As at January 1, 2016	**4,794**	**8,449**	**2,931**	**3,192**	**19,366**
Additional provisions	435	424	4	1,055	**1,918**
Acquisition of a subsidiary	-	-	-	-	**-**
Unused amount reversed	(995)	(513)	(7)	(41)	**(1,556)**
Used during the year	(1,040)	(6,697)	(346)	(846)	**(8,929)**
Reclassification	749	7,637	-	-	**8,386**
Currency translation adjustment	(13)	(65)	108	(333)	**(303)**
As at June 30, 2016	**3,930**	**9,235**	**2,690**	**3,027**	**18,882**

Provision for restructuring only covers expenses that arise directly from restructuring measures, are necessary for restructuring, and are not related to future business operations. Restructuring measures may include sale or termination of business, sites closures, relocation of business activities, or fundamental reorganization of business units. Restructuring charges are recognized in the period incurred and when the amount is reasonably estimable. Severance, termination benefits are recognized as a liability when the Group is demonstrably committed to either provide termination benefits as a result of an offer made in order to encourage voluntary redundancy or terminate employment before the normal retirement date.

Note 19. Equity-based compensation plans

On May 2, 2017, the Board of Gemalto N.V. granted service-based RSUs (Restricted Share Units) to eligible employees worldwide.

The following are the characteristics of the plans:

RSU Granted	Grant Date	Vesting schedule and conditions	RSU Vested	Valuation assumptions used amounts in euro
25,830	May 2017	Vesting condition is service based. RSU will vest if the employee is employed by the Company as at December 31, 2019. The maximum number of RSUs to be delivered may be 25,830.	None	Share price of €49.25. Risk free rate from Year 1 to Year 3 being minus 0.40% to minus 0.32%. Share price discount for no dividend eligibility of €1.51 per share.
124,000	May 2017	Vesting conditions are both performance and service based. RSU will vest if the revenue of the acquired business for the period July 2017 to December 2018 will reach a certain target and employee is employed by the Company as at December 31, 2019. The maximum number of RSUs to be delivered may be 124,000.	None	Share price of €49.25. Risk free rate from Year 1 to Year 3 being minus 0.40% to minus 0.32%. Share price discount for no dividend eligibility of €1.51 per share.

Note 20. Financial income (expense)

	Six-month period ended June 30,	
	2017	2016
Interest expense	(1,480)	(3,533)
Interest expense and amortized costs on public bond, private placements, credit lines facilities and commercial paper	(6,772)	(6,161)
Interest income	1,504	1,825
Foreign exchange transaction gains (losses):		
– Foreign exchange gains (losses), including derivative instruments not designated as cash flow hedges	(3,975)	(1,898)
– Swap points of derivative instruments	(14,408)	(12,614)
Other financial income (expense), net	13,711	(298)
Financial income (expense), net	**(11,420)**	**(22,679)**

Upon the loss of significant influence over one of our investment in associate (see note 10), the Group ceased to apply the equity method and has therefore, as prescribed by IAS28.23, transferred to the income statement all the gains and losses previously accounted for in the other comprehensive income. The line item other financial income (expense), net has been impacted by the reclassification of a €8M gain relating to cumulative exchange differences previously accounted for in the other comprehensive income.

Note 21. Income tax expense

	Six-month period ended June 30,	
	2017	2016
Income tax expense at the expected rate for the year	(347)	(13,172)
Income tax expense for the one-off non cash deferred tax asset reduction	(40,878)	-
Income tax expense for the period	**(41,225)**	**(13,172)**

The income tax expense recognized is based on management's best estimate of expected tax rate for the full financial year. The average annual income tax rate for the year 2017 is estimated at 39.1% (based on the projected profit before taxation excluding the impairment charge of the year). The June income tax expense is affected by the one-off non cash deferred tax asset reduction following Gemalto's 2017 profit from operations outlook revision.

Note 22. Earnings per share

	Six-month period ended June 30,	
	2017	2016
Profit attributable to Owners of the Company	**(473,292)**	**57,744**
Weighted average number of ordinary shares – basic	89,837	88,320
Effect of dilution from share options	358	1,020
Weighted average number of ordinary shares – diluted	90,195	89,340
Basic earnings per share	**(5.27)**	**0.65**
Diluted earnings per share	**(5.25)**	**0.65**

The Company presents both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income by the weighted average number of ordinary shares outstanding during the period ended.

Diluted EPS is calculated according to the Treasury Stock method by dividing net income by the average number of ordinary shares outstanding including those dilutive. Equity-based compensation plans are considered dilutive when they are vested and in the money. They are assumed to be exercised at the beginning of the period and the proceeds are used by the Company to purchase treasury shares at the average market price for the period.

Note 23. Commitments and contingencies

Legal proceedings

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

Note 24. Related parties

For a description of Gemalto's transactions with related parties, reference is made to note 30 to the consolidated financial statements as at December 31, 2016. Transactions with related parties are conducted, in the ordinary course of business, on terms comparable to transactions with third parties.

Note 25. Post-closing events

To management's knowledge, there is no significant event that occurred since June 30, 2017 which would materially impact the consolidated financial statements.

Note 27. Dividends

The AGM of May 18, 2017 has approved the distribution of a dividend of €0.50 per share in respect of the financial year 2016, representing a €45 million distribution.

Note 28. Consolidated entities

The main changes in consolidated entities for the six-month period ended June 30, 2017 were as follows:

Entities acquired or created:

Country of incorporation	Company name	Gemalto's interest
Algeria	Sarl Cogent Systems Maghreb	49%
China	Cogent Systems (Shenzhen) Inc.	100%
Hong Kong	Cogent Systems Inc. HK Limited	100%
India	Cogent Systems India Private Limited	100%
Romania	Gemalto Services SRL	100%
United States of America	Gemalto Cogent, Inc.	100%
United States of America	Gemalto SSD, Inc	100%
United States of America	Cogent System Exchange, LLC	100%

Cogent Systems Maghreb is fully consolidated considering that the Group has the control of this company.

Notes to the interim condensed consolidated financial statements

Entities dissolved, merged, sold or deconsolidated following loss of significant influence:

Country of incorporation	Company name	Gemalto's interest
British Virgin Islands	Axalto Cards & Terminals Ltd	100%
Hong Kong	Goldpac Group Ltd	18%
Hungary	Netsize KFT	100%
South Africa	Gemalto Pty Ltd	100%
Switzerland	Raidax Technology A.G.	49%
United States of America	RNBO DE, Inc.	100%
United States of America	SafeNet Holding Corporation	100%

Change of Name of:

Country of incorporation	Company new name	Former name
United States of America	Gemalto IoT LLC	Cinterion Wireless Modules NAFTA LLC

As at June 30, 2017, Gemalto increased its shareholding into Shanghai Gemalto IC Card Technologies Co. Ltd from 83% to 95%

For the above listed entities, the percentage of voting rights equals the percentage of ownership interest.

Management statement

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

- the interim condensed consolidated financial statements prepared in accordance with IAS 34, *"Interim Financial Reporting",* give a true and fair view of the assets, liabilities, financial position and profit or loss of Gemalto and the undertakings included in the consolidation as a whole; and

- the half year management report includes a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

Amsterdam, August 31, 2017

Mr. Philippe Vallée	Mr. Jacques Tierny
Chief Executive Officer	Chief Financial Officer