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SEMI-ANNUAL FINANCIAL REPORT
AS AT JUNE 30, 2015

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Gemalto first semester 2015 results

- **Revenue of €1.5 billion is up +32% at historical exchange rates and +20% at constant exchange rates**
- **Revenue growth in Payment +22%, Machine-to-Machine +23%, and Government Programs +17%, at constant exchange rates, largely exceeds lower SIM products and related services revenue**
- **Profit from operations of €160 million is up +33%**

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, August 27, 2015- Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the first semester 2015.

Key figures of the adjusted income statement

			Year-on-year variations	
(€ in millions)	**First semester 2015**	First semester 2014	at historical exchange rates	at constant exchange rates
Revenue	**1,499**	1,133	+32%	+20%
Gross profit	**574**	418	+37%	
Operating expenses	**(414)**	(298)	+39%	
Profit from operations	**160**	120	+33%	
Profit margin	**10.6%**	10.6%	=	

Olivier Piou, Chief Executive Officer, commented: "The strong first semester revenue growth illustrated the structural transformation and successful diversification of the Company. Our flexibility enabled us to allocate more internal resources and external investments to support the faster growing businesses. Payment, Government and Machine-to-Machine are now three significant and very active growth engines, and Enterprise is reinforced by SafeNet which is currently being integrated into our portfolio. We are progressively unlocking operating leverage in those rapidly growing businesses, en route to the upgraded objectives of our 2017 multi-year development plan."

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 Platform & Services. The Payment & Identity segment reports on businesses associated with secure personal interactions including Payment, Government Programs and Enterprise. The SafeNet acquisition is part of the Enterprise 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.

Pro forma figures

Following the acquisition of SafeNet and for a better understanding of the year-on-year evolution of the business, the Company presents the 2014 Gemalto segment and activity pro forma figures as if SafeNet had been consolidated for the full year 2014 period and year-on-year variations between these 2014 pro forma figures and 2015 figures as if SafeNet had been consolidated starting from January 1, 2015. The difference between 2015 actual figures and 2015 pro forma figures corresponds to the SafeNet contribution from January 1st, 2015 to January 7th, 2015, the actual transaction closing date. SafeNet's pro forma figures used in this document were translated into Euro using monthly currency conversion rates. Variations of pro forma revenue figures are at constant exchange rates and exclude the impact of currencies variation hedging program for 2014 and 2015.

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

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

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 depreciation 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 depreciation of intangibles resulting from acquisitions are defined as the amortization and depreciation expenses related to the intangibles recognized as part of the allocation of the excess purchase consideration over the share of net assets acquired.
- 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 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 depreciation of intangibles resulting from acquisitions.

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 2015		First semester 2014			
Extract of the adjusted income statement	**€ in millions**	**As a % of revenue**	€ in millions	As a % of revenue	Year-on-year variation historical exchange rates	Year-on-year variation constant exchange rates
Revenue	**1,499.1**		1,133.1		+32%	+20%
Gross profit	**574.0**	**38.3%**	418.3	36.9%	+1.4 ppt	
Operating expenses	**(414.4)**	**(27.6%)**	(298.1)	(26.3%)	(1.3 ppt)	
EBITDA	**219.6**	**14.6%**	165.7	14.6%	=	
Profit from operations	**159.6**	**10.6%**	120.3	10.6%	=	
Net profit	**105.7**	**7.1%**	95.8	8.5%	(1.4 ppt)	
Basic Earnings per share (€)	**1.21**		1.11		+9%	
Diluted Earnings per share (€)	**1.19**		1.08		+10%	

Total revenue for the first semester 2015 came in at €1,499 million. Existing business rapid growth and the addition of SafeNet drove the revenue expansion of +32% at historical exchange rates and +20% at constant exchange rates.

First semester 2015 (in percentage points)	Addition of SafeNet	Pro forma[1] growth	Hedge effect	Currency variations effect	**Growth at historical exchange rates**
Contributions to total year-on-year revenue variation	+11%	+11%	(2%)	+11%	**+32%**

The total Company's year-on-year revenue growth was +11% pro forma. SafeNet's combination added 11 percentage points to the 2014 reported sales. The rapid and substantial strengthening of the US dollar versus Euro compared to the first semester of 2014 and the now large part of the Company's US dollar denominated revenue explain the 11 percentage point difference between revenue growth at historical and at constant exchange rates. This difference was partly offset by the currency variation protection hedging program that induced a (2) percentage point reduction on the reported sales.

Embedded software & Products (E&P) revenue grew by +7%. Payment cards represented the largest part of the E&P growth. Strong deliveries in Government Programs and high demand for connectivity and security modules for the Internet of Things also notably contributed to the E&P revenue increase. In contrast, E&P activity in the Mobile segment reduced

[1] Pro forma figures include 2014 SafeNet figures. See basis of preparation on page 2

due to lower year-on-year SIM cards sales following the closure of the major US wireless carriers' payment venture during the period.

In Platforms & Services (P&S), sales were up by +74%, with further revenue expansion in payment issuance, in eGovernment services and due to SafeNet's new contribution to the Enterprise business. These increases largely exceeded the reduced Mobile Financial Services revenue generated in the United States.

Globally, first semester revenue growth illustrated the structural transformation and successful diversification of the Company. It posted +11% pro forma growth when SIM and related services declined (7%) year-on-year, during the period.

Gross profit was up by €156 million, to €574 million, representing a gross margin of 38.3%, up +1.4 percentage point year-on-year. The increase in gross margin in Payment & Identity came mainly from the Enterprise business and more than offset the lower contribution in Mobile due to the lower sales of product and services related to mobile payment in the United States.

Operating expenses were up by 1.3 percentage point of revenue to 27.6%, at €414 million. The increase came primarily from the addition of SafeNet's operating expenses, standing at a higher level than Gemalto's historical business and from the currency translation effects.

As a result, first semester 2015 profit from operations was €160 million, up €39 million year-on-year, representing 10.6% profit margin, as in the first semester of 2014. The operational leverage gains of the semester were offset by the rapid and significant currency variation and hedging effects. Year-on-year variation of these hedges represented an adverse impact of €31 million for the first semester 2015, which balanced the gains in profit from operations linked to the favorable natural exposure to currency variations for the period.

Gemalto's financial income was (€14) million compared to (€4) million for the first semester of 2014 as interest expense and amortized costs on the public bond, private placements and credit lines facilities amounted to (€6) million. Foreign exchange transactions and other financial items amounted to (€8) million.

As a result, adjusted profit before income tax came in at €147 million compared to €117 million the previous year, showing an increase of +26%.

Adjusted income tax expense was (€42) million, with an estimated IFRS annual income tax rate of 22% for 2015.

Consequently, the adjusted net profit of the Company was €106 million, a €10 million and +10% increase when compared to last year's figure of €96 million.

Adjusted basic earnings per share came in at €1.21, up +9% compared to the first semester 2014 adjusted basic earnings per share of €1.11. Adjusted diluted earnings per share were at €1.19, up +10% on the 2014 first semester's adjusted diluted earnings per share of €1.08.

IFRS results

Fair value adjustments relating mainly to the non-cash amortization of the IFRS revaluation of SafeNet's pre-acquisition inventories at their net realizable value accounted for (€67) million for the first semester of 2015, compared to null in 2014. Amortization and depreciation of intangibles resulting from acquisitions, another non-cash element, increased by €12 million year-on-year, to (€23) million, also mainly due to SafeNet acquisition. Restructuring and acquisition-related expenses, including SafeNet transaction fees, decreased by €2 million to (€19) million, compared to (€21) million in the first semester of 2014. The equity-based compensation charge dropped year-on-year to (€17) million versus (€27) million as the first semester of 2014 saw the introduction of the new 2014-2017 multi-year development plan's related equity incentive plan, while in 2015 the long-term incentive plan is scheduled for the second semester of the year.

Gemalto recorded an IFRS operating profit (EBIT) of €33 million for the first semester of 2015, compared to €61 million in the first semester of 2014, lower year-on-year due to the non-cash IFRS fair-value adjustments linked to SafeNet acquisition. The IFRS net profit came in at €14 million for the first semester 2015, versus €46 million in the first semester of 2014.

As a result of these, IFRS basic earnings per share and diluted earnings per share hence were €0.16 and €0.15 respectively for the reported period compared to €0.53 and €0.52 in the first semester of 2014.

Statement of financial position and cash position variation schedule

In the first semester of 2015, operating activities generated a cash flow of €199 million before changes in working capital, compared to €128 million in 2014 mainly due to the profit from operations expansion and the higher contribution of non-cash expenses in the operating expenses. Changes in working capital reduced cash flow by (€57) million, less than during the same period of 2014 at (€75) million. Although year-on-year revenue growth in the second quarter of 2015 was significantly higher than in the same period 2014, there was a reduced impact of the longer cash collection cycle in Asia. Inventories increase was higher than Company's reported revenue expansion due to the anticipated growth and the lower activity in certain businesses in the second quarter. Accounts receivables and payables increased in line with Company's reported revenue expansion.

Capital expenditure and acquisition of intangibles amounted to €104 million, or 6.9% of revenue. Property, Plant, and Equipment assets accounted for €51 million of investment, up €22 million year-on-year to support in particular the strong growth of the payment business in the United States. Acquisition and capitalization of intangible assets represented a net cash outflow of €52 million compared to €21 million for the first semester 2014. Most of the increase came from the acquisition of a new patent portfolio and the rights to use and distribute a licensed technology and a slight increase on the capitalization of development expenses to 1.7% of revenue compared to 1.5% in 2014.

The hedging program which aims at partially neutralizing the impact of sudden currency variations on the Company's profit from operations generated an advance cash outflow of €84 million related to currency exposure over the Company's 2014-2017 development plan, due to the strong and rapid US dollar appreciation against the Euro during the first part of the year.

Acquisitions used €888 million in cash, for the most part related to the acquisitions of SafeNet and Trüb, closed respectively during the first and second quarter of 2015.

Gemalto's share buy-back programs had no impact on cash for the first semester of 2015. The independently managed liquidity program generated €3 million in cash. As at June 30, 2015, the Company held 977,881 shares, or 1.1% of its own shares in treasury. The total number of Gemalto shares issued increased by +991,865 this semester, to 89,007,709 shares. Net of the 977,881 shares held in treasury, 88,029,828 shares were outstanding as at June 30, 2015.

On May 24, 2015, Gemalto paid a cash dividend of €0.42 per share in respect of the fiscal year 2014, up +11% on the dividend paid in May 2014 which was of €0.38 per share. This May 2015 distribution used €37 million in cash. Other financing activities generated €177 million in cash including mainly €149 million of private placement loan issuance, €30 million of credit lines drawdown and €4 million of proceeds received by the Company from the exercise of stock options by employees.

Cash in hand, net of bank overdrafts amounted to €257 million as at June 30, 2015

Considering the €746 million total amount of borrowings, Gemalto's net debt position was €490 million as at June 30, 2015, compared to a €363 million net cash position as of June 30, 2014, a (€853) million variation mostly due to the (€888) million used this semester for acquisitions.

Segment information

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

Contribution by segment First semester 2015 (€ in millions)	**Payment & Identity**	**Mobile**	Total two main segments	Patents & Others
Revenue	**840**	**641**	1481	18
As a percentage of revenue	**56%**	**43%**	99%	1%
As a percentage of PFO	**49%**	**44%**	93%	7%

Contribution by activity First semester 2015 (€ in millions, variations at constant exchange rates)	**Embedded software & Products**	**Platforms & Services**	Total two main segments	Patents & Others
Revenue	**1070**	**411**	1481	18
Year-on-year revenue growth	**+7%**	**+74%**	+19%	+72%
As a percentage of revenue	**71%**	**27%**	99%	1%
As a percentage of revenue growth	**27%**	**70%**	97%	3%

Year-on-year variations and currencies impact (€ in millions)	**Payment & Identity**	**Mobile**	**Total two main segments**	Patents & Others	**Total**
Second quarter					
Revenue	473	323	**796**	17	**813**
At constant rates	+50%	(9%)	**+18%**	+790%	**+21%**
At historical rates	+67%	+3%	**+33%**	+790%	**+35%**
First semester					
Revenue	840	641	**1,481**	18	**1,499**
At constant rates	+43%	(2%)	**+19%**	+72%	**+20%**
At historical rates	+57%	+9%	**+32%**	+72%	**+32%**
First semester					
Profit from operations	77	71	148	11	**160**
At historical rates	+46%	+11%	**+27%**	+245%	**+33%**
As a percentage of total PFO	**49%**	**44%**	93%	**7%**	100%

With further strong expansion recorded throughout the first semester, Payment & Identity has become the largest contributor to both Company revenue and profit from operations. It represented 56% of Gemalto's revenue and 49% of profit from operations compared to 47% and 44% respectively in the same period of the previous year.

Activities within Embedded software & Products and Platforms & Services both contributed to the rapid growth of Gemalto in the first semester of 2015, up by +7% and +74% respectively (and up +6% and +12% respectively on a pro forma basis). Growth in Embedded software & Products, came mostly from Payment, Machine-to-Machine and Government Programs. Platforms & Services contributed 70% of the total revenue growth during the period, and its double-digit increase in revenue was driven by the achievements in Payment issuance services and Government Programs, plus the contribution of SafeNet to the Enterprise business.

Changes in currency translation effects were important for the whole period, especially in the second quarter with the strong year-on-year US dollar appreciation against the Euro. With significant developments in the United States, Payment & Identity segment was the most exposed to those US dollar related effects with a 14 percentage point difference between expansion at historical and constant exchange rates.

Payment & Identity

	First semester 2015		First semester 2014		Year-on-year variation	
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**840.2**		536.7		+57%	+43%
Gross profit	**310.5**	**37.0%**	171.9	32.0%	+4.9 ppt	
Operating expenses	**(233.1)**	**(27.7%)**	(118.9)	(22.1%)	(5.6 ppt)	
Profit from operations	**77.5**	**9.2%**	53.1	9.9%	(0.7 ppt)	

Payment & Identity's first semester revenue came in at €840 million, increasing by +43% compared to the same period in 2014. Embedded software & Products sales were up by +16% at €553 million. Platforms & Services sales more than doubled, at €287 million.

The Payment business grew by +28% in the second quarter of 2015 compared to the second quarter of last year. This strong performance led the +22% year-on-year revenue expansion for the first semester, at €469 million. The Americas posted the largest growth, with revenue almost doubling compared to previous year on strong sales of EMV payment cards and rapid expansion of issuance services in the United States. Payment's Embedded software & Products sales grew by +19% and Payment's Platforms & Services revenue expanded by +38% compared to the first semester of 2014.

Revenue from the Enterprise business came in at €195 million for the first semester of 2015. In addition to the SafeNet consolidation impact, improvement came from the increasing market demand for cybersecurity solutions. The integration of SafeNet is progressing well, with alignment of authentication portfolios between the Identity Access Management business and SafeNet. The Enterprise business revenue mix between authentication and data encryption is moving towards a lower proportion of hardware, and to gross profit increasing faster than revenue. On a pro forma basis, this evolution had led to a gross margin increase of +3 percentage points compared to first semester 2014.

Revenue from the Government Programs business came in at €175 million, up +17% compared to the first semester of 2014, of which €14 million came from Trüb AG, a Swiss provider of identification solutions for governments and banks acquired during the period. Beside Trüb's contribution during the second quarter, sales expansion came from delivery commencements of previously won projects while at the same time project backlog continued to expand. Government Programs Embedded software & Products revenue was up +14% and its Platforms & Services sales were up +28% compared to the first semester of 2014.

Across the entire segment, gross margin improved to 37%, up +4.9 percentage points compared to the first semester of 2014, as the segment's Platforms and Services activity continued to grow, in particular in the Enterprise business.

Operating expenses grew to (€233) million in the first semester of 2015, largely due to the acquisition additions, as well as the shift of more internal resources to the segment to address the rapid growth of its different business divisions.

As a result profit from operations in Payment & Identity for the first semester 2015 came in at €77 million, up +46% from the €53 million recorded in the first semester 2014.

Mobile

	First semester 2015		First semester 2014		Year-on-year variation	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**641.3**		586.1		+9%	(2%)
Gross profit	**246.2**	**38.4%**	237.3	40.5%	(2.1 ppt)	
Operating expenses	**(175.2)**	**(27.3%)**	(173.3)	(29.6%)	+2.3 ppt	
Profit from operations	**71.0**	**11.1%**	64.0	10.9%	+0.2 ppt	

The Mobile segment posted revenue of €641 million. Revenue grew by +9% at historical exchange rates and was lower by (2%) at constant exchange rates compared to the same period of previous year. At constant exchange rates, the most significant revenue expansion came from the Machine-to-Machine business, with a +23% increase in sales. The segment posted a contrasted pattern of revenue growth over the two first quarters, with a strong increase in the first quarter of +7% and a year-on-year reduction of (9%) in the second quarter. This evolution essentially related to the lower contribution to revenue of high-end SIMs and Mobile Platforms & Services sales in the United States due to the Softcard mobile payment service closing. The year-on-year unfavorable comparison basis will remain noticeable for the next three quarters.

Machine-to-Machine's Embedded software & Products revenue evidenced very solid expansion, +22%, due to the increasing global demand of connected devices and embedded secure elements (eSE) for the Internet of Things (IoT), across all sectors, in particular in the EMEA and Americas regions. Secure elements sales for the IoT extended their already strong dynamic, posting a +46% increase in revenue year-on-year at constant exchange rates.

Year-on-year SIM sales reduced by (8%) due to the US operators mobile payment service closing, which in some cases led to lower sales of high-end SIMs while other services benefiting from these high-end SIMs are under development.

Mobile Platforms & Services revenue was also influenced by the end of this US operators led mobile payment project, leading to a (1%) year-on-year revenue variation at constant exchange rates. On a global perspective, Gemalto Mobile Financial Services business reached important milestones during the semester, extending the connection of Gemalto's Trusted Services Hub (TSH) offer to OEM's embedded secure elements (eSE), Trusted Execution Environment (TEE), and to the payment applications that are using Host Card Emulation (HCE) framework. The Trusted Services Hub has also integrated this semester support for the newly standardized EMV tokenization layers, to become the market reference in terms of mobile device reach, integration capacity, and neutrality, all highly valuable benefits to domestic and global payment services. Gemalto's Mobile Subscriber Services business also reached an important milestone related to embedded SIMs this semester, with the adoption by the GSMA of a first common high-level architecture for remote activation and management of connectivity for the consumer market. Gemalto is deeply involved in this global interoperability effort, bringing its technical expertise and neutrality to help both OEMs and MNOs put in place solutions that best address their respective objectives and constraints.

Gross profit increased by €9 million, mainly due to currency translation effects, and gross margin was lower by (2) percentage points mainly due to the change in products and services mix.

Operating expenses grew slightly to (€175) million, as a result of the opposite effects of currency translations, which increased the Euro value of US dollar denominated operating expenses, offset by the shift of some of the segment's resources to handle the rapid growth of the Payment and Identity. Overall, operating expenses were lowered year-on-year by (2) percentage points when expressed as a percentage of segment's total revenue for the first semester of 2015.

As a result, Mobile's profit from operations for the first semester of 2015 was €71 million, increasing by +11% compared to the €64 million posted in the same period of last year.

Profit from operations margin expanded to 11.1%, compared to 10.9% in the first semester of 2014.

Patents & Others

	First semester 2015		First semester 2014		Year-on-year variation	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**17.7**		10.3		+72%	+72%
Gross profit	**17.3**	**97.7%**	9.1	88.8%	+8.9 ppt	
Operating expenses	**(6.1)**	**(34.6%)**	(5.9)	(57.4%)	+22.8 ppt	
Profit from operations	**11.1**	**63.0%**	3.2	31.4%	+31.6 ppt	

The Patents & Others segment generated €18 million revenue in the first semester of 2015 in relation to new and also renewed cross-licensing agreements. Compared to the first semester of 2014, operating expenses were stable. As a result, profit from operations came in at €11 million in the first semester.

Additional information

Government Programs

- **Gemalto launches unique ultra-thin electronic passport inlay and cover**
  Unique to Gemalto, Sealys Premium inlays and eCovers will enable national printers to optimize the efficiency of their manufacturing processes whilst creating ePassports that are thinner, flatter and more visually appealing. The new inlays and eCovers passed and exceeded ICAO durability tests.

- **Gemalto boosts eGovernment adoption by securely combining eID cards and NFC phones**
  Coesys mGov, an innovative new mobile strong digital authentication solution, enables citizens to access online government services using a combination of their contactless national eID card and NFC phone.It allows authorities to put in place Trusted National Mobile ID schemes.

- **California selects Gemalto for automated identity document verification**
  Gemalto successfully provided the nearly 200 California Department of Motor Vehicle (California DMV) field and investigative offices with its advanced Coesys Document Verification software solution. This allows the California DMV to streamline the review process, overcome the challenge of authenticating foreign documents and identify any document abnormalities or defects.

Connected Devices and On-Demand Connectivity Management

- **IoT solution enabled by Gemalto helps optimize safety and efficiency in Latin America's busiest seaports**
  The innovative SISMO® telemetry solution developed by HidroMares, a leading oceanography consulting firm, monitors dynamic ocean conditions to optimize safety and efficiency in Brazilian ports.

- **NTT Docomo selects Gemalto for IoT applications in Japan**
  NTT Docomo has selected Gemalto to enable connectivity for Internet of Things (IoT) applications. Gemalto's Cinterion® Machine Identification Module (MIM) complies with the most stringent industry standards and was first to meet the high quality requirements of the Japanese market.

- **China Telecom and Gemalto present joint innovation for connecting cars and IoT**
  China Telecom and Gemalto are developing a proof-of-concept for connected cars using Gemalto's LinqUs On-Demand Connectivity (ODC) subscription management solution. The two companies demonstrated at the Mobile World Congress Shanghai how remote 'over-the-air' provisioning can enable secure connectivity on mobile devices. Next the two companies will integrate this ODC solution on vehicles for China Telecom's auto-maker customers.

- **Gemalto increases its stake in Trustonic**
  During the first semester, Gemalto increased its shareholding in Trustonic, which develops a secure environment called a Trusted Execution Environment (TEE) that runs at the heart of smart devices and enables service providers to openly access ready-made advanced hardware-backed security features. As at June 30, 2015, the Group, held 50% interest and ownership in the joint venture.

- **Remote provisioning of consumer devices based on GSMA architecture**
  At Mobile World Congress Shanghai on July 15th and 16th, Gemalto demonstrated remote provisioning of consumer devices based on the newly proposed GSMA architecture. Gemalto has been at the forefront of this initiative; actively defining and embracing this standards-based approach to provide a solution for operators, device manufacturers and service providers to securely and instantly enable connectivity for consumers. Gemalto also demonstrated its LinqUs On-Demand Connectivity subscription management solution on ZTE smartphones as part of a proof of concept for connecting a consumer device with an embedded SIM to a mobile network anytime and anywhere.

Outlook

For 2015, Gemalto anticipates another year of double digit growth in its profit from operations. In the second semester, the closure of the US mobile payment service Softcard will limit the Mobile segment year on year progress in comparison to the same period of 2014. Accelerating pace in Payment, Machine-to-Machine, Enterprise and Government Programs will support the profit expansion of the Company towards its upgraded objective of over €660 million in 2017.

Acquisition of businesses and subsidiaries

Acquisition of businesses and subsidiaries, net of cash acquired represented a net cash outflow of €881million.

For additional disclosures regarding acquisitions of businesses and subsidiaries, reference is made to the note 5 to the interim condensed consolidated financial statements as at June 30, 2015.

Transactions with related parties

For disclosure regarding transactions with related parties, reference is made to the note 23 to the interim condensed consolidated financial statements as at June 30, 2015.

Risks and uncertainties

In our Annual Report 2014, 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 2015, 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, 2015

- On June 16, 2015, The Growth Fund of America notified they had the right to vote on 0.0% of Gemalto's share capital issued and their holding of Gemalto's ordinary shares was 3.03%.
- On March 23, 2015, Amundi notified the AFM that their holding of Gemalto's ordinary shares and voting rights was 2.99%.
- On March 23, 2015, UBS Group AG notified the AFM that they had the right to vote on 2.51% of Gemalto's share capital issued and their holding of Gemalto's ordinary shares was 2.92%.
- On March 11, 2015, J.M. Quandt née Bruhn notified the AFM that their holding of Gemalto's ordinary shares and voting rights was 2.99%.
- On January 15, 2015, Capital Group International Inc. and Capital Research and Management Company notified the AFM that they had the right to vote on 15.03% 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 IFRS to Adjusted financial information

Six-month period ended June 30 2015 (€ in millions)			Basic EPS	Diluted EPS
Weighted average number of shares outstanding (in thousands)			87,605	88,689
IFRS financial information				
	Operating profit	**33,141**		
	Financial income	(13,686)		
	Share of profit of associates	806		
	Income tax	(4,400)		
	Non-controlling interests	535		
	Profit (loss) from discontinued operation (net of income tax)	(2,662)		
	Net profit attributable to owners of the Company	**13,734**	**0.16**	**0.15**
Reconciliation to adjusted financial information				
IFRS	Net profit attributable to owners of the Company	**13,734**	**0.16**	**0.15**
	Fair value adjustment upon business acquisition	67,271		
	Amortization and depreciation of intangibles resulting from acquisitions	23,307		
	Restructuring and acquisition-related expenses	18,790		
	Equity-based compensation expense and associated costs	17,114		
	Profit (loss) from discontinued operation (net of income tax)	2,662		
	Income tax (expense)	(37,190)		
Adjusted	**Profit for the period**	**105,688**	**1.21**	**1.19**

The half year 2015 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, 2015, i.e. 87,605,010 shares taking into account the effect of the share buy-back program. The first semester 2015 adjusted diluted earnings per share is determined by using 88,688,925 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 equity-based instruments were exercised (1,319,110 instruments) and the proceeds received from the instruments exercised (€17,619,829) were used to buy-back shares at the average share price of the first semester 2015 (235,195 shares at €75).

Six-month period ended June 30 2014 (€ in millions)			Basic EPS	Diluted EPS
Weighted average number of shares outstanding (in thousands)			86,404	88,777
IFRS financial information				
	Operating profit	**60,847**		
	Financial income	(3,922)		
	Share of profit of associates	615		
	Income tax	(11,893)		
	Non-controlling interests	490		
	Profit (loss) from discontinued operation (net of income tax)	-		
	Net profit attributable to owners of the Company	**46,137**	**0.53**	**0.52**
Reconciliation to adjusted financial information				
IFRS	Net profit attributable to owners of the Company	**46,137**	**0.53**	**0.52**
	Fair value adjustment upon business acquisition	-		
	Amortization and depreciation of intangibles resulting from acquisitions	11,357		
	Restructuring and acquisition-related expenses	21,469		
	Equity-based compensation expense and associated costs	26,584		
	Adjustment over NCI	(64)		
	Income tax (expense)	(9,665)		
Adjusted	**Profit for the period**	**95,818**	**1.11**	**1.08**

Appendix 2

Interim consolidated statement of financial position

(€ in thousands)	June 30, 2015	December 31, 2014
ASSETS		
Non-current assets		
Property, plant and equipment, net	332,615	279,741
Goodwill, net	1,599,653	900,826
Intangible assets, net	454,302	218,137
Investments in associates	62,463	51,686
Deferred income tax assets	197,313	144,710
Available-for-sale financial assets, net	-	-
Other non-current assets	58,292	45,024
Derivative financial instruments	14,497	2,566
Total non-current assets	**2,719,135**	**1,642,690**
Current assets		
Inventories, net	313,534	223,579
Trade and other receivables, net	994,697	852,683
Derivative financial instruments	21,907	3,831
Cash and cash equivalents	288,933	1,059,572
Total current assets	**1,619,071**	**2,139,665**
Total assets	**4,338,206**	**3,782,355**
Equity		
Share capital	89,008	88,016
Share premium	1,240,235	1,206,877
Treasury shares	(39,256)	(55,482)
Fair value and other reserves	(44,500)	84,603
Cumulative translation adjustments	61,995	(3,957)
Retained earnings	1,048,994	1,070,653
Capital and reserves attributable to the owners of the Company	**2,356,476**	**2,390,710**
Non-controlling interests	6,584	5,454
Total equity	**2,363,060**	**2,396,164**
Liabilities		
Non-current liabilities		
Borrowings	547,529	398,027
Deferred income tax liabilities	96,337	46,165
Employee benefit obligations	105,323	107,361
Provisions and other liabilities	123,607	46,871
Derivative financial instruments	11,858	2,714
Total non-current liabilities	**884,654**	**601,138**
Current liabilities		
Borrowings	231,157	168,155
Trade and other payables	666,688	539,911
Current income tax liabilities	31,731	30,838
Provisions and other liabilities	12,532	12,968
Derivative financial instruments	148,384	33,181
Total current liabilities	**1,090,492**	**785,053**
Total liabilities	**1,975,146**	**1,386,191**
Total equity and liabilities	**4,338,206**	**3,782,355**

Appendix 3

Cash position variation schedule

	Six-month period ended June 30	
€ in millions	**2015**	**2014**
Cash and bank overdrafts, beginning of period	**1,057**	**456**
Cash generated by operating activities, before changes in working capital	199	128
Net change in working capital	(57)	(75)
Cash used in restructuring actions and acquisition related expenses	(19)	(4)
Net cash generated by operating activities before prepaid derivatives	**123**	**49**
Prepaid derivatives	(84)	0
Net cash generated by operating activities	**40**	**49**
Capital expenditure and acquisitions of intangibles	(104)	(50)
Free cash flow	**(64)**	**(2)**
Interest received, net	0	1
Cash used by acquisitions	(888)	(43)
Other cash provided by investing activities	0	1
Currency translation adjustments	7	(0)
Cash generated (used) by operating and investing activities	**(944)**	**(43)**
Cash generated (used) by the liquidity and share buy-back program	3	(14)
Dividend paid to Gemalto shareholders	(37)	(33)
Net proceed (repayment) from/of private placement and credit lines	179	0
Other cash provided (used) by financing activities	(2)	6
Change in cash and cash equivalent due to change in consolidation method	0	0
Cash and bank overdrafts, end of period	**257**	**372**
Current and non-current borrowings excluding bank overdrafts, end of period	(746)	(9)
Net cash, end of period	**(490)**	**363**

Appendix 4

Year-on-year variations (€ in millions)	**Total**	Main segments: Payment & Identity	Main segments: Mobile	Main activities: Embedded software & Products	Main activities: Platforms & Services	Patents & Others
Second quarter 2015						
Revenue	**813**	**473**	**323**	**570**	**226**	**17**
At historical rates	35%	+67%	+3%	+19%	+87%	+790%
At constant rates	21%	+50%	(9%)	+5%	+72%	+790%
Pro forma SafeNet excluding all currency-related impact	11%	+23%	(7%)	+7%	+12%	+790%
Pro forma SafeNet at constant rate including Hedge	8%	+20%	(9%)	+4%	+11%	+790%
First semester 2015						
Revenue	**1,499**	**840**	**641**	**1,070**	**411**	**18**
At historical rates	32%	+57%	+9%	+18%	+87%	+72%
At constant rates	20%	+43%	(2%)	+7%	+74%	+72%
Pro forma SafeNet excluding all currency related impact	11%	+18%	+1%	+9%	+13%	+72%
Pro forma SafeNet at constant rate including Hedge	8%	+16%	(2%)	+6%	+12%	+72%

Appendix 5

Revenue, by region

First semester € in millions	**First semester 2015**	First semester 2014	Year-on-year variation at constant exchange rates	 at historical exchange rates
Europe, Middle East and Africa	**652**	539	17%	21%
Americas	**562**	363	32%	55%
Asia	**285**	231	7%	24%
Total revenue	**1,499**	1,133	20%	32%

Second quarter € in millions	**Second quarter 2015**	Second quarter 2014	Year-on-year variation at constant exchange rates	 at historical exchange rates
Europe, Middle East and Africa	**370**	281	26%	32%
Americas	**292**	206	19%	42%
Asia	**152**	114	12%	33%
Total revenue	**813**	601	21%	35%

Interim condensed consolidated financial statements as at June 30, 2015 (unaudited)

Interim consolidated statement of financial position (unaudited)

In thousands of Euro	Notes	**June 30, 2015**	December 31, 2014
Assets			
Non-current assets			
Property, plant and equipment, net	8	332,615	279,741
Goodwill, net	9	1,599,653	900,826
Intangible assets, net	9	454,302	218,137
Investments in associates	10	62,463	51,686
Deferred income tax assets		197,313	144,710
Other non-current assets		58,292	45,024
Derivative financial instruments	7	14,497	2,566
Total non-current assets		**2,719,135**	**1,642,690**
Current assets			
Inventories, net	11	313,534	223,579
Trade and other receivables, net	12	994,697	852,683
Derivative financial instruments	7	21,907	3,831
Cash and cash equivalents	13	288,933	1,059,572
Total current assets		**1,619,071**	**2,139,665**
Total assets		**4,338,206**	**3,782,355**
Equity			
Share capital		89,008	88,016
Share premium		1,240,235	1,206,877
Treasury shares		(39,256)	(55,482)
Fair value and other reserves		(44,500)	84,603
Cumulative translation adjustments		61,995	(3,957)
Retained earnings		1,048,994	1,070,653
Capital and reserves attributable to the owners of the Company		**2,356,476**	**2,390,710**
Non-controlling interests		**6,584**	**5,454**
Total equity		**2,363,060**	**2,396,164**
Liabilities			
Non-current liabilities			
Borrowings	16	547,529	398,027
Deferred income tax liabilities		96,337	46,165
Employee benefit obligations		105,323	107,361
Provisions and other liabilities	14	123,607	46,871
Derivative financial instruments	7	11,858	2,714
Total non-current liabilities		**884,654**	**601,138**
Current liabilities			
Borrowings	16	231,157	168,155
Trade and other payables	15	666,688	539,911
Current income tax liabilities		31,731	30,838
Provisions and other liabilities	17	12,532	12,968
Derivative financial instruments	7	148,384	33,181
Total current liabilities		**1,090,492**	**785,053**
Total liabilities		**1,975,146**	**1,386,191**
Total equity and liabilities		**4,338,206**	**3,782,355**

Interim consolidated income statement (unaudited)

In thousands of Euro (except earnings per share)	Notes	Six-month period ended June 30, 2015	2014
Continuing operations			
Revenue		**1,499,101**	**1,133,054**
Cost of sales		(994,011)	(719,283)
Gross profit		**505,090**	**413,771**
Operating expenses			
Research and engineering		(100,936)	(75,493)
Sales and marketing		(238,346)	(170,851)
General and administrative		(89,535)	(74,900)
Other income (expense), net		(1,035)	1,146
Restructuring and acquisition-related expenses	18	(18,790)	(21,469)
Amortization and depreciation of intangibles resulting from acquisitions		(23,307)	(11,357)
Operating profit		**33,141**	**60,847**
Financial income (expense), net	19	(13,686)	(3,922)
Share of profit of associates	10	806	615
Profit before income tax		**20,261**	**57,540**
Income tax (expense) credit	20	(4,400)	(11,893)
Profit from continuing operation		**15,861**	**45,647**
Discontinued operation			
Profit (loss) from discontinued operation		(2,662)	-
Profit for the period		**13,199**	**45,647**
Attributable to:			
Owners of the Company		13,734	46,137
Non-controlling interests		(535)	(490)
Earnings per share			
Basic earnings per share	21	0.16	0.53
Diluted earnings per share	21	0.15	0.52
Earnings per share for continuing operation			
Basic earnings per share		0.19	0.53
Diluted earnings per share		0.18	0.52
Weighted average number of shares outstanding (in thousands)	21	87,605	86,404
Weighted average number of shares outstanding assuming dilution (in thousands)	21	88,689	88,777

Interim consolidated statement of comprehensive income (unaudited)

In thousands of Euro	Six-month period ended June 30, 2015	2014
Profit for the period	**13,199**	**45,647**
Other comprehensive income that can be reclassified to income statement:		
Currency translation adjustments	65,981	6,608
Currency translation adjustments: transfer to financial (income), expense, net	-	(180)
Effective portion of gains and losses on cash flow hedging	(159,526)	(15,163)
Deferred tax on cash flow hedging	57,635	4,762
Currency translation differences on other comprehensive income items	(2,753)	(723)
Other comprehensive income that cannot be reclassified to income statement:		
Actuarial gains and losses on employee benefit obligations	5,914	(6,474)
Deferred tax on actuarial gains and losses	(2,423)	2,219
Total other comprehensive income for the period, net of tax	**(35,172)**	**(8,951)**
Total comprehensive income for the period, net of tax	**(21,973)**	**36,696**
Attributable to:		
Owners of the Company	**(21,467)**	**37,094**
Non-controlling interests	**(506)**	**(398)**

Interim consolidated statement of changes in equity (unaudited)

	Number of shares[2]		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, 2015	**88,015,844**	**86,812,917**	**88,016**	**1,206,877**	**(55,482)**	**84,603**	**(3,957)**	**1,070,653**	**5,454**	**2,396,164**
Profit for the period								13,734	(535)	13,199
Other comprehensive income (loss)						(101,153)	65,952		29	(35,172)
Total comprehensive income						**(101,153)**	**65,952**	**13,734**	**(506)**	**(21,973)**
Issuance of ordinary shares to fund long-term employee incentive plans	991,865	991,865	992	33,358		(34,350)				-
Equity-based compensation charge, equity-settled						15,507				15,507
Other net assets change from associates								422		422
Employee share option plans		190,793			15,733	(11,314)				4,419
(Purchase), disposal of Treasury shares, net		34,253			493	2,207				2,700
Dividend paid/payable to owners of the Company[3]								(36,955)		(36,955)
Non-controlling interests upon Trüb acquisition									1,636	1,636
First adoption of IFRIC21								1,140		1,140
Balance as at June 30, 2015	**89,007,709**	**88,029,828**	**89,008**	**1,240,235**	**(39,256)**	**(44,500)**	**61,995**	**1,048,994**	**6,584**	**2,363,060**
Balance as at January 1, 2014	**88,015,844**	**86,272,632**	**88,016**	**1,206,914**	**(87,962)**	**99,396**	**(41,489)**	**883,525**	**5,053**	**2,153,453**
Profit for the period								46,137	(490)	45,647
Other comprehensive income (loss)						(15,379)	6,336		92	(8,951)
Total comprehensive income						**(15,379)**	**6,336**	**46,137**	**(398)**	**36,696**
Equity-based compensation charge, equity-settled						24,131				24,131
Employee share option plans		388,152			22,884	(16,179)				6,705
(Purchase), disposal of Treasury shares, net		(174,246)			(14,117)	(11)				(14,128)
Dividend paid/payable to owners of the Company								(32,865)		(32,865)
Balance as at June 30, 2014	**88,015,844**	**86,486,538**	**88,016**	**1,206,914**	**(79,195)**	**91,958**	**(35,153)**	**896,797**	**4,655**	**2,173,992**

[2] As at June 30, 2015 and 2014, the difference between the number of shares issued and the number of shares outstanding corresponds to the shares held in treasury, 977,881 and 1,529,306 respectively.

[3] See note 25

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30, 2015	2014
Profit for the period including non-controlling interests		**13,199**	**45,647**
Adjustment for:			
Tax	20	4,400	11,893
Research tax credit		(6,367)	(7,434)
Depreciation, amortization and impairment		83,276	56,846
Equity-based compensation charge, equity settled		15,507	24,131
Gains and losses on sale of fixed assets and write-offs		4,457	1,418
Gain on sale of assets of financial assets		(37)	-
Fair value adjustment upon business acquisitions		67,271	-
Cumulated translation adjustment transferred to financial income upon liquidation of consolidated entities		-	(180)
Net movement in provisions and other liabilities		16,551	15,646
Employee benefit obligations		1,609	2,473
Interest income		(1,903)	(2,151)
Interest expense and other financial expense		7,130	1,174
Share of profit from associates	10	(806)	(615)
Changes in current assets and liabilities (excluding the effects of acquisitions and exchange differences in consolidation):			
Inventories		(38,036)	(11,709)
Trade and other receivables		25,670	(13)
Derivative financial instruments		(87,550)	2,687
Trade and other payables		(40,558)	(65,712)
Cash generated from operations		**63,813**	**74,101**

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30, 2015	2014
Cash generated from operations		**63,813**	**74,101**
Income tax paid		(23,925)	(25,460)
Net cash provided by operating activities		**39,888**	**48,641**
Cash flows provided by (used in) investing activities			
Acquisition of business and subsidiaries, net of cash acquired	5	(880,740)	(42,392)
Purchase of property, plant and equipment		(51,822)	(30,160)
Proceeds from sale of property, plant and equipment		420	504
Acquisition and capitalization of intangible assets		(52,175)	(20,540)
Proceeds from sale of non-current assets		(287)	598
Purchase of investments in associate and capital contribution	10	(6,779)	(161)
Loan to investment in associates		(1,354)	-
Interest paid		(1,233)	(925)
Interest received		1,475	1,912
Dividends received from investments in associates	10	1,859	96
Net cash used in investing activities		**(990,636)**	**(91,068)**
Cash flows provided by (used in) financing activities			
Proceed from issuance of private placements		149,074	-
Proceed from drawdown of, (repayment of), credit lines		30,000	-
Proceeds from exercise of share options		4,419	6,705
(Purchase), disposal of Treasury shares (net)		2,700	(14,128)
Repayments of borrowings		(6,156)	(1,058)
Dividends paid to owners of the Company	25	(36,955)	(32,865)
Net cash used in financing activities		**143,082**	**(41,346)**
Cash and bank overdrafts, beginning of period	**13**	**1,057,404**	**456,098**
Net increase (decrease) in cash and bank overdrafts		**(807,666)**	**(83,773)**
Currency translation effect on cash and bank overdrafts		6,995	(492)
Cash and bank overdrafts, end of period	13	**256,733**	**371,833**

Index of Notes

Notes to the interim condensed consolidated financial statements

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

Note 1. General information

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

Gemalto is, in particular, the world leader for network data protection for enterprises, 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 belongs to 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 six-month ended June 30, 2015 have been authorized for issue by the Board on August 26, 2015.

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 2015 reported in these interim condensed consolidated financial statements is not necessarily indicative of the results of Gemalto for the full year 2015.

Note 2. Basis of preparation

The interim condensed consolidated financial statements of Gemalto for the six months ended June 30, 2015 have been prepared in accordance with the provisions of IAS 34 Interim Financial Reporting of the International Financial Reporting Standards (IFRS). IFRS as adopted by the European Union are available at the following internet address: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm. 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, 2014.

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, 2014 as described in the notes to the annual consolidated financial statements. The Group however, adopted the following amendments to existing standard.

New IFRS standards and amendments to existing standards, and IFRIC Interpretations adopted by the European Union and mandatory for 2015, and not early adopted by the Group in 2014, are listed below (these amendments and interpretations do not have a material impact on Gemalto's financial statements):

- IFRIC 21 – Interpretation 21 Levies. IFRIC21, sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS37 'Provision'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized;
- Amendments to IAS19 – Defined Benefit Plans: employee contributions.

These interpretations and amendments to existing standards did not have any significant impact on the Group's financial statements.

Levies:
The Group has adopted IFRIC 21 Levies with a date of initial application of 1 January 2015
The Group has some operation in France where it is subject to government levies. As a result of the adoption of IFRIC 21, the Group has reassessed the timing of when to accrue such levies, imposed by legislation. The interpretation clarifies that a levy is not recognized until the obligating event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation.
The Group previously accrued for taxes over the year on the basis that it would continue to operate in the future.

In accordance with IFRIC 21, the Group has determined that the liability to pay the levies should be recognized in full on January 1st, when the obligating event as stated in the legislation occurs.
Considering the low materiality of the restatement, the Group has not applied this interpretation retrospectively but prospectively. Would the interpretation had been applied retrospectively, the retained earnings would have been €1.1M lower on January 1, 2014 and the operating income reported for the six months ended June 30, 2014 would have been €1M lower. The impacts for 2015 are the same.

The adoption of IFRIC 21 will not have any impact on the Group's income statement on a full year basis.

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 (including the classification as restructuring and acquisition-related expenses) during the reporting period.

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

As of June 30, 2015, 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 combinations

Safenet group

On January, 7 2015, Gemalto concluded the acquisition of 100% of the share capital of SafeNet, a worldwide leader in data protection and software monetization, from Vector Capital for US$ 957 million paid in cash.

Headquartered in Belcamp, Maryland, USA, and presently located in 27 countries, SafeNet is one of the largest dedicated digital information security companies in the world, trusted to protect, control the access to, and manage the world's most sensitive data and high value software applications. SafeNet employs approximately 1,500 employees, who serve more than 25,000 customers, both corporations and government agencies, in over 100 countries. For the period ended June 30, 2015, the contribution to revenue and profit from operations were €147 million and €24 million respectively.

SafeNet reinforced Gemalto's Identity and Access Management business and is part of Gemalto's Payment & Identity segment.

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 intangible assets:

Acquired intangible assets FV is determined on the basis of commonly used valuations approaches, recommended by the International Valuation Standards Council. Three main natures of intangible assets have been identified and valued at acquisition using the income approach, technologies, customer relationships and brand names.
Depending on the nature and underlying characteristics of the intangible asset, either the Excess Earnings Method, or the Relief-from-Royalty Method has been used to appropriately value the intangible.

The inventories: revaluation of the inventories to their net realizable value

The FV of inventories (finished goods and work in progress) assumed in connection with the business combination is defined as the estimated revenue derived from the future sale of these goods less the sum of (i) the cost of disposal, and (ii) a reasonable profit allowance for the selling effort, both of which are estimated from the perspective of a market participant.
Therefore, the value of these inventories in the books of SafeNet at acquisition date was adjusted upward by $66 million.

Subsequent sales of the finished goods and work in progress carried in the SafeNet Inventories at the time of the acquisition generated a lower margin than if they would have been manufactured after the acquisition, all other factors being equal. The Group therefore discloses the amortization expense related to this revaluation in a dedicated column of its segment information (see note 6).

The deferred revenue: cancellation of commercial margin of deferred revenue

Upon a business combination, deferred revenue of the acquiree can be recognized only if it relates to an outstanding performance obligation assumed by the acquiree. The FV of deferred revenue has been estimated using the income approach based on the incremental cost, including a normal profit margin, of fulfilling the contract. Therefore, the value of the deferred revenue in the books of SafeNet at acquisition date was adjusted downward by $24 million.

Subsequent performance obligations generated a lower margin than if they would have been performed outside of the scope of a business combination The Group therefore discloses the amortization expense related to this revaluation in a dedicated column of its segment information (see note 6).

The cumulative non cash expense triggered by the amortization of the revaluation of both inventories and deferred revenue amounted to €67 million as at June 30, 2015.

Trüb group

On April, 10 2015, Gemalto concluded the acquisition of Trüb. Headquartered in Aarau, Switzerland, Trüb employs over 400 people and has a 100 year history of secure printing, including pioneering work in polycarbonate technology. Trüb provides identification solutions primarily to governments and banks and is a leading provider of high security polycarbonate identity documents. For the period ended June 30, 2015, the contribution to revenue and profit from operations were €23 million and €0 million respectively.

The Trüb business reinforced Gemalto leadership in high security identification documents and provided access to the local Swiss market.

Gemalto management, assisted by independent qualified experts, will identify and allocate the combination value of Trüb to the assets acquired and liabilities and contingent liabilities assumed, including those not previously recognized by the acquiree on the second half of the year.

Management estimates identifiable assets and liabilities at the date of acquisition as follows: Identifiable assets and liabilities at the date of acquisition

Assets	**Safenet Group**	**Trüb group and other acquisitions**	**Total**
Non-current assets	36,821	34,292	71,113
Current assets	197,706	41,209	238,915
Cash and cash equivalents	53,528	-	53,528
Total assets	**288,055**	**75,501**	**363,556**
Liabilities			
Non-Current liabilities	231,020	3,333	234,353
Current liabilities	123,814	22,485	146,299
Borrowings (current)	105	13,564	13,669
Total liabilities	**354,939**	**39,382**	**394,321**
Cancellation on non –controlling interests		(1,635)	(1,635)
Identified intangible assets re-measured at Fair value	166,118	12,171	178,289
Associated deferred tax liabilities	(63,956)	-	(63,956)
Total fair value of identifiable net assets acquired (A)	**35,278**	**46,655**	**81,933**
Purchase consideration (B)	**597,433**	**142,247**	**739,680**
Hedging effect on the acquisition price **(B)**	(26,769)	-	(26,769)
Purchase price adjustment on 2014 acquisitions **(B)**	-	(644)	(644)
Goodwill **(B-A)**	**535,386**	**94,948**	**630,334**
Analysis of cash flows on acquisitions:			
Purchase consideration settled in cash, including debt repayment	782,074	142,593	924,667
Net cash acquired	(53,528)	9,601	(43,927)
Net cash flows used in acquisitions	728,546	152,194	880,740

The provisional goodwill arising from the acquisitions of SafeNet and Trüb may be subject to significant change over the purchase price allocation period.

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

	Impact in 2015, from 2014 acquisitions		Impact in 2015, from 2015 acquisitions		Total recognized in 2015
	Fair Value	Remaining useful life	Fair Value	Remaining useful life	**Fair Value**
Existing technologies			61,678	5-7 years	**61,678**
Customer relationships	12,171	2-13 years	78,947	10-12 years	**91,118**
Brand name			25,493	Indefinite	**25,493**

Notes to the interim condensed consolidated financial statements

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 & Others'.

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 depreciation 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.

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 depreciation of intangibles resulting from acquisitions are defined as the amortization and depreciation expenses related to the intangibles recognized as part of the allocation of the excess purchase consideration over the share of net assets acquired.
- 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 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.

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, 2015

	Payment & Identity	Mobile	Patent and Others	Adjusted financial information	Equity-based compensation charge and associated costs	Fair value adjustment upon business acquisitions	IFRS Financial information
Revenue	**840,162**	**641,255**	**17,684**	**1,499,101**			**1,499,101**
Cost of sales	(529,615)	(395,063)	(412)	(925,090)	(1,650)	(67,271)	(994,011)
Gross profit	**310,547**	**246,192**	**17,272**	**574,011**	**(1,650)**	**(67,271)**	**505,090**
Operating expenses							
Research and engineering	(47,271)	(47,401)	(4,794)	(99,466)	(1,470)		(100,936)
Sales and marketing	(141,259)	(89,691)	(606)	(231,556)	(6,790)		(238,346)
General and administrative	(45,260)	(36,827)	(244)	(82,331)	(7,204)		(89,535)
Other income (expense), net	708	(1,261)	(482)	(1,035)			(1,035)
Profit from operations	**77,465**	**71,012**	**11,146**	**159,623**			
Restructuring and acquisition-related expenses							(18,790)
Amortization and depreciation of intangibles resulting from acquisitions							(23,307)
Operating profit							**33,141**

	Period ended June 30, 2014						
	Payment & Identity	Mobile	Patent and Others	Adjusted financial information	Equity-based compensation charge and associated costs	Fair value adjustment upon business acquisitions	IFRS Financial information
Revenue	**536,691**	**586,070**	**10,293**	**1,133,054**	**-**	**-**	**1,133,054**
Cost of sales	(364,761)	(348,808)	(1,151)	(714,720)	(4,563)	-	(719,283)
Gross profit	**171,930**	**237,262**	**9,142**	**418,334**	**(4,563)**	**-**	**413,771**
Operating expenses							
Research and engineering	(24,921)	(42,690)	(4,874)	(72,485)	(3,008)	-	(75,493)
Sales and marketing	(72,312)	(88,340)	(780)	(161,432)	(9,419)	-	(170,851)
General and administrative	(20,778)	(44,263)	(265)	(65,306)	(9,594)	-	(74,900)
Other income (expense), net	(847)	1,983	10	1,146	-	-	1,146
Profit from operations	**53,072**	**63,952**	**3,233**	**120,257**			
Restructuring and acquisition-related expenses							(21,469)
Amortization and depreciation of intangibles resulting from acquisitions							(11,357)
Operating profit							**60,847**

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

	Six-month period ended June 30,	
	2015	2014
Revenue		
Europe, Middle East and Africa	651,616	539,250
United States of America	366,647	199,863
Asia Pacific	285,448	230,954
North and South America excluding the United States of America	195,390	162,987
	1,499,101	**1,133,054**

Non-current assets excluding goodwill (net)	**June 30, 2015**	December 31, 2014
France	371,188	281,756
United States of America	314,805	83,232
Europe, Middle East and Africa excluding France	222,143	192,168
Asia Pacific	137,073	122,070
North and South America excluding the United States of America	74,273	62,638
	1,119,482	**741,864**

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, 2014.

Estimation of derivative financial instrument fair value

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

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

As at June 30, 2015, we have no available-for-sale financial assets which fair value would be based on a valuation model using assumptions neither supported by prices from observable current transactions nor on available market data. We have consequently no items classified in the Level 3 of the fair value hierarchy.

The following tables present the Group's assets and liabilities that were measured at fair value as at end of June 30, 2015 and December 31, 2014:

June 30, 2015	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging	-	36,404	-	36,404
Short term bank deposits and investment funds	124,226	-	-	124,226
Total Assets	**124,226**	**36,404**	**-**	**160,630**
Liabilities				
Derivatives used for hedging	-	160,242	-	160,242
Total Liabilities	**-**	**160,242**	**-**	**160,242**

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging	-	6,397	-	6,397
Short term bank deposits and investment funds	952,004	-	-	952,004
Total Assets	**952,004**	**6,397**	**-**	**958,401**
Liabilities				
Derivatives used for hedging	-	35,895	-	35,895
Total Liabilities	**-**	**35,895**	**-**	**35,895**

As at June 30, 2015, the Group held forward contracts, which were designated as qualifying cash flow hedges of forecast sales and purchases denominated in US Dollar, Sterling Pound, Chinese Yuan, Czech Koruna, Mexican Peso, Singapore Dollar and Polish Zloty.

It also held forward contracts not qualified in hedge accounting and recognized through income statement at fair value, denominated in the same currencies and different currencies notably South African Rand, Brazilian Real, Swiss Franc and Russian Ruble.

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

	Period ended June 30, 2015				Year ended December 31, 2014			
	USD	GBP	SGD	Other	USD	GBP	SGD	Other
Cash flow hedges								
Forward contracts	(65,138)	(17,678)	8,170	(4,094)	(20,690)	(5,206)	3,381	(1,679)
Fair value hedges								
Forward contracts	(47,388)	(39)	(54)	712	(7,252)	(17)	47	475
	(112,526)	**(17,717)**	**8,116**	**(3,382)**	**(27,942)**	**(5,223)**	**3,428**	**(1,204)**

As at June 30, 2015, the total mark-to-market valuation of Gemalto open derivatives was €(125.5) million for the foreign exchange instruments (€(31) million as at December 31, 2014) and €1.7 million for the equity swap cash-settled instrument (€1.4 million as at December 2014).

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, 2015	**279,741**
Acquisition of subsidiary and business	34,242
Additions	51,896
Disposals and write offs	(4,842)
Depreciation charge	(38,355)
Currency translation adjustment	9,933
Net book value as at June 30, 2015	**332,615**
Net book value as at January 1, 2014	**237,320**
Acquisition of subsidiary and business	5,844
Additions	30,160
Disposals and write offs	(1,920)
Depreciation charge	(28,298)
Currency translation adjustment	1,588
Net book value as at June 30, 2014	**244,694**

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, 2015	**900,826**	**218,137**
Acquisition of subsidiary and business	630,334	191,072
Additions	-	68,492
Write-offs	-	-
Amortization charge	-	(44,921)
Currency translation adjustment	68,493	21,522
Net book value as at June 30, 2015	**1,599,653**	**454,302**
Net book value as at January 1, 2014	**850,600**	**202,581**
Acquisition of subsidiary and business	39,141	3,784
Additions	-	20,540
Write-offs	-	-
Amortization charge	-	(28,548)
Currency translation adjustment	199	(106)
Net book value as at June 30, 2014	**889,940**	**198,251**

Goodwill arising from the business combinations for the period ended June 30, 2015 was provisionally allocated. As a result, Goodwill may be subject to changes during the course of the purchase price allocation period.

The additions of intangibles assets for the period mainly consist of capitalization of development costs for €26 million, (€17 million as at June 30, 2014), a right to use and distribute a licensed technology for a 4 year period for €22 million and the acquisition of a patent portfolio for €15 million.

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value in use calculations derived from a discounted cash flows model. The key assumptions used to determine the recoverable amount for the different cash generating units were detailed in the Group's consolidated financial statements for the year ended December 31, 2014. As at June 30, 2015, there were no indications of goodwill impairment.

Note 10. Investments in associate

Changes in investments in associate consist of the following:

	June 30, 2015	June 30, 2014
Investments in associates as of beginning of period	**51,686**	**49,035**
Acquisition, contribution of/to associates	6,779	161
Other net changes in net assets	422	-
Dividends paid by associates	(1,859)	(96)
Share of profit	806	615
Currency translation adjustment	4,629	575
Investments in associates as of end of period	**62,463**	**50,290**

In June 2015, Gemalto increased its shareholding into Trustonic Ltd. As at June 30, 2015, the Group, which does not control Trustonic Ltd., held 50% interest and ownership in the joint venture.

In April 2015, Gemalto acquired 15% of Smart Displayer Technology Co. Ltd, a non-listed Taiwanese company through a contribution of €1.8 million. Gemalto is the largest shareholder of this company with a representation at the board of directors.

The market value of our shareholding in Goldpac Group Limited, on the Hong Kong stock exchange, was €84 million as at June 30, 2015 (€87 million as at December 31, 2014). As at June 30, 2015 the carrying value of our investment, which is based on the latest publicly available information, was €53 million (€48 million as at December 31, 2014).

Note 11. Inventories

Inventories consist of the following:

	June 30, 2015	December 31, 2014
Gross book value		
Raw materials and spares	104,550	77,154
Work in progress	141,713	109,884
Finished goods	88,006	49,578
Total	**334,269**	**236,616**
Obsolescence reserve		
Raw materials and spares	(6,358)	(4,269)
Work in progress	(10,892)	(5,922)
Finished goods	(3,485)	(2,846)
Total	**(20,735)**	**(13,037)**
Net book value	**313,534**	**223,579**

Note 12. Trade and other receivables

Trade and other receivables consist of the following:

	June 30, 2015	December 31, 2014
Trade receivables	644,792	585,972
Provision for impairment of receivables	(11,288)	(10,062)
Trade receivables, net	**633,504**	**575,910**
Prepaid expenses	42,225	21,683
VAT recoverable and tax receivable	95,863	68,330
Advances to suppliers and related	17,782	12,187
Unbilled customers	163,699	133,356
Other	41,624	41,217
Total	**994,697**	**852,683**

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, 2015. 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, 2015, trade receivables of €187 million (December 31, 2014: €168 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 13. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	June 30, 2015	December 31, 2014
Cash at bank and in hand	164,707	107,568
Short-term bank deposits and investment funds	124,226	952,004
Total	**288,933**	**1,059,572**

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

	June 30, 2015	December 31, 2014
Cash and cash equivalents	288,933	1,059,572
Banks overdrafts	(32,200)	(2,168)
Total	**256,733**	**1,057,404**

Note 14. Non-current provisions and other liabilities

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

	June 30, 2015	December 31, 2014
Non-current provisions	52,292	23,984
Other non-current liabilities	71,315	22,887
Total	**123,607**	**46,871**
Government grants	278	259
Long-term payables[4]	71,037	22,628
Total other non-current liabilities	**71,315**	**22,887**

	Warranty non-current	Restructuring & Reorganization	Litigation	Tax claims	Prov. for other risks	Total
As at January 1, 2015	**6,576**	**1,745**	**2,315**	**9,039**	**4,309**	**23,984**
Additional provisions	805	-	66	5,781	92	**6,744**
Acquisition of subsidiary	1,490	-	288	20,389	-	**22,167**
Unused amount reversed	(556)	-	(16)	(202)	-	**(774)**
Used during the period	-	(103)	-	(190)	(140)	**(433)**
Reclassifications	(1,359)	(13)	-	137	-	**(1,235)**
Currency translation adjustment	37	-	17	1,409	376	**1,839**
As at June 30, 2015	**6,993**	**1,629**	**2,670**	**36,363**	**4,637**	**52,292**

	Warranty non-current	Restructuring & Reorganization	Litigation	Tax claims	Prov. for other risks	Total
As at January 1, 2014	**6,625**	**-**	**3,000**	**7,724**	**5,631**	**22,980**
Additional provisions	832	2,439	116	337	185	**3,909**
Unused amount reversed	(964)	-	(201)	(8)	(27)	**(1,200)**
Used during the period	(3)	-	(208)	1	(553)	**(763)**
Reclassifications	(304)	-	-	(78)	-	**(382)**
Currency translation adjustment	5	-	8	123	102	**238**
As at June 30, 2014	**6,191**	**2,439**	**2,715**	**8,099**	**5,338**	**24,782**

[4] The carrying value of long term payables is assessed to be equivalent to their fair value.

Note 15. Trade and other payables

	June 30, 2015	December 31, 2014
Trade payables	244,865	221,771
Employee related payables	172,203	152,831
Accrued expenses	95,761	88,021
Accrued VAT	22,338	16,297
Deferred revenue	128,603	53,471
Other	2,918	7,520
Total trade and other payables	**666,688**	**539,911**

Note 16. Borrowings

Borrowings consist of the following:

	June 30, 2015	December 31, 2014
Bond	400,000	400,000
Deferred costs and premium on bond	(4,282)	(4,622)
Private placements	149,093	-
Other financial liabilities	2,458	2,477
Financial lease liabilities	260	172
Total non-current portion	**547,529**	**398,027**

	June 30, 2015	December 31, 2014
Short-term loans and accrued interests	7,700	3,366
Bank overdrafts	32,200	2,168
Credit lines drawdown	190,000	160,000
Financial lease liabilities	993	1,368
Other financial liabilities	263	1,253
Total current portion	**231,156**	**168,155**

The Group has signed a series of bilateral committed revolving credit lines, arranged with first rank banks. The total amount is €510 million with maturities falling between September 17, 2017 and December 20, 2021. There are no financial covenants (financial ratios) concerning our financial structure in the documentation of these facilities.

As at June 30, 2015 the bond was booked based on amortized cost method and disclosed entirely under 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, 2015 is €410 million, while its carrying value amount is equal to €400 million.

Note 17. Current provisions and other liabilities

	June 30, 2015	December 31, 2014
Warranty – current	3,864	1,921
Provision for loss on contracts	2,176	1,646
Restructuring and reorganization	3,566	6,739
Other	2,926	2,662
Total current provisions	**12,532**	**12,968**

Variation analysis of the current provisions is as follows:

	Warranty – current	Provision for loss on contracts	Restructuring & Reorganization	Other	Total
As at January 1, 2015	**1,921**	**1,646**	**6,739**	**2,662**	**12,968**
Additional provisions	703	843	487	2,539	**4,572**
Acquisition of a subsidiary	905	3,536	574	2,231	**7,246**
Unused amount reversed	(572)	(200)	(63)	(687)	**(1,522)**
Used during the year	(267)	(4,105)	(4,281)	(3,937)	**(12,590)**
Reclassification	1,100	-	13	79	**1,192**
Currency translation adjustment	74	456	97	39	**666**
As at June 30, 2015	**3,864**	**2,176**	**3,566**	**2,926**	**12,532**

	Warranty – current	Provision for loss on contracts	Restructuring & Reorganization	Other	Total
As at January 1, 2014	**1,986**	**1,429**	**663**	**6,571**	**10,649**
Additional provisions	1,020	1,226	13,639	528	**16,413**
Acquisition of a subsidiary	-	-	-	73	**73**
Unused amount reversed	(401)	(268)	(6)	(87)	**(762)**
Used during the year	(282)	(451)	(2)	(3,088)	**(3,823)**
Reclassification	311	-	(3)	(858)	**(550)**
Currency translation adjustment	14	5	-	15	**34**
As at June 30, 2014	**2,648**	**1,941**	**14,291**	**3,154**	**22,034**

Note 18. Additional information on specific line items of the income statement

The Group reported 'Restructuring and acquisition-related expenses' for €18,790 as at June 30, 2015 (€21,469 in 2014), which are detailed as follows:

	Six-month period ended June 30,	
	2015	2014
Employee compensation including severance and associated costs	3,643	19,198
Transaction costs on acquisition	8,873	206
Write-offs and impairments	3,194	1,102
Other costs (income)	3,080	963
Total	**18,790**	**21,469**

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. Financial income (expense)

	Six-month period ended June 30,	
	2015	**2014**
Interest expense and amortized costs on public bond, on private placements and credit lines facilities	(5,711)	-
Interest expense, other	(1,597)	(2,270)
Interest income	1,903	2,151
Foreign exchange transaction gains (losses):		
– Foreign exchange gains (losses), including derivative instruments not designated as cash flow hedges	3,404	(2,971)
– Ineffective part of derivative instruments designated as cash flow hedges	(11,135)	(303)
Other financial income (expense), net	(550)	(529)
Financial income (expense), net	**(13,686)**	**(3,922)**

Notes to the interim condensed consolidated financial statements

Note 20. Income tax expense

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 2015 is estimated at 21.72%.

Note 21. Earnings per share

	Six-month period ended June 30,	
	2015	2014
Profit attributable to Owners of the Company	**13,734**	**46,137**
Weighted average number of ordinary shares – basic (in thousands)	87,605	86,404
Effect of dilution from share options (in thousands)	1,084	2,373
Weighted average number of ordinary shares – diluted (in thousands)	88,689	88,777
Basic earnings per share	**0.16**	**0.53**
Diluted earnings per share	**0.15**	**0.52**
Basic earnings per share for continuing operation	**0.19**	**0.53**
Diluted earnings per share for continuing operation	**0.18**	**0.52**

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. Share-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 22. 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 23. 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, 2014. Transactions with related parties are conducted, in the ordinary course of business, on terms comparable to transactions with third parties.

Note 24. Events after the balance sheet date

To the best of management's knowledge, there is no significant event that occurred since June 30, 2015, which would materially impact the interim condensed consolidated financial statements.

Note 25. Dividends

The AGM of May 21, 2015 has approved the distribution of a dividend of €0.42 per share in respect of the financial year 2014, representing a €37 million distribution.

Note 26. Consolidated entities

The main changes in consolidated entities for the six-month period ended June 30, 2015 were as follows:

Entities acquired or created

Country of incorporation	Company name	Gemalto's interest
Australia	SafeNet Australia Pty Ltd	100%
Brazil	SafeNet Tecnologia en Informatica Ltda.	100%
British Virgin Islands	SafeNet (BVI) Co., Ltd.	100%
Bulgaria	Trüb Demax PLC	50%
Canada	SafeNet Canada Inc	100%
Cayman Islands	Rainbow Technologies C.I., L.P.	100%
China	SafeNet China Limited	100%
Estonia	Trüb Baltic AS	100%
France	SafeNet France SARL	100%
Germany	SFNT Germany GmbH	100%
Germany	Trüb Technology GmbH	100%
Germany	Cardag Deutschland GmbH	60%
Hong Kong	SafeNet Asia Limited	100%
India	SafeNet India Private Limited	100%
India	SafeNet Infotech Private Limited	100%
Israel	SafeNet Data Security (Israel) Ltd.	100%
Italy	Eutronsec SRL	100%
Italy	SafeNet Italy S.r.l.	100%
Japan	Nihon SafeNet KK	100%
Mexico	SafeNet Mexico S de RL de CV	100%
Pakistan	Gemalto Pakistan Private Ltd	100%
Singapore	SafeNet Pte. Ltd.	100%
Spain	SafeNet Spain SL	100%
Sweden	SafeNet Sweden AB	100%
Switzerland	SafeNet Technologies Schweiz AG	100%
Switzerland	SFNT Switzerland GmbH	100%
Switzerland	Gemalto AG	100%
Switzerland	Trüb International AG	100%
Taiwan	Smart Displayer Technology Co., Ltd.	15%
The Netherlands	HAFALAD BV	100%
The Netherlands	SafeNet Europe B.V.	100%
The Netherlands	SafeNet Technologies B.V.	100%
The Netherlands	SFNT BV – One BV	100%
The Netherlands	SFNT CV – One CV	100%
The Netherlands	SFNT CV – Two CV	100%
The Netherlands	SFNT Netherlands Cooperatief B.A.	100%
United Kingdom	SafeNet UK Limited	100%
United Kingdom	Cryptocard New Technology Limited	100%
United Kingdom	SafeNet Cryptocard Holdings Limited	100%

United Kingdom	SafeNet Cryptocard Europe Limited	100%
United States of America	Magic Lamp (US) LLC	100%
United States of America	RNBO DE, Inc.	100%
United States of America	SafeNet Assured Technologies, LLC	100%
United States of America	SafeNet Holding Corporation	100%
United States of America	SafeNet, Inc.	100%

In June 2015, Gemalto increased its shareholding into Trustonic from 30% to 50%
For the above listed entities, the percentage of voting rights equals the percentage of ownership interest.

Entities sold, dissolved or merged,

Country of incorporation	Company name	Gemalto's interest
China	Todos (Qingdao) Co., Ltd.	100%
Spain	Avalon Biometrics S.L.U.	100%
United States of America	Fish Newco Inc	100%

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

Management statement

Management statement

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

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

Amsterdam, August 26, 2015

Mr. Olivier Piou Chief Executive Officer	Mr. Jacques Tierny Chief Financial Officer