SEMI-ANNUAL FINANCIAL REPORT
AS AT JUNE 30, 2014

TABLE OF CONTENTS

Gemalto first semester 2014 results

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

To better assess past and future performance, the income statement is presented on an adjusted basis and revenue figures above and in this document are for ongoing operations, with variations at constant exchange rates except where otherwise noted (see page 2 "Basis of preparation of financial information"). Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with the consolidated financial statements. Appendix 1 provides synthesis information for ongoing and total operations, and reconciliation with the IFRS income statement is presented in Appendix 2. The statement of financial position is prepared in accordance with IFRS, and the cash position variation schedule is derived from the IFRS cash flow statement. All figures in this press release are unaudited.

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

Key figures of the adjusted income statement

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

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

[1] See basis of preparation on page 2, and Appendix 1 of this document for more information on ongoing operations.

Basis of preparation of financial information

In this press release, the information for the first semester of both 2014 and 2013 is presented for "ongoing operations" and under the 2014 format of segment reporting unless otherwise specified

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

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

To better assess its past and future performance, the Company also prepares an adjusted income statement where the key metric used to evaluate the business and take operating decisions over the period 2010 to 2017 is the profit from operations.

Profit from operations (PFO) is a non-GAAP measure defined as the IFRS operating result adjusted for the amortization and depreciation of intangibles resulting from acquisitions, for share-based compensation charges, and for restructuring and acquisition-related expenses. These items are further explained as follows:

- Amortization and depreciation of intangibles resulting from acquisitions are defined as the amortization and depreciation expenses related to the intangibles recognized as part of the allocation of the excess purchase consideration over the share of net assets acquired.
- Share-based compensation charges are defined as (i) the discount granted to employees acquiring Gemalto shares under Gemalto Employee Stock Purchase plans; and (ii) the amortization of the fair value of stock options and restricted share units granted by the Board of Directors to employees, and other related costs.
- Restructuring and acquisitions-related expenses are defined as (i) restructuring expenses which are the costs incurred in connection with a restructuring as defined in accordance with the provisions of IAS 37 (e.g. sale or termination of a business, closure of a plant,…), and consequent costs; (ii) reorganization expenses defined as the costs incurred in connection with headcount reductions, consolidation of manufacturing and offices sites, as well as the rationalization and harmonization of the product and service portfolio, and the integration of IT systems, consequent to a business combination; and (iii) transaction costs (such as fees paid as part of the acquisition process).

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

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

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

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

Ongoing operations

For a better understanding of the current and future year-on-year evolution of the business, the Company provides revenue from "ongoing operations" for both the 2014 and 2013 reporting periods.

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

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

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

Segment information

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

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

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

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

Appendix 6 presents revenue information in 2014 and 2013 formats.

Historical exchange rates and constant currency figures

Revenue variations are at constant exchange rates, except where otherwise noted.

All other figures in this press release are at historical exchange rates, except where otherwise noted.

The Company sells its products and services in a very large number of countries and is commonly remunerated in other currencies than the Euro. Fluctuations in these other currencies exchange rates against the Euro have in particular a translation impact on the reported Euro value of the Company revenues. Comparisons at constant exchange rates aim at eliminating the effect of currencies translation movements on the analysis of the Group revenue by translating prior-year revenues at the same average exchange rate as applied in the current year.

IFRS results

The interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. To better assess its past and future performance, the Company also prepares an adjusted income statement. Appendix 2 provides the reconciliation between IFRS and adjusted income statements.

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

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

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

Adjusted financial information for all operations

In this section, the financial information is presented for all operations. In comparison to the adjusted income statement for ongoing operations, the adjusted income statement for all operations also includes the contribution from assets held for sale.

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

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

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

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

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

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

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

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

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

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

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

Statement of financial position and cash position variation schedule

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

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

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

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

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

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

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

Segment information

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

Revenue contributions by segment

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

Revenue contributions by activity

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

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

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

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

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

Mobile

	First semester 2014		First semester 2013		Year-on-year variation	
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**586.1**		601.2		(3%)	+2%
Gross profit	**237.3**	**40.5%**	250.1	41.6%	(1.1 ppt)	
Operating expenses	**(173.3)**	**(29.6%)**	(170.7)	(28.4%)	(1.2 ppt)	
Profit from operations	**64.0**	**10.9%**	79.4	13.2%	(2.3 ppt)	

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

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

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

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

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

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

Payment & Identity

	First semester 2014		First semester 2013		Year-on-year variation	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**536.7**		512.1		+5%	+10%
Gross profit	**171.9**	**32.0%**	163.0	31.8%	+0.2 ppt	
Operating expenses	**(118.9)**	**(22.1%)**	(117.3)	(22.9%)	+0.8 ppt	
Profit from operations	**53.1**	**9.9%**	45.7	8.9%	+1.0 ppt	

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

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

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

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

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

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

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

Patents & Others

	First semester 2014		First semester 2013		Year-on-year variation	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**10.3**		16.0		n.m.	n.m.
Gross profit	**9.1**	**88.8%**	14.8	92.5%	(3.6 ppt)	
Operating expenses	**(5.9)**	**(57.4%)**	(9.0)	(56.5%)	(0.9 ppt)	
Profit from operations	**3.2**	**31.4%**	5.7	35.9%	(4.5 ppt)	

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

Additional information

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

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

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

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

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

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

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

Outlook

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

Acquisition of businesses and subsidiaries

Acquisition of businesses and subsidiaries for the period represented an estimated purchase consideration of €46million.

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, 2014.

Transactions with related parties

For disclosure regarding transactions with related parties, reference is made to the note 24 to the interim condensed consolidated financial statements as at June 30, 2014.

Risks and uncertainties

In our Annual Report 2013, 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 2014, 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

On March 19, 2014, Amundi notified the AFM that that their holding in Gemalto's ordinary shares was 3.01%.

On February 14, 2014, Ameriprise Financial Inc. notified the AFM that that their holding in Gemalto's ordinary shares was 2.93%.

On January 13, 2014, BlackRock Inc. notified the AFM that they had the right to vote on 3.00% of Gemalto's share capital issued and their holding of Gemalto's ordinary shares was 2.26%.

Appendix 1

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

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

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

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

Appendix 2

Reconciliation from Adjusted financial information to IFRS

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

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

€ in thousands	6 month period ending June 30, 2013				
	Adjusted financial information for ongoing operations	Items not related to ongoing operations	Adjusted financial information	Adjustments	IFRS financial information
Revenue	**1,129,358**	**4,672**	**1,134,030**		**1,134,030**
Cost of sales	(701,517)	(5,505)	(707,022)	(3,014)	(710,036)
Gross profit	**427,841**	**(833)**	**427,008**	**(3,014)**	**423,994**
Operating expenses					
Research and engineering	(70,744)		(70,744)	(3,126)	(73,870)
Sales and marketing	(158,919)	(353)	(159,272)	(1,956)	(161,228)
General and administrative	(64,719)	(143)	(64,862)	(4,963)	(69,825)
Gain on sale of a subsidiary		1,093	1,093		1,093
Other income (expense), net	(2,614)	(507)	(3,121)		(3,121)
Profit from operations	**130,845**	**(743)**	**130,102**		
Share-based compensation charges and associated costs				(13,059)	
Restructuring and acquisition-related expenses				(663)	(663)
Amortization and depreciation of intangibles resulting from acquisitions				(12,545)	(12,545)
Operating profit				**(26,267)**	**103,835**
Financial income (expense), net	(4,615)	1,513	(3,102)		(3,102)
Share of profit of associates	(1,964)	(38)	(2,002)		(2,002)
Profit before income tax	**124,266**	**732**	**124,998**	**(26,267)**	**98,731**
Income tax (expense) credit	(20,027)		(20,027)	2,320	(17,707)
Profit from continuing operations	**104,239**	**732**	**104,971**	**(23,947)**	**81,024**
Profit (loss) from discontinued operation (net of income tax)					
Profit for the period	**104,239**	**732**	**104,971**	**(23,947)**	**81,024**
Attributable to:					
Owners of the Company	**104,497**	**1,079**	**105,576**	**(23,838)**	**81,738**
Non-controlling interests	**(258)**	**(347)**	**(605)**	**(109)**	**(714)**
Earnings per share					
Basic earnings per share	1.23		1.24		0.96
Diluted earnings per share	1.20		1.21		0.94

Appendix 3

Interim consolidated statement of financial position

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

Appendix 4

Cash position variation schedule

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

Appendix 5

Platforms & Services

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

Appendix 6

First semester 2014 revenue under 2013 reporting format

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

Appendix 7

Revenue from ongoing operations, by region

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

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

Interim condensed consolidated financial statements as at June 30, 2014 (unaudited)

Interim consolidated statement of financial position (unaudited)

In thousands of Euro	Notes	June 30, 2014	December 31, 2013
Assets			
Non-current assets			
Property, plant and equipment, net	8	244,694	237,320
Goodwill, net	9	889,940	850,600
Intangible assets, net	9	198,251	202,581
Investments in associates	10	50,290	49,035
Deferred income tax assets		116,146	101,289
Available-for-sale financial assets, net		-	-
Other non-current assets		56,831	47,360
Derivative financial instruments	7	6,217	11,044
Total non-current assets		**1,562,369**	**1,499,229**
Current assets			
Inventories, net	11	217,333	204,393
Trade and other receivables, net	12	739,446	737,824
Derivative financial instruments	7	9,710	21,363
Cash and cash equivalents	13	372,657	456,370
Total current assets		**1,339,146**	**1,419,950**
Total assets		**2,901,515**	**2,919,179**
Equity			
Share capital		88,016	88,016
Share premium		1,206,914	1,206,914
Treasury shares		(79,195)	(87,962)
Fair value and other reserves		91,958	99,396
Cumulative translation adjustments		(35,153)	(41,489)
Retained earnings		896,797	883,525
Capital and reserves attributable to the owners of the Company		**2,169,337**	**2,148,400**
Non-controlling interests		**4,655**	**5,053**
Total equity		**2,173,992**	**2,153,453**
Liabilities			
Non-current liabilities			
Borrowings		3,524	3,098
Deferred income tax liabilities		35,652	25,474
Employee benefit obligations		92,331	82,972
Provisions and other liabilities	14	46,932	43,708
Derivative financial instruments	7	1,023	791
Total non-current liabilities		**179,462**	**156,043**
Current liabilities			
Borrowings		6,499	3,812
Trade and other payables	15	500,005	558,065
Current income tax liabilities		13,778	32,472
Provisions and other liabilities	17	22,034	10,649
Derivative financial instruments	7	5,745	4,685
Total current liabilities		**548,061**	**609,683**
Total liabilities		**727,523**	**765,726**
Total equity and liabilities		**2,901,515**	**2,919,179**

Interim consolidated income statement (unaudited)

In thousands of Euro (except earnings per share)	Notes	Six-month period ended 2014	2013
Continuing operations			
Revenue		**1,133,054**	**1,134,030**
Cost of sales		(719,283)	(710,036)
Gross profit		**413,771**	**423,994**
Operating expenses			
Research and engineering		(75,493)	(73,870)
Sales and marketing		(170,851)	(161,228)
General and administrative		(74,900)	(69,825)
Gain on sale of assets held for sale		-	1,093
Other income (expense), net	19	1,146	(3,121)
Restructuring and acquisition-related expenses	16	(21,469)	(663)
Amortization and depreciation of intangibles resulting from acquisitions		(11,357)	(12,545)
Operating profit		**60,847**	**103,835**
Financial income (expense), net	20	(3,922)	(3,102)
Share of profit of associates	10	615	(2,002)
Profit before income tax		**57,540**	**98,731**
Income tax (expense) credit	21	(11,893)	(17,707)
Profit for the period		**45,647**	**81,024**
Attributable to:			
Owners of the Company		46,137	81,738
Non-controlling interests		(490)	(714)
Earnings per share			
Basic earnings per share	22	0.53	0.96
Diluted earnings per share	22	0.52	0.94
Weighted average number of shares outstanding (in thousands)	22	86,404	85,165
Weighted average number of shares outstanding assuming dilution (in thousands)	22	88,777	87,048

Interim consolidated statement of comprehensive income (unaudited)

In thousands of Euro	Six-month period ended June 30, 2014	2013
Profit for the period	**45,647**	**81,024**
Other comprehensive income that can be reclassified to income statement:		
Currency translation adjustments	**6,608**	(12,913)
Currency translation adjustments: transfer to income statement (financial income)	**(180)**	(1,413)
Effective portion of gains and losses on cash flow hedging	**(15,163)**	(1,529)
Deferred tax on cash flow hedging	**4,762**	-
Currency translation differences on fair value gains (losses)	**(723)**	588
Other comprehensive income that cannot be reclassified to income statement:		
Actuarial gains and losses on employee benefit obligations	**(6,474)**	2,156
Deferred tax on actuarial gains and losses	**2,219**	(963)
Total other comprehensive income for the period, net of tax	**(8,951)**	**(14,074)**
Total comprehensive income for the period, net of tax	**36,696**	**66,950**
Attributable to:		
Owners of the Company	**37,094**	68,037
Non-controlling interests	**(398)**	(1,087)

Interim consolidated statement of changes in equity (unaudited)

In thousands of Euro	Number of shares[2]		Attributable to owners of the Company							
	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, 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**
Share-based compensation expense						24,131				24,131
Employee share option plans		388,152			22,884	(16,179)				6,705
Purchase of Treasury shares, net		(174,246)			(14,117)	(11)				(14,128)
Dividend paid/payable to owners of the Company[3]								(32,865)		(32,865)
Excess purchase price on subsequent acquisition of non-controlling interests										-
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**
Balance as at January 1, 2013	**88,015,844**	**84,085,321**	**88,016**	**1,207,195**	**(151,753)**	**123,388**	**81**	**654,795**	**10,590**	**1,932,312**
Profit for the period								81,738	(714)	81,024
Other comprehensive income (loss)						252	(13,953)		(373)	(14,074)
Total comprehensive income						**252**	**(13,953)**	**81,738**	**(1,087)**	**66,950**
Share-based compensation expense						11,809				11,809
Employee share option plans		1,895,893			63,288	(47,546)				15,742
Purchase of Treasury shares, net		(238,455)			(18,423)	3,164				(15,259)
Dividend paid/payable to owners of the Company[4]								(29,166)		(29,166)
Excess purchase price on subsequent acquisition of non-controlling interests				(114)					(244)	(358)
Sale of non-strategic assets held for sale									(3,330)	(3,330)
Balance as at June 30, 2013	**88,015,844**	**85,742,759**	**88,016**	**1,207,081**	**(106,888)**	**91,067**	**(13,872)**	**707,367**	**5,929**	**1,978,700**

[2] As at June 30, 2014 and 2013, the difference between the number of shares outstanding corresponds to the 1,529,306 and 2,273,085 shares held in treasury, respectively.

[3] See note 26

[4] See note 26

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30, 2014	2013
Profit for the period including Non-controlling interests		**45,647**	**81,024**
Adjustment for:			
Tax	21	11,893	17,707
Research tax credit		(7,434)	(5,731)
Depreciation, amortization and impairment		56,846	54,877
Share-based payment expense		24,131	12,409
Gains and losses on sale of fixed assets and write-offs		1,418	752
Gain on sale of assets held for sale		-	(1,219)
Cumulated translation adjustment transferred to financial income upon liquidation of consolidated entities		(180)	(1,413)
Net movement in provisions and other liabilities		15,646	2,350
Employee benefit obligations		2,473	2,334
Interest income		(2,151)	(1,476)
Interest expense and other financial expense		1,174	(45)
Share of profit from associates	10	(615)	2,002
Changes in current assets and liabilities (excluding the effects of acquisitions and exchange differences in consolidation):			
Inventories		(11,709)	(18,227)
Trade and other receivables		(13)	(49,338)
Derivative financial instruments		2,687	163
Trade and other payables		(65,712)	(15,334)
Cash generated from operations		**74,101**	**80,835**

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30, 2014	2013
Cash generated from operations		**74,101**	**80,835**
Income tax paid		(25,460)	(36,078)
Net cash provided by operating activities		**48,641**	**44,757**
Cash flows provided by (used in) investing activities			
Acquisition of business and subsidiaries, net of cash acquired		(42,392)	(17,333)
Purchase of property, plant and equipment		(30,160)	(35,841)
Proceeds from sale of property, plant and equipment		504	575
Acquisition and capitalization of intangible assets		(20,540)	(21,067)
Proceeds from sale of non-current assets		598	539
Purchase of investments in associate and capital contribution		(161)	(4,233)
Proceeds from sale of assets held for sale net of cash disposed			(3,533)
Interest paid		(925)	(676)
Interest received		1,912	1,458
Dividends received from investments in associates	10	96	106
Net cash used in investing activities		**(91,068)**	**(80,005)**
Cash flows provided by (used in) financing activities			
Purchase of Non-controlling interests in subsidiaries		-	(369)
Proceeds from exercise of share options		6,705	15,742
Purchase of Treasury shares (net)		(14,128)	(15,259)
Repayments of borrowings		(1,058)	(10,550)
Dividends paid to owners of the Company	26	(32,865)	(29,166)
Dividends paid to Non-controlling interests			-
Net cash used in financing activities		**(41,346)**	**(39,602)**
Cash and bank overdrafts, beginning of period	**13**	**456,098**	**363,040**
Net increase (decrease) in cash and bank overdrafts		**(83,773)**	**(74,850)**
Currency translation effect on cash and bank overdrafts		(492)	(3,627)
Cash and bank overdrafts, end of period	13	**371,833**	**284,563**

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 solutions that help our customers address the 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, enterprises and government agencies.

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

The Company is a limited liability company 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, 2014 have been authorized for issue by the Board on August 26, 2014.

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 2014 reported in these interim condensed consolidated financial statements is not necessarily indicative of the results of Gemalto for the full year 2014.

Note 2.Basis of preparation

The interim condensed consolidated financial statements of Gemalto for the six months ended June 30, 2014 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, 2013.

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, 2013 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 2014, and not early adopted by the Group in 2013, are listed below (these standards do not have a material impact on Gemalto's financial statements):

- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities;

- IAS 36 Impairment of Assets (Amended) – Recoverable amount disclosures for non-financial assets;
- IAS39 Financial Instruments: Recognition and Measurement (Amended) Novation of derivatives and continuation of hedge accounting;

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

Note 4.Use of judgments and estimates

The preparation of the interim condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the interim condensed consolidated financial statements, and the reported amounts of revenues and expenses (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, 2014, 89% of Gemalto's total benefit obligation and 88% 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

In 2014, Gemalto undertook a number of business combination for a total consideration estimated at €45 million, including any deferred consideration.
The most significant business combination was the acquisition of 100% of two personalization bureaus in the United States, Source One Direct and Shoreline which were previously part of Cardiff Holdings. This acquisition gives us the expanded footprint in the U.S. with a comprehensive service offer, in order to strongly position ourselves in preparation for the EMV migration, as well as serve a totally new segment of customers. Combined, the two activities employ approximately 120 people between both sites.
These business combinations have been accounted for as prescribed by IFRS 3 revised and IFRS10, they have been included in the Group's consolidated financial statements as of the date the Group obtained control.

Identifiable assets and liabilities at the date of acquisition

Assets	
Non-current assets	10,506
Current assets	7,516
Cash and cash equivalents	2,557
Total assets	20,579
Liabilities	
Non-Current liabilities	7,249
Current liabilities	4,388
Borrowings (current)	1,841
Total liabilities	13,478
Purchase consideration	45,632
Purchase price adjustment on 2013 acquisitions	610
Fair value of identifiable net assets	(7,101)
Goodwill	39,141
Analysis of cash flows on acquisitions:	
Purchase consideration settled in cash	(44,949)
Net cash acquired	2,557
Net cash flows used in acquisitions	**(42,392)**

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

The provisional goodwill arising from this acquisition amounted to €39 million as at June 30, 2014, may be subject to significant change over the purchase price allocation period.

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 into two main operating segments: Mobile and Payment & Identity. 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 functionality is 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.

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" to improve operations, productivity and efficiency.

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 and enterprises, 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.

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

The segment information reported in the following tables reflects the above description therefore, to preserve the year on year comparability, the 2013 segment information has been represented accordingly. Compared with the segment information published in the 2013 interim condensed consolidated financial statements, the former Mobile Communication and Machine-to-Machine segments have been aggregated into the operating segment Mobile and the former Secure Transactions and Security segments have been aggregated into the operating segment Payment & Identity. The security evaluation business for third parties, whose contribution to Mobile Communication was minor, is now managed together with Patents business and is now reported into Patents & Others segment.

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; and (iii) all equity-based compensation charges and associated costs (reported in the column 'Adjustments' within the following tables). 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.

For a better understanding of the year-on-year performance of the business, the adjusted income statement for Ongoing operations, as reported within the following tables, not only excludes the contribution from discontinued operation, but also the contributions from assets held for sale and from items not related to Ongoing operations reported in the column 'Reconciling items'.

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, 2014

	Ongoing operations							
	Mobile	**Payment & Identity**	**Patent and Others**	**Adjusted financial information for ongoing operations**	**Reconciling items**	**Adjusted financial information for all operations**	**Adjustments[5]**	**IFRS Financial information**
Revenue	**586,070**	**536,691**	**10,293**	**1,133,054**	**-**	**1,133,054**	**-**	**1,133,054**
Cost of sales	(348,808)	(364,761)	(1,151)	(714,720)	-	(714,720)	(4,563)	(719,283)
Gross profit	**237,262**	**171,930**	**9,142**	**418,334**	**-**	**418,334**	**(4,563)**	**413,771**
Operating expenses								
Research and engineering	(42,690)	(24,921)	(4,874)	(72,485)	-	(72,485)	(3,008)	(75,493)
Sales and marketing	(88,340)	(72,312)	(780)	(161,432)	-	(161,432)	(9,419)	(170,851)
General and administrative	(44,263)	(20,778)	(265)	(65,306)	-	(65,306)	(9,594)	(74,900)
Gain on sale of assets held for sale	-	-	-	-	-	-		-
Other income (expense), net	1,983	(847)	10	1,146	-	1,146		1,146
Profit from operations	**63,952**	**53,072**	**3,233**	**120,257**	**-**	**120,257**		
Restructuring and acquisition-related expenses								(21,469)
Amortization and depreciation of intangibles resulting from acquisitions								(11,357)
Operating profit								**60,847**

[5] The amounts reported in the column 'Adjustments' correspond to €26,584 share-based compensation charges and associated costs.

Period ended June 30, 2013

	Ongoing operations							
	Mobile	Payment & Identity	Patent and Others	Adjusted financial information for ongoing operations	Reconciling items	Adjusted financial information for all operations	Adjustments[6]	IFRS Financial information
Revenue	**601,242**	**512,147**	**15,969**	**1,129,358**	**4,672**	**1,134,030**	**-**	**1,134,030**
Cost of sales	(351,169)	(349,144)	(1,204)	(701,517)	(5,505)	(707,022)	(3,014)	(710,036)
Gross profit	**250,073**	**163,003**	**14,765**	**427,841**	**(833)**	**427,008**	**(3,014)**	**423,994**
Operating expenses								
Research and engineering	(41,275)	(22,973)	(6,496)	(70,744)	-	(70,744)	(3,126)	(73,870)
Sales and marketing	(87,308)	(71,074)	(537)	(158,919)	(353)	(159,272)	(1,956)	(161,228)
General and administrative	(42,660)	(21,819)	(240)	(64,719)	(143)	(64,862)	(4,963)	(69,825)
Gain on sale of assets held for sale	-	-	-	-	1,093	1,093	-	1,093
Other income (expense), net	580	(1,441)	(1,753)	(2,614)	(507)	(3,121)	-	(3,121)
Profit from operations	**79,410**	**45,696**	**5,739**	**130,845**	**(743)**	**130,102**		
Restructuring and acquisition-related expenses								(663)
Amortization and depreciation of intangibles resulting from acquisitions								(12,545)
Operating profit								**103,835**

[6] The amounts reported in the column 'Adjustments' correspond to €13,059 share-based compensation charges and associated costs.

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,	
	2014	2013
Revenue		
Europe, Middle East and Africa	539,250	557,462
Asia Pacific	230,954	231,736
North and South America excluding United States of America	162,987	185,986
United States of America	199,863	158,846
	1,133,054	**1,134,030**

Non-current assets excluding goodwill (net)	**June 30, 2014**	**December 31, 2013**
France	270,189	265,875
Europe, Middle East and Africa excluding France and Germany	138,174	114,620
North and South America	82,741	111,215
Asia Pacific	113,834	84,365
Germany	67,491	72,554
	672,429	**648,629**

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, 2013.

Financial assets/liability by category

In accordance with the provisions of IFRS 7, financial assets and liabilities would be allocated as follows:

June 30, 2014	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total
Assets					
Available-for-sale financial assets, net	-	-	-	-	-
Other non-current assets	56,831	-	-	-	56,831
Trade and other receivables, net	739,446	-	-	-	739,446
Derivative financial instruments	-	-	15,927	-	15,927
Cash and cash equivalents	91,553	281,104	-	-	372,657
Total	**887,830**	**281,104**	**15,927**	**-**	**1,184,861**

	Derivatives used for hedging	Financial liabilities	Total
Liabilities			
Borrowings	-	10,023	10,023
Derivative financial instruments	6,768	-	6,768
Total	**6,768**	**10,023**	**16,791**

December 31, 2013	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available-for-sale	Total
Assets					
Available-for-sale financial assets, net	-	-	-	-	-
Other non-current assets	47,360	-	-	-	47,360
Trade and other receivables, net	737,824	-	-	-	737,824
Derivative financial instruments	-	-	32,407	-	32,407
Cash and cash equivalents	96,111	360,259	-	-	456,370
Total	**881,295**	**360,259**	**32,407**	**-**	**1,273,961**

	Derivatives used for hedging	Financial liabilities	Total
Liabilities			
Borrowings	-	6,910	6,910
Derivative financial instruments	5,476	-	5,476
Total	**5,476**	**6,910**	**12,386**

Estimation of derivative financial instrument fair value

Notes to the interim condensed consolidated financial statements

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, 2014, 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, 2014 and December 31, 2013:

June 30, 2014	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Derivatives used for hedging	-	15,927	-	15,927
Short term bank deposits and investment funds	281,104	-	-	281,104
Available-for-sale financial assets	-	-	-	
Total Assets	**281,104**	**15,927**	**-**	**297,031**
Liabilities				
Derivatives used for hedging	-	6,768	-	6,768
Total Liabilities	**-**	**6,768**	**-**	**6,768**

December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Derivatives used for hedging	-	32,407	-	32,407
Short term bank deposits and investment funds	360,259	-	-	360,259
Available-for-sale financial assets	-	-	-	-
Total Assets	**360,259**	**32,407**	**-**	**392,666**
Liabilities				
Derivatives used for hedging	-	5,476	-	5,476
Total Liabilities	**-**	**5,476**	**-**	**5,476**

As at June 30, 2014, the Group held forward and option contracts, which were designated as qualifying cash flow hedges of forecast sales and purchases denominated in US Dollar, Sterling Pound, Singapore Dollar, Polish Zloty, Chinese Yuan and Czech Koruna.

It also held forward and option contracts designated as fair value hedges of assets and liabilities, denominated in the same currencies and in South African Rand, Brazilian Real, Japanese Yen 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):

Foreign exchange derivative financial instrument fair values by currency

	Period ended June 30, 2014						Year ended December 31, 2013					
	USD	**GBP**	**SGD**	**PLN**	**CNY**	**Other**	**USD**	**GBP**	**JPY**	**SGD**	**PLN**	**Other**
Cash flow hedges												
Forward contracts	15,029	(4,446)	(631)	770	(79)	10	23,349	(724)	4,995	(3,687)	984	-
Option contracts	-	(78)	-	-	-	-	-	-	-	-	-	-
Fair value hedges												
Forward contracts	(66)	(152)	(5)	24	(354)	(143)	1,761	(2)	293	33	(19)	263
Option contracts	-			-	(2)	-	-	-	-	-	-	(176)
Disqualified hedges												
Forward contracts	-	-	6	-	-	-	-	-	-	6	-	-
	14,963	**(4,676)**	**(630)**	**794**	**(435)**	**(133)**	**25,110**	**(726)**	**5,288**	**(3,648)**	**965**	**53**

As at June 30, 2014, the total mark-to-market valuation of Gemalto open derivatives was €9.9 million for the foreign exchange instruments (€27 million as at December 31, 2013) and € (0.7) million for the equity swap cash-settled instrument, net of margin call (€(0.1) million as at December 2013).

Notes to the interim condensed consolidated financial statements

Note 8. Property, plant and equipment

Property, plant and equipment consist of the following:

	Property, plant and equipment
Net book value as at January 1, 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**
Net book value as at January 1, 2013	**237,444**
Acquisition of subsidiary and business	929
Additions	37,544
Disposals	(828)
Reclassification to assets held for sale	468
Depreciation charge	(28,064)
Currency translation adjustment	(2,038)
Net book value as at June 30, 2013	**245,455**

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, 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**
Net book value as at January 1, 2013	**852,240**	**198,660**
Acquisition of subsidiary and business	4,256	11,684
Additions	-	22,671
Write-offs	-	(383)
Amortization charge	-	(26,430)
Currency translation adjustment	(1,609)	(969)
Net book value as at June 30, 2013	**854,887**	**205,233**

Goodwill arising from the business combinations for the period ended June 30, 2014 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 €16,982 (€15,746 as at June 30, 2013).

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 flow 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, 2013. As at June 30, 2014, there were no indications of goodwill impairment.

Note 10. Investments in associate

Changes in investments in associate consist of the following:

	June 30, 2014	June 30, 2013
Investments in associates as of beginning of period	**49,035**	**25,697**
Increase in investments in associates	161	3,712
Dividends paid by associates	(96)	(106)
Share of profit of associates	615	(2,002)
Currency translation adjustment	575	(100)
Investments in associates as of end of period	**50,290**	**27,201**

Note 11. Inventories

Inventories consist of the following:

	June 30, 2014	December 31, 2013
Gross book value		
Raw materials and spares	76,392	67,449
Work in progress	102,970	103,548
Finished goods	50,030	45,942
Total	**229,392**	**216,939**
Obsolescence reserve		
Raw materials and spares	(4,625)	(4,852)
Work in progress	(5,159)	(5,182)
Finished goods	(2,275)	(2,512)
Total	**(12,059)**	**(12,546)**
Net book value	**217,333**	**204,393**

Notes to the interim condensed consolidated financial statements

Note 12. Trade and other receivables

Trade and other receivables consist of the following:

	June 30, 2014	December 31, 2013
Trade receivables	503,874	533,729
Provision for impairment of receivables	(11,046)	(10,555)
Trade receivables, net	**492,828**	**523,174**
Prepaid expenses	27,749	22,516
VAT recoverable and tax receivable	70,102	73,151
Advances to suppliers and related	11,244	11,950
Unbilled customers	114,787	84,491
Other	22,736	22,542
Total	**739,446**	**737,824**

The company's broad geographic and customer distribution spreads 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, 2014. 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 customer's financial position. As at June 30, 2014, trade receivables of €144,517 (December 31, 2013: €120,024) 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, 2014	December 31, 2013
Cash at bank and in hand	91,553	96,111
Short-term bank deposits and investment funds	281,104	360,259
Total	**372,657**	**456,370**

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

	June 30, 2014	December 31, 2013
Cash and cash equivalents	372,657	456,370
Banks overdrafts	(824)	(272)
Total	**371,833**	**456,098**

Note 14. Non-current provisions and other liabilities

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

	June 30, 2014	December 31, 2013
Non-current provisions	24,782	22,980
Other non-current liabilities	22,150	20,728
Total	**46,932**	**43,708**
Government grants	191	289
Long term payables[7]	21,959	20,439
Total other non-current liabilities	**22,150**	**20,728**

	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**

	Warranty non-current	**Restructuring & Reorganization**	**Litigation**	**Tax claims**	**Prov. for other risks**	**Total**
As at January 1, 2013	**7,671**	**-**	**9,745**	**30,138**	**4,522**	**52,076**
Additional provisions	1,152	-	2,993	74	1,714	**5,933**
Unused amount reversed	(430)	-	(1,958)	(1,409)	-	**(3,797)**
Used during the period	-	-	(46)	(14,166)	(212)	**(14,424)**
Reclassifications	(462)	-	(5,000)	(121)	-	**(5,583)**
Currency translation adjustment	3	-	(26)	499	(145)	**331**
As at June 30, 2013	**7,934**	**-**	**5,708**	**15,015**	**5,879**	**34,536**

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

Note 15. Trade and other payables

	June 30, 2014	December 31, 2013
Trade payables	204,534	247,073
Employee related payables	139,269	154,770
Accrued expenses	82,523	78,110
Accrued VAT	23,195	22,811
Deferred revenue	47,455	52,657
Other	3,029	2,644
Total trade and other payables	**500,005**	**558,065**

Note 16. Additional information on specific line items of the income statement

The Group reported 'Restructuring and acquisition-related expenses' for €21,469 as at June 30, 2014 (€663 in 2013), which are detailed as follows:

	Six-month period ended June 30,	
	2014	2013
Transaction costs on acquisition	206	507
Severance and associated costs	19,198	(327)
Write-offs and impairments	1,102	512
Other costs (income)	963	(29)
Total	**21,469**	**663**

Provision for restructuring only cover 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 17. Current provisions and other liabilities

	June 30, 2014	December 31, 2013
Warranty – current	2,648	1,986
Provision for loss on contracts	1,941	1,429
Restructuring and reorganization	14,291	663
Other	3,154	6,571
Total current provisions	**22,034**	**10,649**

Variation analysis of the current provisions is as follows:

	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**

	Warranty – current	Provision for loss on contracts	Restructuring & Reorganization	Other	Total
As at January 1, 2013	**3,482**	**293**	**978**	**2,237**	**6,990**
Additional provisions	411	1,325	140	3,682	**5,558**
Acquisition of a subsidiary	-	-	-	(111)	**(111)**
Unused amount reversed	(107)	-	(98)	(169)	**(374)**
Used during the year	(431)	(271)	(135)	(219)	**(1,056)**
Reclassification	(533)	-	-	5,996	**5,463**
Currency translation adjustment	5	-	(3)	(65)	**(63)**
As at June 30, 2013	**2,827**	**1,347**	**882**	**11,351**	**16,407**

Note 18. Share-based compensation plans

The following table summarizes the main characteristics of the new Restricted Share Unit (RSU) plan granted by the Board of Gemalto N.V. in 2014.

RSU Granted	Grant Date	Vesting schedule and conditions	RSU Vested	Valuation assumptions used amounts in euro
949,500	Mar and Apr 2014	Vesting conditions are both performance and service based. RSU will vest if the Group results for the period 2014-2017 will reach certain cumulative targets in line with the objectives of the new multi-year development plan and the employee is employed by the Company as at December 31, 2017. Depending on performance, the maximum number of RSUs to be delivered may be 949,500.	None	Share price of €78.1 for March and €78.31 for April. Risk free rate from Year 1 to Year 5 being 0.25% to 0.90%. Effect of no dividend eligibility and restrictions of €2.30 per share.

Notes to the interim condensed consolidated financial statements

In the income statement for the six-month period ended June 30, 2014 and 2013, the compensation expense corresponding to the amortization of the fair value of all the outstanding share options and restricted share units was recorded as follows:

	Six-month period ended June 30,	
	2014	2013
Cost of sales	4,563	2,992
Research and engineering	3,008	3,023
Sales and marketing	9,419	1,933
General and administrative	9,594	3,861
Total	**26,584**	**11,809**

Note 19. Other income (expense), net

	Six-month period ended June 30,	
	2014	2013
Fixed assets write-offs and net gains/losses on sales	405	321
Compensation to/from customers and suppliers, net	74	(2,228)
Other	667	(1,214)
Total	**1,146**	**(3,121)**

Note 20. Financial income (expense)

	Six-month period ended June 30,	
	2014	2013
Interest expense	(2,270)	(1,930)
Interest income	2,151	1,476
Foreign exchange transaction gains (losses):		
– Foreign exchange gains (losses), including derivative instruments not designated as cash flow hedges	(2,971)	(3,304)
– Ineffective part of derivative instruments Cash flow hedges (hedging)	(303)	(1,024)
Other financial income (expense), net	(529)	1,680
Financial income (expense), net	**(3,922)**	**(3,102)**

Note 21. Income tax expense

	Six-month period ended June 30,	
	2014	2013
Income tax expense	(11,565)	(19,094)
(Addition to)/release of unused income tax provisions	(328)	1,387
Total income tax expense, at the expected rate for the full financial year	**(11,893)**	**(17,707)**

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 2014 is estimated at 20.7%.

Note 22. Earnings per share

	Six-month period ended June 30,	
	2014	2013
Profit attributable to Owners of the Company	**46,137**	**81,738**
Weighted average number of ordinary shares – basic (in thousands)	86,404	85,165
Effect of dilution from share options (in thousands)	2,373	1,883
Weighted average number of ordinary shares – diluted (in thousands)	88,777	87,048
Basic earnings per share	**0.53**	**0.96**
Diluted earnings per share	**0.52**	**0.94**

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 common shares outstanding during the period. Diluted EPS is calculated according to the Treasury Stock method by dividing net income by the average number of common shares outstanding assuming dilution. Dilution is determined assuming that all share-based compensation instruments, which are in the money, are exercised at the beginning of the period and the proceeds used, by the Company, to purchase shares at the average market price for the period.

Note 23. Commitments and contingencies

Legal proceedings

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

Note 24. Related parties

For a description of Gemalto's transactions with related parties, reference is made to note 31 to the consolidated financial statements as at December 31, 2013. Transactions with related parties are conducted, in the ordinary course of business, on terms comparable to transactions with third parties.

Note 25. Events after the balance sheet date

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

Headquartered in Belcamp, Maryland, USA, and presently located in 27 countries, SafeNet is one of the largest dedicated digital information security companies in the world, trusted to protect, control the access to, and manage the world's most sensitive data and high value software applications. SafeNet employs approximately 1,500 employees, who serve more than 25,000 customers, both corporations and government agencies, in over 100 countries. In 2013, SafeNet recorded revenues of US$337 million and profit from operations of US$35 million.

Once the acquisition is completed, SafeNet will significantly reinforce Gemalto's Identity and Access Management business. It will become part of Gemalto's Payment & Identity segment and of its Platforms & Services activity.

The purchase price of US$890 million is self-funded with US$440 million from available cash, and US$450 million drawn from existing long-term credit facilities. Depending on market conditions, Gemalto may refinance the credit facilities through a bond issuance or other means at a later date. The closing of the transaction is expected to occur in Q4 2014, after approval from the relevant regulatory and antitrust authorities.

For more details about the transaction including a replay of the live webcast with management from August 8, 2014 see our investor relations web page: http://www.gemalto.com/investors

Note 26. Dividends

The AGM of May 21, 2014 has approved the distribution of a dividend of €0.38 per share in respect of the financial year 2013, representing a €32.9 million distribution.

Note 27. Consolidated entities

The main changes in consolidated entities for the six-month period ended June 30, 2014 were as follows:

Entities acquired or created

Country of incorporation	Company name	Percentage of group voting rights	Percentage of ownership
Ivory Coast	Gemalto Cote d'Ivoire	100%	100%
France	Netsize Payment SAS	100%	100%
Spain	Swiss Mobility Solutions SL	100%	100%
Switzerland	Swiss Mobility Solutions SA	100%	100%
United States of America	Shoreline Business Solutions, Inc.	100%	100%
United States of America	Source One Direct, Inc.	100%	100%

Entities sold or dissolved

Country of incorporation	Company name	Percentage of group voting rights	Percentage of ownership
France	MCTel France SA	100%	100%
France	Trusted Logic SAS	100%	100%
Mexico	GTO MX S.A. de C.V.	100%	100%

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, 2014

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