SEMI-ANNUAL FINANCIAL REPORT AS AT JUNE 30, 2012

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First semester 2012 management report

Gemalto first semester 2012 results

- **Record first semester revenue of over €1 billion**
- **Profit from ongoing operations up 56% to €115 million**
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The interim condensed consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). To better assess past and future performance the income statement is presented on an adjusted basis (see page 5 "Basis of preparation of financial information"). Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with the interim condensed consolidated financial statements. The reconciliation with the IFRS income statement is presented in Appendix 2. The statement of financial position is prepared in accordance with IFRS, and the cash position variation schedule is derived from the IFRS cash flow statement. All figures in this press release are unaudited.

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

Key figures of the adjusted income statement

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

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

Basis of preparation of financial information

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

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

To better assess its past and future performance, the Company also prepares an adjusted income statement since the key metric used to evaluate the business and make operating decisions over the period 2010 to 2013 is profit from operations (PFO).

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

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

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

In the adjusted income statement, Operating Expenses are defined as the sum of Research and Engineering, Sales and Marketing and General and Administrative expenses, and other income (expense) net. For the first semester 2011, it also includes the gain on re-measurement to fair value of an investment in associate, not part of the ongoing operations as defined below.

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

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

Ongoing operations

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

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

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

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

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

Historical exchange rates and constant currency figures

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

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

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

IFRS results

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

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

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

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

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

Adjusted financial information for all operations

In this section, the financial information is presented for all operations. In comparison to the adjusted income statement for ongoing operations, the adjusted income statement for all operations also includes:

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

	First semester 2012		First semester 2011		
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	**1,020**		928		+10%
Gross profit	**387**	**38.0%**	321	34.6%	+3.4 ppt
Operating expenses	**(275)**	**(27.0%)**	(249)	(26.9%)	(0.1 ppt)
JV deconsolidation gain	**-**		21		
EBITDA	**146**	**14.3%**	124	13.3%	+1.0 ppt
Profit from operations	**112**	**11.0%**	93	10.0%	+1.0 ppt
of which ongoing operations	**115**	**11.3%**	74	8.0%	+3.3 ppt
and other operations	**(3)**		19		
Net profit	**95**	**9.3%**	74	7.9%	+1.3 ppt
Basic Earnings per share (€)	**1.14**		0.89		+28%
Diluted Earnings per share (€)	**1.09**		0.86		+26%

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

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

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

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

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

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

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

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

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

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

Statement of financial position and cash position variation schedule

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

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

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

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

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

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

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

Segment information

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

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

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

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

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

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

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

Mobile Communication

	First semester 2012		First semester 2011 [2]		Year-on-year variation	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**476.5**		436.2		+9%	+6%
Gross profit	**200.3**	**42.0%**	158.9	36.4%	+5.6 ppt	
Operating expenses	**(130.9)**	**(27.5%)**	(126.5)	(29.0%)	+1.5 ppt	
Profit from operations	**69.4**	**14.6%**	32.5	7.4%	+7.1 ppt	

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

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

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

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

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

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

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

Machine-to-Machine

	First semester 2012		First semester 2011		Year-on-year variation	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**91.0**		84.2		+8%	+5%
Gross profit	**29.8**	**32.7%**	28.9	34.3%	(1.6 ppt)	
Operating expenses	**(25.2)**	**(27.7%)**	(23.1)	(27.5%)	(0.2 ppt)	
Profit from operations	**4.6**	**5.0%**	5.8	6.9%	(1.8 ppt)	

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

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

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

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

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

Secure Transactions

	First semester 2012		First semester 2011		Year-on-year variation	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**267.1**		251.1		+6%	+4%
Gross profit	**87.7**	**32.8%**	77.3	30.8%	+2.0 ppt	
Operating expenses	**(61.0)**	**(22.8%)**	(50.9)	(20.3%)	(2.6 ppt)	
Profit from operations	**26.7**	**10.0%**	26.4	10.5%	(0.5 ppt)	

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

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

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

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

Security

	First semester 2012		First semester 2011		Year-on-year variation	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**180.0**		146.5		+23%	+19%
Gross profit	**67.8**	**37.7%**	53.7	36.7%	+1.0 ppt	
Operating expenses	**(48.6)**	**(27.0%)**	(42.4)	(28.9%)	+1.9 ppt	
Profit from operations	**19.2**	**10.6%**	11.3	7.7%	+2.9 ppt	

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

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

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

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

Patents

	First semester 2012		First semester 2011		Year-on-year variation	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**1.1**		2.6		(58%)	(59%)
Gross profit	**1.0**	**90.0%**	1.5	59.9%	+30 ppt	
Operating expenses	**(5.8)**	**n.m.**	(3.7)	n.m.		
Profit from operations	**(4.8)**	**n.m.**	(2.2)	n.m.		

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

Additional information

- Gemalto continued its momentum in mobile payment announcing the delivery of several high visibility projects spanning its Mobile Financial Services portfolio across geographies. In particular:
  - In Mobile Contactless NFC, Gemalto had important wins in North America and in Europe.

    Gemalto will serve as the Trusted Service Management provider for Chase, which will in particular allow Chase cardholders to download mobile payment cards into the ISIS mobile wallet.

    Also, after Gemalto officially launched its UpTeq NFC product, the world's most advanced NFC capable UICC/SIM card, at Mobile World Congress in February, Orange announced that it would initiate a large scale roll-out of the Gemalto SIM-based NFC solution for mass deployment of mobile contactless services.
  - In Latin America, América Móvil-Telcel, Banamex, and Banco Inbursa launched a nationwide program in Mexico, Transfer, to turn the mobile phone into an innovative payment device with Gemalto serving as the technology provider. Gemalto not only provides the transactional platform for the service but also the service development, support and operation.

<u>Related press releases:</u>

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

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

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

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

<u>Related press releases:</u>

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

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

May 15, 2012: Gemalto Secures eGovernment Services for Oman

Outlook

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

Acquisition of businesses and subsidiaries

Acquisition of businesses and subsidiaries for the period represented an estimated purchase consideration of €18 million.

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, 2012.

Transactions with related parties

For disclosure regarding transactions with related parties, reference is made to the note 25 to the interim condensed consolidated financial statements as at June 30, 2012.

Risks and uncertainties

In our Annual Report 2011, 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 2012, 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 June 26, 2012, Fidelity Management & Research LLC notified the AFM that their holding in Gemalto's ordinary shares was 5.01%.

Appendix 1

Adjusted income statement by business segment and Contribution of assets held for sale

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

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

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

First semester 2011 **Ongoing operations** Adjusted income statement (€ in millions)	**As reported in first semester 2012**	Contribution of the assets now held for sale and not held for sale at first semester 2011						**As reported in first semester 2011**
		Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Patents	**Total**	
Revenue	920.6	7.9	-	-	-	-	**7.9**	928.5
Gross profit	320.4	0.8	-	-	-	-	**0.8**	321.2
Operating expenses	(246.6)	(2.8)	-	-	-	-	**(2.8)**	(249.4)
Profit from operations	73.8	(2.0)	-	-	-	-	**(2.0)**	71.9

Appendix 2

Reconciliation from Adjusted financial information to IFRS

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

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

	6 month period ending June 30, 2011				
	Adjusted financial information for ongoing operations	**Items not related to ongoing operations**	**Adjusted financial information for all operations**	**Adjustments**	**IFRS financial information**
(€ in thousands)					
Revenue	**920,594**	**7,863**	**928,457**		**928,457**
Cost of sales	(600,189)	(7,057)	(607,246)	(1,274)	(608,520)
Gross profit	**320,405**	**806**	**321,211**	**(1,274)**	**319,937**
Operating expenses					
Research and engineering	(57,390)	(1,141)	(58,531)	(768)	(59,299)
Sales and marketing	(134,687)	(1,461)	(136,148)	(5,108)	(141,256)
General and administrative	(58,910)	(207)	(59,117)	(8,748)	(67,865)
Gain on re-measurement to fair value of an investment in associate		21,147	21,147		21,147
Other income (expense), net	4,413	32	4,445		4,445
Profit from operations (PFO)	**73,831**	**19,176**	**93,007**		
Share-based compensation charges and associated costs				(15,898)	
Restructuring & acquisition-related expenses				(3,997)	(3,997)
Amortization and depreciation of intangibles resulting from acquisitions				(9,972)	(9,972)
Operating profit				**(29,867)**	**63,140**
Financial income (expense), net	(4,798)	2,022	(2,776)		(2,776)
Share of profit of associates	1,251		1,251		1,251
Profit before income tax	**70,284**	**21,198**	**91,482**	**(29,867)**	**61,615**
Income tax expense	(14,039)	(2,100)	(16,139)	249	(15,890)
Profit from continuing operations	**56,245**	**19,098**	**75,343**	**(29,618)**	**45,725**
Profit (loss) from discontinued operation (net of income tax)		(1,543)	(1,543)		(1,543)
Profit for the period (Net profit)	**56,245**	**17,555**	**73,800**	**(29,618)**	**44,182**
Attributable to					
Owners of the Company - Profit for the period (Net profit)	**56,653**		**74,208**		**44,590**
Non-controlling interests	**(408)**		**(408)**		**(408)**
Earnings per share (€ per share)					
Basic	0.68		0.89		0.54
Diluted	0.66		0.86		0.52

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

Appendix 3

Consolidated statement of financial position

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

Appendix 4

Cash position variation schedule

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

Appendix 5

Revenue from ongoing operations, by region

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

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

Appendix 6

Average exchange rates between the Euro and the US dollar

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

Interim condensed consolidated financial statements as at June 30, 2012 (unaudited)

Interim consolidated statement of financial position (unaudited)

In thousands of Euro	Notes	June 30, 2012	December 31, 2011
Assets			
Non-current assets			
Property, plant and equipment, net	9	224,361	222,892
Goodwill, net	10	824,253	812,959
Intangible assets, net	10	172,362	159,223
Investments in associates	11	13,349	13,783
Deferred income tax assets		86,277	89,721
Available-for-sale financial assets, net		-	-
Other non-current assets		56,928	44,014
Derivative financial instruments	7	1,226	7,006
Total non-current assets		**1,378,756**	**1,349,598**
Current assets			
Inventories, net	13	193,180	172,667
Trade and other receivables, net	14	548,306	558,757
Derivative financial instruments	7	7,186	8,426
Cash and cash equivalents	15	311,820	330,384
Total current assets		**1,060,492**	**1,070,234**
Assets held for sale	12	**25,586**	**1,711**
Total assets		**2,464,834**	**2,421,543**
Equity			
Share capital		88,016	88,016
Share premium		1,209,216	1,209,216
Treasury shares		(164,207)	(156,531)
Fair value and other reserves		78,051	87,006
Cumulative translation adjustments		18,605	8,102
Retained earnings		513,634	480,702
Capital and reserves attributable to the owners of the Company		**1,743,315**	**1,716,511**
Non-controlling interests		**4,206**	**4,225**
Total equity		**1,747,521**	**1,720,736**
Liabilities			
Non-current liabilities			
Borrowings		12,701	5,762
Deferred income tax liabilities		20,523	23,805
Employee benefit obligations		63,467	51,470
Provisions and other liabilities	16	72,920	76,228
Derivative financial instruments	7	7,420	9,704
Total non-current liabilities		**177,031**	**166,969**
Current liabilities			
Borrowings		3,580	15,261
Trade and other payables	17	483,205	467,215
Current income tax liabilities		18,034	22,331
Provisions and other liabilities	18	8,344	10,083
Derivative financial instruments	7	24,440	18,948
Total current liabilities		**537,603**	**533,838**
Liabilities associated with assets held for sale	12	**2,679**	**-**
Total liabilities		**717,313**	**700,807**
Total equity and liabilities		**2,464,834**	**2,421,543**

Interim consolidated income statement (unaudited)

In thousands of Euro (except earnings per share)	Notes	Six-month period ended June 30, 2012	2011
Continuing operations			
Revenue		**1,020,484**	**928,457**
Cost of sales		(636,876)	(608,520)
Gross profit		**383,608**	**319,937**
Operating expenses			
Research and engineering		(68,863)	(59,299)
Sales and marketing		(153,710)	(141,256)
General and administrative		(73,710)	(67,865)
Gain on remeasurement to fair value of an investment in associate		-	21,147
Other income (expense), net	20	113	4,445
Restructuring and acquisition-related expenses	6	(2,417)	(3,997)
Amortization and depreciation of intangibles resulting from acquisitions		(9,956)	(9,972)
Operating profit		**75,065**	**63,140**
Financial income (expense), net	21	(6,026)	(2,776)
Share of profit of associates	11	1,183	1,251
Profit before income tax		**70,222**	**61,615**
Income tax (expense) credit	22	(11,434)	(15,890)
Profit from continuing operations		**58,788**	**45,725**
Discontinued operation			
Profit (loss) from discontinued operation (net of income tax)		-	(1,543)
Profit for the period		**58,788**	**44,182**
Attributable to:			
Owners of the Company		58,772	44,590
Non-controlling interests		16	(408)
Earnings per share			
Basic earnings per share	23	0.71	0.54
Diluted earnings per share	23	0.67	0.52
Earnings per share - continuing operations			
Basic earnings per share		-	0.55
Diluted earnings per share		-	0.54
Weighted average number of shares outstanding (in thousands)	23	83,189	83,227
Weighted average number of shares outstanding assuming dilution (in thousands)	23	87,100	85,886

Interim consolidated statement of comprehensive income (unaudited)

In thousands of Euro	Six-month period ended June 30, 2012	2011
Profit for the period	**58,788**	**44,182**
Other comprehensive income that can be reclassified to income statement:		
Currency translation adjustments	10,211	(23,589)
Currency translation adjustments: transfer to income statement (financial income)	423	(1,970)
Transfer of accumulated fair value on available-for-sale financial assets to investments in associate upon change in consolidation method	-	(662)
Effective portion of gains and losses on cash flow hedging	(15,878)	20,957
Currency translation differences on fair value gains (losses)	(893)	850
Other comprehensive income that cannot be reclassified to income statement:		
Actuarial gains and losses on employee benefit obligations	(9,888)	581
Deferred tax on actuarial gains and losses	2,476	(207)
Total comprehensive income for the period	**(13,549)**	**(4,040)**
Total comprehensive income for the period, net of tax	**45,239**	**40,142**
Attributable to:		
Owners of the Company	45,092	41,420
Non-controlling interests	147	(1,278)

Interim consolidated statement of changes in equity (unaudited)

In thousands of Euro	Number of shares[4] Issued	Number of shares[4] Outstanding	Attributable to owners of the Company: 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, 2012	**88,015,844**	**83,019,536**	**88,016**	**1,209,216**	**(156,531)**	**87,006**	**8,102**	**480,702**	**4,225**	**1,720,736**
Profit for the period								58,772	16	58,788
Other comprehensive income (loss)						(24,183)	10,503		131	(13,549)
Total comprehensive income						**(24,183)**	**10,503**	**58,772**	**147**	**45,239**
Share-based compensation expense						21,720				21,720
Employee share option plans		838,220			24,450	(7,691)				16,759
Purchase of Treasury shares, net		(641,855)			(32,422)	995				(31,427)
Shares delivered on acquisition		9,113			296	204				500
Dividend paid/payable to owners of the Company[5]								(25,840)		(25,840)
Dividend paid to non-controlling interests									(166)	(166)
Balance as at June 30, 2012	**88,015,844**	**83,225,014**	**88,016**	**1,209,216**	**(164,207)**	**78,051**	**18,605**	**513,634**	**4,206**	**1,747,521**
Balance as at January 1, 2011	**88,015,844**	**83,131,248**	**88,016**	**1,209,437**	**(132,046)**	**79,962**	**5,879**	**344,302**	**14,757**	**1,610,307**
Profit for the period								44,590	(408)	44,182
Other comprehensive income (loss)						21,519	(24,689)		(870)	(4,040)
Total comprehensive income						**21,519**	**(24,689)**	**44,590**	**(1,278)**	**40,142**
Share-based compensation expense						13,166				13,166
Employee share option plans		915,167			21,464	(4,346)				17,118
Purchase of Treasury shares, net		(938,958)			(32,242)	54				(32,188)
Excess of purchase price on subsequent acquisition of non-controlling interests				(186)						(186)
Dividend paid/payable to owners of the Company								(23,275)		(23,275)
Dividend paid to non-controlling interests									(324)	(324)
Change in consolidation method								(440)	(9,290)	(9,730)
Balance as at June 30, 2011	**88,015,844**	**83,107,457**	**88,016**	**1,209,251**	**(142,824)**	**110,355**	**(18,810)**	**365,177**	**3,865**	**1,615,030**

[4] As at June 30, 2011 and 2012, the difference between the number of shares outstanding corresponds to the 4,908,387 and 4,790,830 shares held in treasury, respectively.
[5] See note 27

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30, 2012	2011
Profit for the period including Non-controlling interests		**58,788**	**44,182**
Adjustment for:			
Tax	22	11,434	15,890
Research tax credit		(6,235)	(7,325)
Depreciation, amortization and impairment		43,340	40,571
Share-based payment expense		21,720	13,166
Gains and losses on sale of fixed assets and write-offs		498	241
Gains and losses on remeasurement to fair value of an investment in associate		-	(21,147)
Remeasurement to fair value of assets held for sale	12	711	-
Loss on sale of a discontinued operation, net of tax		-	149
Cumulated translation adjustment transferred to financial income upon liquidation of consolidated entities		423	(1,970)
Net movement in provisions and other liabilities		(8,399)	(8,961)
Employee benefit obligations		1,567	1,951
Interest income		(1,832)	(1,406)
Interest expense and other financial expense		2,707	777
Share of profit from associates	11	(1,183)	(1,251)
Changes in current assets and liabilities (excluding the effects of acquisitions and exchange differences in consolidation):			
Inventories		(17,125)	(22,867)
Trade and other receivables		3,428	57,303
Derivative financial instruments		(5,651)	(620)
Trade and other payables		665	(36,307)
Cash generated from operations		**104,856**	**72,376**

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30, 2012	2011
Cash generated from operations		**104,856**	**72,376**
Income tax paid		(14,884)	(32,528)
Net cash provided by operating activities		**89,972**	**39,848**
Cash flows provided by (used in) investing activities			
Acquisition of business and subsidiaries, net of cash acquired		(6,921)	6,312
Purchase of property, plant and equipment		(29,286)	(19,846)
Proceeds from sale of property, plant and equipment		863	427
Acquisition and capitalization of intangible assets		(19,707)	(18,366)
Proceeds from sale of non-current assets		132	778
Loan to investments in associate		-	(2,783)
Purchase of investments in associate		-	(1,727)
Interest paid		(553)	(749)
Interest received		2,193	1,406
Dividends received from investments in associates	11	137	131
Net cash used in investing activities		**(53,142)**	**(34,417)**
Cash flows provided by (used in) financing activities			
Purchase of Non-controlling interests in subsidiaries		-	(1,243)
Proceeds from exercise of share options		16,759	17,118
Purchase of Treasury shares (net)		(31,427)	(32,188)
Repayments of borrowings		(12,510)	(2,285)
Dividends paid to owners of the Company	27	(25,840)	(23,275)
Dividends paid to Non-controlling interests		(166)	(324)
Net cash used in financing activities		**(53,184)**	**(42,197)**
Net increase (decrease) in cash and bank overdrafts		**(16,354)**	**(36,766)**
Cash and bank overdrafts, beginning of period	15	330,069	275,301
Change in cash and cash equivalent due to change in consolidation method		-	(19,403)
Currency translation effect on cash and bank overdrafts		2,900	(6,088)
Cash and bank overdrafts, end of period	15	**316,615**	**213,044**

Index of Notes

Notes to the interim condensed consolidated financial statements

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

Note 1 General information

Gemalto, the world leader in digital security, is at the heart of our evolving digital society. Billions of people worldwide increasingly want the freedom to communicate, travel, shop, bank, entertain, and work – anytime, everywhere, in ways that are convenient, enjoyable and secure. Gemalto delivers on their growing demands for personal mobile services, identity protection, payment security, authenticated online services, cloud computing access, modern transportation, eHealthcare and eGovernment services. Gemalto does this by providing secure software, a wide range of secure personal devices, transaction platforms and services to telecom operators, banks, 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. 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 condensed consolidated financial statements for the six-month period ended June 30, 2012 have been authorized for issue by the Board on August 28, 2012.

The activity of Gemalto 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 the fiscal year. Therefore, the financial performance of the first half of 2012 reported in these interim condensed consolidated financial statements is not necessarily indicative of the results of Gemalto for the full year 2012.

Note 2 Basis of preparation

The interim condensed consolidated financial statements of Gemalto for the six-month period ended June 30, 2012 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. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2011.

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, 2011 as described in the notes to the annual consolidated financial statements. The Group however, adopted the following amendment to existing standard:

- Amendments to IFRS 7 *Financial Instruments: Disclosures –Transfers of Financial Assets*. This amendment to the standard did not have a material impact on 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 (including the classification of assets and liabilities as held for sale – see note 12), disclosure of contingent liabilities at the date of the consolidated interim 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, 2012, 90% 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 combination

Gemalto undertook a number of business combinations during the six month period ended June 30, 2012 for a total consideration of €18 million, of which €6.9 were paid in cash. The most significant acquisition was the controlling interest acquired in Plastikkart Akıllı Kart İletişim Sistemleri Sanayi ve Ticaret A.Ş. (Plastkart). With this transaction Gemalto reinforces a long-time partnership with Plastkart, a leading smart card and service provider in Turkey. Plastkart is a public company listed on the Istanbul Stock Exchange. On June 25, 2012, Gemalto acquired 75.3% of the voting rights of Plastkart for €12.8 million from its founders. As part of the transaction, Gemalto is making a public offer to acquire the remaining publicly owned shares.

It was not practicable to assess all the information to consolidate the financial information of the acquired entities as at June 30, 2012 but management does not believe this would have a material effect on the financial statements.

Note 6 Additional information on specific line items of the income statement

The Group reported 'Restructuring and acquisition-related expenses' for €2,417 as at June 30, 2012 (€3,997 in 2011), which are detailed as follows:

	Six-month period ended June 30,	
	2012	**2011**
Transaction costs on acquisition	378	58
Severance and associated costs	145	4,167
Write-offs and impairments	530	194
Other costs (income)	1,364	(422)
Total	**2,417**	**3,997**

Note 7 Financial risk management

The company is exposed to a variety of financial risks, including foreign exchange 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 annual financial statements, and should be read in conjunction with the group's annual financial statements as at December 31, 2011.

Financial assets/liability by category

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

June 30, 2012	**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	56,928	-	-	-	56,928
Trade and other receivables, net	548,306	-	-	-	548,306
Derivative financial instruments	-	-	8,412	-	8,412
Cash and cash equivalents	112,794	199,026	-	-	311,820
Total	**718,028**	**199,026**	**8,412**	**-**	**925,466**

	Derivatives used for hedging	**Financial liabilities**	**Total**
Liabilities			
Borrowings	-	16,281	16,281
Derivative financial instruments	31,860	-	31,860
Total	**31,860**	**16,281**	**48,141**

December 31, 2011	**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	44,014	-	-	-	44,014
Trade and other receivables, net	558,757	-	-	-	558,757
Derivative financial instruments	-	-	15,432	-	15,432
Cash and cash equivalents	93,678	236,706	-	-	330,384
Total	**696,449**	**236,706**	**15,432**	**-**	**948,587**

	Derivatives used for hedging	Financial liabilities	Total
Liabilities			
Borrowings	-	21,023	21,023
Derivative financial instruments	28,652	-	28,652
Total	**28,652**	**21,023**	**49,675**

Estimation of derivative financial instrument fair value

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

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

For the available-for-sale financial assets, they are either quoted on official markets and classified in Level 1, or their fair value is based on a valuation model using assumptions neither supported by prices from observable current transactions nor on available market data. They are consequently disclosed in the Level 3 of the fair value hierarchy. As at June 30, 2012, the value of Level 3 derivative financial instruments was nil.

The following tables present the Group's assets and liabilities that were measured at fair value as at December 31, 2011 and June 30, 2012:

June 30, 2012	Level 1	Level 2	Level 3	Total balance
Assets				
Derivatives used for hedging	-	8,412	-	8,412
Short term bank deposits and investment funds	199,026	-	-	199,026
Available-for-sale financial assets	-	-		-
Total Assets	**199,026**	**8,412**	**-**	**207,438**
Liabilities				
Derivatives used for hedging	-	31,860	-	31,860
Total Liabilities	**-**	**31,860**	**-**	**31,860**

December 31, 2011	Level 1	Level 2	Level 3	Total balance
Assets				
Derivatives used for hedging	-	15,432	-	15,432
Short term bank deposits and investment funds	236,706	-	-	236,706
Available-for-sale financial assets	-	-	-	-
Total Assets	**236,706**	**15,432**	**-**	**252,138**
Liabilities				
Derivatives used for hedging	-	28,652	-	28,652
Total Liabilities	**-**	**28,652**	**-**	**28,652**

The fair value of the Company’s financial instruments is recorded either in current or non-current assets and liabilities as ‘Derivative Financial Instruments’ and detailed as follows:

Foreign exchange derivative financial instrument fair values by currency

	June 30, 2012							December 31, 2011						
	USD	GBP	JPY	SGD	PLN	ZAR	SEK	USD	GBP	JPY	SGD	PLN	ZAR	Other
Cash flow hedges														
Forward contracts	(4,209)	(3,960)	(3,104)	2,872	20		(150)	4,316	(574)	(2,063)	1,875	(1,385)	-	7
Option contracts	(11,984)	(692)	(2,146)					(10,453)	(288)	(1,504)	-	-	-	
Fair value hedges														
Forward contracts	(46)	15	43	7	(66)	(2)	(46)	(2,011)	(68)	(138)	47	(62)	(164)	
Option contracts										(755)				
	(16,239)	**(4,637)**	**(5,207)**	**2,879**	**(46)**	**(2)**	**(196)**	**(8,148)**	**(930)**	**(4,460)**	**1,922**	**(1,447)**	**(164)**	**7**

As at June 30, 2012, the total mark-to-market valuation of Gemalto open foreign exchange derivatives were €(23.4) million (€(13.2) million as at December 31, 2011). The increase in the negative fair value of our foreign exchange derivatives used for future cash flow hedging mainly reflects the weakening of the EUR currency against the USD and GBP currencies observed over the first semester 2012.

Note 8 Segment information

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

Gemalto's activities are reported in four main segments: Mobile Communication, Machine-to-Machine, Secure Transactions and Security. In each of these segments, the Group sells a range of solutions comprising microprocessor-based devices powered by embedded secure software; back office server software; and services (including consulting, training, customization, installation, optimization, maintenance, operation of device management platforms, content distribution platforms, international roaming optimization platforms, of electronic ID enrollment and issuance systems, etc., and services aimed at individual personalization of each device) as well as intellectual property right licenses.

Mobile Communication customers are principally mobile network operators. Our solutions comprise SIM and UICC cards, client-server software and services including roaming, mobile payment, mobile marketing and personal data management.

Machine-to-Machine customers include a broad range of industries such as utilities, health and automotive. The solutions comprise modules and terminals that connect machines in order to improve operations, productivity and efficiency in the 'internet of things', plus integration support and other services.

Secure Transactions customers are financial institutions, banks, retailers and other payment card issuers, as well as mass transit authorities. The offer comprises chip card and contactless payment solutions and services, plus mobile financial solutions. The Group sells subscriber authentication and rights management solutions to Pay TV service providers.

Security customers include governments and government service providers, enterprises, and banks and other organizations providing online and eBanking services. The solutions comprise ePassports and other secure electronic identity documents and badges, strong, multi-factor online authentication and transaction solutions, as well as a range of support services.

Revenue, gross and operating profit derived from the licensing of the Group's patent portfolio is reported into the segment 'Patents'.

To supplement the financial statements presented on an IFRS basis, and to better assess its past and future performance, the Group also prepares an additional income statement where the key metric used to understand, evaluate the business and take operating decisions over the period 2010 to 2013 is the *Profit from operations*. Profit from operations 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 tables below). 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 compensation of executives is based in part on the performance of the business based on this non-GAAP measure.

For a better understanding of the year-on-year performance of the business, the adjusted income statement for Ongoing operations, as reported within the tables below, 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 tables below applies the same accounting policies as those used and described in these consolidated financial statements.

Period ended June 30, 2012

	Ongoing operations									
	Mobile communication	Machine-to-Machine	Secure Transactions	Security	Patents	Adjusted financial information for ongoing operations	Reconciling items	Adjusted financial information	Adjustments[6]	IFRS Financial information
Revenue	**476,452**	**91,006**	**267,097**	**179,982**	**1,065**	**1,015,602**	**4,882**	**1,020,484**	**-**	**1,020,484**
Cost of sales	(276,161)	(61,230)	(179,430)	(112,183)	(107)	(629,111)	(3,907)	(633,018)	(3,858)	(636,876)
Gross profit	**200,291**	**29,776**	**87,667**	**67,799**	**958**	**386,491**	**975**	**387,466**	**(3,858)**	**383,608**
Operating expenses										
Research and engineering	(29,392)	(8,123)	(10,897)	(10,475)	(5,591)	(64,478)	(2,343)	(66,821)	(2,042)	(68,863)
Sales and marketing	(67,720)	(11,148)	(35,145)	(29,368)	(57)	(143,438)	(1,204)	(144,642)	(9,068)	(153,710)
General and administrative	(35,889)	(5,924)	(12,875)	(8,812)	(157)	(63,657)	(90)	(63,747)	(9,963)	(73,710)
Other income (expense), net	2,142	10	(2,089)	18	2	83	30	113	-	113
Profit from operations	**69,432**	**4,591**	**26,661**	**19,162**	**(4,845)**	**115,001**	**(2,632)**	**112,369**		
Restructuring and acquisition-related expenses										(2,417)
Amortization and depreciation of intangibles resulting from acquisitions										(9,956)
Operating profit										**75,065**

[6] The amounts reported in the column 'Adjustments' correspond to €24,931 share-based compensation charges and associated costs.

Period ended June 30, 2011

	Ongoing operations									
	Mobile communication[7]	Machine-to-Machine	Secure Transactions	Security	Patents	Adjusted financial information for ongoing operations	Reconciling items	Adjusted financial information	Adjustments[8]	IFRS Financial information
Revenue	**436,206**	**84,200**	**251,146**	**146,489**	**2,553**	**920,594**	**7,863**	**928,457**	**-**	**928,457**
Cost of sales	(277,281)	(55,288)	(173,848)	(92,748)	(1,024)	(600,189)	(7,057)	(607,246)	(1,274)	(608,520)
Gross profit	**158,925**	**28,912**	**77,298**	**53,741**	**1,529**	**320,405**	**806**	**321,211**	**(1,274)**	**319,937**
Operating expenses										
Research and engineering	(27,796)	(6,069)	(9,425)	(11,092)	(3,008)	(57,390)	(1,141)	(58,531)	(768)	(59,299)
Sales and marketing	(67,703)	(9,532)	(30,496)	(26,390)	(566)	(134,687)	(1,461)	(136,148)	(5,108)	(141,256)
General and administrative	(31,493)	(7,561)	(11,379)	(8,317)	(160)	(58,910)	(207)	(59,117)	(8,748)	(67,865)
Gain on remeasurement to fair value of an investment in associate	-	-	-	-	-	-	21,147	21,147	-	21,147
Other income (expense), net	535	21	443	3,408	6	4,413	32	4,445	-	4,445
Profit from operations	**32,468**	**5,771**	**26,441**	**11,350**	**(2,199)**	**73,831**	**19,176**	**93,007**		
Restructuring and acquisition-related expenses										(3,997)
Amortization and depreciation of intangibles resulting from acquisitions										(9,972)
Operating profit										**63,140**

[7] Compared to the published interim condensed consolidated financial statements as at June 30, 2011, the contributions from assets classified as held for sale in 2012 have been reclassified from 'Mobile Communication' to 'Reconciling items'.
[8] The amounts reported in the column 'Adjustments' correspond to €15,898 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,	
	2012	**2011**
Revenue		
Europe, Middle East and Africa	520,198	498,434
North and South America excluding United States of America	193,495	172,535
Asia Pacific	191,614	174,033
United States of America	115,177	83,455
	1,020,484	**928,457**

Non-current assets excluding goodwill (net)	**June 30, 2012**	**December 31, 2011**
France	225,856	215,907
Europe, Middle East and Africa excluding France and Germany	100,659	106,633
Asia Pacific	78,582	78,286
North and South America	78,476	64,155
Germany	70,930	71,658
	554,503	**536,639**

Note 9 Property, plant and equipment

Property, plant and equipment consist of the following:

	Property, plant and equipment
Net book value as at January 1, 2012	**222,892**
Additions	29,591
Disposals	(1,519)
Reclassification to assets held for sale	(4,920)
Depreciation charge	(24,369)
Acquisition of subsidiary and business	974
Currency translation adjustment	1,712
Net book value as at June 30, 2012	**224,361**
Net book value as at January 1, 2011	**217,211**
Additions	20,115
Disposals	(760)
Depreciation charge	(23,083)
Other reclassifications	133
Acquisition of subsidiary and business	1,973
Currency translation adjustment	(4,656)
Net book value as at June 30, 2011	**210,933**

Note 10 Goodwill and intangible assets

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

	Goodwill	Intangible assets
Net book value as at January 1, 2012	**812,959**	**159,223**
Additions	-	31,427
Acquisition of subsidiary and business	12,100	2,799
Reclassification to assets held for sale	(4,000)	(2,644)
Amortization charge	-	(18,971)
Currency translation adjustment	3,194	528
Net book value as at June 30, 2012	**824,253**	**172,362**
Net book value as at January 1, 2011	**798,993**	**152,561**
Additions	-	18,366
Acquisition of subsidiary and business	3,315	1,379
Disposal	-	(22)
Write-offs	-	(33)
Amortization charge	-	(17,433)
Other reclassifications	-	811
Currency translation adjustment	(5,973)	(855)
Net book value as at June 30, 2011	**796,335**	**154,774**

Goodwill arising from the business combinations for the period was not allocated as at June 30, 2012. 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 and licensing rights to use and distribute licensed technology for €15,757 (€15,174 as at June 30, 2011) and €11,719 respectively.

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 discussed in the annual financial statements for the year ended December 31, 2011. As at June 30, 2012, there were no indications of goodwill impairment.

Note 11 Investments in associate

Changes in investments in associate consist of the following:

	June 30, 2012	June 30, 2011
Investments in associates as of beginning of period	**13,783**	**10,934**
Acquisition of associates	-	1,429
Dividends paid by associates	(137)	(131)
Share of profit of associates	1,183	1,251
Change in consolidation method of AB Svenska Pass	-	(5,186)
Reclassification to assets held for sale	(1,586)	-
Currency translation adjustment	106	(191)
Investments in associates as of end of period	**13,349**	**8,106**

Note 12 Assets held for sale

The assets held for sale comprise those that should be contributed to the joint venture under creation with ARM and Giesecke & Devrient and other non-strategic assets currently in the course of disposal. The creation of the joint venture is subject to regulatory approval. All three companies will contribute assets to the new venture, including patents, software, people, cash and capital equipment. ARM will own 40% of the joint venture, with Gemalto and Giesecke & Devrient each owning 30%.

Assets held for sale

	June 30, 2012	December 31, 2011
Assets held for sale as of beginning of period	**1,711**	**57,183**
Additions	24,586	5,346
Reclassification from liabilities held for sale	-	(21,076)
Cancellation of Non-controlling interest in the joint venture	-	(10,229)
Remeasurement to fair value	(711)	19,240
Dividend received	-	(12,209)
Disposals	-	(25,000)
Reclassification to investment in associate	-	(8,601)
Currency translation adjustment	-	(2,943)
Assets held for sale as of end of period	**25,586**	**1,711**

	June 30, 2012	December 31, 2011
Liabilities held for sale as of beginning of period	**-**	**19,788**
Additions	2,679	2,499
Reclassification to assets held for sale	-	(21,076)
Currency translation adjustment	-	(1,211)
Liabilities held for sale as of end of period	**2,679**	**-**

Effect of the reclassification as assets and liabilities held for sale on the consolidated statement of financial position:

	June 30, 2012
Goodwill	(4,000)
Property, plant and equipment, net	(4,920)
Intangible assets, net	(2,644)
Investments in associates	(1,586)
Deferred income tax assets	(114)
Other non-current assets	(382)
Inventories, net	(313)
Trade and other receivables, net	(5,536)
Cash and cash equivalents	(5,091)
Assets classified as held for sale	**(24,586)**
Deferred income tax liabilities	(882)
Trade and other payables	(1,763)
Current income tax liabilities	(34)
Liabilities classified as held for sale	**(2,679)**

The currency translation adjustment reserve, related to the disposal entities, amounted to €1,419 (deferred gain) as at June, 30 2012.

Note 13 Inventories

Inventories consist of the following:

	June 30, 2012	December 31, 2011
Gross book value		
Raw materials and spares	59,826	61,712
Work in progress	105,717	89,374
Finished goods	42,734	39,657
Total	**208,277**	**190,743**
Obsolescence reserve		
Raw materials and spares	(5,945)	(6,524)
Work in progress	(5,892)	(7,121)
Finished goods	(3,260)	(4,431)
Total	**(15,097)**	**(18,076)**
Net book value	**193,180**	**172,667**

Note 14 Trade and other receivables

Trade and other receivables consist of the following:

	June 30, 2012	December 31, 2011
Trade receivables	364,123	404,140
Provision for impairment of receivables	(8,597)	(9,546)
Trade receivables, net	**355,526**	**394,594**
Prepaid expenses	21,023	17,576
VAT recoverable and tax receivable	69,326	62,260
Advances to suppliers and related	13,720	11,579
Unbilled customers	71,719	53,482
Other	16,992	19,266
Total	**548,306**	**558,757**

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, 2012. 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, 2012, trade receivables of €95,861 (December 31, 2011: €97,954) 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 15 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	June 30, 2012	December 31, 2011
Cash at bank and in hand	112,794	93,678
Short term bank deposits and investment funds	199,026	236,706
Total	**311,820**	**330,384**

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

	June 30, 2012	December 31, 2011
Cash and cash equivalents	311,820	330,384
Cash included in assets classified as held for sale (see note 12)	5,091	-
Bank overdrafts	(296)	(315)
Total	**316,615**	**330,069**

Note 16 Non-current provisions and other liabilities

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

	June 30, 2012	December 31, 2011
Non-current provisions	43,105	43,353
Other non-current liabilities	29,815	32,875
Total	**72,920**	**76,228**
Management compensation	9,584	9,297
Government grants	3,204	8,288
Long term payables[9]	17,027	15,290
Total other non-current liabilities	**29,815**	**32,875**

	Warranty non-current	Restr. & Reorg. Reserves	Litigation	Tax claims	Prov. for other risks	Total
As at January 1, 2012	**7,050**	**354**	**8,235**	**23,254**	**4,460**	**43,353**
Additional provisions	1,187	-	20	242	506	**1,955**
Unused amount reversed	(397)	(78)	(35)	(715)	(218)	**(1,443)**
Used during the period	(39)	-	(709)	(18)	(7)	**(773)**
Reclassifications	(208)	-	-	-	(271)	**(479)**
Currency translation adjustment	24	12	(20)	340	136	**492**
As at June 30, 2012	**7,617**	**288**	**7,491**	**23,103**	**4,606**	**43,105**

	Warranty non-current	Restr. & Reorg. Reserves	Litigation	Tax claims	Prov. for other risks	Total
As at January 1, 2011	**6,256**	**2,028**	**2,413**	**22,268**	**4,151**	**37,116**
Additional provisions	940	-	347	1,446	290	**3,023**
Unused amount reversed	(420)	(6)	(965)	(613)	(748)	**(2,752)**
Used during the period	(203)	(1,946)	-	(27)	(554)	**(2,730)**
Reclassifications	266	(19)	-	-	-	**247**
Currency translation adjustment	(45)	(9)	(3)	(1,007)	(146)	**(1,210)**
As at June 30, 2011	**6,794**	**48**	**1,792**	**22,067**	**2,993**	**33,694**

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

Note 17 Trade and other payables

	June 30, 2012	December 31, 2011
Trade payables	204,024	188,792
Employee related payables	139,331	151,574
Accrued expenses	66,234	59,689
Accrued VAT	19,984	22,497
Deferred revenue	50,552	41,320
Other	3,080	3,343
Total trade and other payables	**483,205**	**467,215**

Note 18 Current provisions and other liabilities

	June 30, 2012	December 31, 2011
Warranty - current	3,563	2,809
Provision for loss on contracts	40	106
Restructuring and reorganization	3,107	5,090
Other	1,634	2,078
Total current provisions	**8,344**	**10,083**

Variation analysis of the current provisions is as follows:

	Warranty - current	Provision for loss on contracts	Restr. & Reorg. Reserves	Other	Total
As at January 1, 2012	**2,809**	**106**	**5,090**	**2,078**	**10,083**
Additional provisions	1,547	(35)	544	452	**2,508**
Unused amount reversed	(637)	(29)	(142)	(113)	**(921)**
Used during the year	(389)	(2)	(2,433)	(1,077)	**(3,901)**
Reclassifications	208	-	-	271	**479**
Currency translation adjustment	25	-	48	23	**96**
As at June 30, 2012	**3,563**	**40**	**3,107**	**1,634**	**8,344**

	Warranty - current	Provision for loss on contracts	Restr. & Reorg. Reserves	Other	Total
As at January 1, 2011	**4,527**	**534**	**2,141**	**6,508**	**13,710**
Additional provisions	290	-	3,537	390	**4,217**
Unused amount reversed	(1,003)	-	(9)	(1,807)	**(2,819)**
Used during the year	(296)	(226)	(1,013)	(2,323)	**(3,858)**
Other reclassifications	(266)	4	19	-	**(243)**
Currency translation adjustment	(36)	(20)	(131)	(17)	**(204)**
As at June 30, 2011	**3,216**	**292**	**4,544**	**2,751**	**10,803**

Note 19 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 2012.

RSU Granted	Grant Date	Vesting schedule and conditions	RSU Vested	Valuation assumptions used amounts in euro
1,362,015	Mar 2012	Vesting condition are both performance and service based. RSU will vest if Group PFO reaches the target value for the year 2013 and the employee is employed by the company as at December 31, 2014.	Nil	Share price of €46.98 Risk free interest rate from Year 1 to Year 5 being 0.51% to 1.70%. Fair value including a 4.74% discount.

In the income statement for the six-month period ended June 30, 2012 and 2011, 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,	
	2012	**2011**
Cost of sales	2,958	1,273
Research and engineering	1,658	768
Sales and marketing	7,984	5,108
General and administrative	8,414	5,494
Total	**21,014**	**12,643**

Note 20 Other income (expense), net

	Six-month period ended June 30,	
	2012	**2011**
Fixed assets write-offs and net gains/losses on sales	280	278
Compensation to/from customers and suppliers, net	(1,132)	3,171
Other	965	996
Total	**113**	**4,445**

Note 21 Financial income (expense)

	Six-month period ended June 30,	
	2012	2011
Interest expense	(1,730)	(1,401)
Interest income	1,832	1,406
Foreign exchange transaction gains (losses):		
– Foreign exchange gains (losses), including derivative instruments not designated as cash flow hedges	(3,983)	(1,933)
– Ineffective part of derivative instruments Cash flow hedges (hedging)	851	(2,327)
Other financial income (expense), net	(2,996)	1,479
Financial income (expense), net	**(6,026)**	**(2,776)**

Note 22 Income tax expense

	Six-month period ended June 30,	
	2012	2011
Income tax expense at the expected rate for the year	(11,925)	(14,902)
(Addition to)/release of unused income tax provisions	491	(988)
Income tax expense for the period	**(11,434)**	**(15,890)**

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 2012 is estimated at 16.3%.

Note 23 Earnings per share

	Six-month period ended June 30,	
	2012	2011
Profit attributable to Owners of the Company	**58,772**	**44,590**
Weighted average number of ordinary shares – basic (in thousands)	83,189	83,227
Effect of dilution from share options (in thousands)	3,911	2,659
Weighted average number of ordinary shares – diluted (in thousands)	87,100	85,886
Basic earnings per share	**0.71**	**0.54**
Diluted earnings per share	**0.67**	**0.52**

The Company presents both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income by the weighted average number of 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 24 Commitments and contingencies

Legal proceedings

The Company is subject to legal 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 25 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, 2011.

Transactions with related parties are conducted, in the ordinary course of business, on terms comparable to transactions with third parties. In the first six months of 2012, there have been no related party transactions that have materially affected the Group's financial position or performance.

Note 26 Events after the balance sheet date

To the best of management's knowledge, there is no significant event that occurred since June 30, 2012, which would materially impact the interim condensed consolidated financial statements.

Note 27 Dividends

Amounts in this note are stated in Euro.

The AGM of May 24, 2012 has approved the distribution of a €25,840,372 dividend in respect of the financial year 2011. This represents a dividend of €0.31 per share.

Note 28 Consolidated entities

The main changes in consolidated entities for the six-month period ended June 30, 2012 were as follows:

Acquisitions and change in controlling interest

Country of incorporation	Company name	Percentage of group voting rights	Percentage of ownership
France	Newcard S.A.S.	100%	100%
France	TV-Card S.A.S.	100%	100%
Turkey	Plastkart	75%	51%

The group's voting rights and ownership interest in Newcard S.A.S. and TV-Card S.A.S. were 49% as at December 31, 2011.

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 28, 2012

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