



H1 2008 Earnings Release

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www.gemalto.com



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★ Overview

Olivier Piou, CEO

- ★ Financial Results
- ★ Secure Transactions Business Update
- ★ Outlook



First half 2008 highlights

- ★ Total revenue up 10%, with double-digit growth in each of the three main segments
- ★ Adjusted EBIT margin at 8.8%, more than four times that of previous year
- ★ Operating structure efficient enough to address entry-range SIM markets profitably
- ★ Completed turnaround in *Secure Transactions*, posting 8.5% EBIT margin
- ★ Steady growth in *Security* on the back of continued investments in sales & marketing



* Revenue variation is by reference compared to H1 2007 and is stated at constant exchange rates

Delivering on the benefits of the merger



Market developments

“Market conditions continue to be quite favorable, with very substantial volumes coming from emerging markets. We continue to make progress in promoting new applications to mobile operators, as expectations of subscriber experience is rapidly evolving.”



Philippe Vallée
EVP Telecoms



Jacques Seneca
EVP Security

“First semester confirmed our strong growth projections in Government Programs and numerous tenders remain ongoing in this field. Developments in IAM are progressing well, as we continue to invest to develop more commercial successes.”

“Our research confirms that security concerns and usage complexity are the biggest barriers to people enjoying their digital lifestyle. We want to put the end-user first as we collaborate with our customers to develop the most compelling offers.”



Paul Beverly
EVP Marketing

★ Overview

★ **Financial Results**

Jacques Tierny, CFO

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★ Outlook



Basis of presentation for H1 2008 financials

- ✦ Accounting treatment of the combination in accordance with IFRS 3 has several significant impacts on Gemalto's financial statements
- ✦ For a better appreciation of Gemalto's operating performance over the period, income statements in this presentation are prepared on an Adjusted basis

IFRS results and reorganization charges

	IFRS	Reorganization charges	Amortization of intangible assets	Adjusted
EBIT	€ 51m	€ 12m	€ 6m	€ 69m
Net income	€ 47m	€ 12m	€ 4m	€ 63m

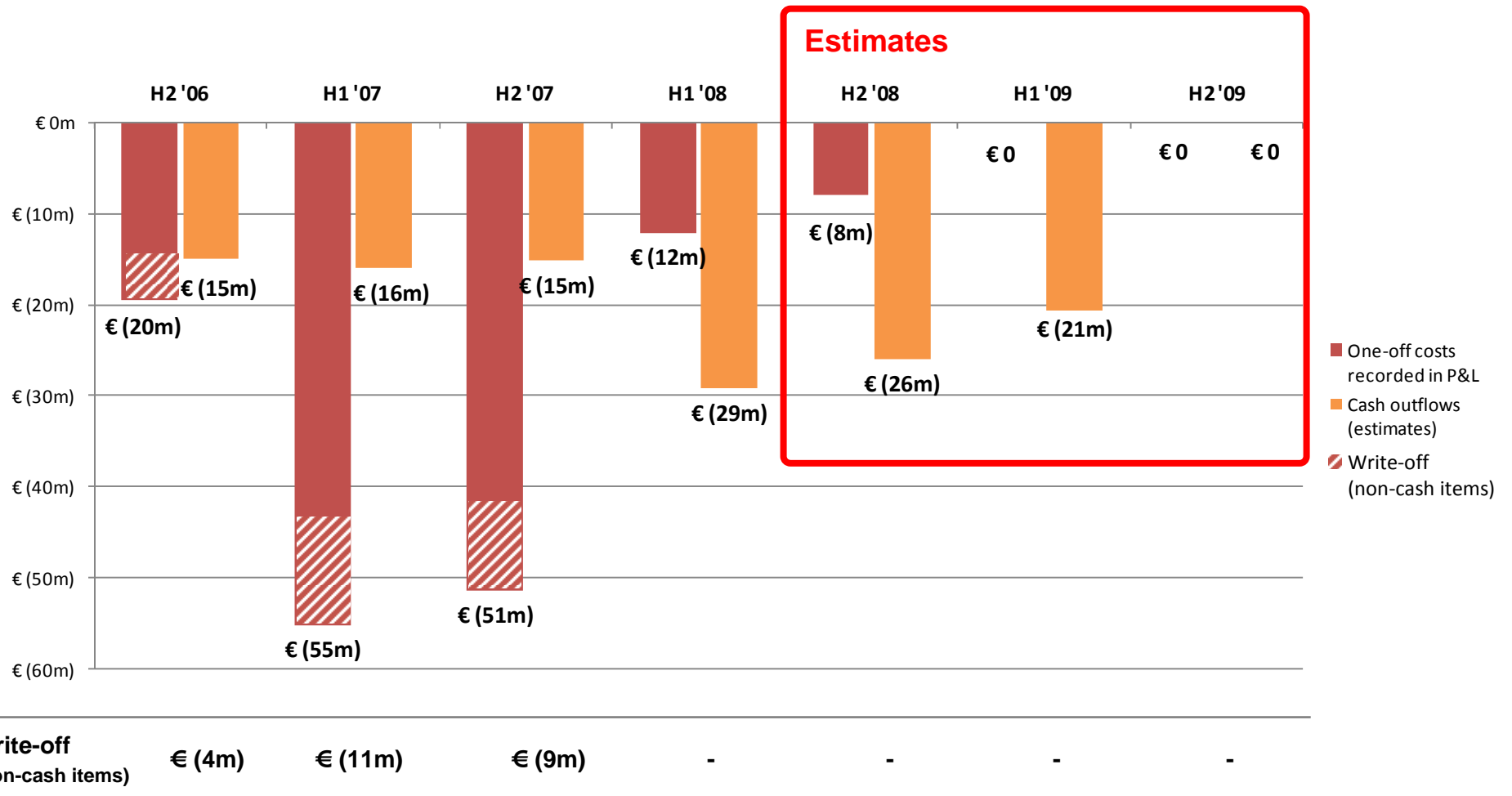
- ★ Reorganization charges consist of charges incurred in connection with:

 - headcount reductions in the support functions,
 - consolidation of manufacturing and office sites,
 - the rationalization and harmonization of the product and service portfolio
- ★ Reorganization charges amounted to € 12.1m in first half 2008

 - Factory under-absorption for plant being closed for € 5.6m
 - Severance costs of € 2.7m
 - IT integration costs of € 1.6m
 - Other costs amounting to € 2.3m
- ★ Adjusted and IFRS income statements will converge by the end of 2009

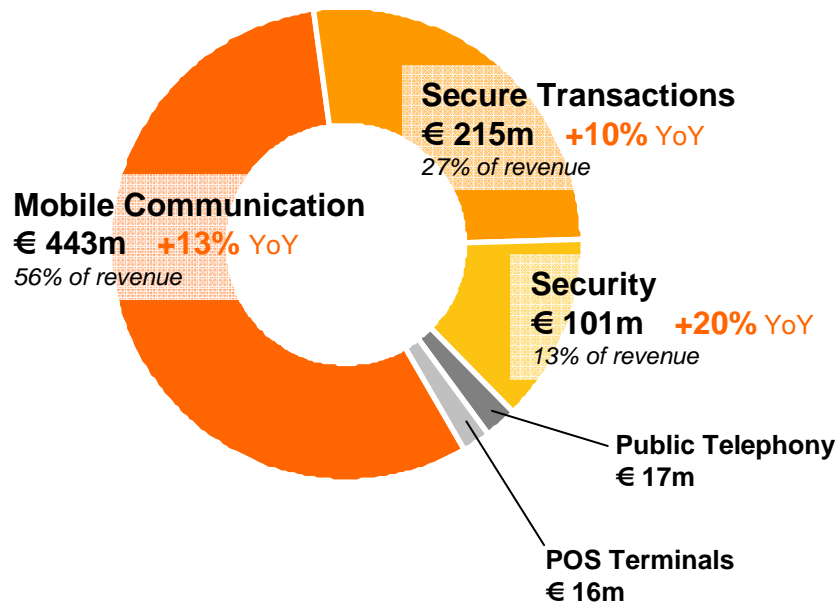
Timing of one-off costs and related cash outflows

(estimates; updated August 20, 2008)

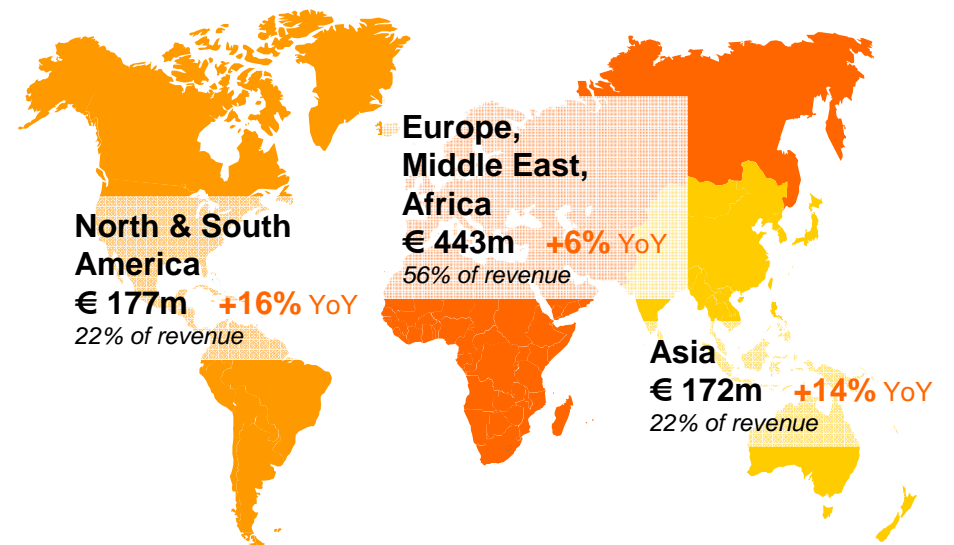


Revenue up 10% at € 791m

Segment contribution



Regional contribution



Revenue variations are stated **at constant exchange rates** and by reference to **2007 first half revenue**

Financial results reflect operational improvements

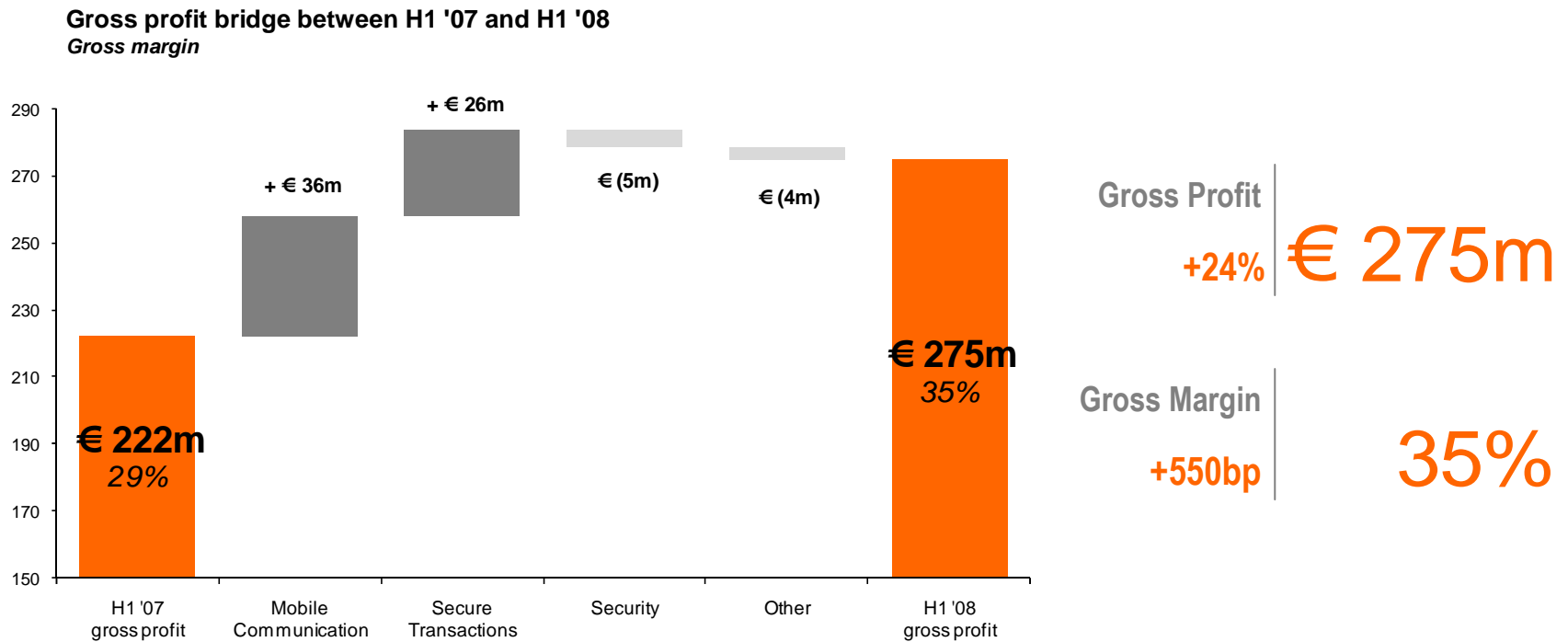
Extracts from Gemalto H1 2008 Adjusted Income Statement

Revenue	€ 791m		+10%*
Gross Profit	€ 275m	Gross Margin +550bp 35%	+24%
EBIT	€ 69m	EBIT margin +680bp 8.8%	x 4.6

* at constant exchange rates and by reference to H1 2007 figures

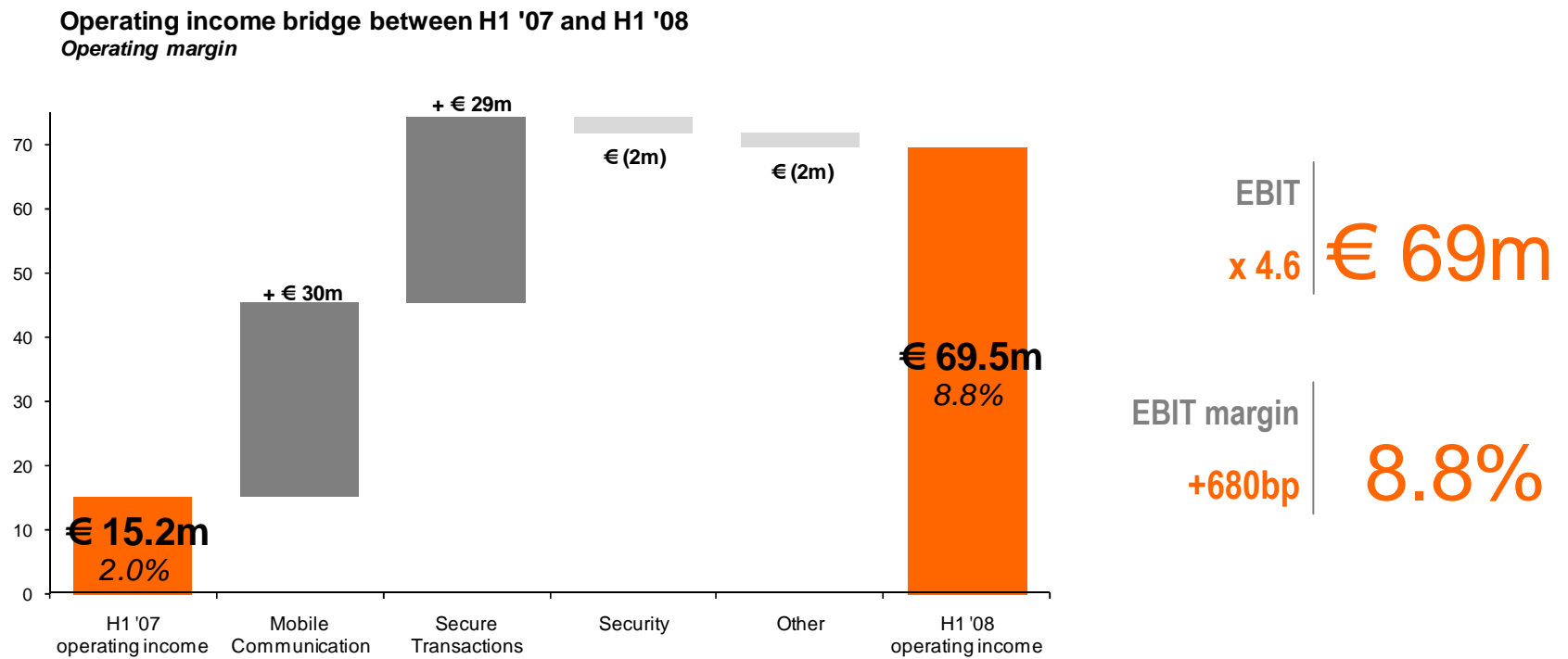
Gross margin fully benefiting from '07 initiatives

- ✦ Clear segmentation strategy and pricing discipline
- ✦ Positive evolution in product and regional mix
- ✦ Productivity gains and scale benefits in Mobile Communication
- ✦ Benefits from the restructuring program in Secure Transactions



Operating income multiplied by more than four

- ★ Strong fall through from gross profit improvements
- ★ Operating expenses down by 160bp to 26%
- ★ Full benefits from industrial restructuring
- ★ Effective delivery of merger synergies



Solid performances from the main segments

Mobile Communication

Revenue	+13% * € 443m		
Gross Profit	+25%	€ 180m	Gross Margin +620 bp 41%
EBIT	x 1.8	€ 66m	EBIT Margin +640 bp 15%

- Profitable on all market segments including entry range markets
- Software and services revenue up by more than 60%*
- Continued product mix upgrades across all regions

Secure Transactions

Revenue	+10% * € 215m		
Gross Profit	+73%	€ 60m	Gross Margin +11.0 ppt 28%
EBIT	Back to profit	€ 18m	EBIT Margin +13.7 ppt 8.5%

- Restructuring completed and turnaround achieved faster than planned
- Personalization services up 34%*

Security

Revenue	+20% * € 101m		
Gross Profit	-15%	€ 28m	Gross Margin -10.1 ppt 28%
EBIT	-23%	€ (13m)	EBIT Margin -80 bp (13%)

- Excluding patents,
 - Revenue up 34%* (GP: up 38%*, IAM: up 26%*)
 - EBIT loss halved, reflecting ramping up scale benefits
- Patents back to pre-merger run-rates

* at constant exchange rates

Consistently generating cash

€ in millions	H1 2007	H1 2008
Net cash as at Dec. 31, 2007		314
Current and non-current borrowings as at Dec. 31, 2007		24
Cash and cash equivalent as at Dec. 31, 2007		337
Cash generated by operating activities (before cash outflows related to restructuring actions)	21	64
Cash used in restructuring actions	(16)	(29)
Cash used in investing activities	(8)	(17)
Cash used in the share buy-back program	(100)	(16)
Other cash provided by (used in) financing activities	(8)	5
Other (translation adjustment mainly)	(1)	(5)
Cash and cash equivalent as at June 30, 2008		340
Current and non-current borrowings as at June 30, 2008		(18)
Net cash as at June 30, 2008		322

- ★ Our USD 250m syndicated facility remains unused; it is available until 2012

★ Overview

★ Financial Results

★ **Secure Transactions Business Update**

Philippe Cambriel, EVP Secure Transactions

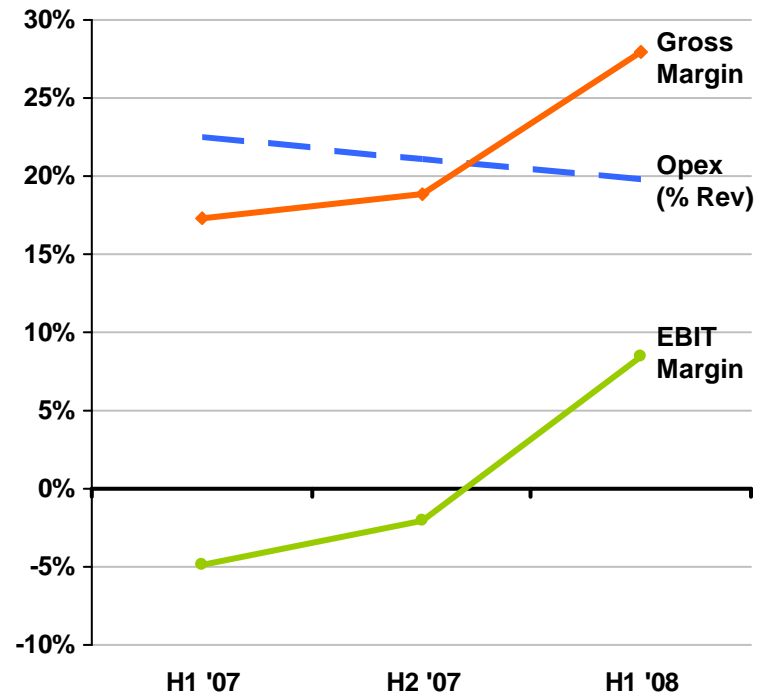
★ Outlook



Delivering the benefits of our turnaround

- ✓ Returned to profit with H1 EBIT above expectations at 8.5%
- ✓ Kept pace with sustained global market growth
- ✓ Maintained focus on expansion of personalization
- ✓ Completed restructuring program
- ✓ Continues to be the undisputed leader¹ in chip payment cards

Recovery in Secure Transactions



	H1 '07	H2 '07	H1 '08
Revenue Growth *	4%	3%	10%

1. Frost & Sullivan “World Banking and Loyalty Smart Card Market”, Feb 2008

* Stated as year-on-year variations and at constant exchange rates

Market context remains robust and dynamic

High market penetration potentials

- More than 50% of the world population are still “unbanked”
- Only a quarter of payment cards in circulation are microprocessor-based
- EMV migration in Europe is currently only at 62% penetration

EMV continues to grow steadily

- Payment fraud is a global concern
- New EMV deployments in all regions, with global volume growing by over 20% a year
- SEPA compliance in Europe

Mix improvement is still ongoing

- Security a key issue for banks, driving migration to DDA* (enhanced security)
- DDA in mature markets estimated to reach up to 40% of TAM volume in 2008
- Growth of dual interface (contact and contactless) in Europe and Asia

Banks are looking for innovation

- Customer retention & acquisition is key
- Banks look for marketing & differentiation tools (card body / web services)
- New service offers gaining traction with banks, e.g. instant issuance to entice consumers

Sources: European Payment Council 2008, Gemalto Estimates

* DDA: Dynamic Data Authentication

Personalization and services are important drivers for revenue and profit expansions

34%

*H1'08 personalization revenue growth **



Personalizing over

90%

of Gemalto deliveries in certain growing markets

- ✦ Prominent banks in the UK and Canada have entrusted Gemalto with full-scale outsourcing
 - Trend: banks are shifting to outsourcing their personalization entirely
 - Additional opportunities in emerging EMV markets and expanding to enrolment services

- ✦ Gemalto personalization and services are highly valued by our customers
 - Sensitivity around customer data requires high level of certified secure data handling
 - Complemented by other value-added services such as customized packaging, expedite orders, tracking and stock management

* Stated at constant exchange rates and by reference to H1 2007 figures

Beyond cards - addressing banks' evolving needs with innovation & convergence

EMV for e-Banking



Banks going beyond the branch office and directly to the customers

CardLikeMe Web Portal



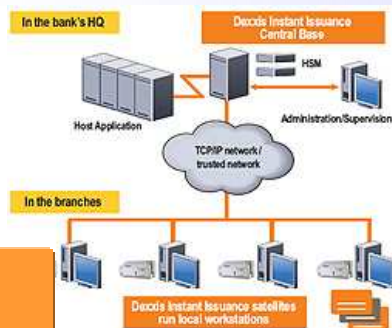
Converging with Identity & Access Management



Converging with Telecommunications



Instant Issuance



Banks are expanding service offers to attract and retain customers

Mobile Contactless

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Olivier Piou, CEO



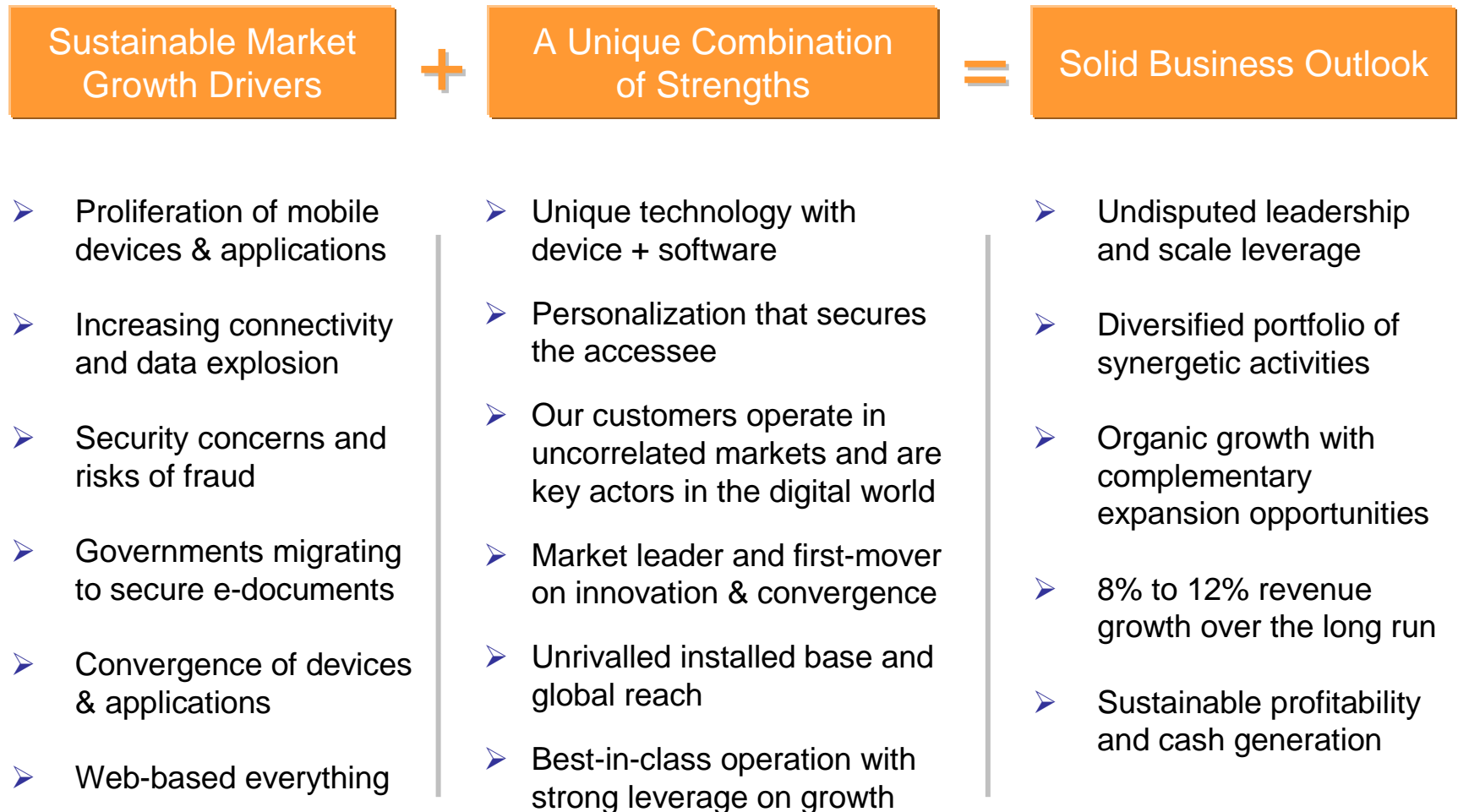
Outlook

Gemalto has set for itself an objective of achieving exchange-rate-adjusted revenue growth in the range of 8% to 12% over the long run. Revenue growth for 2008 is anticipated to be within this range. Our leadership position is generating commercial and operational advantages and we are encouraged by the progress in our performance. We currently see no evidence of the global financial turmoil significantly impacting our activities, aside from the evolution in the average exchange rates between the Euro and other currencies.

With the delivery of this considerably improved operating result for the first half of 2008, Gemalto is well on track to achieve significant profit expansion in the full year 2008. The adjusted operating income for the full year is now anticipated to be around €160 million.

Our 2009 objective of 10% adjusted operating margin remains unchanged.

Leadership in digital security





- ✦ World Leader in Digital Security ✦
- ✦ Markets in Strong Development ✦
- ✦ Unique Technology Portfolio ✦
 - ✦ Blue Chip Customers ✦
- ✦ Large Free Float and Robust Financials ✦
- ✦ A Business Model with Strong Leverage on Growth ✦