



||||| H1 2010 Earnings Release

Olivier Piou, CEO
Jacques Tierny , CFO
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Olivier Piou, CEO

★ Financial Results

★ Moving Forward



Key developments during the first semester

2010 Priorities: Back to Growth

- Focus on revenue growth, capturing digital security opportunities globally
- Leverage the efficiencies gained in *Secure Transactions* and *Security* to further improve profits
- Integrate and promote our expanding portfolio of product and service offers
- Maintain focus on customer value-add and customer engagement

H1'2010 results highlights

- H1 revenue up 5% year-on-year at historical rates
- Continued strong operational leverage in *Security*, resilience in *Secure Transactions* despite temporary trough in the UK
- Software & services revenue expands by 48% to € 110m through newly integrated service offer
- Active commercial developments, with solid pipeline of mobile service contracts



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Basis of preparation

Profit from operations (PFO)

The Company key metric to understand, manage and evaluate the business and take operating decisions over the period 2010-2013 is the profit from operations.

Profit from operations is defined as the IFRS operating result adjusted for amortization and depreciation of intangibles resulting from acquisitions, equity-based compensation charges, and for restructuring and acquisition-related expenses.

	Profit from operations	<u>Minus:</u> Amortization of intangible assets	Equity based compensation charges	Restructuring & acquisitions related expenses	IFRS operating result
H1'2009	€ 79m*	€ (15m)	€ (5m)	€ (4m)	€ 55m
H1'2010	€ 67m	€ (10m)	€ (9m)	€ (2m)	€ 46m

* In 2009, profit from operations differs from the adjusted EBIT by keeping out the equity-based compensation charges

Key figures from the H1'2010 financial results

Extracts from the adjusted income statement

Revenue +5%*	€ 840m		
Gross profit +3%	€ 299m	35.6%	Gross margin (70bp)
Operating expenses +10%	€ 232m	27.6%	Operating expenses +120bp
Profit from operations (15%)	€ 67m	8.0%	PFO margin (190bp)
Basic EPS (5%)	€ 0.76		

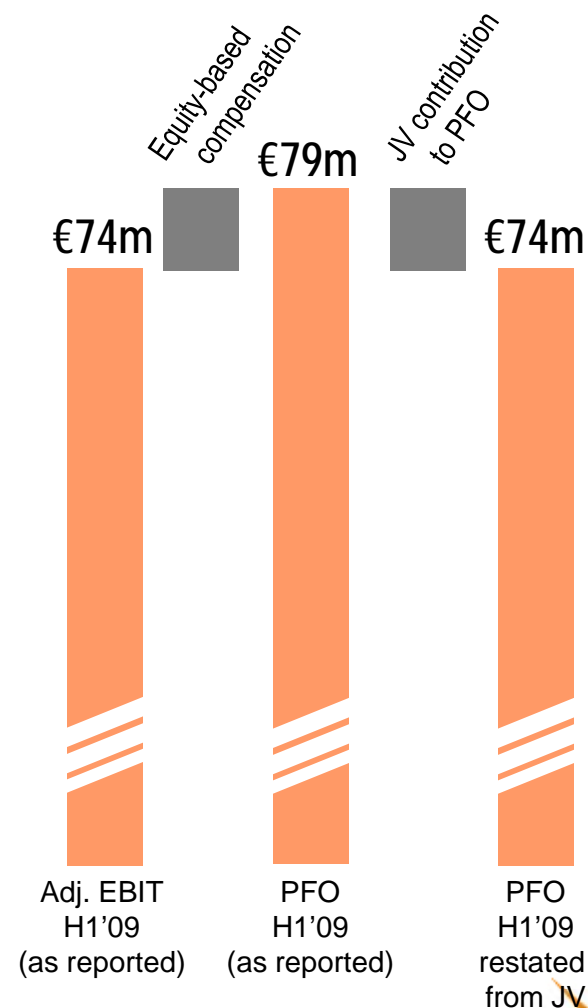
* at historical exchange rates

Basis of presentation for the Segment Information

The financial reporting from one of our joint ventures is not available for H1'2010 due to a legal dispute with the partner. The interim H1'2010 financial statements do not include the activity of this JV.

The activity of this joint venture accounted for € 22 million in revenue and € 6 million in profit from operations (PFO) in the first semester of last year.

For a better understanding of Gemalto's business evolution, in the Segments review, the year on year variations have been calculated by excluding those amounts from the reported 2009 performance.



Operational development in line with our plan for 2010

Mobile Communication

Revenue	+5%*	€ 452m		
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Gross Profit	(1%)	€ 174m	Gross Margin	(350bp) 38%
<hr/>				
PFO	(31%)	€ 40m	PFO Margin	(500bp) 8.9%

- Growth driven by more than doubling of Software & Services revenue
- Solid pipeline of Software & Services wins, and positive developments in New Form Factors
- Regional mix and limited MNO return to innovation projects is restricting product mix improvement and reducing gross margin
- Operating expenses from acquired businesses account for lower profit from operations (PFO) for the period

Secure Transactions

Revenue	(2%)*	€ 207m		
<hr/>				
Gross Profit	+7%	€ 54m	Gross Margin	+130bp 26%
<hr/>				
PFO	(25%)	€ 6m	PFO Margin	(90bp) 2.7%

- Strong growth in contactless and EMV migration more than offset the triennial payment card renewal trough in the UK
- Product revenue growth offset the shift from registered mail to standard mailing of cards to consumers
- Gross margin improves as higher-end contactless deployments more than offset unfavorable regional mix
- Operating expenses increased through acquired business and investment in Trusted Service Management offers

Security

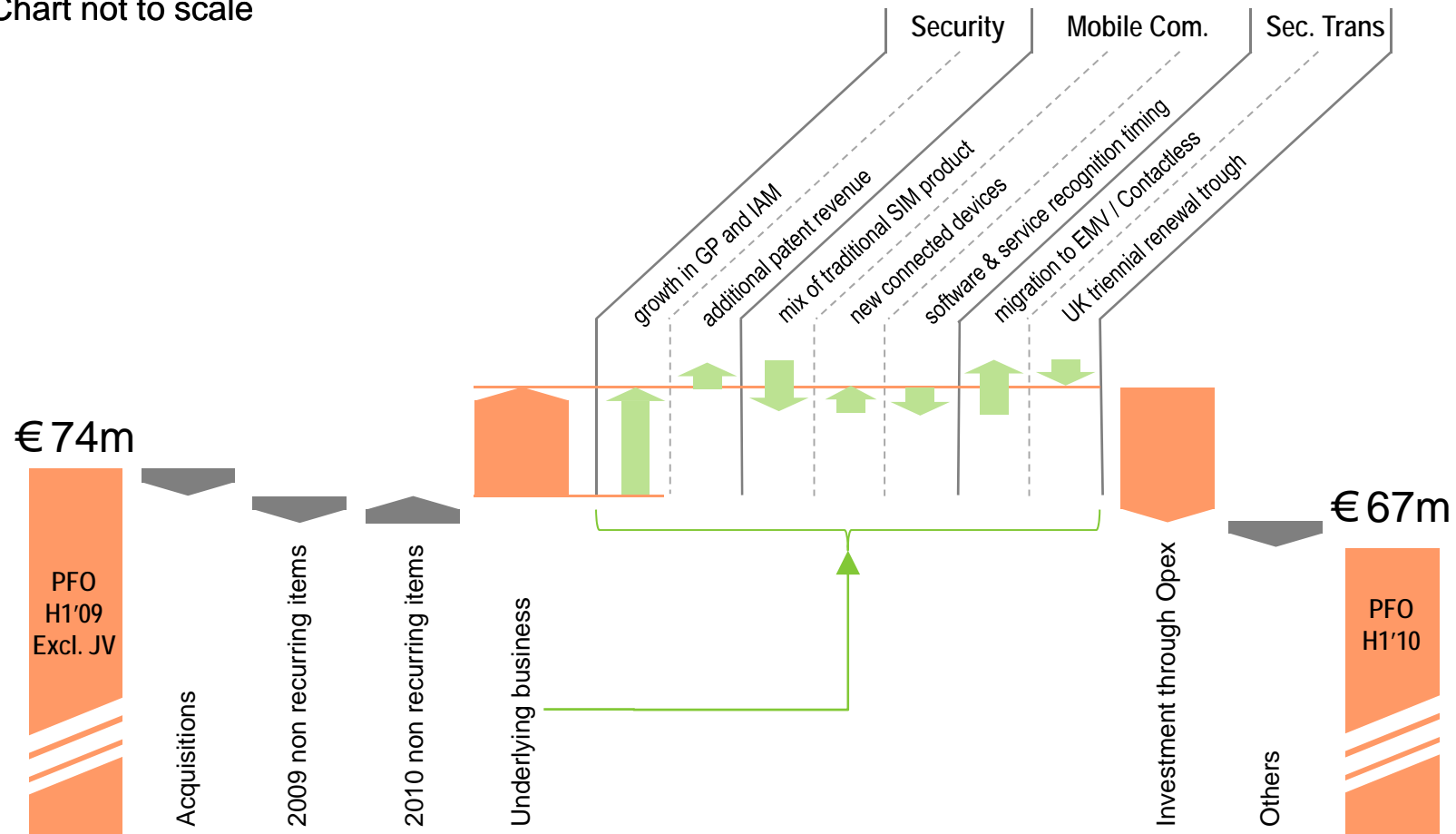
Revenue	+19%*	€ 148m		
<hr/>				
Gross Profit	+27%	€ 63m	Gross Margin	+220 bp 43%
<hr/>				
PFO	+205%	€ 21m	PFO Margin	+850bp 14%

- Double digit growth was notably driven by strong 49% revenue expansion in IAM
- Patent increased by € 3M to € 16M, representing the vast majority of the anticipated revenue for 2010
- Substantial improvements in underlying profitability of GP and IAM through strong operational leverage on revenue growth

*The financial reporting from one of our joint ventures (JV) is not available for the first semester 2010 due to a legal dispute with the partner. For a better understanding of Gemalto's year-on-year business evolution the basis of comparison, H1 2009 adjusted income statement, is also restated from the contribution of this joint venture, and the year on year variations have been calculated accordingly. * at constant exchange rates*

Positive developments in our underlying business and investment for our development plan

Chart not to scale



Note: The impact of currency variations is not material as a result of our hedging policy

Strong cash flows

Key items from Gemalto H1'2010 Cash flow statement

<i>€ in millions</i>	H1'2009	H1'2010
Cash generated by operating activities	41	27
before cash outflows related to restructuring actions		
Restructuring actions	(17)	(3)
Cash generated by operating activities	23	24
Capital expenditure and acquisition of intangibles	(26)	(29)
Acquisitions*	(25)	(20)
Share buy-back program	(2)	(23)
Dividend	0	(21)
Net cash, at end of June	322	330

* In H1'2010: Netsize, Todos, Valimo

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Olivier Piou, CEO



Outlook

Our business has strong fundamentals and prospects. We continue our mission to provide trust and convenience to the wireless and digital world. In 2010 we are focused on growth, actively promoting our expanded product portfolio and delivering more software and services to our customers, in order to further increase our profit, on our way to achieving the objective we have set for ourselves of € 300 million profit from operations in 2013.

Favorable trends for H2 2010

- ✓ Solid backlog of software & services projects to deliver for mobile operators before year-end marketing campaigns
- ✓ UK demand for EMV renewals starting to show rebound for H2
- ✓ Contactless payment continues to gain market traction across different regions
- ✓ Positive developments in GP and IAM continue to support double-digit growth in Security

- ➔ Increased traction for innovative wireless consumer devices and M2M applications
- ➔ Seasonality expected to show sequential quarterly revenue increase
- ➔ Tension on chip supply chain anticipated to ease towards the end of the year

- ✓ Aiming for over € 1bn of revenue in H2'2010
- ✓ Benefit from profit fall-through in our organic business model

Good headway made towards our 2013 objective

- ✦ Global trend is on a path of economic recovery even if the evolution is not linear
- ✦ We seized favourable conditions to execute external growth early in the plan, thereby increasing visibility
- ✦ We have secured a strategic leading position in the rapidly growing M2M market
- ✦ We maintain our objective to have *Secure Transactions* and *Security* reporting high single digit profit margins from operations in 2011
- ✦ Gemalto is well placed in addressing important megatrends
 - growing range of connected consumer devices and increasing offers in mobile broadband push mobile operators towards more software & services
 - convenience of contactless applications is winning consumer acceptance
 - broad deployment of electronic identity documents for increase in security and government service efficiency
 - growing need for strong authentication for on-line access and cloud computing
 - the advent of online and wireless connected smart machines



- ✦ 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 ✦

IIII Gemalto H1'2010 earnings release - Q&A Session

Questions will be taken by way
of conference call, by dialing

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