

Gemalto full year 2007 results¹

- Operating income up 40% at € 84 million
- Performance enhanced by operational streamlining and scale benefits
- Strong balance sheet with € 314 million net cash, after € 148 million in share repurchase

All figures in this press release are at historical exchange rates, except average selling price variations which are stated by reference to 2006 at constant exchange rates, or when otherwise stated, and describe the evolution of the Adjusted full year 2007 information (unaudited) compared to that of the full year 2006 prepared on an Adjusted pro forma basis. The reconciliation of 2007 IFRS and Adjusted income statements (unaudited) is presented in Appendix 4.

Amsterdam, March 20, 2008 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announced its results for the full year 2007:

Highlights of the adjusted income statement¹:

	Full year 2006		Full year 2007		Year-on-year change at historical exchange rates
	€ in millions	As a % of sales	€ in millions	As a % of sales	
Revenue	1,698		1,631		(4%)
Gross profit	503	29.6%	500	30.7%	+1ppt
Operating expenses ²	442	26.0%	420	25.7%	(5%)
Operating income (EBIT)	60	3.5%	84	5.1%	+40%
Net profit	1.6	0.1%	89	5.5%	x 55

At constant exchange rates and compared with the previous year, revenue was up 0.3% in 2007 full year, and up 6.9% in the second semester (H2).

Olivier Piou, Chief Executive Officer, commented: “These good 2007 results are an important milestone towards our 2009 objective. In 2007 we implemented the first part of our synergy plan with results coming ahead of schedule thanks to excellent execution and a return to growth during H2. In 2008 we will complete the restructuring program and will secure the full synergies, benefiting 2009, considerably expanding again our operating income.”

¹ Prepared on an adjusted basis, excluding one-off expenses incurred in connection with the combination with Gemplus, reorganization charges and charges resulting from the accounting treatment of the transaction, unaudited.

² Operating expenses include research & engineering expenses, sales & marketing expenses and general & administrative expenses; they do not include other operating income & expenses, net.

Basis of preparation of financial information

The Company's unaudited consolidated income statements, balance sheets, statements of changes in shareholders' equity and cash flow statements presented in appendix 6 were prepared in accordance with International Financial Reporting Standard (IFRS).

Additional financial information on an adjusted basis (unaudited) is presented that is not in conformity with IFRS, in particular the adjustments to revenue and cost of sales, and the presentation of operating expenses and operating income, operating margin and earnings per share which exclude one-off combination related expenses, reorganization charges and charges resulting from the accounting treatment of the transaction. Charges resulting from the accounting treatment of the transaction consist of amortization of inventory step-up, additional stock-based compensation due to the revaluation of Gemplus' stock options as of combination date, amortization and depreciation of some intangible assets. One-off combination related expenses consist of charges which would have not been incurred had the transaction not occurred: professional advisory services incurred in connection with the integration, new Gemalto brand and logo creation and worldwide registration, as well as impairment charges related to capitalized development costs on projects which are redundant with existing products or technologies available in Gemplus. Most of the combination related expenses were incurred in 2006. Reorganization charges consist of cost related to headcount reductions in the support functions, consolidation of manufacturing and office sites (including property, plant and equipment, intangible asset and inventory write-offs and impairment, asset transfer costs, severance and associated costs, lease termination and building refurbishment costs and under-absorption in the manufacturing plant being closed) as well as rationalization and harmonization of the product and service portfolio. The Company believes that this information, which is not in conformity with IFRS, is helpful supplemental information in order to better assess its past and future performance. In addition, the Company's Management uses this information which is based on its best estimate and judgment in its own planning and in assessment of its operating performance. This information provided by the Company may not be comparable to similarly titled measures employed by other companies.

Because the business combination between Gemalto and Gemplus took place as of June 2, 2006, the adjusted financial information presented for the full year 2006 was prepared on a pro forma basis, and reflects the combined activity of the two companies over the period, assuming that the combination had taken place as of January 1, 2005.

All comparisons in this document are at historical (reported) exchange rates, except revenue and average selling price variations which are stated by reference to 2006 full year revenue at constant exchange rates unless otherwise mentioned, and describe the evolution of the adjusted full year 2007 information compared to that of the full year 2006 prepared on an adjusted pro forma basis.

Fluctuations in currency exchange rates against the Euro have an impact on the Euro value of Group revenues. Comparisons at constant exchange rates aim at neutralizing this translation effect on the analysis of the Group operations. When Gemalto compares its historical figures for the current year against the prior year's figures at constant exchange rates, it assumes that the exchange rate of the Euro against such other currencies in the prior year would have been the same as in the current year.

IFRS results and reconciliation between Adjusted and IFRS results

The Company provides reconciliations between the IFRS and adjusted income statements (unaudited) for the full year 2007. This reconciliation is presented in a table in appendix 4. The IFRS consolidated income statement (unaudited) for the full year 2007 shows an operating loss of € 71 million and a net loss for the period of € 46 million including: amortization and depreciation of some intangible assets for € 47 million; charges incurred in connection with the headcount reductions in the support functions, the consolidation of manufacturing and office sites, as well as the rationalization and harmonization of the product and service portfolio for € 106 million; and combination related expenses for € 1 million. For a more detailed description of adjustments made to the IFRS consolidated income statement, please refer to "Description of Adjusted measures" at the end of this press release.

Adjusted income statement³ analysis

Extract of the adjusted income statement (figures below are at historical exchange rates):

	Full year 2006		Full year 2007		Year-on-year change at historical exchange rates
	€ in millions	As a % of sales	€ in millions	As a % of sales	
Revenue	1,698.2		1,631.5		(3.9 %)
Gross profit	503.0	29.6%	500.2	30.7%	+ 1.1 ppt
Operating expenses ⁴	442.2	26.0%	419.9	25.7%	(5.0 %)
EBITDA ⁵	130.6	7.7%	159.8	9.8%	+ 22 %
Operating income (EBIT)	59.9	3.5%	83.7	5.1%	+ 40 %
Net profit	1.6	0.1%	89.2	5.5%	x 55
Adjusted earnings per share (€ per share) ⁶ :					
- basic	0.02		0.98		
- diluted			0.97		

At constant exchange rates and compared with the previous year, revenue was up 0.3% in 2007 full year, and up 6.9% in the second semester.

Gemalto reported a good 2007 performance, through initiatives for profitable growth and cost reduction measures. In Mobile Communication, the combined effects of the price recovery program and return to growth in the second part of the year substantially improved margins. The restructuring actions launched in Western Europe impacted operational performance of Secure Transactions which nevertheless reported stable revenue and improvements in the product mix; the benefits of this program on Secure Transactions financial performance will materialize in 2008. Investment to grow the Security business began to pay off with numerous government contract wins, leading to large-scale projects which were beginning to ramp-up in the latter part of the year.

At constant exchange rates, revenue was up 0.3% compared with 2006. Growth in Secure Transactions and Security offset lower revenue in Mobile Communication. Revenue was essentially stable in all regions.

³ Excluding one-off expenses incurred in connection with the combination with Gemplus, reorganization charges and charges resulting from the accounting treatment of the transaction, unaudited. Adjusted measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures, and should be read only in conjunction with the consolidated financial statements prepared in accordance with IFRS provided in appendix 6. Gemalto believes these adjusted financial measures are helpful in assessing its past financial performance and its future results.

⁴ Operating expenses include research & engineering expenses, sales & marketing expenses and general & administrative expenses; they do not include other operating income & expenses, net.

⁵ EBITDA is defined as operating income plus depreciation and amortization expenses. These amounts exclude amortization and impairment charges related to the intangible assets of Gemplus identified upon Combination pursuant to IFRS 3 « Business Combination ».

⁶ The FY 2007 Adjusted basic earnings per share were determined on the basis of the average number of Gemalto shares outstanding during the twelve-month period ended December 31, 2007 (86,171,755 shares) i.e. taking into account the effect of the share buy-back on the average number of shares outstanding during the period. The FY 2007 Adjusted diluted earnings per share were determined on the basis of the average number of Gemalto shares outstanding during the twelve-month period ended December 31, 2007 considering outstanding "in the money" stock options and warrants have been exercised (87,425,298 shares). The FY 2006 Adjusted basic earnings per share were determined on the basis of the average number of Gemalto shares issued during the twelve-month period ended December 31, 2006 less the average number of Treasury shares held by the Company during the twelve-month period ended December 31, 2006 (89,872,801 shares). The number of Gemalto shares outstanding as of December 31, 2007 was 83,491,578.

In the first part of the year, our price recovery program led to a very selective approach to tenders, at the expense of revenue growth. With more stable pricing established in the market, the second half of the year saw the return to top line growth, with a strong fall-through to operating income.

Compared with 2006, gross margin was up by 1.1 percentage points to 30.7%. Faster rationalization of production and product portfolio in Mobile Communication more than compensated for slower adjustments in Western Europe related to Secure Transactions and Security.

Operating expenses decreased by 5%, progressively reflecting the effects of the cost reduction measures implemented in the support functions after the combination.

As a consequence of all these actions, at € 83.6 million, adjusted operating income increased by 40%.

Financial income was € 10.5 million. It comprised net interest income of € 8.8 million, a gain of € 4.1 million on disposal of investments available-for-sale, offset by net foreign exchange hedging costs of € 2.4 million. The Company also recognized a gain of € 10.6 million on the sale of investments in Associates. Adjusted pre-tax income was € 105.1 million, and net income tax expenses amounted to € 15.9 million.

As a result, adjusted net profit for the period was € 89.2 million, compared to € 1.6 million in 2006.

Reorganization charges excluded from the Adjusted income statements

Charges incurred in connection with headcount reductions in the support functions, with the consolidation of manufacturing and office sites, as well as the rationalization and harmonization of the product and service portfolio, amounted to € 106.4 million in 2007 and consisted of severance and associated costs for € 71.5 million (mainly related to the closure of production facilities in the Americas, Asia and Europe), factory under-absorption for plant being closed for € 4.4 million, property, plant and equipment, intangible asset and inventory write-offs and impairment for € 20.0 million, and other costs for € 10.5 million (mainly related to IT integration costs). They are reported in the IFRS income statement under a line named "Reorganization expenses" for € 100.0 million, and under revenue and cost of sales for € 6.4 million.

The implementation of the reorganization plans will result in the curtailment of certain pension obligations. A credit of € 2.1 million was recognized in the adjusted measures in 2007 in connection with these curtailments, in reduction of cost of sales.

Balance sheet and cash flow (IFRS measures)

Gemalto generated in 2007 positive free cash flow⁷ of € 39 million after cash-outs induced by restructuring actions. Capital expenditure amounted to € 60 million, of which € 40 million was incurred for plant, property and equipment purchases, net of proceeds from sales. Working capital requirement represented 9% of the fourth quarter annualized revenue. It was essentially stable compared to 2006. Free cash flow figure of € 39 million is net after the use of € 31.2 million in cash in connection with restructuring actions in 2007.

On top of the € 39 million free cash flow, the disposal of investments available-for-sale and of investments in Associates, and the dissolution of an investment in an Associate provided € 24.8 million in cash.

⁷ Free cash flow is defined as net cash flow from operating activities less the purchase of property, plant and equipment, less other investments related to the operating cycle and less restructuring expenses (excluding acquisitions and financial investments and shares buy-back).

€ 144 million were used in cash in 2007 by the Gemalto share buy-back program. 7.8 million shares were purchased over the period, representing 8.5% of Gemalto's share capital. This program authorizes the Company to acquire up to 10% of its share capital. In addition € 4 million were used in cash for the acquisition of the remaining Gemplus shares during the squeeze out program in January 2007.

Consequently, Gemalto's net cash position was € 314 million at the end of 2007. This reduction of € 82 million compared with year-end 2006 evidences the good 2007 performance considering that it includes the € 148 million of cash used during the period for our share repurchase programs and the € 31.2 million spent in connection with restructuring actions in 2007.

Our current share buy-back program is now essentially complete, with 9.34% of shares held as treasury shares as of February 29, 2008, repurchased at an average price of 18.56 euros per share. 82,762,111 Gemalto shares were outstanding as of February 29, 2008).

Segment information⁸

Extract of the adjusted pro forma income statements are at historical exchange rates unless otherwise mentioned.

Mobile Communication

	Full year 2006		Full year 2007		Year-on-year change at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	993.8		925.5		(6.9%)
Gross profit	334.3	33.6%	345.5	37.3%	+3.7ppt
Operating expenses	256.1	25.8%	224.2	24.2%	(12.5%)
Operating income	77.6	7.8%	122.7	13.3%	

At constant exchange rates and compared with the previous year, Mobile Communication revenue was down 2% in 2007 full year, and up 6% in the second semester.

Mobile Communication reported better margins for the full year of 2007 on the back of a strong second semester that benefited from the price recovery program, a strong positive evolution towards higher end products in the product mix, growing contribution from the software and services activities, as well as purchasing and production synergies.

Year-on-year decrease in average SIM card selling price was contained to 9% at constant exchange rates, with sequential increases in the three latter quarters of the year, compared with the 31% decline witnessed a year ago. Revenue growth in software and services exceeded 30%, driven by keen mobile network operators' interest in EMEA and the Americas.

⁸ All segment information provided in this press release is on an adjusted basis (unaudited), excluding one-off expenses incurred in connection with the combination with Gemplus, reorganization charges and charges resulting from the accounting treatment of the transaction. The segment information related to 2006 was prepared on a pro forma basis, reflecting the combined activity of Gemalto and Gemplus over the period, and assuming that the combination had taken place as of January 1, 2005.

Gross margin was up by 3.7 percentage points to 37% of revenue driven largely by purchasing synergies and production footprint optimization, enabling the Company to fully capture in the second part of the year the benefits of product mix improvements.

Operating expenses were down by 13%. General & Administrative expenses were reduced, and Research & Engineering expenses benefited from the rationalization of the combined products portfolio.

Operating income reached 17.2% in the second half of the year through the combined effect of a clear segmentation and pricing strategy, of the return to growth, and of the positive seasonality effect. On a full year basis operating income improved by 58% to € 123 million, and operating margin improved by 5.5 percentage points to 13.3%.

The mobile communication market continued to expand during 2007, with vigorous SIM renewals and, to a lesser extent, strong subscriber net additions. In both highly-penetrated as well as emerging markets, mobile operators are actively looking to deploy more data services, and Gemalto's leadership position in SIM-based solutions and service offerings resonates strongly with its customers' priorities.

Secure Transactions

	Full year 2006		Full year 2007		Year-on-year change at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	412.2		413.4		+0.3%
Gross profit	81.7	19.8%	75.1	18.2%	(1.6ppt)
Operating expenses	93.1	22.6%	89.7	21.7%	(3.7%)
Operating income	(11.6)	(2.8%)	(13.9)	(3.4%)	

At constant exchange rates and compared with the previous year, Secure Transactions revenue was up 4% in 2007 full year, and up 3% in the second semester.

2007 was a transition year for Secure Transactions, operating in a constrained environment as the restructuring program in Western Europe to return the segment to operating profitability gathered speed. The segment's financial performance was negatively impacted despite product mix improvements driven by growth in contactless and higher-end EMV cards. With the restructuring plans well underway and key obstacles in the plant closure negotiations resolved, the cost reduction measures should deliver a significant improvement to this segment operating results during 2008.

Strong revenue growth in contactless payment (mainly in Asia), in personalization services and in Pay TV activity did offset the disturbances related to the restructuring program that affected the Payment and Transport activities revenue in Europe.

Gross margin was down by 1.6 percentage points to 18.2%, reflecting evolutions in regional mix and sales prices, and a larger proportion of modules sold to third parties in lieu of finished cards.

Operating expenses were reduced by 4% through the ongoing optimization of support resources.

As a result of the above, Secure Transactions reported in 2007 an operating loss of € 13.9 million.

Robust EMV market growth and increased demand for higher-end contactless payment cards will continue to drive the underlying performance of Secure Transactions in 2008. At the same time, a number of banks in large markets are actively considering an outsourcing strategy for card personalization, supporting Gemalto's strategy to expand its personalization activities.

Security

	Full year 2006		Full year 2007		Year-on-year change at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	182.9		192.9		+5.5%
Gross profit	68.5	37.4%	59.4	30.8%	(6.6ppt)
Operating expenses	73.0	39.9%	86.5	44.8%	+18.5%
Operating income	(4.7)	(2.6%)	(26.7)	(13.8%)	

At constant exchange rates and compared with the previous year, Security revenue was up 9% in 2007 full year, and up 26% in the second semester.

The operating performance of Security in 2007 reflected the investments made to support our growth and consolidate our leadership in Government Programs. Profitability was also reduced by the lower contribution from patent licensing in 2007. As with Secure Transactions, industrial footprint rationalization actions, which complicated operations in 2007, will take effect in the coming twelve months and the benefits will begin to materialize in the second half of 2008.

Government Programs revenue was up 23% reflecting the ramp up of deliveries in e-passport, e-identity and e-health projects won during previous years around the world.

Identity & Access Management, which addresses on-line security for corporations, posted lower revenue by 3%. Lower deliveries of secure microprocessor devices in the Americas were partly offset by deliveries of online banking authentication solutions in the UK and by shipments of secure USB tokens to Asian customers.

Patent licensing revenue was € 23 million, down by € 4 million compared to 2006.

The lower gross profit and 6.6 percentage points decrease in gross margin in this segment was largely due to the lower patent licensing activity. In line with Gemalto's strategy to grow the Security business, Research & Engineering and Sales & Marketing expenses increased by € 4.1 million and € 6.4 million respectively. Allocation of technical and marketing resources to this growing business played a key part in the winning of several large-scale tenders. As a result of these investments, which were expensed, the segment reported an operating loss of € 26.7 million for 2007.

Ramp-up of the many large Government Program contracts won in 2007 will drive Security growth in 2008. IAM solutions for enterprise security and online banking authentication continue to gain customer attention and generate market demand. Patents licensing is expected to return to lower levels in the short term, following the 2006 and 2007 surge of activity.

Public Telephony

	Full year 2006		Full year 2007		Year-on-year change at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	58.8		43.7		(25.7%)
Gross profit	6.5	11.1%	10.6	24.3%	+63.1
Operating expenses	6.4	10.8%	4.0	9.1%	(37.5%)
Operating income	0.1	0.1%	7.3	16.8%	

Memory cards for Public Telephony contribute now less than 3% of Group revenue, as worldwide demand continues to decrease, reflecting the even more widespread usage of mobile telephony worldwide.

The increase in gross margin and the reduction in operating expenses reflect the aggressive cost adjustments in manufacturing and support structure carried out since the merger.

Consequently, the segment reported an operating income of € 7.3 million in 2007.

Point-of-Sale Terminals

	Full year 2006		Full year 2007		Year-on-year change at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	50.4		56.0		+11.1%
Gross profit	12.1	23.9%	9.6	17.2%	(20.7%)
Operating expenses	13.5	26.9%	15.6	27.8%	+15.6%
Operating income	(1.4)	(2.8%)	(5.9)	(10.4%)	

The launch of a new range of products developed on a new technology platform in the fourth quarter of 2006 generated much of the revenue growth of 2007.

To accompany the launch of these new products we continued to allocate resources in the development of derivative products, customizations and high end applications for the new platform.

As a result, this segment reported an operating loss of € 5.9 million.

Outlook

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

In 2008 we will benefit from the robust market demand we currently experience in our main segments. 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 impacting our activities, aside from the evolution in the average exchange rates between the Euro and other currencies. Growth and increased profitability will be driven, besides higher synergies, by the return to growth in Mobile Communications, the return to profit in Secure Transactions, and the ramp up of our recent contract wins in Security.

The successful completion of our 2006-2009 plan will create a strong foundation for our next phase of development

Reporting calendar

First quarter 2008 revenue will be reported on April 24, 2008, before the opening of Euronext Paris.

DESCRIPTION OF ADJUSTED MEASURES

Due to the combination with Gemplus, Gemalto's financial statements have undergone significant change, due in particular to the accounting treatment of this transaction in accordance with IFRS 3 "Business Combination". To supplement the financial statements presented on an IFRS basis, the Group presents the adjusted information described in the table below.

Adjusted measures exclude certain business combination accounting entries, and expenses directly incurred in connection with the combination with Gemplus, that the Group believes are helpful in understanding its past financial performance and its future results. Adjusted 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 consolidated financial statements prepared in accordance with IFRS. Management regularly uses these supplemental adjusted financial measures internally to understand, manage and evaluate the business and take operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of executives is based in part on the performance of the business based on these adjusted measures. Adjusted financial measures reflect adjustments based on the following items, as well as the related income tax effect:

- **Amortization of inventory step-up:** IFRS 3 "Business Combination" requires Gemalto to value work-in-progress and finished goods assumed in connection with the combination at net realizable value (the estimated revenue derived from the future sale of these goods less expected selling cost). Therefore, the value of this inventory in the books of Gemplus on combination date was adjusted accordingly (step-up). Thus, subsequent sales of the work-in-progress and finished products carried in Gemplus' inventory at the time of the combination generate a lower margin than if they were manufactured after the acquisition, all other factors being equal. The amortization expense related to this step up is therefore disclosed in the income statement under a separate line below Cost of Sales. The adjustment, eliminating amortization of inventory step-up, is intended to restore the normal margin of such sales. The Group believes this adjustment is useful to investors as a measure of the ongoing performance of its business.
- **Additional stock-based compensation impact** specifically due to the accounting treatment of the combination: As prescribed by IFRS 2 "Share-based payment" and IFRS 3 "Business Combination", vested and unvested stock options or awards granted by an acquirer in exchange for stock options or awards held by employees of the purchased company, or any substantially equivalent commitment by the acquirer to assume the obligations of the acquiree with regards to stock options granted to the latter's employees, as is the case for Gemalto under the Combination Agreement, shall be considered to be part of the purchase price for the acquirer, and the fair value (at the effective date of the acquisition or merger) of the new (acquirer) awards shall be included in the purchase price. It leads to increase the compensation charge related to stock-options granted by Gemplus prior to the acquisition. The adjustment, eliminating the additional stock-based compensation charge, is intended to reflect the compensation charge that Gemplus would expense if the company continued to operate on a standalone basis. The Group believes this adjustment is useful to investors as a measure of the ongoing performance of its business.
- **Amortization and depreciation of intangible assets:** amortization and depreciation of intangible assets created as a result of the combination with Gemplus have been excluded from the adjusted profit for the period. The Group believes this is useful because, prior to this combination in the second quarter of fiscal 2006, it did not incur significant charges of this nature, and the exclusion of this amount helps investors understand the evolution of IFRS operating expenses in periods subsequent to the combination with

Gemplus. Investors should note that the use of intangible assets contributed to revenue earned during the period and will contribute to future revenue generation and that these amortization expenses will be recurring.

• **Combination related charges:** In 2006, Gemalto incurred material expenses in connection with the combination with Gemplus, which it would not have otherwise incurred. Combination related charges consist of professional advisory services incurred in connection with the integration, new Gemalto brand and logo creation and worldwide registration, as well as impairment charges related to capitalized development costs on projects which are redundant with existing products or technologies available in Gemplus. Gemalto also determined that its investment in a listed company was impaired as a consequence of the combination with Gemplus. The related impairment charge was recorded in Financial income (loss) in the first half of 2006. In the first half of 2007, Gemalto incurred combination related charges for € 1.2 million. The Group may incur further combination related expenses in the coming months. It believes it is useful for investors to understand the effect of these expenses on its cost structure.

• **Reorganization charges:** charges incurred in connection with headcount reductions in the support functions, the consolidation of manufacturing and office sites (including property, plant and equipment, intangible asset and inventory write-offs and impairment, asset transfer costs, under-absorption costs linked to plant closure, severance and associated costs, lease termination and building refurbishment cost) and the rationalization and harmonization of the product and service portfolio.

Summary

Gemalto provides two sets of income statements for the full year of 2007:

- IFRS consolidated income statement, pursuant to its regulatory obligations
- Adjusted income statement

Gemalto IFRS consolidated income statement	- Includes all charges resulting from the accounting treatment of the combination with Gemplus (amortization and impairment of intangible assets, additional stock-based compensation), and one-off expenses and reorganization charges incurred in connection with the combination (reorganization and combination related charges).
Gemalto adjusted income statement	- Combination assumed to have taken place as of January 1, 2005. - Excludes one-off expenses and reorganization charges incurred in connection with the combination with Gemplus (reorganization and combination related charges) and all charges resulting from the accounting treatment of the combination.

In addition, because the business combination between Gemalto and Gemplus took place as of June 2, 2006, the adjusted financial information presented for the first half of 2006 was prepared on a pro forma basis, and reflects the combined activity of the two companies over the period, assuming that the combination had taken place as of January 1, 2005.

Conference call

Gemalto will hold an analysts and investors meeting to present its financial results for the full year of 2007. The meeting will take place today at the Pavillon Gabriel, 8 Avenue Gabriel, 75008 Paris, and will start at 10:00 am Paris time. Prepared remarks will be in French.

The company has also scheduled a conference call in English for today at 3:00 pm Paris time (2:00 pm London time and 10:00 am New York time). Callers may participate in the live conference call by dialling:
+44 (0) 207 806 1966 or +1 718 354 1385 or +33 1 70 99 43 01.

The presentation slide show will be available for download on our Investor Relations web site (www.gemalto.com/investors) at 9:00 am Paris time (8:00 am London time, 4:00 am New York time).

Replays of the conference call will be available from approximately 2 hours after the conclusion of the conference call until March 26, 2008 midnight Paris time by dialling:

+44 (0) 207 806 1970 or +1 718 354 11 12 or +33 1 71 23 02 48, access code: 5307734#.

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About Gemalto

Gemalto (Euronext NL 0000400653 GTO) is the leader in digital security with pro forma 2007 annual revenues of over €1.6 billion, more than 85 offices in 40 countries and about 10,000 employees including 1,300 R&D engineers.

In a world where the digital revolution is increasingly transforming our lives, Gemalto's solutions are designed to make personal digital interactions more convenient, secure and enjoyable.

Gemalto provides end-to-end solutions for digital security, from the development of software applications, through the design and production of secure personal devices such as smart cards, SIMs, e-passports, and tokens to the deployment of managed services for its customers.

More than a billion people worldwide use the company's products and services for telecommunications, financial services, e-government, identity and access management, multimedia content, digital rights management, IT security, mass transit and many other applications.

As the use of Gemalto's software and secure devices increases with the number of people interacting in the digital and wireless world, the company is poised to thrive over the coming years.

Gemalto was formed in June 2006 by the combination of Axalto and Gemplus.

For more information please visit www.gemalto.com

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Appendix 1

Full year 2007 Adjusted income statement by business segment (unaudited)

€ in millions	Twelve months ended December 31, 2007					
	Mobile Communication	Secure Transactions	Security	Public Telephony	Point-of-Sale Terminals	Total
Revenue	925.5	413.4	192.9	43.7	56.0	1,631.5
Gross profit	345.5	75.1	59.4	10.6	9.6	500.2
Operating expenses	224.2	89.7	86.5	4.0	15.6	419.9
Operating income (loss)	122.7	(13.9)	(26.7)	7.3	(5.9)	83.6

Full year 2006 Adjusted pro forma income statement by business segment (unaudited)

€ in millions	Twelve months ended December 31, 2006					
	Mobile Communication	Secure Transactions	Security	Public Telephony	Point-of-Sale Terminals	Total
Revenue	993.8	412.2	182.9	58.8	50.4	1,698.2
Gross profit	334.3	81.7	68.5	6.5	12.1	503.0
Operating expenses	256.1	93.1	73.0	6.4	13.5	442.2
Operating income (loss)	77.6	(11.6)	(4.7)	0.1	(1.4)	59.9

Appendix 2

Deliveries of secure personal devices (unaudited)

In millions of units	FY 2006 Pro forma	FY 2007	% growth
SIM cards	901	956	+6%
Secure Transactions	218	231	+6%
Security	29	38	+29%
Total	1,148	1,225	+7%

Appendix 3

Full year revenue by region (unaudited)

€ in millions	FY 2006 pro forma	FY 2007	Year-on-year change at historical exchange rates	Year-on-year change at constant exchange rates
EMEA	923.6	913.0	(1%)	0%
North & South America	416.4	387.0	(7%)	1%
Asia	358.1	331.5	(7%)	0%
Total revenue	1,698.2	1,631.5	(4%)	0%

Appendix 4

Consolidated Income Statement for the twelve month period ended December 31, 2007 Reconciliation from IFRS to Adjusted financial information(unaudited)

€ in millions	IFRS financial information	Adjustment relating to combination related expenses	Adjustment relating to reorganization charges	Adjustment relating to amortization of intangible assets	Adjustment relating to stock based compensation	Adjustment relating to investment disposal	Adjusted financial information
Sales	1,629.5		2.0				1,631.5
Cost of sales	(1,135.5)		4.4		(0.1)		(1,131.3)
Inventory step-up amortization	0.0						0.0
Gross Profit	493.9	0.0	6.4	0.0	(0.1)	0.0	500.2
Research & Engineering expenses	(102.7)				(0.0)		(102.8)
Sales & Marketing expenses	(217.3)				(0.2)		(217.6)
G&A expenses	(99.7)				(0.5)	0.7	(99.5)
Other Operating expenses	3.3						3.3
Combination related expenses	(1.2)	1.2					0.0
Reorganization expenses	(100.0)		100.0				0.0
Amortization and impairment of intangible assets	(47.5)			47.5			0.0
Operating Income (EBIT)	(71.2)	1.2	106.4	47.5	(0.9)	0.7	83.7
Financial Income	10.5						10.5
Share of profit (loss) of associates	0.4						0.4
Gain on sale of an Investment in Associate	11.2					(0.7)	10.5
Profit before taxes	(49.1)	1.2	106.4	47.5	(0.9)	0.0	105.1
Income tax	3.5		(5.5)	(13.8)			(15.9)
Profit (loss) for the period	(45.6)	1.2	100.9	33.6	(0.9)	0.0	89.2
Attributable to shareholders	(50.2)						84.6
Attributable to minority interest	(4.6)						(4.6)

Appendix 5

Cash position variation schedule (unaudited)

€ in millions	FY 2006 *	FY 2007
Cash and cash equivalent, beginning of period	637	430
Cash generated by (used in) operating activities **	68	99
Including cash provided by (used in) decrease (increase) of working capital	(39)	21
Capital expenditure and acquisitions of intangibles	(71)	(60)
Free cash flow	(4)	39
Interest received (paid), net	13	9
Cash generated by disposal of investments	0	25
Other cash generated by (used in) investing activities	(3)	(3)
Cash used in connection with the Combination with Gemplus***	(27)	(4)
Cash generated by (used in) operating and investing activities	(20)	66
June 2, 2006 distribution to Gemplus shareholders	(164)	0
Cash used by the share buy-back program	0	(144)
Other cash used in financing activities	(6)	(9)
Other (translation adjustment mainly)	(16)	(6)
Cash and cash equivalent, end of period	430	337
Current and non-current borrowings including finance lease, end of period	(34)	(24)
Net cash, end of period	396	314

* Prepared on a pro forma basis

** Cash generated by (used in) operating activities takes into account the use of € 31.2 million in cash in connection with restructuring actions in 2007 (estimate). Restructuring actions used € 15.0 million in cash in 2006 (estimate).

*** Including acquisition cost of the remaining share of Gemplus during the squeeze-out process in January 2007, for 4 million

Appendix 6

Consolidated balance sheets for the periods ended December 31, 2006 and 2007 (unaudited)

<i>In thousands of Euro</i>	Year ended December 31,	
	2006 (*)	2007
ASSETS		
Non-current assets		
Property, plant and equipment, net	242,922	217,095
Goodwill, net	547,572	543,831
Intangible assets, net	115,633	73,715
Investments in associates	15,912	8,294
Deferred income tax assets	17,897	21,891
Available-for-sale financial assets, net	7,401	1,445
Assets held for sale	-	3,479
Other non-current assets	25,910	22,774
Total non-current assets	973,247	892,524
Current assets		
Inventories, net	177,814	173,737
Trade & other receivables, net	447,162	439,505
Derivative financial instruments	6,407	15,750
Cash & cash equivalents	430,326	337,441
Total current assets	1,061,709	966,433
Total assets	2,034,956	1,858,957
EQUITY		
Capital and reserves attributable to the company's equity holders		
Share capital	90,083	91,016
Share premium	1,241,326	1,247,140
Treasury shares	(5,240)	(139,932)
Fair value and other reserves	73,151	82,674
Cumulative translation adjustment	(4,158)	(22,475)
Retained earnings	22,319	(27,746)
	1,417,481	1,230,677
Minority interest	26,884	11,568
Total equity	1,444,365	1,242,245
LIABILITIES		
Non-current liabilities		
Borrowings	26,429	16,710
Deferred income tax liabilities	28,219	14,816
Retirement benefit obligation	33,272	25,959
Provisions and other liabilities (**)	61,395	79,722
Total non-current liabilities	149,315	137,207
Current liabilities		
Trade & other payables (**)	407,883	392,459
Current income tax liabilities	9,902	7,089
Borrowings	7,787	6,918
Derivative financial instruments	280	468
Provisions & other liabilities	15,424	72,571
Total current liabilities	441,276	479,505
Total liabilities	590,591	616,712
Total equity and liabilities	2,034,956	1,858,957

(*) Compared to the published consolidated financial statements for the year ended December 31, 2006, balance sheet has been modified due to reassessment of the fair value of certain assets acquired, liabilities and contingent liabilities assumed from Gemplus at the contribution date, as required by IFRS 3.

(**) Compared to the published consolidated financial statements for the year ended December 31, 2006, Trade and other payables have been reclassified to Non-current provisions and other liabilities for €22,587.

Consolidated income statements for the periods ended December 31, 2006 and 2007 (unaudited)

<i>In thousands of Euro</i>	Year ended December 31,	
	2006 (*)	2007
Revenue	1,319,392	1,629,487
Cost of sales	(934,727)	(1,135,544)
Amortization of inventory step-up	(15,166)	-
Gross profit	369,499	493,943
Operating expenses		
Research and engineering	(85,077)	(102,739)
Sales and marketing	(164,029)	(217,347)
General and administrative	(86,027)	(99,713)
Other income (expense), net	(3,933)	3,343
Combination related expenses	(8,519)	(1,241)
Reorganization expenses	(19,458)	(100,026) [■]
Amortization and depreciation of intangible assets	(36,620)	(47,454)
Operating result	(34,164)	(71,234)
Finance income (expenses), net	4,355	10,465
Share of profit (loss) of associates	(1,091)	432
Gain on sale of investment in associate	-	11,224
Profit (loss) before income tax	(30,900)	(49,113)
Income tax credit (expense)	(42,494)	3,474
Profit (loss) for the period	(73,394)	(45,639)
Attributable to		
Equity holders of the company	(66,383)	(50,190)
Minority interest	(7,011)	4,551
Basic earnings per share	(1.07)	(0.58)
Diluted earnings per share	(1.07)	(0.58)
Average number of shares outstanding	62,174	86,172

(*) Balance values shown for 2006 include 7 months of Gemplus operations only (from June 2, 2006 to December 31, 2006).

Consolidated statements of changes in shareholders' equity for the periods ended December 31, 2006 and 2007 (unaudited)

In thousands of Euro	Number of shares	Attributable to equity holders of the company						Minority interest	Total equity
		Share capital	Share premium	Treasury shares	Fair value & other reserves	Cumulative translation adjustment	Retained earnings		
Shareholders' equity as of January 1, 2006	40,578,435	40,579	450,369	(3,211)	(4,252)	17,466	88,702	2,424	592,077
Movements in fair value and other reserves:									
- Currency translation adjustments						(21,624)		(741)	(22,365)
- Gains/(losses) on Treasury shares					1				1
- Fair value gains/(losses), net of tax:									
Financial assets available-for-sale					6,435				6,435
Variation of actuarial gains and losses in pension obligation					2,806			75	2,881
Cash flow hedges					3,868			(888)	2,980
Net income/(expense) recognized directly in equity		-	-	-	13,110	(21,624)	-	(1,554)	(10,068)
Profit/(Loss) for the period							(66,383)	(7,011)	(73,394)
Total recognized income for 2006		-	-	-	13,110	(21,624)	(66,383)	(8,565)	(83,462)
Employee share option scheme					64,293				64,293
Purchase of Treasury shares, net				(2,029)					(2,029)
Capital increase further to Contribution in Kind of Gemplus									
International SA shares	21,985,104	21,985	488,949						510,934
Capital increase further to acquisition of minority interests in Gemplus									
International S.A.	27,518,996	27,519	510,939						538,458
Costs incurred on Gemalto share capital increase			(3,998)						(3,998)
Excess of purchase price on subsequent acquisitions of Gemplus shares			(204,933)						(204,933)
Minority interest on Gemplus acquisition								36,704	36,704
Dividend								(3,679)	(3,679)
Balance as of December 31, 2006 (*)	90,082,535	90,083	1,241,326	(5,240)	73,151	(4,158)	22,319	26,884	1,444,365
Movements in fair value and other reserves:									
- Currency translation adjustments						(18,317)		(420)	(18,737)
- Gains/(losses) on Treasury shares					72				72
- Fair value gains/(losses), net of tax:									
Financial assets available-for-sale					(4,417)				(4,417)
Variation of actuarial gains and losses in pension obligation					2,555				2,555
Cash flow hedges					7,382			(22)	7,360
Revaluation further to acquisition of LMG minority interest							125		125
Net income/(expense) recognized directly in equity		-	-	-	5,592	(18,317)	125	(442)	(13,042)
Profit/(Loss) for the period							(50,190)	4,551	(45,639)
Total recognized income for 2007		-	-	-	5,592	(18,317)	(50,065)	4,109	(58,681)
Employee share option scheme					3,931				3,931
Purchase of Treasury shares, net				(134,692)					(134,692)
Capital increase further to acquisition of minority interests in Gemplus	933,309	933	17,763						18,696
Excess of purchase price on subsequent acquisitions			(11,949)						(11,949)
Minority interest on Gemplus acquisition								(13,943)	(13,943)
Dividend								(5,482)	(5,482)
Balance as of December 31, 2007 (**)	91,015,844	91,016	1,247,140	(139,932)	82,674	(22,475)	(27,746)	11,568	1,242,245

(*) Compared to the published consolidated financial statements for the year ended December 31, 2006, balance sheet has been modified due to reassessment of the fair value of certain assets acquired, liabilities and contingent liabilities assumed from Gemplus at the contribution date, as required by IFRS 3.

(**) 83,491,578 outstanding shares as of December 31, 2007

Consolidated statements of cash flow for the periods ended December 31, 2006 and 2007 (unaudited)

<i>In thousands of Euro</i>	Year ended December 31,	
	2006	2007
Cash flows from operating activities		
Cash generated from operations	93,673	90,978
Interest paid	(1,512)	(2,288)
Income tax paid (refunded)	(15,628)	7,681
Net cash provided by (used in) operating activities	<u>76,533</u>	<u>96,371</u>
Cash flows from (used in) investing activities		
Acquisition of subsidiary, cash acquired net of costs	205,001	75
Purchase of Gemplus minority interests	-	(4,068)
Purchase of minority interests in subsidiaries	-	(2,486)
Purchase of property, plant & equipment	(49,529)	(42,260)
Proceeds from sale of property, plant & equipment	148	2,099
Purchase of intangible assets	(7,474)	(21,657)
Refund (purchase) of non-current assets	(903)	2,132
Proceeds from sale of available-for-sale investments	-	5,614
Proceeds from sale of investments in associate	-	16,877
Proceeds from dissolution of an investment in associate	-	2,343
Purchase of investments in associates	-	(290)
Interest received	11,338	11,650
Net cash provided (used in) investing activities	<u>158,581</u>	<u>(29,971)</u>
Cash flows from (used in) financing activities		
Proceeds from exercise of stocks options	2,241	6,224
Purchase of Treasury shares (net)	(2,138)	(144,309)
Proceeds from borrowings	1,763	1,560
Repayments of borrowings	(5,767)	(11,154)
Dividends paid to minority interests	(3,813)	(5,486)
Net cash provided by (used in) financing activities	<u>(7,714)</u>	<u>(153,165)</u>
Net increase (decrease) in cash and bank overdrafts	227,400	(86,765)
Cash and bank overdrafts, beginning of period	219,095	429,597
Currency translation effect on cash and bank overdrafts	(16,898)	(6,017)
Cash and bank overdrafts, end of period	<u>429,597</u>	<u>336,815</u>