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Governance

Governance at a glance

Corporate governance

For more information see pages 54 to 59

Core principles
The Board is responsible for Gemalto’s corporate governance structure and for compliance with the amended Dutch corporate governance code dated December 10, 2008, as applicable during the 2009 financial year. The Company complies with the principles and best practice provisions of the Dutch corporate governance code with the exception of the best practice provisions listed on page 54.

Board structure
The Company has a one-tier Board comprising:
- One Executive Board member, the CEO.
- Non-executive Chairman.
- Eight further Non-executive Board members.

The Board held nine meetings during 2009, five in person and four by conference call.

The Board has ultimate responsibility for the management, general affairs, direction and performance of the business as a whole. The CEO conducts the day-to-day management of the Company.

The CEO is supported by the senior management team that consists of ten Executive Vice-Presidents, including the Chief Financial Officer.

Board committees
The Board committees are:
- Audit committee – held eight meetings during 2009.
- Compensation committee – held six meetings during 2009.
- Nomination and Governance committee – held five meetings during 2009.
- Strategy and M&A committee – held six meetings during 2009.

Board composition
The members of the Board can be found on pages 64 to 66. Board member changes are set out on page 55 and 56.

Report of the Non-executive Board members
The report of the Non-executive Board members describes the activities of the Board and the different Board committees during 2009. The report can be found on pages 68 and 69.

Internal risk management and control systems

For more information see pages 60 to 62

Core principles
The principal aim of Gemalto’s internal risk management structure and control systems is to manage business risks, with a view to enhancing the value of shareholders’ investments and safeguarding assets. Management has put in place a number of key policies, processes and independent controls to provide assurance to the Board as to the integrity of Gemalto’s reporting and effectiveness of its systems of internal control and risk management.

Risk assessment
In 2007, Gemalto initiated an enterprise risk assessment and subsequently issued a risk map together with action plans to mitigate the key risks. An update of these action plans was presented to the Audit committee and twice to the Board in 2009. For a detailed description, see page 62.

Internal control
Gemalto’s management regards internal control as a responsibility that is shared by all managers and that is met by implementing a set of processes and procedures within Gemalto intended to provide reasonable assurance that risks are mitigated, financial reporting is reliable, applicable laws and regulations are complied with, and that the objectives of the Board can be attained (see pages 61 and 62).
Remuneration

For more information see pages 70 to 77

2009 Remuneration Report of the Board
The 2009 Remuneration Report of the Board, as drawn up by the Compensation committee, contains an account of the manner in which the Remuneration Policy for the CEO was implemented in 2009, and is scheduled to be implemented in 2010 (see pages 70 to 76).

Remuneration Policy for the CEO
The Remuneration Policy for the CEO was adopted by the AGM on May 11, 2005 and was most recently amended by the AGM of May 14, 2008. The Remuneration Policy is published on Gemalto’s web site. The Remuneration Policy also serves as a guidance to establish the senior management remuneration (not addressed in this report).

The objectives of the Remuneration Policy and the remuneration policy for the management are to attract, retain and reward talented staff and management, by offering compensation that is competitive in the industry, motivates management to surpass the Company’s business objectives and aligns the interests of management with the interests of the shareholders.

Remuneration of the CEO, including his function as Executive Board member
The General Meeting, upon the proposal of the Board, determines the Remuneration Policy for the CEO, including for his function as Executive Board member. The remuneration of the CEO shall, with due observance of the Remuneration Policy, be determined by the Board. For details on the compensation of the CEO for the financial year 2009, see page 73.

Remuneration of the Non-executive Board members
The remuneration of the Non-executive Board members, including the remuneration of the Chairman of the Board and the members of the Board committees is determined by the General Meeting. The remuneration is reviewed annually by the Compensation committee. For details on the remuneration structure for the Non-executive Board members, see pages 76 and 77.

Long-term incentive plans – Global Equity Incentive Plan
Gemalto has established a Global Equity Incentive Plan enabling the Board to grant options, restricted shares units and/or share appreciation rights to eligible employees (see page 77).

Long-term incentive plans – Global Employee Share Purchase Plan
Gemalto has established a Global Employee Share Purchase Plan enabling the Board to offer the opportunity to eligible employees to purchase shares in the Company at a discount to the prevailing market price (see page 77).
Governance

Corporate governance

This section, which will be presented to the Annual General Meeting of Shareholders (‘AGM’) of 2010, provides a broad outline of Gemalto’s corporate governance structure, its implementation during 2009, and its compliance with the amended Dutch corporate governance code dated December 10, 2008.

General

Gemalto N.V. (‘Gemalto N.V.’ or the ‘Company’) is the parent company of the Gemalto group (‘Gemalto’ or the ‘Group’). The Company was incorporated in the Netherlands as a private company with limited liability on December 10, 2002. The Company was formerly named Axalto Holding N.V. and changed its name on June 2, 2006 in connection with the combination with Gemplus International S.A. (‘Gemplus’), hereinafter the ‘Combination’. The Company’s shares have been listed on Eurolist by Euronext Paris S.A. (formerly named Premier Marché) (Euronext NL0000400653) since 2004. The corporate seat of the Company is Amsterdam, the Netherlands, and its registered office address is Barbara Strozzielaan 382, 1083 HN, Amsterdam, the Netherlands. The Company is registered with the trade register in Amsterdam, the Netherlands under No. 27.25.50.26.

The Company is required to comply with, inter alia, Dutch law, Dutch corporate governance rules, Dutch AFM rules, French AMF rules and Euronext Paris Stock Exchange rules and related regulations, insofar as applicable to the Company.

Compliance with the Dutch corporate governance code

The Board is responsible for Gemalto’s corporate governance structure and for compliance with the amended Dutch corporate governance code dated December 10, 2008, as applicable during the 2009 financial year. The Company complies with the principles and best practice provisions of the Dutch corporate governance code with the exception of the below listed best practice provisions. These deviations are explained in the relevant paragraphs of the Annual Report.

• Provision II.1.7: a whistle-blower procedure has been established compliant with the French legal requirements and as a consequence with a restricted scope. Please refer to ‘Internal risk management and control systems’, page 55.
• Provision II.2.7: amendment of the vesting date of options granted to Mr. O. Piou as CEO. Please refer to ‘Deviations from the Dutch corporate governance code in terms of remuneration’, page 76.
• Provision II.2.8: maximum remuneration in the event of dismissal of Mr. O. Piou as CEO. Please refer to ‘Deviations from the Dutch corporate governance code in terms of remuneration’, page 76.
• Provision II.2.10: (ultimum remedium). Please refer to ‘Deviations from the Dutch corporate governance code in terms of remuneration’, page 76.
• Provision II.2.13 (e): content of the Remuneration Report; i.e. non-disclosure of the companies of the Comparison Group. Please refer to ‘Deviations from the Dutch corporate governance code in terms of remuneration’, page 76.
• Provision III.5.1: until May 28, 2009, non-compliance with the recommendation that not more than one member of the Nomination and Governance committee shall be non-independent. Please refer to ‘Report of the Nomination and Governance committee’, page 69.
• Provision III.8.1: appointment of the former Executive Chairman as Non-executive Chairman of the Board. Please refer to ‘(Vice-)Chairman of the Board and Company Secretary’, page 57.
• Provision III.8.4: until May 20, 2009, non-compliance with the recommendation that a majority of the Board shall be independent. Please refer to ‘Independence’, page 68.

The Corporate Governance Code can be found on www.commissiecorporategovernance.nl.

Board of Directors

One-tier Board

The Company has a one-tier Board, comprising one Executive Board member, the CEO, and a majority of Non-executive Board members. The Board has ultimate responsibility for the management, general affairs, direction and performance of the business as a whole. The tasks and functions of the Board, as described in the Articles of Association and the Board charter, include the duties recommended in the Dutch corporate governance code.

The CEO conducts the day-to-day management. The CEO does not require the approval or consent of the Board for any decisions in respect of day-to-day management. The duties and powers of the Board include those matters specified in the Articles of Association. The Board may delegate powers regarding matters that fall outside the area of the day-to-day management to the CEO and consequently these matters do not require a resolution of the Board.

The Articles of Association and the Board charter, as updated in 2009, are published on Gemalto’s web site.
Meetings of the Board
The Board meets at least four times per year, including a meeting on the corporate strategy and the main risks of the business, the result of the assessment of the design and effectiveness of the internal risk management and control systems, as well as any significant changes in such matters. The Board discusses at least once a year the evaluation of the performance of the Board and the Board committees, and of the CEO and the individual Non-executive Board members. The Non-executive Board members meet regularly, at least once a year, in the absence of the CEO and members of the management.

Operational and financial objectives and strategy
During 2009, the Board discussed the parameters to be used for measuring performance, adopted Gemalto’s 2010-2013 Development Plan and the operational and financial objectives of Gemalto for 2010.

Strategy
The Board discussed at several meetings Gemalto’s strategic plans and their implementation, reviewed the development of business activities and various investment opportunities. For more information on the Company’s strategy, please refer to ‘Our strategy’, pages 12 to 13.

Operational and financial objectives – budget
The Board sets the framework and key objectives of the budget, which includes the operational and financial objectives of Gemalto. Budgets are constructed bottom-up, assessed by the Board and adjusted top-down where necessary to meet Gemalto’s objectives. The budget for 2009 was approved by the Board at the December 2008 Board meeting. The budget for 2010 was approved by the Board at the December 2009 Board meeting.

Corporate Social Responsibility
The Board is responsible for the corporate social responsibility issues that are relevant to Gemalto. For more information, please refer to ‘Sustainability’, pages 42 to 49.

Internal risk management and control systems
Gemalto maintains operational and financial risk management systems and procedures and has monitoring and reporting systems and procedures.

Among those procedures, Gemalto has a code of ethics, updated in 2009, which provides guidelines for the conduct of all employees with respect to internal controls, financial disclosures, accountability, business practices and legal principles.

The Board has established a whistle-blower procedure for the receipt, retention and treatment of complaints received by Gemalto regarding suspected financial irregularities. Departing from the Dutch corporate governance code, to be in line with EU and French rules regarding data protection, suspected irregularities of a general or operational nature are not covered by the whistle-blower code, but shall be reported internally to the relevant manager.

Gemalto has a policy on the ownership of, and transactions in Gemalto securities. The code of ethics, the whistle-blower code and the policy on the ownership of and transactions in Gemalto securities are published on Gemalto’s web site.

For more details on the internal risk management and control systems, please refer to ‘Internal risk management and control systems’, pages 60 to 62. The statement of the Board in accordance with best practice provision II.1.5 of the Dutch corporate governance code can be found in ‘Board compliance statement’, page 63.

Composition of the Board – (term of) appointment
At the 2007 AGM, the maximum number of Board members was set at eleven to allow the Board to determine from time to time its optimal size. The Board currently consists of ten Board members: nine Non-executive Board members and one Executive Board member, the CEO.

Executive and Non-executive Board members are appointed by the General Meeting of Shareholders (‘General Meeting’), whether or not on the binding or non-binding proposal of the Board. If the Board has not made a proposal for appointment, the General Meeting can appoint a candidate by absolute majority of the votes cast in a meeting at which at least one-third of the issued share capital is represented. If the Board has made a non-binding proposal for appointment, the General Meeting can appoint a candidate by absolute majority of the votes cast without a quorum required. If the Board has made a binding proposal, the General Meeting may override the binding nature of such proposal by an absolute majority representing at least one-third of the issued share capital. If the majority has been met, but the quorum not, a second meeting is held at which no quorum is required. So far the Board has not made use of the option to make a binding nomination.

Board members are appointed for a maximum term of four years and may be reappointed, although Non-executive Board members may only be reappointed twice. The Non-executive Board members appoint the Executive Board member as the CEO and can at any time revoke such appointment. If the appointment as CEO of the Executive Board member is revoked, his powers and duties shall be carried out by an ‘Acting CEO’, temporarily appointed by the Non-executive Board members, whether or not from among their midst. The Board appoints one of its Non-executive Board members as Chairman of the Board.

Absent proposal of the Board, the General Meeting may suspend or dismiss Board members only by an absolute majority of votes cast representing at least one-fourth of the Company’s issued share capital. If the quorum is not met, a second meeting can be held at which no quorum is required. If the Board has made a proposal to suspend or dismiss a Board member, a quorum is not required. If Dutch law so permits, the Executive Board member may also be suspended by the Board.

The profile setting out the desired expertise and background of the Non-executive Board members was updated by the Board in October 2009 and is published on Gemalto’s web site. With respect to diversity among Non-executive Board members, the objective pursued is to have a variation of age, gender, expertise, social background and nationality.
The present composition of the Board differs from the intended situation, as all Board members were appointed prior to the introduction of this objective. In as much as possible, a balance shall be strived for to achieve the above mentioned variation. At least one of the Non-executive Board members can be regarded as a financial expert within the meaning of best practice III.3.2 of the Dutch corporate governance code.

Although the appointment of a former Executive Board member as Chairman of a one-tier Board is not in line with the Dutch corporate governance code, after Mr. A. Mandl’s reappointment by the 2007 AGM as Non-executive Board member as of December 2, 2007, for a first term ending at the end of the 2011 AGM, the Board appointed Mr. A. Mandl as Non-executive Chairman of the Board, as of December 2, 2007. The Board is pleased to be able to capitalize further on the knowledge and experience of Mr. A. Mandl within the Group, which is of particular added value for Gemalto and its stakeholders.

At the 2009 AGM, Messrs. K. Atkinson, D. Bonderman and J. Ormerod were reappointed as Non-executive Board members for a second term ending at the end of the 2013 AGM and Mr. J. Fritz was reappointed as Non-executive Board member for a second term ending at the end of the 2012 AGM. Further to the demise of Mr. J. de Wit, Non-executive Board member, on May 28, 2008, there was one vacancy at the Board. In view hereof, the 2009 AGM appointed Mr. B. Alexander as Non-executive Board member for a first term ending at the end of the 2013 AGM.

At the AGM of May 19, 2010, Mr. D. Bonderman will resign from his position as Non-executive Board member. In view hereof there is one vacancy to be filled on the Board. The Board resolved to propose to the AGM of May 19, 2010, the appointment of Mr. Ph. Alfred as Non-executive Board member for a first term ending at the end of the AGM to be held in 2014.

In 2009 the Board adopted a new reappointment schedule, published on Gemalto’s web site, in order to avoid, as far as possible, a situation in which many Board members retire at the same time.

For more information on the individual Board members, please refer to ‘The Board and the management’, pages 64 to 66.

**Board committees**

The Board has formed an Audit committee, a Compensation committee, a Nomination and Governance committee and a Strategy and M&A committee from among the Non-executive Board members. The committees have as their main role to provide a focused analysis and preparation of the subjects within their respective areas of expertise and to report and make recommendations to the Board, subject to the overall responsibility of the Board. The committees do not have executive powers. The duties of each committee are described in their respective charters. Both the Nomination and Governance committee charter, as well as the Strategy and M&A committee charter, were updated in 2009.

**Audit committee**

The committee assists the Board with respect to the quality and integrity of Gemalto’s financial statements, overall internal risk management and control arrangements, compliance with legal and regulatory requirements, the performance, qualifications and independence of the external auditor, and the performance of the internal audit function. The committee consists of four Non-executive Board members and meets at least four times per year. One committee member is considered non-independent. At least one committee member is a financial expert within the meaning of best practice III.3.2 of the Dutch corporate governance code.

**Compensation committee**

The committee assists the Board with a proposal for a Remuneration Policy for the CEO and for the remuneration of the Non-executive Board members to be adopted by the General Meeting. The committee proposes the remuneration of the CEO within the limits of the Remuneration Policy. Furthermore, the committee oversees the general remuneration policy of Gemalto and discusses the grant of Awards, i.e. options, restricted share units and/or share appreciation rights, and the opportunity for eligible employees of Gemalto to purchase shares in the Company at a discount to the prevailing market price. The committee consists of three Non-executive Board members and meets at least three times per year. All committee members are considered independent.

**Nomination and Governance committee**

The committee assists the Board with respect to overseeing new candidates for service on the Board, as well as new members of the senior management of Gemalto. The committee reviews the corporate governance principles applicable to Gemalto and advises the Board on any changes to these principles as it deems appropriate. The committee consists of three Non-executive Board members and meets at least three times per year. One committee member is considered non-independent.

**Strategy and M&A committee**

The Strategy and M&A committee assists the Board with respect to Gemalto’s strategy and the major features of merger, acquisition and divestiture activities. The Strategy and M&A committee consists of four Non-executive Board members and meets at least twice per year. One committee member is considered non-independent.

**Board mandates with third parties**

With respect to the number and type of supervisory Board memberships that the Board members may hold, Executive and Non-executive Board members shall comply with the recommendations of the Dutch corporate governance code, as set out in best practice provisions II.1.8 and II.3.4 respectively.

**Conflicts of interest**

The Articles of Association state the conditions under which potential conflicts of interest exist and Gemalto has formalized rules to avoid conflicts of interests between Gemalto and Board members. For more information on these rules, please refer to article 17 of the Articles of Association.

The Company complied with best practice provisions II.3.2 through II.3.4 and III.6.1 to III.6.3 of the Dutch corporate governance code in relation to conflicts of interest.

For an overview of the related party transactions during 2009, please refer to note 32 of the consolidated financial statements.
Loans or guarantees
Gemalto does not grant personal loans, guarantees, or the like to Board members, and no such loans and guarantees, waivers of loans or guarantees were granted to the Board members in 2009, nor are outstanding as of December 31, 2009.

Indemnification of Board members
To the extent permitted by Dutch law, Board members shall be indemnified by the Company against expenses, such as the reasonable costs of defending claims, as formalized in article 19 of the Articles of Association. Under certain circumstances, such as a claim, issue or matter as to which a Board member has been held liable for gross negligence or willful misconduct in the performance of his duty to the Company, there will be no entitlement to this reimbursement. Gemalto has a liability insurance (Directors & Officers — D&O) for the Board members and corporate officers.

(Vice-) Chairman of the Board and Company Secretary
The Chairman ensures the proper functioning of the Board and the Board committees and acts as the main contact for shareholders regarding the functioning of the Board. The Chairman presides over Board meetings and General Meetings and is responsible for a proper conduct of business at meetings.

In case of the Chairman’s absence or inability to act, the committee chairmen will designate among themselves a vice-chairman, who will temporarily assume the position, in line with the recommendation of the Dutch corporate governance code.

The Board is assisted by a Company Secretary, also General Counsel and Central Officer of the Group. Mr. J-P. Charlet was appointed as Company Secretary by the Board in July 2005.

Senior management team
The CEO is supported by the senior management team that consists of ten Executive Vice-Presidents, including the Chief Financial Officer.

For an overview, please refer to ‘Members of the senior management’, pages 66 and 67.

Shares owned and rights to acquire shares
Board members, including the CEO, hold shares in the Company for the purpose of long-term investment and they are required to comply with the policy on the ownership of, and transactions in Gemalto securities, as posted on Gemalto’s web site.

Gemalto shares
 Certain Board members are shareholders of the Company. On December 31, 2009, they jointly held 371,300 shares, of which Mr. O. Piou owned 367,000 shares.

At the beginning of 2009, Mr. O. Piou was holding 165,056 shares of the Company, having progressively acquired them since 2004 on the market. During 2009, Mr. O. Piou acquired 274,945 shares: 4,945 shares were acquired on the market, 150,000 shares were acquired through the exercise of options and 120,000 shares were acquired through the exchange of vested restricted share units (‘RSU’). Mr. O. Piou sold on the market 73,000 shares, in particular to finance a portion of the options exercise price.

Mr. G. Fink owned 2,800 shares resulting from the exchange of Gemplus shares following the voluntary public exchange offer for the shares of Gemplus (the ‘Offer’) and Mr. M. Soublin owned 1,500 shares purchased in 2004. During 2009, Mr. J. Ommerod deedied his 1,200 shares, resulting from the exchange of Gemplus shares following the Offer.

FCPE units
On December 31, 2009, Mr. O. Piou owned 3,548.16 units in a FCPE (Fonds Commun de Placement d’Entreprise), which units were purchased by his contribution to the Global Employee Share Purchase Plans in 2004, 2005 and 2008.

Restricted Share Units
On December 31, 2009, Mr. O. Piou held 185,000 RSU. 120,000 vested RSU were exchanged for shares in 2009.

Gemalto options
On December 31, 2009, Mr. O. Piou held 800,000 Gemalto options. He exercised 150,000 Gemalto options during 2009.
On December 31, 2009, Mr. A. Mandl (through a company controlled by him) held 200,000 Gemalto options. He did not exercise Gemalto options during 2009.

Gemplus options
On December 31, 2009, the following Board members held Gemplus options: Mr. A. Mandl held 4,520,800 (through a company controlled by him), Mr. D. Bonderman held 11,302 and Mr. J. Fritz held 11,302. At a ratio of 25/2, those Gemplus options can be exercised for Gemalto shares that can be exchanged for Gemalto shares at the same 25/2 ratio, resulting in 361,664 Gemalto shares for Mr. A. Mandl, 904 Gemalto shares for Mr. D. Bonderman and 904 Gemalto shares for Mr. J. Fritz.

During 2009, Mr. A. Mandl exercised 2,291,600 Gemplus options, for which he received 2,291,600 Gemplus shares. Those Gemplus shares were exchanged for 183,328 Gemalto shares at the ratio of 25/2, which Gemalto shares he then sold.

Shares or other Financial Instruments in listed companies other than Gemalto N.V.
Board members are required to comply with regulations concerning the ownership of, and transactions in, securities in listed companies other than Gemalto N.V. This policy is published on Gemalto’s web site.

Shareholders and General Meetings
Share capital and shares of the Company
The Company’s authorized share capital amounts to €150,000,000 and is divided into 150,000,000 ordinary shares, with a nominal value of €1 per share. As of December 31, 2009, the Company’s issued and paid-up share capital amounted to €88,015,844, consisting of 88,015,844 ordinary shares, of which 5,239,631 shares were held in treasury; as a consequence of which 82,776,213 shares were in circulation. During 2009, there were no movements in the issued share capital of the Company.
Based upon the authorization of the Board to repurchase shares in the Company’s share capital, which authorization was granted by the 2008 AGM and renewed by the 2009 AGM, shares were purchased during 2009 to provide liquidity in the secondary market and to have shares available for employees under the GEIP and the GESPP. As of December 31, 2009, 5,239,631 shares were held in treasury, acquired at an average price of €24.80 with a market value as of December 31, 2009 of €159,808,745.50. There are no voting rights attached to shares when held by the Company in treasury.

The Company has only issued ordinary shares, all of the same category, and all in registered form. No certificates representing shares have been issued. Shares are listed on Euronext by Euronext Paris S.A. Company shares can be held in two ways: I. as registered shares, the shareholders being included in the Company’s shareholders register, kept by the Company’s registrar, Netherlands Management Company B.V.; or II. in an account with an account holder or intermediary through Euroclear France S.A., these shares then being included in the Company’s shareholders register in the name of Euroclear France S.A.

AGM held in 2009
The AGM was held on May 20, 2009. No shareholders exercised their right to place items on the agenda for the AGM. In accordance with the Articles of Association, a registration date for the exercise of voting rights was determined for the 2009 AGM.

At the AGM the following items were dealt with, all as separate agenda items: the 2008 annual report, the adoption of the 2008 financial statements, the Company’s dividend policy and the allocation of the 2008 results, (re-)appointment of Non-executive Board members, discharge of the CEO and of the Non-executive Board members for the fulfillment of their respective duties during the financial year 2008, renewal of the authorization of the Board to repurchase shares in the Company’s share capital and the reappointment of the external auditor for the year 2009. The minutes of the meeting are published on Gemalto’s web site.

All shares carry equal rights of voting at the General Meeting. Votes may be cast directly, or voting proxies or voting instructions may be issued to an independent third party prior to the General Meeting. Unless otherwise required by Dutch law or the Articles of Association, resolutions are adopted by an absolute majority of votes cast in a General Meeting where at least one-tenth of the issued share capital is represented.

A General Meeting shall be held in the Netherlands: in Amsterdam, The Hague, Haarlemmermeer (Schiphol-Airport), Utrecht or Rotterdam.

Authorizations to the Board
The Board has the following authorizations, as granted by the AGM:
- To issue shares or grant rights to acquire shares in the Company, as well as to limit or exclude pre-emptive rights accruing to shareholders, as from March 18, 2009 for a period of five years up to and including March 17, 2014. The authorization relates to all shares that can be issued as allowed by the authorized share capital as expressed in the Articles of Association as they may provide from time to time (as of December 31, 2009, 61,984,156 shares remaining out of the 150,000,000 shares);
- To acquire shares in the share capital of the Company up to the maximum of 10% of the issued share capital of the Company, within the limits of the Articles of Association and within a certain price range, up to and including November 19, 2010. On December 31, 2009, the Company’s issued and paid up share capital consisted of 88,015,844 shares, of which 5,239,631 shares were held in treasury, based on which on that date the authorization related to 3,561,953 shares;
- To cancel a number of shares not exceeding 9,101,584 shares, which cancellation may be executed in one or more tranches and the number of shares that may be cancelled (whether or not in one tranche) shall be determined by the Board.

Distribution of profits
The dividend policy of the Company was dealt with and explained as a separate item on the agenda for the first time at the 2005 AGM. The Company’s dividend policy is that the amount of dividends to be paid by the Company to its shareholders shall be determined by taking into consideration the Company’s capital requirements, return on capital, current and future rates of return and market practices, notably in its business sector, as regards the distribution of dividends. The Company did not pay a dividend in 2009 in respect of the 2008 financial year. With due observance of the dividend policy, the Company will propose to the 2010 AGM to distribute a dividend in cash of €0.25 per share in respect of the 2009 financial year.

Prior to the General Meeting’s authority to resolve upon the appropriation of the (remaining) result, the Board has the authority to reserve all or part of the profits made in a financial year. For more information on the distribution of profits or reserves, please refer to articles 32 to 35 of the Articles of Association.

Shareholders’ disclosures
During 2009, the Company received notifications from the Dutch market authorities (AFM) that it had received disclosures of a substantial holding in the share capital of the Company, which disclosures are published on the web site of the AFM (www.afm.nl). As at December 31, 2009, the following disclosures were published on the web site of the AFM, as included in the table here below.

<table>
<thead>
<tr>
<th>Notification date</th>
<th>Notifier</th>
<th>Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 7, 2009</td>
<td>Pioneer Asset Management S.A. (held indirectly through Pioneer Funds, Pioneer CIM and Pioneer Investments Global Portfolio SICAV)</td>
<td>5% (4,402,510 shares)</td>
</tr>
<tr>
<td>May 28, 2009</td>
<td>TPG Advisors III Inc. (held indirectly through TGP Giant LLC, TPG Partners III L.P., TPG GenPar III L.P. and TPG Parallel III L.P.)</td>
<td>6.53% (5,744,448 shares)</td>
</tr>
<tr>
<td>May 28, 2009</td>
<td>Caisse des Dépôts et Consignations (held indirectly through Fonds Stratégique d’Investissement (FSI) and CDC EVM)</td>
<td>8.43% (7,418,500 shares)</td>
</tr>
<tr>
<td>Feb 18, 2009</td>
<td>FMR LLC</td>
<td>5.04% (4,432,311 shares)</td>
</tr>
<tr>
<td>Sept 18, 2008</td>
<td>Gemalto N.V. (5,239,631 shares were held in treasury by the Company as of December 31, 2009)</td>
<td>5.17%</td>
</tr>
</tbody>
</table>
Specific provisions of the Articles of Association

Amendment of the Articles of Association, liquidation or (de-)merger
The General Meeting, upon the proposal of the Board, has the authority to amend the Articles of Association, to dissolve the Company, to legally merge, or to legally demerge, by resolutions adopted by a majority of at least two-thirds of the votes cast at such General Meeting at which at least one-third of the issued share capital is represented. Absent such quorum, a second meeting can be held at which no quorum is required.

Appointment of the external auditor
The Audit committee and Board review the functioning of the external auditor annually. Upon proposal of the Board, the 2009 AGM appointed PricewaterhouseCoopers Accountants N.V. as the Company’s external auditor for the financial year 2009. The Board will propose to the 2010 AGM to reappoint PricewaterhouseCoopers Accountants N.V. as the Company’s external auditor for the financial year 2010.

Quorum requirement
Unless otherwise provided by law or the Company’s Articles of Association of the Company, the General Meeting can only adopt resolutions with an absolute majority in a meeting at which at least 10% of the issued share capital is represented. Absent such quorum, a second meeting can be held at which no quorum is required.
Internal risk management and control systems

Risk management principles

The principal aim of the Group’s internal risk management structure and control systems is to manage business risks, with a view to enhancing the value of shareholders’ investments and safeguarding assets. Management has put in place a number of key policies, processes and independent controls to provide assurance to the Board, as to the integrity of Gemalto’s reporting and effectiveness of its systems of internal risk management and control.

Risk management organization

The diagram gives a synthetic view of the Gemalto risk management organization, as explained hereafter.

Foundations: Risk management at Gemalto is built on solid foundations, as described in ‘Our Strategy’, pages 12 and 13, ‘Sustainability’, pages 42 to 49 and ‘Corporate Governance’, pages 54 to 59.

Gemalto has developed three levers to manage its operational and financial risks in a transversal manner throughout the organization:

Risk assessment: Identifying and assessing our major operational and financial risks enables Gemalto to focus on those that matter and align its action plans and resources accordingly.

Crisis and business continuity management: Having a flexible and tested crisis management organization and business continuity responses helps to reduce the impact of events inherent to Gemalto’s operations (international scope, emerging markets and changing risk arena) and the type of industries in which Gemalto is engaged.

Budget, planning and reporting: Various complementary reporting systems enable Gemalto to obtain the right information at the right time, facilitating the decision-making processes and the monitoring of the efficiency of the actions with regard to its business

Risk management organization

Oversight structure

Board and its committees
(Audit, Compensation, Nomination and Governance, Strategy and M&A)
Senior management, Anti-Fraud commission

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Foundations

Strategy and objectives
Governance (procedures and policies)
Culture and values

RISK ASSESSMENT
CRISIS & BUSINESS CONTINUITY MANAGEMENT
BUDGET, PLANNING & REPORTING
objectives. Gemalto has also a detailed budget and planning process. For more information, please refer to ‘Internal Control over Financial Information’, below and on page 61.

Oversight structure
The oversight structure ensures that the organization is geared towards effective risk management.

Business units and Operations & Innovation
Operations and business managers identify and manage risks in their respective sites or scope of responsibilities in line with Group strategy and standards.

Support functions
Support functions (Finance, Security, IT, Quality, Health Safety and Environment, HRI, and Legal) analyze risks, define prevention and protection standards, as well as policies and procedures. They monitor implementation of the respective risk policies in their own field of expertise.

Assurance bodies
The assurance bodies provide assurance on the design and effectiveness of the risk management processes and compliance with the relevant standards and norms.

The Group Risk Manager, reporting to the General Counsel and Company Secretary, is in charge of driving the enterprise risk assessment (in close cooperation with the Internal Audit Director) and promoting transversal risk management projects. The Group Risk Manager is also responsible for managing the insurance programs for Gemalto.

Strategy of risk transfer to insurers
The Group policy on insurance cover focuses on optimizing and securing the policies contracted by Gemalto. The aim is to protect the Company against exceptionally large or numerous claims at a cost that does not impair the Group’s competitiveness.

The Group does not own or operate any insurance captive.

Gemalto has set up global insurance programs which combine master policies and local insurance policies in countries requiring it. The negotiation and coordination of these programs is carried out centrally for Gemalto with assistance from leading insurance brokers having an integrated international network.

Such an organization facilitates a broad and consistent cover of all Gemalto activities and locations worldwide, cost optimization, global reporting and control, while ensuring compliance with local regulatory requirements. Insurance coverage strategies are periodically reviewed taking into account changes in Gemalto’s risk profile (acquisitions, claims and loss events, activities, etc.) and insurance market trends.

Gemalto maintains insurance programs with policies encompassing property damage, business interruption, public, product and professional liability and Directors’ and Officers’ exposures.

In 2009, the Group continued improvement actions through subscription to multiyear contracts with quality and financially sound insurers.

Internal control environment

Principles
Gemalto’s management regards internal control as a responsibility that is shared by all managers and that is met by implementing a set of processes and procedures intended to provide reasonable assurance that the Board’s objectives will be attained under the corporate governance rules and respecting local laws and regulations.

It has also defined internal control principles and procedures applicable to its main transaction cycles and to its central functions. Internal control is based on granting extended responsibilities and powers to the managers of subsidiaries, to management bodies and to their functional teams (Legal, HR, Purchasing, etc.).

The Company’s internal control system cannot provide absolute assurance. However, while keeping a reasonable balance between cost and assurance, it aims to ensure that realization of objectives is monitored, financial reporting is reliable and, where relevant, applicable laws and regulations are complied with.

Anti-fraud commission
The 2007 anti-fraud assessment project included an inventory of the Company tools and processes covering fraud prevention and detection. Following this, a senior management level operational structure called the ‘Anti-fraud commission’ was defined and put in place in 2008. Its objective was to coordinate the various programs already in place inside the Company, and the response actions in case of fraud.

This structure comprised the Group General Counsel, the EVP Human Resources, the Chief Information Officer, the Quality Health Safety and Security Director and the Internal Audit Director. Its charter was approved by management on August 18, 2008. The commission meets now on a regular basis and has developed an anti-fraud action plan which, among other things, included the issuance of the Gemalto anti-fraud policy in 2009.

Internal Audit
In order to assess and test the internal risk management and control systems, the Company has a dedicated internal audit team that operates in conformity with a charter approved by the Audit committee and in line with international professional standards (Institute of Internal Auditors). The team is composed of eight auditors (as in the previous two years). It has direct and unlimited access to Group operations, documents and employees. The Internal Audit Director reports directly to the CFO and has an open line of communication with the Audit committee Chairman, as well as regular private sessions with the Audit committee.

Internal Audit conducts its missions according to an audit plan approved once a year by the Audit committee based on a risk assessment. Upon request of the Group’s management, Internal Audit also performs several ad-hoc audits on certain aspects of the business. This work is coordinated with the work carried out by the external auditors.

The implementation of recommended and accepted corrective actions is followed up, as and when deemed relevant.

The Internal Audit Director prepares a monthly report which includes a summary of the activity of his department and on the key internal control issues and their status, and submits it to the Chairman of the Audit committee and the CFO.
**Internal control over financial information**

The production and control of financial information is organized so as to be consistent with Gemalto’s operational organization. To ensure the quality and completeness of the financial data produced and reported, Gemalto has set up a process for the production and review of the operating results by management, identified the main risks which have significant impact on the financial statements elements, and implemented preventive and corrective controls so as to mitigate those risks.

**Gemalto 2010-2013 Development Plan**

A new plan was prepared in 2009 covering the whole Group and in line with the Group objectives and strategy.

**Budget and forecast updating process and business reviews**

The budget process covers all operational entities and corporate departments, including treasury. The process begins in October and the result is an annual plan for the Group presented to the Board in December for the following year.

Whenever changes in activity justify it, current-quarter and current-year forecasts are reviewed, and consolidated into an updated forecast for the Group on the basis of actions undertaken to meet Group objectives. They form a key part of the system to co-ordinate and monitor the Group activity. These reviews are carried out every quarter by regional, segment and product line managers.

**Monthly operating and financial results review and reporting processes**

Monthly and quarterly operating results are reviewed in detail during meetings or conference calls held in the first days of the following month between Gemalto’s Corporate Controller and the President and Controller of each business segment and geographic area, on a date fixed in advance in the monthly or quarterly reporting calendar. These meetings or conference calls are also attended by the Chief Accounting Officer and the Internal Audit Director, and in certain instances by the CFO.

Once validated by each area and segment Controller, operating results are consolidated by the corporate accounting department, reviewed by the Corporate Controller, the Chief Accounting Officer and the Finance Director (in charge of treasury and tax), then presented and discussed with the CFO. They are then presented jointly by the Corporate Controller and the CFO to the CEO.

The Corporate Treasurer prepares a monthly report which includes a review of the financial result of the period, of the efficiency of the balance sheet and cash flow hedges, of the client receivables position and of the Group’s cash and debt positions.

On the basis of the operating results review and of the treasury report, the monthly operating dashboard and accompanying CEO and CFO letter are prepared by the Corporate Controller and CFO, and reviewed by the CEO before they are sent to the Board and circulated to the first line of management. The dashboard and accompanying letter cover the activity of the month by business segment, the updated operating income statement forecast for the current quarter, as well as a review of the cash and debt positions and of the working capital.

A review of the activity of the previous few months and of the expected evolution is presented by the CEO and CFO at each meeting of the Board.

**Pre-close reviews**

Quarterly pre-close reviews with each business segment and geographic area are organized by the Corporate Controller and the Chief Accounting Officer in the last days of the quarter. The Internal Audit Director participates in these reviews. They allow prompt identification and communication of any transaction or event which could potentially result in significant impacts on the results or the financial condition of the Group.

**Internal Control over Financial Reporting**

In 2007, a corporate project was launched with the objective of improving internal control over and above the quality of financial reporting. A self-assessment campaign is now performed each year through a financial risks based scoping exercise following the COSO2 model. The self-evaluations of the controls are tested for some critical processes and entities by internal auditors, as well as by external auditors. This campaign is also aimed at defining remediation plans based on identified deficiencies and to follow up the progress of those plans year-on-year.

An annual report on financial internal control is prepared by the CFO and the Internal Audit Director, approved by the CEO and presented to the Audit committee.

**Actions taken in 2009**

**Enterprise risk assessment:**

In 2007 Gemalto started conducting an enterprise risk assessment process, mapping its main risks and mitigation processes, including self-evaluation of the key Company risks by a significant group of employees and advice from third parties. Conclusions were reached in 2008, defining a set of objectives and actions for each identified key risk. In 2009 action plans continued and their status was presented to the Audit committee and twice to the Board.

**Policies and procedures:**

Gemalto maintains operational and financial policies and procedures, which are published on Gemalto’s intranet and regularly updated when required. For example, during 2009, the following main policies and procedures were updated or first-time issued: the code of ethics, the anti-fraud policy, the corporate authority limits, the business acquisitions and divestiture policy and the guidelines for evaluating Gemalto projects bids and proposals.

**Crisis management:**

The foundations of a crisis management organization and communication system, defining key processes and responsibilities, were set up and tested. They will be fully deployed Company-wide in 2010.

**Business continuity:**

Beyond improving its business continuity responses (through the standardization of production tools and processes, multi-sourcing strategies and IT availability) Gemalto leveraged on the H1N1 Pandemic Flu to strengthen its pandemic preparedness plans.

It was also the opportunity to foster collaboration and knowledge sharing between corporate and local teams, and link business continuity actions. This initiative will be enhanced and widened in 2010. A Business Continuity Management Director was recently appointed to organize and coordinate the numerous existing local plans, under a Company-wide project of demonstrated capabilities through strongly tested business continuity plans.
The objectives set for the internal risk management system are to identify the significant financial, operational, social, regulatory, legal and environmental risks that the Company may face, to perform a mapping of these risks and to initiate actions to mitigate, reduce, transfer, hedge, keep and manage, or suppress them. The Company’s risk profile is reported in ‘Principal risks’, pages 40 and 41, and the internal risk management and control systems are described on pages 60 to 62.

The Company operates in a dynamic environment and there may be circumstances in which risks occur that had not yet been identified or in which the impact of identified risks is greater than expected. The Company’s internal controls are designed to manage these risks within limits acceptable to the Company, but may not always prevent or detect all misstatements, inaccuracies, errors, fraud or non-compliance with law and regulations, neither can they provide certainty as to the achievement of the Company’s objectives.

The Board is responsible for reviewing the Company’s system of internal risk management and controls and for assessing their effectiveness. The Audit committee reviewed with management and internal audit the Company’s system of internal risk management and controls focusing on matters relating to financial reporting and on the main operational risks that have been identified, and on the result of actions that had been previously presented and performed by management.

The Board subsequently considered the results of the Audit committee’s review.

For purpose of compliance with the Dutch corporate governance code, to the best of its knowledge, the Board believes that, as regards the risks relating to financial reporting:

- Gemalto’s internal risk management and control systems provide a reasonable assurance that its financial reporting does not contain any errors of material importance;
- Gemalto’s internal risk management and control systems in relation to financial reporting have worked properly in the year 2009.

In conjunction with the European Union Transparency Directive, as incorporated in chapter 5.3 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), the Board hereby declares that, to the best of its knowledge:

- the annual financial statements for the year ended December 31, 2009 give a true and fair view of the assets, liabilities, financial position and profit or loss of Gemalto and its consolidated companies;
- the annual management report gives a true and fair view of the position as per the balance sheet date and the state of affairs during 2009 of Gemalto and its affiliated companies of which the data has been included in the financial statements; and
- the annual management report describes the principal risks that Gemalto faces.

Mr. Alex Mandl  
Non-executive Chairman of the Board

Mr. Olivier Piou  
Chief Executive Officer

Mr. Buford Alexander  
Non-executive Board member

Mr. Kent Atkinson  
Non-executive Board member

Mr. David Bonderman  
Non-executive Board member

Mr. Geoffrey Fink  
Non-executive Board member

Mr. Johannes Fritz  
Non-executive Board member

Mr. John Ormerod  
Non-executive Board member

Mr. Arthur van der Poel  
Non-executive Board member

Mr. Michel Soublin  
Non-executive Board member

Amsterdam, March 2, 2010
Members of the Board

The Board is comprised of the following members:

Alex Mandl (1943) American
Non-executive, non-independent Board member, Chairman of the Board.
Appointed: December 2, 2007 for four years until the AGM of 2011 (first term).
Executive Chairman from June 2, 2006 until December 2, 2007.
Chairman of the Nomination and Governance committee.

Prior to June 2, 2006, Alex Mandl served as President and CEO of Gemplus from September 2002 to June 2006. From April 2001 through August 2002, he was a principal in ASM Investments focusing on technology investments. Previously, he served as chairman and CEO of Teligent, a company he started in 1996, offering the business markets an alternative to the local Bell Companies for telecommunication and internet services. From 1991 to 1996, Alex Mandl was with AT&T where he served as President and Chief Operating Officer with responsibility for long distance, wireless, local communications and internet services. Prior to his President/COO position he was AT&T’s CFO. Between 1987 and 1991, he was chairman and CEO of Sea-Land Services, Inc., the world’s leading provider of ocean transport services. In 1980, he joined Seaboard Coastline Industries, a diversified transportation company, as Senior Vice President and CFO. He began his career in 1969, when he joined Boise Cascade Corp., as a merger and acquisition analyst, and he held various financial positions during the next eleven years.

Alex Mandl holds an MBA from the University of California at Berkeley and a BA in economics from Willamette University in Salem, Oregon.

Olivier Piou (1958) French
Board member with the title of Chief Executive Officer, non-independent.
Appointed: February 17, 2004, reappointed at the AGM of 2008 for four years until the AGM of 2012 (second term).

Olivier Piou has been CEO of Gemalto since its creation on June 2, 2006. He was previously CEO of Axalto, from 2004-2006, and conducted the combination with Gemplus which formed Gemalto. In May 2004, he successfully introduced Axalto, at that time a division of Schlumberger Limited, to the stock market through an IPO. He joined Schlumberger in 1981 as a production engineer, and held numerous management positions across technology, marketing and operations within Schlumberger in France and in the US. He graduated in Engineering from the Ecole Centrale de Lyon in 1980. From 2003-2006 he was President of Eurosmart, the international non-profit association based in Brussels, which represents the chip card industry. Olivier Piou is a knight of the Legion of Honor in France.

Buford Alexander (1949) American
Non-executive, independent Board member.
Appointed: May 20, 2009 for four years until the AGM of 2013 (first term).
Member of the Strategy and M&A committee.

Buford Alexander was a senior director of McKinsey & Company, where he pursued a consulting career for more than 30 years. He was a leader of McKinsey’s European banking practice and later of McKinsey’s European high-tech practice, and founded McKinsey’s European Corporate Finance practice (restructuring, M&A, turnarounds and post-merger management). He has spent much of the last years designing and leading the transformation of global European multinationals. Amsterdam has served as his European base since 1983.

Buford Alexander holds a Bachelor’s degree in mathematics and economics from Rice University in Houston, Texas, as well as a MBA.

Kent Atkinson (1945) British  
Non-executive, independent Board member.  
Appointed: May 11, 2005, reappointed at the AGM of 2009 for four years until the AGM of 2013 (second term).  
Member of the Audit committee and of the Strategy and M&A committee.

Senior independent director and chairman of the audit committee of Coca-Cola HBC SA.  
Non-executive director and chairman of the group audit, risk and compliance committee of Standard Life plc, and a member of its investment committee. Non-executive director of Millicom International Cellular SA and a member of its audit and compensation committees. Non-executive director of Northern Rock (Asset Management) plc and chairman of its audit committee and a member of its risk committee.

Kent Atkinson originally joined the Bank of London and South America (later acquired by Lloyds Bank) and held a number of senior managerial positions in Latin America and the Middle East before returning to the UK. He was Regional Executive Director for Lloyds TSB's South East Region until he joined the main board as Group Finance Director, a position he held for eight years until his retirement as an executive. He remained on the Lloyds TSB board for a further year as a non-executive director. Until April 2005 Kent Atkinson was the senior independent director, chairman of the audit committee and a member of the remuneration and nominations committees of Cookson Group plc, and until November 2007 he was the senior independent director, chairman of the audit committee and a member of the remuneration and nominations committees of Talbot plc (previously Marconi Corporation plc). He was also chairman of Link Plus Corporation Inc until April 2008.

David Bonderman (1942) American  
Non-executive Board member, independent  
as of May 28, 2009.  
Appointed: June 2, 2006, reappointed at the AGM of 2009 for four years until the AGM of 2013 (second term).  
Member of the Nomination and Governance committee.

Member of the board of directors of the following public companies: Armstrong World Industries, Inc., CoStar Group, Inc. and Ryanair Holdings, plc., of which he is chairman. Member of the boards of the following privately held companies: Energy Future Holdings Corp., General Motors Company, Harrah's Entertainment, Inc., Metro-Goldwyn-Mayer, Inc., Unvision Communications, Inc. and XOJET, Inc. Member of the following non-profit boards: The Wilderness Society, The Grand Canyon Trust and the American Himalayan Foundation.

Prior to June 2, 2006, David Bonderman was vice-chairman of the board of directors of Gemplus. David Bonderman is an investor. He is founder of TPG Capital, LP and serves as a partner in the firm. Prior to forming TPG in 1993, he was Chief Operating Officer of the Robert M. Bass Group, Inc. (now doing business as Keystone, Inc.) in Fort Worth, Texas. Prior to joining RMBG in 1983, he was a partner in the law firm of Arnold & Porter in Washington, D.C., where he specialized in corporate, securities, bankruptcy and antitrust litigation. From 1969 to 1970, David Bonderman was a Fellow in Foreign and Comparative Law in conjunction with Harvard University and from 1968 to 1969 he was Special Assistant to the U.S. Attorney General in the Civil Rights Division. From 1967 to 1968, David Bonderman was Assistant Professor at Tulane University School of Law in New Orleans.

He graduated magna cum laude from Harvard Law School in 1966. He was a member of the Harvard Law Review and a Sheldon Fellow. He is a 1963 graduate of the University of Washington in Seattle.

Geoffrey Fink (1969) French  
Non-executive Board member, independent  
as of May 28, 2009.  
Appointed: June 2, 2006, reappointed at the AGM of 2008 for four years until the AGM of 2012 (second term).  
Member of the Compensation committee and of the Strategy and M&A committee.

Director of Eden Springs and of Strauss Coffee B.V.

Geoffrey Fink is a London-based Partner of TPG Capital, LLP, and has been with TPG since December 2000. From May 1998 to December 2000, he was a Vice-President and subsequently Senior Vice-President with Security Capital Group. Between August 1999 and December 2000, Geoffrey Fink was also Chief Operating Officer, head of the Management committee, and board member of Access Space. In 1993 and from 1995 to 1998, he was a Consultant and then Engagement Manager with McKinsey & Company in London. Prior to joining McKinsey, he worked in the M&A departments of both Goldman Sachs in London and PaineWebber in New York. Geoffrey Fink was previously a director of Gemplus until June 2, 2006 and served on the board of Eutelsat S.A.

Geoffrey Fink is a member of the New York Bar. He received a Bachelor of Arts degree summa cum laude from Yale University, a Juris Doctoris degree magna cum laude from Harvard University and a Master’s degree focused on international business from the Fletcher School of Law and Diplomacy.

Johannes Fritz (1954) German  
Non-executive, non-independent Board member.  
Appointed: June 2, 2006, reappointed for three years until the AGM of 2012 (second term).  
Chairman of the Strategy and M&A committee and member of the Audit committee.

Head of the Quandt Family office since June 2000.

Johannes Fritz studied at Mannheim University (MBA) and New York University (post-graduate). He then spent two years with Bertelsmann (assistant to CEO) and subsequently five years at KPMG covering financial institutions and industrial companies (CPA). In 1989 he joined the Quandt Family office. From 1990 to June 2000 he was responsible for all financial questions and running the day-to-day-business (managing director), Johannes Fritz was previously a director of Gemplus until June 2, 2006.

John Ormerod (1949) British  
Non-executive, independent Board member.  
Appointed: June 2, 2006, reappointed at the AGM of 2009 for four years until the AGM of 2013 (second term).  
Chairman of the Audit committee and member of the Compensation committee.

Non-executive director of Tribal Group PLC, a UK publicly listed company. Senior independent, non-executive director and
chairman of the audit committee of Misys, a UK listed software company. Non-executive director and chairman of the audit committee of Computacenter plc, a UK listed company.

Non-executive director of ITV plc, a UK listed company. Trustee of the Design Museum.

John Ormerod is a UK chartered accountant and since 2004 has been a director of a number of private and public companies. He retired as a partner in the UK firm of Deloitte & Touche LLP in 2004 where he was Practice Senior Partner London. After graduating from Oxford University, Mr. Ormerod joined the London office of Arthur Andersen where he remained until he joined Deloitte in 2002. He led the development of the firm’s European capability in Telecoms, Media and Technology (“TMT”) as industry leader and member of the Global TMT industry team executive. He was elected Andersen’s UK managing partner for 2001-2002. John Ormerod was previously a director of Gemplus until June 2, 2006.

Arthur van der Poel (1948) Dutch
Non-executive, independent Board member. Appointed: May 1, 2004, reappointed at the AGM of 2008 for four years until the AGM of 2012 (second term). Chairman of the Compensation committee and member of the Nomination and Governance committee.

Chairman of the supervisory board of semiconductor equipment maker ASML and member of the supervisory boards of engineering company DHV and soccer club PSV Eindhoven.

Arthur van der Poel is a graduate of the Eindhoven Technical University. Upon graduation, he worked for the research and development group of Dutch PTT and then went on to work for the International Telecommunication Union in Indonesia. In 1984, he began working at Philips Semiconductors where he held different marketing and management positions and became chairman and CEO in March 1996. In May 1998, he was appointed member of the management board of Royal Philips Electronics. He remained a member of Philips’ group management committee until he retired from Philips on April 1, 2004.

Michel Soublin (1945) French
Non-executive, independent Board member. Appointed: February 17, 2004, reappointed at the AGM of 2007 for four years until the AGM of 2011 (second term). Member of the Audit committee and of the Strategy and M&A committee.

Chairman of the Comité de la Charte, a French non-profit organization and founding member of the Association Française des Trésoriers d’Entreprises.

Michel Soublin joined Schlumberger in 1973 and has held several positions in the financial sector and management in Paris, New York and Moscow, including from 1983 to 1990, CEO of Schlumberger’s e-Transactions subsidiary (Smart cards, POS terminals, service station equipment and parking divisions), financial director of Oilfield Services from 1996 to 1998, Schlumberger Group Treasurer from 2001 to February 2005 and financial advisor from 2005 to 2007. Michel Soublin retired from Schlumberger in July 2007. Michel Soublin is a graduate of the Institute of Political Studies (IEP) and of the Faculty of Law and Economics in Paris.

Members of the senior management

The senior management is comprised of the following senior managers(1).

Paul Beverly (1962) American
Executive Vice-President, Corporate Marketing & President North America

Paul Beverly began his career as a Marketing Manager within the Schlumberger group. Over the course of his 19 years within Schlumberger, he held various management positions in operations, marketing and sales in North America and in France. From 1999 to 2003, he was Vice-President in Test & Transactions for Schlumberger in North America, while also serving as Chairman of the Smart Card Alliance. He was President of the Americas from April 2003 until June 2006.

Paul Beverly holds Business and Economics degrees from Auburn University and the Management Program at Harvard University.

Philippe Cabanettes (1955) French
Executive Vice-President, Human Resources

Philippe Cabanettes worked with Schlumberger for 23 years and has held different positions of worldwide responsibility for human resources in the petroleum, industrial and services sectors in France, Italy and the US. From 1997 to 2001, he was Director of Personnel of the Resources Management Services division of Schlumberger. In May 2001, he became the Director of Personnel of Schlumberger’s Volume Products business. In May 2004, he became Vice President Human Resources for Axalto. He has been the Executive Vice President Human Resources of Gemalto since July 2006. Since 2002, Philippe Cabanettes has served as President of PartnerJob.com, a non-profit cross-industry organization facilitating Dual Career management.

Philippe Cabanettes is a graduate from Institut d’Etudes Politiques in Paris (Sciences-Po) and holds a Master in Economics from Université de Paris X.

Philippe Cambriel (1958) French
Executive Vice-President, Secure Transactions Business Unit

Philippe Cambriel began his career at Aerospatiale in 1983. From 1989 to 1996, he held various sales and marketing positions at Compaq in France and in Germany. From 1996 to 1998, he was General Manager for IPC in France before managing the PC and Intel server unit of Bull. In 1998 he was appointed Chief Officer, sales and marketing at Bull CP8. From 2001 to 2003, he was Vice-President of Schlumberger’s e-Transaction Cards business. In April 2003, he was appointed President of Schlumberger’s Smart Cards business for Europe, the Middle East and Africa.

Philippe Cambriel is a graduate from the Ecole Nationale Supérieure de l’Aéronautique et de l’Espace (Sup’Aéro) and has a Master of Business Administration from INSEAD.

(1) Situation as of the date of this Annual Report.
Jean-Pierre Charlet (1953) French
Executive Vice-President, General Counsel and Company Secretary

Jean-Pierre Charlet was admitted to the Bar in Paris where he began his career in law firms in 1974. From 1981 to 1996, he held positions within the Legal Departments of Société Métallurgique Le Nickel-SLN, Schlumberger group, Pinaut Printemps Redoute group and Carnaud-Metalbox. He subsequently served as General Counsel of Synthélabo, Deputy General Counsel of Sanofi-Synthélabo and General Counsel of Rexel. He joined Gemalto in June 2005.

Jean-Pierre Charlet holds a Master in Law from Université de Paris X and a Master of Comparative Law from Georgetown University in Washington D.C.

Claude Dahan (1947) French
Executive Vice-President, Operations

Claude Dahan began his career with the Office National d’Etudes et de Recherches Aérospatiales (ONERA) in 1977, and served as Vice-President of a research center until 1982. Between 1982 and 2001, he held various management positions in Schlumberger’s many different businesses, including research and engineering, marketing and production in both France and the USA. From 2001 to 2002, he was the Vice-President in charge of marketing and product development for Schlumberger. In January 2003, he became Vice-President of Schlumberger’s Smart Cards business.

Claude Dahan is a graduate from the Ecole des Mines de Paris, has a PhD in physics and fluid mechanics, and holds an advanced management degree from INSEAD.

Martin McCourt (1962) Irish
Executive Vice-President, Strategy, Mergers and Acquisitions

Martin McCourt previously served as President of Gemalto’s South Asia operations. Prior to this position, he was also President of Gemplus Asia. In this capacity, he was responsible for the whole of Asia. He has 20 years of experience in the Telecom sector, working in Europe, the US and China. He has held leadership roles in R&D, Sales and Marketing, Operations, Strategy and M&A and was Vice President of Coming Cable System’s worldwide Project Services business. He is a founding board member of the European Fiber to the Home Council.

Martin McCourt has a Master of Business Administration from INSEAD, a Ph.D in Integrated Optics from the Institut National Polytechnique in Grenoble and a Bachelor of Electronic Engineering from University College Dublin.

Christophe Pagezy (1958) French
Executive Vice-President, Corporate Projects

Having joined Schlumberger in 1983 as a project engineer, Christophe Pagezy held various operational, technical and business positions in France and Italy within that company until 2001. Between 2001 and 2002, he was business development manager for Schlumberger’s Volume Products and Global Market Segments business. In June 2002, he became Vice-President of Schlumberger’s Terminals division and in May 2004 Vice-President Business Development in charge of Mergers and Acquisitions and of the POS Terminal division of Axalto.

Christophe Pagezy is a graduate from the Ecole Supérieure d’Electricité (Supelec) and from the Massachusetts Institute of Technology (MIT).

Jacques Sénéca (1959) French
Executive Vice-President, Security Business Unit

Previously, Jacques Sénéca was in charge of Gemalto’s European operations. Prior to this appointment, he served as head of the ID & Security Business Unit, as well as head of Business Development Unit. He joined Gemplus in 1989 as Project Manager. He has held several management positions such as Products Department Manager, General Manager for Sales and Manufacturing Operations in Germany, General Manager for the Telecom Business Division, Executive Vice President for Gemplus Marketing & Technology and General Manager of Gemplus’ GemVentures Services Unit. He was also a member of the Gemplus Executive committee. Prior to joining Gemplus, he worked with STMicroelectronics where he held various positions in the fields of manufacturing, marketing and business development.

Jacques Sénéca holds a Degree in Engineering from Ecole Nationale Supérieure d’Arts et Métiers (ENSAM - Paris, France) and a Business Administration degree from the IAE of Aix-en-Provence in France.

Jacques Tierny (1954) French and Swiss
Chief Financial Officer

Jacques Tierny began his career as a trader. He then spent 23 years in different finance positions at Michelin in France and abroad, where he became the Group Deputy CFO. In 2003 he joined the retail group Casino as Group CFO, later becoming Casino’s Executive Deputy General Manager. From January 2007, Jacques Tierny headed the Valuation and Strategic Finance practice at KPMG Corporate Finance in Paris. He joined Gemalto in September 2007.

Jacques Tierny graduated in 1977 from the HEC School of Management in Paris, from the MBA program from New York University and from the Mestrado from Gétulio Vargas in São Paulo.

Philippe Vallée (1964) French
Executive Vice-President, Telecommunications Business Unit

Philippe Vallée was previously Chief Technology Officer of Gemplus, heading the Product and Marketing Center. Prior to this appointment, he had served as Vice-President Marketing and then President of the Telecom Business Unit of Gemplus. He was previously based in Singapore as Executive Vice-President of Gemplus Technologies Asia. He has more than 20 years of experience in the Telecom industry and held various positions within Gemplus in the fields of marketing, product management and sales. Prior to joining Gemplus, he began his career with Matra Communication (now Lagardère Group) in France as a product manager on the first generation of GSM mobile phones.

Philippe Vallée is a graduate from the Institut National Polytechnique de Grenoble (Engineering degree) and from the ESSEC Business School.
Report of the Non-executive Board members

Board meetings and activities during 2009

Meetings
The Board held nine meetings: five in person and four by conference call. Each of the Board members attended the majority of the meetings.

The Board addressed in different meetings the following main subjects:
• The corporate strategy (Gemalto 2010-2013 Development Plan) and main risks of the business, the result of the assessment of the design and effectiveness of the internal risk management and control systems, as well as any significant changes in such matters.
• Financial performance of the Group.
• Parameters to be used for measuring performance.
• Annual budget plan for 2010.
• Development of business activities and various investment opportunities.
• Share buy-back and dividend policy;
• Implementation sponsored level 1 ADR program in the US.
• Convocation of the AGM.
• Reports of the Board committees following each of their meetings.
• Performance of the Board, of the committees and of its individual members, including the CEO.
• Succession planning and management development.
• Remuneration of the CEO and the senior management.
• Grants to eligible employees under the Global Equity Incentive Plan, and opportunity for eligible employees to purchase discounted shares under the Global Equity Share Purchase Plan.
• Corporate governance requirements and developments.

The CEO was not present and did not take part in the discussion or decision-making by the Board at the part of meetings in which his remuneration and performance was discussed. The Board members met regularly in the absence of the CEO and of the senior management.

Performance evaluation
The Board evaluated the performance of the Board, of the committees and of its individual members, including the CEO. The Board followed-up on the 2008 evaluation and noted the implementation of several suggestions, including the CEO participating in the board of a major international technology company.

Other items discussed included the composition and competencies of the Board, the setup and content of meetings and meeting materials. Also the relationship with the senior management was discussed. Suggestions for improvement either have been fully implemented, or will be implemented as it becomes feasible to do so.

Training
The Board made a visit to one of its factories for training on Gemalto’s products and held meetings with managers to further familiarize themselves with the business and the senior management team.

Board composition
For information on the composition of the Board, please refer to ‘Composition of the Board’, pages 55 and 56. For information on the individual Board members, please refer to ‘The Board and the management’, pages 64 to 66.

Independence
The Board currently consists of ten Board members: nine Non-executive Board members and one Executive Board member, the CEO. The Board considers that, as of May 20, 2009 (with the appointment of Mr. B. Alexander) five Non-executive Board members are independent, and as of May 28, 2009, seven Non-executive Board members are independent, within the meaning of best practice provision III.2.2; thus the Company complies with best practice provision III.8.4.

As of May 28, 2009, the following Non-executive Board members are considered non-independent:
• Mr. J. Fritz, Head of the Quandt Family office.
• Mr. A. Mandl, former Executive Chairman of Gemalto.

Until May 28, 2009, Mr. D. Bonderman, Founding Partner of Texas Pacific Group (TPG), and Mr. G. Fink, a principal of TPG, were considered non-independent, as TPG owned more than 10% of Gemalto’s share capital. On May 28, 2009, TPG’s shareholding decreased from 12.24% to 6.53%, as a consequence of which, as of that date, Mr. D. Bonderman and Mr. G. Fink are considered independent.

Report of the Audit committee
The committee consists of four Non-executive Board members, listed in ‘The Board and the management’, pages 64 to 66. During 2009, the committee held eight meetings. The CEO, CFO, Chief Accounting Officer, the Internal Audit Director and the external auditors were invited to attend the committee meetings. The committee also met on at least one occasion privately with the CFO, the Internal Audit Director, the external auditors and the General Counsel (without other members of management being present).

During 2009, the committee reviewed the 2008 annual financial statements and the related audit report from the external auditors. The committee also reviewed the condensed interim financial statements as of June 30, 2009 and the related report by the external auditors, as well as the announcements of the 2009 quarterly revenue figures. In connection with these reviews, the committee reviewed the Company’s accounting policies and compliance with accounting standards.

During the year, the committee received and considered reports on the Company’s risk management system and key internal financial control policies and procedures.
With regard to the internal audit, the committee reviewed the revised internal audit charter, the internal audit plan for 2010 and its coverage in relation to the scope of external audit. It also reviewed the effectiveness and independence of the internal audit process. The committee received reports on the work of the internal audit department and considered their significant findings and recommendations.

With regard to the external audit, the committee reviewed the independent auditor’s audit plan for the financial year ended December 31, 2009. The committee assessed the performance and independence of the auditors and considered steps taken to ensure their independence, including reviewing the fees paid for non-audit services. For an overview of the aggregate fees billed by the external auditors for professional services rendered for the fiscal year 2009, please refer to note 11 of the company financial statements.

The committee carried out the review and assessment of the effectiveness of internal controls. This included a review of the tax and treasury risks, and the information and communication technology risks. The committee reviewed the Company’s insurance coverage program. The committee reviewed the code of ethics and the anti-fraud policy.

The committee also reviewed the effectiveness of the whistle-blowing arrangements, received reports on whistle-blowing, significant claims and disputes, including those resulting in litigation, and related party transactions.

**Report of the Compensation committee**

The committee consists of three Non-executive Board members, listed in ‘The Board and the management’, pages 64 to 66. During 2009, the committee held six meetings. The committee reviewed the 2008 achievements and associated bonus payments for the CEO and senior management, as well as the 2009 salary increases, objectives and bonus levels. The remuneration for the CEO was determined within the limits of the Remuneration Policy for the CEO. The committee prepared the 2009 Remuneration Report, which report can be found in ‘2009 Remuneration report of the Board’, pages 70 to 76.

The committee made recommendations to the Board on the grant of restricted share units to eligible employees, as well as on the performance conditions relating to such share incentive. Details of the grant of restricted share units to the CEO are disclosed in ‘Compensation of the CEO for the financial year 2009’, page 73.

The committee also recommended to the Board that eligible employees be offered the opportunity to purchase shares in the Company at a discount of 15% to the prevailing market price within the GESPP, as described in more detail in ‘Global Employee Share Purchase Plan’, page 77. As part of their duties, the committee requested external advice from Mercer, an independent internationally recognized firm of compensation specialists, which firm does not provide advice to the CEO on senior management compensation.

**Report of the Nomination and Governance committee**

The committee consists of three Non-executive Board members, listed in ‘The Board and the management’, pages 64 to 66. During 2009, the committee held five meetings. The committee advised the Board in 2009 on senior management compensation.

The committee advised the Board to apppoint Mr. Ph. Alfroid as Non-executive Board member. The committee advised the Board on the reappointment of the following Non-executive Board members: Messrs. B. Alexander, K. Atkinson, D. Bonderman, J. Fritz and J. Ormerod, and reviewed potential candidates to fill future vacancies on the Board, including the proposal to appoint Mr. Ph. Alfroid as Non-executive Board member. The committee advised the Board on a new reappointment schedule following the (re-)appointment of Board members. The committee monitored the development of senior management and reviewed the succession plan process for the CEO and the senior management.

The committee also recommended to the Board that eligible employees be offered the opportunity to purchase shares in the Company at a discount of 15% to the prevailing market price within the GESPP, as described in more detail in ‘Global Employee Share Purchase Plan’, page 77. As part of their duties, the committee requested external advice from Mercer, an independent internationally recognized firm of compensation specialists, which firm does not provide advice to the CEO on senior management compensation.

**Report of the Strategy and M&A committee**

The committee consists of five Non-executive Board members, listed in ‘The Board and the management’, pages 64 to 66. During 2009, the committee held six meetings. The committee advised and submitted recommendations to the Board on the Board’s responsibilities in overseeing and reviewing Gemalto’s M&A and divestiture activities, and Gemalto’s strategic plans and their implementation. The committee reviewed certain investment and divestiture proposals, including the acquisitions of OSiSIS, NamiTech South Africa and Trusted Logic, Xiring and a majority equity investment into Serverside.

**Financial statements 2009**

The financial statements of the Company for 2009, as presented by the Board, have been audited by PricewaterhouseCoopers Accountants N.V., the Company’s external auditors. Please refer to the ‘Auditor’s report’, page 148, for PricewaterhouseCoopers report. All individual Board members have signed the financial statements. The Board proposes that the financial statements for the year 2009 be adopted by the AGM of May 19, 2010 and that the other resolutions proposed to the shareholders be approved.

Finally, we would like to express our thanks to the CEO, the senior management and all employees of the Group for their continued dedication and contribution during the past twelve months, making 2009 a successful year for Gemalto.

The Non-executive Board members
Amsterdam, March 2, 2010
Remuneration

This section consists of the following:
- Remuneration of the Non-executive Board members.
- Long-term incentive plans.

2009 Remuneration Report of the Board

The 2009 Remuneration Report of the Board, as drawn up by the Compensation committee, contains an account of the manner in which the Remuneration Policy for the CEO was implemented in 2009, and is scheduled to be implemented in 2010.

Remuneration of the CEO, including his function as Executive Board member

The General Meeting, upon the proposal of the Board, determines the Remuneration Policy for the CEO, including for his function as Executive Board member. The remuneration of the CEO shall, with due observance of the Remuneration Policy, be determined by the Board.

Remuneration Policy for the CEO

The Remuneration Policy for the CEO was adopted by the AGM on May 11, 2005 and was most recently amended by the AGM of May 14, 2008. The Remuneration Policy is published on Gemalto’s web site.

The Remuneration Policy also serves as a guidance to establish the senior management remuneration (not addressed in this report).

The objectives of the Remuneration Policy and the remuneration policy for the management are to attract, retain and reward talented staff and management, by offering compensation that is competitive in the industry, motivates management to surpass the Company’s business objectives and aligns the interests of management with the interests of the shareholders. The Company considers that it has a balanced set of clearly defined objectives and performance targets that do not encourage the CEO to take risks that are not in line with the adopted strategy and which are within the Company’s risk appetite.

The compensation package of the CEO consists of four elements: (i) base salary, (ii) variable incentive, (iii) long-term or deferred incentive and (iv) a fixed fee as Executive Board member of Gemalto N.V.

The compensation of the CEO is calibrated by comparison to a group of other relevant companies, particularly continental European high-tech and industrial companies (the ‘Comparison Group’) and surveys are performed by Towers Watson, an independent internationally recognized firm of compensation specialists.

Positioning of the Remuneration Policy

The table opposite (page 71) summarizes the positioning of the Remuneration Policy by comparison with the Comparison Group and applies to the compensation package of the CEO.

Compensation package of the CEO

The table on pages 72 and 73 sets out:
- Key elements of the compensation package of the CEO.
- Compensation of the CEO for the financial year 2009.
### Positioning of the Remuneration Policy

<table>
<thead>
<tr>
<th>Types of compensation</th>
<th>Policy relating to compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall compensation</strong></td>
<td>Assuming that challenging, but achievable targets set by the Board have been met, the overall compensation is set to be about the 60th percentile by comparison with the remuneration practices of the Comparison Group.</td>
</tr>
<tr>
<td><strong>Total Reference Compensation or (TRC), i.e. base salary and a fixed fee as Executive Board member of Gemalto N.V.</strong></td>
<td>The TRC is targeted around 50th percentile by comparison with the Comparison Group.</td>
</tr>
<tr>
<td><strong>Variable incentive</strong></td>
<td>The total variable compensation at 100% (on-target) achievement of all objectives is designed to be clearly above 50th percentile, with an average over the years of about 60th percentile by comparison with the Comparison Group.</td>
</tr>
<tr>
<td><strong>Long-term or deferred incentive</strong></td>
<td>The long-term or deferred incentive part of the total compensation package for the CEO is designed to be clearly above 50th percentile by comparison with the Comparison Group, which may be the upper quartile in case of exceptional performance.</td>
</tr>
</tbody>
</table>
**Governance • Remuneration**

**Compensation package of the CEO**

<table>
<thead>
<tr>
<th>Key elements of the compensation package of the CEO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-term</strong></td>
</tr>
<tr>
<td><strong>Total Reference Compensation</strong></td>
</tr>
<tr>
<td>The TRC is fixed and reviewed every year, but not necessarily adjusted every year.</td>
</tr>
<tr>
<td><strong>Variable incentive</strong></td>
</tr>
<tr>
<td>The variable compensation of the CEO, based on the achievement of personal and financial objectives, ranges from 0 to 180% of the TRC. A variable incentive of 120% of the TRC is payable on achievement of 100% of on-target performance by reference to a predefined set of financial and personal objectives. In case of exceptional performance in excess of the 100% (on-target) achievement of objectives, the variable compensation can be increased so that the total variable compensation can reach up to 180% of the TRC.</td>
</tr>
<tr>
<td>The financial and non-financial objectives for variable compensation typically relate to short-term [annual] performance targets and are key drivers for value creation and growth in shareholders’ value. Part of the variable compensation is related to Gemalto’s financial results, e.g. revenue, cash flow and operating income, and is determined by the Board on the recommendation of the Compensation committee on an annual basis. The remainder depends on success in achieving a limited number of specific strategic, tactical or individual objectives, also determined annually by the Board on the recommendation of the Compensation committee.</td>
</tr>
<tr>
<td><strong>Long-term or deferred incentive</strong></td>
</tr>
<tr>
<td><strong>Global Equity Incentive Plan ('GEIP')</strong></td>
</tr>
<tr>
<td>Under the GEIP and the French Sub-Plan, the CEO may receive options, restricted share units and/or share appreciation rights [jointly referred to as ‘Awards’]. For further information, please see page 74.</td>
</tr>
</tbody>
</table>
| The Board is authorized to grant to the CEO annually any combination of Awards, including any awards, as defined in the GEIP, similar in substance and/or nature, with a maximum value equivalent to the value of
| the lesser of the value of the shares on the first and last day of the offering period. The CEO may participate in the GESPP (as well as in any future similar plans), through a ‘Fonds Commun de Placement d’Entreprise’. |
| **Global Employee Share Purchase Plan ('GESPP')**    |
| Under the GESPP, the Company may offer eligible employees, including the CEO, the opportunity to purchase shares in the Company at a discount to the prevailing market price. The discount of the purchase price of the shares is 15% based on the lesser of the value of the shares on the first and last day of the offering period. The CEO may participate in the GESPP (as well as in any future similar plans), through a ‘Fonds Commun de Placement d’Entreprise’. |
| **Other benefits**                                  |
| **Pension**                                         |
| The CEO does not benefit from any special pension plan provided by Gemalto, other than the mandatory legal pension system in France. There are no agreed arrangements for early retirement of the CEO. |
| **Employee benefits**                              |
| The CEO enjoys any and all benefits that may be applicable to French employees. |
### Compensation of the CEO for the financial year 2009

**€653,421** (including a fixed fee as Executive Board member of Gemalto N.V. of €35,000)

The TRC of the CEO was not adjusted in 2009.

**€588,640** (75% of on target Variable Incentive, 90% of TRC)

For 2009, the CEO’s financial targets accounted for 2/3 of the variable compensation and were:

- Revenue: 4/15 of the variable compensation.
- Adjusted operating income: 4/15 of the variable compensation.
- Free cash flow: 2/15 of the variable compensation.

The non-financial targets, accounting for 1/3 of the CEO’s variable compensation, depended on his specific responsibilities and were defined as measurable actions linked with the success and development of Gemalto.

In accordance with best practice provision II.2.13 (b) of the Dutch corporate governance code, the Compensation committee, and subsequently the Board, analyzed the possible outcomes of the variable compensation components and how they may affect the compensation of the CEO.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>250,000 options valued by reference to any of the generally recognized valuation methods applied in a manner as approved by the Board.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant of 65,000 RSU, corresponding to a cost of €1,689,377 for Gemalto.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The CEO did not subscribe for GESPP shares in 2009.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs for 2009 for the CEO’s mandatory French legal pension scheme.</td>
<td>€61,047</td>
<td></td>
</tr>
<tr>
<td>The CEO enjoyed any and all benefits that were also applicable to French employees.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Global Equity Incentive Plan (‘GEIP’): Awards and Conditions

Awards

<table>
<thead>
<tr>
<th>Options</th>
<th>When granting options, the Board applies performance and vesting conditions, as set out below. The exercise price of options is equal to the average of the Gemalto share closing price on the Euronext Paris Stock Exchange during the five trading days preceding the grant date. The options do not benefit from any discount.</th>
<th>Any options granted to Mr. O. Piou, CEO, may only be exercised upon expiration of four years after their date of grant and will lapse, if not exercised within nine and a half years of the date of grant.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted share units (‘RSU’)</td>
<td>A RSU is a right to acquire shares in exchange for the RSU. There is no purchase price to be paid to acquire a RSU. When granting a RSU, the Board applies performance and vesting conditions, as set out below. At any time after the granting of a RSU, the Board may accelerate the vesting of such RSU. Under no circumstances, except in case of death, shall the delivery of shares related to a RSU occur prior to the second anniversary of the date of grant.</td>
<td>Except in case of death, the sale of shares acquired pursuant to the exchange of the RSU may not occur prior to the expiration of a two-year period from the date delivery of the shares.</td>
</tr>
<tr>
<td>Share appreciation rights (‘SAR’)</td>
<td>A SAR is a right to receive the difference between the fair market value of a share on the exercise date and the exercise price of the right being exercised. So far, the Company has not granted SAR to the CEO.</td>
<td></td>
</tr>
</tbody>
</table>

Conditions

<table>
<thead>
<tr>
<th>Performance factors</th>
<th>Awards may be granted or vest on the basis of the achievement of specified financial or non-financial performance conditions, as included in the Remuneration Policy.</th>
<th>For the first time in 2009, Awards made during the year were subject to the Company achieving a target level of adjusted operating profit for 2009. The Board expects to consider applying similar performance conditions for future grants.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vesting in certain circumstances</td>
<td>In addition to any performance conditions, Awards have generally been subject to vesting over a specified future period of time. However, any option rights granted to the CEO will vest automatically upon any decision to terminate the appointment of the CEO and will remain exercisable for the full term of the option, notwithstanding any early termination provided in the GEIP and the relevant Sub-Plan, and all other eventual equity-based schemes will continue to vest even after the date of termination. These termination arrangements do not apply where the employment of the CEO with Gemalto International SAS or the Company is terminated for willful misconduct (‘faute lourde’ within the meaning established by the French Supreme Court case law).</td>
<td>Under specific circumstances, the Board has the discretionary power to grant unconditional options (e.g. in case of new hire).</td>
</tr>
</tbody>
</table>
The table below summarizes information on Awards granted to the CEO in previous years, in accordance with best practice provision II.2.13 (d) of the Dutch corporate governance code.

**Options**

<table>
<thead>
<tr>
<th>Date of grant</th>
<th>Number</th>
<th>Value at grant date</th>
<th>(Un)conditional</th>
<th>Date of vesting</th>
<th>Value at vesting date</th>
<th>End of lock-up</th>
<th>Exercise price (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 2005</td>
<td>150,000</td>
<td>€1,099,745</td>
<td>Unconditional (past performance related)</td>
<td>Sept 2009 (4 years after date of grant)</td>
<td>€21,000</td>
<td>Not applicable</td>
<td>30.65</td>
</tr>
<tr>
<td>June 2006</td>
<td>200,000</td>
<td>€1,269,781</td>
<td>Unconditional (past performance related)</td>
<td>June 2010 (4 years after date of grant)</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>23.10</td>
</tr>
<tr>
<td>Sept 2008</td>
<td>150,000</td>
<td>€1,043,761</td>
<td>Unconditional (past performance related)</td>
<td>Sept 2012 (4 years after date of grant)</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>26.44</td>
</tr>
</tbody>
</table>

**RSU**

<table>
<thead>
<tr>
<th>Date of grant</th>
<th>Number</th>
<th>Value at grant date</th>
<th>(Un)conditional</th>
<th>Date of vesting</th>
<th>Value at vesting date</th>
<th>End of lock-up</th>
<th>Value at end of lock-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 2007</td>
<td>65,000</td>
<td>€1,689,377</td>
<td>Conditional</td>
<td>Oct 2012</td>
<td>Not applicable</td>
<td>Oct 2014</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

The number may vary from 0 to 80,000 with a maximum multiplier of 3. The value at grant date is €1,727,828. Conditional RSUs are dependent on whether thresholds are reached before Dec 31, 2009 or before Dec 31, 2010. 66% vested in 2008 at €1,424,544, and 84% vested in 2009 (in total 150%) at €2,026,080.
contracts of employment
Mr. O. Piou was appointed as CEO in 2004 for a term of four years until the AGM of 2008. He was reappointed on May 14, 2008 as Board member with the title of CEO for a term of four years until the AGM of 2012. Mr. O. Piou has an employment contract (originally dated 1981), not limited in time, governed by French law with Gemalto International SAS, a Gemalto subsidiary. He has a six-month notice period.

If Gemalto terminates Mr. O. Piou’s employment contract, he is entitled to a severance payment equal to one year of reference salary. The reference salary used to calculate this payment will be the annual gross salary paid under Mr. O. Piou’s employment contract during the twelve months preceding its termination, including bonuses and other discretionary cash incentives, if any, as well as the Board member fees he is entitled to.

The severance payment will be in addition to the indemnities and benefits that would be provided by French laws and regulations and the collective bargaining agreement for the Engineers and Management level Employees in the Metallurgical Industry (Convention collective nationale de la Métallurgie – Ingénieurs et Cadres). In the event of termination of his employment contract, Mr. O. Piou has a recognized seniority since 1981 and is entitled to a six-month notice period indemnity, as well as the dismissal and paid vacation indemnities.

The severance payment will not be due if the employment contract of Mr. O. Piou is terminated for willful misconduct (‘faute lourde’ within the meaning established by the French Supreme Court case law) or upon voluntary resignation of Mr. O. Piou.

Details regarding the compensation of the CEO are also disclosed in note 10 to the company financial statements.

Changes to the compensation of the CEO for the 2010 financial year
The CEO’s TRC will be adjusted in 2010.

For 2010, the CEO’s financial targets will account for 2/3 of the variable compensation and are:
• Revenue: 4/15 of the variable compensation.
• Profit from operations: 4/15 of the variable compensation.
• Free cash flow: 2/15 of the variable compensation.
• Loans or guarantees
Gemalto does not grant personal loans, guarantees or the like to the CEO, and none were granted to the CEO in 2009, nor are outstanding as of December 31, 2009.

Deviations from the Dutch corporate governance code in terms of remuneration
• Provision II.2.7: amendment of the vesting date of options granted to Mr. O. Piou as CEO. The CEO’s Remuneration Policy provides that, unless his employment with Gemalto International SAS or Gemalto N.V. is terminated for willful misconduct, any option rights vest automatically upon decision to terminate the appointment of the CEO and remain exercisable for the full term of the option, notwithstanding any early termination provided in the GEIP and the relevant Sub-Plan. All other equity-based schemes will continue to vest even after the date of termination. Although it is not the Company’s policy to amend conditions regarding options granted to Executive Board members during the option term, the amendment of the vesting date of the options granted to the CEO is included in the Remuneration Policy adopted by the shareholders, as proposed by the Board, as a result of the execution of the Combination agreement signed between Gemalto N.V. (at that time named Axalto Holding N.V.) and Gemplus International S.A. on December 6, 2005.
• Provision II.2.8: maximum remuneration in the event of dismissal of Mr. O. Piou as CEO. The severance payment for the CEO is not in line with the Dutch corporate governance code, which recommends that the maximum remuneration of one year’s salary is based on the fixed remuneration component. However, the severance payment of the CEO reflects his accrued seniority with Gemalto and is included in the Remuneration Policy adopted by the shareholders, as proposed by the Board, as a result of the execution of the Combination agreement signed between Gemalto N.V. (at that time named Axalto Holding N.V.) and Gemplus International S.A. on December 6, 2005.
• Provisions II.2.10 (ultimum remedium). Existing contracts do not specifically include the possibility to adjust the value of conditionally awarded variable compensation if it would produce an unfair result due to extraordinary circumstances. In these cases, the Company will make such adjustments as is feasible under applicable law.
• Provision II.2.13 (e): content of the Remuneration Report, i.e. non-disclosure of the names of the companies in the Comparison Group. Although recommended by the Dutch corporate governance code, the Company does not disclose the names of the companies in the Comparison Group. The Company compares the compensation of the CEO to those of a group of other relevant companies, particularly continental European high-tech and industrial companies and surveys are performed by Towers Watson, an independent internationally recognized firm of compensation specialists.

Remuneration of the Non-executive Board members
The remuneration of the Non-executive Board members, including the remuneration of the Chairman of the Board and the members of the Board committees is determined by the General Meeting. The remuneration is reviewed annually by the Compensation committee.

The remuneration structure for the Non-executive Board members (per calendar year) is as follows:
• €200,000 for the Non-executive Chairman of the Board.
• €65,000 for each other Non-executive Board member.
• An additional fee of €24,000 for the chairman of the Audit committee and an additional fee of €16,000 for each member of the Audit committee.
• An additional fee of €12,000 for the chairman of the other Board committees, and an additional fee of €8,000 for the other members of those Board committees.
The remuneration of a Non-executive Board member is not dependent on the results of Gemalto.

The Company does not grant shares or rights to acquire shares by way of remuneration to Non-executive Board members. Details regarding the remuneration of the individual Board members are disclosed in note 10 to the company financial statements.

**Long-term incentive plans**

**Global Equity Incentive Plan**

In 2004, the General Meeting adopted a Global Equity Incentive Plan (‘GEIP’) enabling the Board to grant options, RSU and/or share appreciation rights (‘Awards’) to eligible employees. A total number of 14 million shares have been made available for grant and issue under the GEIP. As of December 31, 2009 the remaining number of shares available amounts to 5,826,032. During 2009, the Board granted 611,500 RSU to eligible employees, including the CEO. For more information on the grant of RSU to the CEO, please refer to ‘Compensation of the CEO for the financial year 2009’, page 73.

The 2007 AGM approved a stock option plan, further to the undertakings by the Company in the Combination agreement, to exchange options to acquire Gemplus or Gemalto S.A. (formerly named Gemplus S.A.) shares for options to acquire Company shares. A total number of 7 million shares are available for grant and issue under this stock option plan. So far, the Company has not made any grants under this stock option plan.

In the event the Company and/or its affiliates are absorbed by merger and liquidated, or undergo a change of control, and provided no other resolutions are adopted by the Board on such events, and subject to the terms of such resolutions, each outstanding Award not otherwise fully vested shall automatically vest so that each outstanding Award shall, immediately prior the effective date of the event, become exercisable with regards to all or part of the underlying shares and each RSU will be immediately refunded or compensated through the granting of shares, except to the extent such Award is maintained in effect by the Company, or assumed by a successor corporation or otherwise substituted by a plan giving substantially equivalent rights to the employee upon surrender of the Awards.

For more information on the grant of RSU during 2009, please refer to note 25 to the consolidated financial statements.

**Global Employee Share Purchase Plan**

In 2004, the General Meeting adopted a Global Employee Share Purchase Plan (‘GESPP’) enabling the Board to offer the opportunity to eligible employees to purchase shares in the Company at a discount to the prevailing market price. A total number of 3.2 million shares have been made available for issue or transfer under the GESPP. As of December 31, 2009 the remaining number of shares available amounts to 2,520,863. In 2009, the Board offered eligible employees the opportunity to participate in the plan and 49,525 shares were purchased by employees.

In order to benefit from preferential tax treatment, employees of Gemalto’s French subsidiaries are able to participate in the GESPP through a *Fonds Commun de Placement d’Entreprise* (FCPE), in which case the FCPE subscribes to Gemalto shares and employees receive in exchange units of the FCPE. Participation in the FCPE does not give rise to direct ownership of shares or the right to acquire shares in the Company. The FCPE has an independent Board of directors and owns 192,778 shares of Gemalto as of December 31, 2009. The FCPE exercises the voting rights on these shares, without instructions from the employees who participate in the FCPE.

For more information on the participation in the GESPP during 2009, please refer to note 25 to the consolidated financial statements.