Mobile Communication maintained its good level of profitability by delivering innovative products and services for its customers, and winning important contracts around the world.

### Our performance

<table>
<thead>
<tr>
<th>Revenue</th>
<th>€888m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008: €948m</td>
<td>Down 8% year-on-year at constant exchange rates</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross profit</th>
<th>€382m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008: €395m</td>
<td>Up 150 basis points</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EBIT</th>
<th>€142m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008: €160m</td>
<td>Down 90 basis points</td>
</tr>
</tbody>
</table>

| EBIT margin | 16.0% |

### Resilience in a cautious market environment

- 2009 was marked by a cautious market environment. Some customers delayed innovative projects, weighing on the revenue and the average selling price.
- Gemalto continued to secure new wins in software platforms and operated services contracts. Software and services revenue was up 15% at constant exchange rates.
- Gross margin improved by 150 basis points, reflecting continued focus on value-selling and further improvements in operational efficiency.
- Tight control on operating expenses offset the consolidation of newly acquired activities.

The segmental overview is based on adjusted financial information: non-GAAP measures defined as IFRS financial information adjusted for reorganization charges, amortization & depreciation of intangibles resulting from acquisitions, and acquisitions-related costs. See page 151.
Our products, software and services

More than 450 operators worldwide benefit from our products, software and services, which include:

**Digital Life Management:** our solutions put users’ valuable data onto any device, from the mobile to the PC via the web. Users can protect, manage, communicate and share this data. We have already deployed these solutions for over 90 operators to help one billion users manage their contacts.

**Mobile Marketing Solutions:** these include content management and delivery, relationship marketing and mobile advertising. They address operators, content providers, advertising agencies and traditional brands wanting to deliver personalized, rich and relevant content and campaigns via the mobile.

**Mobile Financial Services:** we provide secure access from a cellphone for banking, payments and money transfer services, enabling banks and operators to provide innovative services, lower costs and reduce fraud.

**Trusted Service Manager:** being at the heart of the converging worlds of telecommunications, banking and transport, we help mass transit operators, banks, businesses and MNOs offer a range of services to consumers seamlessly and securely via a user’s handset.

**Roaming Services:** our innovative Roaming Director service provides the world’s most efficient steering system, helping operators maximize revenues and deliver the optimum performance for subscribers.

Our range of solutions and services also addresses the new markets of mobile TV, Machine-to-Machine (M2M), convergence and others.

Our positioning

- 1.8 billion individuals benefit from at least one of our solutions. Our technology is both at the core of the MNOs’ offer and in the hands of consumers, allowing high interactivity.
- Our value propositions span the entire spectrum, enabling mass market services as well as new high-end revenue streams.
- Our expertise in OTA updating for SIMs puts operators in control and offers a platform for new services.
- With 44% market share by volume in advanced economies, Gemalto is firmly positioned to address fast-growing premium markets – such as mobile broadband, mobile contactless transactions, remote management and M2M.
- Gemalto is already rolling out innovative mobile data services in developing economies with considerable growth potential.
- With our considerable R&D investment we are in a strong position to capture emerging trends and satisfy unmet needs.
- Strategic acquisitions have strengthened our hand in both digital life management (O3SIS) and software and contactless services (NXP). These are further bolstering our ability both to extend our offer and propose solutions as a Trusted Service Manager (TSM).
- We are engaged in active partnerships with handset manufacturers to establish seamless solutions.
- We have a strong involvement in organizations and bodies defining standards, setting trends and shaping the industry.
- With our breadth of expertise across a range of markets we are in a unique position to serve customers with converging needs.

\(^{(1)}\) Source: Gemalto
More than just connections

Gemalto has been providing services for MNOs since the earliest days of GSM. More than 450 of them benefit from our products, software and services. Our technology has underpinned key shifts in the market over the past 20 years – from getting more people connected, to developing value added services around them, to building deeper connections between them.

That means users are able to carry with them a unique set of products and services without thinking about how it all works. MNOs now have the ability to develop and deliver enhanced offerings that can create new revenue streams while protecting the user experience. And because today our solutions address 1.8 billion individuals, we’re in a strong position to help the mass evolution of mobile applications.

The next wave of growth for operators

Gemalto has always aimed to deliver innovative and easy-to-use services. Now, the convergence of different technologies is driving an explosion of new opportunities. Because our solutions can work with almost any platform – older handsets, PC’s, 3G moderns, connected laptops, smart-phones and so on – we can help operators go beyond their ‘native’ devices, reinforcing their relationships with subscribers. That is one reason why, in 2009, cable TV operator Videotron selected our 3G SIM card for secure connectivity for its converged wireless phone and data services.

The power of our SIMs is also creating opportunities. For example, our UpTeq™ MultimediaReady SIM card uses Smart Card Web Server (SCWS) technology to enable applications to run directly from the SIM. In 2009, T-Mobile selected Gemalto to develop prototypes of rich media applications built into the SIM – which means they will work with any SCWS-compatible handset, broadening access to high-end services.

Our Company played a key role in the deployment of 3G networks, and we continue to support advanced 3G roll-outs. In June 2009, we announced deals to supply our UICC and Removable User Identity Module (R-UIM) cards to the three major mobile operators in China for their 3G launches.

And we are also at the heart of the next generation of networks, known as Long Term Evolution (LTE). Gemalto is helping MNOs deploy new value-added services using LTE’s speed and IP connectivity. We are supplying OTA subscriber services and UICC solutions to major LTE projects, such as Verizon Wireless in the US.

Digital Life Management

At the heart of all of these developments is the user’s multi-device digital life. Users now expect their content, services and identity to be with them everywhere. Gemalto ensures consumers on the move can protect, access and share any kind of personal data. Our Digital Life Management solutions work with most handsets on the market. We have already deployed them for over 90 operators to help one billion users manage their contacts, for example, with an average adoption rate of 40%.

Our solutions also reflect the latest trends in digital life management. A new offer includes social media enablers, so subscribers can share their data using a unique interface for networks such as Facebook and Twitter. We augmented our own innovations in 2009 with the acquisition of O3SIS AG, a leading provider of personal data management solutions to MNOs that has over 20 blue-chip customers – and handles more than one billion personal data records.

Mobile Marketing

There are 1.8 billion individuals currently benefiting from at least one Gemalto solution. This means we can build interactive, personalized mobile experiences independent of handset model or contract, opening up considerable possibilities in mobile marketing for anyone wanting to deliver personalized, rich and relevant content and campaigns via the mobile. Our solutions offer wide reach and built-in interactivity – improving measurement of return on investment (ROI), profiling and targeting. This represents a major opportunity to engage in real segmentation and meaningful opt-in for marketing messages.

Mobile Financial Services

We provide secure access from a cellphone for banking, payments and money transfer services, enabling banks and operators to provide innovative services, lower costs and reduce fraud. Our expertise in strong authentication means our SIM-based solutions meet the highest security standards while being flexible enough to adapt to a multitude of devices.

Providing solutions for all subscribers is a key objective for Gemalto. We know that the cellphone can play a significant role in digital democracy by spreading the benefits of structured financial services in countries where internet access is limited or people do not have a bank account. MTN Uganda is already using Gemalto for its nationwide mobile payment program – between roll-out in March 2009 and the end of June, around 180,000 mobile payment transactions had already been performed. And in February 2009, we announced a partnership with India’s mChek to deliver secure mobile banking via our SIM cards to markets in South Asia.

Roaming Services

Gemalto is innovating for the engine-room of mobile communications, too. In order to negotiate and optimize their inter-operator tariffs (IOT), MNOs need to deploy effective traffic steering solutions with little or no impact for the subscriber. Gemalto’s Roaming Director service provides the world’s most efficient steering system, helping operators maximize revenues and deliver the optimum performance for subscribers.

Trusted Service Manager

We continue to expand our software and services expertise in high growth areas such as mobile Near-Field Communications (NFC) to reinforce our Trusted Service Manager (TSM) platform. This means we can enable transport operators, banks, businesses and MNOs to offer a range of services to consumers seamlessly and securely via a user’s handset. In March 2009, Gemalto acquired the mobile services operations of NXP, giving us additional capabilities in software and service solutions compliant with the MIFARE4Mobile™ interface. This further strengthened our TSM platform, enabling the mobile phone to be used with existing payment and contactless ticketing infrastructures.
**Innovation and efficiency**

**Machine-to-Machine**
Billions of people have a unique identity on the network using Gemalto technology – and now millions of machines and portable devices do too. We have developed a dedicated SIM platform for Machine-to-Machine (M2M) applications such as remote management, industrial data collection, surveillance and healthcare. This is proving its worth for automated services such as electricity meter reading, vending machine stock levels and breakdown diagnostics for cars.

**Mobile TV**
Gemalto also helps operators monetize content with strong authentication and protection of media streamed to users’ portable screens. In 2009, for example, our UpTeq™ mobile TV SIM card was the first to earn certification in accordance with the SIMalliance Security Guidelines, which means the cards provide the required level of security for mobile digital TV. We also provide ancillary services for operators and content providers. For example, our solution for mobile TV audience monitoring is used by Médiamétrie, the French audience measurement company, helping every part of the mobile TV chain to maximize revenues.

**Long-term success**
During 2009, Gemalto continued to develop its prospects in the mobile broadband ecosystem. For example, our Over-The-Air (OTA) platforms and Universal Integrated Circuit Cards (UICC) were selected to support the deployment of 4G Long Term Evolution (LTE) mobile broadband by Verizon, emphasizing our capability to enable secure and reliable multimedia data connection and global roaming, and to remotely manage applications.

Many other contracts for new applications and services were secured including our SIMessenger solution in Latin America, as well as mobile payment in Uganda and South Asia.

*Verizon Wireless is the leader in 4G networks.*
In 2009, Gemalto continued to win new contracts that bolstered its leadership position in serving global banking customers.

Consumers appreciate the convenience of credit and debit cards, but unsolicited access to their credentials is their main concern. Gemalto’s years of experience in card technology and encryption means we are strongly positioned to address this issue.

**Secure Transactions**

**Our performance**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>€441m</td>
<td>€443m</td>
<td>-2000m</td>
</tr>
<tr>
<td>Gross profit</td>
<td>€108m</td>
<td>€118m</td>
<td>-1000m</td>
</tr>
<tr>
<td>EBIT</td>
<td>€15m</td>
<td>€27m</td>
<td>-12m</td>
</tr>
</tbody>
</table>

- **Revenue**: €441m (Up 1% year-on-year at constant exchange rates)
- **Gross profit**: €108m (Down 210 basis points)
- **EBIT**: €15m (Down 260 basis points)

**Bolstering our leadership position**

- Migration to EMV chip payment cards continued to spread around the world, and dual-interface contactless cards gained further success in Europe.
- In January 2010, Gemalto faced an unexpected situation in relation to certain German payment cards, which led the Company to book a special provision of €11.2m to cover consequences for Gemalto.
- Excluding the special provision, gross margin was 27%, up 40 basis points year-on-year, and EBIT margin was 6%, similar to 2008.

The segmental overview is based on adjusted financial information, non-GAAP measures defined as IFRS financial information adjusted for reorganization charges, amortization & depreciation of intangibles resulting from acquisitions, and acquisitions-related costs. See page 151.
Our products, software and services

Gemalto offers a full range of solutions for secure transactions in financial services, transport and other emerging markets. These include:

**Banking cards:**
- **Clarista** is our complete EMV card payment solution. It supports all profiles – such as JCB, MasterCard and Visa – in both static (SDA) and the more advanced Dynamic Data Authentication (DDA) systems.

**Secure services:**
- Our **Allynis** range of secure services includes personalization, packaging, card distribution and activation.
- We apply innovative designs and form factors to payment solutions, as well as eco-friendly biodegradable cards, opening up co-branding and marketing opportunities.
- Our **Dexxis** Instant Issuance solution also allows banks and retailers to issue cards in store.

**Contactless solutions:** our contactless card solutions offer faster, more convenient ways to make payments, driving up retail activity and simplifying low-cost transactions.

**Trusted Service Manager:** our TSM solution supports a variety of convergent payment offerings, including mobile contactless payment programs (please refer to page 22).

**Transport:** mass transit operators need to maximize passenger throughput as well as reduce fraud and create opportunities for marketing and co-branding. Our solutions address all these issues in one clear proposition.

**Pay TV:** we supply subscriber authentication and rights management cards to large secure-access service providers.

Our positioning

- Gemalto is the world leader in chip payment cards, serving major banks worldwide with 43% market share\(^a\).
- Market demand for EMV and contactless cards is driving our core business, as well as creating the platform to launch more service offers.
- We are leveraging our leadership, scale and global footprint to develop attractive markets ready for EMV – such as Brazil, Mexico, Canada, Russia, Poland and Indonesia.
- Our in-depth relationships with banking clients enable us to deliver a broad range of services.
- The technology used in Secure Transactions is creating strategic synergies with other Gemalto segments, such as online banking, mobile and contactless.
- We have over ten years’ experience in contactless technology. We have already delivered more than 100 million contactless cards to customers.
- In the fast-growing US market, Gemalto has supplied more than 15 million cards and is recognized for the technological expertise and high level of support it brings to the major US banks for their contactless and magnetic stripe programs.
- We can update contactless cards Over-The-Air. That means additional security against fraud; the chance to deploy customer reward programs; update credentials and subscriptions on the fly; and seamlessly roll out new services.
- Our contactless smart cards for mass transit operators ensure maximum speed of operation and the highest levels of security for passenger identification and revenue protection.
- Our contactless smart cards and readers are already in use by many major transit authorities, including those in London, Paris, São Paulo and Santiago.

\(^a\) Source: Eurosmart November 2009
Banking cards

Although consumers appreciate the convenience of credit and debit cards, unsolicited access to their credentials remains their number one security concern. New technical and security standards, as well as consumer demand for more choice and convenience, are driving suppliers to look for innovative payment solutions. They want lower costs, better security and innovative platforms to create new revenue streams. Gemalto’s years of experience in card technology and expertise in encryption means we are strongly positioned to address these issues.

Adoption of EMV (EuroPay, MasterCard, Visa) standards for smart payment cards is growing. The familiar PIN authentication process makes them easy to use for customers and keeps transaction times low, a crucial factor for retailers. There are now around 800 million EMV cards in circulation worldwide, but market growth potential remains high. Javelin Strategy & Research estimates that $16.6 billion in card fraud in the US alone could be immediately affected by EMV implementation. Gemalto is involved in major EMV programs in Asia, the UK, Turkey, Russia and Canada, amongst others.

Gemalto’s latest generation of DDA cards results in a further reduction of fraud, by a factor of two. Visa and MasterCard have mandated DDA for all their EMV cards in Europe by January 2011; similar mandates are expected in the rest of the world soon. And with American Express joining EMV in 2009, the consortium is stronger than ever. Our global presence makes us a logical partner for banks looking to manage EMV migration. In March 2009, for example, RBS selected Gemalto to roll out EMV in three major markets: Indonesia, Taiwan and India. And earlier in the year, we formed an alliance with Corporación Cardtech and Newtech Solutions to spread EMV adoption in Venezuela.

We also supply card readers, software and services to manage the entire payments ecosystem, helping retailers drive down costs. Our consultants and technical experts are on hand to provide advice on any aspect of secure payments – from migrating users to EMV and system design to deployment of new technology. We also train customer employees on technology, standards and strategy.

Secure services

Applying our expertise in handling secure data, we personalize cards for each user then manage their distribution and administration. With the widest range of added-value services in the market and 30 personalization centers around the world, Gemalto is reputed for the flexibility, reliability, speed and security of its issuance services.

We are also innovating in issuance for emerging markets. In November we announced deployment of our Dexxis Instant Issuance offering in Indonesia, where consumers – 90% without bank accounts – require micro-banking services. Dexxis offers them instant, on-the-spot issuance of EMV cards in exchange for cash. The package also includes servers, software, printers and training to deploy the solution over a secure network. And in July, Nigerian secure payments provider InterSwitch chose Dexxis to roll out 30 million EMV cards for its 25 member banks.

Our customization services allow banks and retailers to issue unique designs to enhance their market position. Allynis CardLikeMe lets users add photos to their cards – a powerful marketing and security tool. In May 2009, Le Crédit Lyonnais used Gemalto solutions to issue the first EMV cards in France to be customized with a personal photograph. For more advanced projects, our Optelio range of payment cards includes on-board applications, opening up a number of possibilities for both issuers and customers.

Our biodegradable Eco Card range – launched in 2009, along with more environmentally friendly packaging – means issuers can reinforce their green credentials.

Contactless payments

Gemalto has been supplying contactless technology for over a decade, delivering more than 100 million contactless cards to customers. Users make a payment by simply holding their card near a reader, perhaps while it’s still in a wallet or purse. That means we can offer new form factors, such as keyfobs, as payment tokens. It also makes it easier for banks and retailers to create co-branded payment cards.

Our ability to navigate the converging worlds of banking, mobile communications, transport and retailing is also opening up new opportunities for our Secure Transactions business. In 2009, we achieved MasterCard certification for our TSM solution that will support the launch of state-of-the-art contactless payment programs using, for example, NFC-enabled cellphones to perform transactions.

By incorporating EMV services into a SIM card, Gemalto has already been able to provide five French banks with a contactless payment system called Payez Mobile, built into users’ cellphones. And in June 2009, we teamed up with Citibank and Visa to provide Singaporean users of NFC-equipped cellphones with payment functionality.

We also rolled out several new contactless payment card projects last year. For example, in Taiwan we deployed Secure Access Modules (SAM) into existing EasyCard payment terminals. The upgrade gives 16 million consumers a simple, fast and secure means to make small-sum contactless payments.

Transport

Our smart cards are already being used to access mass transit systems in 30 cities that each have more than one million inhabitants. Passengers appreciate the convenience of our contactless cards while operators value the additional revenue protection. Unauthorized travel is reduced and with our cryptographic expertise, fraud is all but eliminated. STIB, the company managing transport in Brussels, started rolling out Gemalto contactless cards in 2009. With our Celéo card, more than 400,000 inhabitants in Brussels will benefit from the speed and convenience of contactless technology when traveling on the subway, busses and trams.

Innovation is critical in all our businesses, including transport. In 2009, we agreed to supply Paris transport company RATP with card readers that allow customers to top up their Navigo passes online. Users can now connect a Gemalto PC Twin Reader to their PC and buy tickets from home. As technologies converge, there is strong potential to bring contactless card functionality onto other devices also secured by Gemalto technology. In June, for example, the operators of public transport in Chicago agreed to allow users to top up their cards online using a Gemalto card reader.
transport services in Paris committed to being able to accept a cellphone payment for transport tickets by the end of 2010. Our Company is uniquely well-positioned to exploit these and other convergence opportunities in the years ahead.

Fast track to reducing fraud

Gemalto is the recognized industry expert in leading banks through their migration to the EMV™ standard for banking cards. With a key aim of fraud reduction, Royal Bank of Scotland commissioned us to carry out the conversion of their credit cards in Indonesia, India and Taiwan. We completed the project in a record three months with tangible operational savings for RBS.

In addition to successes in EMV migration we also gained market traction with our innovative offers, such as our selection by Nigeria’s InterSwitch for our Instant Issuance solution.

™ EMV: EuroPay, MasterCard, Visa.

www.gemalto.com
In 2009, Security turned to profit on the back of growth in Government Programs, success in eBanking activities and operational leverage.

Many countries have demonstrated that eID can provide citizens and businesses with real services and benefits, without infringing on new rules for data protection and civil liberties.

<table>
<thead>
<tr>
<th>Our performance</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
</tr>
<tr>
<td><strong>€248m</strong></td>
</tr>
<tr>
<td>2008: €216m</td>
</tr>
<tr>
<td>Up 14% year-on-year at constant exchange rates</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
</tr>
<tr>
<td><strong>€90m</strong></td>
</tr>
<tr>
<td>2008: €66m</td>
</tr>
<tr>
<td>Up 540 basis points</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
</tr>
<tr>
<td><strong>€7m</strong></td>
</tr>
<tr>
<td>2008: €(20m)</td>
</tr>
<tr>
<td>Turn to profit</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
</tr>
<tr>
<td>36.1%</td>
</tr>
<tr>
<td><strong>EBIT margin</strong></td>
</tr>
<tr>
<td>2.9%</td>
</tr>
</tbody>
</table>

**Turning to profit**

- Strong improvements in gross margin came from better industrialization of projects in Government Programs and higher patent licensing activity.
- Tight control of operating expenses led to a substantial operational leverage.
- Excluding the patent licensing activity contribution, Government Programs and Identity & Access Management combined exceeded the break-even point, in both semesters.

The segmental overview is based on adjusted financial information: non-GAAP measures defined as IFRS financial information adjusted for reorganization charges, amortization & depreciation of intangibles resulting from acquisitions, and acquisitions-related costs. See page 151.
Our products, software and services

Government Programs
We provide secure documents, identity solutions and services for governments, national printers and integrators. These include:

- Our Sealys range of high-quality, secure and durable solutions comprising physical, visual and electronic security for travel documents, national eID, eHealth cards, electronic driver’s licenses and registration certificates.
- A complete end-to-end solution for highly secure ePassports.
- A range of solutions for enrolment, issuance, border control and eGovernment.
- Our Allynis range of secure operated services including outsourced personalization and delivery, supported by strong industrial and financial engineering capabilities.

Identity and Access Management
We provide secure IAM solutions for enterprises, governments, banks and other organizations, enabling them to better control their physical and IT environments.

- We offer a full suite of products, software and services to protect sensitive company information and prevent data loss, including USB drives with strong levels of built-in security, One Time Password (OTP) tokens and Public Key Infrastructure (PKI) strong authentication with optical devices;
- Our Protiva family of multi-function smart cards, smart card readers, secure tokens, software and services are used in a variety of applications such as physical and network access control, encryption, digital signature, converged badges, secure remote access, pre-boot authentication, employee identity verification and biometric authentication;
- Ezio, our suite of eBanking solutions, delivers digital signature and secure access to retail and corporate bank networks, eCommerce sites and cloud computing services.

Licensing of intellectual property rights
We have a unique portfolio of proprietary technology and patents, and license use of our rights to other players.

Our positioning

- We have a leading set of ePassport and eDocument references worldwide.
- Our experience is unrivalled in compliance with regulatory requirements for electronic documentation and software.
- We have over 50 projects in enrolment, issuance and applications, enabling us to deliver efficient programs managing a wide variety of interactions between citizen and state.
- The leading security and scalability of our products and solutions is a key differentiating factor.
- Our global footprint and efficient operations enable us to address growing market demand.

- We have long-standing expertise in IAM with a roster of customers that includes many in the Fortune 100, such as Shell, Chevron, Pfizer, Boeing, Schlumberger and Microsoft.
- Our advanced solutions minimize total cost of ownership yet maximize convenience without compromising security, ensuring employees, contractors and others can continue to work easily and securely.
- Our products that conform to the FIPS 201 standard (e.g. dual-interface cards for Personal Identity Verification (PIV) allow the identities of government employees and contractors to be verified electronically, while resisting attempts at fraud, tampering or counterfeiting.
- Gemalto is a global leader in eBanking deployments based on EMV-CAP (Chip Authentication Programs).
- We have already achieved major deployments of our Ezio solutions in China, Italy, France, Hungary, Nigeria, the UK and the US, with over 20 million online banking customers worldwide using our solutions.
Government Programs

We saw steady adoption of ePassports by new entrants during 2009. At least 30 more countries are expected to have moved to electronic travel documents during 2009-2010(1) (from a base of 62 countries at the end of 2008). Uptake was aided by a European Commission directive that required all member states to include digital biometric information for passports issued from June 2009.

Gemalto piloted and implemented these second-generation ePassports with European customers such as Denmark, Estonia, France, Norway, Portugal and Sweden.

An increasing number of countries deployed electronic ID documents (eID) in 2009, attracted by the security benefits for both the state and the individual. Countries including Sweden, Finland, Estonia, Spain, Portugal, Belgium and Austria have demonstrated that eID can provide citizens and businesses with real services and benefits – without infringing on new rules for data protection and civil liberties.

We reached several eID milestones in 2009, with particular activity in the Gulf region. In January, we announced delivery of another batch of one million eID cards, plus related services, to the Kingdom of Bahrain. The high-end cards combine built-in biometrics and contactless technologies. They can also be used as travel documents in the Gulf Cooperation Council (GCC) countries.

In March 2009 we concluded a deal to continue supplying eID to the Kingdom of Saudi Arabia for three years. In April, we issued the one millionth Gemalto eID in the United Arab Emirates. In June, Kuwait deployed its own eID card program using Gemalto technology, again with a million-strong order for multi-application cards for citizens, and two million more for foreign residents.

Gemalto continued to break new ground in 2009. The ePurse functionality in the eID cards we supplied to Oman was ‘post-activated’ in July, allowing users to pay administrative fees for certificates, registrations, licenses and visa applications – as well as topping up cellphones and shopping in many stores. This is the first time on-card functionality has been activated post-deployment. The application uses Gemalto’s turnkey Coesys ePurse solution.

In Europe, Lithuania’s Ministry of Interior commissioned Gemalto to deliver 900,000 Sealsys laser-secured cards for the country’s national eID program. Portugal became one of the first countries to fulfill the EU requirement for an electronic European Residence Permit (eERP) from 2010. Gemalto will deliver 150,000 cards per year over the next three years and has also supplied INCM, the country’s mint, with its Coesys Issuance personalization solution.

In July, Gemalto worked with Australia’s Placard Pty Ltd to provide several million Sealys electronic driver licenses to the Department of Transport and Main Roads in Queensland. And in May, Gabon’s national healthcare body chose Gemalto to run its new e-healthcare project, supplying a solution including cards, personalization services and an ID verification system.

Identity & Access Management

Gemalto’s solutions are used by many public and private organizations to manage access for employees to both physical infrastructure and IT systems. We reach out to markets such as higher education, government, healthcare, banks and corporations.

Higher education is a testing environment for our IAM solutions. At each campus, thousands of staff, students and support workers need secure access to buildings, networks, banking, transportation – even voting in student elections. Our multi-function cards act as a single credential for staff and students that gives them access to their own personal set of services. In 2009, we announced that more than four million students at 200 Santander Universities now use our cards in this way. In Poland more than 115 universities and high schools are issuing our eStudent card, and last year Serbia used Gemalto smart cards to roll out its first eID for students.

Governments make significant demands in matters of IAM. They hold highly personal information about millions of people. Their employees are often engaged on work of great sensitivity. And reliability is paramount – both to protect data and ensure key staff can access secure information and networks wherever they are in the world.

Gemalto’s capacity for innovation has been vital in securing government customers. In 2009, we acquired US Federal Information Processing Standard 140-2 level 3 certification for our new Protiva Smart Guardian personal security USB devices. Not only do they prevent intruders from gaining access to critical security parameters, they also meet US 810-F environmental standards and are now available to secure the mobile data of US government employees. In 2009 we announced we had shipped more than 25 million smart card-based identity credentials to the federal government.

Banks have also turned to our solutions. The most valuable assets for financial services firms today aren’t held in vaults or safes – they’re in databases, and in their employees’ ability to perform secure transactions without delay. Using Gemalto smart cards to give employees access to both physical infrastructure and IT systems ensures banks can secure vital data and buildings with world-class encryption systems.

Our corporate clients have also adopted our personal portable security devices (PPSDs) that offer convenient, affordable and secure remote access. Our smart cards are used widely as identity badges, providing the right blend of visible and digital authorization to access buildings, facilities and networks.

Our expertise in issuance and personalization ensures that each user is properly accredited – and that authorizations, from the most senior decision-makers to the freshest recruits, can be managed centrally for maximum efficiency.

And with our partnerships – including new deals concluded in 2009 – with leading IT suppliers, our solutions are easy for corporate IT departments to deploy. For example, our Protiva .NET Bio solution, available for Windows 7, is already delivering increased levels of corporate security by applying multi-factor authentication with biometrics on the smart card.

Some of the largest and most advanced companies are working with Gemalto IAM solutions. Microsoft itself manages physical and logical access control worldwide using our smart cards with .NET technology.

eBanking and eCommerce

Online banking has become popular because of its speed and convenience. eBanking also helps financial institutions reduce transaction costs, strengthen their core business and broaden their offerings to customers. But many people are concerned about the improper use of their bank details on the internet. So banks have to offer two things at once: convenience and security.

Today, thanks to Gemalto technology, banks around the world are doing this for more than 20 million web users. Our Ezio range offers end-to-end solutions in four key areas:

- **Online retail banking**: with solutions using EMV payment cards as well as ultra-secure one-time password tokens;
- **Corporate banking**: securing transactions including payroll and tax payments. Ezio puts strong authentication, transaction signatures and non-repudiation at the heart of corporate finance;
- **eCommerce**: Ezio also offers more secure ecommerce transactions, where users can make online purchases with the security of the EMV banking card;
- **Cloud computing**: cloud customers have access to distributed or hosted IT facilities for their mission-critical applications and data, so security is paramount. That’s why a major provider like Amazon Web Services has chosen a Gemalto solution for its cloud customers.

Next generation identity

Highlighting the growing importance of national eID programs alongside ePassport deployments, Gemalto added several wins to its list of government contracts during 2009, notably Kuwait, Lithuania and Saudi Arabia. These included contact/contactless and biometric technologies; and in Oman, Gemalto achieved a world first by enabling holders to activate an ePurse payment application on their existing eID cards.

In IAM, our selection by Vietcombank\(^*\) to safeguard its online banking service illustrates our expertise in strong two-factor authentication combined with EMV-CAP (Chip Authentication Programs) services.

\(^*\) Vietnam’s largest bank.

www.gemalto.com
Public Telephony and Point-of-Sale Terminals combined enjoyed good success in 2009, reporting a two-fold increase in operating margin.

Our expertise in both card-based authentication and cryptography means we are strongly placed to satisfy both consumers' and merchants' security needs.

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Gross profit</th>
<th>EBIT</th>
<th>EBIT margin</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009</strong></td>
<td><strong>€77m</strong></td>
<td><strong>€20m</strong></td>
<td><strong>€6m</strong></td>
<td><strong>7.8%</strong></td>
</tr>
<tr>
<td><strong>2008</strong></td>
<td><strong>€73m</strong></td>
<td><strong>€18m</strong></td>
<td><strong>€3m</strong></td>
<td><strong>6%</strong></td>
</tr>
</tbody>
</table>

**Strong efficiency improvement**
- Structural revenue decline in Public Telephony was offset by solid growth in POS Terminals.
- Margins substantially increased on the back of efficiency gains and tight management of operating expenses.

The segmental overview is based on adjusted financial information: non-GAAP measures defined as IFRS financial information adjusted for reorganization charges, amortization & depreciation of intangibles resulting from acquisitions, and acquisitions-related costs. See page 151.
Our products, software and services

Point-of-Sale (POS) terminals

Our secure Point-of-Sale (POS) devices are used to accept payments in retail outlets. Our brands include the Delta, MagIC, MagIC Evolution and MagIC³ families.

- **MagIC³**, our latest range, is designed to be easy to configure and easy-to-use, helping merchants to keep down overheads and enabling customers to quickly authenticate transactions.
- Our range includes wireless, desktop and multi-lane terminals as well as contactless readers and a range of accessories to help merchants optimize the customer experience.
- Our software development kits and training programs enable retailers to tailor their systems to particular circumstances. Our administration software gives them an out-of-the-box option for more conventional POS applications.

Public Telephony

Gemalto provides high-tech, multi-function prepaid cards for public telephony. These enable operators to offer added-value services to customers, for example, when making payments at kiosks and accessing online services.

- Our tamper-proof UniSAM (Security Application Module) system can be installed in payphones or terminals to authenticate prepaid user cards. This offers security against fraud and allows storage of issuers’ private information. Since it is built on open standards, it works with almost any legacy system.
- Our cards can be designed for any brand image, with custom shapes, artwork, advertising and additional features such as scratch panels. We even add fragrances to prepaid phone cards.

Our positioning

- Gemalto has nearly 30 years’ experience in the development and production of POS systems. Over that period, we have sold more than two million terminals and we now support over 120 terminal management systems in more than 25 countries.
- Our expertise in both card-based authentication and cryptography means we are strongly placed to satisfy both consumers’ and merchants’ security needs.
- With high levels of investment in software and services across Gemalto, we are able to provide not only the most advanced terminal technology, but also merchant support in the form of applications and consultancy.
- Since our terminals are based on the Linux operating system and open standards, they are adaptable to a range of back-end systems and offer a sound platform for future development.

- Gemalto is the world’s leading supplier of prepaid phone cards, with nearly 200 million units shipped in 2009.
- Our phone card solutions offer strong security for both operators and their customers. Our open Key Management System for authenticating card-based activities delivers a combination of security and flexibility.
- With our global footprint and diverse customer base, we support public telephony operators in a wide range of initiatives designed to promote their business.
- By sharing our sales and marketing know-how and our technical knowledge, we help operators develop fresh approaches to the highly mature fixed-line market. This enables them to remain distinctive and relevant in a world increasingly dominated by mobile communication.