Annex 2 to agenda of AGM of May 14, 2008

Remuneration Policy for the Chief Executive Officer

The goals of the Gemalto Remuneration Policy for Senior Management, including our Chief Executive Officer are to attract, retain and reward talented staff and management, by offering compensation that is competitive in the industry, motivates to surpass the Company’s business objectives and aligns the interests of management with the interests of the shareholders.

To meet these goals the compensation package comprises a combination of cash payments (base salary, variable bonus or incentives), benefits in kind and long term or deferred benefits (equity based plan, pension plan).

The compensation of the Company's Chief Executive Officer is calibrated by comparison with other relevant international / European high tech companies (the "Comparison Group").

The Chief Executive Officer has an employment contract currently governed by French law with Axalto International SAS, a subsidiary of the Company and enjoys any and all benefits that may be applicable to French employees. In addition the Chief Executive Officer, being an Executive Board member, is entitled to a fixed compensation. The sum of the base salary under his employment contract and the fixed board compensation constitute the “Total Reference Compensation”.

Remuneration policy positioning:
The overall compensation of the Chief Executive Officer, assuming that challenging but achievable targets have been set and met, is about 60th percentile by comparison with the remuneration practices of the Comparison Group. In case of exceptional performance, the total compensation can be in the upper quartile.

Base salary:
The Total Reference Compensation is reviewed every year but not necessarily adjusted every year. The policy targets Total Reference Compensation for the Chief Executive Officer is around 50th percentile by comparison with the Comparison Group.

Variable incentive (or “bonus”):
In addition to this amount, the Chief Executive Officer receives variable compensation, based on the achievement of personal and financial objectives, in the range 0-120% of Total Reference Compensation. Bonus of 120% of Total Reference Compensation is payable on achievement of 100% of on target performance by reference to a predefined set of financial and personal objectives. Part of this variable compensation is related to the Company's financial results, such as, for example Earnings per Share, Revenue and/or Net Income, to be determined by the Board on an annual basis. The remainder depends on success in delivering on a limited number of specific strategic, tactical or individual objectives, also to be determined by the Board on an annual basis.
In case of exceptional performance in excess of the 100% achievement of objectives, the variable compensation can be increased so that the total variable compensation can reach up to 180% of the Total Reference Compensation.

The attainable total variable compensation at 100% achievement of all objectives shall be above 50th percentile, with an average over the years of about 60th percentile by comparison with the Comparison Group.

**Long term or deferred incentive:**

**GEIP**

The Company has established a Global Equity Incentive Plan (the “GEIP”) for its employees. Under the GEIP, the Chief Executive Officer may receive any of the following:
- Options,
- Restricted shares units,
- Shares appreciation rights,

collectively referred to as “Awards”.

The Board is authorized to grant to the Chief Executive Officer 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 250,000 options valued by reference to any of the generally recognized valuation methods applied in a manner as approved by the Board.

**Options**

When granting options the Board shall apply performance criteria the achievement of which are preconditions for the vesting of such options. Under specific circumstances, the Board has the discretionary power to grant unconditional options (e.g. in case of new hire). Any options granted to the Chief Executive Officer 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. The exercise price of the options will be equal to the average of the closing price of the Gemalto share on the Euronext Paris stock exchange during the five trading days preceding the grant date.

**Restricted share units (“RSU”)**

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. A RSU shall vest upon fulfilment of performance criteria based on one or more performance factors. 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.

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 to the Chief Executive Officer, or such other period as is required to comply with the minimum mandatory holding period applicable to RSU’s under Article L. 225-197-1 of the French Commercial Code.

**Share appreciation rights (“SAR”)**
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. A SAR can be granted independently of an option ("Stand-Alone SAR") or a SAR can be granted in connection with an option or a portion thereof ("Tandem SAR"). A SAR shall vest upon fulfilment of performance criteria based on one or more performance factors. A SAR may vest at one time, or a portion of a SAR may vest from time to time, periodically or otherwise, in such number of shares or percentage of shares as the Board determines. At any time after the granting of a SAR, the Board may accelerate the vesting of such SAR. A limited SAR may be granted, that is exercisable upon the occurrence of specified contingent events.

**Performance factors**

Awards can be granted or vested on the basis of the following performance factors:
- Revenue, Earnings, Operating Income, Income before Income taxes, Net income, Earnings per share, Shareholder return, Return on capital employed, Return on equity, Return on sales, Cash flow, Stock market price of the Company’s shares on Eurolist by Euronext Paris S.A., Shareholder’s economic added value, Results on individual confidential business objectives (strategic, tactical or personal) and/or any other performance factors determined by the Board of Directors to contribute and/or which have contributed to the Company operation and/or performance and/or shareholder’s value creation.

Notwithstanding the aforementioned, unless the employment with Axalto International SAS or the Company is terminated for wilful misconduct ("faute lourde" within the meaning established by the French Supreme Court case law), any option rights will vest automatically upon decision to terminate the appointment of the Chief Executive Officer 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.

**GESPP**

The Company has established a Global Employee Share Purchase Plan (the “GESPP”) for its employees. Under the GESPP, the Company may offer eligible employees the opportunity to purchase discounted shares in the Company.

The Chief Executive Officer is authorized to participate in the GESPP, as well as in any future similar plans. The maximum contribution per year by the Chief Executive Officer to the GESPP is the lesser of 25% of his total compensation or €20,000. The maximum discount of the purchase price of the shares is 20% based on the lesser of the value of the shares on the first day of the offering period and the last day of the offering period.

If the Chief Executive Officer has an employment contract with Axalto International SAS, he may participate in the GESPP through a FCPE (Fonds Commun de Placement d'Entreprise) (“FCPE”), in which case the FCPE subscribes to shares and the Chief Executive Officer receives in exchange part 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 long term or deferred Incentive part of the total compensation package for the Chief Executive Officer shall be above 50th percentile by comparison with the Comparison Group, which may be the upper quartile in case of exceptional performance.

**Pension:**
The Chief Executive Officer does not benefit from any special pension plan provided by Gemalto.

**Severance payment:**
The Chief Executive Officer is entitled to a Severance Payment equal to one (1) year of reference salary. The reference salary to be used to compute this Severance Payment will be the annual gross salary paid under the Chief Executive’s employment contract with Axalto International SAS or another group operating company during the last twelve months preceding termination of his employment agreement, to which should be added all bonus and other discretionary cash incentives, as well as all board member fees received during that period.

The Severance Payment will not be due if the employment is terminated for wilful misconduct ("faute lourde" within the meaning established by the French Supreme Court case law).

If the Chief Executive Officer is an employee of a French group company, 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 case of Mr Piou with a recognized seniority since 1981, in the event of termination by Axalto International SAS, including in particular the six month notice period indemnity provided in the employment agreement, as well as the dismissal and paid vacation indemnities.

The Chief Executive Officer will not be entitled to a Severance Payment upon voluntary resignation.