Gemplus
Q2 & H1 2005
Results Presentation

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Frans Spaargaren  Executive Vice-President & CFO
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Agenda

- Overview
- Q2 & H1 2005 Financials
- Business Highlights
- FY 2005 Outlook
Q2 & H1 2005: Overview

• Q2 / H1 2005: strong revenue and income improvement
  • Strong growth in all core business
  • Very strong earnings improvement
  • Cash remains at a high level, even after Setec acquisition

• Gemplus well positioned to benefit from favorable trends:
  • Rapidly growing Wireless market in North & Latin America
  • Strong interest in large memory SIM cards
  • Good progress in EMV*, further worldwide deployment
  • Opportunities in ID & Security materializing into contracts and deliveries

* EMV : Europay Mastercard Visa
Agenda

• Overview
  ► • Q2 & H1 2005 Financials
    • Business Highlights
    • FY 2005 Outlook
2nd quarter 2005 highlights

• Q2 05 Group revenue up 12.2% (11.3 %, currency and acquisition adjusted) year-on-year at €236.2 m, reflecting:
  • Strong growth in all core businesses: Wireless, EMV* and ID & Security
  • Finalization of Setec acquisition
• Highest gross margin in 4 years: 33.9 %, up 1.6 ppt year-on-year
• Operating expenses at €57.6 m, including €5.2 m related to the reversal of a litigation provision
• Operating income at €22.4 m, tripled compared to last year, resulting in a 9.5 % operating margin
• Strong improvement in net attributable income at €21.8 m

* EMV : Europay Mastercard Visa
First Half 2005 highlights

• H1 05 Group revenue up 5.3 % (4.6 % currency and acquisition adjusted) year-on-year at €429.3 m, reflecting strong growth in all core businesses

• Gross margin at 33.1 %, up 1.4 ppt year-on-year

• Operating expenses down 5.8 % year-on-year at €112.0 m, including €5.2 m related to the reversal of a litigation provision

• Operating income at €29.9 m, tripled compared to last year, resulting in a 7.0 % operating margin

• Very strong improvement in net attributable income at €29.0 m
Net sales:
Very strong development in North & Latin America and EMEA

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Million euros</th>
<th>Q1 04</th>
<th>Q2 04</th>
<th>Q3 04</th>
<th>Q4 04</th>
<th>Q1 05</th>
<th>Q2 05</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>197.3</td>
<td>210.5</td>
<td>214.7</td>
<td>242.5</td>
<td>193.1</td>
<td>236.2</td>
</tr>
<tr>
<td>Europe, Middle East, Africa</td>
<td>96.4</td>
<td>50.1</td>
<td>115.0</td>
<td>122.2</td>
<td>99.4</td>
<td>121.0</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>53.1</td>
<td>50.8</td>
<td>55.2</td>
<td>46.5</td>
<td>47.4</td>
<td>41.6</td>
<td></td>
</tr>
<tr>
<td>North &amp; Latin America</td>
<td>47.8</td>
<td>109.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Million euros
Q2 2005 vs. Q2 2004 revenue

Million euros

- Volume: 210.5
- Price: -65.7
- Mix: 28.3
- Currency: -3.6
- Other: 5.4
- Q2 2005: 236.2

- Wireless volume increase, driven by American operators, partly offset by prepaid phone cards
- Strong price pressure
- Mix improvement reflects a continuous shift to higher end products
Stable operating expenses*

- Operating expenses includes the reversal of a litigation provision for €5.2 m
- Stable operating expenses year-on-year despite 11.3 %** revenue increase (excluding the reversal of a litigation provision and Setec operating expenses)

* Due to adoption of IAS1 (revised 2003). "Presentation of financial statements", the Company has modified its Consolidated Statement of Income
** After adjusting for currency fluctuations, discontinued operations and acquisitions
## Strong improvement in net income*

<table>
<thead>
<tr>
<th>Million euros</th>
<th>Q2 05</th>
<th>Q2 04</th>
<th>H1 05</th>
<th>H1 04</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>236.2</td>
<td>210.5</td>
<td>429.3</td>
<td>407.8</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>80.0</td>
<td>68.0</td>
<td>141.9</td>
<td>129.3</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>22.4</td>
<td>6.8</td>
<td>29.9</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Financial income, net</strong></td>
<td>1.7</td>
<td>1.5</td>
<td>3.5</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Share of associates</strong></td>
<td></td>
<td>(1.2)</td>
<td>(0.8)</td>
<td>(4.0)</td>
</tr>
<tr>
<td><strong>Other non operating income (expense), net</strong></td>
<td>(0.3)</td>
<td>(3.0)</td>
<td>0.1</td>
<td>(2.8)</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(1.2)</td>
<td>(2.3)</td>
<td>(2.9)</td>
<td>(3.7)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>22.6</td>
<td>1.8</td>
<td>29.7</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Net income attributable to Equity holders</strong></td>
<td>21.8</td>
<td>1.1</td>
<td>29.0</td>
<td>1.4</td>
</tr>
</tbody>
</table>

* Due to adoption of IAS1 (revised 2003) “Presentation of financial statements”. The company has modified its Consolidated Statement of Income.
Free cash flow excluding non recurring items

- Positive free cash flow of €23.7 m (before non-recurring items)
- Net cash flow at -€21.6 m reflecting:
  - Setec acquisition for €58.0 m
  - €22.5 m cash inflow in relation to the successful outcome of a litigation

Tax assessment: €34.9 m
Strong balance sheet  
(June 30. 2005)

- Cash at €373.5 m even after Setec acquisition
- WCR at 12% of revenue
Agenda

- Overview
- Q2 & H1 2005 Financials
- Business Highlights
- FY 2005 Outlook
Q2 & H1 2005: Telecom Business update

- Telecom market environment:
  - Strong demand in North & Latin America and EMEA
  - Continued decrease in prepaid phone cards
  - Strong price pressure combined with very strong volume growth

- Gemplus
  - Record for Wireless volume at 85.8 Mu (+ 44 % year-on-year) in Q2 05
  - Strong market share gains in North & Latin America and emerging markets in EMEA
  - Stable operating expenses

<table>
<thead>
<tr>
<th>million euros</th>
<th>Q2 2005</th>
<th>Q2 2004</th>
<th>% change</th>
<th>H1 2005</th>
<th>H1 2004</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>163.2</td>
<td>154.0</td>
<td>+ 6.0 %</td>
<td>307.5</td>
<td>300.6</td>
<td>+ 2.3 %</td>
</tr>
<tr>
<td>Gross profit</td>
<td>61.4</td>
<td>55.1</td>
<td>+ 11.5 %</td>
<td>113.7</td>
<td>104.8</td>
<td>+ 8.5 %</td>
</tr>
<tr>
<td>Gross margin</td>
<td>37.6 %</td>
<td>35.8 %</td>
<td>+ 1.8 ppt</td>
<td>37.0 %</td>
<td>34.9 %</td>
<td>+ 2.1 ppts</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>40.3</td>
<td>39.9</td>
<td>+ 1.2 %</td>
<td>76.1</td>
<td>77.7</td>
<td>- 2.0 %</td>
</tr>
<tr>
<td>Operating profit</td>
<td>21.1</td>
<td>15.2</td>
<td>+ 38.5 %</td>
<td>37.6</td>
<td>27.1</td>
<td>+ 38.8 %</td>
</tr>
</tbody>
</table>

Strong operating profit improvement:
Q2 05 Operating margin stands at 12.9 %. up 3.0 ppts
Continuous mix improvement: high-end at 48% of the total shipments in Q2 05
Growth driven by very strong performance in 64 Kb
Q2 2005: Wireless drivers

- Volume growth driven by North & Latin America and EMEA
- Strong price pressure for all products

SIM Cards Volume
+ 44% 85.8

Wireless Cards ASPs
- 21%*

* After adjusting for currency fluctuations
Q2 & H1 2005: Wireless

- Business highlights
  - GemXplore Generation (extended memory SIM): strong customer endorsement
  - Strong market share improvement in some key markets

- Financials
  - Higher sales (+13.0 %* YoY), even compared with strong Q2 04
  - Stable gross margin with stronger volume, lower chip prices and improved manufacturing efficiency, fully offsetting price pressure

<table>
<thead>
<tr>
<th>million euros</th>
<th>Q2 2005</th>
<th>Q2 2004</th>
<th>% change</th>
<th>H1 2005</th>
<th>H1 2004</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>150.2</td>
<td>135.0</td>
<td>+11.3 %</td>
<td>282.9</td>
<td>262.1</td>
<td>+7.9 %</td>
</tr>
<tr>
<td>Gross profit</td>
<td>60.6</td>
<td>54.2</td>
<td>+11.8 %</td>
<td>111.8</td>
<td>103.0</td>
<td>+8.5 %</td>
</tr>
<tr>
<td>Gross margin</td>
<td>40.4 %</td>
<td>40.2 %</td>
<td>+0.2 ppts</td>
<td>39.5 %</td>
<td>39.3 %</td>
<td>+0.2 ppts</td>
</tr>
</tbody>
</table>

* After adjusting for currency fluctuations, discontinued operations and acquisitions
**Q2 & H1 2005: Financial Services Update**

<table>
<thead>
<tr>
<th>million euros</th>
<th>Q2 2005</th>
<th>Q2 2004</th>
<th>% change</th>
<th>H1 2005</th>
<th>H1 2004</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>50.3</td>
<td>44.7</td>
<td>+12.4 %</td>
<td>88.2</td>
<td>85.1</td>
<td>+3.7 %</td>
</tr>
<tr>
<td>Gross profit</td>
<td>10.2</td>
<td>8.8</td>
<td>+15.7 %</td>
<td>16.0</td>
<td>18.0</td>
<td>-10.8 %</td>
</tr>
<tr>
<td>Gross margin</td>
<td>20.3 %</td>
<td>19.7 %</td>
<td>+0.6 ppt</td>
<td>18.1 %</td>
<td>21.1 %</td>
<td>-3.0 ppts</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>7.3</td>
<td>13.5</td>
<td>-46.2 %</td>
<td>17.7</td>
<td>25.4</td>
<td>-30.5 %</td>
</tr>
<tr>
<td>Operating profit</td>
<td>2.9</td>
<td>-4.7</td>
<td>NM</td>
<td>-1.7</td>
<td>-7.4</td>
<td>NM</td>
</tr>
</tbody>
</table>

- **Market environment**
  - Favorable trends in EMV* deployment:
    - On-going good level of activity in UK
    - New markets in Europe, Turkey and Japan

- **Gemplus**
  - First EMV cards delivery in Japan, Italy and Netherlands
  - Strong growth in payment microprocessor cards driven by EMV deployment
    - Shipments up 30.0 % at Mu 16.8 supports 31.0 % revenue growth
  - Lower revenue in Pay-TV and Metering
  - Slight improvement in gross margin in Q2
  - Stable operating expenses (excluding the reversal of a litigation provision)

* EMV: Europay Mastercard Visa
Q2 & H1 2005: ID & Security Update

<table>
<thead>
<tr>
<th></th>
<th>Q2 2005</th>
<th>Q2 2004</th>
<th>% change</th>
<th>H1 2005</th>
<th>H1 2004</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>22.7</td>
<td>11.8</td>
<td>+ 92.1 %</td>
<td>33.6</td>
<td>22.1</td>
<td>+ 51.8 %</td>
</tr>
<tr>
<td>Gross profit</td>
<td>8.4</td>
<td>4.1</td>
<td>+ 103.9 %</td>
<td>12.2</td>
<td>6.5</td>
<td>+ 86.9 %</td>
</tr>
<tr>
<td>Gross margin</td>
<td>37.1 %</td>
<td>34.9 %</td>
<td>+ 2.2 ppts</td>
<td>36.3 %</td>
<td>29.5 %</td>
<td>+ 6.8 ppts</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>10.0</td>
<td>7.8</td>
<td>+ 28.1 %</td>
<td>18.2</td>
<td>15.8</td>
<td>+ 15.0 %</td>
</tr>
<tr>
<td>Operating profit</td>
<td>- 1.6</td>
<td>- 3.7</td>
<td>NM</td>
<td>- 6.0</td>
<td>- 9.3</td>
<td>NM</td>
</tr>
</tbody>
</table>

• Market environment
  • Global trend still very positive
  • Growing number of e-government initiatives (e-passport, ID cards, healthcare, car registration)
  • Delay of the US e-passport planning: limited impact on EMEA projects
  • Increased requirements for sites/staff security in Europe, similar to US evolution (TWIC)*

• Gemplus
  • Best quarter ever for ID & Security: + 66.5 % (currency & acquisition adjusted)
  • Substantial high-end cards deliveries: UAE, Royal Oman Police, US Department of Defense, Boeing
  • Strong gross margin improvement
  • Operating expenses increase mainly due to Setec

* TWIC: Transportation Worker Identification Credential
Agenda

• Overview
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• Business Highlights
▶ • FY 2005 Outlook
Outlook

• The Group continues to see strong momentum in its core markets. Gemplus expects to increase revenue, excluding acquisitions, by around 10% in 2005

• The Company continues to focus on cost efficiency and is confident to show very strong improvement on operating income in 2005

• The Group also expects the Financial Services and ID & Security business units to become profitable in 2006

• With excellent Q2 results, Gemplus confirms it is well on track to realize its mid-term objective of a 10% operating margin in 2007
Appendix
# Cash Flow Statement

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss)</td>
<td>-13.1</td>
<td>-25.6</td>
<td>0.3</td>
<td>1.1</td>
<td>-8.5</td>
<td>11.8</td>
<td>7.1</td>
<td>22.6</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>16.6</td>
<td>18.5</td>
<td>15.2</td>
<td>13.7</td>
<td>15.0</td>
<td>12.8</td>
<td>9.3</td>
<td>9.7</td>
</tr>
<tr>
<td>Other adjustments to reconcile net income (loss) to net cash from operating activities</td>
<td>3.2</td>
<td>16.4</td>
<td>0.7</td>
<td>4.0</td>
<td>3.9</td>
<td>-31.2</td>
<td>-0.8</td>
<td>-0.5</td>
</tr>
<tr>
<td>Reduction of workforce and other exit costs. provision</td>
<td>4.7</td>
<td>7.3</td>
<td>-0.4</td>
<td>0.0</td>
<td>8.1</td>
<td>-0.7</td>
<td>-0.6</td>
<td>-0.4</td>
</tr>
<tr>
<td>Provision for other non-recurring items</td>
<td>0.0</td>
<td>8.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Change in working capital requirement</td>
<td>-29.0</td>
<td>26.5</td>
<td>18.9</td>
<td>-7.8</td>
<td>-3.8</td>
<td>26.6</td>
<td>0.5</td>
<td>-4.2</td>
</tr>
<tr>
<td>Net cash flow from operating activities excluding non-recurring items</td>
<td>-17.5</td>
<td>51.7</td>
<td>34.6</td>
<td>11.0</td>
<td>14.7</td>
<td>19.3</td>
<td>15.6</td>
<td>27.1</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>-4.1</td>
<td>-5.9</td>
<td>-4.0</td>
<td>-5.7</td>
<td>-5.6</td>
<td>-7.6</td>
<td>-4.4</td>
<td>-4.5</td>
</tr>
<tr>
<td>Other elements of investing activities related to the operating cycle</td>
<td>-0.6</td>
<td>1.4</td>
<td>-1.6</td>
<td>0.4</td>
<td>3.1</td>
<td>-0.5</td>
<td>0.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Free cash flow excluding non-recurring items</td>
<td>-22.2</td>
<td>47.2</td>
<td>29.0</td>
<td>5.7</td>
<td>12.2</td>
<td>11.2</td>
<td>11.9</td>
<td>23.7</td>
</tr>
<tr>
<td>Reduction of workforce and other exit costs. cash outflow</td>
<td>-17.2</td>
<td>-11.2</td>
<td>-12.8</td>
<td>-6.2</td>
<td>-2.7</td>
<td>-3.6</td>
<td>-3.1</td>
<td>-5.2</td>
</tr>
<tr>
<td>Other non-recurring expenses</td>
<td>0.0</td>
<td>0.0</td>
<td>-22.0</td>
<td>0.0</td>
<td>0.0</td>
<td>-6.1</td>
<td>0.0</td>
<td>23.4</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>-39.4</td>
<td>36.0</td>
<td>-5.7</td>
<td>-0.6</td>
<td>9.5</td>
<td>1.5</td>
<td>8.8</td>
<td>41.9</td>
</tr>
<tr>
<td>Sale of property, plant and equipment</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1.3</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>0.0</td>
<td>-0.1</td>
<td>-1.7</td>
<td>0.8</td>
<td>-2.7</td>
<td>-2.3</td>
<td>0.0</td>
<td>-60.9</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>-2.0</td>
<td>-3.1</td>
<td>0.7</td>
<td>-1.7</td>
<td>-1.9</td>
<td>-0.4</td>
<td>-2.2</td>
<td>-0.7</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash</td>
<td>-8.3</td>
<td>1.3</td>
<td>0.0</td>
<td>0.0</td>
<td>1.2</td>
<td>-1.0</td>
<td>0.1</td>
<td>-1.9</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>-49.7</td>
<td>34.1</td>
<td>-6.7</td>
<td>-1.4</td>
<td>6.1</td>
<td>-0.9</td>
<td>6.7</td>
<td>-21.6</td>
</tr>
</tbody>
</table>

Cash at the beginning of the period | 406.2 | 356.6 | 390.7 | 384.6 | 383.1 | 389.2 | 388.4 | 395.1 |
Cash at the end of the period | 356.6 | 390.7 | 384.6 | 383.1 | 389.2 | 388.4 | 395.1 | 373.5 |