

# H1 2006 Results

Presenters:

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Chief Executive Officer

Chief Financial Officer



# Disclaimer

## Forward-Looking Statements

- ✦ The Gemalto N.V. securities referred to herein issued in connection with the exchange offer of Gemalto N.V. for the securities of Gemplus International S.A., and the Gemalto N.V. shares issued in connection with the reopening of such exchange offer, have not been (and are not intended to be) registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and may not be offered or sold, directly or indirectly, into the United States except pursuant to an applicable exemption. The Gemalto securities have been and will be made available within the United States in connection with the exchange offer pursuant to an exemption from the registration requirements of the Securities Act. The exchange offer and its reopening relate to the securities of a non-US company and are subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements presented have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies. It may be difficult for an investor to enforce its rights and any claim it may have arising under U.S. federal securities laws, since Gemalto N.V. and Gemplus International S.A. have their corporate headquarters outside of the United States, and some or all of their officers and directors may be residents of foreign countries. An investor may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment. This release does not constitute an offer to purchase or exchange or the solicitation of an offer to sell or exchange any securities of Gemalto N.V. or an offer to sell or exchange or the solicitation of an offer to buy or exchange any securities of Gemplus International S.A.. Gemplus securityholders are strongly advised to read the offering circular relating to the exchange offer and related exchange offer materials regarding the transaction (see below), as well as any amendments and supplements to those documents because they contain important information. The exchange offer and its reopening described herein are not (and are not intended to be) made, directly or indirectly, in or into the United Kingdom, Italy, the Netherlands, Canada or Japan or in or into any other jurisdiction in which such offer would be unlawful prior to the registration or qualification under the laws of such jurisdiction. Accordingly, persons who come into possession of this release should inform themselves of and observe these restrictions. Copies of the free English translation of the joint French language offering document which has received visa No. 06-252 of July 6, 2006 from the French Autorité des marchés financiers and of the documents incorporated by reference thereto are available from the Internet websites of Gemalto N.V. ([www.gemalto.com](http://www.gemalto.com)) and of Gemplus International S.A. ([www.gemplus.com](http://www.gemplus.com)) as well as free of charge upon request to the following: Gemalto N.V.: Koningsgracht Gebouw 1, Joop Geesinkweg 541-542, 1096 AX Amsterdam, the Netherlands; Gemplus International S.A.: 46A, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg; Mellon Investor Services LLC, U.S. Exchange Agent: 480 Washington Boulevard, Attn: Information Agent Group, AIM # 074-2800, Jersey City, New Jersey 07310, Call Toll Free: 1-866-768-4951.

# Agenda

- ✦ **Introduction**
- ✦ Business Highlights
- ✦ Financial results
  - Pro-forma accounts
  - Purchase accounting
- ✦ Conclusion



# First Half Highlights

- ✦ Very successful exchange offer, showing strong shareholders' support to the combination
- ✦ Complete merger allows management to focus on the business in a challenging environment and on the delivery of synergies
- ✦ Meaningful and highly visible commercial successes in ID & Security obtained over the recent months, demonstrating Gemalto leadership
- ✦ Operating performance presented on an adjusted pro forma basis to help better understanding of the operating performance

# Full support of our shareholders

- ✦ 94.56 % Gemplus shares (94.68 % voting rights) held by Gemalto, showing shareholders' confidence in digital security
- ✦ Extension of the exchange offer gives Gemplus holders another opportunity to exchange their shares
- ✦ Gemalto share capital increased to 88.5 million shares
- ✦ Improved standing on the capital markets
  - Current market capitalization of € 1.6 billion
  - All shares can be freely traded

# Transaction nearing completion

★	December 7th, 2005	✓	Announcement of the combination project
★	March 8th, 2006	✓	US anti-trust authorities approval
★	May 19th, 2006	✓	European anti-trust authorities approval
★	June 2nd, 2006	✓	Filing of public exchange offer on Gemplus by Gemalto
		✓	Distribution of reserves to Gemplus shareholders
		✓	Contribution in kind of TPG's and Quandt family entities' aggregate 43.4% shareholding in Gemplus to Axalto
		✓	Change of Axalto name into Gemalto
		✓	Gemalto Board recomposition
★	July 11 <sup>th</sup> , 2006	✓	Opening of the public exchange tender offer
★	August 14 <sup>th</sup> , 2006	✓	End of the public exchange tender offer
★	August 25 <sup>th</sup> , 2006	✓	Tender offer results published
★	September 12, 2006	✓	Reopening of the tender offer
★	September 13th, 2006	✓	First Gemalto results publication
★	October 9, 2006		End of the tender offer
★	October 20, 2006		Tender offer results published
★	October 25, 2006		Shares delivered

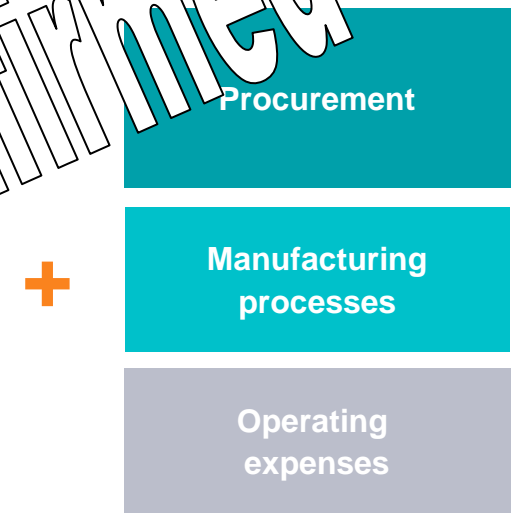
# Integration well on track

- ★ Teams are motivated and working together, since June 2
  - Good team spirit
  - Organization fully in place and operational
  - Similar values: innovation, customer focus, people
- ★ Focused on growth opportunities and on delivering synergies
  - €85 million net synergies in year 3 confirmed
- ★ Long term objectives defined
  - 10% CAGR revenue growth 2005-2009 despite initial revenue attrition
  - In “Year 3”, i.e. 2009, 10% operating margin before synergies

# € 85 Million of Net Synergy objective in Year 3

**Confirmed**

- ★ Procurement
  - Best purchasing price of each company
  - Access to new technologies
  - Benefiting from size effect (travel, supplies, etc...)
- ★ Manufacturing Processes
  - Best teams in the industry
  - Optimized logistics and facilities
- ★ Operating expenses
  - Structure
  - External expenses



- ★ Profit lost from revenue attrition
  - Overlap mostly in Mobile Communication
- ★ Price concessions to customers



- ➔ Synergies enabled by the combination represent ~70% of the total 2005 Gemalto pro forma combined operating income
- ➔ These synergies were not accessible to Axalto or Gemplus on a stand alone basis

**€85 million**  
**= Net Synergies**

# Immediate and longer term initiatives

### Quick wins

- ✦ purchasing economies
- ✦ interoperable production and personalization
- ✦ overhead rationalization

### Key initiatives

- ✦ customer centric and very large accounts programs
- ✦ product portfolio review
- ✦ new digital security initiatives
- ✦ production processes

### Longer term

- ✦ growth through customer intimacy initiatives
- ✦ strategic partnerships with digital security player
- ✦ optimize office locations
- ✦ common IT systems

GO day



Gemalto has extensive experience in M&A :  
Solaic, Malco, Cowels, Printer, Bull CP8, Setec

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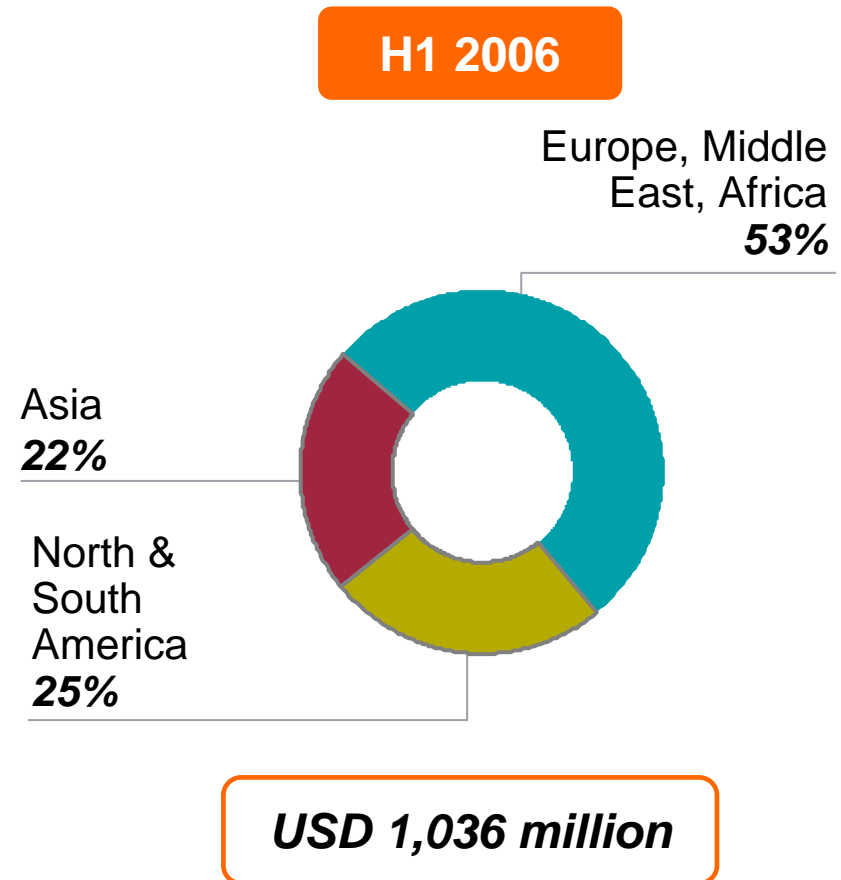
# Pro forma\* H1 06 revenue overview by geography

✦ Pro forma\* H1 06 revenue:  
+2 % at constant exchange rate  
(– 1 % at historical exchange rate)

✦ EMEA: revenue stable at  
USD 550 million\*\*

✦ Americas: at USD 259 million,  
down 6%\*\* compared with  
outstanding H1 05 performance

✦ ASIA: + 3%\*\* , increase at  
USD 227 million

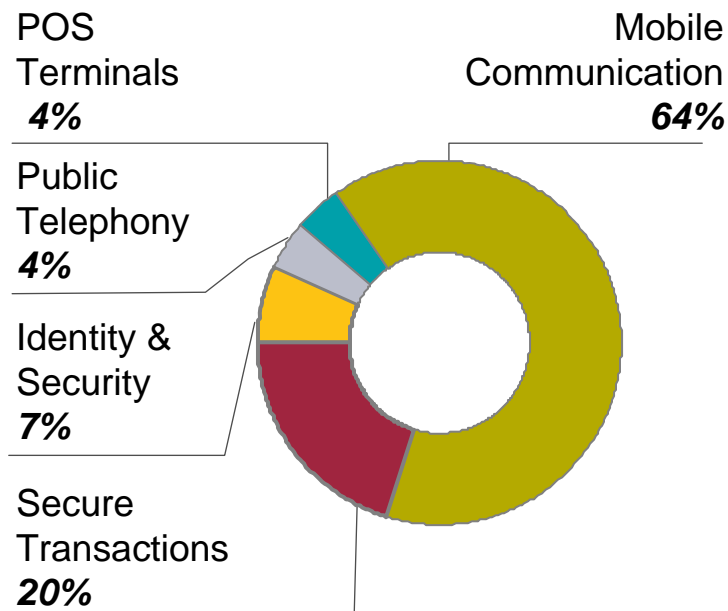


\* Pro forma (non IFRS): Gemplus full first half combined, excluding combination related expenses and charges resulting from the accounting treatment of the combination under IFRS

\*\* Historical exchange rate

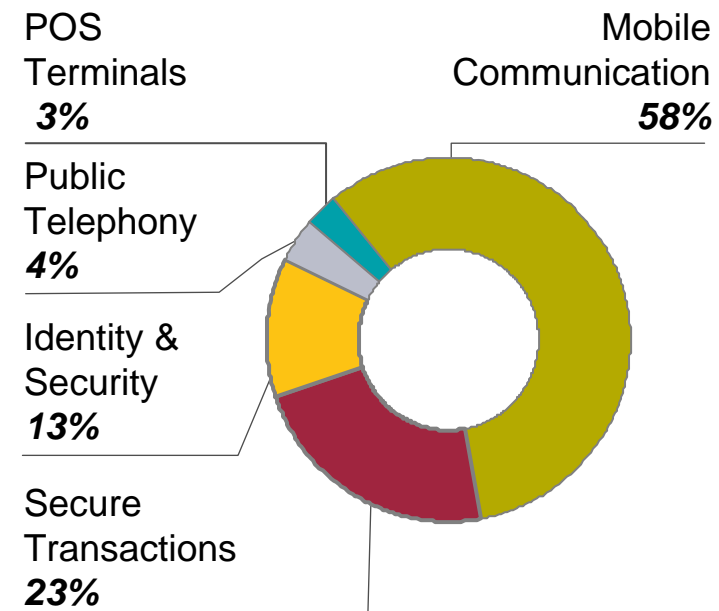
# Pro forma\* H1 06 revenue overview by business unit

**H1 2005**



**USD 1,047 million**

**H1 2006**



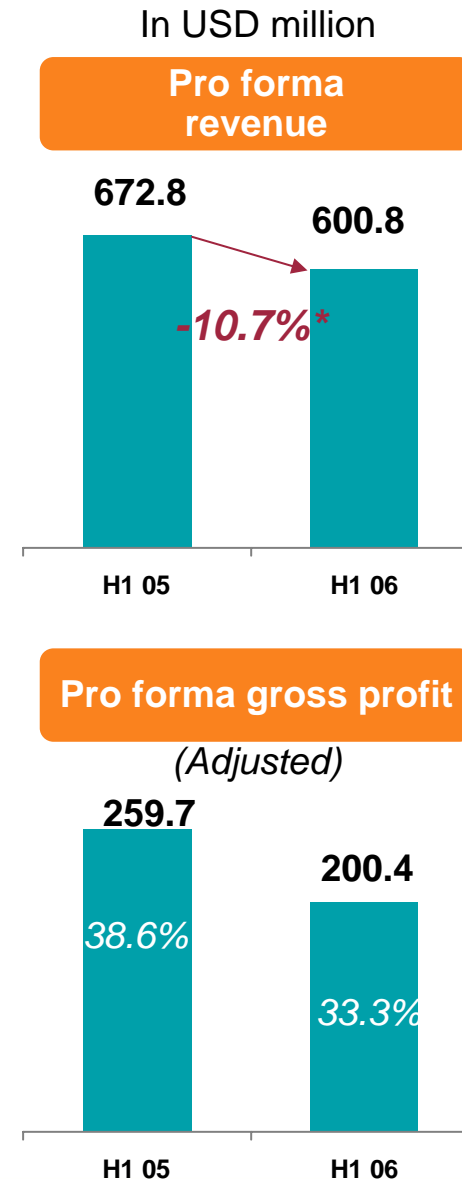
**USD 1,036 million**

\* Pro forma (non IFRS): Gemplus full first half combined, excluding combination related expenses and charges resulting from the accounting treatment of the combination under IFRS

# Mobile Communication

- ✦ Strong volume delivered: +38%
  - 430 million SIM cards shipped in H1 06
- ✦ Intense price pressure
  - ASP decline (-35%)
- ✦ Slower product mix improvement
  - Volume growth in emerging countries with entry range products
- ✦ Sales down 10.7%\*
  - High comparison basis vs. H1 05
- ✦ Gross margin down to 33.3%
- ✦ Continued growth in market demand

\*Historical exchange rate

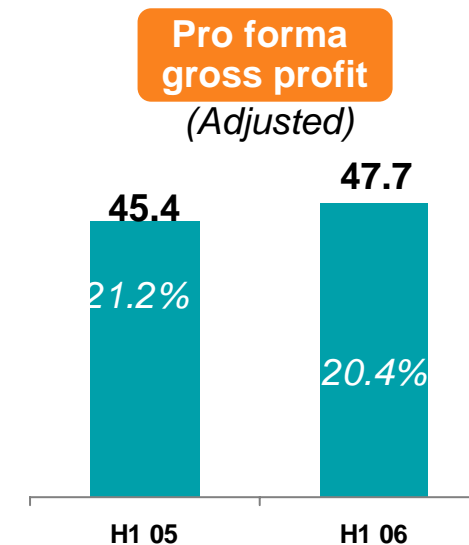
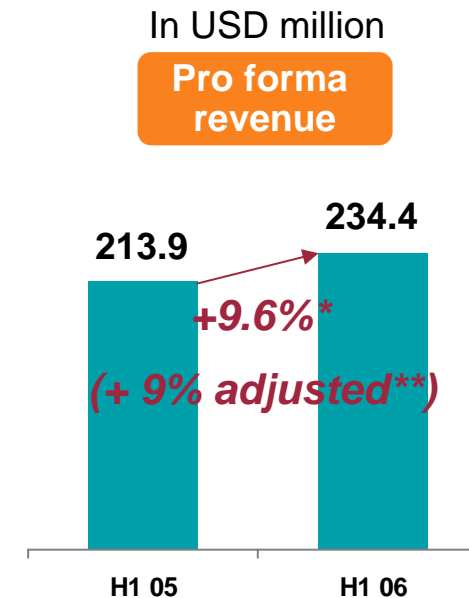


# Secure Transactions

- ★ 109 million microprocessor cards shipped (+37%)
- ★ Stable sales in Europe, robust growth in CIS, Middle East, Africa and North Asia
- ★ Contactless pilots ongoing in North America
- ★ Revenue up 9.6%
- ★ Stable Gross Margin
- ★ EMV under deployment worldwide
- ★ Contactless initiatives starting in Asia-Pacific

\*Historical exchange rate

\*\* adjusted for Setec and currency fluctuations



# ID & Security

★ Strong growth in ID & Security and impressive business successes:

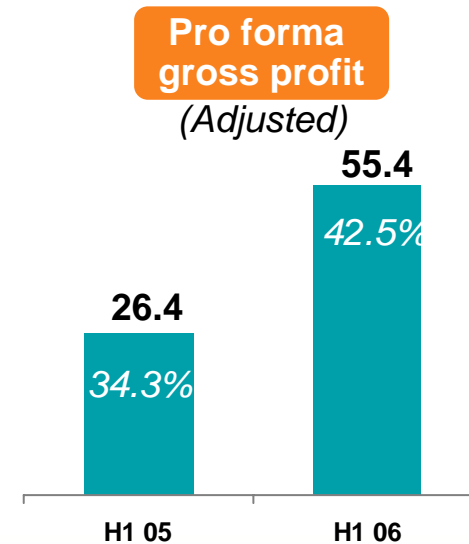
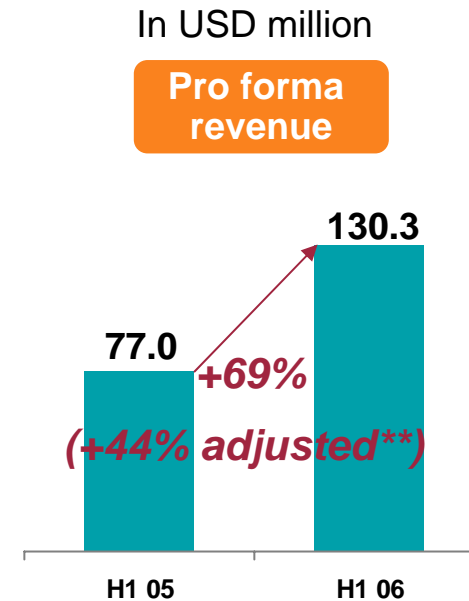
- Initial deployment of e-passports in France, Portugal, Czech Rep., Norway, Singapore, Slovenia and Sweden
- Gemalto selected to provide e-passports in the USA and Poland
- ID Cards : Belgium, Qatar, UAE, Oman
- Healthcare : France, Mexico
- Transportation in the UK

★ Increase in revenue from patent portfolio

★ Gross margin up to 42.5%

\*Historical exchange rate

\*\* adjusted for Setec and currency fluctuations



## Public Telephony

In USD million Adjusted Pro forma	H1 05	H1 06	% change
Revenue	44.7	<b>40.1</b>	-10.3%
Gross profit	1.0	<b>2.5</b>	+164.1
Gross margin	2.2%	<b>6.3%</b>	

- ✦ Increased efficiency of the operations

## Point of Sales Terminals

In USD million Adjusted Pro forma	H1 05	H1 06	% change
Revenue	38.6	<b>30.2</b>	-21.6%
Gross profit	9.7	<b>7.7</b>	-20.6%
Gross margin	25.2%	<b>25.5%</b>	

- ✦ Lower revenue, due to delays in large tender awards in Asia and transition to new product range

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# Financial Reporting Policy

- ✦ Financial communication focused on Gemalto Group
  - Gemplus consolidated as from June 2, 2006: 43.6% ownership and effective control
  - 94,56% ownership of Gemplus since August 2006
  
- ✦ H1 06 financial statements (IFRS and pro forma) prepared in USD
  
- ✦ As of Q3 06, Gemalto will adopt the euro as its reporting currency
  
- ✦ As of Q1 07, Gemalto will report full results on a quarterly basis

# Basis of presentation of the first half 2006 financial information

- ✦ Accounting treatment of the combination with Gemplus in accordance with IFRS 3 has several and significant impacts on Gemalto's financial statements
  
- ✦ Condensed consolidated Interim financial statements include:
  - IFRS consolidated financial statements
  - Pro forma income statement assuming the combination had taken place as of January 1<sup>st</sup>, 2005
  
- ✦ For a better understanding of Gemalto's operating performance over the period and supporting today's presentation, we also provide:
  - Adjusted pro forma income statements
  - Pro forma change in cash position

# Income statements reported for the 1st Half 2006

## Consolidated income statement (IFRS)

- ✦ Gemplus income statement consolidated as from June 2, 2006
- ✦ Includes all charges resulting from the accounting treatment of the combination (amortization and impairment of intangible assets, additional stock-based compensation) and one-off charges incurred in connection with the combination (notes 4 and 5 to financial statements)

## Pro forma income statement

- Includes Gemplus income statements consolidated for the full reported period (6 months)
- Combination assumed to have taken place as of January 1, 2005
- One-off charges incurred in connection with the combination with Gemplus booked in fiscal year 2005
- Recurring charges resulting from the accounting treatment of the combination with Gemplus booked in fiscal years 2005 and 2006 according to the amortization schedule set as if the combination had taken place on January 1, 2005

## Adjusted pro forma income statement

- ✦ Includes Gemplus income statement for the full reported period (6 months)
- ✦ Combination assumed to have taken place as of January 1, 2005
- ✦ Excludes one-off expenses incurred in connection with the combination with Gemplus and all charges resulting from the accounting treatment of the transaction.

# Combination value allocation (preliminary)

Net Combination value to be allocated:	In USD million	
22.0 million new Gemalto shares issued at € 23.24 for 43.6% of Gemplus outstanding shares	657	
Fair value of warrant and stock options as of June 2, 2006	71	
Capitalized acquisition cost	26	
<b>Total combination value for 43.6% of Gemplus</b>	<b>754</b>	
<b>Allocated as follows:</b>		
<b>Gemplus net assets, excluding existing intangible assets</b>	<b>717</b>	
<b>Minority interest in Gemplus subsidiaries</b>	<b>(18)</b>	
<b>Adjustments on Gemplus Net Assets</b>	<b>14</b>	
<b>Fair value of identified Gemplus intangible assets</b>		<b>Proposed amortization period</b>
Existing technology	105	64% over 19 months, 36% over 4 yrs
In-process R&D	27	Expected economic life of the asset
Customer relationships	29	4 years
Corporate name	13	impairment as of combination date
<b>Total</b>	<b>173</b>	
<b>Net impact on deferred tax assets of adjustments and recognition of intangible assets</b>	<b>(45)</b>	
<b>Total adjusted net assets, including identified intangible assets</b>	<b>842</b>	
Minority interest on adjusted net assets (56.4%)	(475)	
<b>Gemalto share of Gemplus adjusted net assets</b>	<b>368</b>	
<b>Goodwill</b>	<b>386</b>	

# Adjusted Pro forma income statement

In USD million	H1 2005 Pro forma (Adjusted)	% Revenue	H1 2006 Pro forma (Adjusted)	% Revenue
Revenue	1,047.0	100.0%	1,035.9	100.0%
<b>Gross profit</b>	<b>342.2</b>	<b>32.7%</b>	<b>313.7</b>	<b>30.3%</b>
Research & Engin.	72.6	6.9%	72.4	7.0%
Sales & marketing	124.9	11.9%	131.9	12.7%
General & admin.	70.8	6.8%	70.6	6.8%
Other income	2.2	0.2%	(0.2)	0.0%
<b>Operating income</b>	<b>76.1</b>	<b>7.3%</b>	<b>38.7</b>	<b>3.7%</b>
Amortization	36.5	3.5%	36.6	3.5%
Depreciation	12.5	1.2%	11.5	1.1%
<b>EBITDA</b>	<b>125.1</b>	<b>11.9%</b>	<b>86.8</b>	<b>8.4%</b>

## Adjusted pro forma income statement – Other items

In USD million	H1'05 Pro forma (Adjusted)	H1'06 Pro forma (Adjusted)
<b>Operating Income</b>	<b>76.1</b>	<b>38.7</b>
Finance Income	5.1	7.0
Share of profit (loss) in associates	(1.3)	0.3
<b>Profit before taxes</b>	<b>79.9</b>	<b>46.0</b>
Income tax	(14.5)	(11.5)
<b>Net Income</b>	<b>65.3</b>	<b>34.4</b>

- ✦ Increase in financial income due to higher average cash balance and higher interest rates
- ✦ Effective tax rate increases following recognition by Gemplus of deferred tax asset on past operating losses in Q4 '05; H1 '06 income is tax effected

# H1 '06 pro forma change in cash position

In USD million	H1 2005 Pro forma	H1 2006 Pro forma
<b>Net Cash at beginning of period</b>	<b>713*</b>	<b>745**</b>
<b>Cash provided by (used in) operating activities</b>	<b>111</b>	<b>(33)</b>
Incl. cash provided by (used in) decrease (increase) of working capital	4	(100)
<b>Capital expenditure and acquisition of intangibles</b>	<b>(29)</b>	<b>(50)</b>
<b>Setec acquisition</b>	<b>(75)</b>	<b>-</b>
<b>Other cash generated by investing activities</b>	<b>(26)</b>	<b>7</b>
<b>Cash used in connection with the combination</b>		<b>(14)</b>
<b>Cash used in operating and investing activities</b>	<b>33</b>	<b>(90)</b>
<b>June 2, 2006 distribution to Gemplus shareholders</b>	<b>-</b>	<b>(212)</b>
Other cash used in financing activities, excluding proceeds & repayments of borrowings	(9)	(5)
Other (translation adjustment mainly)	67	29
<b>Net Cash at end of period</b>	<b>670*</b>	<b>467**</b>
Current and non-current borrowings, excluding finance lease		11
<b>Available Cash at end of period</b>		<b>478</b>

\* excluding finance lease of USD 50 million and USD 48 million at beginning and end of period, respectively

\*\* excluding finance lease of USD 38 million and USD 36 million at beginning and end of period, respectively

## Balance sheet

In USD million (All figures at period end)	Gemalto stand alone Dec. 31, 2005	Gemalto consolidated 30 June 06
PPE	102	310
Goodwill	276	668
Other Intangibles	22	177
Net Fixed Assets	400	1,155
Working Capital	36	267
Other Assets / Liabilities	14	63
<b>Total Capital Employed - Net</b>	<b>451</b>	<b>1,486</b>
Equity	699	1,433
Minority Interest	3	484
Total equity	702	1,916
Net Debt * (Liquidity)	(250)	(431)
<b>Total Capital Invested - Net</b>	<b>451</b>	<b>1,486</b>
<b>Working Capital (at period end)</b>	<b>36</b>	<b>267</b>
<i>as a % of the last quarter revenue annualized</i>	3.4%	12.1%

- ✦ Robust balance sheet
- ✦ Working capital increased from low level at beginning of period
- ✦ Available cash: USD 478 million

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# Outlook

- ✦ The market environment has been difficult since the beginning of this year, and the Company expects it will remain challenging, particularly in light of the uncertainties in the global economic environment. With synergies from the combination materializing progressively, in line with plans, and the significant resources required this year to converge product roadmaps and processes, Gemalto expects operating performance in the second half 2006 to be similar to that of the first half.
- ✦ The deployment of the electronic passport and ID projects won in recent months will produce their full effect in 2007.
- ✦ The Group has taken cost reduction measures beyond the initially identified synergies, and continues to review the adequacy of its current configuration in light of these circumstances. On August 31, 2006, Gemalto announced consolidation of its two production centres in Owing Mills and Montgomeryville in the United States into the latter's facility, which better meets the future needs of its business strategy and customers.
- ✦ Given its technology and market leadership, Gemalto is uniquely positioned to address the increasing need for security in the digital world. The Company is confident in its ability to play a leading role in the digital security industry as it expands on a global scale and to realize its objective for 2009 of a low teens operating margin.

## Conclusion



- ✦ World leader in digital security
- ✦ Markets in strong development
- ✦ Strengthened management team
  - ✦ Unique technology portfolio
  - ✦ Blue chip customers
- ✦ Mid cap with large free float and robust financials