

IIII FY 2010 Earnings Release

Olivier Piou, CEO

Jacques Tierny , CFO

March 10, 2011

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✦ Overview

Olivier Piou, CEO

✦ Financial Results

✦ Moving Forward



Key developments in 2010

2010 Priorities: Back to Growth

- Focus on revenue growth, capturing digital security opportunities globally.
- Leverage the efficiencies gained in Secure Transactions and Security to further improve profits.
- Integrate and promote our expanding portfolio of product and service offers.
- Maintain focus on customer value-add and customer engagement.

FY2009 earnings presentation, March 2010

2010 Results

- New revenue record and more than € 1 billion in the second semester.
- Profit margin from operations increased by 600 bp in *Secure Transactions* and by 1060 bp in *Security*.
- Software & services revenue expands by 54% to € 252m or 13% of revenue.
- Customer “Tell-me” survey reaches historical high positive score.

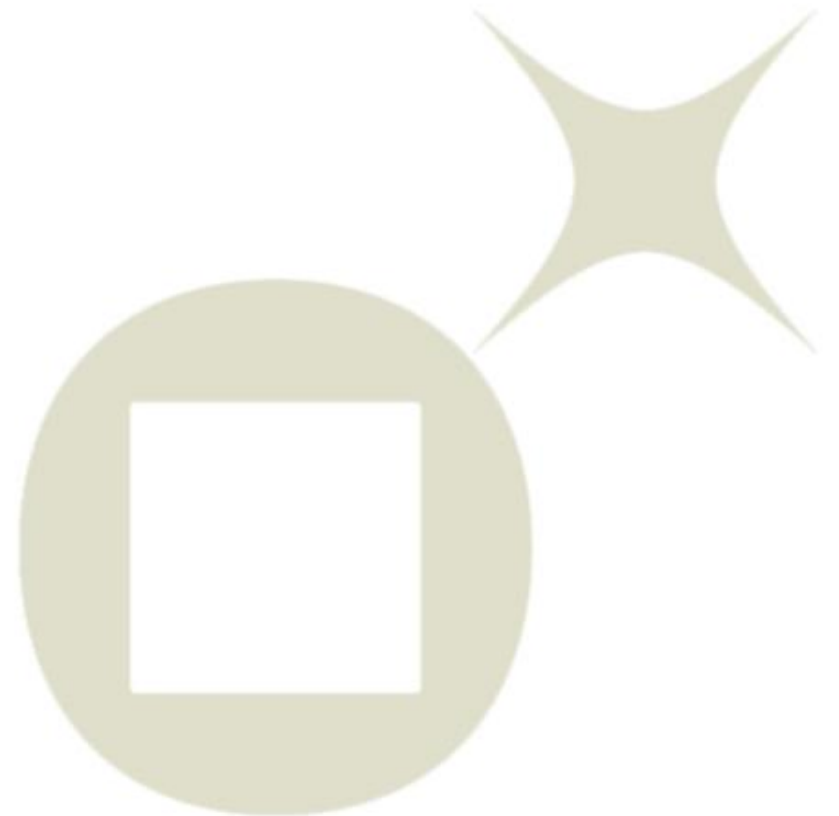
Full year revenue and profit from operations grow +19%
to € 1,906 million and € 216 million

✧ Overview

✧ **Financial Results**

Jacques Tierny, CFO

✧ Moving Forward



Basis of preparation

Ongoing operations

		Ongoing operations	Assets held for sale (JV)	Total Gemalto	Discontinued operations (POS)	Previously reported
FY'2010	Revenue	€ 1,862m	€ 44m	€ 1,906m	€ 51m	
	PFO	€ 207m	€ 8m	€ 216m	€ 1m	
FY'2009	Revenue	€ 1,560m	€ 42m	€ 1,602m	€ 52m	€ 1,654m
	PFO	€ 170m	€ 10m	€ 181m	€ 3m	€ 183m

Bridging Profit from operations (PFO) to IFRS operating result

	Profit from operations	Amortization of intangible assets	Equity based compensation charges	Restructuring & acquisitions related expenses	IFRS operating result
FY'2010	€ 216m	€ 23m	€ 20m	€ 9m	€ 163m
FY'2009	€ 181m	€ 24m	€ 14m	€ 9m	€ 134m

Key figures from the FY'2010 financial results

*Extracts from the adjusted income statement
for ongoing operations*

Revenue +19%	€ 1,862m		+7%*
Gross profit +18%	€ 676m	36.3%	Gross margin (50bp)
Operating expenses +16%	€ 469m	25.2%	Operating expenses (70bp)
Profit from operations +22%	€ 207m	11.1%	PFO margin +20bp
Basic EPS +41%	€ 2.54	€ 0.28	Proposed dividend +12%

Solid performance in the Telecom segments

Mobile Communication

Revenue	€ 981m	
+5%		
Gross Profit	€ 376m	Gross Margin 38.3%
(2%)	(490bp)	
PFO	€ 118m	PFO Margin 12.0%
(22%)	(500bp)	

- Growth driven by Software & Services revenue doubling to 152M€.
- Promising developments in New Form Factors products.
- Profit margin profile of traditional SIM card unchanged.
- Profit variation essentially resulting from Opex investment in fast growing Software & Services areas, consolidation effects of acquired businesses and non-recurring items.

Machine-to-Machine (5 months)

Revenue	€ 81m	
+15%*		
Gross Profit	€ 27m	Gross Margin 32.6%
PFO	€ 7m	PFO Margin 8.7%

- Integration of Cinterion is now essentially complete.
- Solid 15% revenue growth driven by the increasing use of cellular connectivity by multiple industrial sectors.
- Profit from operations doubles, directly benefiting from the increased volume of sales, and customer confidence.

Revenue variations are at constant exchange rates

** pro forma, at constant exchange rates, by comparing the same perimeter with the same 5 month period of 2009*

Strong fall through from growth

Secure Transactions

Revenue	€ 462m	
+7%		
Gross Profit	€ 140m	Gross Margin 30.3%
+41%		+620bp
PFO	€ 41m	PFO Margin 8.9%
x 3.5		+600bp

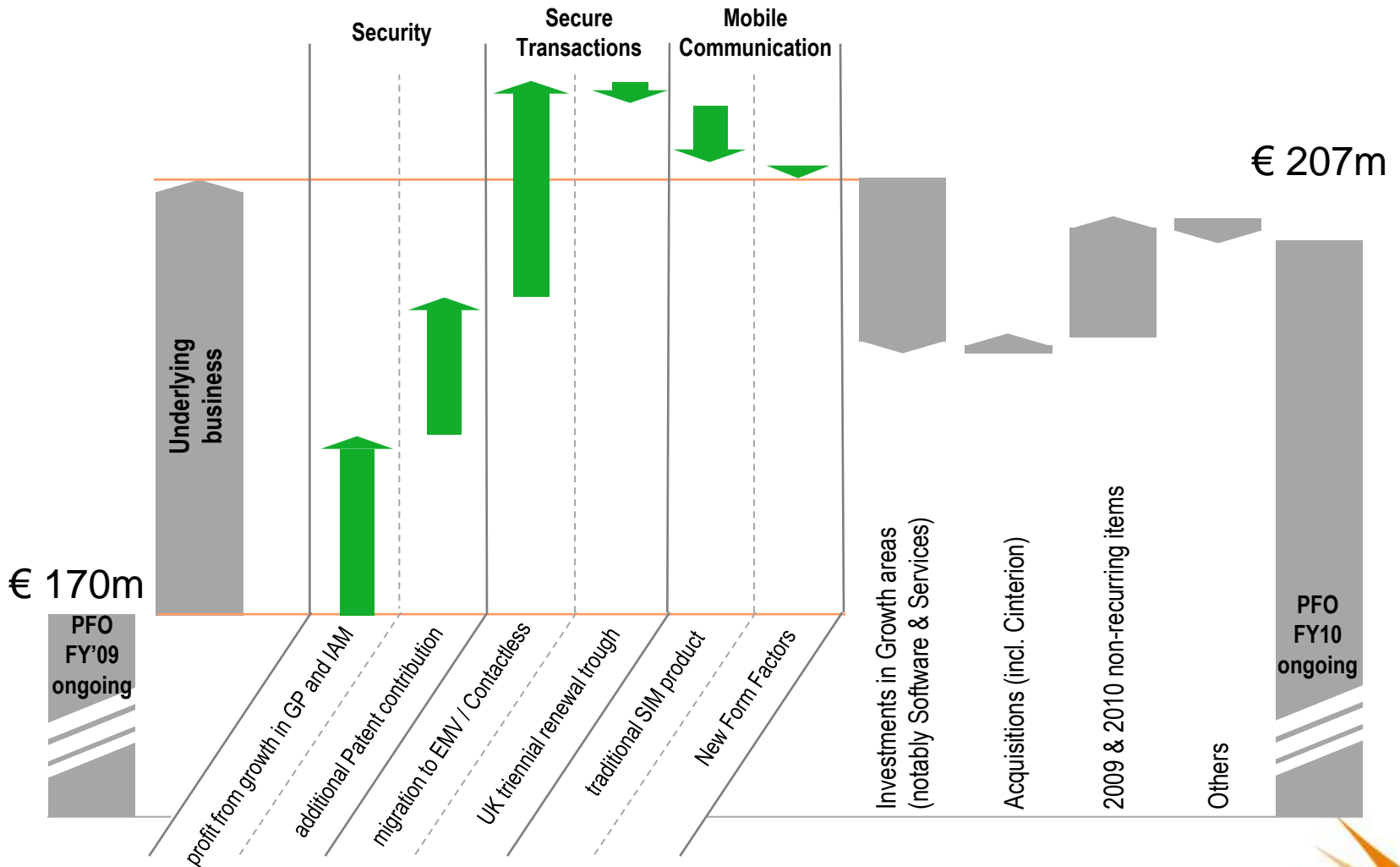
- Growth driven by worldwide migration to EMV and dual-interface contactless products.
- The drag on growth of the UK triennial trough and shift to standard mailing faded as anticipated in the second semester.
- Gross margin improved significantly as a result of better product mix and high personalization service activity.
- Opex increased in line with revenue after accounting for the impact of acquisitions.
- The strong growth of H2 had excellent fall through to profit.

Security

Revenue	€ 318m	
+31%		
Gross Profit	€ 129m	Gross Margin 40.6%
+51%		+450bp
PFO	€ 39m	PFO Margin 12.4%
x 9.5		+1060bp

- 50% growth in IAM due to strong activity in e-Banking, 16% growth in Government Programs.
- Patent licensing revenue above Company plan at €33m, productivity gains and scale effect lead to 450bp gross margin improvement.
- Opex down 620bp to 28% of revenue.
- The operational leverage combining strong growth, gross margin performance and opex control lifts PFO margin from break-even in 2009 to 12.4% in 2010, and to 6.8% when excluding the patent contribution.

Positive developments in our underlying business and investment for our development plan



Solid cash flows

Key items from Gemalto FY'2010 Cash flow statement

<i>€ in millions</i>	FY'2009	FY'2010
Cash generated by operating activities	191	212
Before working capital variation impact		
Cash provided (used) by the working capital variation	9	(38)
Cash generated by operating activities	200	174
Capital expenditure and acquisition of intangibles	(53)	(73)
Acquisitions	(74)	(198)
Share buy-back program	(65)	(39)
Dividend	0	(21)
Net cash, at end of period	381	255

2011 basis of presentation

Starting January 1, 2011:

- ✦ the patent licensing activity, currently reported as part of the segment Security, will be reported separately, in a new segment “Patents”.
- ✦ the public telephony activity currently reported in the segment Others, will be included in the segment Mobile Communication

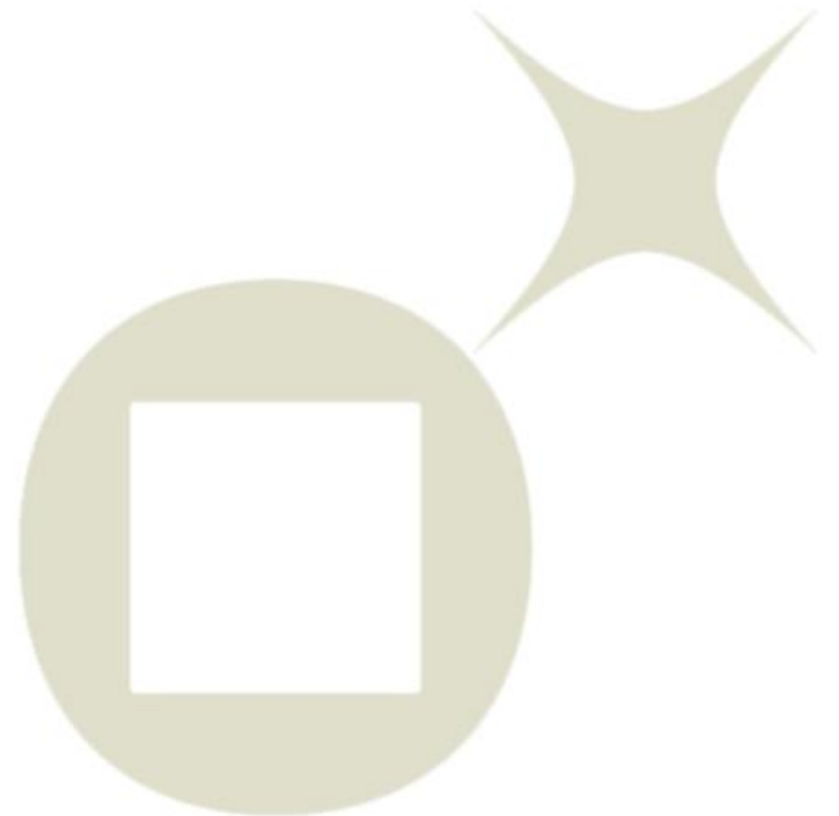
Pro-forma adjusted income statements corresponding to this new presentation for the first semester 2010 and full year 2010 are provided in appendix 7 of the press release.

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✦ **Moving Forward**

Olivier Piou, CEO



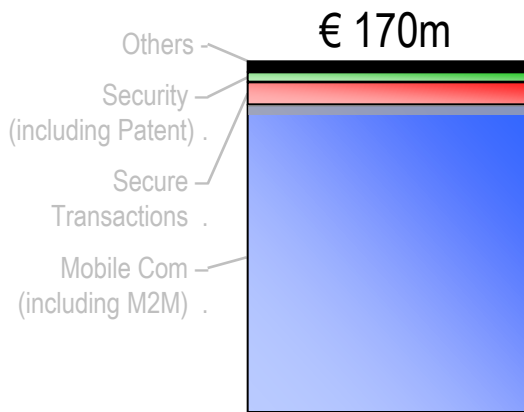
Profit sources, getting in line with our 2013 target, prepare us to deliver on our ambitious € 300m goal

Profit expansion will mainly come from significant increases in Secure Transactions and Security

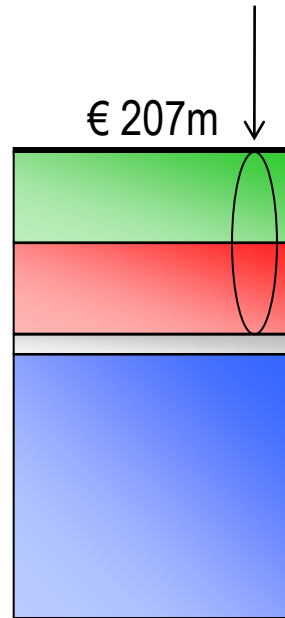


Profit margin from operations in Secure Transactions and Security reached high single-digit one year ahead of plan.

Security upgraded to reach high single digit in 2011 even without patent contribution

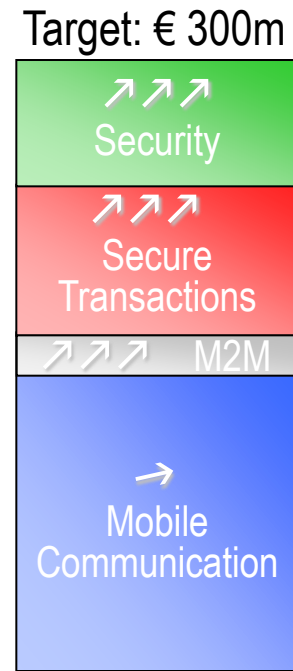


2009



2010

Chart not to scale



2013

2011, the year of Mobile Contactless

- ✧ Mobile contactless is getting ready for large scale deployments
 - Major launches being prepared in numerous countries
 - Upgrade of infrastructure to contactless well on track
 - Commercialization of mobile handset models from top 5 brands announced for 2011

- ✧ An opportunity for our Mobile Communication segment
 - New generation SIM cards: highly secure, multi-applications, NFC-capable
 - Trusted Service Management services answer to the need for distribution, personalization and management of the various secure elements and related data, throughout their lifetime.

- ✧ Gemalto has distinctive assets
 - Involved in 10 commercial grade mobile NFC projects and 45 projects in total
 - Trusted by the key telecom, banking and transport operators
 - Already servicing 450 of the major mobile operators and banks with secure remote management and personalization services.

Expected 2011 Business trends

✧ Mobile Communication

- Focus on increasing contribution of Software & Services and acquired companies to Profit from operations
- Organic investments toward strategic growth areas maintained
- Substantial commercial deployments of mobile contactless services and LTE fourth generation networks in the latter part of the year

✧ Machine to Machine

- Solid growth expected thanks to the strength of the automotive and metering sectors.
- Increase in research and development investments with the development of the Internet of things

✧ Secure Transactions

- Widespread migration to EMV and higher-end contactless products expected to continue.

✧ Patents

- Lower activity due to the litigation the Company has initiated in the USA.

✧ Security

- Continued deployment of secure electronic document programs and substantial growth in e-Banking.

Outlook

In 2011, Gemalto targets another year of expansion in revenue and profit from its ongoing operations, progressing in its 2010-2013 development plan. The company expects a substantially lower contribution from patent licensing activities in 2011, due to the public patent litigation it initiated in the USA; stable or expanding profits in Mobile Communication, with a pronounced seasonality due to the large deployments of Near-Field Communication (NFC) mobile contactless services and LTE fourth generation networks announced for the latter part of the year; and reiterates its expectation to have Secure Transactions delivering a high single-digit profit margin from operations in 2011. It upgrades its view on the Security segment, which is now expected to deliver high single-digit profit margin from operations in 2011 even without patent licensing contribution. Gemalto confirms its target of € 300 million in profit from operations in 2013.



- ✦ World Leader in Digital Security ✦
- ✦ Markets in Strong Development ✦
 - ✦ Unique Technology Portfolio ✦
 - ✦ Blue Chip Customers ✦
- ✦ Large Free Float and Robust Financials ✦
- ✦ A Business Model with Strong Leverage on Growth ✦

IIII Gemalto FY'2010 earnings release - **Q&A Session**

Questions will be taken by way
of conference call, by dialing

(FR) +33 1 7077 0937

(UK) +44 203 367 9453

(US) +1 866 907 5923

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