

Fourth Quarter FY2001 Financial Results Conference Call

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 **GEMPLUS™**

Introduction

- 2001 - a year we don't want to repeat
- Cost decisions committed in 2000. Mobile slow-down not foreseen
- Year 2001 management action delivering; but more action needed
- Actions announced today aimed at reducing annualised costs by 100 million Euros
- Impact of savings from Q3. 65 million Euros charge end Q1/Q2
- Strategic review commenced
- Now in consultation with Unions and employee representatives
- Some positive news in Q4 results

FY2001 vs. FY2000 Results

EUR (millions)	2001	2000
Net Sales	1023.0	1204.6
Gross Profit	307.5	453.9
Operating Income	- 153.6	127.4
Operating Income (excl. non-recurring)	- 81.6	N/A
Net Income	-100.2	99.1
Earnings Per Share, EUR		
Basic	- 0.16	0.20
Diluted	- 0.16	0.18

Non-recurring charges: Euros 26 million management changes; 18 million Humetrix lawsuit; 28 million restructuring
 Asset sale gain Euros 70 million approximately

4Q/2001 Revenue Results

- Q4/2001 Revenue at 251 million Euros, down 35% from 4Q/2000 on a nominal basis.
- 4QFY2000 Revenue levels unusually strong and include SkiData and Tag revenues

4QFY01 Revenue Comparison

	<u>Nominal</u> <u>(as reported)</u>	<u>Adjusted</u> <u>(excl. SkiData & Tag)</u>
4QFY00	- 35%	- 28%
3QFY01	+ 11%	+16%

4Q/2001 Detailed Revenue Results

EUR (millions)	4Q/2001	4Q/2000	% Change
Revenue by Segment			
Telecommunications	156.9	274.3	- 43%
Network Systems	67.6	81.8	-17%
<i>excl. SkiData</i>	67.6	44.1	+53%
<i>SkiData</i>	---	37.7	---
Other	26.5	30.2	- 12%
Revenue by Geography			
EMEA	126.0	227.0	- 44%
Americas	76.2	66.6	+ 14%
Asia	48.8	92.7	- 47%

4Q/2001 Gross Margin Results

Gross margin improvement to 24.8% from 23.2%

- Strong Financial Services performance
- SIM Module Average Selling Prices (ASPs) declined
- SIM pricing pressures largely offset by product mix shift toward larger memory and higher priced products

Cost Structure and Headcount

Operating Expenses were 117 million Euros and includes several non-recurring charges

- 26 million Euros related to management changes
- Actual “Run-Rate” expense level believed to be 88 million Euros per quarter
- On track to achieving 40 million Euros in annual savings objective from prior restructuring program

Strong Balance Sheet

Strong Balance Sheet performance during the quarter

- Cash and Cash Equivalents of 491 million Euros
- Accounts Receivable Day Sales Outstanding (DSOs) improved to 57 days
- Inventory levels declined 43 million Euros as shipments exceeded receipt of material
- Retirement of Perez loan reduces non-current assets by 93 million Euros

Perspective

- Immediate future remains tough
- The necessary action is being taken
- Gemplus has powerful strengths
 - market position; customer base; trading partners; exceptional pool of talent; financial strength
- Market demand is for higher margin smarter cards; value added applications
- Product mix improving
- Installed SIM card base requires replacement
- Parallel trends in financial services

Conclusion

- 2002 a year of transition
- Bring cost base in line with current markets
- Accelerate Gemplus' move up the value chain
- Management changes
- Return Gemplus to sustained, profitable growth.