



Second Quarter Fiscal 2002 Results Conference Call

Presenters: **Ron Mackintosh – Chief Executive Officer**
 Yves Guillaumot – Chief Financial Officer

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Introduction

- Strongest quarterly growth for a year, with improved margin:
 - solid volume growth in Telecom,
 - improved momentum in Financial Services and Security
- Restructuring delivering more than expected
- On track for profitability in Q4 2002
- Non-cash write-down of a loan to Dr Marc Lassus

2Q/2002 Revenue

- Revenue at 209.8 M EUR, up 19% sequential
- Geographical breakdown (as a % of sales)
 - Asia-Pacific: 30.1%
 - EMEA: 49.7%
 - Americas: 20.2%
- Breakdown by activity
 - Telecom
 - Wireless volume up 41% vs. Q1 02
 - Telecom applications up 145%
 - Financial Services & Security
 - Sequential revenue growth exceeds 23%
 - Smart card banking business up 71%

Gross Margin

- Gross Margin at 23.1% (up 2.6 pt on Q1/2002)
- Favorable business mix with Banking at FSS
- Lower purchasing cost of chips offset by price pressure in Telecom

Cost Structure

- Operating Expenses: 72.6 M EUR
(down 13% on Q1/2001 and 31% year on year nominally reported)
- Positive impacts of cost cutting measures and of restructuring plan generated 10.9 MEUR savings
- 2002 restructuring on track
- 62 M EUR of the projected 65 M EUR restructuring charge
- To date:
 - 615 departures
 - headcount reduction plans in Germany and France mostly in Q3
 - on track to reach target of 1,140 people reduction

Operating and net losses

- Operating Loss
 - Pre-restructuring charges: - 24.2 M EUR
 - Post restructuring charges: - 67.4 M EUR

- Net Loss
 - Before amortization of goodwill and non-cash write-down of a loan to Dr Lassus: - 48.9 M EUR
 - Post amortization and non-cash write-down of a loan to Dr Lassus: - 123.1 M EUR

Strong Balance Sheet

- Strong Cash and Cash Equivalents at 412 M EUR
- Net cash outflow: 38.3 M EUR, excluding exceptional items limited to 9.1 M EUR
- Capital expenditure contained at 10.1 M EUR
- Inventory level down 16% or 21 M EUR
- Day Sales Outstanding (DSOs) at a record low of 53 days

Segmented Revenue Results

EUR (millions)	Q2/2002	Q2/2001*	% Change
Revenue by Segment			
Telecommunications	141.8	166.7	- 15%
Financial Services & Security	68.0	69.2	-2%
Disposed operations	-	16.4	-100%
Revenue by Geography			
EMEA	104.3	106.6	-2%
Americas	42.3	54.7	-23%
Asia	63.2	74.6	-15%
Disposed operations	-	16.4	-100%
* Restated from Skidata and Tag			

Financial Summary

- Further strengthening of leadership position in smart card market
- All fundamentals in place to return to profitability by Q4 '02
- Revenue growth
- Improved gross margin
- Expense control
- Strong balance sheet
- Limited cash outflow

Continuing Good Progress on Core Objectives

- Restructuring will deliver profitability in Q4 2002
- Business re-engineering ⇒ low cost producer goal
 - Detailed review of manufacturing, procurement and systems base
 - Planning to achieve a further 100 M EUR cost savings / efficiency gains by mid 2004
- Strategic planning to increase value added
 - “Design to cost” re-engineering of processes
 - Developing Gemplus customer relationships at strategic level
- Potential partnerships and strategic moves

Card Marketplace

1/2

- Continued sales price pressure ⇒ Gemplus objectives of “low cost” and “value added” producer
- Strong volume growth of card shipments in FSS and Telecom plus new markets, e.g. personal identification
- FSS:
 - EMV migration (230 million estimated chip cards by January 2005)
 - Migration concentrated in 2003 and 2004
 - Geld Karte impact this year – second half weighted
 - 2 – 3 year card replacement cycle

Card Marketplace

2/2

- Telecom:
 - Pressures for mobile operators to upgrade installed SIM cards
 - Impact expected 2003 onwards
 - Telecom Application growth
- Personal identification cards trials growing
 - Gemplus tendering
- Gemplus strong market share
 - 33.6% card volume share *
 - 27.8% card value share *

(*Source: Frost and Sullivan)

Summary

- Confident of achieving profitability in Q4 2002
- Gemplus – a leaner and stronger business
- On track to achieve longer term business objectives in a growing and changing card market
- Successor to interim CEO to be announced by August 15