



Gemplus 2002-2005 Rebuilding for Growth

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December 9, 2002

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Agenda

- **Introduction**
- **Market background**
- **Gemplus situation**
- **Vision**
- **Going Forward**
- **Conclusion**

Introduction

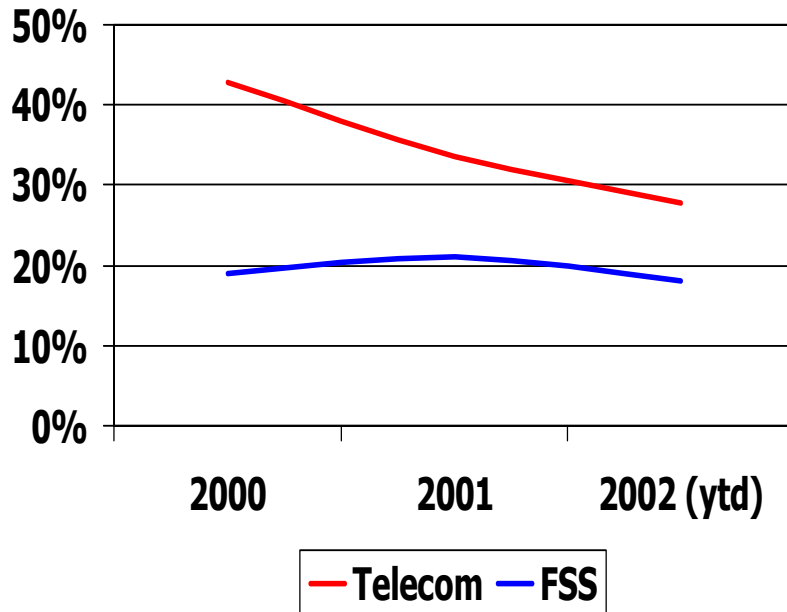
- Gemplus faces a business environment which is changing very fast
- We need to re-define our strategy accordingly:
 - focus on our strengths
 - adapt our skills and business models
- Defining our strategy is a continuous process:
 - We need to continuously revisit, update and challenge our strategy in the light of new developments
 - I will strengthen the communication of our strategy.

Market background

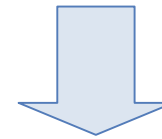
“What is the situation?”

Core Markets are Commoditizing

Business Units Margin



- Intense competition from incumbent and new entrants,
- Limited differentiation on products,



- Prices are pushed down,
- Margins are squeezed

Becoming low cost along with quality and responsive customer service, and fast to market new products, is the name of the game

New Markets are Very Promising

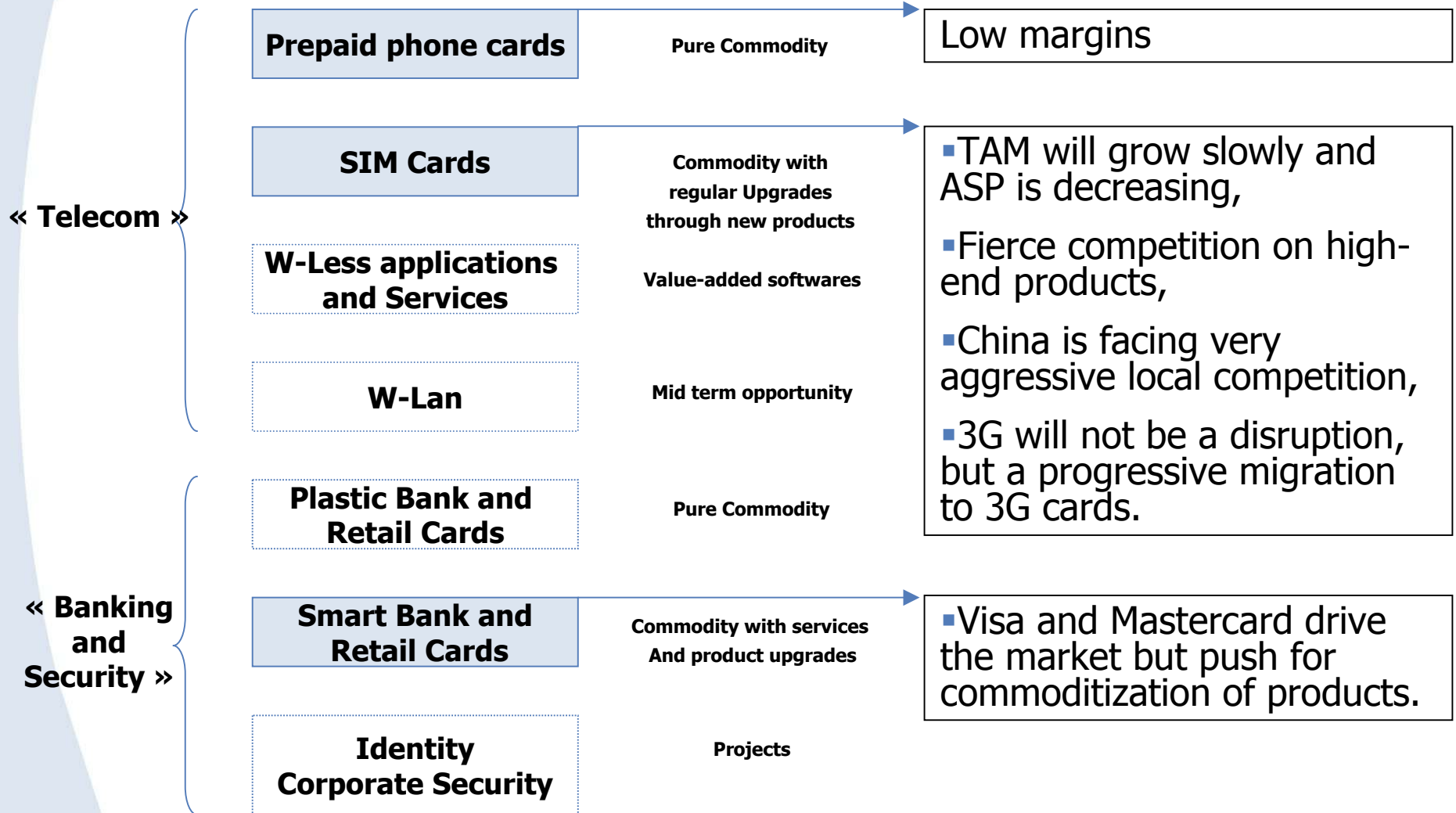
- Financial and Security Services:
 - Identity market is taking off:
 - Oman, Belgium, Health Care in Germany...
- Corporate security:
 - Large Groups considering the Smart Card: Boeing, Intel,...
- Telecom
 - WLAN (Wireless Local Area Network): a mid term opportunity



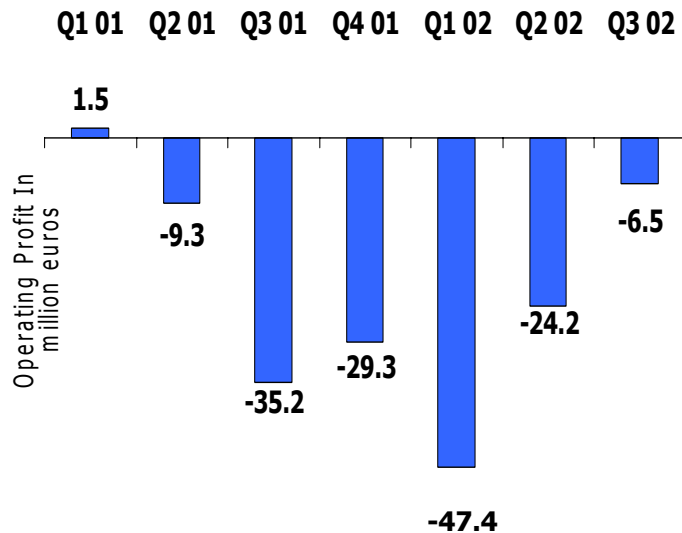
... but they will not compensate in the short term: ID and Security is a 200 M€ market in 2003 when SIM is a billion € market

Gemplus situation

Business overview and segmentation

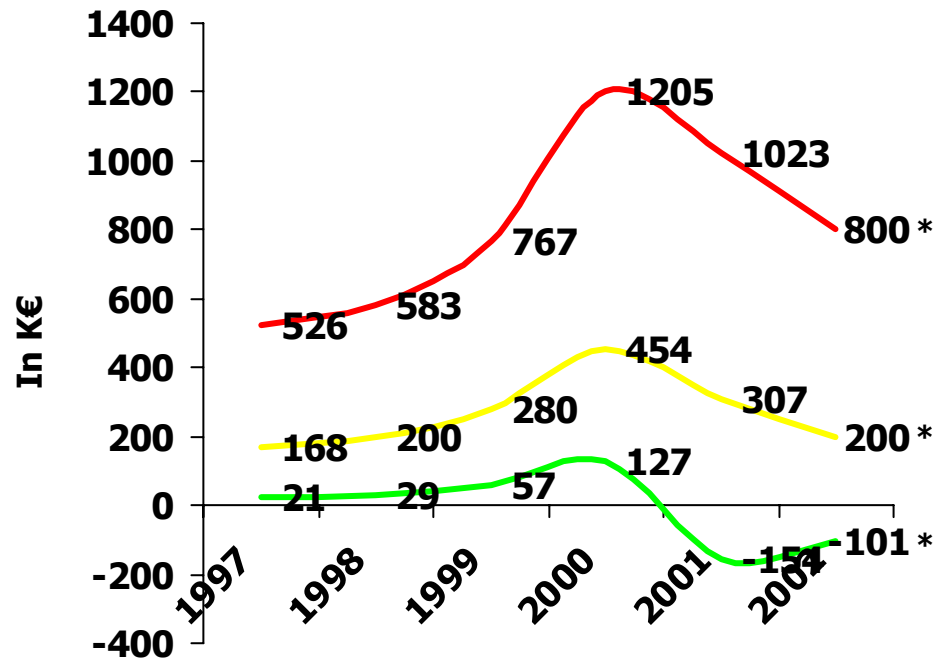


Despite 2002 savings...



- Sales are still disappointing:
 - Q3 2002 3.5 % below Q3 2001
- Restructuring benefit are on track: 110 M€ /y thanks to 2001 and 2002 restructuring and cost cutting initiatives,
- Gross Margin improved 6% thanks to Manufacturing effort and chip price,
- Cash stabilized around 400 M€
- Still, Operating profit is -7 M€ for the quarter, -78 M€ YTD.

...our margins have dropped faster than our costs



- Although market is growing in volume, Gross Profit 2002 is seen by financial analysts as equivalent to 1998...
- ... when our Operating Expenses are still well above 1998 levels

— Sales — Gross Profit — Operating Income

* Post Q3 02 earnings announcement analysts consensus



So far, restructuring addressed the top line decrease, we now need to act on the operating model

Internal execution must be improved

- Sales and marketing weaknesses
 - Little ability to sell services and software,
 - Weak in partnering, no real success in indirect channels,
 - Not the right experience and channels for emerging segments.
- R&D efficiency
 - Long development cycles, low productivity and quality,
 - Lack of customer focus: “design the best” versus “design to cost”
 - Disconnect between technical innovation capabilities and go to market ability.

Going forward

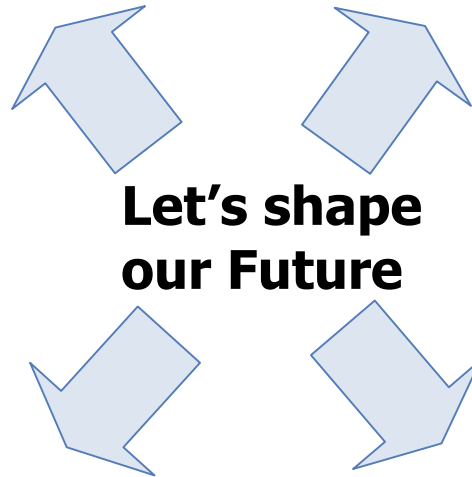
Our Vision

“Run an efficient Commodity Business”

- Restore profitability,
- Improve efficiency,
- Gain market share,

“Get closer to our Customers”

- Empower regional structures,
- Reengineer sales,
- Develop partnership,
- Improve communication.



“Differentiate on Value”

- Develop Operated Services,
- Develop new segments,
- Build value by leveraging R&D expertise,
- Enable incubation of new businesses.

“Excellence in execution”

- Build efficient organization,
- Restore accountability,
- Meet or exceed our targets,
- Track customers, employees and shareholders satisfaction.

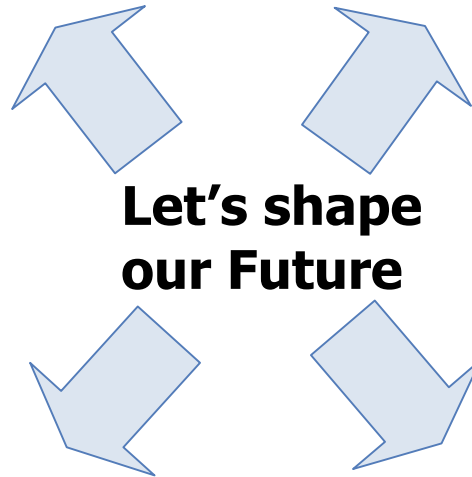
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Restore profitability

- Review overall industrial structure and improve productivity and efficiency
 - Improve key process efficiency and effectiveness simultaneously
 - Reduce G&A structure and expenses
 - Limit impact on R&D to preserve innovation capability and invest for the future
 - Limit impact on sales force, but invest on capability enhancement, training and client focus
- 
- Close to 1, 000 headcount reduction across the world
 - € 100 Mio FY savings expected
 - <€ 100 Mio provision (estimated)

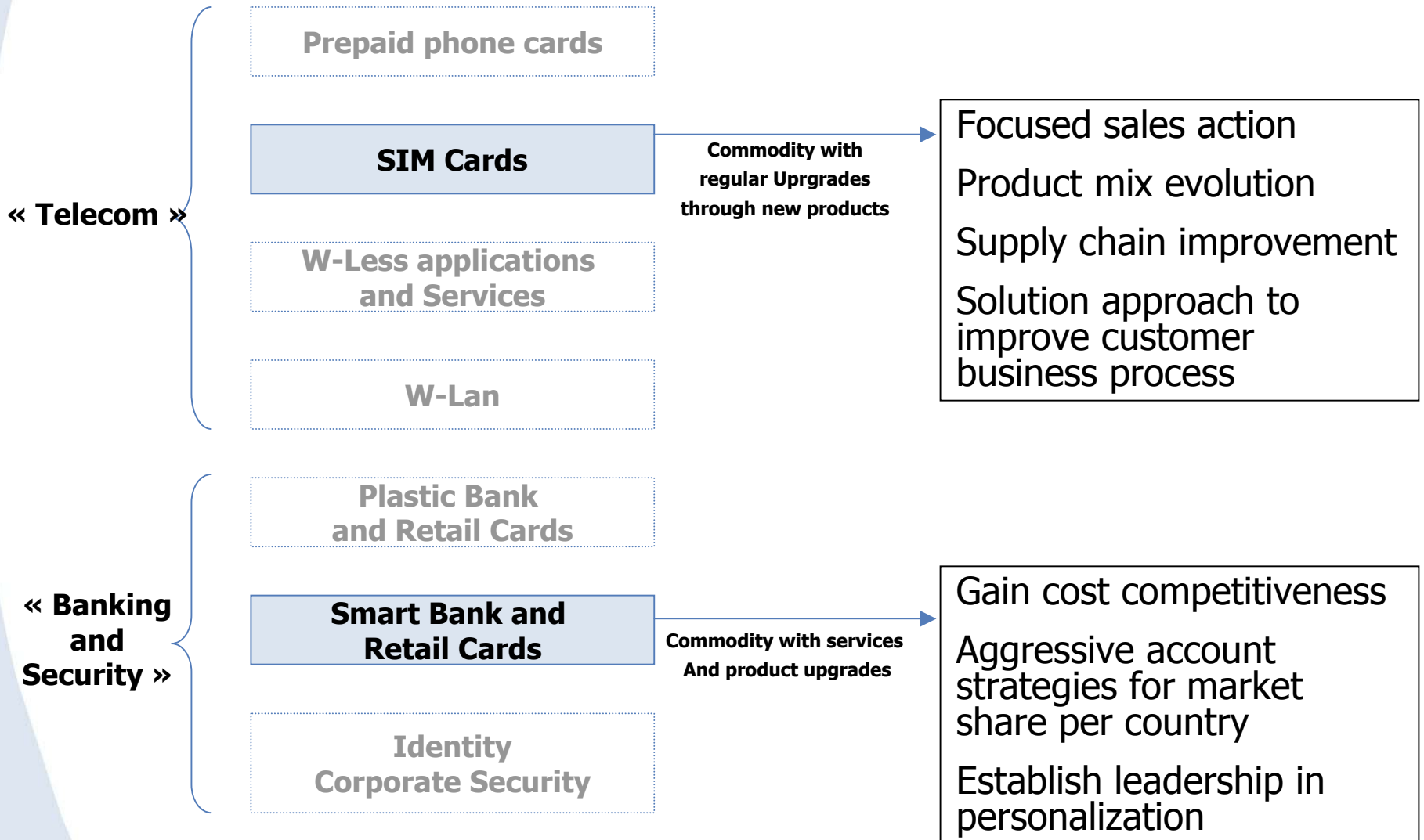
Structural actions are taken

- Actions are taken to improve organizational and process efficiency
- Added to the 2002 restructuring plan, total savings for the company will be close to € 200 M, with full impact in 2004
- As a result of the restructuring program, the cost structure of the company will be competitive
- The new cost structure will allow the company to
 - run the commodity business in a profitable way and
 - to develop the growing new activities.

Improve efficiency

- One global supply chain organization,
 - Linkages to BU's,
- Global integrated manufacturing organization,
 - Linkages to BU's,
 - Integrated with global supply chain management,
 - Integrated with IT resources.
- Increase R&D operational efficiency
 - Improve Development methodology for better customer focus,
 - Improve Organizational structure
 - Reengineering of R&D fit and contribution within product supply chain,
 - Rebalancing of managers, architects, and developers,
 - Adjust resources to market demand.

Gain market share



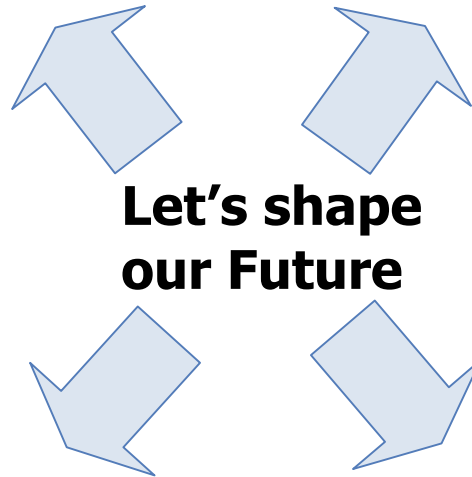
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Get closer to our customers

- Reengineer sales
 - Focus sales force on actual selling,
 - Set-up back-office support.
 - Recognize Customers segmentation:
 - VLA, VIA and « elephant » programs,
 - Recognize product segmentation:
 - Solution managers on high end offers,
 - Dedicated sales forces when needed,
 - Direct supply chain relation on commodities.
 - Sales forces improvement:
 - Conduct sales and management training,
 - Closer management of sales process.
- Strengthen customer responsiveness for Regions,
 - Establish leadership for each Region,
 - Regional authorities, empowerment, objectives and incentives.
- Develop partnerships capabilities and rebuild indirect channels.

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**Let's shape
our Future**



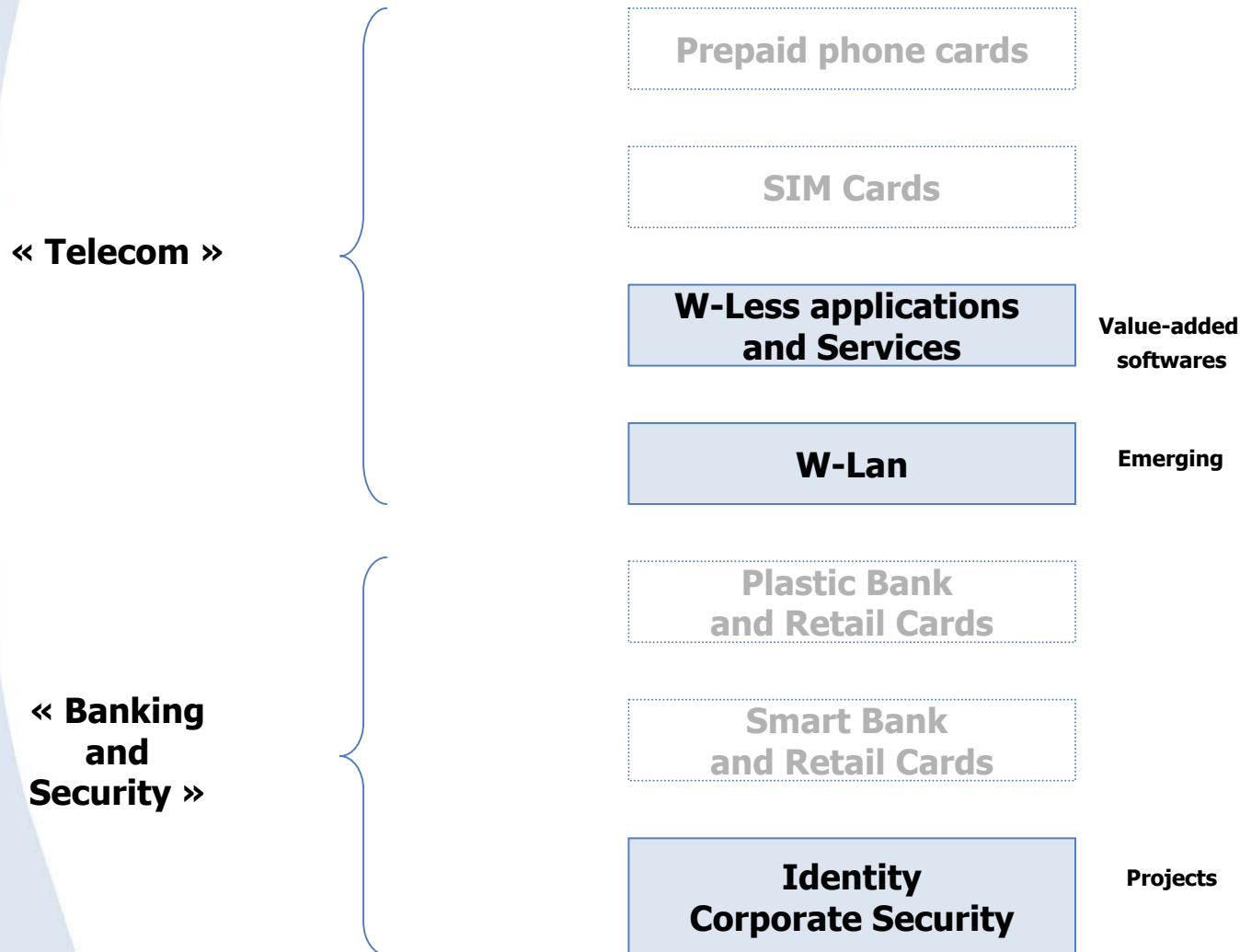
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Develop growth areas



Develop Software and Services in Wireless

- Sell solutions and services targeting:
 - SIM administration,
 - Content delivery,
 - Prepaid reload (M-Payment),
 - M-Banking.
- Move from Personalization to Post-issuance
 - Introduce Card Issuance Service to facilitate SIM issuance and renewal.
- Position Gemplus on both approaches:
 - selling solutions,
 - operating solutions on behalf of the operator.



Prepare the foundation for a recurring service business

Develop new segments: *Differentiate on value* Identity and Corporate Security are two major steps for Gemplus

- Gemplus' largest market opportunity
 - Above 100 MU highly sophisticated cards should be issued in 2004
- We are very well positioned to capture this opportunity and will establish strong references
 - Initial commercial successes in the Middle East region (Oman),
 - Second market in Aspac, where we have a strong historical position and some indirect channels,
 - Building a project management capability and adapting skills set for joint delivery with partners.
- Gemplus is ready for the execution challenge
 - Migrate to a more balanced products and services business offer.

Develop new segments: WLAN

- Sell the solution by differentiating on
 - security,
 - unified billing,
 - roaming capability
- Use MNO references to address non SIM based players
- Develop authentication and roaming services

Leverage our innovation capabilities

- Build value by leveraging R&D expertise
 - Reconnect R&D initiatives and market demands
 - Develop Consulting in Security
 - Qualify opportunity on Embedded Software
- Incubation of new businesses
 - WLAN as the first example

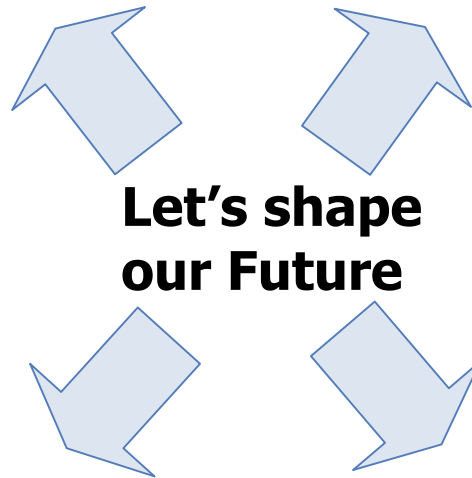
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Build an efficient organization

- Organization will respond to the following criteria:
 - Serve the customer the right way,
 - Enable reactivity and rapid decision process,
 - Have clear roles, mission, accountability,
 - Be cost efficient.
- Accordingly, organization will be revised within the following framework points:
 - Organizing customer facing units around customer segments is optimal,
 - Back-end operations will be integrated as one global organization and will be managed with dual objectives of efficiency and customer satisfaction,
 - Regional capabilities and customer responsiveness will be strengthened.

Track customer, employees, and shareholders satisfaction

- Review processes and evaluation of managers will be tied to objectives set up around:
 - Employee satisfaction targets
 - Customer satisfaction targets
 - Shareholder satisfaction targets
- Targets around these measurements will be established with the view that continuous improvement is what rewards will be tied to
- Success will be defined around meeting or exceeding these targets

Conclusion

What will the result look like ?

- 2003
 - Transition year
 - Significantly better performance than 2002
- 2004 to 2005
 - Grow faster than the industry on Telecom and Banking
 - Grow emerging business lines: ID, Corporate security, WLAN in products and services
 - Grow the Services in Wireless, Banking, ID, Retail

Summary positioning

In summary, this strategy is designed to position Gemplus as:

- The undisputed leader in the smart card arena
- A profitable and growing business capturing market share through:
 - ✓ low-cost products
 - ✓ innovative software and services
- Our customers' most highly regarded supplier and partner



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