First Quarter Fiscal 2002 Financial Results Conference Call

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Introduction

• Results in line with expectations
• 1Q2001 was first quarter record for revenues and included SkiData and Tag
• Benefits from restructuring and lower cost inventory start in 2Q/2002 onwards
• Restructuring programme on track to deliver at least €100 million
• Gemplus should return to profitability by year end
• Significant losses in the 1H/2002, followed by progressive build-up of profitability in 2H/2002
1Q/2002 Revenue

- Revenue at €176.5 million,
- vs. 1Q/2001: down 40% nominally and 36% adjusted
  - Difficult comparison versus 1Q/2001 as Q1 last year was Gemplus’ strongest ever first quarter
- vs. 4Q/2001: down 30%
  - 4Q/2001 FSS sales were flattered by some €28 million of one-off U.S. card projects
  - Despite high SIM cards volumes, sales mix and pressure on sales prices affected revenue
Gross Margin

- Gross Margin at 20.5% (24.8% in 4Q/2001)
  - Sales Mix
  - Completion of Financial Services U.S. projects
- 1Q/2002 Gross Margin not indicative of future run-rate
- 32K inventory should fully cleared by 3Q/2002
- Progressively positive margin impacts:
  - Lower cost chips (up to 5 pp benefit)
  - Restructuring of manufacturing
- Expected margin improvement despite pricing pressures
Cost Structure

- Operating Expenses under €84 million - better than February ‘02 guidance
- 2001 Restructuring Programme fully delivered - €40 million annualised savings
- 2002 restructuring on track
- €19 million of the projected €65 million restructuring charge
  - Cost of headcount reductions so far negotiated,
  - Selective property savings
- Headcount down by 346 employees from December 31, 2001, at 6,375 employees
Strong Balance Sheet

- Limited operating cash outflow
- Cash and Cash Equivalents €450 million
- Day Sales Outstanding (DSOs) at 63 days, within the Group’s objective
- Inventory down €12 million
  - Closer in line with current shipment demand
  - 20% of inventory is now chips bought at year end 2000 prices
- Under €10 million net operating cash outflow, despite 1Q/2002 operating losses
- Exceptional cash outflow relating to the Humetrix law suit and management severance costs
## Segmented Revenue Results

<table>
<thead>
<tr>
<th>EUR (millions)</th>
<th>1Q/2002</th>
<th>1Q/2001*</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue by Segment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td>121.4</td>
<td>213.3</td>
<td>-43%</td>
</tr>
<tr>
<td>Financial Services &amp; Security</td>
<td>55.1</td>
<td>62.4</td>
<td>-12%</td>
</tr>
<tr>
<td><strong>Revenue by Geography</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMEA</td>
<td>91.6</td>
<td>138.6</td>
<td>-34%</td>
</tr>
<tr>
<td>Americas</td>
<td>40.6</td>
<td>39.8</td>
<td>+2%</td>
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<tr>
<td>Asia</td>
<td>44.3</td>
<td>97.3</td>
<td>-54%</td>
</tr>
</tbody>
</table>

* Restated from Skidata and Tag
Financial Summary

- Results more than meet internal forecasts
- Benefits of restructuring and lower cost inventory still to come
- On track for profitability by year end
Changing Gemplus

• Good progress on core objectives
  ▪ Cost competitive operations
  ▪ High, consistent levels customer service
  ▪ Innovations and moving up margin chain
  ▪ Profitable growth

• A change of culture and direction as well as a change of operating efficiency and business process
Restructuring Set to Exceed Expectations

- More than €100 million annualised savings
- Full run rate of savings by end of 2002
- 50% of annualised savings within 2002
- 430 person reduction in resources starting 2Q
- Potential to do more in future
Marketplace

• Volumes of cards remain strong
• Addressing sales mix
• Holding and improving market share
• Financial Services deploying smarter cards
  ▪ Combat fraud, additional customer services
• Telecom lag in take-off of 2.5G and 3G
• Working with customers to provide adoption of higher margin, advanced and Java cards
Summary

• Confident of delivering on restructuring
• Confident of achieving profitability by year end
• Focus on sales mix and margins
• Foundation of recovery firmly established