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Gemalto full year 2009 results

- Full year revenue at € 1654 million
- Operating margin improvement, with all segments reporting profits
- Adjusted operating income of € 182 million before special provision of € 11 million
- € 381 million net cash position, with operating activities generating a record € 200 million
- Dividend of € 0.25 per share will be proposed to shareholders at next AGM

Full year 2009 income statement is presented on an adjusted basis (see page 2 "Basis of preparation of financial information"). The reconciliation with IFRS income statement is presented in Appendix 5. The balance sheet is prepared in accordance with IFRS, and the cash position variation schedule is derived from the IFRS cash flow statement. Figures in this press release are at historical exchange rates, except revenue and average selling price variations which are at constant exchange rates, or except where otherwise noted.

Amsterdam, March 4, 2010 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the full year 2009.

Key figures of the adjusted income statement:

	Full year 2008		Full year 2009		
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	Year-on-year variation at historical exchange rates
Revenue	1,680		1,654		(2%)
Gross profit[1]	597	35.5%	600	36.3%	+ 0.8 ppt
Operating expenses	429	25.6%	434	26.2%	+ 0.6 ppt
Operating income (EBIT)	169	10.1%	171	10.3%	+ 0.2 ppt
Net profit	153	9.1%	148	9.0%	(0.1 ppt)
Operating income (EBIT) before special provision	169	10.1%	182	11.0%	+ 0.9 ppt

Olivier Piou, Chief Executive Officer, commented: *"In the very adverse 2009 economic environment Gemalto further improved its profitability. Strong focus on value creation for our customers and operational efficiency translated into meaningful gross margin improvements. We demonstrated again our ability to generate strong cash flows. And we will propose at the upcoming shareholders' meeting the first dividend distribution in our history. The return to a positive trend in the fourth quarter is a good sign for the start of our 2010-2013 Development Plan."*

[1] In accordance with IAS 37, a special provision of € 11.2 million was booked in 2009 accounts to cover consequences for Gemalto of the situation related to German payment cards identified at the beginning of year 2010. This special provision is based on management's best estimate and takes into account expected coverage from insurance. It is reported on the line item "Cost of sales" in the Secure Transactions segment.

Basis of preparation of financial information

The Company's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards. Additional financial information on an adjusted basis (unaudited) is presented in this press release that is not in conformity with IFRS, in particular the adjustments to revenue and cost of sales, and the presentation of operating expenses and operating income, operating margin and earnings per share which exclude one-off combination related expenses linked to the combination between Axalto and Gemplus and to the acquisitions realized thereafter, reorganization charges and charges resulting from the accounting treatment of the transactions. Charges resulting from the accounting treatment of the combination between Axalto and Gemplus and from subsequent acquisitions consist of additional equity-based compensation due to the revaluation of Gemplus' stock options as of combination date, and amortization and depreciation of some intangible assets. Reorganization charges consist of costs related to headcount reductions, consolidation of manufacturing and office sites (including property, plant and equipment intangible asset and inventory write-offs and impairments, asset transfer costs, employee benefits, severance and associated costs, lease termination and building refurbishment costs and under-absorption in plant being closed) as well as rationalization and harmonization of the product and service portfolio. The Company believes that this information, which is not in conformity with IFRS, is helpful supplemental information in order to better assess its past and future performance. In addition, the Company's management uses this information which is based on its best estimate and judgment in its own planning and in assessment of the Company's operating performance. This information provided by the Company may not be comparable to similarly titled measures employed by other companies.
Figures in this press release are at historical exchange rates, except revenue and average selling price variations which are at constant exchange rates, or except where otherwise noted. Fluctuations in currencies exchange rates against the Euro have a translation impact on the Euro value of Group revenues: comparisons at constant exchange rates aim at eliminating the effect of currencies translation movements on the analysis of the Group results by translating prior year revenues at the same average exchange rate as applied in the current year.

IFRS results and reconciliation between adjusted and IFRS results

The IFRS consolidated income statement for the full year 2009 shows an operating income of € 136 million and a net profit of € 118 million, compared with an operating income of € 127 million and a net profit of € 115 million reported in the full year 2008. In the full year 2009, basic earnings per share amounted to € 1.39 and diluted earnings per share to € 1.37. The Company provides in Appendix 5 the reconciliation between the IFRS and adjusted income statements for the full year 2009 (unaudited). Combination and acquisitions related reorganization charges are reported under the line "Reorganization expenses" and amounted to € 9 million in 2009 (€ 21 million in 2008). In 2009, Gemalto entered into several acquisitions of businesses and entities. All business combinations have been accounted for using the purchase method of accounting as prescribed by IFRS 3 Business Combinations. The impacts of these acquisitions on the reported revenue and adjusted operating income as at December 31, 2009 were € 14.6 million and € (4.7) million respectively.

In accordance with IAS 37 Gemalto booked in 2009 a special provision of € 11.2 million to cover the consequences for Gemalto of the situation related to German payment cards identified at the beginning of year 2010. This special provision is based on management's best estimate and takes into account expected coverage from insurance. It is reported on the line item "Cost of sales" in the Secure Transactions segment.

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Adjusted income statement[2] analysis

Extract of the adjusted income statement:

	Full year 2008		Full year 2009		
	€ in millions	As a % of sales	€ in millions	As a % of sales	Year-on-year variation at historical exchange rates
Revenue	1,679.9		1,654.4		(2%)
Gross profit	596.8	35.5%	600.1	36.3%	+ 0.8 ppt
Operating expenses	429.3	25.6%	433.6	26.2%	+ 0.6 ppt
EBITDA[3]	218.7	13.0%	224.6	13.6%	+ 0.6 ppt
Other Income & Expense	1.7		4.0		
Operating income (EBIT)	169.3	10.1%	170.6	10.3%	+ 0.2 ppt
Net profit	153.0	9.1%	148.1	9.0%	(0.1 ppt)
Earnings per share (€ per share)[4]:					
- basic	1.80		1.75		
- diluted	1.78		1.73		
Operating income (EBIT) before special provision	169.3	10.1%	181.8	11.0%	+ 0.9 ppt

Gemalto expanded again its profitability in 2009 and recorded € 171 million in adjusted operating income. Excluding the special provision of € 11.2 million booked in relation with the payment card issue encountered in Germany at the beginning of 2010, operating income was € 182 million and the operating margin was 11%, a 90 basis points improvement over 2008. Gross margin was up 80 basis points year on year to 36.3%, with all main segments improving their operational efficiency. Operating expenses remained essentially flat in value.

The objective of break-even for Security was achieved, with the segment reporting an operating margin of 2.9% for the full year.

[2] See page 2 "Basis of preparation of financial information" for a detailed description of the adjusted financial information.

[3] EBITDA is defined as operating income plus depreciation and amortization expenses. In accordance with the adjusted basis of preparation, these amounts exclude amortization and impairment charges related to the intangible assets identified upon acquisitions pursuant to IFRS 3 "Business Combination".

[4] The full year 2009 adjusted basic earnings per share were determined on the basis of the weighted average number of Gemalto common shares outstanding during the twelve-month period ended December 31, 2009 (82,519,980 shares) taking into account the effect of the share buy-back on the weighted average number of shares outstanding during the period. The full year 2009 adjusted diluted earnings per share were determined using the IFRS treasury stock method, i.e. on the basis of the same weighted average number of Gemalto shares outstanding twelve-month period ended December 31, 2009 (82,519,980 shares) and considering that all outstanding "in the money" stock options were exercised (5,824,462 options) and the proceeds received from the options exercised (€ 114,883,551) were used to buy-back shares at the average share price of the year 2009 (4,555,925 shares at € 25.22).

Revenue and year-on-year variations, by segment:

	Mobile Communication	Secure Transactions	Security	Total three main segments	Others[5]	Total Gemalto
Fourth quarter 2009	252 M€	116 M€	65 M€	432 M€	21 M€	453 M€
Variation at historical exchange rates	(7%)	+ 1 %	+ 6%	(3%)	(16%)	(4%)
Variation at constant exchange rates	(3%)	+ 4%	+ 10%	+1%	(13%)	+ 0.2%
Full year 2009	888 M€	441 M€	248 M€	1,578 M€	77 M€	1,654 M€
Variation at historical exchange rates	(6%)	(0%)	+ 15%	(2%)	+ 5%	(2%)
Variation at constant exchange rates	(8%)	+1%	+ 14%	(3%)	+ 6%	(2%)

Compared to the record-high Q4 revenue of the previous year, revenue for Q4 2009 was slightly up at constant exchange rates, as Secure Transactions and Security both posted growth. For the full year 2009 revenue was lower than previous year by 2% at both historical and constant rates. Revenue from software and services increased by 9% at constant rates to € 164 million, accounting for 10% of the Company's full year revenue and representing a 70 basis points improvement on the previous year.

Gross margin increased by 80 basis points to 36.3%, on the back of performance improvements in all three main segments. Excluding the special provision, gross margin was up 150 basis points.

Operating expenses were essentially flat in value. As a percentage of revenue, operating expenses accounted for 26.2% of revenue, compared to 25.6% a year ago. Other income & expense was a profit of € 4 million in 2009, compared to € 2 million in 2008.

Consequently, operating income was € 171 million and the operating margin 10.3%. Excluding the special provision, operating income came in at € 182 million and the operating margin at 11%, an increase of 90 basis points year on year. In 2009, Gemalto was successful in achieving its objective of above 10% adjusted operating margin that the Company had set for itself in its 2006-2009 development plan.

Net interest income was reduced by the significantly lower market yields on short-term investments, and was down € 9 million to € 0.1 million. Foreign exchange related costs were down € 6 million to € 1 million. Other financial expenses of € 1 million were recorded during the period. As a result, Gemalto reported a net financial expense of € 2 million for 2009, compared to a net financial income of € 2 million the prior year.

Profit before taxes was therefore € 170 million, compared with € 174 million a year ago. Net income tax expenses amounted to € 22 million.

Consequently the adjusted net profit for the period was € 148 million, or € 159 million excluding the special provision, compared to € 153 million for the same period last year. Basic adjusted earnings per share were € 1.75 and fully diluted adjusted earnings per share were € 1.73.

[5] Public Telephony plus Point-of-Sale Terminals, together accounting for less than 5% of full year 2009 revenue.

Balance sheet and cash position variation schedule

In 2009, operating activities generated a cash flow of € 224 million before outflows related to restructuring actions. Payments made in connection with restructuring actions linked to the merger amounted to € 24 million.

Gemalto took the opportunity of favourable conditions to accelerate the renewal of older and lower productivity equipments during the period. As a result, capital expenditure and acquisition of intangibles were up € 4 million over prior year, amounting to € 53 million and representing 3.2% of revenue, of which € 39 million were incurred for Plant, Property and Equipment purchases net of proceeds from sales.

In line with the company's policy of responsibility towards its business partners, Gemalto opted to support some of its suppliers looking for cash through ad-hoc rapid payment facilities. The accompanying decrease of account payables was offset by improved management of inventory and customer receivables.

In 2009, Gemalto's share buy-back program used € 65 million in cash, the same amount as in 2008, for the purchase of 2,237,313 shares representing 2.5% of Gemalto's share capital. As of December 31, 2009, the Company owned 5,239,631 shares, i.e. 6.0% of its own shares in treasury. The average acquisition price of the shares repurchased on the market and held in treasury as of December 31, 2009 was € 24.74. The total number of Gemalto shares issued is 88,015,844. Net of the 5,239,631 shares held in treasury, 82,776,213 shares were outstanding at the 2009 year end.

Acquisition of subsidiaries and businesses, net of cash acquired, used € 74 million in cash in 2009.

The proceeds received by the Company from the exercise of stock options by employees amounted to € 32 million.

Consequently, Gemalto's net cash position was € 381 million at the end of December 2009, a € 37 million increase compared to the end of December 2008.

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Segment information [6]

Mobile Communication

	Full year 2008		Full year 2009		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	948.2		888.1		(6.3 %)
Gross profit	394.5	*41.6%*	382.3	*43.1%*	+1.5 ppt
Operating expenses	233.9	*24.7%*	242.8	*27.3%*	+2.6 ppt
Operating income	159.9	*16.9%*	142.5	*16.0%*	(0.9 ppt)

At constant exchange rates, full year 2009 Mobile Communication revenue was lower by 8% year on year.

For the full year 2009, which was marked by a cautious market environment, Mobile Communication reported revenue of € 888 million, lower by 8% at constant exchange rate from the previous year. As some customers had postponed the roll-out of certain innovative projects, the revenue for the fourth quarter of 2009 came in at € 252 million, 2.6% lower at constant exchange rates than the previous year's fourth quarter.

Gemalto continued to secure new wins in software platforms and operated service contracts, posting a Q4 revenue increase of 32% year on year for software and services, and a 15% increase for the full year, both at constant exchange rates.

SIM card average selling price in Q4 2009 was lower by 18% year on year at constant rates. This reflects some customer delays in the roll-out of enhanced products and services, resulting in a softer product mix improvement. On a full-year basis, the SIM average selling price was lower by 16% compared with 2008.

Gross profit for the full year 2009 was € 382 million leading to a gross margin of 43%, up 150 basis points from that of the previous year. It reflects continued focus on value-selling and further improvements in operational efficiency.

Operating expenses, at € 243 million, or 27% of revenue, increased as Gemalto continued its efforts to expand its software and services offers, and started to consolidate newly acquired activities.

Through vigilance on expenses and focus on value selling, Mobile Communication operating income came in at € 142 million, representing an operating margin of 16%.

[6] All segment information provided in this press release is on an adjusted basis (unaudited) as described in page 2 "Basis of preparation of financial information".

Secure Transactions

	Full year 2008		Full year 2009		
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	Year-on-year variation at historical exchange rates
Revenue	442.8		441.4		(0.3 %)
Gross profit	117.9	26.6%	108.2	24.5%	(2.1 ppt)
after special provision of:			*11.2*		
Operating expenses	91.3	20.6%	93.8	21.2%	+0.6 ppt
Operating income	26.8	6.0%	14.9	3.4%	(2.6 ppt)
Operating income before special provision	26.8	6.0%	26.1	5.9%	(0.1 ppt)

At constant exchange rates, full year 2009 Secure Transactions revenue was up 1% year on year.

Secure Transactions returned to growth in the fourth quarter with revenue at € 116 million, up 4.2% at constant exchange rates compared to the same period last year. Migration to EMV chip payment cards continues to spread around the world, and dual-interface contactless cards gained further success in Europe. For the full year 2009, Secure Transactions revenue at € 441 million was up 1% year on year at constant rates. Revenue increase was limited by some banking customers shifting from registered to standard mail for their card deliveries. In personalization services, revenue progressed by 4% at constant exchange rates.

Gemalto continues to win new contracts that bolster its leadership position in serving global banking customers. Among the recent highlights were the announcement of BNP Paribas selecting Gemalto as its global partner for DDA upgrades in 15 EMV markets around the world, as well as Gemalto providing Setefi with Italy's first large-scale rollout of EMV contactless payment cards.

Early January 2010, Gemalto faced an unexpected situation in relation to certain German payment cards where cardholders became unable to conduct transactions, which led the Company to book a special provision of € 11.2 million to cover the consequences for Gemalto. A solution was promptly devised, via a simple data initialization procedure; the cards' software remaining unchanged and their security entirely preserved. This special provision is reported as part of "Cost of sales" in the segment.

Reported gross profit for the full year 2009 was therefore lower, at € 108 million. Excluding the special provision however, gross margin was up by 40 basis points to 27% for the full year. Compared to the previous year when stop-and-go production hampered efficiency, the second semester gross margin excluding the special provision improved by 370 basis points to 29%, on the back of product mix improvements and enhanced personalization efficiency.

Operating expenses for the full year 2009 were well contained in value, even while factoring in the newly acquired activities that were consolidated.

Excluding the special provision, Secure Transactions recorded a strong second semester operating margin of 7.8%; and for the full year an operating income of € 26 million and operating margin of 6%, similar to last year.

Security

	Full year 2008		Full year 2009		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	215.9		248.1		+14.9 %
Gross profit	66.2	*30.7%*	89.6	*36.1%*	+ 5.4 ppt
Operating expenses	87.8	*40.7%*	82.9	*33.4%*	(7.3 ppt)
Operating income	(20.2)	*(9.4%)*	7.1	*2.9%*	+12.2 ppt

At constant exchange rates, full year 2009 Security revenue was up 14% year on year.

Turning to profit in 2009, Security achieved its goal, on the back of growth in Government Programs, success in e-banking activities and operational leverage.

The return to double-digit growth in the fourth quarter was fuelled by performance in both Government Programs and Identity and Access Management (IAM): Government Programs revenue increased by 10% at constant exchange rates, over a very strong fourth quarter of 2008, and solid e-banking solutions sales drove IAM revenue up, also by 10%.

Government Programs recorded on a full year basis a revenue increase of 18% at constant rates over the previous year. Some up-and-down variations were recorded on a quarterly basis as revenues across this segment tend to remain project-based, with varying delivery schedules. IAM revenue was slightly lower for the full year 2009, by 2% at constant exchange rates when compared to the previous year: the adverse global economic context of 2009 resulted in indirect distribution channels for enterprise solutions being focused on inventory optimization, while demand for our innovative e-banking solutions remained robust.

Patent licensing revenue for the full year 2009 was up € 6.2 million and amounted to € 14.3 million, of which € 12.8 million were booked in the first semester.

The Security segment's gross margin expanded by 540 basis points to 36.1%. Strong improvements came from delivery ramp-ups in Government Programs. Higher patent licensing activity also contributed to this sharp increase.

Operational expenses were well under control, slightly down in value, leading to a substantial operational leverage.

Consequently, Security posted an operating profit of € 7.1 million and an operating margin of 2.9%. Excluding the patent licensing activity contribution, Government Programs and Identity & Access Management activities taken together also exceeded the break-even point, in both semesters. Operating margin variation between the first and the second semester of 2009 was due to the higher patent licensing revenue in the first semester. Reaching profitability was an important milestone for the Security segment, and for the Company, delivering the return on the organic technological and commercial investments made, and demonstrating the operational leverage in this activity.

Others

	Full year 2008		Full year 2009		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	73.0		76.8		+ 5.3%
Gross profit	18.2	*24.9%*	20.0	*26.0%*	+ 1.1 ppt
Operating expenses	16.2	*22.2%*	14.2	*18.4%*	(3.8 ppt)
Operating income	2.9	*3.9%*	6.0	*7.8%*	+ 3.9 ppt

At constant exchange rates, full year 2009 revenue for Public Telephony and POS Terminals combined in Others was up 5.7% year on year.

Public Telephony revenue declined, in line with expectations and market trends as mobile telephony penetration expands worldwide, while POS Terminals delivered solid growth, following a supplier quality problem that limited deliveries in 2008.

Gross profit increased by 10% to € 20 million. Operating expenses were reduced by 3.8 percentage points. As a result, operating margin doubled to 7.8% and operating profit was € 6.0 million.

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Outlook

Our business has strong fundamentals and prospects. We continue our mission to provide trust and convenience to the wireless and digital world. In 2010 we are focused on growth, actively promoting our expanded product portfolio and delivering more software and services to our customers, in order to further increase our profit, on our way to achieving the objective we have set for ourselves of € 300 million profit from operations in 2013.

Proposed Dividend

The Board of Directors of Gemalto has decided to propose to the next Annual General Meeting of shareholders, to be held on May 19th, 2010 in Schiphol, the Netherlands, the payment of a cash dividend of € 0.25 per share in respect of the fiscal year 2009.

The record date would be on May 25, 2010, hence the shares would become ex-dividend starting May 21, 2010. The dividend would become payable on May 31, 2010.

Basis of preparation of financial information for 2010

As we begin our 2010-2013 Development Plan period, the current non-GAAP adjusted income statement presentation will be replaced by a new presentation, as an important non-GAAP performance measure for the Company will be its profit from operations. The definition of profit from operations and the bridge from the current adjusted presentation to the new presentation are provided in Appendix 7.

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DESCRIPTION OF ADJUSTED MEASURES

Following the combination with Gemplus and following the acquisitions realized thereafter, Gemalto's financial statements have undergone significant changes, due in particular to the accounting treatment of these transactions in accordance with IFRS 3 "Business combination". To supplement the financial statements presented on an IFRS basis, the Group presents adjusted financial information.

Adjusted financial information excludes certain business combination accounting entries, and expenses directly incurred in connection with the combination with Gemplus. The Group believes that this information is helpful in understanding its past financial performance and its future results. Adjusted financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures, and should be read only in conjunction with consolidated financial statements prepared in accordance with IFRS. Management regularly uses these supplemental adjusted financial measures internally to understand, manage and evaluate the business and take operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of executives is also based in part on the performance of the business based on these adjusted measures.

The adjusted financial information reflects adjustments to the IFRS income statements based on the following items, as well as the related effects on income tax:

• Additional stock-based compensation specifically due to the accounting treatment of the combination: as prescribed by IFRS 2 "Share-based payment" and IFRS 3 "Business Combination", vested and unvested stock options or awards granted by an acquirer in exchange for stock options or awards held by employees of the purchased company, or any substantially equivalent commitment by the acquirer to assume the obligations of the acquiree with regards to stock options granted to the latter's employees, as is the case for Gemalto under the Combination Agreement, shall be considered to be part of the purchase price for the acquirer, and the fair value (at the effective date of the acquisition or merger) of the new (acquirer) awards shall be included in the purchase price. It leads to an increase in the compensation charge related to stock-options granted by Gemplus prior to the acquisition. The adjustment, eliminating the additional stock-based compensation charge, is intended to reflect the compensation charge that Gemplus would expense if the company had continued to operate on a standalone basis. The Group believes this adjustment is useful to investors as a measure of the ongoing performance of its business.

• Amortization and depreciation of intangible assets: amortization and depreciation of intangible assets recognized as a result of the combination with Gemplus have been excluded from the adjusted profit for the period. The Group believes this is useful because, prior to this combination in the second quarter of fiscal 2006, it did not incur significant charges of this nature, and the exclusion of this amount helps investors understand the evolution of IFRS operating expenses in periods subsequent to the combination with Gemplus. Investors should note that the use of intangible assets contributed to revenue earned during the period and will contribute to future revenue generation and that these amortization expenses will be recurring.

• **Combination related charges**: in 2006, Gemalto incurred material expenses in connection with the combination with Gemplus, which it would not have otherwise incurred. Combination related charges consist of professional advisory services incurred in connection with the integration, new Gemalto brand and logo creation and worldwide registration, as well as impairment charges related to capitalized development costs on projects which are redundant having regard to existing products or technologies available in Gemplus. Gemalto also determined that its investment in a listed company was impaired as a consequence of the combination with Gemplus. The related impairment charge was recorded in Financial income (loss) in the full year of 2006. No combination related charge was recorded in the full year of 2008 or 2009.

• **Reorganization charges**: charges incurred in connection with headcount reductions in the support functions, the consolidation of manufacturing and office sites (including property, plant and equipment, intangible asset and inventory write-offs and impairment, asset transfer costs, under-absorption costs linked to plant closure, employee benefits, severance and associated costs, lease termination and building refurbishment cost) and the rationalization and harmonization of IT systems and of the product and service portfolio.

To summarize, for the full year of 2009 and 2008 Gemalto provides two sets of income statements:

- IFRS consolidated income statement, pursuant to its regulatory obligations,
- Adjusted income statement.

Gemalto IFRS consolidated income statement	Includes all charges resulting from the accounting treatment of the combination with Gemplus and of the acquisitions realized thereafter (amortization and impairment of intangible assets, additional stock-based compensation), and one-off expenses and reorganization charges incurred in connection with the combination with Gemplus and with acquisitions realized thereafter (reorganization and combination related charges).
Gemalto adjusted income statement	Excludes one-off expenses and reorganization charges incurred in connection with the combination with Gemplus and in connection with the acquisitions realized thereafter (reorganization and combination related charges) and charges resulting from the accounting treatment of the combination with Gemplus and from the accounting treatment of the acquisitions realized thereafter (as detailed above).

Live Audio Webcast and Conference call

Gemalto Full Year 2009 results presentation will be webcast in English today at 3pm Paris time (2pm London time and 9am New York time).

This listen-only live audio webcast of the presentation and the Q&A session will be accessible from our Investor Relations web site:

www.gemalto.com/investors

Questions will be taken by way of conference call. Investors and financial analysts wishing to ask questions should join the presentation by dialling:

(UK) +44 203 367 9456 or (US) +1 866 907 5923 or (FR) +33 1 7200 0984.

The accompanying presentation slide set will be integrated into the webcast and will also be available for download on our Investor Relations web site at noon Paris time (11am London time, 6am New York time).

Replays of the presentation and Q&A session will be available in webcast format from approximately 3 hours after the conclusion of the presentation, through our Investor Relations web site. Replays will be available for one year.

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Reporting calendar

The annual report, including the consolidated financial statements as of December 31, 2009, is available on our Investor web site (www.gemalto.com/investors).

First quarter 2010 revenue will be reported on Thursday April 29, 2009, before the opening of Euronext Paris.

About Gemalto

Gemalto (Euronext NL 0000400653 GTO) is the world leader in digital security with 2009 annual revenues of €1.65 billion, and over 10 thousand employees operating out of 75 offices, research and service centers in 41 countries.

Gemalto is at the heart of our evolving digital society. The freedom to communicate, travel, shop, bank, entertain, and work—anytime, anywhere—has become an integral part of what people want and expect, in ways that are convenient, enjoyable and secure.

Gemalto delivers on the growing demands of billions of people worldwide for mobile connectivity, identity and data protection, credit card safety, health and transportation services, e-government and national security. We do this by supplying to governments, wireless operators, banks and enterprises a wide range of secure personal devices, such as subscriber identification modules (SIM) in mobile phones, smart banking cards, electronic passports, and USB tokens for online identity protection. To complete the solution we also provide software, systems and services to help our customers achieve their goals.

As the use of Gemalto's software and secure devices increases with the number of people interacting in the digital and wireless world, the company is poised to thrive over the coming years.

For more information please visit www.gemalto.com.

Appendix 1

Full year 2009 adjusted income statement by business segment

(At historical exchange rates)

€ in millions	Twelve months ended December 31, 2009				
	Mobile Communication	Secure Transactions	Security	Other	**Total**
Revenue	888.1	441.4	248.1	76.8	1654.4
Gross profit	382.3	108.2	89.6	20.0	600.1
Operating expenses	242.8	93.8	82.9	14.2	433.6
Operating income	142.5	14.9	7.1	6.0	170.6

Full year 2008 adjusted income statement by business segment

(At historical exchange rates)

€ in millions	Twelve months ended December 31, 2008				
	Mobile Communication	Secure Transactions	Security	Other	**Total**
Revenue	948.2	442.8	215.9	73.0	1,679.9
Gross profit	394.5	117.9	66.2	18.2	596.8
Operating expenses	233.9	91.3	87.8	16.2	429.3
Operating income	159.9	26.8	(20.2)	2.9	169.3

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Appendix 2

Deliveries of secure personal devices

In millions of units	Fourth quarter 2008	Fourth quarter 2009	% growth
SIM cards	307	344	+ 12%
Secure Transactions	67	86	+ 27%
Security	14	12	(14%)
Total	389	442	+ 14%

In millions of units	Full year 2008	Full year 2009	% growth
SIM cards	1 080	1163	+ 8%
Secure Transactions	290	313	+ 8%
Security	49	48	(0%)
Total	1 419	1 524	+ 7%

Appendix 3

Fourth quarter 2009 adjusted revenue by region at historical and constant exchange rates

€ in millions	Fourth quarter 2008	Fourth quarter 2009	Year-on-year variation at historical exchange rates	Year-on-year variation at constant exchange rates
EMEA	266	258	(3%)	0%
North & South America	121	106	(13%)	(8%)
Asia	83	89	+ 8%	+ 15%
Total revenue	471	453	(4%)	+ 0.2%

Full year 2009 adjusted revenue by region at historical and constant exchange rates

€ in millions	Full year 2008	Full year 2009	Year-on-year variation at historical exchange rates	Year-on-year variation at constant exchange rates
EMEA	940	929	(1%)	0%
North & South America	412	394	(4%)	(5%)
Asia	328	331	+ 1%	(5%)
Total revenue	1 680	1 654	(2%)	(2%)

Appendix 4

Average exchange rates between the Euro and the US dollar

EUR/USD	2008	2009
First quarter	1.48	1.33
Second quarter	1.56	1.34
First half	1.52	1.34
Third quarter	1.54	1.41
Fourth quarter	1.35	1.47
Second half	1.44	1.44
Full year	1.48	1.39

Appendix 5

Consolidated Income Statement for the twelve month period ended December 31, 2009
Reconciliation from IFRS to Adjusted financial information

€ in millions	IFRS financial information	Adjustment relating to reorganization charges	Adjustment relating to amortization of intangible assets	Other adjustments	Adjusted financial information
Revenue	1,654			0	1,654
Cost of sales	(1,054)				(1,054)
Gross Profit	600	-	-	0	600
Research & Engineering expenses	(98)			0	(97)
Sales & Marketing expenses	(235)				(235)
G&A expenses	(101)			1	(101)
Other Operating expenses	4				4
Combination related expenses	-				-
Reorganization expenses	(9)	9			-
Amortization of intangible assets	(24)		24		-
Operating Income (EBIT)	136	9	24	1	171
Financial Income (expenses), net	(2)				(2)
Share of profit (loss) of associates	1				1
Gain on sale of an investment in associate	0				0
Profit (loss) before taxes	136	9	24	1	170
Income tax	(17)		(4)		(22)
Profit (loss) for the period	118	9	20	1	148
Attributable to shareholders	115				145
Attributable to minority interest	3				3

Appendix 6

Cash position variation schedule

€ in millions	Full year 2008	Full year 2009
Cash and cash equivalents, beginning of period	337	367
Cash generated by operating activities, before cash outflows related to restructuring actions	191	224
Including cash used by working capital increase	(19)	(34)
Cash used in restructuring actions	(59)	(24)
Cash generated by operating activities	132	200
Capital expenditure and acquisitions of intangibles	(49)	(53)
Free cash flow	83	147
Interest received, net	10	2
Cash used by acquisitions	(14)	(74)
Other cash generated by investing activities	0	4
Cash generated by operating and investing activities	79	79
Cash used by the share buy-back program	(65)	(65)
Other cash provided by financing activities	23	14
Other (translation adjustment mainly)	(8)	8
Cash and cash equivalents, end of period	367	404
Current and non-current borrowings including finance lease and bank overdraft, end of period [7]	(23)	(23)
Net cash, end of period	344	381

[7] Bank overdraft amounts to € 1.5 million as at December 31, 2009, compared to € 7.1 million as at December 31, 2008. Consequently cash and bank overdraft amounted to € 402 million as at December 31, 2009 and was € 360 million as at December 31, 2008.

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Appendix 7

Reconciliation from current adjusted presentation to the new 2010 presentation

Profit from operations is a non-GAAP measure defined as IFRS operating income adjusted for amortization & depreciation of intangibles resulting from acquisitions, equity-based compensation charges and restructuring & acquisition-related costs.

In 2009, profit from operations differs from the adjusted EBIT by keeping out the equity-based compensation charges.

Consolidated Income Statement for the twelve month period ended December 31, 2009

	Operating segments under New presentation						
In thousands of Euro	Mobile Communication	Secure Transactions	Security	Other Operating Segments	New Presentation	Adjustement for equity-based compensation	Current Adjusted Presentation
Revenue	888	441	248	77	1,654		1,654
Cost of sales	(505)	(333)	(158)	(57)	(1,053)	(2)	(1,054)
Gross profit	383	109	90	20	602	(2)	600
Research and engineering expenses	(54)	(16)	(22)	(6)	(97)	(1)	(97)
Sales & Marketing expenses	(123)	(53)	(49)	(6)	(231)	(5)	(235)
G&A expenses	(59)	(22)	(11)	(2)	(95)	(6)	(101)
Other Operating expenses	3	1	0	0	4		4
Profit from operations	151	18	8	6	183		-
Equity-based compensation					(12)	12	-
Adjusted operating income							171

We also provide here below for the first semester 2009 income statement the reconciliation between the current adjusted presentation and the new presentation:

Consolidated Income Statement for the six month period ended June 30, 2009

	Operating segments under New presentation						
In thousands of Euro	Mobile Communication	Secure Transactions	Security	Other Operating Segments	New Presentation	Adjustement for equity-based compensation	Current Adjusted Presentation
Revenue	416	219	130	35	800		800
Cost of sales	(242)	(164)	(78)	(27)	(510)	(1)	(511)
Gross profit	174	55	53	8	290	(1)	289
Research and engineering expenses	(27)	(8)	(11)	(3)	(49)	(0)	(49)
Sales & Marketing expenses	(61)	(26)	(27)	(3)	(116)	(2)	(118)
G&A expenses	(30)	(11)	(6)	(1)	(48)	(2)	(50)
Other Operating expenses	2	0	0	0	2		2
Profit from operations	58	10	10	1	79		-
Equity-based compensation					(5)	5	-
Adjusted operating income							74