

## IIIII FY 2009 Earnings Release

Olivier Piou, CEO

Jacques Tierny , CFO

March 4, 2010

**NEW!** Listen-only live audio webcast available from [www.gemalto.com/investors](http://www.gemalto.com/investors)

# Disclaimer

This communication does not constitute an offer to purchase or exchange or the solicitation of an offer to sell or exchange any securities of Gemalto.

## *Forward-Looking Statements*

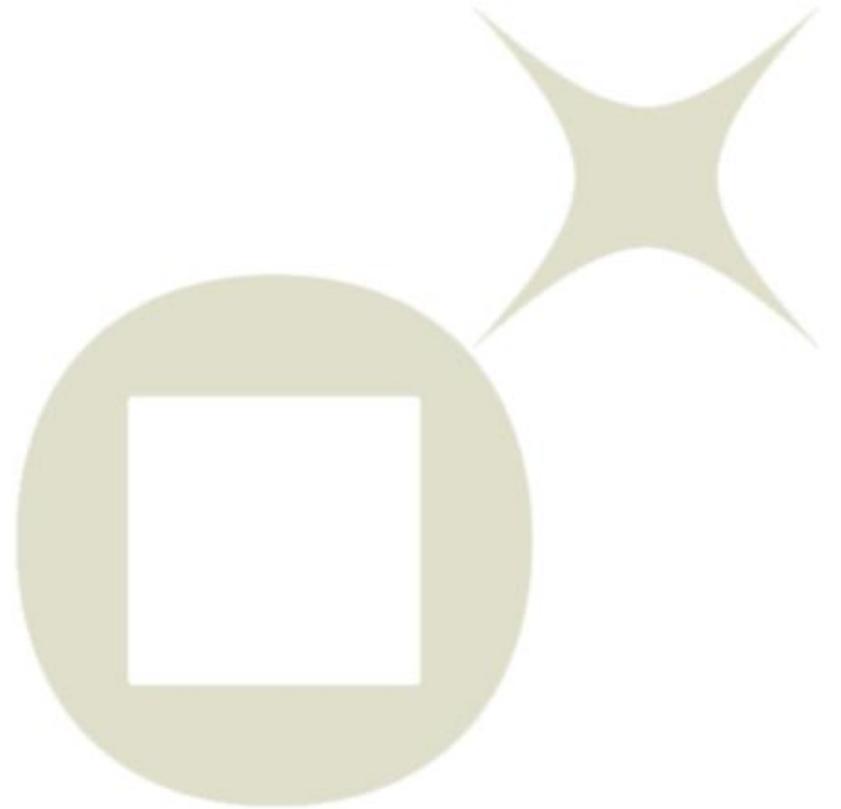
This communication contains certain statements that are neither reported financial results nor other historical information and other statements concerning Gemalto (the "Company"). These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, events, products and services and future performance. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates" and similar expressions. These and other information and statements contained in this communication constitute forward-looking statements for purposes of applicable securities laws. Although management of the Company believes that the expectations reflected in the forward-looking statements are reasonable, investors and security holders are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements, and the Company cannot guarantee future results, levels of activity, performance or achievements. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this communication include, but are not limited to: the ability of the Company to integrate acquired businesses or companies according to expectations; the ability of the Company to achieve the related synergies; trends in wireless communication and mobile commerce markets; the Company's ability to develop new technology and the effects of competing technologies developed and expected intense competition generally in the Company's main markets; profitability of expansion strategy; challenges to or loss of intellectual property rights; ability to establish and maintain strategic relationships in their major businesses; ability to develop and take advantage of new software and services; the effect of any future acquisitions and investments on the Company's share prices; and changes in global, political, economic, business, competitive, market and regulatory forces. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. The forward-looking statements contained in this communication speak only as of the date of this communication and the Company is under no duty, and do not undertake, to update any of the forward-looking statements after this date to conform such statements to actual results, to reflect the occurrence of anticipated results or otherwise.

# ✦ Overview

**Olivier Piou, CEO**

✦ Financial Results

✦ Moving Forward



# Full year 2009 results highlights

- ★ Full year revenue at € 1654 million, with positive signs in Q4
- ★ Adjusted operating income increased to € 182 million before special provision of € 11 million
- ★ Operating margin improvement, with all segments now reporting profits
- ★ Merger objective of 10% EBIT margin surpassed
- ★ Net cash position at € 381 million, with operating activities generating a record € 200 million
- ★ Dividend of € 0.25 per share will be proposed to shareholders at next Annual General Meeting



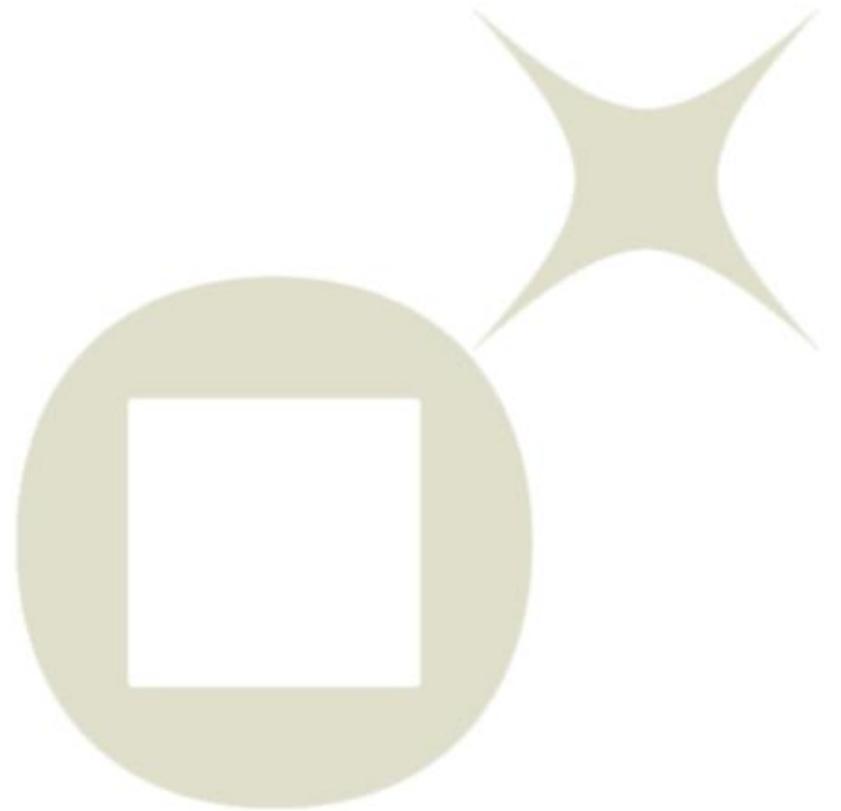
All income statement figures are prepared on an adjusted basis, comments on reconciliation with IFRS are discussed in the *Financial Results* chapter; for more details refer to the Full Year 2009 Results press release

★ Overview

## ★ Financial Results

Jacques Tierny, CFO

★ Moving Forward



# Adjusted and IFRS results reconciliation

Gemalto presents income statements on an Adjusted basis for a better appreciation of its operating performance over the period, as IFRS 3 “Business Combinations” has several significant impacts on financial statements

	Adjusted before special provision	Minus: Special provision	Adjusted	Minus: Reorganization charges	Amortization of intangible assets	IFRS
EBIT	€ 182m	€ (11m)	€ 171m	€ (9m)	€ (24m)	€ 136m
Net income	€ 159m	€ (11m)	€ 148m	€ (9m)	€ (20m)	€ 118m

- ★ A special provision of € 11.2 million was booked to cover consequences for Gemalto of the situation related to German payment cards identified at the beginning of 2010

# Gemalto further expands profitability

*Extracts from Gemalto FY 2009 Adjusted Income Statement*

Revenue	€ 1,654m			(2%)*
Gross Profit	€ 600m	Gross Margin +80bp	36.3%	+ 1%
EBIT	€ 171m	EBIT margin +20bp	10.3%	+ 1%
Earnings Per Share (Basic)	€ 1.75			(3%)
EBIT before special provision	€ 182m	EBIT margin +90bp	11%	+ 7%

\* at constant exchange rates and by reference to FY 2008 revenue

# Gross margin improvements in all segments

## Mobile Communication

Revenue	(8%)*	€ 888m		
<hr/>				
Gross Profit	(3%)	€ 382m	Gross Margin	+150 bp   43%
<hr/>				
EBIT	(11%)	€ 142m	EBIT Margin	(90 bp)   16%

- Resilience in a cautious market environment with some customers delaying innovative projects, weighing on the revenue and ASP
- Software and services up 32% in Q4, leading to 15% full year increase
- Gross margin improvement reflects focus on value selling and efficiency
- Tight controls on operating expenses offset consolidation of new activities

## Secure Transactions before special provision

Revenue	+1%	€ 441m		
<hr/>				
Gross Profit	+1%	€ 119m	Gross Margin	+40bp   27%
<hr/>				
EBIT	(2%)	€ 26m	EBIT Margin	(10 bp)   6%

- Return to growth in Q4, up 4% yoy
- Special provision of € 11m related to the situation faced in Germany in Jan. 2010
- Mix improvements and personalization efficiency drove 370bp improvements in underlying gross margin in H2
- Tight controls on operating expenses offset consolidation of new activities
- Excluding special provision, 7.8% EBIT margin in H2

## Security

Revenue	+14%*	€ 248m		
<hr/>				
Gross Profit	+35%	€ 90m	Gross Margin	+540 bp   36%
<hr/>				
EBIT	Turning to profit	€ 7m	EBIT Margin	+1220 bp   3%

- Double digit growth in Q4 and full year revenue, driven by eID and eBanking
- For full year revenue, Government Programs up 18% and IAM lower by 2%
- Significant gross margin improvement from better industrialization and stronger patents contribution
- Security turned to profit for the full year, demonstrating operational leverage

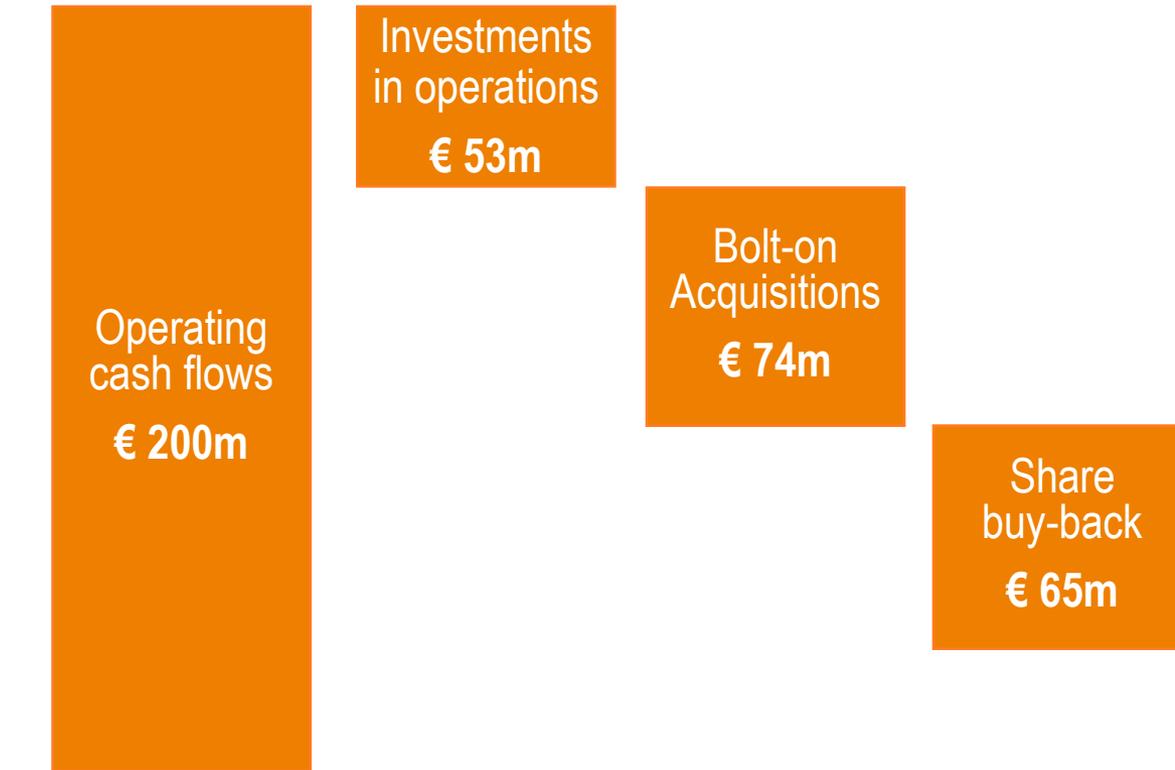
\* at constant exchange rates and by reference to FY 2008 revenue

# Record operating cash flow

*Key items from Gemalto FY 2009 Cash flow statement*

<i>€ in millions</i>	<b>2008</b>	<b>2009</b>
<b>Cash generated by operating activities</b>	<b>191</b>	<b>224</b>
before cash outflows related to restructuring actions		
Cash used in restructuring actions	(59)	(24)
<b>Cash generated by operating activities</b>	<b>132</b>	<b>200</b>
Capital expenditure and acquisition of intangibles	(49)	(53)
Cash used by acquisitions	(14)	(74)
Cash used in the share buy-back program	(65)	(65)
Proceeds from exercise of stock options by employees	25	32
<b>Net cash, at end of December</b>	<b>344</b>	<b>381</b>

# Sound use of cash to create value

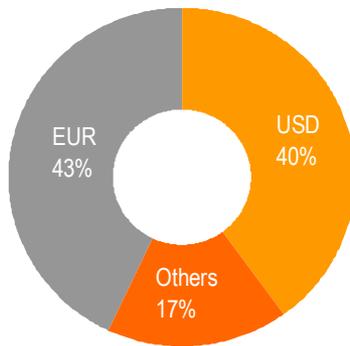


- ★ A dividend of € 0.25 per share (i.e. € 21 million) in respect of the fiscal year 2009 will be proposed to shareholders at next AGM

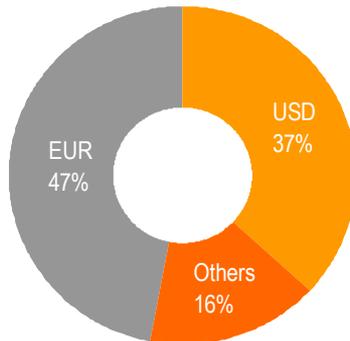
# Update on currency

## Breakdown of Currency Exposure

2009 Revenue



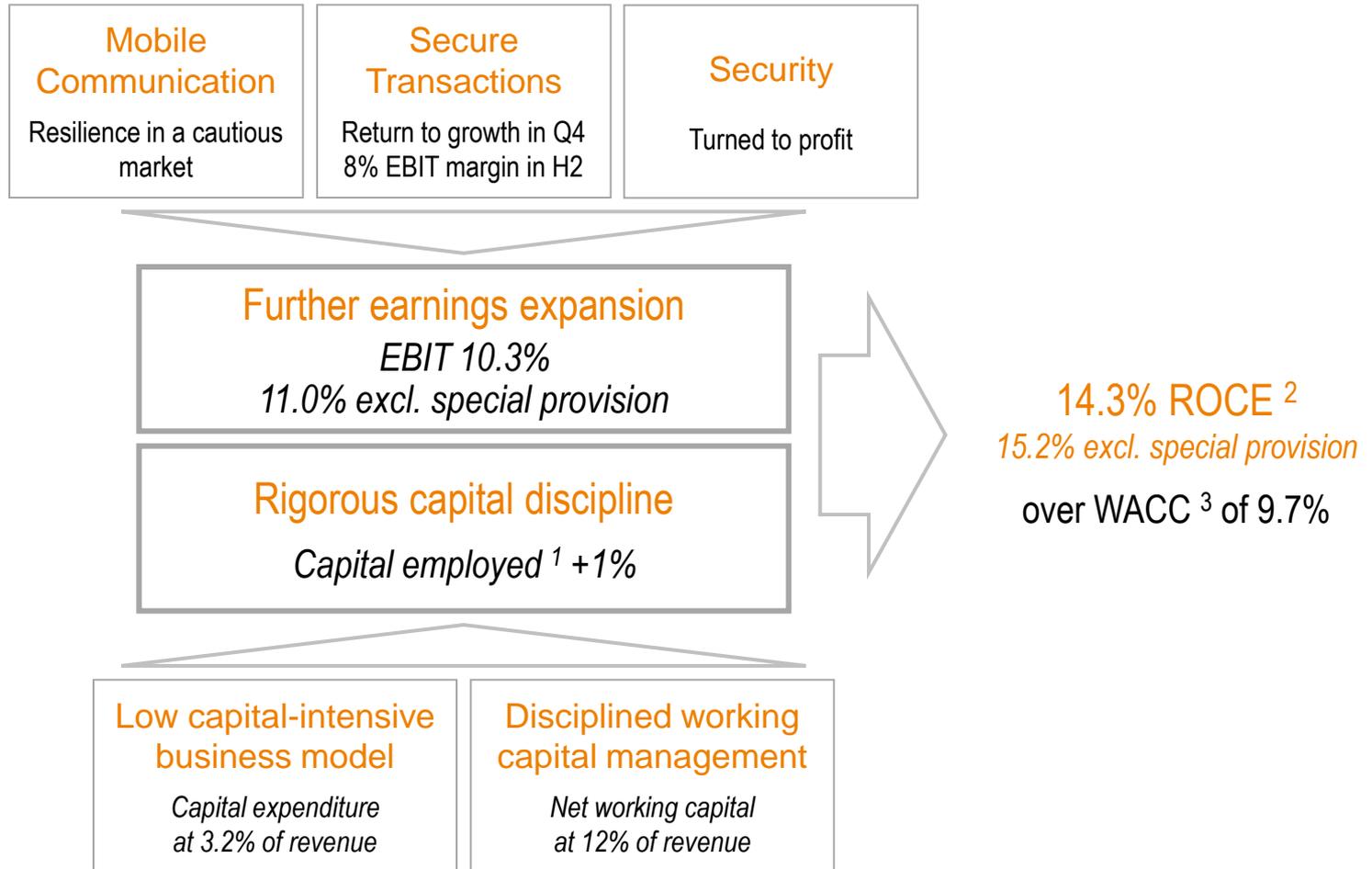
2009 Cost of Sales plus OPEX



In 2009, the positive effect of the US Dollar appreciation vs. the Euro was offset by the negative effect of the weakening of Others

We have improved natural hedging, and at Q1 '10 exchange rates Q1 '09 revenue and H1 '09 EBIT margin would remain essentially unchanged

# Value creation through disciplined earnings expansion



(1) Including acquisition of intangible assets; (2) ROCE is after-tax adjusted EBIT divided by capital employed;  
(3) Average WACC based on recent brokers reports (source: Thomson Research)

# Profit from operations

For the period 2010-2013 Gemalto will report profit from operations

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

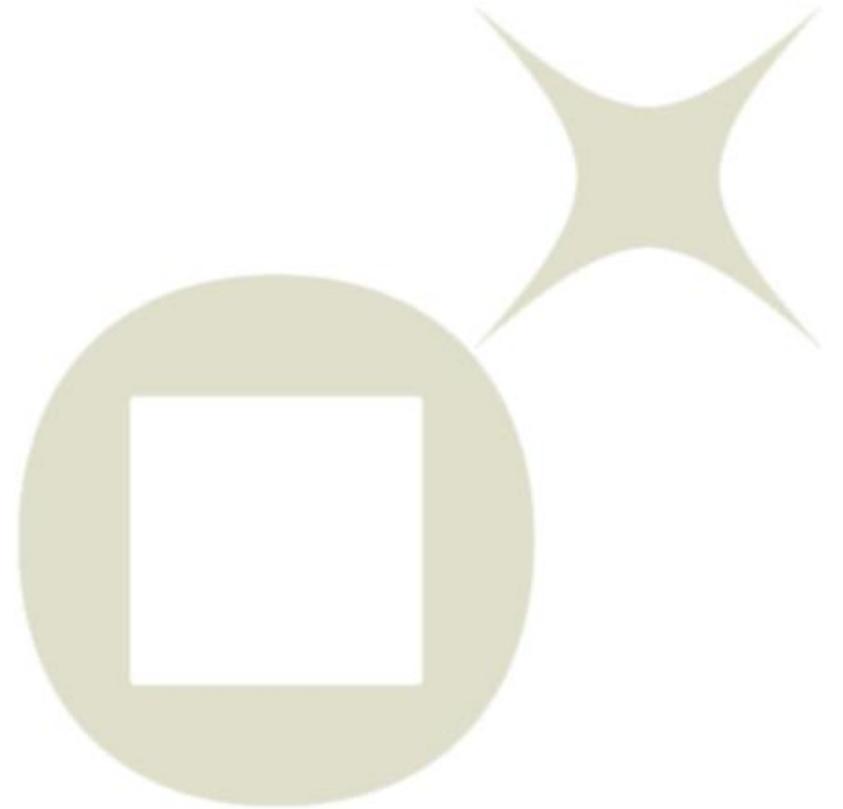
<i>In € million</i>	FY 2009 under adjusted Presentation	<i>Adjustment related to equity-based compensation</i>	FY 2009 under new presentation
<b>Revenue</b>	<b>1,654</b>		<b>1,654</b>
<b>Gross profit</b>	<b>600</b>	<b>1.7</b>	<b>602</b>
R&E expenses	(97)	0.5	(97)
S&M expenses	(235)	4.5	(231)
G&A expenses	(101)	5.7	(95)
Other income & expense	4		
<b>Profit from operations</b>	-		<b>183</b>
<i>Equity-based compensation charges</i>	-	(12)	(12)
<b>EBIT</b>	<b>171</b>		

✦ Overview

✦ Financial Results

✦ **Moving Forward**

**Olivier Piou, CEO**



# 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 set for ourselves of € 300 million profit from operations in 2013.

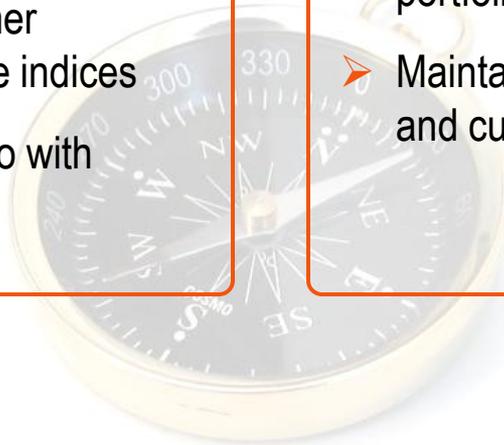
# We emerged from 2009 on a solid footing, and now advancing onto 2010 with clear priorities

## *2009: Fortified Competitive Position*

- ✓ Demonstrated resilience in adverse global economic environment
- ✓ All three main segments are now active profit engines
- ✓ Record € 200 million cash generation, with sustained strong net cash position
- ✓ Significant boost in customer satisfaction and confidence indices
- ✓ Balanced business portfolio with synergistic activities

## *2010 Priorities: Back to Growth*

- Focus on revenue growth, capturing digital security opportunities globally
- Leverage the efficiencies gained in Secure Transactions and Security to further improve profits
- Integrate and promote our expanding portfolio of product and service offers
- Maintain focus on customer value-add and customer engagement





- ✦ World Leader in Digital Security ✦
- ✦ Markets in Strong Development ✦
  - ✦ Unique Technology Portfolio ✦
    - ✦ Blue Chip Customers ✦
- ✦ Large Free Float and Robust Financials ✦
- ✦ A Business Model with Strong Leverage on Growth ✦

## IIII Gemalto full year 2009 results - Q&A Session

Questions will be taken by way  
of conference call, by dialing

(FR) +33 1 72 00 09 84

(UK) +44 203 367 9456

(US) +1 866 907 5923

Listen-only live audio webcast available from [www.gemalto.com/investors](http://www.gemalto.com/investors)