

IIII FY 2010 Earnings Release

Olivier Piou, CEO

Jacques Tierny , CFO

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✦ Overview

Olivier Piou, CEO

✦ Financial Results

✦ Moving Forward



Key developments in 2010

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.

FY2009 earnings presentation, March 2010

2010 Results

- New revenue record and more than € 1 billion in the second semester.
- Profit margin from operations increased by 600 bp in *Secure Transactions* and by 1060 bp in *Security*.
- Software & services revenue expands by 54% to € 252m or 13% of revenue.
- Customer “Tell-me” survey reaches historical high positive score.

Full year revenue and profit from operations grow +19%
to € 1,906 million and € 216 million

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✦ **Financial Results**

Jacques Tierny, CFO

✦ Moving Forward



Basis of preparation

Ongoing operations

		Ongoing operations	Assets held for sale (JV)	Total Gemalto	Discontinued operations (POS)	Previously reported
FY'2010	Revenue	€ 1,862m	€ 44m	€ 1,906m	€ 51m	
	PFO	€ 207m	€ 8m	€ 216m	€ 1m	
FY'2009	Revenue	€ 1,560m	€ 42m	€ 1,602m	€ 52m	€ 1,654m
	PFO	€ 170m	€ 10m	€ 181m	€ 3m	€ 183m

Bridging Profit from operations (PFO) to IFRS operating result

	Profit from operations	Amortization of intangible assets	Equity based compensation charges	Restructuring & acquisitions related expenses	IFRS operating result
FY'2010	€ 216m	€ 23m	€ 20m	€ 9m	€ 163m
FY'2009	€ 181m	€ 24m	€ 14m	€ 9m	€ 134m

Key figures from the FY'2010 financial results

*Extracts from the adjusted income statement
for ongoing operations*

Revenue +19%	€ 1,862m		+7%*
Gross profit +18%	€ 676m	36.3%	Gross margin (50bp)
Operating expenses +16%	€ 469m	25.2%	Operating expenses (70bp)
Profit from operations +22%	€ 207m	11.1%	PFO margin +20bp
Basic EPS +41%	€ 2.54	€ 0.28	Proposed dividend +12%

Solid performance in the Telecom segments

Mobile Communication

Revenue	€ 981m	
+5%		
Gross Profit	€ 376m	Gross Margin 38.3%
(2%)	(490bp)	
PFO	€ 118m	PFO Margin 12.0%
(22%)	(500bp)	

- Growth driven by Software & Services revenue doubling to 152M€.
- Promising developments in New Form Factors products.
- Profit margin profile of traditional SIM card unchanged.
- Profit variation essentially resulting from Opex investment in fast growing Software & Services areas, consolidation effects of acquired businesses and non-recurring items.

Machine-to-Machine (5 months)

Revenue	€ 81m	
+15%*		
Gross Profit	€ 27m	Gross Margin 32.6%
PFO	€ 7m	PFO Margin 8.7%

- Integration of Cinterion is now essentially complete.
- Solid 15% revenue growth driven by the increasing use of cellular connectivity by multiple industrial sectors.
- Profit from operations doubles, directly benefiting from the increased volume of sales, and customer confidence.

Revenue variations are at constant exchange rates

** pro forma, at constant exchange rates, by comparing the same perimeter with the same 5 month period of 2009*

Strong fall through from growth

Secure Transactions

Revenue	€ 462m		
+7%			
Gross Profit	€ 140m	Gross Margin	30.3%
+41%		+620bp	
PFO	€ 41m	PFO Margin	8.9%
x 3.5		+600bp	

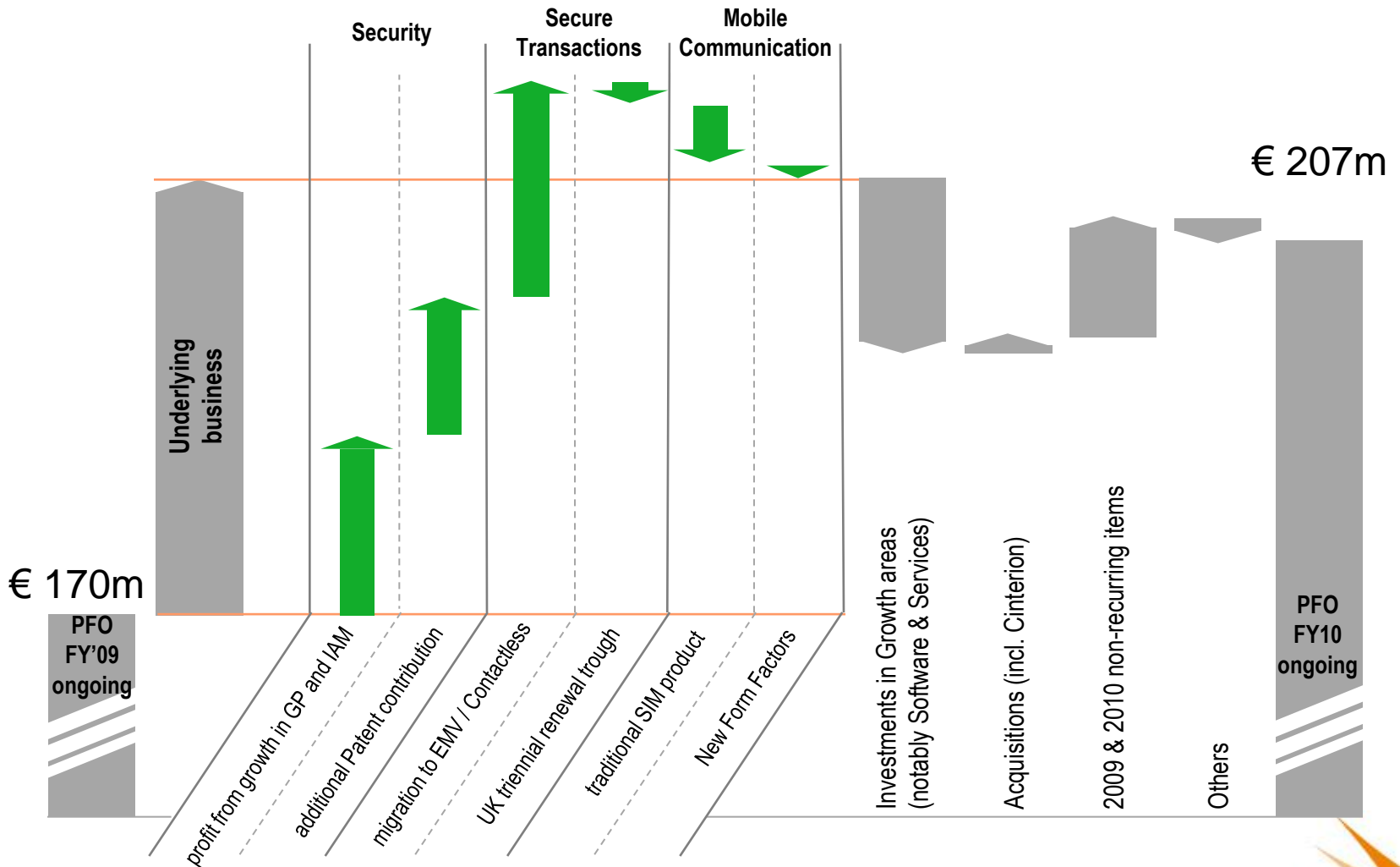
- Growth driven by worldwide migration to EMV and dual-interface contactless products.
- The drag on growth of the UK triennial trough and shift to standard mailing faded as anticipated in the second semester.
- Gross margin improved significantly as a result of better product mix and high personalization service activity.
- Opex increased in line with revenue after accounting for the impact of acquisitions.
- The strong growth of H2 had excellent fall through to profit.

Security

Revenue	€ 318m		
+31%			
Gross Profit	€ 129m	Gross Margin	40.6%
+51%		+450bp	
PFO	€ 39m	PFO Margin	12.4%
x 9.5		+1060bp	

- 50% growth in IAM due to strong activity in e-Banking, 16% growth in Government Programs.
- Patent licensing revenue above Company plan at €33m, productivity gains and scale effect lead to 450bp gross margin improvement.
- Opex down 620bp to 28% of revenue.
- The operational leverage combining strong growth, gross margin performance and opex control lifts PFO margin from break-even in 2009 to 12.4% in 2010, and to 6.8% when excluding the patent contribution.

Positive developments in our underlying business and investment for our development plan



Solid cash flows

Key items from Gemalto FY'2010 Cash flow statement

<i>€ in millions</i>	FY'2009	FY'2010
Cash generated by operating activities	191	212
Before working capital variation impact		
Cash provided (used) by the working capital variation	9	(38)
Cash generated by operating activities	200	174
Capital expenditure and acquisition of intangibles	(53)	(73)
Acquisitions	(74)	(198)
Share buy-back program	(65)	(39)
Dividend	0	(21)
Net cash, at end of period	381	255

2011 basis of presentation

Starting January 1, 2011:

- ✦ the patent licensing activity, currently reported as part of the segment Security, will be reported separately, in a new segment “Patents”.
- ✦ the public telephony activity currently reported in the segment Others, will be included in the segment Mobile Communication

Pro-forma adjusted income statements corresponding to this new presentation for the first semester 2010 and full year 2010 are provided in appendix 7 of the press release.

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Olivier Piou, CEO



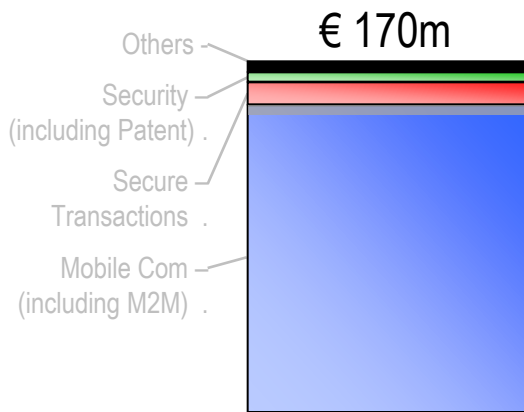
Profit sources, getting in line with our 2013 target, prepare us to deliver on our ambitious € 300m goal

Profit expansion will mainly come from significant increases in Secure Transactions and Security

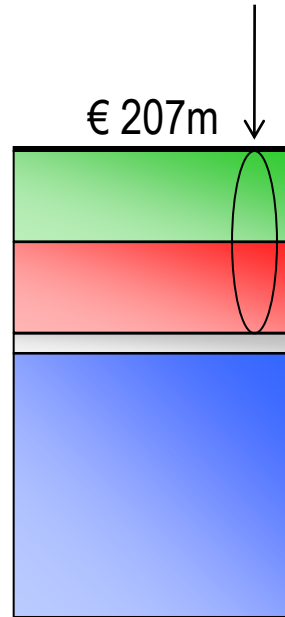


Profit margin from operations in Secure Transactions and Security reached high single-digit one year ahead of plan.

Security upgraded to reach high single digit in 2011 even without patent contribution



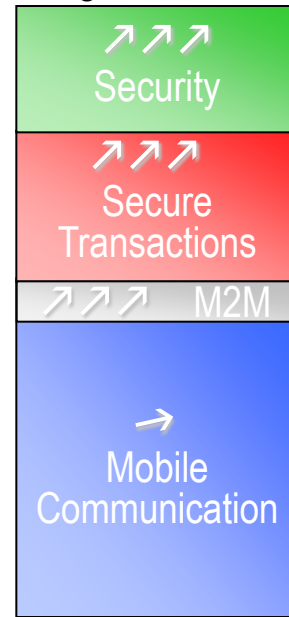
2009



2010

Chart not to scale

Target: € 300m



2013

2011, the year of Mobile Contactless

- ✧ Mobile contactless is getting ready for large scale deployments
 - Major launches being prepared in numerous countries
 - Upgrade of infrastructure to contactless well on track
 - Commercialization of mobile handset models from top 5 brands announced for 2011

- ✧ An opportunity for our Mobile Communication segment
 - New generation SIM cards: highly secure, multi-applications, NFC-capable
 - Trusted Service Management services answer to the need for distribution, personalization and management of the various secure elements and related data, throughout their lifetime.

- ✧ Gemalto has distinctive assets
 - Involved in 10 commercial grade mobile NFC projects and 45 projects in total
 - Trusted by the key telecom, banking and transport operators
 - Already servicing 450 of the major mobile operators and banks with secure remote management and personalization services.

Expected 2011 Business trends

✧ Mobile Communication

- Focus on increasing contribution of Software & Services and acquired companies to Profit from operations
- Organic investments toward strategic growth areas maintained
- Substantial commercial deployments of mobile contactless services and LTE fourth generation networks in the latter part of the year

✧ Machine to Machine

- Solid growth expected thanks to the strength of the automotive and metering sectors.
- Increase in research and development investments with the development of the Internet of things

✧ Secure Transactions

- Widespread migration to EMV and higher-end contactless products expected to continue.

✧ Patents

- Lower activity due to the litigation the Company has initiated in the USA.

✧ Security

- Continued deployment of secure electronic document programs and substantial growth in e-Banking.

Outlook

In 2011, Gemalto targets another year of expansion in revenue and profit from its ongoing operations, progressing in its 2010-2013 development plan. The company expects a substantially lower contribution from patent licensing activities in 2011, due to the public patent litigation it initiated in the USA; stable or expanding profits in Mobile Communication, with a pronounced seasonality due to the large deployments of Near-Field Communication (NFC) mobile contactless services and LTE fourth generation networks announced for the latter part of the year; and reiterates its expectation to have Secure Transactions delivering a high single-digit profit margin from operations in 2011. It upgrades its view on the Security segment, which is now expected to deliver high single-digit profit margin from operations in 2011 even without patent licensing contribution. Gemalto confirms its target of € 300 million in profit from operations in 2013.



- ✦ 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 FY'2010 earnings release - **Q&A Session**

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

(FR) +33 1 7077 0937

(UK) +44 203 367 9453

(US) +1 866 907 5923

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