

||||| H1 2011 Earnings Release

Olivier Piou, CEO

Jacques Tierny , CFO

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✦ Overview

Olivier Piou, CEO

✦ Financial Results

✦ Moving Forward



First half 2011 highlights

- ★ Revenue at € 928 million increases by 14% with outstanding performance in Secure Transactions segment growing by 21% at € 251 million
- ★ Profit from ongoing operations at € 72 million increases by 8% despite the absence of the usual contribution of the Patents segment
- ★ The four main segments recorded a strong performance

Revenue € 926m	+ 16%	PFO € 74m	+35%
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- The main segments include the Mobile Communication, Machine-to-Machine, Secure Transactions, and Security business segments, representing together close to 100% of the Company revenue for the period. They exclude the Patents segment. In relation with the public patent litigation the Company initiated in the USA and announced in October 2010, the impact of the temporary lower activity of the Patents segment was (€14 million) on the revenue and (€14 million) on profit from operations this half compared to first half 2010.

Strong progress along our strategic plan

- ★ The combined contribution of Secure Transactions and Security to Gemalto's results continues to increase



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Jacques Tierny, CFO

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Basis of preparation for 2011 publications

Ongoing operations

Ongoing operations excludes, for both 2010 and 2011 reporting periods

- the discontinued POS activity, previously reported in the segment Others
- the activity of a JV active in China in Secure Transactions and Security, reported as “Asset held for sale”

Segment reporting

Starting January 2011, the segment reporting has become

Mobile Communication	M2M	Secure Transactions	Security	Patents
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- the patent licensing activity, previously reported as part of the segment Security, is reported separately, in a specific segment “Patents”.
- the public telephony activity previously reported in the segment Others, is included in the segment Mobile Communication.

2010 data are re-presented accordingly

IFRS and adjusted income statements

Ongoing operations and Adjusted income statement

		Ongoing operations	Assets held for sale (JV)	Total Gemalto	Discontinued operations (POS)	Previously reported
H1'2011	Revenue	€ 928m		€ 928m		
	PFO	€ 72m	€ 21m	€ 93m		
H1'2010	Revenue	€ 815m		€ 815m	€ 25m	€ 840m
	PFO	€ 67m		€ 67m	€ 1m	€ 67m

Profit from operations (PFO) and IFRS operating result

	Profit from operations	Amortization of intangible assets	Equity based compensation charges	Restructuring & acquisitions related expenses	IFRS operating result
H1'2011	€ 93m	€ 10m	€ 16m	€ 4m	€ 63m
H1'2010	€ 67m	€ 10m	€ 9m	€ 2m	€ 46m

Key figures from the H1'2011 financial results

*Extracts from the adjusted income statement
for ongoing operations*

Revenue +14%	€ 928m	
Gross profit +10%	€ 321m	34.6%
Operating expenses +11%	€ 249m	26.9%
Profit from operations +8%	€ 72m	7.7 %

Segment key financial information (1)

Mobile Communication

Revenue	€ 444m		
(3%)			
Gross Profit	€ 160m	Gross Margin	36.0%
(9%)		(210bp)	
PFO	€ 30m	PFO Margin	6.9%
(24%)		(190bp)	

- Software and services grow to € 72 m, to reach 16% of the segment revenue with the least profitable activities in acquired companies being trimmed
- Product revenue lower by 4% as introduction of new products remained limited in developed countries as major upgrade plans towards LTE and NFC are finalized.
- PFO expected to return to year-on-year expansion in the second semester

Seize the opportunity of software and services and prepare next wave of products upgrade

Machine-to-Machine

Revenue	€ 84m		
Gross Profit	€ 29m	Gross Margin	34.3%
PFO	€ 6m	PFO Margin	6.9%

- Growth supported by expansion of markets related to “the internet of things”, notably in automotive and metering.
- Gross margin improved 1.7ppt compared to H2 2010
- PFO at 6.9% of revenue, as R&D expenses in new products and services were sustained, and marketing efforts were deployed to support the newly integrated offerings.

Grow in the high-potential market of wireless machine-to-machine for industrial sectors

Segment key financial information (2)

Secure Transactions

Revenue	€ 251m	
+21%		
Gross Profit	€ 77m	Gross Margin 30.8%
+42%		+460bp
PFO	€ 26m	PFO Margin 10.5%
x4.7		+780bp

- 21% growth led by countries migrating to EMV in the Americas and European financial institutions upgrading to contactless dual interface payment cards.
- PFO benefits from product mix improvement and better absorption of fixed costs. PFO margin reaches 10.5%.
- Upgraded expectations of double digit revenue and double digit PFO margin for 2011.

Improve profit from worldwide growth in EMV and financial institutions' demand for innovation

Security

Revenue	€ 146m	
+11%		
Gross Profit	€ 54m	Gross Margin 36.7%
+12%		+40bp
PFO	€ 11m	PFO Margin 7.7%
+24%		+80bp

- Another semester of double digit revenue growth on the back of new e-documents and e-services deployments in Government Programs.
- PFO increases by 24% benefiting from the segment's operational leverage.
- Revenue growth and PFO margin expansion in line with the objectives for the year.

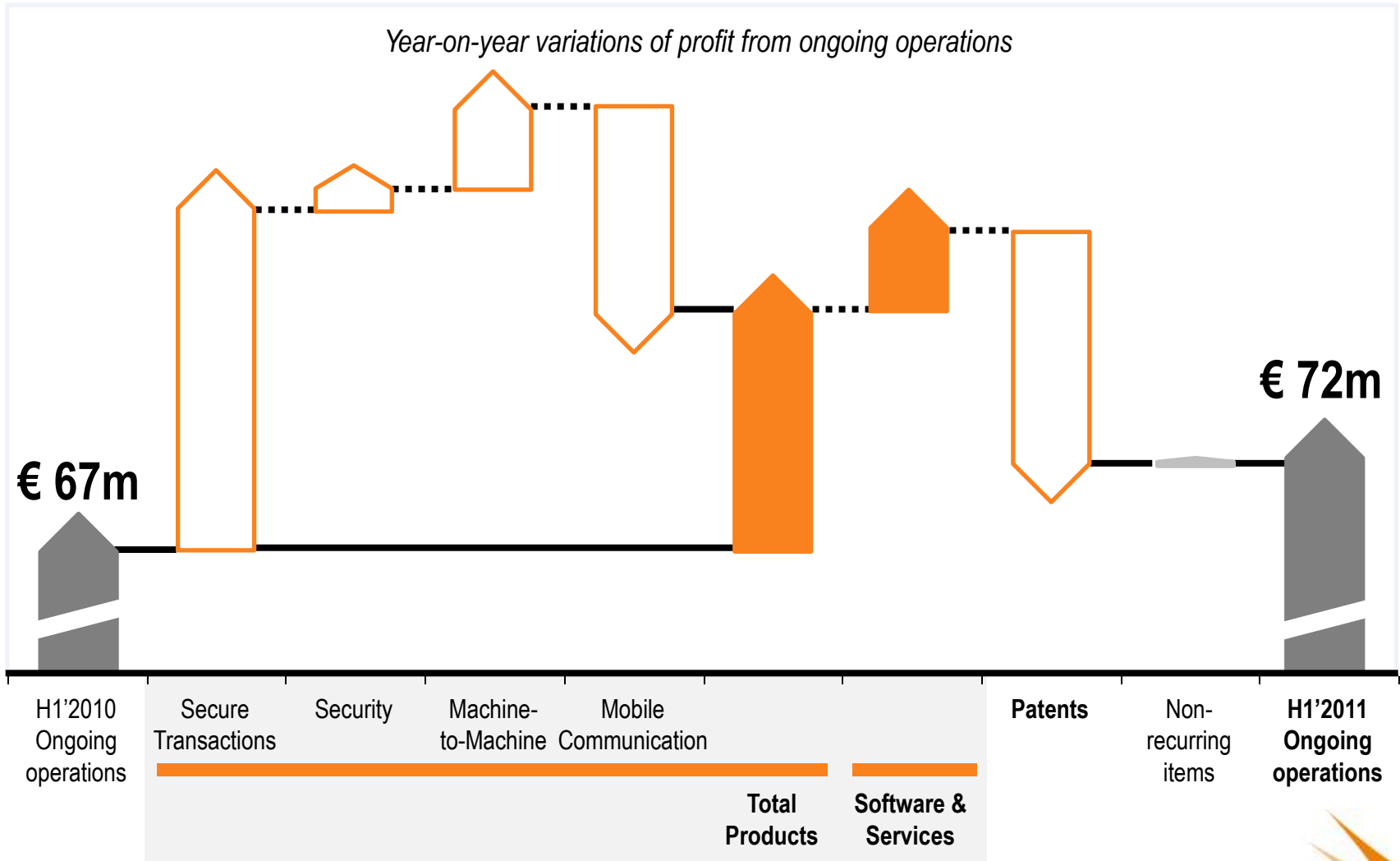
Leverage e-government growth and seize online authentication opportunity

Summary of revenue and profit evolutions

	Mobile Communication	Secure Transactions	Security	Machine-to-Machine	Four main segments	Patents	Total Gemalto	Other operations*	As reported
Revenue									
H1'2011	€ 444m	€ 251m	€ 146m	€ 84m	€ 926m	€ 3m	€ 928m	-	€ 928m
H1'2010	€ 459m	€ 207m	€ 132m	-	€ 799m	€ 16m	€ 815m	€ 25m	€ 840m
Year-on-year variations					+16%		+14%		+11%
PFO									
H1'2011	€ 30m	€ 26m	€ 11m	€ 6m	€ 74m	(€ 2m)	€ 72m	€ 21m	€ 93m
H1'2010	€ 40m	€ 6m	€ 9m	-	€ 55m	€ 12m	€ 67m	€ 1m	€ 67m
Year-on-year variations					+35%		+8%		+38%

* Discontinued operations and Assets held for sale

Both Products and Software & Services contribute to profit increase



Solid cash flows

Key items from Gemalto H1'2011 Cash flow statement

<i>€ in millions</i>	H1'2011	H1'2010
Cash generated by operating activities	40	24
Capital expenditure and acquisition of intangibles	(37)	(29)
Acquisitions*	(15)	(20)
Dividend & Share buy-back program	(54)	(44)
Net cash, at end of period	186	330

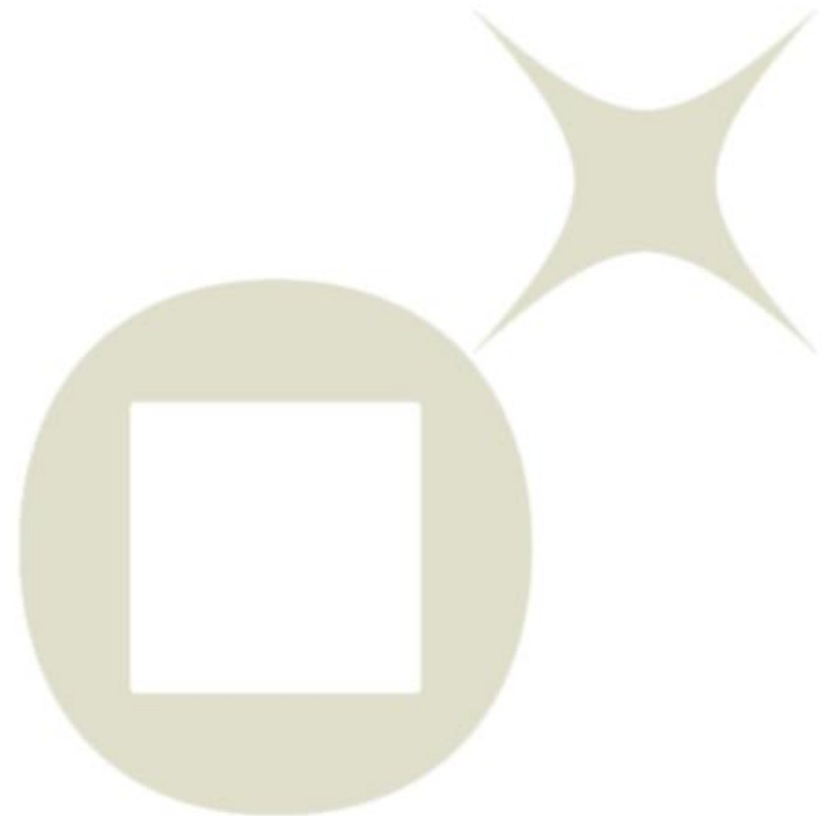
*changes in cash and cash equivalent due to acquisitions and changes in consolidation method

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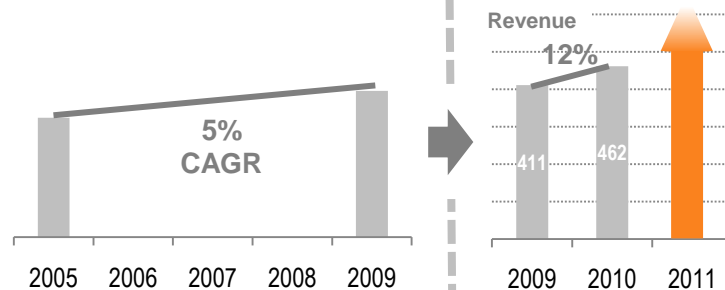


Chip&PIN-based payments see worldwide adoption

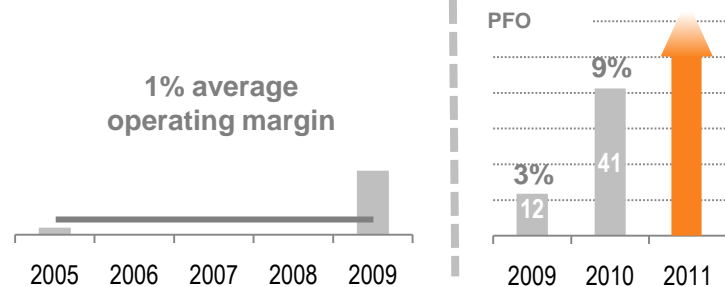
- Secure transactions segment leverages innovation and geographical expansion



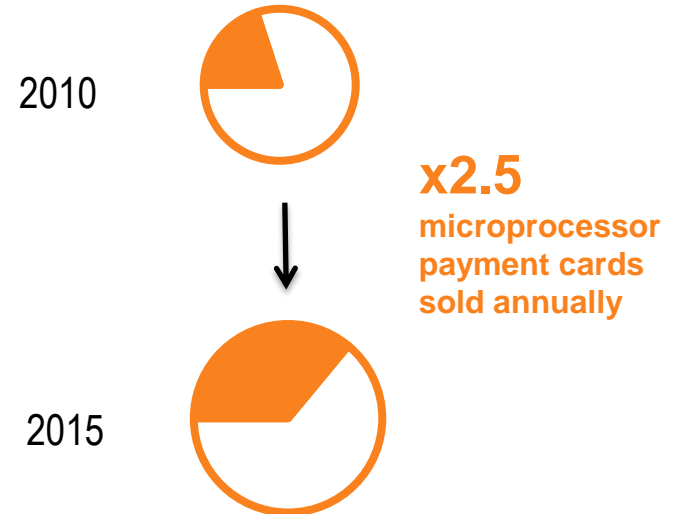
2011: Double digit revenue growth



2011: Double digit profit margin



- The market offers large potential for growth



Charts represent microprocessor payment cards in circulation among all payment cards in circulation. Source: Gemalto

- In the US, the conditions needed for a future migration to EMV have started to appear
- EMV extends to mobile and online payment transactions

Gemalto is making headway into highly coveted markets

- ✦ **Expansion** to more comprehensive solutions and managed services
- ✦ **Building on our expertise** in security and our large installed base of software and devices



- Governments outsource their **eID and ePassport programs** towards better cost and efficiency
- Security breaches and disclosure laws, as well as the advent of cloud computing, require **strong authentication**
- Trusted Service Management **gives confidence in mobile financial services** and brings electronic payment and money transfer to the masses
- M2M solutions will **connect billions** of meters, automobiles, health systems and other applications for convenience and cost efficiency



Outlook

In 2011, Gemalto confirms its target of another year of expansion in revenue and profit from its ongoing operations, progressing in its 2010-2013 development plan, even without the benefit of the usual contribution from its patent licensing activities that is expected to be substantially lower in 2011 due to the public patent litigation the Company initiated in the USA.

Gemalto confirms it is anticipating a return to year-on-year profit expansion in Mobile Communication for the second semester, on the back of the first large deployments of Near-Field Communication (NFC) mobile contactless services and LTE fourth generation networks announced for the latter part of the year.

The Company confirms its upgraded view on Security which is now expected to deliver high single-digit profit margin from operations in 2011 even without patent licensing contribution.

Gemalto now expects Secure Transactions to deliver double-digit revenue growth and double-digit profit margin from operations in 2011, thus outperforming its initial objective.

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 H1'2011 earnings release - Q&A Session

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

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