

# |||| Full Year 2011 Earnings Release

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# Basis of preparation for 2011 publications

For a better understanding of the current and future year-on-year evolution of its business, the Company prepares an adjusted income statement where the key metric used to evaluate the business and take operating decisions is the profit from operations. This adjusted income statement is provided for all operations and “Ongoing operations”.

## Adjusted income statement and Profit from operation (PFO)

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards.

Profit from operations (PFO) is a non-GAAP measure defined as the IFRS operating result adjusted for the amortization and depreciation of intangibles resulting from acquisitions, for share-based compensation charges, and for restructuring and acquisition-related expenses.

In the adjusted income statement, Operating Expenses are defined as the sum of Research and Engineering, Sales and Marketing, General and Administrative expenses, and Other income (expense) net.

## Ongoing operations

The adjusted income statement for “Ongoing operations” not only excludes, as per the IFRS income statement, the contribution from discontinued operation to the income statement, but also the contributions from assets classified as held for sale and from other items not related to Ongoing operations.

## Basis of presentation of the segment information starting 2011

Starting January 1, 2011, the segment information accounts for the following changes:

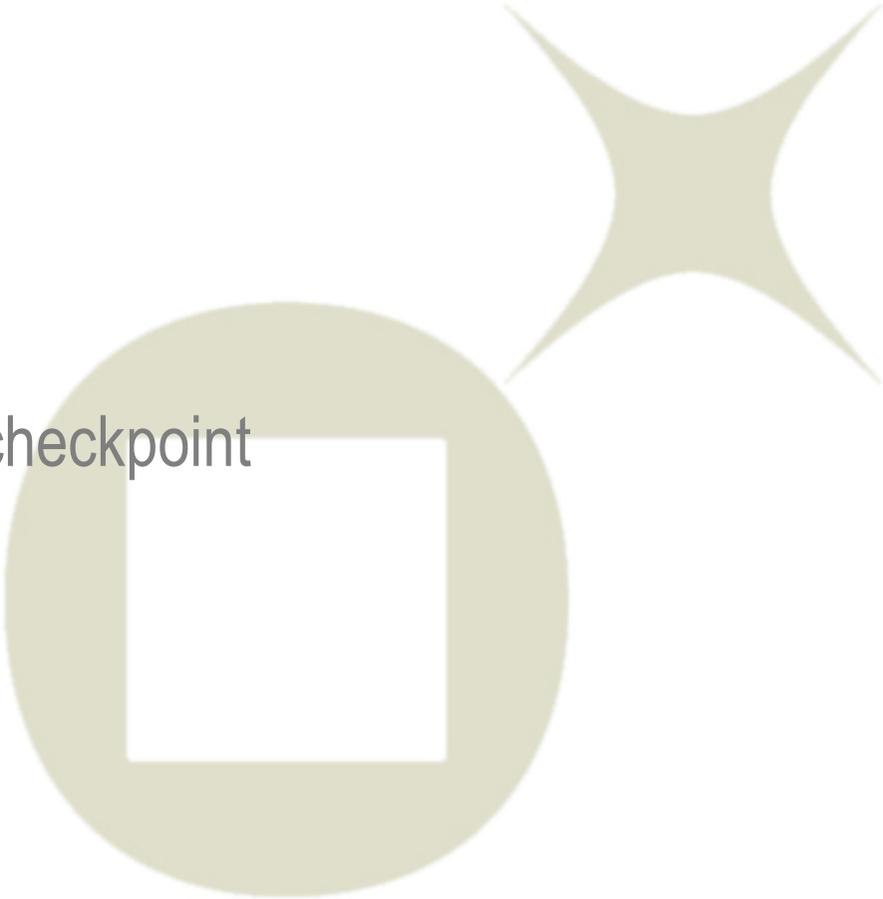
- the patent licensing activity, previously reported as part of the segment Security, is reported separately, in a new segment “Patents”.
- the public telephony activity, which is reaching end of life as it is now almost fully substituted by mobile telephony, previously reported in the segment Others, is included in the segment Mobile Communication.

In this presentation the financial information for 2010 is presented pro-forma on the above basis of presentation.

## Currency exchange rates

In this presentation, revenue variations are at constant exchange rates, and all other figures are at historical exchange rates, except where otherwise noted.

Gemalto 2011 Annual Report is available for download from our website at <http://www.gemalto.com/investors/>



## ✦ Overview

Olivier Piou, CEO

✦ Financial Results and  
2010-2013 Development Plan checkpoint

✦ Moving Forward

# Full year 2011 Highlights

- Revenue at € 2 billion, increases by 9%
- Profit from operations at € 239 million, increases by 15%
- Secure Transactions and Security outperform their 2011 PFO margin objectives, at 10.9% and 9.6% respectively
- Mobile Communication performance confirms change of trend, with revenue and profit expansion in H2 2011
- Net cash position increases by € 54 million to € 309 million

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Revenue and profit from operations are for Ongoing operations.

# Key figures from FY'2011 financial results

Extracts from the adjusted income statement for ongoing operations

Revenue +9%	€ 2,000m		At historical rates +7%
Gross profit +11%	€ 747m	37.4%	Gross margin +100bp
Operating expenses +9%	€ 509m	25.4%	Operating expenses +30bp
Profit from operations +15%	€ 239m	11.9%	PFO margin +80bp
Basic EPS +1%	€ 2.55	€ 0.31	Proposed dividend +11%

✦ Overview

✦ Financial Results and  
2010-2013 Development Plan checkpoint

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# IFRS and adjusted income statements

- Adjusted income statement and Ongoing operations

		Ongoing operations	Reconciling items	Total Gemalto	Discontinued operations (POS)
FY'2011	Revenue	€ 2,000m	€ 15m	€ 2,015m	
	PFO	€ 239m	€ 17m	€ 256m	
FY'2010	Revenue	€ 1,862m	€ 44m	€ 1,906m	€ 51m
	PFO	€ 207m	€ 8m	€ 216m	€ 1m

- Profit from operations and IFRS operating result

	Profit from operations	Amortization of intangible assets	Equity based compensation charges	Restructuring & acquisitions related expenses	IFRS operating result
FY'2011	€ 256m	€ 25m	€ 32m	€ 15m	€ 183m
FY'2010	€ 216m	€ 23m	€ 20m	€ 9m	€ 163m

# Multiple performance drivers

- The four main segments produced an excellent performance

Revenue  
€ 1,991m | + 11%

PFO  
€ 239m | +28%

- Sources of profit diversify and cover worldwide markets



Figures presented are for ongoing operations.

The main segments are comprised of Mobile Communication, Machine-to-Machine, Secure Transactions, and Security business segments, representing together close to 100% of the Company revenue in 2011. They exclude the Patents segment whose lower activity in 2011 impacted revenue by €(24) million and profit from operations by €(21) million compared to full year 2010. \* "fast-growing countries" with GDP growth of 5% p.a. or greater, Source United Nations statistics, 2005-2010 CAGR.

# Segment key financial information

## Mobile Communication

Revenue	€ 976m		
0%			
Gross Profit	€ 393m	Gross Margin	40.3%
+3%		+230bp	
PFO	€ 138m	PFO Margin	14.1%
+15%		+210bp	

- Return to revenue growth in second half with:
  - Product revenue up in the second half with acceleration in Q4 at +4% y-o-y on the back of first upgrade plans for LTE and NFC products.
  - Software and services at € 161m, up +7% y-o-y , with acceleration in Q4 at +17%.
- Return to PFO growth in the second half, at € 107m, leading to a +15% expansion for the full year, to € 138m.

## Machine-to-Machine

Revenue	€ 174m		
+120%			
Gross Profit	€ 60m	Gross Margin	34.7%
+128%		+210bp	
PFO	€ 14m	PFO Margin	7.9%
+93%		(90bp)	

- Pro forma revenue is stable\* despite events in Japan and Thailand, and unfavorable currency and economic conditions.
- Gross margin improves by 210 basis points compared to previous year's consolidation period (Aug. 2010 – Dec. 2010).
- PFO at 7.9% of revenue; as R&D and marketing expenses were increased to build a comprehensive and integrated offer.

\* Comparison of 2010 pro-forma revenue and 2011 revenue at historical exchange rates.

# Segment key financial information

## Secure Transactions

Revenue	+17%	€ 531m		
Gross Profit	+20%	€ 168m	Gross Margin	31.7%
			+130bp	
PFO	+40%	€ 58m	PFO Margin	10.9%
			+200bp	

- Record-breaking performance supported by worldwide EMV and contactless payment migrations.
- Second semester growth at 13%, reflecting a progressive return to market growth average.
- Operational expenses were increased in second semester to prepare for future EMV migrations and arrival of mobile payment for banks.
- PFO margin outperforms the segment's initial objective set as part of the 2010-2013 Development plan.

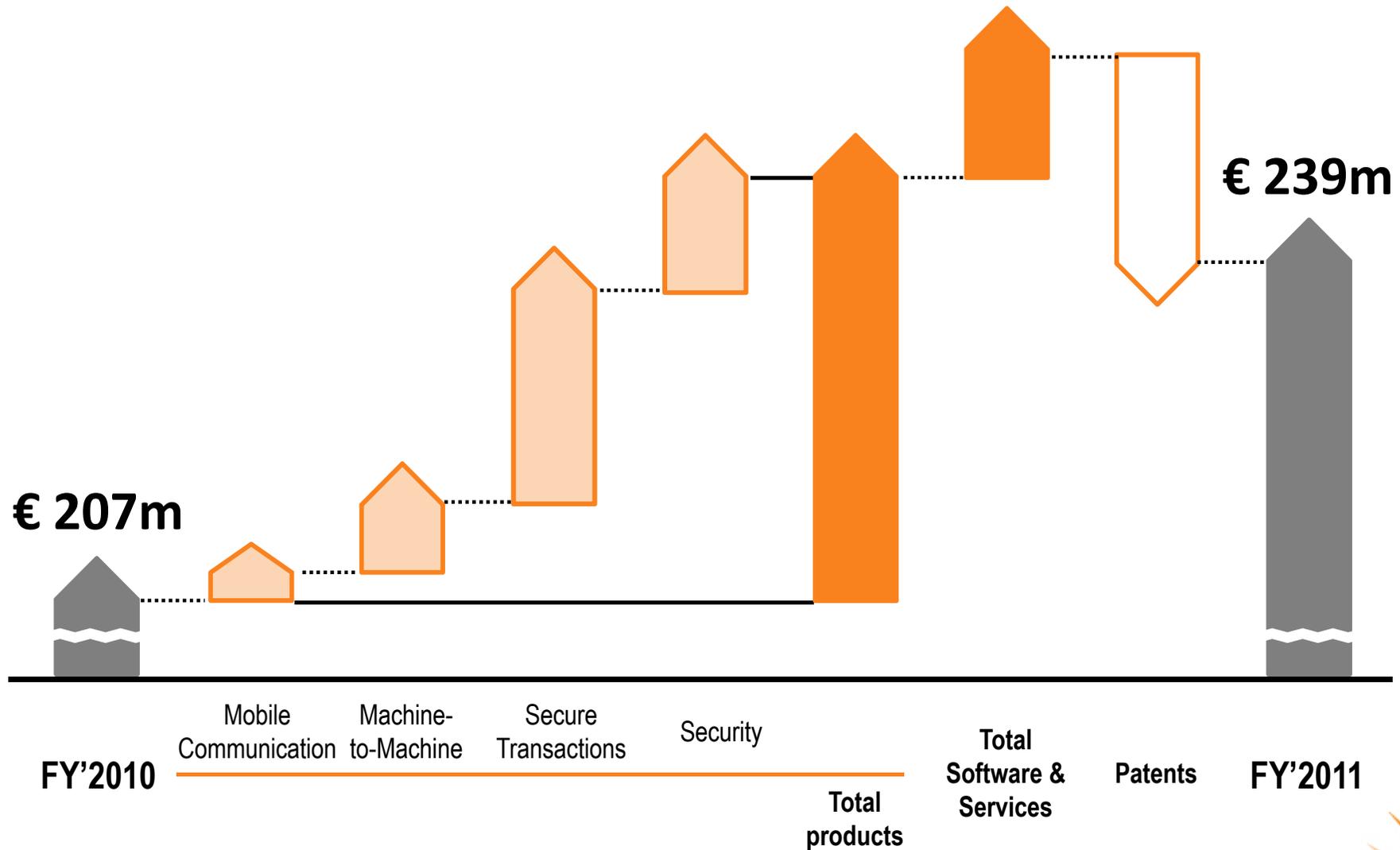
## Security

Revenue	+10%	€ 310m		
Gross Profit	+19%	€ 118m	Gross Margin	38.1%
			+320bp	
PFO	+55%	€ 30m	PFO Margin	9.6%
			+290bp	

- Another year of double-digit growth in Security revenue, to € 310m .
- Government Programs grows by 11% with e-documents and e-services deployments, and IAM returns to higher revenue growth in the second semester at +13%.
- Government Programs backlog increases substantially.
- PFO margin outperforms the segment's initial objective set as part of the 2010-2013 Development plan.

# Changes in full year contributions to PFO

Year-on-year variations of contributions to total profit from ongoing operations



# Cash flow

## Key items from the cash flow statement

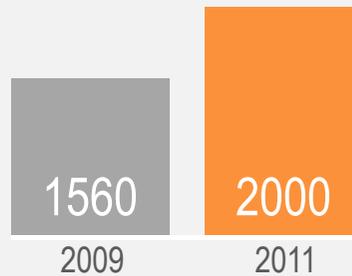
<i>€ in millions</i>	<b>FY'2011</b>	FY'2010
<b>Cash generated from operations</b>	<b>263</b>	193
Income tax paid	(51)	(19)
<b>Cash generated by operating activities</b>	<b>211</b>	174
Capital expenditure and acquisition of intangibles	(93)	(73)
Acquisitions and divestitures	0	(198)
Dividend and Share buy-back program	(84)	(60)
<b>Net cash, at end of the period</b>	<b>309</b>	255

# 2009-2011 Financial performance indicators

## Revenue

Ongoing operations: **+28%**

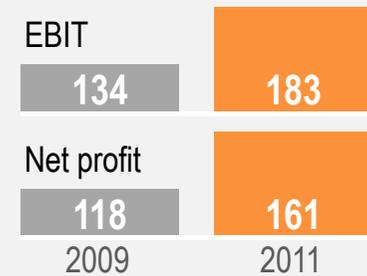
All operations: **+22%**



## IFRS - EBIT and Net profit

All operations: **+37%**

All operations: **+37%**



## Fall-through from Revenue to PFO

**+30** percentage points



## Return On Capital Employed

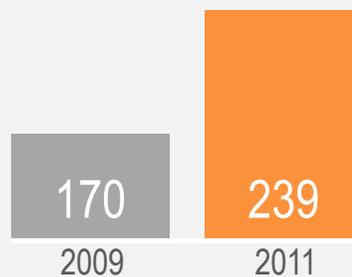
**+140** basis points



## PFO

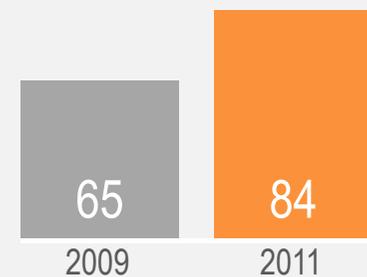
Ongoing operations: **+40%**

All operations: **+39%**



## Dividend & Share buyback

**+30%**



Charts represent: Ongoing operations (Revenue and PFO), all operation in 2009 and Ongoing operation in 2010, 2011(Fall-through), all operations (Other charts). Return on capital employed (ROCE) is defined as after-tax PFO divided by capital employed. Charts are not to scale. Variations are calculated between 2009 and 2011.

✦ Overview

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# The growth drivers of our businesses are in place

**Revenue CAGR**  
for ongoing operations

2010-2011

Assumptions and expectations for 2012-2013 Revenue CAGR

Mobile Communication Machine-to-Machine	+3% <sup>excl. M2M</sup> +12% <sup>with M2M</sup>	Gradual mobile NFC services launches Progressive LTE network roll-outs More connected devices	Mid-to-high single digit
Secure Transactions	+14%	More users of EMV payment and contactless technologies	High single digit
Security	+18%	More citizens with electronic IDs Higher security for internet usage	Double digit
Patents	(21%)	Litigation in the United States resolves in 2012 or 2013	Revenue back to at least historical levels

2010 – 2011 revenue Compound Annual Growth Rates are calculated per reporting segment for ongoing operations, at historical rates.

Segment reporting format follows the basis of presentation for 2011 financial statements.

Expectations for 2012-2013 are indicative revenue CAGR to be calculated over the two-year period.

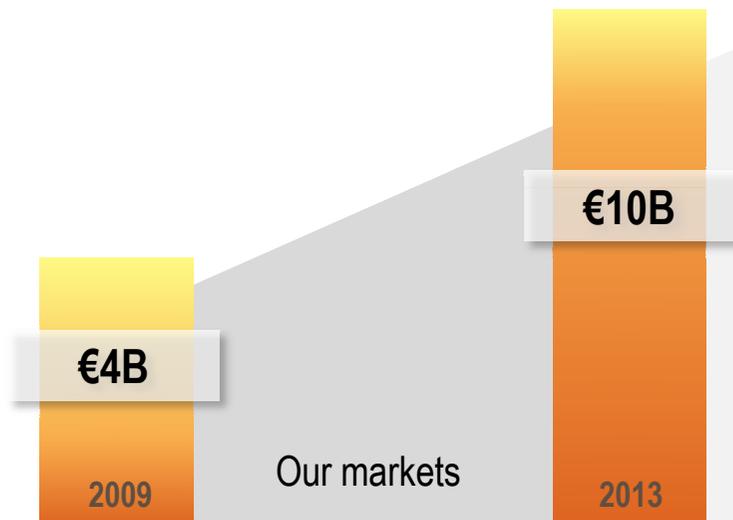
# Outlook for 2012

For the full year 2012 Gemalto expects another year of expansion in revenue and profit from operations, with all main segments increasing their respective revenue and profit, limited revenue from Patents, and less seasonality in Mobile Communication, on its way towards its target of € 300 million in profit from operations in 2013.

# We'll continue along our strategy of expansion in the digital security market

Gemalto develops secure software and manages confidential information stored in personal devices, protecting the services they enable.

Our solutions are the foundations for richer, more personal and more trustworthy interactions with the multiple digital networks and services that are expanding around the world.



**Our ambition** is to harness the growth and lead the convergence of our markets



- ✦ 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 ✦