SEMI-ANNUAL FINANCIAL REPORT AS OF JUNE 30, 2010

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Interim condensed consolidated financial statements as of June 30, 2010 (unaudited)

Interim consolidated statement of financial position (unaudited)

In thousands of Euro	Notes	December 31, 2009	June 30, 2010
ASSETS			
Non-current assets			
Property, plant and equipment, net	8	220,005	230,169
Goodwill, net	9	596,602	666,306
Intangible assets, net	9	81,527	88,179
Investments in associate	10	9,970	10,559
Deferred income tax assets		24,192	27,239
Available-for-sale financial assets, net	11	1,270	1,325
Assets held for sale		1,711	1,711
Other non-current assets (1)		22,791	30,066
Total non-current assets		958,068	1,055,554
Current assets			
Inventories, net	12	150,621	175,126
Trade and other receivables, net (1)	13	432,072	499,915
Derivative financial instruments	14	17,166	7,595
Cash and cash equivalents	15	403,704	351,872
Total current assets		1,003,563	1,034,508
Total assets		1,961,631	2,090,062
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		88,016	88,016
Share premium		1,215,868	1,209,283
Treasury shares		(129,640)	(122,590)
Fair value and other reserves		55,101	30,122
Cumulative translation adjustments		(22,879)	19,939
Retained earnings		201,226	224,865
		1,407,692	1,449,635
Non-controlling interests		11,795	13,348
Total equity		1,419,487	1,462,983
LIABILITIES			
Non-current liabilities			
Borrowings		14,946	14,423
Deferred income tax liabilities		22,293	21,742
Employee benefit obligation		32,706	36,454
Provisions and other liabilities	16	74,010	83,471
Total non-current liabilities		143,955	156,090
Current liabilities			
Trade and other payables	17	353,911	395,014
Current income tax liabilities		6,370	12,232
Borrowings		8,244	7,858
Derivative financial instruments	14	3,650	40,288
Provisions and other liabilities	18	26,014	15,597
Total current liabilities		398,189	470,989
Total liabilities		542,144	627,079
Total equity and liabilities		1,961,631	2,090,062

(1) Compared to the published consolidated financial statements for the year ended December 31, 2009, Trade and other receivables of €4,300 have been reclassified to Other non-current assets.

Interim consolidated income statement (unaudited)

In thousands of Euro (except earnings per share)	Notes	Six-month period ended June 30, 2009	2010
Revenue		800,233	840,111
Cost of sales		(510,868)	(542,120)
Gross profit		289,365	297,991
Operating expenses			
Research and engineering		(49,191)	(55,934)
Sales and marketing		(117,818)	(130,744)
General and administrative		(50,416)	(61,049)
Other income (expense), net	19	1,917	7,870
Restructuring & acquisition-related expenses	3, 5	(3,834)	(2,343)
Amortization and depreciation of intangibles resulting from acquisitions	5	(14,522)	(9,620)
Operating result		55,501	46,171
Financial income (expense), net	20	(2,825)	870
Share of profit of associates	10	608	361
Profit before income tax		53,284	47,402
Income tax (expense)/profit	21	(7,415)	(2,574)
Profit for the period		45,869	44,828
Attributable to:			
Equity holders of the company	22	43,585	44,483
Non-controlling interests		2,284	345
Basic earnings per share	22	0.53	0.54
Diluted earnings per share	22	0.52	0.53
Weighted average number of shares outstanding (in thousands)		82,282	82,959
Weighted average number of shares outstanding assuming dilution (in thousands)		83,262	84,495

Interim consolidated statement of comprehensive income (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30, 2009	Six-month period ended June 30, 2010
Profit for the period		45,869	44,828
Gains (losses) recognized directly in equity			
Currency translation adjustments		20,068	44,929
Gains on Treasury shares (liquidity program)		416	565
Fair value gains (losses)			
- financial assets available-for-sale	11	95	55
- variation of actuarial gains and losses in benefit obligation		(698)	(726)
- cash flow hedges		6,872	(38,544)
Other comprehensive income for the period		26,753	6,279
Income tax relating to components of other comprehensive income [1]		-	424
Total comprehensive income for the period, net of tax		72,622	51,531
Attributable to			
Equity holders of the company		70,043	49,075
Non-controlling interests		2,579	2,456
Total comprehensive income for the period, net of tax		72,622	51,531

[1] Deferred income tax has been recognized on the variation of actuarial gains and losses in benefit obligation.

Interim consolidated statement of changes in equity (unaudited)

In thousands of Euro	Number of shares [1]		Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Issued	Outstanding	Share capital	Share premium	Treasury shares	Fair value and other reserves	Cumulative translation adjustments	Retained earnings		
Balance as of January 1, 2009	88,015,844	82,296,192	88,016	1,214,429	(114,933)	56,835	(39,986)	84,118	14,142	1,302,621
Profit for the period								43,585	2,284	45,869
Other comprehensive income						6,685	19,773		295	26,753
Total comprehensive income						6,685	19,773	43,585	2,579	72,622
Share-based compensation expense						5,250				5,250
Employee share option scheme		223,535			3,887	(514)				3,373
Purchase of Treasury shares, net		(95,821)			(1,883)					(1,883)
Acquisition of Non-controlling interests									(823)	(823)
Excess purchase price on SAIT Non-controlling interests acquisition				(1,937)						(1,937)
Correction of the excess of purchase price on subsequent acquisition of Gemplus shares [2]				3,843						3,843
Dividend paid/payable to Non-controlling interests									(4,148)	(4,148)
Balance as of June 30, 2009	88,015,844	82,423,906	88,016	1,216,335	(112,929)	68,256	(20,213)	127,703	11,750	1,378,918
Balance as of January 1, 2010	88,015,844	82,776,213	88,016	1,215,868	(129,640)	55,101	(22,879)	201,226	11,795	1,419,487
Profit for the period								44,483	345	44,828
Other comprehensive income (loss)						(38,226)	42,818		2,111	6,703
Total comprehensive income (loss)						(38,226)	42,818	44,483	2,456	51,531
Share-based compensation expense						8,602				8,602
Employee share option scheme		455,210			8,052	(222)				7,830
Purchase of Treasury shares, net		(740,758)			(22,935)					(22,935)
Treasury shares used for acquisitions		800,000			21,933	4,867				26,800
Excess purchase price on subsequent acquisition of Netsize S.A.				(6,585)					(34)	(6,619)
Dividends paid/payable to group shareholders [3]								(20,844)		(20,844)
Dividend paid/payable to Non-controlling interests									(869)	(869)
Balance as of June 30, 2010	88,015,844	83,290,665	88,016	1,209,283	(122,590)	30,122	19,939	224,865	13,348	1,462,983

[1] As at June 30, 2010, the difference between the number of shares issued and the number of shares outstanding corresponds to the 4,725,179 shares held in treasury.
[2] As at June 30, 2009, the Company recognized some deferred tax assets that did not meet the recognition criteria at the date of the combination with Gemplus. As a result, in accordance with the provisions of IFRS 3 and IAS 12, the Company reduced the carrying value of the goodwill and increased the value of the share premium by €3.0 million and €3.8 million respectively.
[3] See note 27

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30, 2009	2010
Cash flows from (used in) operating activities			
Cash generated from operations	23	36,414	29,794
Income tax paid		(13,042)	(6,202)
Net cash provided by operating activities		23,372	23,592
Cash flows from (used in) investing activities			
Acquisition of subsidiaries, net of cash acquired		(12,611)	(16,986)
Acquisition of businesses		(9,412)	(856)
Purchase of Non-controlling interests in subsidiaries		(2,760)	-
Purchase of property, plant & equipment	8	(21,288)	(19,742)
Proceeds from sale of property, plant & equipment		129	205
Acquisition and capitalization of intangible assets	9	(4,753)	(10,243)
Proceeds from, (purchase of) non-current assets		(88)	801
Proceeds from sale of a subsidiary		333	-
Purchase of investments in associate		(2,550)	(2,000)
Interest paid		(1,596)	(578)
Interest received		2,632	1,342
Dividends received from investments in associate	10	-	410
Net cash used in investing activities		(51,964)	(47,647)
Cash flows from (used in) financing activities			
Proceeds from exercise of stocks options		3,373	7,830
Purchase of Treasury shares (net)		(1,467)	(22,370)
Proceeds from borrowings		103	-
Repayments of borrowings		(2,408)	(3,745)
Dividends paid to Company shareholders		-	(20,844)
Dividends paid to Non-controlling interests		(4,148)	(869)
Net cash used in financing activities		(4,547)	(39,998)
Net increase (decrease) in cash and bank overdrafts		(33,139)	(64,053)
Cash and bank overdrafts, beginning of period	15	360,034	402,174
Currency translation effect on cash and bank overdrafts		9,669	11,905
Cash and bank overdrafts, end of period	15	336,564	350,026

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Notes to the interim condensed consolidated financial statements

All amounts are stated in thousands of Euro, except per share amounts which are stated in Euro and unless otherwise stated.

Note 1 General information

Gemalto, the world leader in digital security, 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. The Group has facilities and sells around the world.

The Company is a limited liability company incorporated and domiciled in the Netherlands. The address of its registered office is Barbara Strozzilaan 382, 1083 HN Amsterdam, the Netherlands.

The Company was first listed on Eurolist by Euronext Paris on May 18, 2004.

These interim condensed consolidated financial statements for the six-month period ended June 30, 2010 have been authorized for issue by the Board of Directors of the Company on August 25, 2010.

The activity of Gemalto is subject to seasonal fluctuations, which may result in significant variations in its business and results from operations between the first and the second halves of the fiscal year. Therefore, the financial performance of the first half of 2010 reported in these interim condensed consolidated financial statements is not necessarily indicative of the results of Gemalto for the full year 2010.

Note 2 Basis of preparation

The financial reporting from one of our joint ventures (JV) is not available for the first semester 2010 due to a legal dispute with the partner. Therefore, our interim condensed consolidated financial statements as at June 30, 2010 do not include any activity in respect of this JV, but the translation, as at June 30, 2010, of the JV's December 31, 2009 statement of financial position from their functional currency to the Company's reporting currency.
The activity of this JV accounted for €22 million in revenue and €6 million in Profit from operations in the first semester of 2009.

The interim condensed consolidated financial statements of Gemalto for the six-month period ended June 30, 2010 have been prepared in accordance with the provisions of IAS 34 *Interim Financial Reporting.* International Financial Reporting Standards (IFRS) as adopted by the European Union are available at the following internet address:
http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2009.

Note 3 Accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2009 as described in the notes to the annual consolidated financial statements, except as noted below:

1. Standards, amendments to existing standards and interpretations mandatory for financial statements as at June 30, 2010

   a. *Standards which have an impact on the Group's financial statements as at June 30, 2010*

      - IFRS 3 *Business Combinations (Revised)*
        The Group applies the revised standard from January 1, 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period of an acquisition and future reported results.

      - IAS 27 *Consolidated and Separate Financial Statements (Amended)*
        The amended standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

   b. *The following standards, amendments to existing standards and interpretations did not have any impact on the Group's financial statements as at June 30, 2010*

      - IFRS 1 *First-time Adoption of International Financial Reporting Standards (Amended) – Additional Exemptions for First-time Adopters*
      - IFRS 2 *Share-based Payment (Amended) – Group Cash-settled Share-based Payment Transactions*
      - 2008 Improvements to IFRS (for those effective for periods beginning after January 1, 2009 and on or before January 1, 2010)

- 2009 Improvements to IFRS (for those effective for periods beginning on or before January 1, 2010)
- IAS 39 *Financial Instruments: Recognition and Measurement (Amended) – Eligible Hedged Items*
- IFRIC 17 *Distribution of Non-cash Assets to Owners*
- IFRIC 18 *Transfer of assets from Customers*
- IFRIC 15 *Agreements for the Construction of Real Estate*

2. Standards, amendments to existing standards and interpretations issued but not mandatory for financial statements as at June 30, 2010 (and not early adopted by the Group)

- *IFRS 1 First-time Adoption of International Financial Reporting Standards (Amended) – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
- IAS 32 *Financial Instruments: Presentation (Amended) - Classification of Rights Issues*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- IFRS 9 *Financial Instruments*
- IAS 24 *Related Party Disclosures (Revised)*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amended) - Prepayments of a Minimum Funding Requirement*
- 2010 Improvements to IFRS

The standards, amendments to existing standards and interpretations above are not anticipated to have a material impact on the Group's future financial position or performance.

3. Presentation of the income statement

The Group reports under the line "Restructuring and acquisition-related expenses" (i) *restructuring expenses* which are the costs incurred in connection with a restructuring as defined in accordance with the provision of IAS 37 (e.g. sale or termination of a business, closure of a plant,…), and consequent costs; (ii) *reorganization expenses* defined as the costs incurred in connection with headcount reductions, consolidation of manufacturing and offices sites, as well as the rationalization and harmonization of the product and service portfolio, and the integration of IT systems, consequent to a business combination; and (iii) *transaction costs* (such as fees paid as part of the acquisition process) which were previously capitalized as part of the cost of an acquisition, according to the International Financial Reporting Standards.

The Group also discloses under the line named "Amortization and depreciation of intangibles resulting from acquisitions" the amortization and depreciation expense related to the intangibles recognized as part of the allocation of the excess purchase consideration over the share of net assets acquired.

Note 4 Use of judgments and estimates

The preparation of the interim condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements, and the reported amounts of revenues and expenses (including the classification as restructuring and acquisition-related expenses) during the reporting period. On an ongoing basis, Gemalto evaluates its estimates, including those related to doubtful accounts, valuation of inventories and investments, warranty obligations, recoverability of goodwill, intangible assets and property, plant and equipment, income tax provision and recoverability of deferred taxes, contingencies and litigation.

Gemalto bases its estimates on historical experience and on various other assumptions that, in management's opinion, are reasonable under the circumstances. These results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

As of June 30, 2010, 88% of Gemalto's total benefit obligation and 89% of Gemalto's plan asset fair values were remeasured. The impact of not remeasuring other employee benefit obligations is considered as not material.

Note 5 Acquisitions, business combinations and restructuring

Due to the combination with Gemplus and the acquisitions thereafter, the Company's financial statements have undergone significant change.

Netsize S.A.

On January 5, 2010, Gemalto, which already held a 24.12% interest in Netsize S.A. (Netsize), subscribed to a capital contribution increasing its stake to 85.65%. Netsize offers mobile payment solutions based on operator billing (through premium SMS, MMS and WAP for example) for 100 mobile operators in 28 countries, reaching over 1 billion billable subscribers worldwide, and provides mobile messaging, with SMS and MMS delivery to over 200 countries. Netsize was founded in 1999 and Gemalto entered into its capital in 2001. Netsize is based in Levallois-Perret, near Paris, France.
Gemalto and Netsize minority shareholders have the option to force the purchase/sell of the remaining 14.35% Non-controlling interests into Netsize respectively. As a result, Gemalto has already considered 100% of control and interest in Netsize against a liability to minority shareholders.

Gemalto management, assisted by independent qualified experts, provisionally identified and allocated the combination value to the assets acquired and liabilities and contingent liabilities assumed, including those not previously recognized by the acquiree.

Valimo Wireless OY

On February 3, 2010, Gemalto announced the acquisition of Valimo Wireless OY (Valimo), world leader in mobile authentication. Valimo has pioneered the use of two-channel, two-factor authentication based on Public Key Infrastructure (PKI), combining an over-the-air platform (OTA) with a software client in the SIM to generate a legally binding electronic signature, any time, any place. Valimo enables mobile phone users to securely authenticate themselves, digitally sign documents and confirm legally binding transactions simply by entering a self-chosen passphrase or a PIN code. Valimo Mobile ID solution facilitates secure online banking, mobile payments, governmental services, electronic and mobile commerce, and identity and access rights management for enterprise applications. The company was founded in 2000 and is based in Helsinki, Finland.

Todos AB

On April 8, 2010, Gemalto announced the acquisition of Todos AB (Todos). Todos AB is a leading provider of strong authentication solutions for internet banking. Todos has to date delivered in excess of 20 million products to over 100 financial institutions in more than 30 countries. Todos core offer is the eCode Suite, including the Todos Versatile Authentication Server, which enables strong authentication and transaction verification. The Versatile Authentication Server supports all leading industry standards and is augmented by patented technology such as Dynamic Signatures. Using their EMV card and a Todos eCode reader, consumers can use their PIN code to securely sign internet banking transactions. An additional layer of security can be provided by displaying transaction details on the reader, so that users "sign what they see", thwarting in particular "man in the browser" attacks. The company is based in Gothenburg, Sweden.

The following table summarizes the acquisitions for the first six-month period ended June 30, 2010:

Six-month ended June 30, 2010 *(in millions of Euro)*	
Total cost of acquisition	60.0
Net asset acquired	(8.6)
Intangible assets recognized	6.8
Deferred tax impacts	(0.2)
Provisional goodwill on 2010 acquisitions	61.4

Goodwill arising from the acquisitions above was not fully allocated as at June 30, 2010. As a result, goodwill may be subject to significant change over the purchase price allocation period.

The impact of the above acquisitions on the reported revenue and Profit from operations as at June 30, 2010, were €37.5 million and €(2.0) million respectively (see note 7 for a definition of Profit from operations).

Restructuring & acquisition-related expenses amounted to €2,343 as at June 30, 2010 (€3,834 as at June 30, 2009). This amount consisted of transaction costs for €1,186 (these costs were capitalized in 2009), severance and employee associated costs for €532 (€2,923 in 2009) and other costs for €625 (€911 in 2009).

Amortization and depreciation of intangibles resulting from acquisitions amounted to €9,620 for the six-month period ended June 30, 2010 (€14,522 for the six-month period ended June 30, 2009).

Note 6 Financial assets/liabilities by category

In accordance with the provisions of IFRS 7, financial assets and liabilities would be allocated as follows:

December 31, 2009	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available-for-sale	Total
Assets					
Available-for-sale financial assets, net	-	-	-	1,270	1,270
Other non-current assets	18,491	-	-	-	18,491
Trade and other receivables, net	432,072	-	-	-	432,072
Derivative financial instruments	-	-	17,166	-	17,166
Cash and cash equivalents	84,892	318,812	-	-	403,704
Total	535,455	318,812	17,166	1,270	872,703

	Derivatives used for hedging	Financial liabilities	Total
Liabilities			
Borrowings	-	23,190	23,190
Derivative financial instruments	3,650	-	3,650
Total	3,650	23,190	26,840

June 30, 2010	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available-for-sale	Total
Assets					
Available-for-sale financial assets, net	-	-	-	1,325	1,325
Other non-current assets	30,066	-	-	-	30,066
Trade and other receivables, net	499,915	-	-	-	499,915
Derivative financial instruments	-	-	7,595	-	7,595
Cash and cash equivalents	82,064	269,808	-	-	351,872
Total	612,045	269,808	7,595	1,325	890,773

	Derivatives used for hedging	Financial liabilities	Total
Liabilities			
Borrowings	-	22,281	22,281
Derivative financial instruments	40,288	-	40,288
Total	40,288	22,281	62,569

All financial instruments carried at fair value are categorized in three different categories as follows:

Level 1 – Quoted market prices
Level 2 – Valuation techniques (using financial inputs observable on the markets)
Level 3 – Valuation techniques (not based on up-to-date observable market data)

December 31, 2009	Level 1	Level 2	Level 3	Total balance
Assets				
Derivatives used for hedging	-	17,166	-	17,166
Short term bank deposits and investment funds	318,812	-	-	318,812
Available-for-sale financial assets	265	-	1,005	1,270
Total Assets	319,077	17,166	1,005	332,248
Liabilities				
Derivatives used for hedging	-	3,650	-	3,650
Total Liabilities	-	3,650	-	3,650

June 30, 2010	Level 1	Level 2	Level 3	Total balance
Assets				
Derivatives used for hedging	-	7,595	-	7,595
Short term bank deposits and investment funds	269,808	-	-	269,808
Available-for-sale financial assets	320	-	1,005	1,325
Total Assets	270,128	7,595	1,005	278,728
Liabilities				
Derivatives used for hedging	-	40,288	-	40,288
Total Liabilities	-	40,288	-	40,288

Note 7 Segment information

In accordance with IFRS 8 *Operating Segments*, the information by operating segment is derived from the business organization and activities of Gemalto. These operating segments have not been modified further to the application of IFRS 8.

Gemalto operates three core activities: Mobile Communication, Secure Transactions, and Security, and sells microprocessor cards (including embedded software), software solutions and services (including device management platforms, services to personalize each device individually), and intellectual property rights licenses. The Company also sells, mostly in the Security segment, other microprocessor based products such as electronic passports and secured USB keys.

Mobile Communication customers are mobile operators. Secure Transactions supply financial cards to financial institutions, transportation cards to large urban mass transit operators, and Pay TV subscriber authentication and right management cards to large secure access service providers. Security offers include secure electronic documents, such as e-passport or e-identity cards, and issuance related services for governmental agencies; they also include product and solutions based on microprocessor technology for strong user authentication, typically used in a corporate environment or to securely access services over the internet such as e-banking. Revenue, gross and operating profit derived from the licensing of the Group's patent portfolio is included into the Security segment's income statement.

Gemalto also operates a Public Telephony activity, which sells memory cards, and a POS Terminals activity which sells point-of-sale terminals (including embedded software and related servers) and related technical support and maintenance services. For reporting purposes, Public Telephony and POS Terminals activities are combined under the heading "Other Operating Segments".

To supplement the financial statements presented on an IFRS basis, and to better assess its past and future performance, the Group also prepares an additional income statement where the key metric used to understand, evaluate the business and take operating decisions over the period 2010 to 2013 is the *Profit from operations*. *Profit from operations* is a non-GAAP measure defined as IFRS operating income adjusted from (i) all equity-based compensation charges and associated costs (reported in the column "Adjustments" within the table below); (ii) amortization and depreciation of intangibles resulting from acquisitions; and (iii) restructuring and acquisition-related expenses. This supplemental non-GAAP measure is used internally to understand, manage and evaluate the business and take operating decisions. It is among the primary factors management uses in planning for and forecasting future periods. Compensation of executives is based in part on the performance of the business based on this non-GAAP measure.

The information reported for each operating segment is the same as reported and reviewed internally on a monthly basis in order to assess performance and allocate resources to the operating segments. Gemalto's operating segments have been determined based on these internal reports.

Financial income and expenses are not included in the result for each operating segment that is reviewed internally. Nor is asset or liability information on a segmented basis reviewed in order to assess performance and allocate resources.

The information by operating segment reported in the tables below applies the same accounting policies as those used and described in these interim condensed consolidated financial statements.

In thousands of Euro	Mobile communication	Secure Transactions	Security	Other	Adjusted financial information	Adjustments	IFRS financial information
	Six-month period ended June 30, 2009						
Revenue	416,281	219,120	130,369	34,585	800,355	(122)	800,233
Cost of sales	(241,801)	(163,871)	(77,739)	(26,586)	(509,997)	(871)	(510,868)
Gross profit	174,480	55,249	52,630	7,999	290,358	(993)	289,365
Operating expenses							
Research and engineering	(27,195)	(8,265)	(10,785)	(2,739)	(48,984)	(207)	(49,191)
Sales and marketing	(60,500)	(25,882)	(26,581)	(2,920)	(115,883)	(1,935)	(117,818)
General and administrative	(30,226)	(11,123)	(5,823)	(1,006)	(48,178)	(2,238)	(50,416)
Other income (expense), net	1,597	120	192	8	1,917	-	1,917
Profit from operations	58,156	10,099	9,633	1,342	79,230		
Restructuring & acquisition-related expenses							(3,834)
Amortization and depreciation of intangibles resulting from acquisitions							(14,522)
Operating result (EBIT)							55,501
Financial income (expense), net							(2,825)
Share of profit of associates							608
Profit before income tax							53,285
Income tax expense							(7,415)
Profit for the period							45,869

Compared to the published interim condensed consolidated financial statements as of June 30, 2009, the €5.2 million equity-based compensation charge has been excluded from the Profit from operations and reported in the column “Adjustments” within the table above. This €5.2 million was included in the adjusted operating result reported in the published interim condensed consolidated financial statements as of June 30, 2009.

	Six-month period ended June 30, 2010						
	Mobile communication	Secure Transactions	Security	Other	Adjusted financial information	Adjustments (*)	IFRS financial information
In thousands of Euro							
Revenue	451,664	207,377	148,203	32,867	840,111	-	840,111
Cost of sales	(278,062)	(153,049)	(85,194)	(24,792)	(541,097)	(1,023)	(542,120)
Gross profit	173,602	54,328	63,009	8,075	299,014	(1,023)	297,991
Operating expenses							
Research and engineering	(31,218)	(8,613)	(12,706)	(3,015)	(55,552)	(382)	(55,934)
Sales and marketing	(67,998)	(27,784)	(28,389)	(3,214)	(127,385)	(3,359)	(130,744)
General and administrative	(35,960)	(12,798)	(6,649)	(1,372)	(56,779)	(4,270)	(61,049)
Other income (expense), net	1,916	438	5,496	20	7,870	-	7,870
Profit from operations	40,342	5,571	20,761	494	67,168		
Restructuring & acquisition-related expenses							(2,343)
Amortization and depreciation of intangibles resulting from acquisitions							(9,620)
Operating result (EBIT)							46,171
Financial income (expense), net							870
Share of profit of associates							361
Profit before income tax							47,402
Income tax expense							(2,574)
Profit for the period							44,828

(*) The amounts reported in the column “Adjustments” correspond to the €9,034 equity-based compensation charges and associated costs.

The table below shows revenue and non-current assets (excluding goodwill) attributed to geographic areas, on the basis of the location of the customers and the location of the assets respectively:

	Six-month period ended June 30, 2009	Six-month period ended June 30, 2010
Revenue		
North and South America	203,562	199,722
Europe, Middle East and Africa	433,145	468,200
Asia Pacific	163,526	172,189
	800,233	840,111

Non-current assets excluding goodwill (net)	December 31, 2009	June 30, 2010
North and South America	51,506	59,895
Europe, Middle East and Africa excluding France	95,338	101,486
France	147,994	155,400
Asia Pacific	66,628	72,467
	361,466	389,248

Note 8 Property, plant and equipment, net

Property, plant and equipment (net) consist of the following:

	Property, plant and equipment
Six-month period ended June 30, 2009	
Net book value as at January 1, 2009	215,357
Additions	21,288
Disposals	(501)
Depreciation and amortization	(20,510)
Reclassification to assets held for sale	(457)
Reclassification to intangible assets	(41)
Acquisition of subsidiaries and businesses	3,253
Sale of subsidiary	(1)
Currency translation adjustment	4,311
Net book value as at June 30, 2009	222,699
Six-month period ended June 30, 2010	
Net book value as at January 1, 2010	220,005
Additions	19,742
Disposals	(535)
Depreciation and amortization	(22,663)
Reclassification from intangible assets	127
Acquisition of subsidiaries and businesses (1)	949
Currency translation adjustment	12,544
Net book value as at June 30, 2010	230,169

(1) Acquisition of subsidiaries and businesses refers to the acquisition of Netsize,Todos and Valimo as detailed in note 5.

Note 9 Goodwill and intangible assets

Goodwill and intangible assets (net) consist of the following:

Six-month period ended June 30, 2009	Goodwill	Intangible assets
Net book value as at January 1, 2009	552,432	56,065
Additions	-	6,764
Acquisition of subsidiaries and businesses	14,296	5,370
Write-offs (3)	(2,971)	(19)
Depreciation and amortization	-	(14,330)
Reclassification from tangible assets	-	41
Currency translation adjustment	965	319
Net book value as at June 30, 2009	564,722	54,210

Six-month period ended June 30, 2010	Goodwill	Intangible assets
Net book value as at January 1, 2010	596,602	81,527
Additions (1)		13,260
Acquisition of subsidiaries and businesses (2)	63,667	7,792
Write-offs		(142)
Depreciation and amortization		(15,336)
Reclassification to tangible assets		(127)
Currency translation adjustment	6,037	1,205
Net book value as at June 30, 2010	666,306	88,179

(1) Additions mostly include capitalized development costs for €6,694, licensing rights to use and distribute licensed technology for €3,017, and miscellaneous software for €1,517.
(2) Goodwill arising from the acquisitions for the first half of the year 2010 were not fully allocated as of June 30, 2010. As a result, goodwill may be subject to significant change over the purchase price allocation period (see note 5).
(3) As at June 30, 2009, the Company recognized some deferred tax assets that did not meet the recognition criteria at the date of the combination with Gemplus. As a result, in accordance with the provisions of IFRS 3 and IAS 12, the Company reduced the carrying value of the goodwill and increased the value of the share premium by €3.0 million and €3.8 million respectively. These adjustments have been recognized as an expense under the line item "Amortization and depreciation of intangibles resulting from acquisitions" in the interim consolidated income statement.

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value in use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were discussed in annual financial statements for the year ended December 31, 2009. As at June 30, 2010, there were no indications of goodwill impairment.

Note 10 Investments in associate

Investments in associate consist of the following:

	June 30, 2009	June 30, 2010
Investments as of beginning of period	10,469	9,970
Acquisition of associates	2,550	-
Dividends paid by associates	(140)	(410)
Share of profit	608	361
Other movements	(170)	-
Currency translation adjustment	(39)	638
Investments as of end of period	13,278	10,559

Note 11 Available-for-sale financial assets

Available-for-sale financial assets consist of the following:

	June 30, 2009	June 30, 2010
Available-for-sale financial assets as of beginning of period	1,203	1,270
Net gains transferred to equity	95	55
Available-for-sale financial assets as of end of period	1,298	1,325

Note 12 Inventories

Inventories consist of the following:

	December 31, 2009	June 30, 2010
Gross book value		
Raw materials and spares	48,830	52,990
Work in progress [(1)]	80,199	84,529
Finished goods	37,928	53,859
Total	166,957	191,378
Obsolescence reserve		
Raw materials and spares	(6,533)	(7,207)
Work in progress	(4,606)	(4,798)
Finished goods	(5,197)	(4,247)
Total	(16,336)	(16,252)
Net book value	150,621	175,126

[(1)] Work in progress as at December 31, 2009 included €3,838 which has been reclassified to Other receivables in 2010.

Note 13 Trade and other receivables

Trade and other receivables consist of the following:

	December 31, 2009	June 30, 2010
Trade receivables	317,766	360,488
Provision for impairment of receivables	(8,496)	(10,015)
Trade receivables, net	309,270	350,473
Prepaid expenses	16,642	14,138
VAT recoverable and tax receivable	41,031	54,747
Advances to suppliers and related	8,177	10,155
Unbilled customers	32,232	41,219
Other [(1)]	24,720	29,183
Total [(2)]	432,072	499,915

[(1)] €3,838 has been reclassified from Inventories to Other receivables as at January 1, 2010.
[(2)] Including €26,268 as at June 30, 2010, related to the newly acquired companies.

The company's broad geographic and customer distribution spreads the concentration of credit risk. No single customer accounted for more than 10% of the company's sales on the six-month period ended June 30, 2010. An allowance for uncollectible accounts receivable is maintained based on expected collectibility. The expected collectibility of accounts receivable is assessed periodically or when events lead to believe that collectibility is uncertain. Additionally, the company performs ongoing credit evaluations of customers' financial position. As of June 30, 2010, trade receivables of €95,247 (December 31, 2009: €80,946) were past due but not impaired.

These relate to a number of independent customers for whom there is no recent history of default and whose credit rating is regularly assessed.

Note 14 Derivative financial instruments

Derivative financial instruments consist of the following:

	December 31, 2009						June 30, 2010					
	USD	GBP	JPY	SGD	PLN	ZAR	USD	GBP	JPY	SGD	PLN	ZAR
Cash flow hedges												
Forward contracts	7,045	756	27	133	1,831		(22,947)	(4,075)	(3,315)	987	828	-
Option contracts	-	-	918	-	-	-	-	-	(2,868)	-	-	-
Fair value hedges												
Forward contracts	760	(18)	(249)	(107)	(87)	(679)	(1,414)	279	740	(56)	32	(330)
Option contracts	2,845	994	(653)	-	-	-	-	-	(63)	-	-	-
Trading												
Option contracts	-	-	-	-	-	-	(491)	-	-	-	-	-
	10,650	1,732	43	26	1,744	(679)	(24,852)	(3,796)	(5,506)	931	860	(330)

On June 30, 2010, the total mark-to-market valuations of Gemalto open foreign exchange derivatives is a €32.7 million net liability position. It has significantly changed compared to December 31, 2009 where the total fair value of Gemalto foreign exchange derivatives was a €13.5 million net asset position.
This change is mainly explained by the end of life on the first half of 2010 of older hedges which were carrying positive values at the end of 2009, the increase in the notional amounts hedged, and by swift currency movements observed since the beginning of the year.

Note 15 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	December 31, 2009	June 30, 2010
Cash at bank and in hand	84,892	82,064
Short term bank deposits and investment funds	318,812	269,808
Total	403,704	351,872

The short term investments reported as at June 30, 2010 included €155 million deposited as a security for the payment guarantee delivered for the purchase consideration of Cinterion Wireless Modules GmbH. This deposit comprised investments in money market mutual funds. The pledge was released immediately after Gemalto effected the payment of the acquisition on July 28, 2010.

The amount of cash and bank overdrafts shown in the cash flow statement is net of bank overdrafts as reconciled below:

	December 31, 2009	June 30, 2010
Cash and cash equivalents	403,704	351,872
Banks overdrafts	(1,530)	(1,846)
Total	402,174	350,026

The cash and cash equivalents reported above reconcile with the net cash position reported in the Management Report as follows:

	December 31, 2009	June 30, 2010
Cash and cash equivalents	403,704	351,872
Current borrowings	(8,244)	(7,858)
Non-current borrowings	(14,946)	(14,423)
Total	380,514	329,591

Note 16 Non-current provisions and other liabilities

Non-current provisions and other liabilities consist of the following:

	December 31, 2009	June 30, 2010
Non-current provisions	34,776	35,611
Other non-current liabilities	39,234	47,860
	74,010	83,471
Management compensation (1)	8,489	9,722
Government grants	10,382	10,899
Long term payables (2)	20,363	27,239
Total other non-current liabilities	39,234	47,860

(1) Management compensation relates to former Gemplus Board chairman's termination package conditioned to the refund of a loan granted to him by Gemplus in 2000.
(2) The carrying value of long term payables is assessed to be equivalent to their fair value.

Variation analysis of the non-current provisions is as follows:

	Warranty non-current	Restr. & Reorg. Reserves	Litigation	Tax claims	Prov. for other risks	Total
As of January 1, 2009	4,582	4,983	646	12,271	5,950	28,432
Additional provisions	1,599	43	1,079	3,188	1,371	7,280
Acquisition of a subsidiary	-	-	-	-	27	27
Business disposal	-	-	(5)	-	471	466
Unused amount reversed	(228)	-	(105)	(1,053)	(762)	(2,148)
Used during the period	(392)	(430)	(22)	(91)	(1,295)	(2,230)
Reclassifications	(138)	37	66	(66)	62	(39)
Cumulative translation adjustment	14	631	56	245	(303)	643
As of June 30, 2009	5,437	5,264	1,715	14,494	5,521	32,431

	Warranty non-current	Restr. & Reorg. Reserves	Litigation	Tax claims	Prov. for other risks	Total
As of January 1, 2010	5,404	4,319	2,562	17,661	4,830	34,776
Additional provisions	960	74	711	849	560	3,154
Acquisition of a subsidiary	-	-	1,406	544	317	2,267
Unused amount reversed	(324)	(198)	(538)	(5,750)	(658)	(7,468)
Used during the period	(105)	(412)	(315)	(201)	(746)	(1,779)
Reclassifications	190	110	355	56	538	1,249
Cumulative translation adjustment	85	469	62	2,468	328	3,412
As of June 30, 2010	6,210	4,362	4,243	15,627	5,169	35,611

Note 17 Trade and other payables

	December 31, 2009	June 30, 2010
Trade payables (1)	141,689	165,188
Employee related payables	114,562	119,935
Accrued expenses	39,321	39,864
Accrued VAT	15,097	19,344
Deferred revenue	39,147	46,387
Other	4,095	4,296
Total trade and other payables	353,911	395,014

(1) Including €26,205 as at June 30, 2010, related to the newly acquired companies.

Note 18 Current provisions and other liabilities

	December 31, 2009	June 30, 2010
Warranty - current	3,200	3,844
Provision for loss on contracts	1,248	619
Restructuring and reorganization [1]	3,790	1,767
Other	17,776	9,367
Total current provisions	26,014	15,597

[1] For the period ended June 30, 2010, severance payments were made in connection with reorganization plans previously accrued for. As a consequence, restructuring and reorganization reserves have been released for €1,600.

Variation analysis of the current provisions is as follows:

	Warranty - current	Provision for loss on contracts	Restr. & Reorg. Reserves	Other	Total
As of January 1, 2009	2,881	1,444	18,631	9,522	32,478
Additional provisions	979	553	191	513	2,236
Unused amount reversed	(566)	(580)	7	(5,939)	(7,078)
Used during the period	(293)	(120)	(14,299)	(424)	(15,136)
Reclassifications	(243)	330	(37)	(64)	(14)
Cumulative translation adjustment	(7)	-	3	279	275
As of June 30, 2009	2,751	1,627	4,496	3,887	12,761

	Warranty - current	Provision for loss on contracts	Restr. & Reorg. Reserves	Other	Total
As of January 1, 2010	3,200	1,248	3,790	17,776	26,014
Additional provisions	1,508	136	345	456	2,445
Acquisition of a subsidiary	219	-	1,359	377	1,955
Unused amount reversed	(681)	(582)	(814)	(111)	(2,188)
Used during the period	(461)	(198)	(2,828)	(8,808)	(12,295)
Reclassifications	(88)	-	(109)	(510)	(707)
Cumulative translation adjustment	147	15	24	187	373
As of June 30, 2010	3,844	619	1,767	9,367	15,597

Note 19 Other income (expense), net

	Six-month period ended June 30,	
	2009	2010
Fixed assets write-offs and net gains/losses on sales	88	(89)
Compensation from customers and suppliers, net (1)	1,146	5,876
Other	683	2,083
Total	1,917	7,870

(1) Mainly composed in 2010 of a compensation resulting from the final judgment in a lawsuit.

Note 20 Financial income (expense)

	Six-month period ended June 30,	
	2009	2010
Interest expense (*)	(1,893)	(1,330)
Interest income (**)	2,632	1,342
Foreign exchange transaction gains (losses) (***):		
- Foreign exchange gains (losses), including derivative instruments not designated as cash flow hedges	(2,812)	3,018
- Ineffective part of derivative instruments (hedges)	(924)	(2,073)
Other financial income (expense), net	172	(87)
Financial income (expense), net	(2,825)	870

(*) Other financial liabilities
(**) Assets at fair value through profit and loss
(***) Derivatives used for hedging

Note 21 Income tax expense

	Six-month period ended June 30,	
	2009	2010
Income tax expense at the expected tax rate for the year	(6,575)	(7,181)
(Addition to) / release unused of income tax provisions	(840)	4,607
Income tax expense for the period	(7,415)	(2,574)

Note 22 Earnings per share

Basic	Six-month period ended June 30, 2009	2010
Profit (loss) attributable to equity holders of the company	43,585	44,483
Weighted average number of common shares outstanding (thousands)	82,282	82,959
Basic earnings per share	0.53	0.54

Diluted	Six-month period ended June 30, 2009	2010
Profit (loss) attributable to equity holders of the company	43,585	44,483
Weighted average number of common shares outstanding (thousands)	82,282	82,959
Dilution from share options (thousands)	980	1,536
Weighted average number of common shares for diluted earnings per share (thousands)	83,262	84,495
Diluted earnings per share	0.52	0.53

The Company presents both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated according to the Treasury Stock method by dividing net income by the average number of common shares outstanding assuming dilution. Dilution is determined assuming that all stock options, which are in the money, are exercised at the beginning of the period and the proceeds used, by the Company, to purchase shares at the average market price for the period.

Note 23 Cash generated from operations

	Notes	Six-month period ended June 30, 2009	2010
Income for the period including Non-controlling interests		45,869	44,828
Adjustment for:			
Tax	21	7,415	2,574
Research tax credit		(4,904)	(6,154)
Depreciation	8	20,510	22,663
Amortization	9	21,144	15,478
Share-based payment expense		5,250	8,602
Gains and losses on sale of fixed assets and write-offs		511	471
Gains and losses on sale of investments in affiliates		205	-
Cumulated translation adjustment transferred to financial income upon liquidation of a consolidated entity		4,037	142
Net movement in provisions and other liabilities		(16,634)	(13,336)
Retirement benefit obligation		9	991
Interest income	20	(2,632)	(1,342)
Interest expense and other financial expense (non-cash)	20	1,893	1,330
Share of profit from associates	10	(608)	(361)
Changes in current assets and liabilities (excluding the effects of acquisitions and exchange differences in consolidation)			
Inventories		2,150	(12,872)
Trade & other receivables		18,983	(3,296)
Derivative financial instruments		(2,303)	9,557
Trade & other payables		(64,481)	(39,481)
Cash generated from operations		36,414	29,794

Note 24 Commitments and contingencies

Legal proceedings

The Company is subject to legal proceedings, claims and legal actions arising in the ordinary course of business. The Company's management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Schlumberger residuals

Pursuant to the terms of the Master Separation Agreement signed on March 19, 2004, Schlumberger and the Company agreed to carry out the complete transfer of the Schlumberger group's Cards and POS businesses to the Company or one of its subsidiaries.

These undertakings remain in effect as long as there are contracts, assets or liabilities falling within the scope of the Company's business that have not been transferred at the time of the Separation. This also applies to contracts, assets or liabilities falling within the scope of Schlumberger's business that have not been transferred at that same time.

Until the date of transfer of these contracts, assets or liabilities to the Company or to Schlumberger or in the event that they could not be transferred or shall not be transferred as agreed by the parties, Schlumberger and the Company have agreed to cooperate and execute the contracts or manage the assets and liabilities in the name of and for the account of the other party, pursuant to the instructions of such party, who will receive all profits and bear all losses resulting from these contracts, assets and liabilities.

Therefore, the activities, assets and liabilities pertaining to Schlumberger activities falling under the provisions of the Master Separation Agreement are not disclosed in the accompanying consolidated financial statements of the Company nor is the associated payable from the Company to Schlumberger or the associated receivable by the Company from Schlumberger.

However, one legal action is still pending. Any liability arising from this action will be assumed by Schlumberger under the applicable provisions of the Master Separation Agreement. Accordingly, the Company has not made any provision in respect of this matter.

As of June 30, 2010, the balance of the assets and liabilities belonging to Schlumberger was a net liability of €1.5 million (as of December 31, 2009, it was a net liability of €1.5 million).

Note 25 Related Parties

For a description of Gemalto's transactions with related parties, reference is made to note 32 to the consolidated financial statements as at December 31, 2009.

Transactions with related parties are conducted, in the ordinary course of business, on terms comparable to transactions with third parties. In the first six months of 2010, there have been no related party transactions that have materially affected the Group's financial position or performance.

On May 19, 2010, the Annual General Meeting appointed Mr. Philippe Alfroid as an independent Non-executive Board member for a term of four years (until the AGM of 2014).

Note 26 Events after the balance sheet date

On June 29, 2010, Gemalto announced the acquisition of Cinterion Wireless Modules GmbH (Cinterion) for approximately €163 million. Cinterion is the leading provider of industrial Machine-to-Machine (M2M) wireless communication modules. Following the clearance from the German Anti-trust commission, the closing of the acquisition took place on July 28, 2010.
Cinterion's operations will be included in the Group's consolidated income statement from the acquisition date and Cinterion business results will be reported as part of a new operating segment. Cinterion employs 335 staff with major centers in Munich and Berlin, Germany. The business was started by Siemens in 1995 and spun-out to a financial sponsor consortium in 2008.

On August 19, 2010, Gemalto acquired a software technology company, in line with its Software & Services strategy. The related total consideration paid was €26 million.

To management's knowledge, there is no other significant event that occurred since June 30, 2010, which would materially impact the interim condensed consolidated financial statements.

Note 27 Dividends

Amounts in this note are stated in Euro.

The Annual General Meeting of May 19, 2010 has approved the distribution of a €20,843,844 dividend in respect of the financial year 2009. This represents a dividend of €0.25 per share.

Note 28 Consolidated entities

The main changes in consolidated entities for the six-month period ended June 30, 2010 were as follows:

- Acquisitions and change in controlling interest (see note 5)

Country of incorporation	Company name	Percentage of group voting rights	Percentage of ownership interests
Australia	Netsize Australia PTY Ltd	86%	100%
Belgium	Netsize Benelux Sprl	86%	100%
China	Todos Qingdao Co. Ltd	100%	100%
Finland	Valimo Wireless Oy	100%	100%
France	Netsize SA	86%	100%
Germany	Netsize Deutschland GmbH	86%	100%
Hungary	Netsize KFT	83%	97%
Italy	Netsize Italia SRL	86%	100%
Singapore	Netsize SGP PTE Ltd	86%	100%
South Africa	Netsize South Africa Proprietary Ltd	86%	100%
Spain	Netsize Espana SL	85%	100%
Sweden	Netsize Swerige AB	86%	100%
Sweden	Todos AB	100%	100%
Sweden	Todos eCode Security AB	100%	100%
Taiwan	Todos Security Asia Co. Ltd	100%	100%
United Kingdom	Netsize UK Ltd	86%	100%
United States of America	Netsize Inc	86%	100%

- Change of Name

Country of incorporation	Former name	New name
South Africa	Gemalto Namitech (Pty) Ltd	Gemalto (Pty) Ltd

- Liquidations

Country of incorporation	Company name	Percentage of group voting rights	Percentage of ownership interests
Australia	LM Gemplus Pty Ltd	100%	100%
Belgium	Netsize Benelux Sprl	86%	100%
Sweden	Axalto AB	100%	100%

First Half 2010 Management Report

Highlights

- First half revenue growth of +5% to € 840 million
- Software and services revenue expands by +48% to € 110 million
- Profit from operations of € 67 million in line with Company plan to increase profit in 2010

The income statement in this Management Report is presented on an adjusted basis (see page 37 "Basis of preparation of financial information"). These non-GAAP 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 our consolidated financial statements prepared in accordance with IFRS. The reconciliation with the 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. All figures presented in this Management Report are unaudited.

Key figures of the adjusted income statement:

	First Half 2009		First Half 2010		
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	Year-on-year variation at historical exchange rates
Revenue	800		840		+5 %
Gross profit	290	36.3%	299	35.6%	(0.7 ppt)
Operating expenses[1]	211	26.4%	232	27.6%	+1.2 ppt
Profit from operations	79	9.9%	67	8.0%	(1.9 ppt)
Net profit	68	8.4%	63	7.5%	(0.9 ppt)

Olivier Piou, Chief Executive Officer, commented*: "Gemalto's first half performance is in line with our plan to increase profit from operations for the full year 2010. We made good progress in our underlying business and made significant investments in the development of the new growth areas of our business. We took advantage of favorable conditions to make acquisitions early in our development plan, supporting our confidence in our ability to deliver on our 2013 objective. On this solid footing and with the gradual economic recovery in developed countries we now aim to record, for the first time in our Company's history, more than 1 billion euros in revenue over the second semester of 2010."*

[1] See page 37 "Basis of preparation of financial information"

Basis of preparation of financial information

The Company's interim condensed consolidated financial statements are prepared in accordance with the International Financial Reporting Standards. To better assess its past and future performance, the Company also prepares from here on an additional adjusted income statement where the key metric used to understand, evaluate the business and take operating decisions over the period 2010 to 2013, is the profit from operations.

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 equity-based compensation charges, and for restructuring and acquisition-related expenses:

- Amortization and depreciation of intangibles resulting from acquisitions are defined as the amortization and depreciation expense related to the intangibles recognized as part of the allocation of the excess purchase consideration over the share of net assets acquired.
- Equity-based compensation charges are defined as (i) the discount granted to employees acquiring Gemalto shares under Gemalto Employee Stock Purchase plans; and (ii) the amortization of the fair value of stock options and restricted share units granted by the Board of Directors to employees, and the related costs.
- Restructuring and acquisitions-related expenses are defined as (i) restructuring expenses which are the costs incurred in connection with a restructuring as defined in accordance with the provision of IAS 37 (e.g. sale or termination of a business, closure of a plant,…), and consequent costs; (ii) reorganization expenses defined as the costs incurred in connection with headcount reductions, consolidation of manufacturing and offices sites, as well as the rationalization and harmonization of the product and service portfolio, and the integration of IT systems, consequent to a business combination; and (iii) transaction costs (such as fees paid as part of the acquisition process) which were previously capitalized as part of the cost of an acquisition under previous IFRS versions.

These non-GAAP 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 our interim condensed consolidated financial statements prepared in accordance with IFRS.

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

Figures in this Management Report 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.

The financial reporting from one of our joint ventures (JV) is not available for the first semester 2010 due to a legal dispute with the partner. Therefore, our interim condensed consolidated financial statements as at June 30, 2010 do not include any activity in respect of this JV, but the translation as at June 30, 2010 of the JV's December 31, 2009 statement of financial position, from their functional currency to the Company's reporting currency.

IFRS results

The IFRS consolidated income statement for the first half 2010 shows an operating income of € 46 million and a profit for the period of € 45 million (respectively € 56 million and € 46 million for the first half 2009).

Basic earnings per share rose to € 0.54 for the reported period, and diluted earnings per share to € 0.53, compared to respectively € 0.53 and € 0.52 in the first semester of 2009.

The Company provides in Appendix 5 the reconciliation between the IFRS and adjusted income statements. In the first half 2010 restructuring and acquisition-related expenses amounted to € 2 million (€ 4 million in the first half 2009); equity-based compensation charges to € 9 million (€ 5 million in H1 2009); and amortization and depreciation of intangibles resulting from acquisitions, net of income tax expense, to € 7 million (€ 12 million in H1 2009).

Balance sheet and cash position variation schedule

In the first half 2010, operating activities generated a cash flow of € 24 million.

Capital expenditure and acquisition of intangibles amounted to € 29 million, or 3.4% of revenue, of which € 20 million were incurred for Plant, Property and Equipment purchases net of proceeds from sales. Working capital was up by € 10 million on December 31, 2009, in preparation for the seasonal ramp-up.

Acquisition of subsidiaries and businesses, net of cash acquired, used € 20 million in cash.

Gemalto's share buy-back program used € 23 million in cash for the purchase of 746,790 shares during the first semester. As at June 30, 2010, the Company owned 4,725,179 shares, i.e. 5.37% of its own shares in treasury. The average acquisition price of the shares repurchased on the market and held in treasury as of June 30, 2010 was € 25.84. The total number of Gemalto shares issued is unchanged, at 88,015,844 shares.
Net of the 4,725,179 shares held in treasury, 83,290,665 shares were outstanding June 30, 2010.

The proceeds received by the Company from the exercise of stock options by employees amounted to € 8 million.

On May 31, 2010, Gemalto paid a cash dividend of € 0.25 per share in respect of the fiscal year 2009. This distribution, the first ever in Gemalto's history, used € 21 million in cash.

As a result of these elements Gemalto's net cash position as at June 30, 2010 was € 330 million, a reduction of € 51 million when compared with December 31, 2009, and an increase of € 8 million when compared to June 30, 2009.

Gemalto has finalised on July 28th the acquisition of a leading provider of industrial Machine-to-Machine (M2M) wireless communication modules, and on August 19th the acquisition of a software technology company. The related post semester closing total cash outflow amounts to € 189 million.

Adjusted income statement[2] analysis

Adjusted income statement	First Half 2009 € in millions	First Half 2009 As a % of revenue	First Half 2010 € in millions	First Half 2010 As a % of revenue	Year-on-year variation at historical exchange rates
Revenue	800.4		840.1		+5%
Gross profit	290.4	36.3%	299.0	35.6%	(0.7 ppt)
Operating expenses	211.1	26.4%	231.8	27.6%	+1.2 ppt
EBITDA[3]	106.4	13.3%	95.7	11.4%	(1.9 ppt)
Profit from operations	79.2	9.9%	67.2	8.0%	(1.9 ppt)
Net profit	67.5	8.4%	63.2	7.5%	(0.9 ppt)

Earnings per share (€ per share)[4]:	First Half 2009	First Half 2010
- basic	0.79	0.76
- diluted	0.78	0.74

Revenue for the first semester was up by 5% at historical rates to € 840 million, driven by growth in the Security and Mobile Communication segments. Revenue from software and services expanded by 48%, to € 110 million, strongly contributing to the Company's overall growth, and representing 13% of the total semester revenue.

Business conditions in the second quarter were generally comparable to those observed during the first quarter. Seasonality is well aligned with traditional quarterly patterns with revenue increasing by 15% sequentially from the first to the second quarter at historical rates.

Gross profit for the Company is up € 9 million or 3% at € 299 million. This represents gross margin of 35.6%, lower by 0.7% from the previous year. Profitability expansion in the Security segment was offset by lower gross margin in Mobile Communication.

The increase in operating expenses reflects the consolidation of recently acquired businesses and organic investments made in software & services and new growth areas.

The activity of a joint venture that accounted for € 22 million in revenue and € 6 million in profit from operations in the first semester of 2009 is consolidated in the first half 2009 numbers reported above and is not reported in the first half 2010 numbers above due to a legal dispute with the partner[2].

[2] See page 37 "Basis of preparation of financial information" for a detailed description of the adjusted income statement.
[3] EBITDA is defined as profit from operations 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 first half 2010 adjusted basic earnings per share are determined on the basis of the weighted average number of Gemalto common shares outstanding during the six-month period ended June 30, 2010 (82,959,498 shares), taking into account the effect of the share buy-back on the weighted average number of shares outstanding during the period. The first half 2010 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 for the six-month period ended June 30, 2010 (82,959,498 shares) and considering that all outstanding "in the money" stock options were exercised (5,827,297 options) and the proceeds received from the options exercised (€ 132,778,659) were used to buy-back shares at the average share price of the first half 2010 (i.e. 4,291,499 shares at € 30.94).

Businesses acquired in the first half of 2010 contributed € 38 million to revenue and a loss of € 2 million to profit from operations in the first semester of 2010.

First semester 2010 profit from operations came in at € 67 million, i.e. 8% of revenue. The year-on-year variation benefited from the positive developments in the underlying business, driven by growth in Security and by the migration to EMV and contactless in Secure Transactions, offset by the acquisitions and joint-venture effects and by the investments made in organic development of new growth areas and in integrating the acquired technologies.

The impact of one-off profits and expenses[5] on the year-on-year variation of the profit from operations was not significant.

Net interest income was non material this semester, compared with € 1 million reported the prior year, mainly due to lower yields on short-term investments. Foreign exchange transactions resulted in a gain of € 1 million, compared with a loss of € 4 million in the first half of 2009. As a result, Gemalto financial income for the first half of 2010 increased by € 4 million to € 1 million.

Profit before income tax was € 68 million. Net income tax expenses were € 5 million.

Consequently the adjusted net profit was € 63 million, compared with € 67 million for the same period last year. Basic adjusted earnings per share came at € 0.76 and fully diluted adjusted earnings per share at € 0.74.

[5] Several one-off profits and expenses were recorded during the semester, in particular a € 6.7 million compensation resulting from the final judgment in a lawsuit with a customer which was in large part offset by other non-recurring items.

Segment information

Revenue from the joint venture whose financial reporting is not available for the first semester 2010 due to a legal dispute with the partner was € 14.5 million in Secure Transactions and € 7.4 million in Security in the first half of 2009. Profit from operations from this joint venture in H1 2009 was € 2.7 million in Secure Transactions and € 2.9 million in Security. For a better understanding of Gemalto's year-on-year business evolution, in this section 'Segment Information' the first half 2009 adjusted income statement[6] is also restated from the contribution of this joint venture, and the year on year variations have been calculated accordingly. Adjusted income statements prior to this JV restatement are available in Appendix 1.

Excluding the revenue from the JV in 2009, Gemalto's revenue growth in the first semester was 8% at historical rates, and 5% at constant exchange rates.

Extract from the adjusted income statement

	First Half 2009 (restated from JV)		First Half 2010		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	778.5		840.1		+ 8 %
Gross profit	283.0	36.3%	299.0	35.6%	(0.8 ppt)
Operating expenses	209.2	26.9%	231.8	27.6%	+0.7 ppt
Profit from operations	73.7	9.5%	67.2	8.0%	(1.5 ppt)

At constant exchange rates, first half 2010 revenue was up by 5% year on year.

Segment revenue comparisons

Revenue variations (2009 restated from JV)	Mobile Communication	Secure Transactions	Security	Total three main segments	Others	Total Gemalto
Second quarter 2010	241 M€	112 M€	80 M€	433 M€	17 M€	450 M€
At historical exchange rates	+ 7%	+ 0%	+ 21%	+ 7%	(11%)	+ 7%
At constant exchange rates	+ 2%	(4%)	+ 18%	+ 3%	(13%)	+ 2%
First Half 2010	452 M€	207 M€	148 M€	807 M€	33 M€	840 M€
At historical exchange rates	+ 8%	+ 1%	+ 21%	+ 9%	(5%)	+ 8%
At constant exchange rates	+ 5%	(2%)	+ 19%	+ 6%	(7%)	+ 5%

[6] The information provided in this section is presented in an adjusted basis as described in page 37 "Basis of preparation of financial information".

Mobile Communication

	First Half 2009		First Half 2010		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	416.3		451.7		+8%
Gross profit	174.5	*41.9%*	173.6	*38.4%*	(3.5 ppt)
Operating expenses	116.3	*27.9%*	133.3	*29.5%*	+1.6 ppt
Profit from operations	58.2	*14.0%*	40.3	*8.9%*	(5.0 ppt)

At constant exchange rates, first half 2010 Mobile Communication revenue was up by 5% year on year.

Mobile Communication posted revenue of € 452 million, higher by 5% at constant exchange rates from the previous year. This growth was driven by the success in software and services whose revenue more than doubled year on year. Increased investment in this activity, with new service offerings from both bolt-on acquisitions and organic developments led to this strong performance. When compared to a 2009 first semester that included a particularly strong second quarter, revenue from the traditional SIM card business was slightly lower year on year. This decline was partially offset by the growth in new connected devices such as e-tablets, mobile TV and machine-to-machine communication secure identification modules (MIM).

Volume growth in developing countries was strong. The return of large-scale innovative project deployments in developed markets remained limited during the semester, temporarily restricting product mix improvement and contributing to the reduction in gross margin. As a result, gross profit remained stable at € 174 million. As a sign of the gradual recovery of these developed markets, the end of the second quarter was marked by a strong level of activity in software & services and by a solid pipeline of contracts to be delivered by the end of the year.

Operating expenses increased by € 17 million to € 133 million as a result of the consolidation of acquired companies' operating expenses and investment in software & services. Profit from operations was hence lower by € 18 million year on year, at € 40 million, representing a profit margin of 8.9%.

Secure Transactions

	First Half 2009 (restated from JV)		First Half 2010		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	204.6		207.4		+1%
Gross profit	50.9	*24.9%*	54.3	*26.2%*	+1.3 ppt
Operating expenses	43.5	*21.2%*	48.8	*23.5%*	+2.3 ppt
Profit from operations	7.4	*3.6%*	5.6	*2.7%*	(0.9 ppt)

At constant exchange rates, first half 2010 Secure Transactions revenue was lower by 2% year on year.

In line with the first quarter trend, the first semester was marked by strong revenue growth in countries migrating to EMV, notably in the Americas, while upgrades to contactless dual interface payment cards continued to ramp up in Europe. This strong growth in revenue more than offset both the triennial payment card renewal trough in the United Kingdom and the effect of last year's shift from registered mail to standard mail for card deliveries. As a result the 2010 first semester revenue progressed to € 207 million.

During the semester, the favorable contribution from high-end contactless cards more than compensated the effect of lower activity in the United Kingdom. Consequently gross margin and gross profit increased to 26% and € 54 million respectively. The end of the quarter was marked by a return to growing demand from the UK financial institutions as they prepare the return to normal card renewal levels by year end.

Operating expenses were up by € 5 million as a result of the integration of acquired companies and investment to develop Gemalto's Trusted Service Management offers.

As a result, profit from operations came in at € 6 million, representing a profit margin of 2.7% of revenue.

Security

	First Half 2009 (restated from JV)		First Half 2010		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	123.0		148.2		+21%
Gross profit	49.6	*40.3%*	63.0	*42.5%*	+2.2 ppt
Operating expenses	42.8	*34.8%*	42.2	*28.5%*	(6.3 ppt)
Profit from operations	6.8	*5.5%*	20.8	*14.0%*	+8.5 ppt

At constant exchange rates, first half 2010 Security revenue was up by 19% year on year

Security posted another semester of strong growth with a 19% year-on-year revenue increase at constant exchange rates. This first semester saw strong levels of growth in Identity and Access Management (IAM) with a 49% increase in revenue on the previous year. Renewed demand from enterprise on-line authentication, solid activity in e-Banking solutions and the integration of recent acquisitions produced this outstanding performance. Government Programs grew by 8% over the period, with the second quarter of 2010 setting another quarterly revenue record. Patent licensing revenue increased also in the first half of 2010, by € 3 million, to € 16.1 million. A figure that is expected to represent the vast majority of the full year's patent licensing activity.

Gross margin improved to 43% as a result of a greater proportion of IAM activity, productivity gains in Government Programs and the slightly higher patent licensing revenue recorded during the semester. The gross margin improvement combined with the segment's double-digit revenue growth resulted in a strong € 13 million increase in gross profit.

The semester operating expenses were stable at € 42 million. Several one-off profits and expenses were recorded during the second quarter, in particular a compensation resulting from the final judgment in a lawsuit, for a total net gain of € 4 million. Otherwise, operating expenses increased by € 3 million to manage the growth.

Profit from operations reached € 21 million, i.e. 14% of revenue. Excluding the contribution of patent licensing and the effect of non-recurring items, the combined activities of Government Programs and Identity and Access Management increased their profit margin from operations by more than 3 percentage points when compared with the first half of 2009.

Others

	First Half 2009		First Half 2010		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	34.6		32.9		(5%)
Gross profit	8.0	*23.1%*	8.1	*24.6%*	+1.4 ppt
Operating expenses	6.7	*19.2%*	7.6	*23.1%*	+3.8 ppt
Profit from operations	1.3	*3.9%*	0.5	*1.5%*	(2.4 ppt)

At constant exchange rates, first half 2010 revenue for Public Telephony and POS Terminals combined in Others was lower by 7% year on year

The double digit growth in POS Terminals revenue was more than offset by the rapid decline in Public Telephony, which continues to be substituted by mobile telephony. Gross margin increased on the back of the good performance in POS Terminals. Operating expenses increased by € 1 million as investments were made towards a new range of POS Terminals, leading to a slight decrease in profit from operations.

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.

Acquisition of businesses and subsidiaries

Acquisition of businesses and subsidiaries for the period represented a cumulated purchase consideration of € 60 million.

For additional disclosures regarding acquisitions of businesses and subsidiaries, reference is made to the above note 5 to the interim condensed consolidated financial statements as at June 30, 2010.

Transactions with related parties

For disclosure regarding transactions with related parties, reference is made to the above note 25 to the interim condensed consolidated financial statements as at June 30, 2010.

Risks and uncertainties

In our Annual Report 2009, we have extensively described certain risk categories and risk factors which could have a material adverse effect on the Company's financial position and results. Those risk categories and risk factors are deemed incorporated and repeated in this report by reference.

For the second half of 2010, we currently believe none of them should be particularly emphasized.

Additional risks not known to us, or currently believed not to be material, could later turn out to have a material impact on our businesses, objectives, revenues, incomes, assets, liquidity or capital resources.

Changes in share capital ownership

On March 11, 2010, Texas Pacific Group Advisors III notified the AFM that they had fully disposed their residual holding in Gemalto's ordinary shares.

On June 16, 2010, Pioneer Asset Management S.A. notified the AFM that they had reduced their holding in Gemalto's ordinary shares to 4.86%.

Appendix 1

First Half 2010 adjusted income statement by business segment

€ in millions	Six months ended June 30, 2010				
	Mobile Communication	Secure Transactions	Security	Other	Total
Revenue	451.7	207.4	148.2	32.9	840.1
Gross profit	173.6	54.3	63.0	8.1	299.0
Operating expenses	133.3	48.8	42.2	7.6	231.8
Profit from operations	40.3	5.6	20.8	0.5	67.2

First Half 2009 adjusted income statement by business segment (as reported)

€ in millions	Six months ended June 30, 2009				
	Mobile Communication	Secure Transactions	Security	Other	Total
Revenue	416.3	219.1	130.4	34.6	800.4
Gross profit	174.5	55.2	52.6	8.0	290.4
Operating expenses	116.3	45.1	43.0	6.7	211.1
Profit from operations	58.2	10.1	9.6	1.3	79.2

Appendix 2

Deliveries of secure personal devices

In millions of units	Second quarter 2009	Second quarter 2010	% growth
SIM cards	282	320	+ 14%
Secure Transactions	89	93	+ 5%
Security	13	14	+ 7%
Total	384	428	+ 11%

SIM card average selling price was lower year-on-year by 19% at constant exchange rates in the second quarter 2010.

In millions of units	First Half 2009	First Half 2010	% growth
SIM cards	529	608	+ 15%
Secure Transactions	158	174	+ 10%
Security	26	28	+ 7%
Total	713	809	+ 13%

Appendix 3

The revenue by region for the second quarter 2009 and the first half 2009 presented in this appendix are as reported.

Second quarter 2010 revenue variation by region

€ in millions	Second quarter 2009	Second quarter 2010	Year-on-year variation at historical exchange rates	Year-on-year variation at constant exchange rates
EMEA	242	250	+ 3%	+ 1%
North & South America	103	107	+ 4%	(3%)
Asia	89	93	+ 4%	(1%)
Total revenue	433	450	+ 4%	0%

First Half 2010 revenue variation by region

€ in millions	First half 2009	First half 2010	Year-on-year variation at historical exchange rates	Year-on-year variation at constant exchange rates
EMEA	433	468	+ 8%	+ 6%
North & South America	204	200	(2%)	(7%)
Asia	163	172	+ 6%	+ 3%
Total revenue	800	840	+ 5%	+ 2%

Appendix 4

Average exchange rates between the Euro and the US dollar

EUR/USD	2009	2010
First quarter	1.33	1.40
Second quarter	1.34	1.31
First half	1.34	1.35
Third quarter	1.41	
Fourth quarter	1.47	
Second half	1.44	
Full year	1.39	

Appendix 5

Reconciliation from IFRS to Adjusted financial information

	Six-month period ended June 30, 2010			
	Adjusted financial information	Adjustments		IFRS financial information
		by nature	by IFRS line item	
In thousands of Euro				
Revenue	840,111			840,111
Cost of sales	(541,097)		(1,023)	(542,120)
Gross profit	299,014		(1,023)	297,991
Operating expenses				
Research and engineering	(55,552)		(382)	(55,934)
Sales and marketing	(127,385)		(3,359)	(130,744)
General and administrative	(56,779)		(4,270)	(61,049)
Other income (expense), net	7,870			7,870
Profit from Operations (PFO)	67,168		(9,034)	
Equity-based compensation charges (*)		(9,034)		
Restructuring & acquisition-related expenses		(2,343)	(2,343)	(2,343)
Amortization and depreciation of intangibles resulting from acquisitions		(9,620)	(9,620)	(9,620)
Operating result (EBIT)		(20,997)	(20,997)	46,171
Financial income (expense), net	870			870
Share of profit of associates	361			361
Profit before income tax	68,399	(20,997)	(20,997)	47,402
Income tax expense	(5,217)	2,643	2,643	(2,574)
Profit for the period (Net profit)	63,182	(18,354)	(18,354)	44,828
Earnings per share (€ per share)				
Basic	0.76			0.54
Diluted	0.74			0.53

(*) including equity based earn-out for management of acquired companies.

	Six-month period ended June 30, 2009			
	Adjusted financial information	Adjustments		IFRS financial information
In thousands of Euro		by nature	by IFRS line item	
Revenue	800,355		(122)	800,233
Cost of sales	(509,997)		(871)	(510,868)
Gross profit	290,358		(993)	289,365
Operating expenses				
Research and engineering	(48,984)		(207)	(49,191)
Sales and marketing	(115,883)		(1,935)	(117,818)
General and administrative	(48,178)		(2,238)	(50,416)
Other income (expense), net	1,917		-	1,917
Profit from Operations (PFO)	79,230		(5,373)	
Equity-based compensation charges		(5,251)		
Restructuring & acquisition-related expenses (*)		(3,956)	(3,834)	(3,834)
Amortization and depreciation of intangibles resulting from acquisitions		(14,522)	(14,522)	(14,522)
Operating result (EBIT)		(23,729)	(23,729)	55,501
Financial income (expense), net	(2,825)			(2,825)
Share of profit of associates	608			608
Profit before income tax	77,013	(23,729)	(23,729)	53,284
Income tax expense	(9,464)	2,049	2,049	(7,415)
Profit for the period (Net profit)	67,549	(21,680)	(21,680)	45,869
Earnings per share (€ per share)				
Basic	0.79			0.53
Diluted	0.78			0.52

(*) of which € 122 thousand reported as revenue adjustment

Appendix 6

Cash position variation schedule

€ in millions	First Half 2009	First Half 2010
Cash and cash equivalents, beginning of period	367	404
Cash generated by operating activities, before cash outflows related to restructuring actions	41	27
Including cash provided (used) by working capital decrease (increase)	(59)	(10)
Cash used in restructuring actions	(17)	(3)
Cash generated by operating activities	23	24
Capital expenditure and acquisitions of intangibles	(26)	(29)
Free cash flow	(3)	(5)
Interest received, net	1	1
Cash used by acquisitions	(25)	(20)
Other cash used by investing activities	(3)	0
Cash generated (used) by operating and investing activities	(29)	(24)
Cash used by the share buy-back program	(2)	(23)
Dividend paid to Gemalto shareholders	0	(21)
Other cash provided (used) by financing activities	(7)	5
Other (translation adjustment mainly)	10	11
Cash and cash equivalents, end of period	339	352
Current and non-current borrowings including finance lease and bank overdrafts, end of period [6]	(18)	(22)
Net cash, end of period	322	330

[6] Bank overdrafts amount to € 1.8 million as at June 30, 2010, compared to € 2.7 million as at June 30, 2009.
Consequently cash plus bank overdraft amounted to € 350 million as at June 30, 2010, and was € 337 million as at June 30, 2009.

Management Statement

Basis of preparation of financial information

The Company Management hereby declares that to the best of its knowledge:

- the condensed consolidated interim financial statements prepared in accordance with IAS 34, *“Interim Financial Reporting”,* give a true and fair view of the assets, liabilities, financial position and profit or loss of Gemalto and the undertakings included in the consolidation as a whole; and

- the half year management report includes a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

Amsterdam, August 25, 2010

Mr. Olivier Piou	Mr. Jacques Tierny
Chief Executive Officer	Chief Financial Officer