

## Gemalto reports third quarter 2006 revenue<sup>1</sup>

- Third quarter revenue at € 390 million, down 8% at constant exchange rates, as market environment remains difficult in Mobile Communication
- Year-to-date pro forma revenue at €1,237 million, 1% lower than last year at constant exchange rates, and stable at current exchange rates
- Deployments of electronic passports projects lead to 20% growth in ID & Security in the third quarter 2006 at constant exchange rates
- Strong improvement in net cash, up €42 million, to €385 million
- Integration program and synergy generation well on-track

Amsterdam, October 26, 2006 - Gemalto (Euronext NL0000400653 - GTO), a leader in digital security, today announced its revenue for the quarter ended September 30, 2006.

In millions of euros	Q3 06	Year-on-year change at historical exchange rates	Year-on-year change at constant exchange rates	YTD 06 Pro forma	Year-on-year change at historical exchange rates	Year-on-year change at constant exchange rates
Mobile Communication	230.4	-14 %	-12%	721.2	-8%	-9%
Secure transactions	93.0	-5 %	-4%	284.3	+8%	+8%
ID & Security	42.2	+19%	+20%	148.8	+56%	+55%
Public Telephony	13.6	-24%	-21%	46.5	-11%	-12%
Point of Sales Terminals	11.3	-31%	-29%	36.1	-21%	-21%
<b>Total revenue</b>	<b>390.5</b>	<b>-10%</b>	<b>-8%</b>	<b>1,236.9</b>	<b>0%</b>	<b>-1%</b>

Olivier Piou, Chief Executive Officer, commented: "Market demand for Gemalto products and services remained strong in our major business segments. However, price pressure particularly in Mobile Communication eliminated revenue growth for the quarter and year to date. We continue to see significant strength in our ID & Security segment, which turned in another strong quarter and secured several new e-passport projects.

Our merger integration program is moving ahead, on target and on schedule. The integration process has validated the net synergies we anticipated at the outset, and revealed additional opportunities that we are implementing. The markets we serve are dynamic and we are fully committed to making the adjustments needed to ensure that we remain in line with our long-term objectives."

<sup>1</sup> Third quarter 2005, year-to-date 2005 and year-to-date 2006 revenue provided in this press release are on a pro forma basis, reflecting the combined activity of Gemalto and Gemplus over the corresponding period, assuming that the combination had taken place as of January 1, 2005.

### Third quarter 2006 and year-to-date pro forma revenue impacted by a difficult market environment in Mobile Communication

Microprocessor card deliveries<sup>2</sup> grew 31% to 281 million units in the third quarter 2006, sustained by strong demand in all core business segments. Year-to-date, deliveries were up 34% to 826 million units.

Third quarter total revenue was down 8%, at constant exchange rates, reflecting varying performance between business segments. Strong growth in Identity & Security was offset by lower revenue in Mobile Communication, a remnant of strong average selling price decrease in the first quarter.

On a pro forma basis, year-to-date revenue was stable. After adjusting for the Setec acquisition, revenue was down 3% year-to-date at constant exchange rates.

### Third quarter 2006 segment analysis

#### Mobile Communication performance reflects the strong ASP decline incurred earlier in the year and a shift in geographical mix

In millions of euros	2005 Pro forma	2006 Pro forma	Year-on-year change at historical exchange rates	Year-on-year change at constant exchange rates
Third quarter revenue	267.8	<b>230.4</b>	-14%	-12%
Year-to-date revenue	784.7	<b>721.2</b>	- 8%	-9%

Strong unit volume growth in SIM cards did not offset the effect of the decrease in the average selling price:

- Deliveries for the third quarter 2006 were up 34% year-on-year to 219 million units, driven by strong demand in Asia and in EMEA<sup>3</sup>, notably in Eastern Europe, the Middle East and Africa. Lower sales in the Americas reflect a slowdown in new subscriber additions as well as price competition.
- Average selling price for the third quarter 2006 was down 32% year on year, at constant exchange rates, mainly due to the strong competitive price pressure during the first quarter and a shift in the geographic mix. Compared with the second quarter 2006, average selling price was down 3.9%, at constant exchange rates.

In the quarter, Gemalto's digital security leadership and high end application expertise were rewarded:

- The Group was selected to supply high-end products, consulting services and project management for two nationwide mobile TV rollouts.
- The Company Over-The-Air personal information and phonebook synchronization applications continued to receive strong interest from network operators and are generating new value-added services revenue in the Americas.

<sup>2</sup> Deliveries reported in the first half 2006 earnings release included some contactless memory cards in Secure Transactions and ID & Security: actual microprocessor card deliveries in the first half 2006 was 545 million units of which 97 million units in Secure Transactions

<sup>3</sup> Europe, Middle East, Africa

### Secure Transactions posted a slight decline due to slower EMV<sup>4</sup> revenue in Europe

In millions of euros	2005 Pro forma	2006 Pro forma	Year-on-year change at historical exchange rates	Year-on-year change at constant exchange rates
Third quarter revenue	97.9	93.0	-5%	-4%
Year-to-date revenue	262.3	284.3	+8%	+8%

Microprocessor card deliveries for the third quarter 2006 were up 11% to 52 million units, driven by on-going EMV deployment, particularly in Turkey, Latin America and North Asia. Volumes were slightly down in EMEA reflecting completion of the initial EMV migration in the United Kingdom and delays in EMV rollouts in Southern Europe. Revenue was also impacted by price pressure in mature markets.

Contactless payment activity has now moved beyond the United States to Asia, where Gemalto achieved strong recognition and growth. The Group is also supplying technology for several pilot projects in Asia and in Europe.

### Excellent performance in ID & Security

In millions of euros	2005 Pro forma	2006 Pro forma	Year-on-year change at historical exchange rates	Year-on-year change at constant exchange rates
Third quarter revenue	35.6	42.2	+19%	+20%
Year-to-date revenue	95.2	148.8	+56%	+55%

Revenue growth was driven by deliveries of e-passports solutions, including initial deployments of large scale programs in France and Poland.

Gemalto received initial orders in the third quarter for e-passports solutions from the USA, Poland and Slovenia, adding several meaningful and highly visible contracts to those awarded earlier this year in France, the Czech Republic, Portugal and Russia.

Gemalto technology was also selected in the second phase of the Sultanate of Oman e-government program. Gemalto will provide an update of the Registration System, integration services, and 2.5 million high-end smart ID cards to offer additional e-government services to the population of the Sultanate.

### Point-of-Sale Terminals

Slower activity in this segment reflects delays earlier this year in tender awards in Asia a transition to a new range of products scheduled for introduction later in the fourth quarter 2006.

<sup>4</sup> EMV is a jointly defined set of specifications dedicated to payment safety improvement, adopted by Europay, MasterCard and Visa for the migration of bank cards to microprocessor card technology.

## Regional analysis

### Third quarter revenue by region

In millions of euros	Q3 05 Pro forma	Q3 06	% change at historical exchange rates	% change at constant exchange rates
EMEA	227.4	<b>215.6</b>	-5%	-4%
North & South America	128.3	<b>92.3</b>	-28%	-26%
Asia	79.7	<b>82.6</b>	+4%	+8%
<b>Total revenue</b>	435.4	<b>390.5</b>	-10%	-8%

Regional analysis shows a substantial shift in revenue contribution by region: Asia accounted for 21% of third quarter 2006 revenue compared with 18% a year ago. Revenue growth in this area was driven by Secure Transactions and Mobile Communication. In EMEA, remarkable growth in ID & Security was offset by lower revenue in Mobile Communication and Secure Transactions. The Americas sharply lower contribution to total revenue reflects the much lower market demand for Mobile Communication products, while Secure Transactions recorded strong growth over last year in Latin America, building solid positions around the EMV deployments.

## Outlook

The third quarter market environment proved challenging, and the Company expects an improvement in the fourth quarter. With synergies from the combination materializing progressively, in line with plans, and the significant resources required this year to converge product roadmaps and processes, Gemalto continues to expect operating margin in the second half 2006 to be similar to that of the first half.

The Group is confident in its ability to play a leading role in the global development of digital security. It has taken cost reduction measures beyond the initially identified synergies, and continues to adapt to match the changing needs of the marketplace. Management is determined to ensure that Gemalto meets its long term objective of an operating margin in the low teens in 2009.

## Conference call

The company has scheduled a conference call for Thursday, October 26, 2006 at 2:30 pm CET (1:30 pm BST and 8:30 am New-York time). Callers may participate in the live conference call by dialling:

+44 (0) 207 365 1836 or +1 718 354 1158 or +33 1 70 99 42 72.

The slide show will be available on the web site at 12:00 CET (11:00 BST).

Replays of the conference call will be available approximately 3 hours after the conclusion of the conference call until November 2, 2006 midnight by dialling:

+44 (0) 207 806 1970 or +1 718 354 11 12 or +33 1 71 23 02 48, access code: 2104153.

## Earnings calendar

Full year 2006 revenue is scheduled to be reported on February 1, 2007, before the opening of Euronext Paris.

The schedule for the announcement of fiscal year 2006 results will be communicated on February 1, 2007.



Corporate Media Relations  
Emmanuelle SABY  
M.: +33 (0) 6 09 10 76 10  
[emmanuelle.saby@gemalto.com](mailto:emmanuelle.saby@gemalto.com)

Investors Relations  
Stéphane BISSEUIL  
T.: +33 (0) 1 55 01 50 97  
[stephane.bisseuil@gemalto.com](mailto:stephane.bisseuil@gemalto.com)

Corporate Communication  
Rémi CALVET  
M.: +33 (0) 6 22 72 81 58  
[remi.calvet@gemalto.com](mailto:remi.calvet@gemalto.com)

FINEO  
T.: +33 (0) 1 56 33 32 31

#### About Gemalto

Gemalto (Euronext NL 0000400653 GTO) is a leader in digital security with pro forma 2005 annual revenues of \$2.2 billion (€1.7 billion), operations in 120 countries and 11,000 employees including 1,500 R&D engineers. The company's solutions make personal digital interactions secure and easy in a world where everything of value - from money to identities - is represented as information communicated over networks.

Gemalto thrives on creating and deploying secure platforms, portable and secure forms of software in highly personal objects like smart cards, SIMs, e-passports, readers and tokens. More than a billion people worldwide use the company's products and services for telecommunications, banking, e-government, identity management, multimedia digital right management, IT security and other applications. Gemalto was formed in June 2006 by the combination of Axalto and Gemplus.

For more information please visit [www.gemalto.com](http://www.gemalto.com)

## APPENDIX

### Revenue breakdown by business segment

In millions of euros	Q3 05 Pro forma	As a % of total	Q3 06	As a % of total	YTD 05 Pro forma	As a % of total	YTD 06 Pro forma	As a % of total
Mobile Communication	267.8	62%	230.4	59%	784.7	63%	721.2	58%
Secure transactions	97.9	22%	93.0	24%	262.3	21%	284.3	23%
ID & Security	35.6	8%	42.2	11%	95.2	8%	148.8	12%
Public Telephony	17.8	4%	13.6	3%	52.1	4%	46.5	4%
Point of Sales Terminals	16.3	4%	11.3	3%	45.8	4%	36.1	3%
<b>Total revenue</b>	<b>435.4</b>	<b>100.0%</b>	<b>390.5</b>	<b>100.0%</b>	<b>1,240.1</b>	<b>100.0%</b>	<b>1,236.9</b>	<b>100.0%</b>

### First quarter revenue by business segment

In millions of euros	Q1 05 Pro forma	Q1 06 Pro forma	% change at historical exchange rates	% change at constant exchange rates
Mobile Communication	236.7	<b>229.9</b>	-3%	-8%
Secure transactions	71.9	<b>91.4</b>	+27%	+25%
ID & Security	22.6	<b>53.2</b>	+135%	+127%
Public Telephony	17.8	<b>17.9</b>	+1%	-4%
Point of Sales Terminals	15.7	<b>13.8</b>	-12%	-14%
<b>Total revenue</b>	<b>364.7</b>	<b>406.2</b>	<b>+11%</b>	<b>+7%</b>

### Second quarter revenue by business segment

In millions of euros	Q2 05 Pro forma	Q2 06 Pro forma	% change at historical exchange rates	% change at constant exchange rates
Mobile Communication	280.3	<b>260.8</b>	-7%	-8%
Secure transactions	92.5	<b>99.9</b>	+8%	+7%
ID & Security	36.9	<b>53.4</b>	+45%	+44%
Public Telephony	16.5	<b>15.0</b>	-9%	-11%
Point of Sales Terminals	13.9	<b>11.0</b>	-20%	-21%
<b>Total revenue</b>	<b>440.0</b>	<b>440.1</b>	<b>0%</b>	<b>-1%</b>

### Year-to-date revenue by region

In millions of euros	YTD 05 Pro forma	YTD 06 Pro forma	% change at historical exchange rates	% change at constant exchange rates
EMEA	651.7	<b>665.0</b>	+2%	+2%
North & South America	340.1	<b>304.3</b>	-11%	-13%
Asia	248.2	<b>267.6</b>	+8%	+6%
<b>Total revenue</b>	<b>1,240.1</b>	<b>1,236.9</b>	<b>0%</b>	<b>-1%</b>

In the first half 2006 earnings release, the Company presented additional financial information on an adjusted pro forma basis which was prepared in US dollars. The adjusted pro forma information of the corresponding periods have been prepared assuming that the combination with Gemplus had taken place as of January 1, 2005, and excluding charges arising from the accounting treatment of the transaction and one-off expenses incurred in connection with the combination with Gemplus. This adjusted pro forma information is presented below in euros for the six month periods ended June 30, 2005, June 30, 2006 and December 31, 2005.

For a more detailed description of the basis of preparation of this adjusted pro forma information, please refer to EXPLANATION OF ADJUSTED AND PRO FORMA MEASURES at the end of the first half 2006 earnings press release.

## Gemalto adjusted\* pro forma income statement

(assuming the combination was executed on January 1, 2005)

All amounts in euro thousands (except where otherwise stated)

	Six months ended		
	30-Jun-05	31-Dec-05	30-Jun-06
<b>Sales</b>	<b>804 750</b>	<b>919 659</b>	<b>846 312</b>
Cost of sales	<b>(541 434)</b>	<b>(623 593)</b>	<b>(590 343)</b>
<b>Gross profit</b>	<b>263 316</b>	<b>296 066</b>	<b>255 969</b>
<i>Gross margin</i>	32,7%	32,2%	30,2%
Operating expenses:			
Research and engineering	(55 763)	(60 760)	(59 388)
Sales and marketing	(97 767)	(109 545)	(108 469)
General and administrative	(52 273)	(62 108)	(57 183)
Other income, net	2 214	1 397	(128)
<b>Operating income</b>	<b>59 728</b>	<b>65 051</b>	<b>30 801</b>
<i>Operating margin</i>	7,4%	7,1%	3,6%
Financial income (expenses), net	2 069	2 535	5 720
Share of profit (losses) of associates	(990)	1 426	271
<b>Profit before income tax</b>	<b>60 806</b>	<b>69 012</b>	<b>36 792</b>
Income tax expense	(10 928)	14 024	(2 408)
<b>Profit for the period</b>	<b>49 879</b>	<b>83 035</b>	<b>34 385</b>
Attributable :			
Equity holders of the company	31 586	46 935	16 399
Minority interest	18 292	36 100	17 986
Basic earnings per share (in euros)	0,51	0,75	0,26
In thousands:			
Basic average number of shares outstanding	62 425	62 316	62 399

\* excluding one-off expenses incurred in connection with the combination with Gemplus and charges resulting from the accounting treatment of the transaction



## DISCLAIMER

The Gemalto N.V. securities referred to herein issued in connection with the exchange offer of Gemalto N.V. for the securities of Gemplus International S.A., and the Gemalto N.V. shares issued in connection with the reopening of such exchange offer, have not been (and are not intended to be) registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and may not be offered or sold, directly or indirectly, into the United States except pursuant to an applicable exemption. The Gemalto securities have been and will be made available within the United States in connection with the exchange offer pursuant to an exemption from the registration requirements of the Securities Act.

The exchange offer and its reopening relate to the securities of a non-US company and are subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements presented have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for an investor to enforce its rights and any claim it may have arising under U.S. federal securities laws, since Gemalto N.V. and Gemplus International S.A. have their corporate headquarters outside of the United States, and some or all of their officers and directors may be residents of foreign countries. An investor may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.

This release does not constitute an offer to purchase or exchange or the solicitation of an offer to sell or exchange any securities of Gemalto N.V. or an offer to sell or exchange or the solicitation of an offer to buy or exchange any securities of Gemplus International S.A.

Gemplus security holders are strongly advised to read the offering circular relating to the exchange offer and related exchange offer materials regarding the transaction (see below), as well as any amendments and supplements to those documents because they contain important information.

The exchange offer and its reopening described herein are not (and are not intended to be) made, directly or indirectly, in or into the United Kingdom, Italy, the Netherlands, Canada or Japan or in or into any other jurisdiction in which such offer would be unlawful prior to the registration or qualification under the laws of such jurisdiction. Accordingly, persons who come into possession of this release should inform themselves of and observe these restrictions.

Copies of the free English translation of the joint French language offering document which has received visa No. 06-252 of July 6, 2006 from the French Autorité des marchés financiers and of the documents incorporated by reference thereto are available from the Internet websites of Gemalto N.V. ([www.gemalto.com](http://www.gemalto.com)) and of Gemplus International S.A. ([www.gemplus.com](http://www.gemplus.com)) as well as free of charge upon request to the following: Gemalto N.V.: Koningsgracht Gebouw 1, Joop Geesinkweg 541-542, 1096 AX Amsterdam, the Netherlands; Gemplus International S.A.: 46A, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg; Mellon Investor Services LLC, U.S. Exchange Agent: 480 Washington Boulevard, Attn: Information Agent Group, AIM # 074-2800, Jersey City, New Jersey 07310, Call Toll Free: 1-866-768-4951.