

Gemalto reports revenue for the second quarter of 2007

- Revenue¹ for the second quarter at € 398 million
- SIM card average selling price up 7% sequentially²
- New contract wins in digital security
- Active streamlining of the cost structure

All revenue and average selling price variations in this press release are by reference to the second quarter and first half 2006 pro forma revenue and are stated at constant exchange rates unless otherwise mentioned.

Amsterdam, July 26, 2007 - Gemalto (Euronext NL0000400653 - GTO), the leader in digital security, today announced its revenue for the quarter ended June 30, 2007.

€ in millions	Q2 2007	Year-on-year change at constant exchange rates ¹	H1 2007	Year-on-year change at constant exchange rates ¹
Mobile Communication	223.7	(10%)	417.8	(11%)
Secure Transactions	97.2	0%	192.8	+4%
ID & Security	50.8	(1%)	98.1	(5%)
Public Telephony	11.6	(18%)	22.0	(29%)
Point of Sales Terminals	14.3	+34%	29.2	+22%
Total revenue	397.8	(6%)	759.9	(6%)

All the figures presented in this press release are unaudited. Second quarter and first half 2006 IFRS revenue figures are presented in Appendix 2.

Commenting on the revenue for the second quarter 2007, Olivier Piou, Chief Executive Officer, said: "The performance of our mobile communication activity was in line with our expectations, reflecting our strict pricing discipline. Also there are encouraging signs that demand for higher-end products and services is picking-up. One year after establishing Gemalto and articulating our digital security vision, we are winning meaningful contracts in all our segments. In particular, we were honored to be awarded in June the large AOK e-healthcare tender in Germany. Our contactless payment solution also met with increasing success in Asia. In parallel, further measures were implemented to adapt our cost structure to the market environment. We remain confident that our operating performance in the second half of the year will reflect the benefits of our strategy which combines cost reduction programs with initiatives for profitable growth."

¹ Second quarter and first half 2006 revenue and volume of deliveries reported in this press release were prepared on a pro forma basis, and reflect the combined activity of Gemalto and Gemplus over the corresponding period.

² At constant exchange rates

Second quarter 2007 revenue analysis

Total revenue for the second quarter of 2007 was 398 million euros, down by 6% at constant exchange rates (and by 10% at historical exchange rates). The decrease reflects mainly lower revenue in Mobile Communication and Public Telephony.

Segment information

Mobile Communication

€ in millions	Q2 2007	Year-on-year change at constant exchange rates	H1 2007 Pro forma	Year-on-year change at constant exchange rates
Revenue	223.7	(10%)	417.8	(11%)

Demand across all regions remained strong while the market continued to be very competitive in entry range SIM cards. Gemalto maintained the strict pricing discipline implemented since the third quarter of 2006. As a result:

- The SIM card average selling price evolution showed marked improvement: in the second quarter, it was up by 7% quarter-on-quarter³, leading to a 10% year-on-year erosion.
- SIM card delivery volumes were down 1% compared with the second quarter of 2006. Growth in Europe and in the Americas which use a higher proportion of high-end cards was offset by lower deliveries to emerging markets, the consequence of Gemalto's selective pricing approach to tenders.

Software and services reported strong revenue growth in the second quarter. Several significant customer successes were announced during the quarter which highlights Gemalto's digital security leadership and high end application expertise:

- Advanced Info Service Plc, Thailand's largest mobile operator, successfully completed a comprehensive Over-The-Air update campaign for nearly 8 million subscribers in less than 40 days, providing major benefits to the operator, notably strong customer satisfaction and cost savings.
- Orange in Senegal and Mali selected Gemalto's Over-The-Air managed services to update all SIM-based devices in the field. Orange used Gemalto's services in its rebranding campaign, to raise awareness among its subscribers of its new commercial brands and inform them in a direct and efficient way.
- North African operator Meditel selected Gemalto's phonebook backup solution which offers subscribers to easily manage and save their contacts on demand, directly from their handsets or through the operator's website. This service has proven to offer strong "anti-churn ability" as it allows the operator's customers to restore their personal data upon replacing a lost or stolen mobile phone.

³ At constant exchange rates

Secure Transactions

€ in millions	Q2 2007	Year-on-year change at constant exchange rates	H1 2007 Pro forma	Year-on-year change at constant exchange rates
Revenue	97.2	0%	192.8	+4%

Deliveries of microprocessor cards and modules were up by 10%, driven by on-going EMV⁴ deployment and card renewal programs, primarily in Europe. Revenue derived from related personalization services also increased. However, price pressure in certain EMV markets offset those gains.

The revenue of the quarter benefited from strong activity in pay-TV and the first large scale contactless payment solution deployments in Asia.

During the quarter, Gemalto announced the introduction of smart card technology with biometric authentication to simplify access to financial services for the under-banked population in India. Gemalto was also selected as exclusive EMV migration launch partner to provide Citibank Taiwan with an EMV turnkey solution.

ID & Security

€ in millions	Q2 2007	Year-on-year change at constant exchange rates	H1 2007 Pro forma	Year-on-year change at constant exchange rates
Revenue	50.8	(1%)	98.1	(5%)

Revenue from Identity solutions was stable with strong growth in electronic passports and Identity solutions driven by 29 national projects being deployed.

Revenue was lower in e-healthcare compared with the second quarter of 2006 when a large project was deployed in Latin America. Moreover, revenues from recently won large projects were only in their ramp-up phase during the second quarter of 2007.

Security Solutions revenue was down 7% on lower deliveries of microprocessor devices in the Americas.

Patent licensing activity was strong and generated revenue of 14.1 million euros in the first half of 2007. It was lower however compared with the unusually high 24.0 million euros reported in the first half of 2006.

During the quarter, the health insurance company AOK (Allgemeine Ortskrankenkasse) awarded Gemalto with a large contract to supply and personalize 35 million electronic healthcards for German citizens. The Company also delivered the first electronic driver licenses in Mexico from the 900,000 unit order received earlier in the quarter.

⁴ EMV is a jointly defined set of specifications adopted by Europay, MasterCard and Visa for the migration of bank cards to smart card technology.

Public Telephony

€ in millions	Q2 2007	Year-on-year change at constant exchange rates	H1 2007 Pro forma	Year-on-year change at constant exchange rates
Revenue	11.6	(18%)	22.0	(29%)

The continuing decline of the memory card market for Public Telephony is attributable to the broader usage of mobile telephony worldwide.

Point-of-Sale Terminals

€ in millions	Q2 2007	Year-on-year change at constant exchange rates	H1 2007 Pro forma	Year-on-year change at constant exchange rates
Revenue	14.3	+34%	29.2	+22%

Second quarter revenue growth was supported by the successful introduction of a new range of products developed on a common, highly adaptable new technology platform.

Regional analysis

Second quarter revenue by region

€ in millions	Q2 2006 Pro forma	Q2 2007	Year-on-year change at historical exchange rates	Year-on-year change at constant exchange rates
EMEA	226.6	219.3	(3%)	(2%)
North & South America	114.6	91.4	(20%)	(14%)
Asia	98.8	87.1	(12%)	(7%)
Total revenue	440.1	397.8	(10%)	(6%)

Regional analysis shows a shift in revenue contribution by region: Europe, Middle-East and Africa (EMEA) accounted for 55% of second quarter 2007 revenue compared with 51% a year ago, mainly due to a stronger performance in Identity & Security and to the appreciation of the euro relative to the US dollar and currencies linked to it.

Outlook

In the first half of 2007, demand in Mobile Communication was mainly driven by emerging countries and Gemalto's revenue profile therefore consists primarily of entry and mid-range products. Furthermore, in the first half of 2007, Gemalto's operating margin⁵ will not benefit from the unusually high patent licensing revenue and positive one-off items booked in the same period of 2006. Cost synergies from the combination are materializing progressively in line with the Company's expectations, but they will not be sufficient to offset the adverse effect on the operating margin⁵ of the strong price decline of last year.

In the second half of 2007, operating margin⁵ should reflect the usual favorable seasonal pattern and the increasing contribution of the first digital security solutions deployments. The Company will also benefit from additional cost synergies from the combination.

Gemalto continues to anticipate sustained demand in all of its key markets. The Company will continue to proactively make the necessary adjustments to its cost base and remains determined to reach its stated objective of an operating margin⁵ above 10% in 2009.

⁵ Prepared on an Adjusted basis (Adjusted pro forma basis for 2006), excluding one-off expenses incurred in connection with the combination with Gemplus, reorganization charges and charges resulting from the accounting treatment of the transaction, and assuming that the combination had taken place as of January 1, 2005.

Reporting calendar

First half 2007 earnings will be reported on September 13, 2007, before the opening of Euronext Paris.

Conference call

The Company has scheduled a conference call for today at 3:00 pm CET (2:00 pm BST and 9:00 am EST). Callers may participate in the live conference call by dialing:

+44 (0) 207 806 1966 or +1 718 354 1390 or +33 1 70 99 42 98.

The slide show will be posted on the Company's web site at noon CET (11:00 am BST).

Replays of the conference call will be available approximately 3 hours after the conclusion of the conference call until August 1, 2007 midnight by dialing:

+44 (0) 207 806 1970 or +1 718 354 11 12 or +33 1 71 23 02 48 access code: 3109604#.

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About Gemalto

Gemalto (Euronext NL 0000400653 GTO) is the leader in digital security with pro forma 2006 annual revenues of €1.7 billion, operations in about 100 countries and over 10,000 employees including 1,500 R&D engineers.

In a world where the digital revolution is increasingly transforming our lives, Gemalto's solutions are designed to make personal digital interactions more convenient, secure and enjoyable.

Gemalto provides end-to-end digital security solutions, from the development of software applications through design and production of secure personal devices such as smart cards, SIMs, e-passports, and tokens to the management of deployment services for its customers.

More than a billion people worldwide use the company's products and services for telecommunications, financial services, e-government, identity management, multimedia content, digital rights management, IT security, mass transit and many other applications.

Gemalto was formed in June 2006 by the combination of Axalto and Gemplus.

For more information please visit www.gemalto.com

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Appendix 1

Deliveries of secure personal devices

In millions of units	Q2 06	Q2 07	% growth	H1 06 Pro forma	H1 07	% growth
SIM cards	233	230	(1%)	430	445	+4%
Secure transactions	52	58	+11%	97	111	+13%
ID & Security	8	8	+1%	18	15	(17%)
Total	293	296	+1%	545	570	+5%

Appendix 2

PRO FORMA FINANCIAL INFORMATION

Second quarter revenue by business segment

In millions of euros	Q2 06 Pro forma	Q2 07	% change at historical exchange rates	% change at constant exchange rates
Mobile Communication	260.8	223.7	(14%)	(10%)
Secure transactions	99.9	97.2	(3%)	0%
ID & Security	53.4	50.8	(5%)	(1%)
Public Telephony	15.0	11.6	(22%)	(18%)
Point of Sales Terminals	11.0	14.3	+30%	+34%
Total revenue	440.1	397.8	(10%)	(6%)

First half revenue by business segment

In millions of euros	H1 06 Pro forma	H1 07	% change at historical exchange rates	% change at constant exchange rates
Mobile Communication	490.7	417.8	(15%)	(11%)
Secure transactions	191.3	192.8	+1%	+4%
ID & Security	106.6	98.1	(8%)	(5%)
Public Telephony	32.9	22.0	(33%)	(29%)
Point of Sales Terminals	24.8	29.2	+18%	+22%
Total revenue	846.3	759.9	(10%)	(6%)

Appendix 3

IFRS FINANCIAL INFORMATION

Note: the combination between Gemalto and Gemplus was effective on June 2, 2006, and Gemplus activity was fully consolidated with that of Gemalto as from that date.

Second quarter and first half revenue by segment

€ in millions	Q2 06	Q2 07	H1 06	H1 07
Mobile Communication	170.0	223.7	263.8	417.8
Secure Transactions	69.7	97.2	105.7	192.8
ID & Security	33.9	50.8	60.5	98.1
Public Telephony	7.2	11.6	12.9	22.0
Point of Sales Terminals	11.0	14.3	24.8	29.2
Total revenue	291.8	397.8	467.7	759.9