pressrelease

Gemalto full year 2008 results

- **Adjusted operating income doubles to €169 million**
- **10.1% adjusted operating margin**
- **Operating income improves substantially in all main segments**
- **Strong operating cash-flows of €191 million[1] and net cash position at € 344 million**
- **Adjusted EPS increase by 84%**

Full year 2008 income statement is presented on an adjusted basis (see page 2 "Basis of preparation of financial information"). The reconciliation with 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 in this press release are at historical exchange rates, except where otherwise noted, and are by reference comparing 2008 to 2007 figures.

Amsterdam, March 19, 2009 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the full year 2008.

Key figures of the adjusted income statement:

	Full year 2007		Full year 2008		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	1,631		1,680		+ 3% [2]
Gross profit	500	*30.7%*	597	*35.5%*	+ 4.9 ppt
Operating expenses [3]	420	*25.7%*	429	*25.6%*	(0.1 ppt)
Operating income (EBIT)	84	*5.1%*	169	*10.1%*	+ 102%
Net profit	89	*5.5%*	153	*9.1%*	+ 72%
Basic earnings per share (€ per share)	0.98		1.80		+ 84%

Full year 2008 revenue and year-on-year revenue variation at constant exchange rates, by segment:

	Mobile Communication	Secure Transactions	Security	Total three main segments	Others[4]	Total Gemalto 2008
Full year	948 M€	443 M€	216 M€	1 607 M€	73 M€	1 680 M€
Variation	+ 6%	+ 11%	+ 14%	+8%	(23%)	+ 6%

Olivier Piou, Chief Executive Officer, commented: *"Gemalto reports strong 2008 full year results with €169 million in adjusted operating income, twice that of last year. We reached the 10% adjusted operating margin target we had set for ourselves, one year ahead of schedule. The three main segments showed good resilience to the economic environment, posting a combined second-half operating margin of 11.2%. The combination is now well in place, with a lean operating structure that delivers synergies, drives profitability, and generates high levels of cash. These strengths are evidenced in the 84% increase in our 2008 earnings per share. 2009 will undoubtedly be a year of major transformation for the world economy. We will continue our mission to provide trust and convenience to the wireless and digital world that is emerging, and look ahead with the goal of revenue growth and earnings expansion."*

---

[1] Before cash outflows related to the restructuring actions linked to the combination between Axalto and Gemplus.

[2] Year on year variation at constant exchange rates is + 6%.

[3] Operating expenses include Research & Engineering expenses, Sales & Marketing expenses and General & Administrative expenses and exclude Other income (expense), net.

[4] Public Telephony plus Point-of-Sale Terminals together accounting for less than 5% of total annual revenue.

Basis of preparation of financial information

The extract from the Company's consolidated financial statements presented in Appendix 7 were prepared in accordance with the International Financial Reporting Standards. Additional financial information on an adjusted basis (unaudited) is presented that is not in conformity with IFRS, in particular the adjustments to revenue and cost of sales, and the presentation of operating expenses and operating income, operating margin and earnings per share which exclude one-off combination related expenses linked to the 2006 combination between Axalto and Gemplus, and reorganization charges and charges resulting from the accounting treatment of the transaction. Charges resulting from the accounting treatment of the transaction consist of additional stock-based compensation due to the revaluation of Gemplus' stock options as of combination date, amortization and depreciation of some intangible assets. One-off combination related expenses consist of charges which would not have been incurred had the transaction not occurred: professional advisory services incurred in connection with the integration, new Gemalto brand and logo creation and worldwide registration, as well as impairment charges related to capitalized development costs on projects which are redundant with existing products or technologies available in Gemplus. Most of the combination related expenses were incurred in 2006. Reorganization charges consist of costs related to headcount reductions in the support functions, consolidation of manufacturing and office sites (including property, plant and equipment, intangible asset and inventory write-offs and impairments, asset transfer costs, employee benefits, severance and associated costs, lease termination and building refurbishment costs and under-absorption in the manufacturing plant being closed) as well as rationalization and harmonization of the product and service portfolio. The Company believes that this information, which is not in conformity with IFRS, is helpful supplemental information in order to better assess its past and future performance. In addition, the Company's Management uses this information which is based on its best estimate and judgment in its own planning and in assessment of its operating performance. This information provided by the Company may not be comparable to similarly titled measures employed by other companies.

All variations in this document are at historical exchange rates, except where otherwise noted, and are by reference comparing 2008 to 2007 figures. Fluctuations in currency exchange rates against the Euro have a translation impact on the Euro value of Group revenues. Comparisons at constant exchange rates aim at neutralizing this translation effect on the analysis of the Group operations.

IFRS results and reconciliation between adjusted and IFRS results

The IFRS consolidated income statement for the full year 2008 shows an operating income of € 127.1 million and a net profit of € 114.9 million, compared with an operating loss of € 71 million and a net loss of € 46 million reported in 2007. In 2008, basic earnings per share amounted to € 1.35 and diluted earnings per share to € 1.32. The Company provides in Appendix 5 the reconciliation between the IFRS and adjusted income statements for the full year of 2008 (unaudited). Charges incurred in connection with headcount reductions in the support functions, with the consolidation of manufacturing and office sites, as well as the rationalization and harmonization of the product and service portfolio, amounted to € 28.2 million in 2008: the reversal of reserves booked in 2007 against 2007 IFRS revenue and excluded from 2007 adjusted revenue represented an income of € 0.7 million and is reported under the line "Revenue"; factory under-absorption for plant being closed amounted to € 8.0 million and is reported in the IFRS income statement under the line "Cost of Sales"; and costs related to other items amounted to € 20.9 million and are reported under the line "Reorganization expenses". As required by IAS 16, the Company reassessed on January 1, 2008 the useful life of its tangible assets. As a result, tangible assets depreciation expense for the year 2008 was reduced by €12.3 million. The net impact on the 2008 operating income was €10.8 million.

Adjusted income statement[5] analysis

Extract of the adjusted income statement:

	Full year 2007		Full year 2008		
	€ in millions	*As a % of sales*	€ in millions	*As a % of sales*	Year-on-year variation at historical exchange rates
Revenue	1,631.5		1,679.9		+ 3% *
Gross profit	500.2	*30.7%*	596.8	*35.5%*	+ 4.9 ppt
Operating expenses[6]	419.9	*25.7%*	429.3	*25.6%*	(0.1 ppt)
EBITDA[7]	159.8	*9.8%*	218.7	*13.0%*	+ 36.9%
Operating income (EBIT)	83.7	*5.1%*	169.3	*10.1%*	+ 102%
Net profit	89.2	*5.5%*	153.0	*9.1%*	+ 72%
Earnings per share (€ per share)[8]:					
- basic	0.98		1.80		+ 84%
- diluted	0.97		1.78		+ 84%

* At constant exchange rates, 2008 revenue is up 6% from the previous year.

Gemalto reported a strong performance in 2008. The Company's top-line expanded by 6% at constant exchange rates, with revenue from software and services growing by 44% at constant rates to account for nearly 10% of the Company turnover. Operating margin was 10.1%, above the level that the Company had set for itself to achieve at the outset of the combination that created Gemalto. As a result of strong customer loyalty, engagement of employees and excellence in execution this target was reached one-year ahead of schedule.

2008 was marked by a record first semester revenue. Telecom operators in Europe and Americas placed significant reorders after a particularly successful 2007 year-end campaign, and we recorded strong sales in Asia around the Chinese New Year in the first months of 2008, thereby attenuating the traditional seasonal contrast.

Gross margin for the full year was up by almost 5 percentage points to 35.5%, reflecting operational efficiencies and scale.

[5] See page 2 "Basis of preparation of financial information" for a detailed description of the adjusted financial information.

[6] Operating expenses include Research & Engineering expenses, Sales & Marketing expenses and General & Administrative expenses; they do not include Other operating income & expenses, net.

[7] EBITDA is defined as operating income 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 of Gemplus identified upon Combination pursuant to IFRS 3 "Business Combination".

[8] 2008 adjusted basic earnings per share were determined on the basis of the weighted average number of Gemalto common shares outstanding during 2008 (83,114,284 shares) taking into account the effect of the share buy-back on the weighted average number of shares outstanding during the period. 2008 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 during 2008 (83,114,284 shares) and considering that all outstanding "in the money" stock options were exercised (5,208,120 options) and the proceeds received from the options exercise (€ 82,889,011) were used to buy-back shares at the average share price of the year (3,867,896 shares at € 21.43). 2007 adjusted basic earnings per share were determined on the basis of the weighted average number of Gemalto shares issued during 2007 (90,940,706 shares) less the weighted average number of treasury shares held by the Company during 2007 (4,768,951 shares). The number of dilutive shares along the IFRS treasury stock method was 1,253,542 shares in 2007. The number of Gemalto shares issued as of December 31, 2008 was 88,015,844, and the number of shares held in treasury by Gemalto on that same date was 5,719,652 shares.

Operating expenses were essentially stable as a percentage of total revenue, with improved efficiencies in product development offset by additional commercial efforts devoted at promoting advanced products and services.

As a result, the adjusted operating income for the year doubled to € 169.3 million and the adjusted operating margin reached 10.1%. All three main segments contributed to the increase in adjusted operating income. Mobile Communication and Secure Transactions were largely responsible for this improvement through further productivity gains and by Secure Transactions returning to profit. Security also contributed to the overall improvement while continuing to invest in new technologies and market developments.

Financial income was € 2.1 million. It was mainly comprised of net interest income of € 9.3 million and net foreign exchange hedging costs of € 7.0 million.

Adjusted pre-tax income was € 174.0 million. Net income tax expenses amounted to € 21.0 million, resulting in an adjusted net profit for the period of € 153.0 million, an increase of 72% over the € 89.2 million reported in 2007.

Balance sheet and cash position variation schedule

Gemalto generated a positive free cash flow[9] of € 83 million in 2008. Cash flow generated by operations before outflow related to restructuring actions was € 191 million, payments made in connection with restructuring actions were € 59 million, and capital expenditure and acquisition of intangibles amounted to € 49 million, of which € 40 million were incurred for plant, property and equipment purchases net of proceeds from sales. Net working capital represented 10.3% of the fourth quarter 2008 annualized revenue. Excluding the variation of the restructuring provision, net working capital improved by € 15 million and 1.0 percentage point. € 14 million were used in cash for the acquisition of subsidiaries.

Gemalto's share buy-back program used € 65 million in cash in 2008 through the purchase of 3,034,784 shares representing 3.45% of Gemalto's share capital. As of December 31, 2008, the Company owned 5,719,652, i.e. 6.50% of its own shares in treasury. This volume of shares covers all exercisable stock options. The average acquisition price of the shares repurchased on the market and held in Treasury as of December 31, 2008 was € 20.09.

The cancellation of three million treasury shares approved by the general meeting of shareholders of May 14, 2008, and corresponding to 3.3% of the then issued share capital, became effective on July 24, 2008. As a result, the total number of Gemalto shares issued is now 88,015,844. Net of the 5,719,652 shares held in treasury, 82,296,192 were outstanding as of December 31, 2008.

The proceeds from exercise of stock options by employees amounted to € 23 million.

Consequently, Gemalto's net cash position was € 344 million at the end of December 2008, up by € 30 million compared with December 31, 2007.

[9] Free cash flow is defined as net cash flow from operating activities minus the purchase of property, plant and equipment, minus other investments related to the operating cycle, minus restructuring expenses, and excluding acquisitions and financial investments and shares buy-back.

Segment information [10]

Mobile Communication

	Full year 2007		Full year 2008		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	925.5		948.2		+ 2.5%
Gross profit	345.5	*37.3%*	394.5	*41.6%*	+ 4.3 ppt
Operating expenses	224.2	*24.2%*	233.9	*24.7%*	+ 0.5 ppt
Operating income	122.7	*13.3%*	159.9	*16.9%*	+ 3.6 ppt

At constant exchange rates, full year 2008 Mobile Communication revenue is up 6%.

Mobile Communication continues to deliver strong results with significant profit expansions and margin improvements, reflecting operational performance as well as the continued progress in promoting higher-end offers. The Company's products and service segmentation has resulted in increased interest from mobile operators in deploying advanced SIM platforms for new services. Software and services revenue increased by 65%, reaching € 65 million for the full year.

Gross margin for the full year 2008 was up 4.3 percentage points from the previous year to 41.6%, reflecting the continued benefits from purchasing synergies and production optimization. The negative impacts of currencies fluctuations were also reduced due to natural hedging efforts during the year. As a result, full-year 2008 gross profit expanded to € 394.5 million, up 14% on the figure of 2007.

As a percentage of revenue, operating expenses remained essentially flat with moderate increases in Sales & Marketing reflecting continuing efforts to promote more advanced offers and services. The level of Research & Engineering spending was also maintained to strengthen the software and services offers and meet continued operators expectations in the fast moving mobile communication market.

Full-year 2008 operating income expanded by a third to € 160 million, providing a robust operating margin of 16.9%, an improvement of 3.6 percentage points on the previous year.

[10] All segment information provided in this press release is on an adjusted basis (unaudited) as described in page 2 "Basis of preparation of financial information".

Secure Transactions

	Full year 2007		Full year 2008		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	413.4		442.8		+ 7.1%
Gross profit	75.1	18.2%	117.9	*26.6%*	+ 8.4 ppt
Operating expenses	89.7	21.7%	91.3	*20.6%*	(1.1 ppt)
Operating income	(13.9)	(3.4%)	26.8	*6.0%*	+ 9.4 ppt

At constant exchange rates, full year 2008 Secure Transactions revenue is up 11%.

2008 marks the successful turnaround of Secure Transactions. The restructuring program is now complete and the segment is entering a more steady level of performance, in which gradual improvements will continue to be made.

Gross margin for the full year 2008 was 26.6%, an improvement of 8.4 percentage points from the previous year. This is largely due to the steady growth of EMV deployments and the success of contactless payment cards, both of which further boost the level of personalization activities. The production footprint optimization resulting from the restructuring program also created substantial benefits.

During the latter part of the year, certain customers faced significant uncertainty in their business environment and a number of them focused on optimizing their inventory, leading to "stop-and-go's" in the production flow which impacted gross margin. The weakening of the British Pound and Brazilian Real against the Euro in the second semester also reduced the segment's gross margin. For the full year 2008, the segment increased its gross profit by 57% to € 118 million.

Operating expenses were reduced as a percentage of revenue, down 1.1 percentage point to 20.6% for the full year 2008. The lower General & Administration expenses resulting from the restructuring program were partially offset by increases in spending on Research & Engineering and Sales & Marketing, both of which grew in line with the segment's overall growth in activities.

The resulting operating margin for the full year 2008 is at 6.0%. The segment posted an operating income of € 26.8 million, a solid turnaround on the previous year's operating loss.

pressrelease

Security

	Full year 2007		Full year 2008		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	192.9		215.9		+ 11.9%
Gross profit	59.4	*30.8%*	66.2	*30.7%*	(0.1 ppt)
Operating expenses	86.5	*44.8%*	87.8	*40.7%*	(4.1 ppt)
Operating income	(26.7)	*(13.8%)*	(20.2)	*(9.4%)*	+ 4.4 ppt

At constant exchange rates, full year 2008 Security revenue is up 14%.

Security showed continuing strong revenue growth and solid progress towards the break-even point. The strong operational and commercial performances were partially offset by the anticipated reduction in patent activities, which had full year revenue decreasing from € 22.9 million to € 8.1 million.

Compared to the previous year, gross margin in Government Programs and Identity and Access Management (IAM) together increased significantly. Government Programs in particular continues to benefit from deliveries ramp-up and better industrialization of its product portfolio. The reduced patent licensing contribution did offset this performance and the resulting gross margin for the segment as a whole was 30.7%, essentially flat compared with the previous year. The Security segment's gross profit was € 66.2 million, up 11% from the previous year.

Operating expenses were contained, with additional spending in sales and marketing associated with the revenue growth offset by increased efficiency in product development. As a percentage of revenue, operating expenses were reduced by 4.1 percentage points to 41% for the full year.

The segment's operating loss was reduced by more than 20% to € 20.2 million, reflecting robust revenue growth and stable levels of operating expenses. Excluding patents, the combined operating losses for Government Programs and Identity & Access Management were reduced by more than 50% compared with 2007.

Point-of-Sale Terminals

	Full year 2007		Full year 2008		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	56.0		38.2		(31.9%)
Gross profit	9.6	*17.2%*	11.2	*29.5%*	+ 12.3 ppt
Operating expenses	15.6	*27.8%*	12.9	*33.9%*	+ 6.1 ppt
Operating income	(5.9)	*(10.4%)*	(0.8)	*(2.1%)*	+ 8.3 ppt

At constant exchange rates, full year 2008 Point-of-Sale Terminals revenue is down 28%.

Revenue shortfalls were recorded in the first part of 2008 due to a faulty component detected in Gemalto's contract-manufacturer's supply chain. The issue was solved and operating performance improved significantly during the second semester, with € 3.4 million operating income being recorded during that period. As a result, full year operating loss was contained to € 0.8 million.

Public Telephony

	Full year 2007		Full year 2008		
	€ in millions	*As a % of revenue*	€ in millions	*As a % of revenue*	Year-on-year variation at historical exchange rates
Revenue	43.7		34.8		(20.3%)
Gross profit	10.6	*24.3%*	6.9	*19.9%*	(4.4 ppt)
Operating expenses	4.0	*9.1%*	3.3	*9.4%*	+ 0.3 ppt
Operating income	7.3	*16.8%*	3.6	*10.5%*	(6.3 ppt)

At constant exchange rates, full year 2008 Public Telephony revenue is down 17%.

Worldwide demand for memory cards for Public Telephony continues to contract, reflecting the increasingly widespread usage of mobile telephony worldwide. Lower deliveries reduced gross margin by 4.4 percentage points, to 19.9%. In line with the revenue evolution, operating expenses were reduced to remain essentially flat as a percentage of turnover, leading to an operating margin of 10.5%. For the full year 2008, the segment posted an operating profit of € 3.6 million.

Outlook

Our business has strong fundamentals and prospects. The current economic environment does not put into question the mid and long-term objectives of Gemalto, even if it limits short-term visibility. We will continue our mission to provide trust and convenience to the wireless and digital world that is emerging, and look ahead with the goal of revenue growth and earnings expansion.

Market seasonality in 2009 is expected to be in line with historical patterns. Our 2009 objective of above 10% adjusted operating margin remains unchanged.

DESCRIPTION OF ADJUSTED MEASURES

Following the combination with Gemplus, Gemalto's financial statements have undergone significant changes, due in particular to the accounting treatment of this transaction in accordance with IFRS 3 "Business combination". To supplement the financial statements presented on an IFRS basis, the Group presents adjusted financial information.

Adjusted financial information excludes certain business combination accounting entries, and expenses directly incurred in connection with the combination with Gemplus. The Group believes that this information is helpful in understanding its past financial performance and its future results. Adjusted 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 consolidated financial statements prepared in accordance with IFRS. Management regularly uses these supplemental adjusted financial measures internally to understand, manage and evaluate the business and take operating decisions. These adjusted measures are 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 these adjusted measures.

The adjusted financial information reflects adjustments to the IFRS income statements based on the following items, as well as the related effects on income tax:

• Additional stock-based compensation specifically due to the accounting treatment of the combination: as prescribed by IFRS 2 "Share-based payment" and IFRS 3 "Business Combination", vested and unvested stock options or awards granted by an acquirer in exchange for stock options or awards held by employees of the purchased company, or any substantially equivalent commitment by the acquirer to assume the obligations of the acquiree with regards to stock options granted to the latter's employees, as is the case for Gemalto under the Combination Agreement, shall be considered to be part of the purchase price for the acquirer, and the fair value (at the effective date of the acquisition or merger) of the new (acquirer) awards shall be included in the purchase price. It leads to an increase in the compensation charge related to stock-options granted by Gemplus prior to the acquisition. The adjustment, eliminating the additional stock-based compensation charge, is intended to reflect the compensation charge that Gemplus would expense if the company had continued to operate on a standalone basis. The Group believes this adjustment is useful to investors as a measure of the ongoing performance of its business.

• Amortization and depreciation of intangible assets: amortization and depreciation of intangible assets recognized as a result of the combination with Gemplus have been excluded from the adjusted profit for the period. The Group believes this is useful because, prior to this combination in the second quarter of fiscal 2006, it did not incur significant charges of this nature, and the exclusion of this amount helps investors understand the evolution of IFRS operating expenses in periods subsequent to the combination with Gemplus. Investors should note that the use of intangible assets contributed to revenue earned during the period and will contribute to future revenue generation and that these amortization expenses will be recurring.

presspelease

• **Combination related charges**: in 2006, Gemalto incurred material expenses in connection with the combination with Gemplus, which it would not have otherwise incurred. Combination related charges consist of professional advisory services incurred in connection with the integration, new Gemalto brand and logo creation and worldwide registration, as well as impairment charges related to capitalized development costs on projects which are redundant having regard to existing products or technologies available in Gemplus. Gemalto also determined that its investment in a listed company was impaired as a consequence of the combination with Gemplus. The related impairment charge was recorded in Financial income (loss) in the first half of 2006.

• **Reorganization charges**: charges incurred in connection with headcount reductions in the support functions, the consolidation of manufacturing and office sites (including property, plant and equipment, intangible asset and inventory write-offs and impairment, asset transfer costs, under-absorption costs linked to plant closure, employee benefits, severance and associated costs, lease termination and building refurbishment cost) and the rationalization and harmonization of IT systems and of the product and service portfolio.

• **Management incentives on investment disposal**: in 2007 the Company realized a gain on the disposal of an investment in an Associate. An incentive payment relating to the disposal of this investment was recorded as General & Administrative expenses in the 2007 IFRS income statement, and was reclassified in the 2007 Adjusted income statement to be on the same line item as the gain.

To summarize, for 2008 and 2007 Gemalto provides two sets of income statements:

- IFRS consolidated income statement, pursuant to its regulatory obligations,
- Adjusted income statement.

Gemalto IFRS consolidated income statement	- Includes all charges resulting from the accounting treatment of the combination with Gemplus (amortization and impairment of intangible assets, additional stock-based compensation), and one-off expenses and reorganization charges incurred in connection with the combination (reorganization and combination related charges).
Gemalto adjusted income statement	- Excludes one-off expenses and reorganization charges incurred in connection with the combination with Gemplus (reorganization and combination related charges) and charges resulting from the accounting treatment of the combination (as detailed above).

pressrelease

Meeting & Conference call

Gemalto will hold an analysts and investors meeting to present its financial results for the full year 2008. The meeting will take place today at the Pavillon Gabriel, 8 avenue Gabriel, 75008 Paris and will start at 9:30am Paris time. Prepared remarks will be in French.

The company has also scheduled a conference call in English today at 3:00 pm Paris time (2:00 pm London time and 10:00 am New York time). Callers may participate in the live conference call by dialling:

+44 161 601 8912 or +1 866 907 5926 or +33 1 7228 0888.

The presentation slide show will be available for download on our Investor Relations web site (www.gemalto.com/investors) at 9:00 am Paris time (8:00 am London time, 4:00 am New York time).

Replays of the conference call will be available from approximately 3 hours after the conclusion of the conference call until April 1, 2009 midnight Paris time by dialling:

+44 (0)207 075 3214 or +1 866 828 2261 or +33 1 7228 0149

access code: 244232#.

Investor Relations
Vincent Biraud
M.: +33(0) 6 08 48 33 23
vincent.biraud@gemalto.com

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

Emlyn Korengold
TBWA Corporate
T. : +33 (0) 6 08 21 93 74
emlyn.korengold@tbwa-corporate.com

Reporting calendar

First quarter 2008 revenue will be reported on April 30, 2009, before the opening of Euronext Paris.

About Gemalto

Gemalto (Euronext NL 0000400653 GTO) is the world leader in digital security with 2008 annual revenues of €1.68 billion, and 10,000 employees operating out of 75 offices, research and service centers in 40 countries.

Gemalto 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.

As the use of Gemalto's software and secure devices increases with the number of people interacting in the digital and wireless world, the company is poised to thrive over the coming years.

For more information please visit www.gemalto.com.

This communication does not constitute an offer to purchase or exchange or the solicitation of an offer to sell or exchange any securities of Gemalto.

This communication contains certain statements that are neither reported financial results nor other historical information and other statements concerning Gemalto. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, events, products and services and future performance. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates" and similar expressions. These and other information and statements contained in this communication constitute forward-looking statements for purposes of applicable securities laws. Although management of the company believes that the expectations reflected in the forward-looking statements are reasonable, investors and security holders are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of the company, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements, and the company cannot guarantee future results, levels of activity, performance or achievements. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this communication include, but are not limited to: the ability of the company's to integrate according to expectations; the ability of the company to achieve the expected synergies from the combination; trends in wireless communication and mobile commerce markets; the company's ability to develop new technology and the effects of competing technologies developed and expected intense competition generally in the companies' main markets; profitability of expansion strategy; challenges to or loss of intellectual property rights; ability to establish and maintain strategic relationships in its major businesses; ability to develop and take advantage of new software and services; the effect of the combination and any future acquisitions and investments on the company's share prices; and changes in global, political, economic, business, competitive, market and regulatory forces. Moreover, neither the company nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. The forward-looking statements contained in this communication speak only as of the date of this communication and the company are under no duty, and do not undertake, to update any of the forward-looking statements after this date to conform such statements to actual results, to reflect the occurrence of anticipated results or otherwise except as otherwise required by applicable law or regulations.

gemalto security to be free

pressrelease

Appendix 1

Full year 2008 adjusted income statement by business segment

(At historical exchange rates)

€ in millions	Twelve months ended December 31, 2008					
	Mobile Communication	Secure Transactions	Security	Public Telephony	Point-of-Sale Terminals	**Total**
Revenue	948.2	442.8	215.9	34.8	38.2	**1,679.9**
Gross profit	394.5	117.9	66.2	6.9	11.2	**596.8**
Operating expenses	233.9	91.3	87.8	3.3	12.9	**429.3**
Operating income	159.9	26.8	(20.2)	3.6	(0.8)	**169.3**

Full year 2007 adjusted income statement by business segment

(At historical exchange rates)

€ in millions	Twelve months ended December 31, 2007					
	Mobile Communication	Secure Transactions	Security	Public Telephony	Point-of-Sale Terminals	**Total**
Revenue	925.5	413.4	192.9	43.7	56.0	**1,631.5**
Gross profit	345.5	75.1	59.4	10.6	9.6	**500.2**
Operating expenses	224.2	89.7	86.5	4.0	15.6	**419.9**
Operating income	122.7	(13.9)	(26.7)	7.3	(5.9)	**83.7**

Appendix 2

Full year 2008 deliveries of secure personal devices

In millions of units	Full year 2007	Full year 2008	% growth
SIM cards	956	1 080	+ 13%
Secure Transactions	231	290	+ 26%
Security	38	49	+ 28%
Total	1 225	1 419	+ 16%

Appendix 3

Full year adjusted revenue by region at historical rates

€ in millions	Full year 2007	Full year 2008	Year-on-year variation at historical exchange rates	Year-on-year variation at constant exchange rates
EMEA	913	940	+ 3%	+ 5%
North & South America	387	412	+ 6%	+ 11%
Asia	331	328	(1%)	+ 4%
Total revenue	1 631	1 680	+ 3%	+ 6%

Appendix 4

Average exchange rates between the Euro and the US dollar

EUR/USD	2007	2008
First quarter	1.31	1.48
Second quarter	1.35	1.56
First half	1.33	1.52
Third quarter	1.36	1.54
Fourth quarter	1.44	1.35
Second half	1.40	1.44
Full year	1.37	1.48

Appendix 5

Consolidated Income Statement for the twelve month period ended December 31, 2008
Reconciliation from IFRS to Adjusted financial information

€ in millions	IFRS financial information	Adjustment relating to combination related expenses	Adjustment relating to reorganization charges	Adjustment relating to amortization and impairment of intangible assets and inventory step-up	Adjustment relating to stock based compensation	Adjusted financial information
Sales	1,680.5		(0.7)			1,679.9
Cost of sales	(1,091.2)		8.0	0.2	0.0	(1,083.1)
Gross Profit	589.3	-	7.3	0.2	0.0	596.8
Research & Engineering expenses	(94.9)				0.0	(94.9)
Sales & Marketing expenses	(232.5)				0.1	(232.4)
G&A expenses	(102.0)				0.0	(102.0)
Other Operating expenses	1.7					1.7
Combination related expenses	0.1	(0.1)				-
Reorganization expenses	(20.9)		20.9			-
Amortization and impairment of intangible assets	(13.7)			13.7		-
Operating Income (EBIT)	127.1	(0.1)	28.2	13.9	0.2	169.3
Financial Income	2.1					2.1
Share of profit (loss) of associates	2.4					2.4
Gain on sale of an Investment in Associate	0.2					0.2
Profit before taxes	131.7	(0.1)	28.2	13.9	0.2	174.0
Income tax	(16.9)			(4.1)		(21.0)
Profit (loss) for the period	114.9	(0.1)	28.2	9.8	0.2	153.0
Attributable to shareholders	111.9					149.9
Attributable to minority interest	3.0					3.0

gemalto
security to be free

pressrelease

Appendix 6

Cash position variation schedule

€ in millions	2007	2008
Cash and cash equivalent, beginning of period	430	337
Cash generated by operating activities, before cash outflows related to restructuring actions	130	191
Including cash provided by (used in) decrease (increase) of working capital	21	(19)
Cash used in restructuring actions	(31)	(59)
Cash generated by operating activities	99	132
Capital expenditure and acquisitions of intangibles	(60)	(49)
Free cash flow	39	83
Interest received, net [12]	9	10
Cash generated by disposal of investments	25	0
Acquisition of subsidiary	0	(14)
Cash used in connection with the Combination with Gemplus [13]	(4)	0
Other cash generated by (used in) investing activities	(3)	(0)
Cash generated by operating and investing activities	66	79
Cash used by the share buy-back program	(144)	(65)
Other cash provided by (used in) financing activities	(9)	23
Other (translation adjustment mainly)	(6)	(8)
Cash and cash equivalent, end of period [14]	337	367
Current and non-current borrowings including finance lease and bank overdraft, end of period	(24)	(23)
Net cash, end of period	314	344

[12] In this cash position variation schedule, interest paid (€ 1.8 million in 2008) and interest received (€ 11.7 million in 2008) are netted and reported as “Interest received, net” as part of cash flows from investing activities. In the cash flow statement presented in Appendix 7 “Consolidated financial statements”, interest paid is reported as cash flows used in operating activities, and interest received as cash flows from investing activities.
[13] Acquisition cost of the remaining share of Gemplus during the squeeze-out process in January 2007, for € 4 million.
[14] Cash and cash equivalent do not include bank overdraft (amounting to € 7.1 million in 2008 and € 0.6 million in 2007). Cash and bank overdraft amount to € 360 million in 2008 (€ 336.8 million in 2007).

Appendix 7

Gemalto

Extract from the

consolidated financial statements

as at December 31, 2008

Consolidated balance sheets for the periods ended December 31, 2007 and 2008

	Year ended December 31,	
In thousands of Euro	2007	2008
ASSETS		
Non-current assets		
Property, plant and equipment, net	217,095	215,357
Goodwill, net	543,831	552,432
Intangible assets, net	73,715	56,065
Investments in associate	8,294	10,469
Deferred income tax assets	21,891	21,058
Available-for-sale financial assets, net	1,445	1,203
Assets held for sale	3,479	1,711
Other non-current assets	22,774	14,255
Total non-current assets	892,524	872,550
Current assets		
Inventories, net	173,737	161,031
Trade and other receivables, net (*)	427,319	447,133
Derivative financial instruments	15,750	16,458
Cash and cash equivalents	337,441	367,129
Total current assets	954,247	991,751
Total assets	1,846,771	1,864,301
EQUITY		
Capital and reserves attributable to the company's equity holders		
Share capital	91,016	88,016
Share premium	1,247,140	1,214,429
Treasury shares	(139,932)	(114,933)
Fair value and other reserves	82,674	56,835
Cumulative translation adjustment	(22,475)	(39,986)
Retained earnings	(27,746)	84,118
	1,230,677	1,288,479
Minority interest	11,568	14,141
Total equity	1,242,245	1,302,620
LIABILITIES		
Non-current liabilities		
Borrowings	16,710	11,246
Deferred income tax liabilities	14,816	13,502
Employee benefit obligation	25,959	25,646
Provisions and other liabilities	79,722	60,909
Total non-current liabilities	137,207	111,303
Current liabilities		
Trade and other payables (*)	380,273	381,849
Current income tax liabilities	7,089	9,471
Borrowings	6,918	11,900
Derivative financial instruments	468	14,680
Provisions and other liabilities	72,571	32,478
Total current liabilities	467,319	450,378
Total liabilities	604,526	561,681
Total equity and liabilities	1,846,771	1,864,301

(*) Compared to the published consolidated financial statements for the year ended December 31, 2007, Trade and other receivables of €12,186 have been reclassified to Trade and other payables.

Consolidated income statements for the periods ended December 31, 2007 and 2008

In thousands of Euro	Year ended December 31, 2007	2008
Revenue	1,629,487	1,680,526
Cost of sales	(1,135,544)	(1,091,220)
Gross profit	493,943	589,306
Operating expenses		
Research and engineering	(102,739)	(94,934)
Sales and marketing	(217,347)	(232,505)
General and administrative	(99,713)	(101,972)
Other income (expense), net	3,343	1,737
Combination related expenses	(1,241)	86
Reorganization expenses	(100,026)	(20,911)
Amortization of intangible assets	(47,454)	(13,743)
Operating result	(71,234)	127,064
Financial income (expense), net	10,465	2,139
Share of profit (loss) of associates	432	2,350
Gain on sale of investment in associate	11,224	195
Profit (loss) before income tax	(49,113)	131,748
Income tax expense	3,474	(16,845)
Profit (loss) for the period	(45,639)	114,903
Attributable to		
Equity holders of the company	(50,190)	111,864
Minority interest	4,551	3,039
Basic earnings per share	(0.58)	1.35
Diluted earnings per share	(0.58)	1.32
Weighted average number of shares outstanding	86,172	83,114
Weighted average number of shares outstanding assuming dilution	86,172	84,452

Consolidated statements of changes in shareholders' equity for the periods ended December 31, 2007 and 2008

In thousands of Euro	Number of shares (**)		Attributable to equity holders of the Company						Minority interest	Total equity
	Issued	Outstanding	Share capital	Share premium	Treasury shares	Fair value and other reserves	Cumulative translation adj.	Retained earnings		
Balance as of January 1, 2007	90,082,535	89,854,954	90,083	1,241,326	(5,240)	73,151	(4,158)	22,319	26,884	1,444,365
Movements in fair value & other reserves:										
- Currency translation adjustments							(18,317)		(420)	(18,737)
- Gains/(losses) on Treasury shares (liquidity program)						72				72
- Fair value gains/(losses), net of tax:										
- Available-for-sale financial assets						(4,417)				(4,417)
- actuarial gains and losses in benefit obligation						2,555				2,555
- cash flow hedges						7,382			(22)	7,360
- revaluation further to acquisition of LM Gemplus Pty Ltd minority interest								125		125
Net income/(expense) recognized directly in equity						5,592	(18,319)	125	(442)	(13,044)
Profit/(Loss) for the period								(50,190)	4,551	(45,639)
Total recognized income for the period						5,592	(18,319)	(50,065)	4,109	(58,683)
Employee share option scheme		457,754				3,931				3,931
Purchase of Treasury shares		(7,754,439)			(134,692)					(134,692)
Capital increase further to acquisition of minority interests in Gemplus International S.A.	933,309	933,309	933	17,763						18,696
Excess of purchase price on subsequent minority interest acquisitions				(11,949)						(11,949)
Minority interest on Gemplus acquisition									(13,943)	(13,943)
Dividend paid/payable to minority interests									(5,482)	(5,482)
Balance as of December 31, 2007	91,015,844	83,491,578	91,016	1,247,140	(139,932)	82,674	(22,475)	(27,746)	11,568	1,242,245
Movements in fair value & other reserves:										
- Currency translation adjustments							(17,511)		1,360	(16,151)
- Gains/(losses) on Treasury shares (liquidity program)						(212)				(212)
- Fair value gains/(losses), net of tax:										
- Available-for-sale financial assets						(242)				(242)
- actuarial gains and losses in benefit obligation						(168)				(168)
- cash flow hedges						(7,301)				(7,301)
Net income/(expense) recognized directly in equity						(7,923)	(17,511)		1,360	(24,074)
Profit/(Loss) for the period								111,864	3,039	114,903
Total recognized income for the period						(7,923)	(17,511)	111,864	4,399	90,829
Employee share option scheme		1,840,871				1,007				1,007
Purchase of Treasury shares		(3,036,257)			(29,212)					(29,212)
Capital decrease further to Treasury shares cancellation (*)	(3,000,000)		(3,000)	(32,711)	54,211	(18,923)				(423)
Dividend paid/payable to minority interests									(1,826)	(1,826)
Balance as of December 31, 2008	88,015,844	82,296,192	88,016	1,214,429	(114,933)	56,835	(39,986)	84,118	14,141	1,302,620

(*) The Annual General Meeting of Shareholders held on May 19, 2008, approved the resolution related to the cancellation of three million shares held by the Company into the share capital.
The share cancellation was completed on July 24, 2008. As a result, the total number of shares issued is now 88,015,844.
(**) As of December 31, 2008, the difference between the number of shares issued and the number of shares outstanding corresponds to the 5,719,652 shares held in treasury.

Consolidated statements of cash flows for the periods ended December 31, 2007 and 2008

In thousands of Euro	Year ended December 31, 2007	2008
Cash flows from (used in) operating activities		
Cash generated from operations	90,978	152,739
Interest paid	(2,288)	(1,766)
Income tax (paid) refunded	7,681	(20,634)
Net cash provided by operating activities	96,371	130,339
Cash flows from (used in) investing activities		
Acquisition of subsidiary, net of cash acquired	75	(13,605)
Purchase of Gemplus minority interests	(4,068)	-
Purchase of minority interests in subsidiaries	(2,486)	-
Purchase of property, plant & equipment	(42,260)	(44,121)
Proceeds from sale of property, plant & equipment	2,099	3,798
Acquisition and capitalization of intangible assets	(21,657)	(8,683)
Refund (purchase) of non-current assets	2,132	(154)
Proceeds from sale of available-for-sale investments	5,614	-
Proceeds from sale of investments in associate	16,877	195
Proceeds from dissolution of an investment in associate	2,343	-
Purchase of investments in associate	(290)	-
Interest received	11,650	11,704
Net cash used in investing activities	(29,971)	(50,866)
Cash flows from (used in) financing activities		
Proceeds from exercise of stocks options	6,224	24,922
Purchase of Treasury shares (net)	(144,309)	(65,429)
Proceeds from borrowings	1,560	1,204
Repayments of borrowings	(11,154)	(7,223)
Dividends paid to minority interests	(5,486)	(1,826)
Net cash used in financing activities	(153,165)	(48,352)
Net increase (decrease) in cash and bank overdrafts	(86,765)	31,121
Cash and bank overdrafts, beginning of period	429,597	336,815
Currency translation effect on cash and bank overdrafts	(6,017)	(7,902)
Cash and bank overdrafts, end of period	336,815	360,034