

Gemalto first half 2009 results

- First half revenue increases to € 800 million
- Operating margin at 9.2%, showing additional operational improvements
- Security segment turns profitable, ahead of plan
- Strong net cash position, at € 322 million

First half 2009 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 first half 2009 to first half 2008 figures.

Adjusted and IFRS financial information for the six-month period ended June 30, 2009 are unaudited.

Amsterdam, August 25, 2009 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the first half 2009.

Key figures of the adjusted income statement:

	First half 2008		First half 2009		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	791		800		+ 1% ¹
Gross profit	275	34.7%	289	36.2%	+ 1.4 ppt
Operating expenses ²	205	26.0%	217	27.2%	+ 1.2 ppt
Operating income (EBIT)	69	8.8%	74	9.2%	+ 0.4 ppt

Olivier Piou, Chief Executive Officer, commented: *"Gemalto delivers a record first semester; and Security reaches the milestone of profitable operations, ahead of our plan. We continue to benefit from our broad footprint and our unique business portfolio, which are essential elements of our ongoing objective of revenue growth and earnings expansion. This semester saw the start of several large customer projects in line with our digital security vision, creating excellent opportunities for Gemalto."*

¹ Year on year variation at historical exchange rate is 1% and year on year variation at constant exchange rate is (2%).

² Operating expenses include Research & Engineering expenses, Sales & Marketing expenses and General & Administrative expenses and exclude some other operating income and expenses reported in the line item "Other income (expense), net".

Basis of preparation of financial information

The extract from the Company's condensed consolidated interim financial statements presented in Appendix 7 was 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, to a much lesser extent, to the acquisitions realized thereafter, and reorganization charges and charges resulting from the accounting treatment of the transactions. Charges resulting from the accounting treatment of the combination between Axalto and Gemplus 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 expenses related to the combination between Axalto and Gemplus 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 these 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 first half 2009 to first half 2008 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 first half 2009 shows an operating income of € 56 million and a net profit of € 46 million, compared with an operating income of € 51 million and a net profit of € 47 million reported in the first half 2008. In the first half 2009, basic earnings per share amounted to € 0.53 and diluted earnings per share to € 0.52 as well. The Company provides in Appendix 5 the reconciliation between the IFRS and adjusted income statements for the first half 2009 (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 € 4 million in the first half 2009 and are reported under the line "Reorganization expenses".

Adjusted income statement³ analysis

Extract of the adjusted income statement:

	First half 2008		First half 2009		Year-on-year variation at historical exchange rates
	€ in millions	<i>As a % of sales</i>	€ in millions	<i>As a % of sales</i>	
Revenue	791.2		800.4		+ 1%
Gross profit	274.9	34.7%	289.5	36.2%	+ 1.4 ppt
Operating expenses ⁴	205.3	26.0%	217.4	27.2%	+ 1.2 ppt
EBITDA ⁵	98.0	12.4%	101.1	12.6%	+ 3.2%
Operating income (EBIT)	69.5	8.8%	74.0	9.2%	+ 6.5%
Net profit	63.3	8.0%	62.3	7.8%	(0.2 ppt)

Earnings per share (€ per share)⁶:

- basic	0.74	0.73
- diluted	0.73	0.72

Gemalto reported € 800 million in revenue and € 74 million in operating income for the first half 2009, both figures marking an improvement on the company's first half 2008 performance.

The semester was marked by resilience in Mobile Communication and Secure Transactions in an adverse economic environment, and by Security posting strong revenue growth and turning to operational profit for the first time, ahead of plan.

³ See page 2 "Basis of preparation of financial information" for a detailed description of the adjusted financial information.

⁴ Operating expenses include Research & Engineering expenses, Sales & Marketing expenses and General & Administrative expenses; they do not include Other operating income & expenses, net.

⁵ 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".

⁶ The first half 2009 adjusted basic earnings per share were determined on the basis of the weighted average number of Gemalto common shares outstanding during the six-month period ended June 30, 2009 (82,282,127 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 2009 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 six-month period ended June 30, 2009 (82,282,127 shares) and considering that all outstanding "in the money" stock options were exercised (4,169,358 options) and the proceeds received from the options exercised (€ 66,533,220) were used to buy-back shares at the average share price of the semester (3,189,512 shares at € 20.86).

Revenue and year-on-year variations, by segment:

	Mobile Communication	Secure Transactions	Security	Total three main segments	Others ⁷	Total Gemalto
Second quarter	225 M€	119 M€	70 M€	414 M€	19 M€	433 M€
Variation at historical exchange rates	+ 2%	+5 %	+ 30%	+ 7%	+ 15%	+ 7%
Variation at constant exchange rates	(3%)	+ 3%	+ 26%	+ 3%	+ 12%	+ 3%
First half 2009	416 M€	219 M€	130 M€	766 M€	35 M€	800 M€
Variation at historical exchange rates	(6%)	+ 2%	+ 29%	+ 1%	+ 7%	+ 1%
Variation at constant exchange rates	(11%)	+ 2%	+ 26%	(3%)	+ 6%	(2%)

With all segments growing at historical exchange rates during the second quarter, Q2 total revenue was up 7% at historical rates and 3% at constant rates, establishing a record high second quarter revenue of € 433 million. In line with the more traditional market seasonality anticipated, the second quarter increased sequentially by 18% over the first quarter. Over the semester, revenue from software and services grew by 8% at constant exchange rates, and accounted for nearly 10% of the Company's first half turnover.

During the first semester, gross margin increased by 1.4 percentage points to 36% as a result of additional operational efficiencies.

Operating expenses were up 1.2 percentage points to 27% of total revenue. Excluding operating expenses of the newly integrated activities and the launch of a branding campaign in January, operating expenses were essentially stable when compared to the first half of 2008.

The adjusted operating income was € 74 million⁸, up 7%, and the adjusted operating margin was 9.2%, up an additional 0.4 percentage points on the particularly strong performance reported in H1 2008. The operating income improvement reflects the Company's strong efforts in pursuing best practices, productivity gains and tight cost control.

Net interest income was impacted by lower market yields on short-term investments, and was down € 4 million to € 1 million. Foreign exchange related costs were up € 2 million, to € 4 million, due to a non-cash cumulated translation adjustment expense of € 4 million on the disposal of an investment. As a result, Gemalto reported net financial expenses of € 3 million for the first semester of 2009, compared to a financial income of € 3 million the prior year. Adjusted pre-tax income came in € 2 million lower than first semester of 2008, at € 72 million. Net income tax expenses amounted to € 9 million. As a result the adjusted net profit for the period was € 62 million, compared to € 63 million for the same period last year. Basic adjusted earnings per share came in at € 0.73 and fully diluted adjusted earnings per share at € 0.72.

⁷ Public Telephony plus Point-of-Sale Terminals, together accounting for less than 5% of first half 2009 revenue.

⁸ The net impact of current and non-current provisions accruals and of the reversal of current and non current unused provisions was an income of € 1 million on the adjusted operating income.

Balance sheet and cash position variation schedule

During the first semester of 2009, cash flow generated by operations before outflow related to restructuring actions was € 41 million.

Payments made in connection with restructuring actions were € 17 million.

Gemalto took the opportunity of favourable conditions to accelerate the renewal of older and lower-productivity equipments during this period. As a result, capital expenditure and acquisition of intangibles were up € 4 million over prior year and amounted to € 26 million, of which € 21 million were incurred for plant, property and equipment purchases net of proceeds from sales.

In line with the company's policy of responsibility towards its business partners, Gemalto opted to support some of its suppliers looking for cash through ad-hoc rapid payment facilities. The accompanying decrease of account payables was almost fully offset by improved management of inventory and customer receivables. As a result, net working capital (excluding variations of the restructuring provision) expressed as a percentage of revenue was essentially stable year on year.

Gemalto's share buy-back program used € 2 million in cash in the first half 2009 through the purchase of 112,716 shares representing 0.1% of Gemalto's share capital. As of June 30, 2009, the Company owned 5,591,938 shares i.e. 6.4% 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 June 30, 2009 was € 20.19. The total number of Gemalto shares issued is 88,015,844. Net of the 5,591,938 shares held in treasury, 82,423,906 shares were outstanding as of June 30, 2009.

The proceeds from exercise of stock options by employees amounted to € 3 million.

€ 25 million were used in cash for the acquisition of subsidiaries and businesses.

Consequently, Gemalto's net cash position was € 322 million at the end of June 2009.

Segment information ⁹

Mobile Communication

	First half 2008		First half 2009		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	442.9		416.3		(6%)
Gross profit	180.1	40.7%	173.9	41.8%	+ 1.1 ppt
Operating expenses	114.0	25.7%	120.8	29.0%	+ 3.4 ppt
Operating income	66.0	14.9%	54.7	13.1%	(1.8 ppt)

At constant exchange rates, first half 2009 Mobile Communication revenue was lower by 11% year-on-year, with the first quarter revenue lower by 19% and the second quarter by 3%.

At € 416 million, first half 2009 Mobile Communication revenue was lower by 6% year-on-year, due to a weaker contribution from Asia and a particularly strong comparison basis. The second quarter of 2009 posted a 17% sequential increase in revenue over the first quarter, in line with traditional seasonality. Gemalto succeeded in securing wins in application platforms and operated service contracts which resulted in a 7% constant-rate revenue expansion in software and services during the first half of 2009.

Gemalto continues to develop its long-term prospects in the mobile broadband ecosystem. For example, Gemalto and Verizon together in May announced the selection of Gemalto's over-the-air (OTA) platforms and its UICC cards to support Verizon's deployment of 4G LTE mobile broadband services, emphasising Gemalto's capability to enable secure and reliable multimedia data connection, global roaming and remotely manage applications.

Sequentially, i.e. comparing the second quarter to the first quarter of 2009, SIM card average selling price is essentially stable. For this first semester and compared to the first semester of 2008, the average SIM card selling price was lower by 14% at constant exchange rates. This reflects larger shipments of products in emerging countries and lower activity in the high-end North Asia markets.

Gross profit for the first half of 2009 was € 174 million, representing a gross margin of 42%, up 1.1 percentage point above that of the first half 2008.

Operating expenses were € 121 million or 29% of revenue, up 3 percentage points from the previous year. Increases were recorded mainly in Research & Engineering expenses as the Company continued to expand its software and services offer, and in Sales & Marketing to promote this offer.

First half 2009 operating income was € 55 million, representing an operating margin of 13%. Compared to the particularly strong first semester of 2008, the reduction in operating margin was contained to 1.8 percentage points, as lower revenue impacts were offset by continued best-practices deployment and optimized operations.

⁹ 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

	First half 2008		First half 2009		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	214.9		219.1		+ 2.0%
Gross profit	60.3	28.1%	55.0	25.1%	(3.0 ppt)
Operating expenses	42.1	19.6%	46.3	21.1%	+ 1.5 ppt
Operating income	18.3	8.5%	8.8	4.0%	(4.5 ppt)

At constant exchange rates, first half 2009 Secure Transactions revenue was up 2%, with the first quarter up by 1% and the second quarter up by 3%.

Secure Transactions revenue for the second quarter of 2009 was € 119 million as further deployment of contactless payment cards, mainly in the EMEA region, offset the effects of inventory optimization measures of many customers. The proportion of personalised card improved again year on year, resulting in a 4% constant-rate increase in the revenue from personalization services.

During the semester, Gemalto announced that its personalization service was chosen to support the NFC pilot in Singapore by Citibank, M1 mobile and Visa. In addition to successes in EMV migration projects and growth in personalization services, Gemalto also continues to gain market traction with its innovative offers, such as the selection by Nigeria's InterSwitch for its Instant Issuance offer, and France's LCL for its web-based photo-customization solution.

Gross margin for the first half of 2009 was resilient at 25%, a comparable performance to the second semester of 2008. Market traction for more advanced DDA products and contactless payment cards continued to be strong. Year on year, gross margin was lower by 3 percentage points, mainly due to the unfavourable currency evolutions against the Euro.

Operating expenses were up € 4 million, mainly due to the integration of acquired activities.

The segment posted an operating income of € 9 million for the first semester of 2009. The operating margin was therefore 4%, 4.5 percentage points lower than the first half of 2008, and in line with the second semester of 2008.

Security

	First half 2008		First half 2009		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	101.2		130.4		+ 28.8%
Gross profit	28.1	27.7%	52.6	40.3%	+ 12.6 ppt
Operating expenses	40.9	40.4%	43.6	33.4%	(7.0 ppt)
Operating income	(12.8)	(12.7%)	9.2	7.1%	+ 19.7 ppt

At constant exchange rates, first half 2009 Security revenue was up 26%, with the first quarter up by 26% and the second quarter also up by 26%.

Security posted continuing strong revenue growth, and turned profitable this semester ahead of plan on the back of faster developments in Government Programs.

Government Programs revenue expanded by 31% at constant exchange rates. Strong deliveries of e-ID documents were recorded in the Americas and the Middle East, as well as a surge in deliveries for e-Passports during the second quarter, the result of a marked increase in demand prior to the holiday season. Identity and Access Management (IAM) revenue was up 1% at constant exchange rates despite the difficult enterprise security market environment worldwide, with inventory optimization by indirect distribution channels for enterprise solutions being fully offset by the continued success of our online banking solutions. Patent licensing revenue for the semester amounted to € 12.8 million, approximately double that of the previous year, with in particular the start of licensing of a new family of patents. This amount of patent licensing revenue represents a large majority of the patent licensing activity anticipated for the full year.

Gemalto added numerous new wins to its list of government contracts during this semester, with many new successes in electronic national ID cards, as well as programs such as e-healthcare card in Gabon and the e-driver license in Australia.

The Security segment's gross profit was up by 87%, i.e. € 24 million, to € 53 million. Gross margin increased by 12.6 percentage points to 40%. Government Programs in particular continued to benefit from ramp-up in deliveries and better industrialization of the product portfolio. The increase in patent licensing activity also contributed to this excellent performance.

Operating expenses were reduced by 7.0 percentage points to 33.4%. The additional spending in sales and marketing associated with the strong revenue growth were largely offset by increased efficiency in product development and savings on General & Administrative expenses.

Security posted an operating profit of € 9 million and an operating margin of 7.1%, reflecting the fall through of the revenue growth and the profit contribution from patent licensing activity. Reaching profitability is an important milestone for the Security segment, which came ahead of our plans. Excluding the patent licensing activity contribution, Government Programs and Identity & Access Management activities combined also exceeded the break-even point.

Others

	First half 2008		First half 2009		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	32.2		34.6		+ 7.4%
Gross profit	6.4	19.9%	8.0	23.1%	+ 3.2 ppt
Operating expenses	8.4	26.1%	6.7	19.5%	(6.6 ppt)
Operating income	(1.9)	(5.9%)	1.3	3.6%	+ 9.5 ppt

At constant exchange rates, first half 2009 revenue for Public Telephony and POS Terminals combined in Others is up 6%.

Public Telephony revenue continued to decline in line with its market trend as mobile telephony expands worldwide, and POS Terminals recovered from a supplier quality problem that limited deliveries in the first half of 2008.

Gross profit increased by 25% to € 8 million. Operating expenses were reduced by 6.6 percentage points. As a result, operating margin was 3.6% and operating profit was € 1.3 million.

Outlook

Our business has strong fundamentals and prospects. We 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 and, to a much lesser extent, following the acquisitions realized thereafter, Gemalto's financial statements have undergone significant changes, due in particular to the accounting treatment of these transactions 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.

• **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. No combination related charge was recorded in the first half of 2008 nor 2009.

• **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.

To summarize, for the first half of 2009 and 2008 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 and, to a much lesser extent, of the acquisitions realized thereafter (amortization and impairment of intangible assets, additional stock-based compensation), and one-off expenses and reorganization charges incurred in connection with the combination with Gemplus and, to a much lesser extent, with acquisitions realized thereafter (reorganization and combination related charges).

Gemalto adjusted income statement - Excludes one-off expenses and reorganization charges incurred in connection with the combination with Gemplus and, to a much lesser extent, in connection with the acquisitions realized thereafter (reorganization and combination related charges) and charges resulting from the accounting treatment of the combination with Gemplus and, to a much lesser extent, from the accounting treatment of the acquisitions realized thereafter (as detailed above).

Conference call

Gemalto will hold a conference call in English today at 2:00 pm Paris time (1:00 pm London time and 8:00 am New York time). Callers may participate in the live conference call by dialling:

+44 203 147 4744 or +1 866 907 5925 or +33 1 7200 1369.

The presentation slide show will be available for download on our Investor Relations web site (www.gemalto.com/investors) at noon Paris time (11:00 am London time, 6:00 am New York time).

Replays of the conference call will be available from approximately 3 hours after the conclusion of the conference call until September 8, 2009 midnight Paris time by dialling:

+44 207 107 0686 or +1 877 642 3018 or +33 1 7200 1469

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Reporting calendar

The semi-annual financial report required by the EU Transparency Directive, including the condensed consolidated interim financial statements as of June 30, 2009, the first half 2009 Management report and the Management Statement, is available on our Investor web site (www.gemalto.com/investors).

Third quarter 2009 revenue will be reported on Thursday October 22nd, 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 over 10 thousand 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.

Appendix 1

First half 2009 adjusted income statement by business segment

(At historical exchange rates)

€ 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	173.9	55.0	52.6	8.0	289.5
Operating expenses	120.8	46.3	43.6	6.7	217.4
Operating income	54.7	8.8	9.2	1.3	74.0

First half 2008 adjusted income statement by business segment

(At historical exchange rates)

€ in millions	Six months ended June 30, 2008				
	Mobile Communication	Secure Transactions	Security	Other	Total
Revenue	442.9	214.9	101.2	32.2	791.2
Gross profit	180.1	60.3	28.1	6.4	274.9
Operating expenses	114.0	42.1	40.9	8.4	205.3
Operating income	66.0	18.3	(12.8)	(1.9)	69.5

Appendix 2

Deliveries of secure personal devices

In millions of units	Second quarter 2008	Second quarter 2009	% growth
SIM cards	257	282	+ 10%
Secure Transactions	78	89	+ 14%
Security	13	13	(2%)
Total	349	384	+ 10%

In millions of units	First half 2008	First half 2009	% growth
SIM cards	511	529	+ 4%
Secure Transactions	147	158	+ 7%
Security	22	26	+ 16%
Total	680	713	+ 5%

Appendix 3

First half adjusted revenue by region at historical and constant exchange rates

€ in millions	First half 2008	First half 2009	Year-on-year variation at historical exchange rates	Year-on-year variation at constant exchange rates
EMEA	443	433	(2%)	(2%)
North & South America	177	204	+ 15%	+ 11%
Asia	172	163	(5%)	(15%)
Total revenue	791	800	+ 1%	(2%)

Appendix 4

Average exchange rates between the Euro and the US dollar

EUR/USD	2008	2009
First quarter	1.48	1.33
Second quarter	1.56	1.34
First half	1.52	1.34
Third quarter	1.54	
Fourth quarter	1.35	
Second half	1.44	
Full year	1.48	

Appendix 5

Consolidated Income Statement for the six month period ended June 30, 2009

Reconciliation from IFRS to Adjusted financial information

€ in millions	<u>IFRS financial information</u>	<u>Adjustment relating to reorganization charges</u>	<u>Adjustment relating to amortization of intangible assets</u>	<u>Other adjustments</u>	<u>Adjusted financial information</u>
Sales	800.2			0.1	800.4
Cost of sales	(510.9)			0.0	(510.9)
Gross Profit	289.4	-	-	0.1	289.5
Research & Engineering expenses	(49.2)			0.0	(49.2)
Sales & Marketing expenses	(117.8)			0.0	(117.8)
G&A expenses	(50.4)			0.0	(50.4)
Other Operating expenses	1.9				1.9
Combination related expenses	-				-
Reorganization expenses	(3.8)	3.8			-
Amortization of intangible assets	(14.5)		14.5		-
Operating Income (EBIT)	55.5	3.8	14.5	0.1	74.0
Financial Income (expenses), net	(2.8)				(2.8)
Share of profit (loss) of associates	0.6				0.6
Profit before taxes	53.3	3.8	14.5	0.1	71.8
Income tax	(7.4)		(2.0)		(9.5)
Profit (loss) for the period	45.9	3.8	12.5	0.1	62.3
Attributable to shareholders	43.6				60.0
Attributable to minority interest	2.3				2.3

Appendix 6

Cash position variation schedule

€ in millions	First half 2008	First half 2009
Cash and cash equivalent, beginning of period	337	367
Cash generated by operating activities, before cash outflows related to restructuring actions	64	41
Including cash provided by (used in) decrease (increase) of working capital	(40)	(59)
Cash used in restructuring actions	(29)	(17)
Cash generated by operating activities ¹⁰	35	23
Capital expenditure and acquisitions of intangibles	(22)	(26)
Free cash flow	13	(3)
Interest received, net ¹⁰	5	1
Cash used by acquisitions	0	(25)
Other cash used in investing activities	(0)	(3)
Cash generated (used) by operating and investing activities	18	(29)
Cash used by the share buy-back program	(16)	(2)
Other cash provided by (used in) financing activities	5	(7)
Other (translation adjustment mainly)	(5)	10
Cash and cash equivalent, end of period	340	339
Current and non-current borrowings including finance lease and bank overdraft, end of period ¹¹	(18)	(18)
Net cash, end of period	322	322

¹⁰ In this cash position variation schedule, interest paid (€ 1.6 million in first half 2009) and interest received (€ 2.6 million in first half 2009) 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 "Extract from the condensed consolidated interim financial statements", interest paid is reported as cash flows used in operating activities, and interest received as cash flows from investing activities.

Therefore, in the above cash position variation schedule, cash generated by operating activities comprises two items: cash generated from operations and income tax paid. Whereas the cash generated by operating activities reported in the cash flow statement of Appendix 7 includes a third item: interest paid.

¹¹ Bank overdraft amounts to € 2.7 million as at June 30 2009 and is essentially nil as at June 30, 2008. Consequently cash and bank overdraft amount to € 337 million as at June 30, 2009 and € 340 million as at June 30, 2008.

Gemalto

Extract from the condensed consolidated interim
financial statements as of June 30, 2009

(Unaudited)

Interim consolidated statement of financial position (unaudited)

<i>In thousands of Euro</i>	December 31, 2008	June 30, 2009
ASSETS		
Non-current assets		
Property, plant and equipment, net	215,357	222,699
Goodwill, net	552,432	564,722
Intangible assets, net	56,065	54,210
Investments in associates	10,469	13,278
Deferred income tax assets	21,058	22,702
Available-for-sale financial assets, net	1,203	1,298
Assets held for sale	1,711	2,168
Other non-current assets	14,255	19,463
Total non-current assets	872,550	900,540
Current assets		
Inventories, net	161,031	164,501
Trade and other receivables, net	447,133	434,009
Derivative financial instruments	16,458	22,243
Cash and cash equivalents	367,129	339,257
Total current assets	991,751	960,010
Total assets	1,864,301	1,860,550
EQUITY		
Capital and reserves attributable to the company's equity holders		
Share capital	88,016	88,016
Share premium	1,214,429	1,216,335
Treasury shares	(114,933)	(112,929)
Fair value and other reserves	56,835	68,256
Cumulative translation adjustment	(39,986)	(20,213)
Retained earnings	84,118	127,703
	1,288,479	1,367,168
Minority interest	14,141	11,750
Total equity	1,302,620	1,378,918
LIABILITIES		
Non-current liabilities		
Borrowings	11,246	9,804
Deferred income tax liabilities	13,502	13,122
Employee benefit obligation	25,646	27,220
Provisions and other liabilities	60,909	67,135
Total non-current liabilities	111,303	117,281
Current liabilities		
Trade and other payables	381,849	328,588
Current income tax liabilities	9,471	5,047
Borrowings	11,900	7,769
Derivative financial instruments	14,680	10,186
Provisions and other liabilities	32,478	12,761
Total current liabilities	450,378	364,351
Total liabilities	561,681	481,632
Total equity and liabilities	1,864,301	1,860,550

Interim consolidated income statement (unaudited)

<i>In thousands of Euro (except earnings per share)</i>	Six-month period ended June 30,	
	2008	2009
Revenue	791,173	800,233
Cost of sales	(521,873)	(510,868)
Gross profit	269,300	289,365
Operating expenses		
Research and engineering	(46,778)	(49,191)
Sales and marketing	(109,380)	(117,818)
General and administrative	(49,273)	(50,416)
Other income (expense), net	(98)	1,917
Combination related expenses	162	-
Reorganization expenses	(6,533)	(3,834)
Amortization of intangible assets	(6,499)	(14,522)
Operating result	50,901	55,502
Financial income (expense), net	3,203	(2,825)
Share of profit of associates	1,032	608
Gain on sale of investment in associate ⁽¹⁾	202	-
Profit before income tax	55,338	53,285
Income tax expense	(8,313)	(7,415)
Profit for the period	47,025	45,869
Attributable to:		
Equity holders of the company	45,001	43,585
Minority interest	2,024	2,284
Basic earnings per share	0.54	0.53
Diluted earnings per share	0.53	0.52
Weighted average number of shares outstanding	83,123	82,282
Weighted average number of shares outstanding assuming dilution	84,362	83,262

⁽¹⁾ Compared to the published condensed consolidated interim financial statements as of June 30, 2008, the gain on sale of investment in associate is detailed in a separate line item of the consolidated income statement.

Interim consolidated statement of comprehensive income (unaudited)

In accordance with IAS1 *Revised Presentation of Financial Statements* effective January 1, 2009, Gemalto has elected to present the statement of comprehensive income with "non-owner changes" in equity as a separate statement. The information as at June 30, 2008 has been restated for comparative purpose.

<i>In thousands of Euro</i>	Six-month period ended June 30,	
	2008	2009
Profit for the period	47,025	45,869
Gains (losses) recognised directly in equity		
Currency translation adjustments	(12,384)	20,068
Gains on Treasury shares (liquidity program)	93	416
Fair value gains (losses)		
- financial assets available-for-sale	(124)	95
- variation of actuarial gains and losses in benefit obligation	485	(698)
- cash flow hedges	536	6,872
Other comprehensive income for the year ⁽¹⁾	(11,394)	26,753
Total comprehensive income for the year	35,631	72,622
Attributable to		
Equity holders of the company	33,685	70,043
Minority interest	1,946	2,579
Total comprehensive income for the year, net of tax	35,631	72,622

⁽¹⁾ No tax has been recognized on other comprehensive income.

Interim consolidated statement of changes in equity (unaudited)

In accordance with IAS1 *Revised Presentation of Financial Statements* effective January 1, 2009, the statement of changes in equity now includes only details of transactions with owners ("owner-changes"), with "non-owner changes" in equity presented as a single line. The information as at June 30, 2008 has been restated for comparative purpose.

<i>In thousands of Euro</i>	Number of shares ⁽¹⁾		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, 2008	91,015,844	83,491,578	91,016	1,247,140	(139,932)	82,674	(22,475)	(27,746)	11,568	1,242,245
Profit for the period								45,001	2,024	47,025
Other comprehensive income (loss)						990	(12,306)	-	(78)	(11,394)
Total comprehensive income (loss)						990	(12,306)	45,001	1,946	35,631
Share-based compensation expense						6,339				6,339
Employee share option scheme		870,202			18,000	(7,000)				11,000
Purchase of Treasury shares, net		(876,224)			(15,688)					(15,688)
Dividend paid/payable to minority interests									(1,252)	(1,252)
Balance as of June 30, 2008	91,015,844	83,485,556	91,016	1,247,140	(137,620)	83,003	(34,781)	17,255	12,262	1,278,275
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 minority interest									(823)	(823)
Excess of purchase price on SAIT minority interest 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 minority 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

⁽¹⁾ As of June 30, 2009, the difference between the number of shares issued and the number of shares outstanding corresponds to the 5,591,938 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.

Interim consolidated cash flow statement (unaudited)

<i>In thousands of Euro</i>	Six-month period ended June 30,	
	2008	2009
Cash flows from (used in) operating activities		
Cash generated from operations	42,792	36,414
Interest paid	(852)	(1,596)
Income tax paid	(7,970)	(13,042)
Net cash provided by operating activities	33,970	21,776
Cash flows from (used in) investing activities		
Acquisition of subsidiary, net of cash acquired	-	(12,611)
Acquisition of businesses	-	(9,412)
Purchase of minority interests in subsidiaries	-	(2,760)
Purchase of property, plant & equipment	(19,140)	(21,288)
Proceeds from sale of property, plant & equipment	1,086	129
Acquisition and capitalization of intangible assets	(3,563)	(4,753)
Purchase of non-current assets	(287)	(88)
Proceeds from sale of a subsidiary	-	333
Proceeds from sale of investments in associate	202	-
Purchase of an investment in associate	-	(2,550)
Interest received	5,584	2,632
Net cash used in investing activities	(16,118)	(50,368)
Cash flows from (used in) financing activities		
Proceeds from exercise of stocks options	11,000	3,373
Purchase of Treasury shares (net)	(15,595)	(1,467)
Proceeds from borrowings	203	103
Repayments of borrowings	(4,878)	(2,408)
Dividends paid to minority interests	(662)	(4,148)
Net cash used in financing activities	(9,932)	(4,547)
Net increase (decrease) in cash and bank overdrafts	7,920	(33,139)
Cash and bank overdrafts, beginning of period	336,815	360,034
Currency translation effect on cash and bank overdrafts	(4,687)	9,669
Cash and bank overdrafts, end of period	340,048	336,564