Gemalto full year 2010 results

- **Full year revenue growth of +19% to € 1,906 million**
- **Software and services revenue increases by +54% to € 252 million**
- **Profit from operations expands by +19% to € 216 million**
- **Increase in dividend to € 0.28 per share will be proposed**

The income statement is presented on an adjusted basis (see page 2 "Basis of preparation of financial information"). These non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with IFRS. The reconciliation with the IFRS income statement is detailed in Appendix 2.

Amsterdam, March 10, 2011 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the full year 2010.

Key figures of the adjusted income statement:

	Full year 2009		**Full year 2010**		
	€ in millions	As a % of revenue	**€ in millions**	**As a % of revenue**	Year-on-year variation at historical exchange rates
Revenue	1,602		**1,906**		+ 19 %
Gross profit	588	36.7%	**689**	**36.2%**	(0.5 ppt)
Operating expenses	407	25.4%	**474**	**24.9%**	(0.6 ppt)
Profit from operations	181	11.3%	**216**	**11.3%**	+0.0 ppt
Net profit	161	10.0%	**216**	**11.3%**	+1.3 ppt

As per the provisions of IFRS, the above adjusted income statement:

- excludes the contribution to the revenue and profit from operations of the POS activity disposed on December 31, 2010, and
- includes the contribution of a Joint-Venture (JV) active in China which assets and liabilities are now classified as "held for sale" due to the shareholding restructuring in process with the partner. In 2010, its revenue and profit from operations were € 44 million and € 8 million respectively.

Appendix 1 bridges adjusted income statements of discontinued operation, assets held for sales and ongoing operations.

Olivier Piou, Chief Executive Officer, commented: *"Gemalto delivered a strong performance in 2010, posting a new revenue record of more than a billion Euros in the second semester. Secure Transactions and Security reached their profit margin objective one year ahead of schedule. Their significant profit expansion strengthens and diversifies our sources of profit as anticipated in our 2010-2013 plan. We continued to invest in the development of our software and services offers in Mobile Communication, doubling revenue and delivering on several flagship customer projects. The good performance of the Machine-to-Machine business also contributed to our profit in the Telecom space. On this solid basis we intend to continue to grow our revenue and profit in 2011, leveraging in particular the acquisitions we've made, and are bolstered in our ability to deliver on the € 300 million profit from operations target in 2013."*

Basis of preparation of financial information

Adjusted income statement and profit from operation (PFO) non-GAAP measure:

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

Profit from operations (PFO) is a non-GAAP measure defined as the IFRS operating result adjusted for the amortization and depreciation of intangibles resulting from acquisitions, for equity-based compensation charges, and for restructuring and acquisition-related expenses. These items are further explained as follows:

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

These non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with IFRS.

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

EBITDA is defined as PFO plus depreciation and amortization expenses, excluding the above amortization and depreciation of intangibles resulting from acquisitions.

The Appendix 2 bridges the Adjusted income statement to the IFRS income statement.

Adjusted income statement for **Ongoing operations**:

In this publication, for a better understanding of the current and future year-on-year evolution of the business, the Company also provides an adjusted income statement for the “Ongoing operations”.

- Ongoing operations: The adjusted income statement for “Ongoing operations” not only excludes, as per the IFRS income statement, the contribution from discontinued operation to the income statement, but also the contribution from assets classified as held for sale.
- Assets held for sale: The assets of one of the Company joint ventures (the “**JV**”) active in China in Secure Transactions and Security have been classified as “held for sale” due to the shareholding restructuring in process with the partner. As per IFRS, the assets and corresponding liabilities are isolated in the balance sheet and reported as “held for sale”.
- Continuing operations: The IFRS “Continuing operations” comprises the above “Ongoing operations” and “Assets held for sale”.
- Discontinued operation: The disposal of the Company business in point of sale (“**POS**”) terminals was effective on December 31, 2010. As per IFRS, the contribution of this activity to the IFRS income statement is reclassified for both 2009 and 2010 reporting periods and its net contribution is presented on the line item “Profit (loss) from discontinued operation (net of income tax)”. For 2010, this line item also comprises the net loss on the disposal of the related assets and corresponding liabilities. Consequently, in the adjusted income statement, the contribution of POS and the impact of the transaction are not included in the profit from operations.

The Appendix 1 bridges the Adjusted income statement, with the discontinued operation, assets held for sales and Adjusted income statement for ongoing operations.

Historical exchange rates and constant currency figures:

Figures in this press release are at historical exchange rates, except where otherwise noted. Fluctuations in currencies exchange rates against the Euro have a translation impact on the Euro value of Group revenues: comparisons at constant exchange rates aim at eliminating the effect of currencies translation movements on the analysis of the Group results by translating prior year revenues at the same average exchange rate as applied in the current year.

IFRS results

The IFRS consolidated income statement for the full year 2010 shows an operating income of € 163 million, a 22% increase over the 2009 performance.

Financial income for 2010 came in as a € 0.8 million profit, versus a € 2.2 million charge the year before; and share of profit of associates was essentially stable at € 1.7 million. Hence, the profit before tax was up year on year by 25% to € 166 million.

Income tax amounted this year to a credit of € 3.9 million, reflecting the effect of the recognition of some previously unrecognized deferred tax assets. In 2009, income tax expense amounted to € 17.4 million.

The divestiture of the POS activity, previously reported in the segment 'Others', became effective on December 31, 2010. As per IFRS, the contribution of this activity to the income statement is reclassified, and its net contribution is presented as a single amount on the line item "Profit (loss) from discontinued operation (net of income tax)" for both the 2010 and 2009 accounts. In 2010, this net contribution from discontinued operation was a loss of € 2.4 million, essentially reflecting the net loss recorded on the disposal of the associated assets and liabilities. In 2009, the net contribution of the POS operations was a profit of € 2.6 million.

For the full year 2010 Gemalto generated a net profit of € 167 million, higher by € 49 million than the net profit for full year 2009. Basic earnings per share rose to € 1.97 for 2010, and diluted earnings per share settled at € 1.94, representing an earnings growth of 42% compared to 2009.

The Company provides in Appendix 2 the reconciliation between the IFRS and adjusted income statements. In the full year 2010 restructuring and acquisition-related expenses amounted to € 9 million (also € 9 million in the full year 2009); equity-based compensation charges were € 20 million (€ 14 million in 2009, the variation reflecting the higher amortization charge falling in the reporting period as the annual grant date of the equity-based compensation was moved from September to March, the higher Company performance and the higher Gemalto share price); and amortization and depreciation of intangibles resulting from acquisitions were essentially unchanged at € 23 million (€ 24 million in 2009).

Balance sheet and cash position variation schedule

In the full year 2010, operating activities generated a cash flow of € 183 million before the € 9 million cash outflow related to restructuring and acquisition related expenses. This figure was unfavourably impacted by a € 38 million increase in working capital requirement essentially generated by the strong revenue growth of the second semester.

Capital expenditure and acquisition of intangibles amounted to € 73 million, or 3.8% of revenue, of which € 44 million were incurred for Plant, Property and Equipment purchases net of proceeds from sales (respectively € 53 million and € 40 million in 2009). Acquisition of subsidiaries and businesses, net of cash acquired, used € 198 million in cash, of which € 154 million were incurred for the acquisition of Cinterion. Other investing activities generated € 9 million and Currency translation adjustments amounted to € 9 million leading to a total of € 77 million used in operating and investing activities.

Gemalto's share buy-back program used € 39 million in cash for the purchase of 1,281,254 shares in 2010. As at December 31, 2010, the Company owned 4,884,596 shares, i.e. 5.55% of its own shares in treasury. The average acquisition price of the shares repurchased on the market and held in treasury as of December 31, 2010 was € 27.03. The total number of Gemalto shares issued is unchanged, at 88,015,844 shares. Net of the 4,884,596 shares held in treasury, 83,131,248 shares were outstanding on December 31, 2010.

On May 31, 2010, Gemalto paid a cash dividend of € 0.25 per share in respect of the fiscal year 2009. This distribution, the first ever in Gemalto's history, used € 21 million in cash. Other investing activities generated € 8 million in cash, including € 16 million of proceeds received by the Company from the exercise of stock options by employees. Combined with impact from the share buy-back program this resulted in € 51 million used in financing activities.

As a result of these elements Gemalto's net cash position[1] as at December 31, 2010 was € 255 million. It was € 381 million as at December 31, 2009.

The Company also took advantage of favourable conditions to renegotiate and replace its existing syndicated credit facility that was about to expire by arranging a set of bilateral facilities for a total amount of € 210 million as at December 31, 2010, and € 300 million as at March 10, 2011.

[1] Inclusive of the net cash related to assets held for sale

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Adjusted income statement analysis

	Full year 2009		**Full year 2010**		
	€ in millions	As a % of revenue	**€ in millions**	**As a % of revenue**	Year-on-year variation at historical exchange rates
Revenue	1,602.0		**1,905.6**		+ 19%
Gross profit	587.8	36.7%	**689.4**	**36.2%**	(0.5 ppt)
Operating expenses	407.1	25.4%	**473.7**	**24.9%**	(0.5 ppt)
EBITDA	233.9	14.6%	**277.2**	**14.5%**	(0.1 ppt)
Profit from operations	180.7	11.3%	**215.7**	**11.3%**	+0.0 ppt
Net profit	160.9	10.0%	**216.4**	**11.4%**	+1.3 ppt
Earnings per share (€ per share):					
- basic	1.91		**2.56**		+34%
- diluted	1.88		**2.52**		+34%

Revenue for the full year 2010 was up by 19% at historical rates to € 1,906 million, fuelled by double-digit growth in all 4 main segments, and by a strong second semester which saw Company revenue clearly surpassing the one billion euro revenue mark for the first time in a semester.

Revenue from software and services grew by 54% to € 252 million, contributing significantly to the Company's overall growth, and representing 13% of 2010 revenue.

Business conditions in the fourth quarter were generally comparable to those observed during the rest of the year. The seasonality of revenue throughout 2010 was, as expected, more pronounced than in 2009, leading to much stronger seasonality in profit generation.

Gross profit for the Company was up € 102 million or 17% at € 689 million. This represents a gross margin of 36.2%, lower by 50 basis points on the previous year. Profitability expanded in the Security and Secure Transactions segments, offset by lower gross margin in Mobile Communication.

The increase in operating expenses was much lower than revenue growth, and was essentially attributable to the consolidation of acquired businesses and to some specific organic operating expense investments made in software & services and strategic growth areas. As a consequence, operating expenses were down 60 basis points when expressed as a percentage of revenue.

The operational leverage combining strong revenue growth and controlled operating expenses generated a 19% increase in profit from operations to € 216 million.

The profit margin from operations of the Company was kept at its record level of 11.3% of revenue.

Discontinued operation and Assets held for sale

Within the framework of a strategic partnership between VeriFone and Gemalto announced in October 2010, the two companies entered into exclusive discussion for the transfer of Gemalto's electronic point of sale ("POS") terminals business to VeriFone. The disposal of the POS business became effective on December 31, 2010, therefore this activity, formerly reported within the segment "Others", is now classified as "discontinued operation". As per IFRS, its net contribution is presented as a single amount on the line item "Profit (loss) from discontinued operation (net of income tax)", together with the € 3 million net loss on the disposal of the related assets and corresponding liabilities. Without this reclassification, the POS activity would have contributed € 51 million in revenue and € 1 million in profit from operations in 2010, respectively € 52 million and € 3 million in 2009.

The assets of one of the Company joint ventures (the "JV") active in China in Secure Transactions and Security have been classified as "held for sale" due to the shareholding restructuring in process with the partner. In 2010 this JV revenue was € 44 million and its profit from operations was € 8 million, in 2009 its revenue was € 42 million and its profit from operations was € 10 million.

Ongoing operations analysis

For a better understanding of the current and future year-on-year evolution of the business, the Company also provides the adjusted income statement for the "Ongoing operations"; i.e. excluding discontinued operation and assets held for sale.

Appendices 1 and 2 bridge the adjusted and IFRS income statements with the ongoing operations figures.

	Full year 2009		**Full year 2010**		
Adjusted income statement for ongoing operations	€ in millions	As a % of revenue	**€ in millions**	**As a % of revenue**	Year-on-year variation at historical exchange rates
Revenue	1,560.0		**1,861.8**		+ 19%
Gross profit	573.8	36.8%	**676.0**	**36.3%**	(0.5 ppt)
Operating expenses	403.4	25.9%	**468.6**	**25.2%**	(0.7 ppt)
EBITDA	222.3	14.3%	**267.2**	**14.4%**	+0.1 ppt
Profit from operations	170.4	10.9%	**207.5**	**11.1%**	+0.2 ppt
Net profit	150.0	9.6%	**212.5**	**11.4%**	+1.8 ppt
Earnings per share (€ per share):					
- basic	1.81		**2.54**		+41%
- diluted	1.78		**2.50**		+41%

The 22% increase in profit from operations to € 207 million in 2010 leads to 11.1% profit margin from operations, both new records for the Company. The vast majority of this € 37 million positive variation comes from the higher performance of the underlying business. This was complemented by the net effect of one-off items and acquired businesses.

In Security the strong fall through from the double digit growth was augmented by a greater contribution from the patent licensing activity. In Secure Transactions, the high operational leverage was driven by worldwide migration to EMV standards and strong demand for dual interface cards, and was partially offset by the triennial renewal trough in the UK. In the Telecom sector, the Mobile Communication segment reported lower profit due to limited large scale deployment of innovative projects and operating expense investments in Software & Service growth areas, while in the Machine-to-Machine segment customers reacted positively to the fast integration of Cinterion. The contribution to profit from operations from acquired businesses was slightly positive for the year.

Constant perimeter analysis

Businesses acquired in 2010 contributed € 158 million to revenue. Taking as a reference the group's perimeter as at December 31, 2010, the ongoing operations year-on-year revenue growth[2] at constant perimeter was +7% at historical rates.

[2] i.e. as if all businesses acquired in 2009 and 2010 were consolidated as at January 1st 2009, and discontinued operations and asset held for sale were deconsolidated as at January 1st 2009, and based on pre-acquisition available revenue figures and best estimates.

Segment information[3]

For a better understanding of Gemalto's year-on-year business evolution, in this section "Segment information" comments and comparison address the ongoing operations as defined in the basis of preparation on page 2.

Segment revenue variations for ongoing operations

Revenue year-on-year variations	Mobile Communication	M2M[4]	Secure Transactions	Security	**Total 4 main segments**	Others (PubTel)	**Total Gemalto**
Fourth quarter 2010	278 M€	48 M€	136 M€	86 M€	**549 M€**	7 M€	**556 M€**
At historical exchange rates	+ 11%	*+ 17%*	+ 27%	+ 37%	**+ 30%**	+ 20%	**+ 30%**
At constant exchange rates	+ 4%	*+ 12%*	+ 20%	+ 31%	**+ 23%**	+17%	**+ 23%**
Second Semester 2010	529 M€	81 M€	255 M€	170 M€	**1,035 M€**	12 M€	**1,047 M€**
At historical exchange rates	+ 12%	*+ 22%*	+ 23%	+ 50%	**+ 31%**	(4%)	**+ 30%**
At constant exchange rates	+ 4%	*+ 15%*	+ 16%	+ 43%	**+ 22%**	(7%)	**+ 22%**
Full year 2010	981 M€	81 M€	462 M€	318 M€	**1,842 M€**	20 M€	**1,862 M€**
At historical exchange rates	+ 10%	*+ 22%*	+ 12%	+ 35%	**+ 20%**	(20%)	**+ 19%**
At constant exchange rates	+ 5%	*+ 15%*	+ 7%	+ 31%	**+ 14%**	(22%)	**+ 14%**

Revenue for the second semester grew by 22% at constant exchange rate to € 1,047 million, clearly surpassing the one billion euro revenue mark for the first time in a semester.

[3] 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".

[4] Pro-forma, by comparing the activities reported in the Machine-to-Machine segment starting August 1, 2010, consolidation date of the acquired Cinterion business, with the corresponding activities for the same period of 2009.

Mobile Communication

	Full year 2009		**Full year 2010**		
	€ in millions	As a % of revenue	**€ in millions**	**As a % of revenue**	Year-on-year variation at historical exchange rates
Revenue	888.1		**980.9**		+ 10%
Gross profit	383.5	43.2%	**375.9**	**38.3%**	(4.9 ppt)
Operating expenses	232.8	26.2%	**258.2**	**26.3%**	+ 0.1 ppt
Profit from operations	150.7	17.0%	**117.7**	**12.0%**	(5.0 ppt)

Mobile Communication posted revenue of € 981 million, higher by 5% at constant exchange rates from the previous year.

Growth was driven by success in Software and Services whose revenue doubled year on year to € 152 million as investment towards new offerings was sustained both through bolt-on acquisitions and organic developments. On the product side, promising developments in New Form Factors[5] products used in new wireless usage such as mobile TV and mobile contactless services partly offset the slightly lower revenue from a traditional SIM card business whose product mix improvement was slowed by a less favorable regional sales breakdown and by the year's limited return to large-scale commercial deployment of innovative projects.

Gross profit remained relatively stable at € 376 million. Operating expenses grew by € 25 million to € 258 million with the consolidation of acquired technology companies and continued organic investment in strategic fast growing areas such as Trusted Service Management (TSM), Mobile Money and Digital Life Management services.

Hence, profit from operations was lower by € 33 million year on year, at € 118 million, representing a profit margin of 12.0%. The margin profile of the traditional SIM card business remained unchanged and the segment's year-on-year profit variation was essentially attributable to the pro-active investments in operating expenses to grow the software and service offerings, to the consolidation effects of the acquired businesses and to a series of non-recurring items.

[5] Among the New Form Factors, revenue from Machine Identification Module products (MIM) is reported starting August 2010 in the segment Machine-to-Machine (M2M).

Machine-to-Machine

The Machine-to-Machine (M2M) segment formed at the beginning of August 2010 essentially corresponds to the acquired Cinterion activity. It also includes Gemalto's existing M2M activity previously reported in the Mobile Communication segment. As a result, the Machine-to-Machine segment encompasses wireless modules from Cinterion, Gemalto's MIM products (Machine Identification Modules) and emerging M2M management platforms and services.

	Full year 2010 (August to December 2010)		
	€ in millions	**As a % of revenue**	Pro-forma year-on-year variation at historical exchange rates
Revenue	**81.3**		+ 22%
Gross profit	**26.5**	**32.6%**	
Operating expenses	**19.4**	**23.9%**	
Profit from operations	**7.1**	**8.7%**	

M2M posted revenue of € 81 million over the 5 month consolidation period, higher by 15% at constant exchange rates on the previous year on a pro-forma basis[6].

The integration of Cinterion and Gemalto M2M activities progressed well over the second half and the development of integrated offers began by year-end. During this period, revenue expansion was driven by the growing adoption of cellular connectivity solutions in a variety of industries such as automotive and metering.

Gross profit grew accordingly, even if the strong rebound in the M2M applications came with slightly lower gross margins.

Nevertheless, profit from operations doubled on a pro-forma basis, to € 7 million, or 8.7% of revenue, benefiting from the strong operating leverage.

[6] Pro-forma, by comparing the activities reported in the Machine-to-Machine segment starting August 1, 2010, consolidation date of the acquired Cinterion business, with the corresponding activities for the same period of 2009.

Secure Transactions

ongoing operations (i.e. excludes JV)	Full year 2009 € in millions	Full year 2009 As a % of revenue	**Full year 2010 € in millions**	**Full year 2010 As a % of revenue**	Year-on-year variation at historical exchange rates
Revenue	411.4		**462.1**		+ 12%
Gross profit	99.1	24.1%	**140.2**	**30.3%**	+ 6.2 ppt
Operating expenses	87.3	21.2%	**99.0**	**21.4%**	+ 0.2 ppt
Profit from operations	11.8	2.9%	**41.2**	**8.9%**	+ 6.0 ppt

Secure Transactions revenue grew by 7% over the previous year at constant exchange rates, to € 462 million. This growth was once again driven by global worldwide migration to EMV, and was boosted by the rapid adoption by certain countries of upgrades to dual-interface contactless payment cards. As expected, the twin negative effects of the triennial payment card renewal trough in the United Kingdom and of the shift from registered mail to standard mail for personalized card deliveries faded out in the second half of the year, leading to very strong 16% revenue growth in the second semester at constant exchange rates.

As a result of the improvement in product mix, of the better absorption of fixed costs in high growth areas and of higher personalization activity, gross margin increased by 620 basis points on previous year, to 30.3%. On the back of the revenue growth and gross margin improvement, gross profit settled at € 140 million for the year, 41% above that of 2009.

Operating expenses were kept tightly controlled and grew in line with revenue despite the consolidation of acquired technology companies and the continued investment in geographical growth areas.

There was hence excellent fall-through to profit from operations from the strong second half surge in demand, and profit margin from operations thus progressed sharply, by 600 basis points, to 8.9% for the full year.

Security

ongoing operations (i.e. excludes JV)	Full year 2009 € in millions	Full year 2009 As a % of revenue	**Full year 2010 € in millions**	**Full year 2010 As a % of revenue**	Year-on-year variation at historical exchange rates
Revenue	236.0		**318.1**		+ 35%
Gross profit	85.2	36.1%	**129.1**	**40.6%**	+ 4.5 ppt
Operating expenses	81.1	34.4%	**89.7**	**28.2%**	(6.2 ppt)
Profit from operations	4.1	1.8%	**39.4**	**12.4%**	+ 10.6 ppt

Security posted another very dynamic year, with excellent revenue growth, up 31% year-on-year at constant exchange rates, to € 318 million. Identity & Access Management (IAM) led the way at +50% on the back of strong sales of Ezio solution for e-banking deployments and on the integration of acquired e-banking activities. Government Programs also continued to grow fast, by 16%, as certain large-scale e-Passport and e-Identity programs entered their deployment phases. Patent licensing revenue was also extremely strong this year, with revenue exceeding the Company's plan at € 33 million, € 19 million above that of 2009, as some on-going licensing negotiations came to an early conclusion. Additionally, a high profile patent litigation was initiated by Gemalto in the USA.

Gross margin improved by 450 basis points to 40.6% in 2010, and by 200 basis points when excluding the effect of the higher patent contribution, due to continued productivity gains in Government Programs and a greater share of IAM activity. The resulting gross margin improvement combined with the segment's double-digit revenue expansion to create a sharp increase in gross profit that settled at € 129 million for the year, up 51% year on year.

In this segment as well, operating expenses reflected the consolidation effect of acquired businesses and investment in promising areas, such as e-Government solutions. Still, operating expenses remained tightly controlled, growing by only 11% to € 90 million and bringing operating expenses when expressed as a percentage of revenue down significantly, by 620 basis points.

For the year, the operational leverage of a strong top line growth and gross margin improvement on limited operating expenses expansion led to a 1060 basis points expansion in the segment's profit margin from operations, to 12.4%. When excluding the patent licensing activity, this increase was 760 basis points, to 6.8%.

Others

ongoing operations (i.e. excludes POS)	Full year 2009 € in millions	As a % of revenue	**Full year 2010 € in millions**	**As a % of revenue**	Year-on-year variation at historical exchange rates
Revenue	24.5		**19.5**		(20%)
Gross profit	6.0	24.6%	**4.3**	**22.3%**	(2.3 ppt)
Operating expenses	2.3	9.2%	**2.2**	**11.5%**	+2.2 ppt
Profit from operations	3.8	15.3%	**2.1**	**10.9%**	(4.5 ppt)

Following the disposal of the point of sale (POS) terminals activities at the end of December 2010, POS has been classified as "discontinued operation" in compliance with IFRS, and its net contribution is thus presented in the income statement on single line item "Profit (loss) from discontinued operation (net of income tax)" below the "profit from operations". On a pro-forma basis the POS activity would have contributed in the Segment "Others" for € 51 million in revenue and € 1 million in profit from operations in 2010 (€ 52 million and € 3 million respectively in 2009).

The public telephony activity continues to decline as it is now almost fully substituted globally by mobile telephony.

Proposed Dividend

The Board of Directors of Gemalto has decided to propose to the next Annual General Meeting of shareholders, to be held on May 18, 2011 in Schiphol, the Netherlands, the payment of a cash dividend of € 0.28 per share in respect of the fiscal year 2010. This amount is up by 12% over the dividend paid last year.

The record date would be on May 24, 2011, hence the shares would become ex-dividend starting May 20, 2011. The dividend would become payable starting May 25, 2011.

Basis of preparation of financial information for 2011

Starting January 1, 2011:

- the patent licensing activity, currently reported as part of the segment Security, will be reported separately, in a new segment "Patents".
- the public telephony activity currently reported in the segment Others, will be included in the segment Mobile Communication

Pro-forma adjusted income statements corresponding to this new presentation for the first semester 2010 and full year 2010 are provided in appendix 7.

Outlook

In 2011, Gemalto targets another year of expansion in revenue and profit from its ongoing operations, progressing in its 2010-2013 development plan. The company expects a substantially lower contribution from patent licensing activities in 2011, due to the public patent litigation it initiated in the USA; stable or expanding profits in Mobile Communication, with a pronounced seasonality due to the large deployments of Near-Field Communication (NFC) mobile contactless services and LTE fourth generation networks announced for the latter part of the year; and reiterates its expectation to have Secure Transactions delivering a high single-digit profit margin from operations in 2011. It upgrades its view on the Security segment, which is now expected to deliver high single-digit profit margin from operations in 2011 even without patent licensing contribution. Gemalto confirms its target of € 300 million in profit from operations in 2013.

Reporting calendar

The annual report, including the consolidated financial statements as of December 31, 2010, is available on our Investor web site (www.gemalto.com/investors).

First quarter 2011 revenue will be reported on Thursday April 28, 2011, before the opening of Euronext Paris.

Live Audio Webcast and Conference call

Gemalto Full year 2010 results presentation will be webcast in English today at 3pm Paris time (2pm London time and 9am New York time).

This listen-only live audio webcast of the presentation and the Q&A session will be accessible from our Investor Relations web site:

www.gemalto.com/investors

Questions will be taken by way of conference call. Investors and financial analysts wishing to ask questions should join the presentation by dialling:

(UK) +44 203 367 9453 or (US) +1 866 907 5923 or (FR) +33 1 7077 0937.

The accompanying presentation slide set is also available for download on our Investor Relations web site.

Replays of the presentation and Q&A session will be available in webcast format from approximately 3 hours after the conclusion of the presentation, through our Investor Relations web site. Replays will be available for one year.

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About Gemalto

Gemalto (Euronext NL 0000400653 GTO) is the world leader in digital security with 2010 annual revenues of €1.9 billion, and over 10 thousand employees operating out of 87 offices, research and service centers in 45 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), Universal Integrated Circuit Card (UICC) in mobile phones, smart banking cards, smart card access badges, electronic passports, and USB tokens for online identity protection. Moreover Gemalto delivers on emerging applications related to the 'Internet of things' by supplying wireless modules and machine identification modules (MIM) for machine-to-machine communication. To complete these solutions 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.

Appendix 1

Full year 2010 adjusted income statement by business segment

Adjusted income statement (€ in millions)	Ongoing operations					Full year 2010	Assets held for sale		Full year 2010	Pro-forma Discontinued operation
	Mobile Communication	M2M	Secure Transactions	Security	Others	Ongoing operations	Secure Transactions (JV)	Security (JV)	Total Gemalto	Others (POS)
Revenue	980.9	81.3	462.1	318.1	19.5	1,861.8	41.3	2.4	1,905.6	50.8
Gross profit	375.9	26.5	140.2	129.1	4.3	676.0	12.5	0.8	689.4	14.6
Operating expenses	258.2	19.4	99.0	89.7	2.2	468.6	5.0	0.2	473.7	13.9
Profit from operations	117.7	7.1	41.2	39.4	2.1	207.5	7.6	0.6	215.7	0.7

Full year 2009 adjusted income statement by business segment

Adjusted income statement (€ in millions)	Ongoing operations					Full year 2009	Assets held for sale		Full year 2009	Discontinued operation	Full year 2009
	Mobile Communication	M2M	Secure Transactions	Security	Others	Ongoing operations	Secure Transactions (JV)	Security (JV)	Total Gemalto	Others (POS)	As previously reported
Revenue	888.1	-	411.4	236.0	24.5	1,560.0	30.0	12.1	1,602.0	52.4	1,654.4
Gross profit	383.5	-	99.1	85.2	6.0	573.8	9.5	4.5	587.8	14.0	601.8
Operating expenses	232.8	-	87.3	81.1	2.3	403.4	3.3	0.4	407.1	11.4	418.5
Profit from operations	150.7	-	11.8	4.1	3.8	170.4	6.1	4.1	180.7	2.6	183.3*

(*) The "Adjusted EBIT" reported in FY2009 publication at €170.6m differs from the "Profit from operation" by the amount of the equity based compensation charges.

Appendix 2

Reconciliation from Adjusted financial information to IFRS

	Year ended December 31, 2009				
	Adjusted financial information for ongoing operations	Contribution from JV and POS	Adjusted financial information	Adjustments	IFRS financial information
In million of Euro					
Revenue	**1,560.0**	**42.1**	**1,602.0**	**(0.1)**	**1,601.9**
Cost of sales	(986.1)	(28.1)	(1,014.2)	(1.7)	(1,015.9)
Gross profit	**573.8**	**14.0**	**587.8**	**(1.8)**	**586.0**
Operating expenses					
Research and engineering	(91.1)	(0.2)	(91.3)	(1.0)	(92.3)
Sales and marketing	(223.7)	(3.2)	(226.8)	(4.6)	(231.5)
General and administrative	(92.2)	(0.8)	(93.0)	(6.5)	(99.5)
Other income (expense), net	3.6	0.4	4.0		4.0
Profit from Operations (PFO)	**170.4**	**10.3**	**180.7**		
Equity-based compensation charges				**(14.0)**	
Restructuring & acquisition-related expenses				(9.3)	(9.3)
Amortization and depreciation of intangibles resulting from acquisitions				(23.7)	(23.7)
Operating result (EBIT)				**(47.0)**	**133.7**
Financial income (expense), net	(2.2)		(2.2)		(2.2)
Share of profit of associates	1.4		1.4		1.4
Gain on sale of investment in associate	0.1		0.1		0.1
Profit before income tax	**169.6**	**10.3**	**179.9**	**(47.0)**	**132.9**
Income tax (expense) credit	(19.6)	(2.0)	(21.6)	4.2	(17.4)
Profit from continuing operations	**150.0**	**8.3**	**158.3**	**(42.8)**	**115.5**
Profit (loss) from discontinued operation (POS) (net of income tax)		2.6	2.6		2.6
Profit for the period (Net profit)	**150.0**	**10.9**	**160.9**	**(42.8)**	**118.1**
Attributable to					
Owners of the Company	149.0	8.5	157.6		114.8
Non-controlling interests	1.0	2.3	3.3		3.3
Earnings per share (€ per share)					
Basic	1.81		1.91		1.39
Diluted	1.78		1.88		1.37

In million of Euro	Year ended December 31, 2010 Adjusted financial information for ongoing operations	Contribution from JV and POS	Adjusted financial information	Adjustments	IFRS financial information
Revenue	**1,861.8**	**43.7**	**1,905.6**		**1,905.6**
Cost of sales	(1,185.8)	(30.4)	(1,216.2)	(2.5)	(1,218.7)
Gross profit	**676.0**	**13.3**	**689.4**	**(2.5)**	**686.8**
Operating expenses					
Research and engineering	(103.5)	(0.3)	(103.8)	(0.8)	(104.6)
Sales and marketing	(256.2)	(4.1)	(260.4)	(7.2)	(267.5)
General and administrative	(117.1)	(0.9)	(117.9)	(9.7)	(127.6)
Other income (expense), net	8.3	0.1	8.4		8.4
Profit from Operations (PFO)	**207.5**	**8.2**	**215.7**		
Equity-based compensation charges				**(20.2)**	
Restructuring & acquisition-related expenses				(9.3)	(9.3)
Amortization and depreciation of intangibles resulting from acquisitions				(22.8)	(22.8)
Operating result (EBIT)				**(52.2)**	**163.4**
Financial income (expense), net	0.8		0.8		0.8
Share of profit of associates	1.7		1.7		1.7
Gain on sale of investment in associate	-		-		-
Profit before income tax	**210.0**	**8.2**	**218.2**	**(52.2)**	**165.9**
Income tax (expense) credit	2.5	(1.9)	0.6	3.3	3.9
Profit from continuing operations	**212.5**	**6.3**	**218.8**	**(49.0)**	**169.8**
Profit (loss) from discontinued operation (net of income tax)		(2.4)	(2.4)		(2.4)
Profit for the period (Net profit)	**212.5**	**3.9**	**216.4**	**(49.0)**	**167.4**
Attributable to					
Owners of the Company	211.2	1.7	212.9		163.9
Non-controlling interests	1.3	2.2	3.5		3.5
Earnings per share (€ per share)					
Basic	2.54		2.56		1.97
Diluted	2.50		2.52		1.94

The full year 2010 adjusted basic earnings per share are determined on the basis of the weighted average number of Gemalto shares outstanding during the twelve-month period ended December 31, 2010, i.e. 83,030,525 shares, which takes into account the effect of the share buy-back program. The full year 2010 adjusted diluted earnings per share were determined using 84,399,768 shares corresponding to the IFRS treasury stock method, i.e. on the basis of the same weighted average number of Gemalto shares outstanding for the twelve-month period ended December 31, 2010 and considering that all outstanding "in the money" stock options were exercised (5,976,566 options) and the proceeds received from the options exercised (€ 142,268,568) were used to buy-back shares at the average share price of the full year 2010 (4,607,323 shares at € 30.88).

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Appendix 3

Fourth quarter 2010 revenue variation by region for ongoing operations

€ in millions (ongoing operations)	Fourth quarter 2009	**Fourth quarter 2010**	Year-on-year variation at historical exchange rates	Year-on-year variation at constant exchange rates
EMEA	246	**304**	+ 24%	+ 20%
North & South America	106	**157**	+ 48%	+ 35%
Asia	75	**95**	+ 26%	+ 12%
Total revenue	427	**556**	+ 30%	+ 23%

Full year 2010 revenue variation by region for ongoing operations

€ in millions (ongoing operations)	Full year 2009	**Full year 2010**	Year-on-year variation at historical exchange rates	Year-on-year variation at constant exchange rates
EMEA	890	**1,017**	+ 14%	+ 12%
North & South America	393	**489**	+ 25%	+ 14%
Asia	277	**356**	+ 29%	+ 20%
Total revenue	1,560	**1,862**	+ 19%	+ 14%

Appendix 4

Average exchange rates between the Euro and the US dollar

EUR/USD	2009	2010
First quarter	1.33	1.40
Second quarter	1.34	1.31
First half	**1.34**	**1.35**
Third quarter	1.41	1.27
Fourth quarter	1.47	1.36
Second half	**1.44**	**1.31**
Full year	**1.39**	**1.33**

Appendix 5

Consolidated statement of financial position

In millions of Euro	Year ended December 31 2009	2010
ASSETS		
Non-current assets		
Property, plant and equipment, net	220.0	217.2
Goodwill, net	596.6	799.0
Intangible assets, net	81.5	152.6
Investments in associate	10.0	10.9
Deferred income tax assets	24.2	51.3
Available-for-sale financial assets, net	1.3	1.7
Other non-current assets	22.8	33.3
Derivative financial instruments	1.8	7.5
Total non-current assets	**958.1**	**1,273.5**
Current assets		
Inventories, net	150.6	155.3
Trade and other receivables, net	432.1	537.1
Derivative financial instruments	15.4	7.9
Cash and cash equivalents	403.7	256.1
Total current assets	**1,001.8**	**956.4**
Assets held for sale	**1.7**	**57.2**
Total assets	**1,961.6**	**2,287.1**
EQUITY		
Capital and reserves attributable to the owners of the company		
Share capital	88.0	88.0
Share premium	1,215.9	1,209.4
Treasury shares	(129.6)	(132.0)
Fair value and other reserves	55.1	80.0
Cumulative translation adjustments	(22.9)	5.9
Retained earnings	201.2	344.3
	1,407.7	**1,595.6**
Non-controlling interests	**11.8**	**14.8**
Total equity	**1,419.5**	**1,610.3**
LIABILITIES		
Non-current liabilities		
Borrowings	14.9	14.8
Deferred income tax liabilities	22.3	19.2
Employee benefit obligation	32.7	43.6
Provisions and other liabilities	74.0	71.7
Derivative financial instruments	0.2	0.8
Total non-current liabilities	**144.2**	**150.0**
Current liabilities		
Trade and other payables	353.9	463.1
Current income tax liabilities	6.4	15.8
Borrowings	8.2	5.4
Derivative financial instruments	3.4	8.9
Provisions and other liabilities	26.0	13.7
Total current liabilities	**398.0**	**506.9**
Liabilities associated with assets held-for-sale	**-**	**19.8**
Total liabilities	**542.1**	**676.7**
Total equity and liabilities	**1,961.6**	**2,287.1**

Appendix 6

Cash position variation schedule

€ in millions	Full year 2009	**Full year 2010**
Cash and cash equivalents, beginning of period	**367**	**404**
Cash generated by operating activities, before cash outflows related to restructuring actions	**224**	**183**
Including cash provided (used) by working capital decrease (increase)	9	(38)
Cash used in restructuring actions	(24)	(9)
Cash generated by operating activities	**200**	**174**
Capital expenditure and acquisitions of intangibles	(53)	(73)
Free cash flow	**147**	**101**
Interest received, net	2	2
Cash used by acquisitions	(74)	(198)
Other cash provided (used) by investing activities	4	9
Currency translation adjustments	8	9
Cash generated (used) by operating and investing activities	**87**	**(77)**
Cash used by the share buy-back program	(65)	(39)
Dividend paid to Gemalto shareholders	0	(21)
Other cash provided (used) by financing activities	14	8
Cash and cash equivalents, end of period[7]	**404**	**276**
Current and non-current borrowings including finance lease and bank overdrafts, end of period	(23)	(20)
Net cash, end of period	**381**	**255**

[7] As at December 31, 2010, net cash amounting € 19 million were in the JV and reported in the item "Asset held for sale".

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Appendix 7

Starting January 1, 2011,

- the patent licensing activity, currently reported as part of the segment Security, will be reported separately, in a new segment "Patents".
- the public telephony activity currently reported in the segment Others, will be included in the segment Mobile Communications

For future comparison purpose, pro-forma adjusted income statement for the first semester and full year 2010 with this new reporting format are provided in the below tables.

Pro-forma first Half 2010 adjusted income statement for ongoing operations by business segment under 2011' presentation format

Adjusted income statement (€ in millions)	Ongoing operations					**First Half 2010**
	Mobile Communication (including public telephony)	M2M	Secure Transactions	Security (excluding patents)	Patents	**Ongoing operations**
Revenue	459	-	207	132	16	815
Gross profit	175	-	54	48	15	292
Operating expenses	135	-	49	39	3	225
Profit from operations	40	-	6	9	12	67

Pro-forma full year 2010 adjusted income statement for ongoing operations by business segment under 2011' presentation format

Adjusted income statement (€ in millions)	Ongoing operations					**Full year 2010**
	Mobile Communication (including public telephony)	M2M	Secure Transactions	Security (excluding patents)	Patents	**Ongoing operations**
Revenue	1,000	81	462	285	33	1,862
Gross profit	380	27	140	100	30	676
Operating expenses	260	19	99	80	9	469
Profit from operations	120	7	41	19	20	207