Gemalto full year 2011 results

- **Revenue from Ongoing operations at €2 billion, up by 9% at constant rate**
- **Profit from Ongoing operations at €239 million, increases by 15%**
- **New products and services drive strong profit expansion in Mobile Communication**
- **Secure Transactions and Security outperform their profit margin objectives**

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 presented in Appendix 2. The balance sheet is prepared in accordance with IFRS, and the cash position variation schedule is derived from the IFRS cash flow statement.

Amsterdam, March 8, 2012 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the full year 2011.

Key figures of the adjusted income statement

€in millions	**Full year 2011**	Full year 2010	Year-on-year variations at historical exchange rates	Year-on-year variations at constant exchange rates
Ongoing operations				
Revenue	**2000**	1862	+7%	+9%
Gross profit	**747**	676	+11%	
Operating expenses	**(509)**	(468)	+10%	
Profit from operations	**239**	207	+15%	
Profit margin	**11.9%**	11.1%	+0.8 ppt	
Other operations				
Revenue	**15**	44		
Profit from operations	**17**	8		
All operations				
Total revenue	**2015**	1906	+6%	+8%
Total profit from operations	**256**	216	+19%	

Olivier Piou, Chief Executive Officer, commented: "In 2011, halfway through our strategic plan, we clearly outperformed our objectives. Secure Transactions and Security have become double-digit profit margin businesses, with strong growth and scale effects. Mobile Communication is back to revenue and profit expansion, benefitting from our investments in software and services. Consequently, the combined profit from operations of our four main segments[1] grew by 28% in 2011. These results provide a strong base for the second part of our plan. We will continue along our strategy of transformation and expansion in the growing market of digital security, and have confidence in reaching our €300 million profit from operations target in 2013."

[1]The four main segments are the Mobile Communication, Machine-to-Machine, Secure Transactions, and Security business segments. They represented almost all the Company revenue in 2011 and in 2010.

Basis of preparation of financial information

In this press release, the information for the full year of both 2011 and 2010 is presented for Ongoing operations and under the 2011 format of segment reporting, unless otherwise specified.

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 (IFRS). 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 share-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.
- Share-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 provisions 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).

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, 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.

Ongoing operations

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 "Ongoing operations" for both 2011 and 2010 reporting periods.

- 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 contributions from assets classified as held for sale and from other items not related to Ongoing operations.
- Assets held for sale: The assets of one of the Company joint ventures (the "JV") active in China in Secure Transactions and Security, and for which shareholding restructuring agreement has been completed with the partner.
- Discontinued operation: The disposal of the Company business in point of sale ("POS") terminals to Verifone was effective on December 31, 2010. As per IFRS, the contribution of this activity to the IFRS income statement is reclassified for 2010 and 2011 reporting periods and its net contribution is presented on the line item "Profit (loss) from discontinued operation (net of income tax)". 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.

Basis of presentation of the segment information starting 2011

Starting January 1, 2011, the segment information accounts for the following changes:

- the patent licensing activity, previously reported as part of the segment Security, is reported separately, in a new segment "Patents".
- the public telephony activity, which is reaching end of life as it is now almost fully substituted by mobile telephony, previously reported in the segment Others, is included in the segment Mobile Communication.

In this press release the financial information for 2010 is presented pro-forma on the above basis of presentation.

Historical exchange rates and constant currency figures

Revenue variations are at constant exchange rates, except where otherwise noted. All other figures in this press release are at historical exchange rates, except where otherwise noted. The Company sells its products and services in a very large number of countries and is commonly remunerated in other currencies than the Euro. Fluctuations in these other currencies exchange rates against the Euro have a translation impact on the reported Euro value of the Company revenues. Comparisons at constant exchange rates aim at eliminating the effect of currencies translation movements on the analysis of the Group revenue by translating prior year revenues at the same average exchange rate as applied in the current year.

gemalto
security to be free

IFRS results

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). To better assess its past and future performance, the Company also prepares an adjusted income statement. The Company provides in Appendix 2 the reconciliation between the IFRS and adjusted income statements.

The IFRS consolidated income statement for the full year 2011 shows an operating result of €183 million for the Company. It was €163 million for the full year 2010.

For the full year 2011, restructuring and acquisition-related expenses amounted to €15 million, versus €9 million for 2010. Equity-based compensation charges were €32 million versus €20 million for 2010, essentially due to the use of different metrics in one of the 2011 plans, compared to the 2010 plan, which led to a significantly shorter amortization period. Amortization and depreciation of intangibles resulting from acquisitions were €25 million versus €23 million for 2010.

Net profit for the full year 2011 was €161 million. It was €167 million for the full year 2010. Higher current tax and the recognition of less deferred tax assets when compared to 2010 created a €18 million increase in income tax charge.

Consequently, basic earnings per share and diluted earnings per share were €1.93 and €1.88 for the reported period. These were respectively €1.97 and €1.94 in the full year of 2010.

Adjusted financial information

In this section, the financial information is presented for all operations. In comparison to adjusted income statement for Ongoing operations, the adjusted income statement for all operations also includes:

- for 2011, the contribution for the first quarter of a joint venture held for sale and the gain recognized further to its deconsolidation after restructuring of its shareholding;
- for 2010 and 2011, the contribution from the Point of Sales (POS) operation disposed of in December 2010. This contribution is classified in discontinued operations and its net contribution is reported below the profit from operations.

Extract from the adjusted income statement for all operations

	Full year 2011		Full year 2010		
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	Year-on-year variation at historical exchange rates
Revenue	**2015.4**		1905.6		+6%
Gross profit	**751.5**	**37.3%**	689.4	36.2%	+1.1 ppt
Operating expenses	**(515.1)**	**(25.6%)**	(473.7)	(24.9%)	(0.7 ppt)
JV deconsolidation gain	**19.2**		-		
EBITDA	**319.8**	**15.9%**	277.2	14.5%	+1.3 ppt
Profit from operations	**255.6**	**12.7%**	215.7	11.3%	+1.4 ppt
of which Ongoing operations	**238.6**	**11.8%**	207.5	10.9%	+1.0 ppt
of which other operations	**17.1**		8.2		
Net profit	**227.7**	**11.3%**	216.4	11.4%	(0.1 ppt)
Earnings per share (€)					
Basic	**2.73**		2.56		+6%
Diluted	**2.65**		2.52		+5%

Revenue of the Company for all its operations was up by +8% at constant rates, to €2015 million. Expansion was supported by strong growth in the Secure Transactions and Security segments. The Mobile Communication segment revenue was stable with increasing activity in the second part of the year.

Gross profit for the Company was up €62 million or +9% to €752 million. This represents a gross margin of 37.3%, higher by +1.1 percentage point than the previous year. Gross margin increased in all main segments as a result of favorable product mix evolutions, increasing contribution of Software & Services due to larger software sales and delivery optimization, and productivity gains.

Operating expenses increased to €515 million, up +0.7 percentage point to 25.6% of revenue. Lower revenue in Patents led to a higher ratio of operating expenses to revenue in this segment and Machine-to-Machine increased its expenses to prepare for anticipated growth. Other income included €19 million from the one-off gain on remeasurement to fair value of Gemalto's investment in a Chinese JV following a shareholding restructuring transaction. Full-year 2011 profit from operations came in at €256 million or 12.7% of revenue. The year-on-year variation benefited from the positive developments in Ongoing operations and from the JV deconsolidation gain. For Ongoing operations, profit grew from €207 million to €239 million, up +15%. The Company achieved this strong increase despite a €21 million year-on-year decrease in Patents' contribution to its profit. The increase was supported by initial deployments of fourth generation networks (LTE) and mobile contactless services (NFC) in Mobile Communication, sustained global migration to EMV and contactless payment in Secure Transactions, continuing growth in Security, materialization of synergies from acquired companies and by profitability improvements in Software and Services activities as usage has picked up and efficiency from replication has kicked-in.

Financial income was a charge of €(13) million for the year. Foreign exchange transactions and hedging instruments reevaluation at year-end accounted for a charge of €(7) million. The remaining charges were mainly linked to the reassessment at fair value of several financial liabilities. Share of profit of associates increased by €4 million, to €6 million.

Consequently, adjusted profit before income tax was €249 million. It was €218 million in 2010.

Income tax expense was €(20) million, down from an income of €0.6 million in 2010, due to higher current tax and the recognition of less deferred tax assets when compared to 2010.

In 2011, the Company also recorded a €(1.5) million charge from discontinued operations in relation to the disposal of the Point-of-Sale activity at the end of 2010.

As a result, adjusted net profit for all operations of the Company was €228 million in 2011, a +5% increase when compared to €216 million in 2010, and adjusted net profit margin increased to 11.3%.

Basic adjusted earnings per share came in at €2.73 and fully diluted adjusted earnings per share at €2.65, increasing respectively by 6% and 5%.

Balance sheet and cash position variation schedule

For the full year 2011, operating activities generated a cash flow before restructuring actions of €219 million versus €183 million in 2010. Cash used in restructuring actions was €8 million. Cash used in working capital on December 31, 2011 was up by €2 million when compared to the closing of 2010. Capital expenditure and acquisition of intangibles amounted to €93 million versus €73 million in 2010, of which €53 million was incurred for Property, Plant and Equipment versus €44 million in 2010 mainly due to renewal of personalization equipment in acquired subsidiary. Capital expenditures also included capitalized R&D for an amount of €34 million in 2011 versus €25 million in 2010 mainly due to the full year consolidation period of Cinterion versus a five-month period in 2010. Net impact from investing activities related to acquisitions and divestitures was non-material.

Gemalto's share buy-back program used €61 million in cash for the purchase of 1,808,943 shares over the full year 2011. As at December 31, 2011, the Company owned 4,996,308 shares, i.e. 5.68% of its own shares, in treasury. The total number of Gemalto shares issued remained unchanged, at 88,015,844 shares. Net of the 4,996,308 shares held in treasury, 83,019,536 shares were outstanding as at December 31, 2011. The average acquisition price of the shares repurchased on the market and held in treasury as at December 31, 2011 was €31.33.

As at March 2, 2012, the Company owned 5,047,097 shares, i.e. 5.73% of its own shares, in treasury. Net of these shares held in treasury, 82,968,747 shares were outstanding on that date.

On May 31, 2011, Gemalto paid a cash dividend of €0.28 per share in respect of the fiscal year 2010. This distribution used €23 million in cash. Other financing activities generated €28 million in cash, including €34 million of proceeds received by the Company from the exercise of stock options by employees.

As a result of these elements, the deconsolidation of assets held for sale and variations in current and non-current borrowings, Gemalto's net cash position as at December 31, 2011 was €309 million, an increase of €54 million when compared with December 31, 2010.

Segment information

For a better understanding of Gemalto's business evolution, comments and comparisons of this section address Ongoing operations and revenue variations are expressed at constant currency exchange rates except otherwise noted.

The basis of presentation of this document describes the changes that occurred in the segments' presentation for the year 2011. The segment financial information for 2010 is presented pro-forma on the 2011 basis of presentation.

Segment contribution to the Company results

Ongoing operations € in millions	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	**Four main segments**	Patents	**Total Gemalto**
Revenue							
Full year 2011	976	174	531	310	**1991**	9	**2000**
Full year 2010	1000	81	462	285	**1829**	33	**1862**
Year-on-Year variations				At historical rates	**9%**		**7%**
				At constant rates	**11%**		**9%**
Profit from operations							
Full year 2011	138	14	58	30	**239**	0	**239**
Full year 2010	120	7	41	19	**187**	20	**207**
Year-on-Year variations				At historical rates	**28%**		**15%**

In 2011, revenue and profit posted a strong increase in the main segments, and the reduction of activity in Patents was related to the ongoing litigation[2] initiated by the Company in the United States. In the main segments, revenue increased by +11% and profit from operations grew by +28%, benefitting from the rise in revenue and gross margin improvements. Revenue increased by +9% and profit from operations increased by +15% at historical rates when taking into account the contribution of Patents.

The Machine-to-Machine segment mainly includes the activity of Cinterion, which was acquired in July 2010 and consolidated as of August 1, 2010. Excluding its contribution, revenue growth in the main segments was +6% at constant rates in 2011.

Segment contribution to Gemalto results from Ongoing operations	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Patents	Total
As a percentage of revenue	49%	9%	27%	15%	0%	100%
As a percentage of PFO	58%	6%	24%	12%	0%	100%

The four main segments of activities, which are comprised of Mobile Communication, Machine-to-Machine, Secure Transactions and Security, represented close to 100% of Gemalto's revenue and profit from operations in 2011.

The contribution of the Secure Transactions, Security and Machine-to-Machine segments progressed rapidly to account for 51% of Gemalto revenue and 42% of its profit from operations (PFO). These segments represented 44% of revenue and 33% of profit from operations for the year 2010.

[2] Refer to section "Patents" below

Fourth quarter, second semester and foreign exchange rate impact

Year-on-year variations	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	**Total four main segments**	Patents	**Total Ongoing operations**
Q4' 2011							
Revenue	298 M€	47 M€	141 M€	89 M€	**575 M€**	6 M€	**582 M€**
At historical rates	+5%	(2%)	+4%	+10%	**+5%**	+11%	**+5%**
At constant rates	+6%	(1%)	+6%	+11%	**+6%**	+11%	**+6%**
H2' 2011							
Revenue	532 M€	90 M€	280 M€	163 M€	**1066 M€**	6 M€	**1072 M€**
At historical rates	(2%)	+11%	+10%	+7%	**+3%**	(63%)	**+2%**
At constant rates	+2%	+14%	+13%	+9%	**+7%**	(63%)	**+5%**
Profit from operations	107 M€	8 M€	31 M€	18 M€	**165 M€**	2 M€	**167 M€**
At historical rates	+35%	+12%	(12%)	+81%	**+25%**	(79%)	**+18%**
FY' 2011							
Revenue	976 M€	174 M€	531 M€	310 M€	**1991 M€**	9 M€	**2000 M€**
At historical rates	(2%)	+114%	+15%	+9%	**+9%**	(73%)	**+7%**
At constant rates	(0%)	+120%	+17%	+10%	**+11%**	(73%)	**+9%**
Profit from operations	138 M€	14 M€	58 M€	30 M€	**239 M€**	(0M€)	**239 M€**
At historical rates	+15%	+93%	+40%	+55%	**+28%**	(102%)	**+15%**

Full year revenue of the four main segments grew +11% at constant rates. The double-digit revenue expansion in both Secure Transactions and Security for the full year and the return to growth in Mobile Communication in the second semester led to this strong performance.

In Mobile Communication, fourth quarter revenue increased by +6% to €298 million, materializing the strong seasonality expected in 2011 for the segment: product activity, up +4%, and Software and Services activity, up +17%, contributed to the growth. Initial deployments of commercial projects related to fourth generation networks and mobile contactless services drove this expansion. In Secure Transactions, the +6% increase in fourth quarter revenue was more moderate than in previous quarters due to the high comparison basis. Security's growth accelerated in the fourth quarter at +11%, as Identity and Access Management (IAM) performed well.

At the company level, Software and Services activities grew by +15% in the fourth quarter. For the full year, it grew by +9% to €273 million as rapid organic growth in mobile solutions was partially offset by the trimming of acquired companies' non-strategic activities done in the Mobile Communication segment.

The evolution of foreign currencies translation in Euro produced a significant unfavorable impact on second semester revenue, after a limited impact in the first semester. For the full year 2011, the Company revenue growth for its ongoing operations was +7% at historical rate and +9% at constant rate.

Mobile Communication

- Return to growth at year-end generated solid increase in profit from operations
- Investments in Software and Services from previous semesters are paying off

	Full year 2011		Full year 2010		
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	Year-on-year variation at historical exchange rates
Revenue	**976.0**		1000.4		(2%)
Gross profit	**393.0**	**40.3%**	380.3	38.0%	+2.3 ppt
Operating expenses	**(255.2)**	**(26.2%)**	(260.4)	(26.0%)	(0.1 ppt)
Profit from operations	**137.8**	**14.1%**	119.9	12.0%	+2.1 ppt

Mobile Communication posted annual revenue of €976 million, stable at constant rates. As anticipated, seasonality was strong with fourth quarter revenue accelerating to +6%. Hence, second semester revenue grew to €532 million, up +2% year-on-year at constant rates.

Software and Services revenue grew to €161 million in 2011, up +7%. Seasonality was also marked with fourth quarter revenue growing by 17% on the back of commercial deployments of mobile solutions despite the trimming of non-strategic activities in acquired companies. Important additional contracts related to future commercial launches of mobile payment and mobile NFC services were signed during the fourth quarter.

Product mix improved gradually in the second half of the year with a few operators in the Americas and Asia launching fourth generation networks (LTE) and contactless services (NFC). This change in trend resulted in +4% year-on-year increase in product revenue recorded in the fourth quarter.

As a result of these positive developments, the segment's gross margin grew +2.3 percentage points over the period to account for 40.3% of 2011 revenue. This increase was driven by the improvement in the product mix and by the surge in profitability of the Software and Services business. Software and Services crossed the break-even point during the second semester after a period of investments done both organically and through several bolt-on acquisitions.

Operating expenses were slightly up at 26.2% when expressed as percentage of revenue and decreased by €5 million for the year. The bulk of the decrease occurred during the first semester, when synergies from acquired businesses more than offset the resources the Company deployed to support strong demand from its customers for more field trials of new mobile financial services and mobile contactless services.

Profit from operations came in at €138 million for the segment, an increase of €18 million on the previous year. Profit margin from operations grew by +2.1 percentage points to 14.1% of revenue. With high-end deployments of products and services starting in developed countries, the Company recorded €107 million in profit from operations in the second semester.

Machine-to-Machine

- Investment phase, building a comprehensive offer
- Resilience in a period marked by natural disasters and slower activity in industrial sectors

	Full year 2011		Full year 2010 (5 months)		
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	Year-on-year variation at historical exchange rates
Revenue	**174.3**		81.3		+114%
Gross profit	**60.4**	**34.7%**	26.5	32.6%	+2.1 ppt
Operating expenses	**(46.7)**	**(26.8%)**	(19.4)	(23.9%)	(2.9 ppt)
Profit from operations	**13.7**	**7.9%**	7.1	8.7%	(0.9 ppt)

The Machine-to-Machine segment posted revenue of €174 million. This figure was stable when compared to pro-forma 2010 revenue at historical rates despite the adverse effects of unfavorable currency exchange rates, an uncertain global macroeconomic environment, and two natural disasters that affected the key markets and sources of Japan and Thailand in 2011.

The segment's gross margin continued to improve throughout the year settling at 34.7%, up by +2.1 percentage points when compared to the previous year's initial consolidation period of August-December 2010.

Operating expenses were €47 million, as R&D investments in new products and services were sustained and supplemental marketing efforts were deployed throughout the year to support the newly integrated offerings.

As a result, profit from operations for the segment came in at €14 million, or 7.9% when expressed as a percentage of 2011 revenue.

On December 20, 2011, Gemalto announced it had acquired SensorLogic, based in the United States. The cloud-based, M2M service delivery platform offered by Sensor Logic will augment Cinterion's market-leading range of M2M modules, MIM cards, Over-The-Air device management and security solutions. As of December 20, 2011, Sensor Logic activities have been included in the Machine-to-Machine reporting segment.

Secure Transactions

- Development of EMV in fast-growing regions and dual interface cards boost revenue and profit
- Favorable announcements related to future migration to EMV in the United States

	Full year 2011		Full year 2010		
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	Year-on-year variation at historical exchange rates
Revenue	**531.4**		462.1		+15%
Gross profit	**168.2**	**31.7%**	140.2	30.3%	+1.3 ppt
Operating expenses	**(110.5)**	**(20.8%)**	(99.0)	(21.4%)	+0.6 ppt
Profit from operations	**57.7**	**10.9%**	41.2	8.9%	+2.0 ppt

Secure Transactions posted a record performance in 2011, growing revenue by +17% at constant exchange rates to €531 million. This market outperformance, initiated in the second half of 2010, was extended to a particularly dynamic first semester in 2011 as a series of rapidly-developing regions accelerated their migration to EMV and financial institutions in developed economies upgraded to contactless dual interface payment cards. Revenue growth stood at +13% in the second semester, reflecting a more challenging comparative base and the anticipated return towards market-growth averages.

The yearly improvement in product mix, the better absorption of fixed costs in high growth areas and higher personalization activity associated with this strong revenue expansion led to a gross margin increase of +1.3 percentage points on the previous year, at 31.7% of revenue.

The share in revenue of operating expenses drew down once again by (0.6) percentage points to 20.8%. Expenses increased by €11 million in value over the year to €110 million as investments were made in the second semester in the development of software for mobile financial services for banks and in preparation for growth in new countries that are expected to migrate to EMV in the near future.

The segment's profit from operations for the period reached €58 million, up +40% on the previous year's figure. This corresponds to double-digit profit margin of 10.9%, up +2.0 percentage points on 2010, outperforming the objective set for 2011 as part of the Company's long-range Development Plan in 2009.

Supported by the current worldwide wave of migration to EMV payment technology, the 2011 results posted by Secure Transactions confirm the sustained improvement of this segment's performance. The segment's long-term prospects were considerably reinforced in the second part of 2011 by the positive strategic shifts in favor of EMV in the United States. The effects of this migration are expected to become material for the segment towards the end of 2013.

Security

- Major contracts wins all year long in Government Programs lead to increased revenue and backlog
- Profitability exceeds objectives set for the segment as part of Company's Development Plan

	Full year 2011		Full year 2010		
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	Year-on-year variation at historical exchange rates
Revenue	**309.9**		285.0		+9%
Gross profit	**118.0**	**38.1%**	99.5	34.9%	+3.2 ppt
Operating expenses	**(88.2)**	**(28.5%)**	(80.3)	(28.2%)	(0.3 ppt)
Profit from operations	**29.8**	**9.6%**	19.2	6.8%	+2.9 ppt

Security posted another year of double-digit revenue growth at constant exchange rates. Government Programs, which accounts for approximately two-thirds of the segment's revenue, grew by 11% on the back of new e-Documents and e-Government services deployments, and it substantially increased its backlog at year-end. Revenue growth in Identity Access and Management (IAM) was slower in the first semester due to security issues not related to the Company that weighed on the whole industry. Growth accelerated over the second semester to +13%, driven by more deployments of security solutions for e-Banking and internet access for cloud computing applications.

The segment's gross profit margin reached 38.1%, an improvement of more than 3 percentage points and gross profit reached €118 million. This was achieved through the increasing sales activity, and additional productivity gains.

Operating expenses remained tightly controlled at €88 million or 28.5% of revenue, down 0.3 percentage points on 2010.

Supported by the strong operational leverage of its top line growth, Security's profit from operations grew by +55% to €30 million or 9.6% profit margin from operations, easily reaching the intermediate 2011 milestone objective of high single-digit profit margin set as part of Gemalto's 2009 Development Plan.

Patents

- Temporary postponement of the signing of new licenses

	Full year 2011		Full year 2010		
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	Year-on-year variation at historical exchange rates
Revenue	**8.8**		33.0		(73%)
Gross profit	**7.5**	**85.4%**	29.5	89.3%	(4.0 ppt)
Operating expenses	**(8.0)**	**(90.4%)**	(9.4)	(28.5%)	(61.9 ppt)
Profit from operations	**(0.5)**	**(5.0%)**	20.1	60.8%	(65.9 ppt)

Patent revenue settled at €9 million, confirming the anticipated effect of the public patent litigation the Company has initiated in the United States to protect its intellectual property. During this litigation period, the Company and potential licensees have favored postponing the signing of new intellectual property licenses until fair, reasonable and non-discriminatory terms can be established.

This lower revenue translated directly into reduced gross profit for the segment as many of the segments' costs are fixed. Operating expenses however decreased by €1.5 million with disciplined management of expenses in the face of lower revenue.

As a result, Patents profit from operations was close to the break-even point in 2011, in line with expectations for the year.

Additional information

- As anticipated, the agreement for shareholding restructuring of the JV in China whose assets were held for sale was signed with our partner in the JV in the first half of 2011. This transaction was completed in the second half of 2011 and Gemalto has become a minority shareholder, holding a 20% interest in the JV as of September 1, 2011. During the first semester, at transfer of Gemalto's power to govern to the JV partner, a €19 million gain in the re-measurement at fair value of Gemalto's participation was recognized. During the second semester, Gemalto received €30 million in various payments from the partner. In addition, Gemalto will continue to benefit from the JV activities partly because the JV will continue to use Gemalto's technologies.

- In Mobile Communication, Gemalto made good progress in the fourth quarter of 2011 in rolling out its NFC-based Trusted Service Manager (TSM) solutions.
    - Isis, the U.S. based joint venture between AT&T Mobility, T-Mobile USA and Verizon Wireless, selected Gemalto's TSM solution to secure its open mobile commerce platform that will revolutionize how consumers shop, pay and save.
    - Singapore's Infocomm Development Authority of Singapore (IDA) also selected Gemalto as the trusted third party to deploy nationwide mobile NFC contactless services such as payment, ticketing, loyalty and other wireless services.
    - Finally, after a trial period for which Gemalto had been selected in July 2010, KDDI, a leading Japanese mobile network operator, announced that it would roll-out mobile NFC services beginning late January 2012. This will enable usage of contactless services through mobile phones compliant with the global NFC standard for the first time in Japan.

  <u>Related press releases:</u>
  Dec 12, 2011: Gemalto Selected by Isis to Deploy Mobile Payment and NFC Services in the U.S.
  Oct 25, 2011: Gemalto Trusted Services Manager Selected for Singapore's Nation-wide Near Field Communication (NFC)
  Jan 16, 2012: Japan's first ever mobile NFC service commercialization

Proposed dividend

The Board of Gemalto has decided to propose to the 2012 Annual General Meeting of Shareholders the payment of a cash dividend of EUR 0.31 per share for the 2011 financial year. The time schedule related to the dividend payment is as follows:

May 28, 2012	Ex-dividend date
May 30, 2012	Dividend record date
May 31, 2012	Payment of dividend

Outlook

For the full year 2012 Gemalto expects another year of expansion in revenue and profit from operations, with all main segments increasing their revenue and profit, limited revenue from Patents, and less seasonality in Mobile Communication, on its way towards its target of €300 million in profit from operations in 2013.

Live Audio Webcast and Conference call

Gemalto full year 2011 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 dialing:

(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 on our Investor Relations web site approximately 3 hours after the conclusion of the presentation. Replays will be available for one year.

Reporting calendar

The annual report, including the interim condensed consolidated financial statements as of December 31, 2011, is available on our Investor web site (www.gemalto.com/investors).

Financial reporting for the three first quarters of 2012 will be made before the opening of Euronext Paris on the following dates:

April 26, 2012	Publication of 2012 First quarter revenue
August 30, 2012	Publication of 2012 First half results
October 25, 2012	Publication of 2012 Third quarter revenue

Gemalto N.V. will hold its 2012 Annual General Meeting of Shareholders (AGM) on Thursday, May 24, 2012. The persons, who on April 26, 2012 (record date) hold shares in the Company and are registered as such in a register designated thereto by the Board for the AGM will be entitled to participate and vote at that meeting.

ADR (American Depositary Receipt)

Gemalto has established a sponsored Level I American Depository Receipt (ADR) Program in the United States since November 2009. Each Gemalto ordinary share is represented by two ADRs. Gemalto's ADRs trade in U.S. dollar and give access to the voting rights and to the dividends attached to the underlying Gemalto shares. The dividends are paid to investors in U.S. dollar, after being converted into U.S. dollar by the depository bank at the prevailing rate.

Structure: Sponsored Level I ADR
Exchange: OTC
Ratio (ORD:DR): 1:2
DR ISIN: US36863N2080
DR CUSIP: 36863N 208

Investor Relations
Gabriel Rangoni
M.: +33(0) 6 1426 6956
gabriel.rangoni@gemalto.com

Corporate Communication
Isabelle Marand
M.: +33(0) 6 1489 1817
isabelle.marand@gemalto.com

About Gemalto

Gemalto (Euronext NL0000400653 GTO) is the world leader in digital security with 2011 annual revenues of €2 billion and more than 10,000 employees operating out of 74 offices and 14 Research & Development centers in 43 countries.

We are at the heart of our evolving digital society. Billions of people worldwide increasingly want the freedom to communicate, travel, shop, bank, entertain and work – anytime, anywhere – in ways that are convenient, enjoyable and secure. Gemalto delivers on their expanding needs for personal mobile services, identity protection, payment security, authenticated online services, cloud computing access, modern transportation, M2M communication, eHealthcare and eGovernment services.

Gemalto develops secure software that runs on trusted devices which we develop design and personalize. We manage these devices, the confidential data they contain and the services they enable, throughout their life cycle. We innovate so that our clients can offer more ways of enhancing the convenience and security of their end-users' digital lives.

Gemalto is thriving with the growing number of people using its software and secure devices to interact in the digital and wireless world.

For more information visit www.gemalto.com, www.justaskgemalto.com, blog.gemalto.com, or follow @gemalto on Twitter.

Appendix 1

Adjusted income statement by business segment

Full year 2011 Adjusted income statement (€ in millions)	Ongoing operations Mobile Communication (with public telephony)	M2M	Secure Transactions	Security (excluding patents)	Patents	**Full year 2011 Ongoing operations**	Reconciling items[3]	**Full year 2011 Total Gemalto**
Revenue	976.0	174.3	531.4	309.9	8.8	2000.3	15.1	2015.4
Gross profit	393.0	60.4	168.2	118.0	7.5	747.2	4.4	751.5
Operating expenses	(255.2)	(46.7)	(110.5)	(88.2)	(8.0)	(508.6)	12.7	(495.9)
Profit from operations	137.8	13.7	57.7	29.8	(0.5)	238.6	17.1	255.6

Full year 2010 Adjusted income statement (€ in millions)	Ongoing operations Mobile Communication (with public telephony)	M2M	Secure Transactions	Security (excluding patents)	Patents	**Full year 2010 Ongoing operations**	Reconciling items[3]	**Full year 2010 Total Gemalto**	Discontinued operations (POS)
Revenue	1000.4	81.3	462.1	285.0	33.0	1861.8	43.7	1905.6	50.8
Gross profit	380.3	26.5	140.2	99.5	29.5	676.0	13.3	689.4	14.6
Operating expenses	(260.4)	(19.4)	(99.0)	(80.3)	(9.4)	(468.6)	(5.1)	(473.7)	(13.9)
Profit from operations	119.9	7.1	41.2	19.3	20.1	207.5	8.2	215.7	0.7

[3] "Reconciling items" comprise contribution from the assets held for sale together with the contribution from items not related to "Ongoing operations"

Appendix 2

Reconciliation from Adjusted financial information to IFRS

	12 month period ending December 31, 2011				
	Adjusted financial information for Ongoing operations	Reconciling items[4]	Adjusted financial information	Adjustments	IFRS financial information
€ in thousands					
Revenue	**2,000,289**	**15,095**	**2,015,384**		**2,015,384**
Cost of sales	(1,253,117)	(10,721)	(1,263,838)	(2,964)	(1,266,802)
Gross profit	**747,172**	**4,374**	**751,546**	**(2,964)**	**748,582**
Operating expenses					
Research and engineering	(116,062)	(79)	(116,141)	(1,951)	(118,092)
Sales and marketing	(275,636)	(895)	(276,531)	(12,364)	(288,895)
General and administrative	(121,421)	(1,081)	(122,502)	(14,797)	(137,299)
Gain on remeasurement to fair value of an investment in associate		19,240	19,240		19,240
Other income (expense), net	4,530	(4,497)	33		33
Profit from Operations (PFO)	**238,583**	**17,062**	**255,645**		**223,569**
Share-based compensation charges and associated costs				(32,076)	
Restructuring & acquisition-related expenses				(15,374)	(15,374)
Amortization and depreciation of intangibles resulting from acquisitions				(24,813)	(24,813)
Operating result (EBIT)				**(72,263)**	**183,382**
Financial income (expense), net	(14,668)	2,164	(12,504)		(12,504)
Share of profit of associates	5,714		5,714		5,714
Gain on sale of investment in associate					
Profit before income tax	**229,629**	**19,226**	**248,855**	**(72,263)**	**176,592**
Income tax expense	(16,209)	(3,409)	(19,618)	5,948	(13,670)
Profit from continuing operations	**213,420**	**15,817**	**229,237**	**(66,315)**	**162,922**
Profit (loss) from discontinued operation (net of income tax)		(1,554)	(1,554)		(1,554)
Profit for the period (Net profit)	**213,420**	**14,263**	**227,683**	**(66,315)**	**161,368**
Attributable to					
Owners of the Company - Profit for the period (Net profit)	212,167		226,430		160,115
Non-controlling interests	1,253		1,253		1,253
Earnings per share (€ per share)					
Basic	2.55		2.73		1.93
Diluted	2.48		2.65		1.88

The full year 2011 adjusted basic earnings per share is determined on the basis of the weighted average number of Gemalto shares outstanding during the twelve-month period ended December 31, 2011, i.e. 83,086,000 shares, which takes into account the effect of the share buy-back program. The full year 2011 adjusted diluted earnings per share is determined by using 85,383,267 shares corresponding to the IFRS treasury stock method, i.e. on the basis of the same weighted average number of Gemalto shares outstanding and considering that all outstanding “in the money” share based instruments were exercised (5,282,966 instruments) and the proceeds received from the instruments exercised (€101,483,909) were used to buy-back shares at the average share price of the full year 2011 (2,985,699 shares at €33.99).

[4] "Reconciling items” comprise contribution from the assets held for sale together with the contribution from items not related to “Ongoing operations”

€ in thousands	12 month period ending December 31, 2010 (represented to account for POS disposal)				
	Adjusted financial information for Ongoing operations	Reconciling items[5]	Adjusted financial information	Adjustments	IFRS financial information
Revenue	**1,861,842**	**43,726**	**1,905,568**		**1,905,568**
Cost of sales	(1,185,819)	(30,389)	(1,216,208)	(2,512)	(1,218,720)
Gross profit	**676,023**	**13,337**	**689,360**	**(2,512)**	**686,848**
Operating expenses					
Research and engineering	(103,546)	(255)	(103,801)	(811)	(104,612)
Sales and marketing	(256,222)	(4,146)	(260,368)	(7,177)	(267,545)
General and administrative	(117,067)	(867)	(117,934)	(9,687)	(127,621)
Other income (expense), net	8,277	129	8,406		8,406
Profit from Operations (PFO)	**207,465**	**8,198**	**215,663**		**195,476**
Share-based compensation charges and associated costs				(20,187)	
Restructuring & acquisition-related expenses				(9,268)	(9,268)
Amortization and depreciation of intangibles resulting from acquisitions				(22,792)	(22,792)
Operating result (EBIT)				**(52,247)**	**163,416**
Financial income (expense), net	796		796		796
Share of profit of associates	1,717		1,717		1,717
Gain on sale of investment in associate					
Profit before income tax	**209,978**	**8,198**	**218,176**	**(52,247)**	**165,929**
Income tax expense	2,519	(1,904)	615	3,256	3,871
Profit from continuing operations	**212,497**	**6,294**	**218,791**	**(48,991)**	**169,800**
Profit (loss) from discontinued operation (net of income tax)		(2,422)	(2,422)		(2,422)
Profit for the period (Net profit)	**212,497**	**3,872**	**216,369**	**(48,991)**	**167,378**
Attributable to					
Owners of the Company - Profit for the period (Net profit)	211,243		212,912		163,920
Non-controlling interests	1,254		3,457		3,458
Earnings per share (€ per share)					
Basic	2.54		2.56		1.97
Diluted	2.50		2.52		1.94

[5] "Reconciling items" comprise contribution from the assets held for sale together with the contribution from items not related to "Ongoing operations"

gemalto security to be free

Appendix 3

Consolidated statement of financial position

€ in thousands

Year ended December 31,	2011	2010
ASSETS		
Non-current assets		
Property, plant and equipment, net	222,892	217,211
Goodwill, net	812,959	798,993
Intangible assets, net	159,223	152,561
Investments in associates	13,783	10,934
Deferred income tax assets	89,721	51,318
Available-for-sale financial assets, net	-	1,667
Other non-current assets	44,014	33,335
Derivative financial instruments	7,006	7,451
Total non-current assets	**1,349,598**	**1,273,470**
Current assets		
Inventories, net	172,667	155,254
Trade and other receivables, net	558,757	537,099
Derivative financial instruments	8,426	7,937
Cash and cash equivalents	330,384	256,110
Total current assets	**1,070,234**	**956,400**
Assets held for sale	1,711	57,183
Total assets	**2,421,543**	**2,287,053**
EQUITY		
Share capital	88,016	88,016
Share premium	1,209,216	1,209,437
Treasury shares	(156,531)	(132,046)
Fair value and other reserves	87,006	79,962
Cumulative translation adjustments	8,102	5,879
Retained earnings	480,702	344,302
Capital and reserves attributable to the owners of the Company	**1,716,511**	**1,595,550**
Non-controlling interests	4,225	14,757
Total equity	**1,720,736**	**1,610,307**
LIABILITIES		
Non-current liabilities		
Borrowings	5,762	14,772
Deferred income tax liabilities	23,805	19,213
Employee benefit obligations	51,470	43,587
Provisions and other liabilities	76,228	71,712
Derivative financial instruments	9,704	764
Total non-current liabilities	**166,969**	**150,048**
Current liabilities		
Borrowings	15,261	5,423
Trade and other payables	467,215	463,094
Current income tax liabilities	22,331	15,754
Provisions and other liabilities	10,083	13,710
Derivative financial instruments	18,948	8,929
Total current liabilities	**533,838**	**506,910**
Liabilities associated with assets held for sale	-	19,788
Total liabilities	**700,807**	**676,746**
Total equity and liabilities	**2,421,543**	**2,287,053**

Appendix 4

Cash position variation schedule

€ in millions	**Full year 2011**	Full year 2010
Net cash, beginning of period	**275**	404
Cash generated in operating activities, before cash outflows related to restructuring actions	**219**	183
Including cash provided (used) by working capital decrease (increase)	**(2)**	(38)
Cash used in restructuring actions	**(8)**	(9)
Cash generated in operating activities	**211**	174
Capital expenditure and acquisitions of intangibles	**(93)**	(73)
Free cash flow	**118**	101
Interest received, net	**2**	2
Cash provided (used) by acquisitions and divestitures	**(0)**	(198)
Other cash provided (used) by investing activities	**10**	9
Currency translation adjustments	**2**	9
Cash generated (used) by operating and investing activities	**131**	(77)
Cash used in the share buy-back program	**(61)**	(39)
Dividend paid to Gemalto shareholders	**(23)**	(21)
Other cash provided (used) by financing activities	**28**	8
Change in cash and cash equivalent due to change in consolidation method	**(19)**	0
Cash and cash equivalents, end of period	**330**	276
Current and non-current borrowings including finance lease and bank overdrafts, end of period	**(21)**	(20)
Net cash, end of period	**309**	255

Appendix 5

Revenue from Ongoing operations, by region

Full year 2011 € in millions	**Full year 2011**	Full year 2010	Year-on-year variation at constant exchange rates	Year-on-year variation at historical exchange rates
EMEA	**1,037**	1,017	**6%**	2%
North & South America	**589**	489	**34%**	20%
Asia	**374**	356	**14%**	5%
Total revenue	**2,000**	1,862	**9%**	7%

Second half 2011 € in millions	**Second half 2011**	Second half 2010	Year-on-year variation at constant exchange rates	Year-on-year variation at historical exchange rates
EMEA	**538**	565	**(3%)**	(5%)
North & South America	**333**	289	**21%**	15%
Asia	**200**	193	**8%**	4%
Total revenue	**1,072**	1,047	**5%**	2%

Appendix 6

Average exchange rates between the Euro and the US dollar

EUR/USD	**2011**	2010
First quarter	**1.36**	1.40
Second quarter	**1.44**	1.31
First half	**1.40**	1.35
Third quarter	**1.44**	1.27
Fourth quarter	**1.37**	1.36
Second half	**1.41**	1.31
Full year	**1.40**	1.33