

Gemalto first half 2011 results

- Revenue at €928 million increases by 14%, with 21% growth in Secure Transactions
- Profit from ongoing operations at €72 million increases by 8%, and by 35% in the main segments¹
- Secure Transactions and Security expand to generate more than half of this profit

All figures in this press release are unaudited. 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 3. The balance sheet is prepared in accordance with IFRS, and the cash position variation schedule is derived from the IFRS cash flow statement.

Amsterdam, August 25, 2011 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the first half of 2011.

Key figures of the adjusted income statement

	First Half 2011	First Half 2010	
	€ in millions	€ in millions	Year-on-year variation at historical exchange rates
Ongoing operations			
Revenue	928	815	+14%
Gross profit	321	292	+10%
Operating expenses	249	225	+11%
Profit from operations	72	67	+8%
Profit from other operations (JV deconsolidation gain)			
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Olivier Piou, Chief Executive Officer, commented: “Our four main segments generated 16% revenue growth and 35% profit expansion. These results evidence Gemalto’s strong progress along its strategic plan, which combines organic growth with bolt-on acquisitions. Secure Transactions stood out, with 21% revenue growth and double-digit profit margin. Security also recorded double-digit revenue growth and increased profit margin. We continued to invest in our new mobile offerings and as a result, we expect Mobile Communication to return to year-on-year profit expansion for the second semester. The sustainable and wider adoption of the EMV standard and dual interface contactless cards further adds to our confidence in delivering on the € 300 million profit from operations target we have set for ourselves in 2013.”

¹ The main segments include the Mobile Communication, Machine-to-Machine, Secure Transactions, and Security business segments representing close to 100% of the semester’s Company revenue; i.e. they exclude the Patents segment which accounted for € 2.6 million revenue in H1 2011 and €16 million revenue in H1 2010.

Basis of preparation of financial information

In this press release, the information for the first semester 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. 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) 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 3 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 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, and for which shareholding restructuring agreement has been signed 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 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.

The Appendix 8 bridges the adjusted income statement for ongoing operations under the 2011 and 2010 basis of segment information.

Historical exchange rates and constant currency figures

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 Group 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.

IFRS results

The IFRS consolidated income statement for the first semester 2011 shows an operating result of € 63 million for the Company and a net profit for the period of € 44 million. These were respectively € 46 million and € 45 million for the first semester 2010, and respectively € 46 million and € 45 million when represented to take into account the operation discontinued in 2010.

Basic earnings per share and Diluted earnings per share were essentially stable year on year at € 0.54 and € 0.52 for the reported period. These were respectively € 0.54 and € 0.53 in the first semester of 2010.

The Company provides in Appendix 3 the reconciliation between the IFRS and adjusted income statements. In the first semester 2011, restructuring and acquisition-related expenses amounted to € 4 million (€ 2 million in the first half 2010), equity-based compensation charges were € 16 million (€ 9 million in H1 2010); and amortization and depreciation of intangibles resulting from acquisitions were € 10 million (€ 10 million in H1 2010).

Balance sheet and cash position variation schedule

In the first half 2011, operating activities generated a cash flow before restructuring actions of € 43 million versus € 27 million in the first half 2010 including cash used in working capital, up by € 2 million on June 30th 2011 when compared to the beginning of the semester. Cash used in restructuring actions was stable at € 3 million.

Capital expenditure and acquisition of intangibles amounted to € 37 million, or 4.0 % of revenue, of which € 20 million were incurred for Property, Plant and Equipment purchases.

Acquisition and divestiture of subsidiaries and businesses, net of cash acquired, provided €5 million in cash.

Gemalto's share buy-back program used € 31 million in cash for the purchase of 903,000 shares in the first half of 2011. As at June 30, 2011, the Company owned 4,908,387 shares, i.e. 5.58% of its own shares in treasury. The total number of Gemalto shares issued remains unchanged, at 88,015,844 shares. Net of the 4,908,387 shares held in treasury, 83,107,457 shares were outstanding as at June 30, 2011. The average acquisition price of the shares repurchased on the market and held in treasury as of June 30, 2011 was €29.10.

As at August 22, 2011, the Company owned 5 328 178 shares i.e. 6.05% of its own shares, in treasury. Net of these shares held in treasury, 82 687 666 shares were outstanding.

On May 31, 2011, Gemalto paid a cash dividend of € 0.28 per share in respect of the fiscal year 2010, up 12% on the dividend paid in 2010 (€ 0.25 per share). This distribution used € 23 million in cash. Other financing activities generated € 13 million in cash, including € 17 million of proceeds received by the Company from the exercise of stock options by employees.

As a result of these elements, of the deconsolidation of assets held for sales and of variations in current, and non-current borrowings, Gemalto's net cash position as of June 30, 2011 was € 186 million, a reduction of € 69 million when compared with December 31, 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 gain recognized during the semester further to the deconsolidation of a joint venture.
- For 2010, the contribution from the Point of Sales (POS) operation disposed in December 2010. As per the full year 2010 publication, this contribution is reclassified in discontinued operations and its net contribution is reported below the profit from operations.

Extract from the adjusted income statement for all operations

	First Half 2011		First Half 2010		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	928.5		815.0		+14%
Gross profit	321.2	34.6%	292.1	35.8%	(1.2 ppt)
Operating expenses	249.4	26.9%	225.5	27.7%	(0.8 ppt)
JV deconsolidation gain ²	21.1		0.0		
EBITDA	123.6	13.3%	95.1	11.7%	+1.6 ppt
Profit from operations	93.0	10.0%	66.6	8.2%	+1.8 ppt
ongoing operations	71.9	7.7%	66.6	8.2%	(0.4 ppt)
other operations	21.1		0.0		
Net profit	73.8	7.9%	63.2	7.8%	+0.2 ppt
Earnings per share (€)					
Basic	0.89		0.76		+18%
Diluted	0.86		0.74		+16%

Revenue for the first semester was up by +14% at historical rates, to € 928.5 million. Expansion was supported by strong growth in the Secure Transactions, Security and Machine-to-Machine segments partially offset by lower activity in the Mobile Communication segment. Software & Services revenue expanded across the company by +12% to € 123 million, and accounted for 13% of the total semester revenue. These results evidence Gemalto's strong progress towards the implementation of its 2009-13 strategic plan through a combination of organic growth and the successful integration of acquired businesses.

Gross profit for the Company was up € 29.1 million or +10% at € 321.2 million. This represents a gross margin of 34.6%, lower by 1.2 percentage point from previous year, essentially due to the temporarily lower level of patent licensing activity. Productivity gains and service delivery optimization techniques implemented with select customers helped offset the combined adverse effects of higher prices in raw materials, plastic and gold in particular, and unfavorable purchasing conditions of silicon chips during the period.

Operating expenses decreased by 3.1 percentage points when expressed as percentage of revenue at € 228.2 million. This evolution includes a reduction of 1.3 percentage points on R&D and SG&A expenses for on-going operations, as synergies from acquisitions progressively materialize and additional expenses required by organic development in new growth areas were kept under tight control. It also includes a € 21.1 million gain in the re-measurement at fair value of Gemalto's participation in a Chinese JV deconsolidated during the first semester, further to a transaction planned to be completed in the second semester.

² Gain on re-measurement to fair value of an investment in associate

First semester 2011 profit from operations came in at € 93.0 million, i.e. 10.0% of revenue. The year-on-year variation benefited from both the one-off €21.1 million JV deconsolidation gain and the positive developments in the business. Indeed, for ongoing operations, profit grew from € 66.6 million to € 71.9 million despite the year-on-year € 13.8 million shortfall effect of the Patents' contribution to profit. The increase was driven by the accelerated global migration to EMV and contactless payment in Secure Transactions, double digit growth in Security, notable progress made in delivering synergies from acquired companies and profitability improvements in the Software and Services activities as usage picks up and efficiency from replication begins to kick-in.

As with the first half of 2010, net interest income was not material this semester. Foreign exchange transactions resulted in a loss of € 4.3 million, compared with a gain of € 0.9 million in the first half of 2010, partially offset by € 1.5 million of other financial income. As a result, Gemalto's financial income of (€ 2.8) million for the first half of 2011 was lower by € 3.6 million year-on-year. Share of profit in associates increased by € 0.9 million, at € 1.3 million.

Profit before income tax was € 91.5 million.

Net income tax expenses were € 16.1 million; and a € 1.5 million charge from discontinued operations was recorded in relation to the Point of Sales disposal transaction.

Consequently the adjusted net profit for the Company was € 73.8 million, a 17% increase when compared to last year's figure of € 63.2 million.

Basic adjusted earnings per share came at € 0.89 and fully diluted adjusted earnings per share at € 0.86, increasing respectively by 18% and 16% when compared to first semester 2010 basic adjusted earnings per share of € 0.76 and fully diluted adjusted earnings per share of € 0.74.

Segment information

For a better understanding of Gemalto's business evolution, comments and comparisons address ongoing operations. The basis of presentation of this document describes the changes that occurred in the segments' presentation for the year 2011, as announced in 2010. The segment financial information for 2010 is presented pro-forma on the above basis of presentation.

Segment contribution to Gemalto H1'2011 results	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Patents	Total
As a percentage of revenue	48%	9%	27%	16%	0%	100%
As a percentage of ongoing PFO	42%	8%	37%	16%	-3%	100%

This semester, it is worth noting that the contribution of the Secure Transactions, Security and Machine-to-Machine segments progressed rapidly and represents 52% of Gemalto revenue and 61% of profit from operations (PFO). In consequence, Mobile Communication had lower contribution, accounting for 48% of the Company revenue and 42% of total profit from operations.

Year-on-year variations	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Total four main segments	Patents	Total Gemalto
Q2' 2011							
Revenue	230 M€	41 M€	130 M€	81 M€	482 M€	2 M€	485 M€
At historical rates	(6%)	-	+16%	+10%	+12%	(64%)	+11%
At constant rates	(2%)	-	+19%	+12%	+16%	(64%)	+15%
H1' 2011							
Revenue	444 M€	84 M€	251 M€	146 M€	926 M€	3 M€	928 M€
At historical rates	(3%)	-	+21%	+11%	+16%	(84%)	+14%
At constant rates	(3%)	-	+21%	+11%	+16%	(84%)	+14%
Profit from ongoing operations	30 M€	6 M€	26 M€	11 M€	74 M€	(2M€)	72 M€
At historical rates	(24%)		x4.7	+25%	+35%	n.c.	+8%

Currency exchanges rates had significant individual variations over the first and second quarters but their overall impact was limited, with no significant difference between historical and constant rate year-on-year variations of segment revenues.

The four main segments of activities comprising Mobile Communication, Machine-to-Machine, Secure Transactions and Security represented close to 100% of Gemalto's revenue this semester and had combined revenue growth of 16%, at both historical and constant rates. Their contribution to the Company's profit from operations increased by 35%, to € 74 million.

Mobile Communication

	First Half 2011		First Half 2010		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	444.1		459.4		(3%)
Gross profit	159.7	36.0%	174.8	38.0%	(2.1 ppt)
Operating expenses	129.2	29.1%	134.5	29.3%	(0.2 ppt)
Profit from operations	30.5	6.9%	40.3	8.8%	(1.9 ppt)

Mobile communication posted revenue of € 444.1 million, lower by 3% year on year at constant exchange rates.

Software and Services grew to € 72 million in revenue this semester as developments in new service offerings were realized. The organic developments made notably in mobile contactless (Near Field Communication - NFC) and mobile financial services (MFS) led to significant “pay-per-use” contracts wins that will produce effects gradually as consumer adoption ramps up. In parallel, the Company continued to trim revenue of the least profitable activities in the recently acquired businesses.

Product revenue was lower by 4% year-on-year at constant exchange rates in line with the more marked seasonal sales pattern anticipated for 2011. Volume growth was once again strong in rapidly developing countries. The product mix improvement was still limited in developed countries, as major operators finalize their upgrade plans towards fourth generation networks (LTE) and NFC services, which they expect to launch near the end of the year.

Gross margin for the segment was lower by 2.1 percentage points, mainly due to these mix variations. The combined adverse effect of significantly higher prices for raw materials - gold and plastic in particular, and of this semester’s adverse silicon chips purchasing conditions was neutralized by new productivity gains and pricing discipline

Operating expenses settled at € 129.2 million, lower by € 5.3 million compared to last year. The decrease essentially reflects acquired businesses synergies that more than offset the additional resources the company chose to deploy to support strong demand from its customers for more field trials of its new NFC and MFS services.

Profit from operations came in at € 30.5 million for the segment, lower by € 9.8 million. This represents a profit margin of 6.9% during the period, a sound basis for performance considering the seasonality that has historically characterized this segment.

After three semesters of unfavorable evolution, the segment is expected to return to expansion of year-on-year profits in the second half of 2011. It will start to benefit from the software and services investments that have been made, and from the improved profitability of acquired businesses progressing toward Gemalto’s broader level of performance. The segment should also benefit from an improved product mix as the first deployments of NFC and MFS services trigger a faster product upgrade rate in the developed countries’ traditionally slow-rotating installed base of consumer SIM and UICC cards.

Machine-to-Machine

	First Half 2011		First Half 2010		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	84.2				-
Gross profit	28.9	34.3%			-
Operating expenses	23.1	27.5%			-
Profit from operations	5.8	6.9%			-

The Machine-to-Machine segment posted revenue of € 84.2 million driven by the continuing growth of this activity in the industrial sector. The Machine-to-Machine segment includes mainly the activity of Cinterion, which was acquired in July 2010 and consolidated as of August 1st 2010.

The events that occurred in Japan in the first quarter led several customers to delay certain deliveries, especially in the automobile sector. This resulted in a small shift in quarterly revenues, which is however expected to have minimal impact, if any, on the full year revenue of the segment.

Due to productivity gains, the segment's gross margin improved this semester to 34.3%, up by 1.7 percentage points when compared to last year's initial consolidation period of August-December 2010.

Operating expenses were € 23.1 million, as R&D expenses in new products and services were sustained and supplemental marketing efforts were deployed to support the newly integrated offerings.

As a result, profit from operations for the segment came in at € 5.8 million, or 6.9% when expressed as a percentage of this semester's segment revenue.

Secure Transactions

	First Half 2011		First Half 2010		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	251.1		207.4		+21%
Gross profit	77.3	30.8%	54.3	26.2%	+4.6 ppt
Operating expenses	50.9	20.3%	48.8	23.5%	(3.3 ppt)
Profit from operations	26.4	10.5%	5.6	2.7%	+7.8 ppt

Secure Transactions posted a record performance this semester, growing by an impressive 21% at constant exchange rates to € 251.1 million. In line with the trend that began in the second half of 2010, growth this semester was driven by countries migrating to EMV in the Americas, as well as European financial institutions upgrading to contactless dual interface payment cards. In this rapidly expanding market, Gemalto continued to leverage its geographical presence and its recently renewed product and services portfolio to capture the market growth worldwide.

The improvement in volume and product mix, the better absorption of fixed costs in high growth areas and higher personalization activity led to a significant gross margin increase of 4.6 percentage points on the previous year, to 30.8%. Gross profit settled at a record € 77.3 million for the semester, up 42%. This performance is all the more impressive as the segment was also confronted this semester with increases in raw material costs, and with various issues with suppliers that had difficulty meeting Gemalto's large increase in demand.

Revenue growth significantly outpaced the operating expenses increase, which came in lower by 3.3 percentage points when expressed as percentage of revenue.

Excellent fall through from revenue growth to profit from operations was thus generated, and the segment's profit from operations for the period settled at € 26.4 million, a close to five-fold increase on last year's figure. This corresponds to a double-digit profit margin of 10.5%, up almost 8 percentage points on 2010, and a new record for a first semester.

Coming after the excellent second semester of 2010, the performance of Secure Transactions confirms the sustained improvement in the development of this part of Gemalto business. This segment is now expected to outperform the objective set out as part of the company's long-range development plan in 2009, and record double digit profit margin from operations for the full year 2011.

Security

	First Half 2011		First Half 2010		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	146.5		132.1		+11%
Gross profit	53.7	36.7%	48.0	36.3%	+0.4 ppt
Operating expenses	42.4	28.9%	38.9	29.4%	(0.5 ppt)
Profit from operations	11.4	7.7%	9.1	6.9%	+0.9 ppt

Security posted yet another semester of double-digit revenue growth at 11% at constant exchange rates, generating € 146.5 million in revenue. The segment's growth accelerated in the second quarter on the back of new e-documents and e-services deployments in the Government Programs activity whose revenue for the semester increased +14% at constant exchange rate.

The segment's gross profit margin continued to improve through additional productivity gains, reaching 36.7% and leading to gross profit generation of € 53.7 million.

Operating expenses remained controlled at € 42.4 million, lower by 0.5 percentage points representing 28.9% of revenue.

Supported by the segment's strong operational leverage of its top line growth, Security's profit from operations grew by 24% to €11.4 million, leading to 7.7% profit margin from operations this first semester. With the continued growth the Company expects for this segment, this result is in line with the intermediate 2011 milestone objective of high single digit profit margin from operations, which was set as part of the Gemalto 2009 long-range plan.

Patents

	First Half 2011		First Half 2010		Year-on-year variation at historical exchange rates
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	
Revenue	2.6		16.1		(84%)
Gross profit	1.5	60.2%	15.0	93.4%	(33.3 ppt)
Operating expenses	3.7	146.1%	3.4	21.1%	+125.0 ppt
Profit from operations	(2.2)	(85.9%)	11.6	72.3%	(158.3 ppt)

Patent revenue settled at € 2.6 million, lower by €13.5 million on last year's figure, confirming the anticipated impact on the segment's activity of the public patent litigation the Company initiated in the USA to protect its intellectual property.

This lower revenue translated directly into reduced gross profit for the segment as a large part of the segment costs is fixed.

Operating expenses remained tightly contained, growing by €0.3 million to €3.7 million, despite the initial litigation costs incurred.

The temporary decrease in the segment's level of activity was associated to the difficulty in signing new intellectual property licenses for the Company's portfolio of 4500 patents on a fair reasonable and non-discriminatory basis pending the outcome of this litigation.

Additional information

- As anticipated, the agreement for shareholding restructuring of the JV whose assets were held for sale was signed with our partner in the JV. This transaction is expected to complete in the second half of 2011 and Gemalto will become a minority shareholder, holding a 20% interest in the JV. From March 29, 2011, at transfer of Gemalto's power to govern to the JV partner, a €21 million gain in the re-measurement at fair value of Gemalto's participation was recognized. Gemalto will receive several payments in conjunction with the operation plus an additional income in case of an IPO. As a minority shareholder, Gemalto will continue to benefit from the JV activities, especially since the JV will continue to use Gemalto technologies.

- In relation to Mobile Communication segment's activities, Gemalto reinforced its collaboration with the Orange Group in mobile contactless payment deployment in Europe. During the semester, were announced both the commercial deployment of Barclays-Orange services in the UK and the PTK Centertel commercial pilot in Poland, in which Gemalto provides
 - an end-to-end solution that includes NFC software and user interface applications securely embedded on an NFC SIM,
 - the Trusted Service Management (TSM) services, to securely personalize and manage the highly sensitive security credentials and payment applications over the air.

Related press releases:

Jun 21, 2011: Gemalto and Orange Group Extend Collaboration on NFC with Rollout of Poland's Largest Mobile Contactless Program

Jan 27, 2011: The UK's first commercial launch of contactless mobile payments by Everything Everywhere and Barclaycard, set to revolutionize buying on the High Street (issued by Barclays)

Outlook

In 2011, Gemalto confirms its target of another year of expansion in revenue and profit from its ongoing operations, progressing in its 2010-2013 development plan, even without the benefit of the usual contribution from its patent licensing activities that is expected to be substantially lower in 2011 due to the public patent litigation the Company initiated in the USA. Gemalto confirms it is anticipating a return to year-on-year profit expansion in Mobile Communication for the second semester, on the back of the first large deployments of Near-Field Communication (NFC) mobile contactless services and LTE fourth generation networks announced for the latter part of the year. The Company confirms its upgraded view on Security which is now expected to deliver high single-digit profit margin from operations in 2011 even without patent licensing contribution. Gemalto now expects Secure Transactions to deliver double-digit revenue growth and double-digit profit margin from operations in 2011, thus outperforming its initial objective. Gemalto confirms its target of € 300 million in profit from operations in 2013.

Live Audio Webcast and Conference call

Gemalto First Half 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 dialling:

(UK) +44 203 367 9453 or (US) +1 866 907 5923 or (FR) +33 1 7077 0946

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.

Reporting calendar

The semi-annual report, including the interim condensed consolidated financial statements as of June 30, 2011, is available on our Investor web site (www.gemalto.com/investors).

Third quarter 2011 revenue will be reported on Thursday October 20, 2011, before the opening of Euronext Paris.

ADR (American Depositary Receipt)

Gemalto has established a sponsored Level I American Depositary 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 have full voting rights. The dividends are the same as for Gemalto's shares and are paid to investors in U.S. dollar. Dividends are 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

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About Gemalto

Gemalto (Euronext NL0000400653 GTO) is the world leader in digital security with 2010 annual revenues of €1.9 billion and over 10,000 employees operating out of 87 offices and 13 Research & Development centers in 45 countries.

Gemalto is 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 the growing demands for personal mobile services, identity protection, payment security, authenticated online services, cloud computing access, modern transportation, e-healthcare and e-government services. Gemalto does this by providing secure software, a wide range of secure personal devices, and managed services to wireless operators, banks, enterprises and government agencies.

Gemalto is the world leader for electronic passports and identity cards, two-factor authentication devices for online protection, smart credit/debit and contactless payment cards, as well as subscriber identification modules (SIM) and universal integrated circuit cards (UICC) in mobile phones. Also, in the emerging machine-to-machine applications Gemalto is a leading supplier of wireless modules and machine identification modules (MIM). To operate these solutions and remotely manage the software and confidential data contained in the secure devices Gemalto also provides server platforms, consulting, training, and managed services to help its 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 visit www.gemalto.com, www.justaskgemalto.com, blog.gemalto.com, or follow @gemalto on twitter.

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Appendix 1

Adjusted income statement by business segment

First half 2011	Ongoing operations					First half 2011 Ongoing operations	Assets held for sale (JV)	First half 2011 Total Gemalto		
	Mobile Communication (with public telephony)	Machine-to- Machine	Secure Transactions	Security (excluding patents)	Patents				Discontinued operations (POS)	First half 2010 as previously reported
Adjusted income statement (€ in millions)										
Revenue	444.1	84.2	251.1	146.5	2.6	928.5	-	928.5	25.1	840.1
Gross profit	159.7	28.9	77.3	53.7	1.5	321.2	-	321.2	6.9	299.0
Operating expenses	(129.2)	(23.1)	(50.9)	(42.4)	(3.7)	(249.4)	21.1	(228.2)	(6.3)	(231.8)
Profit from operations	30.5	5.8	26.4	11.4	(2.2)	71.9	21.1	93.0	0.6	67.2

First half 2010	Ongoing operations					First half 2010 Ongoing operations	Assets held for sale (JV)	First half 2010 Total Gemalto		
	Mobile Communication (with public telephony)	Machine-to- Machine	Secure Transactions	Security (excluding patents)	Patents				Discontinued operations (POS)	First half 2010 as previously reported
Adjusted income statement (€ in millions)										
Revenue	459.4	0.0	207.4	132.1	16.1	815.0	-	815.0	25.1	840.1
Gross profit	174.8	0.0	54.3	48.0	15.0	292.1	-	292.1	6.9	299.0
Operating expenses	(134.5)	0.0	(48.8)	(38.9)	(3.4)	(225.5)	-	(225.5)	(6.3)	(231.8)
Profit from operations	40.3	0.0	5.6	9.1	11.6	66.6	-	66.6	0.6	67.2

Appendix 2

Summary of evolutions of revenue and profit from operations

€ in millions	Mobile Communication	Secure Transactions	Security	Machine-to-Machine	Four main segments	Patents	Total Gemalto	Discontinued operations and Assets held for sale	As reported
Variations at historical rates									
Revenue									
H1'2011	444	251	146	84	926	3	928	-	928
H1'2010	459	207	132	-	799	16	815	25	840
Year-on-year variations					+16%		+14%		+11%
PFO									
H1'2011	30	26	11	6	74	(2)	72	21	93
H1'2010	40	6	9	-	55	12	67	1	67
Year-on-year variations					+35%		+8%		+38%

Appendix 3

Reconciliation from Adjusted financial information to IFRS

6 month period ending June 30, 2011

	Adjusted financial information for ongoing operations	Contribution from JV and POS	Adjusted financial information	Adjustment PFO to EBIT	IFRS financial information
<i>In thousands of Euro</i>					
Revenue	928 457		928 457		928 457
Cost of sales	(607 246)		(607 246)	(1 274)	(608 520)
Gross profit	321 211		321 211	(1 274)	319 937
Operating expenses					
Research and engineering	(58 531)		(58 531)	(768)	(59 299)
Sales and marketing	(136 148)		(136 148)	(5 108)	(141 256)
General and administrative	(59 117)		(59 117)	(8 748)	(67 865)
Gain on remeasurement to fair value of an investment in associate		21 147	21 147		21 147
Other income (expense), net	4 445		4 445		4 445
Profit from Operations (PFO)	71 860	21 147	93 007		
Share-based compensation charges				(15 898)	
Restructuring & acquisition-related expenses				(3 997)	(3 997)
Amortization and depreciation of intangibles resulting from acquisitions				(9 972)	(9 972)
Operating result (EBIT)				(29 867)	63 140
Financial income (expense), net	(4 798)	2 022	(2 776)		(2 776)
Share of profit of associates	1 251		1 251		1 251
Gain on sale of investment in associate					-
Profit before income tax	68 313	23 169	91 482	(29 867)	61 615
Income tax expense	(14 039)	(2 100)	(16 139)	249	(15 890)
Profit from continuing operations	54 274	21 069	75 343	(29 618)	45 725
Profit (loss) from discontinued operation (net of income tax)		(1 543)	(1 543)		(1 543)
Profit for the period (Net profit)	54 274	19 526	73 800	(29 618)	44 182
Attributable to					
Owners of the Company - Profit for the period (Net profit)	54 682		74 208		44 590
Non-controlling interests	(408)		(408)		(408)
Earnings per share (€ per share)					
Basic	0.66		0.89		0.54
Diluted	0.64		0.86		0.52

The half year 2011 adjusted basic earnings per share are determined on the basis of the weighted average number of Gemalto shares outstanding during the six-month period ended June 30, 2011, i.e. 83,227,288 shares, which takes into account the effect of the share buy-back program. The half year 2011 adjusted diluted earnings per share were determined using 85,885,831 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 six-month period ended June 30, 2011 and considering that all outstanding "in the money" share based instruments were exercised (6,960,014 instruments) and the proceeds received from the instruments exercised (€147,926,063) were used to buy-back shares at the average share price of the half year of 2011 (4,301,471 shares at €34.39).

6 month period ending June 30, 2010 (represented to account for POS disposal)

	Adjusted financial information for ongoing operations	Contribution from JV and POS	Adjusted financial information	Adjustment PFO to EBIT	IFRS financial information
<i>In thousands of Euro</i>					
Revenue	814 996		814 996		814 996
Cost of sales	(522 873)		(522 873)	(1 023)	(523 896)
Gross profit	292 123		292 123	(1 023)	291 100
Operating expenses					
Research and engineering	(52 576)		(52 576)	(382)	(52 958)
Sales and marketing	(125 213)		(125 213)	(3 359)	(128 572)
General and administrative	(55 592)		(55 592)	(4 270)	(59 862)
Other income (expense), net	7 858		7 858		7 858
Profit from Operations (PFO)	66 600		66 600		
Share-based compensation charges				(9 034)	
Restructuring & acquisition-related expenses				(2 343)	(2 343)
Amortization and depreciation of intangibles resulting from acquisitions				(9 620)	(9 620)
Operating result (EBIT)				(20 997)	45 603
Financial income (expense), net	870		870		870
Share of profit of associates	361		361		361
Gain on sale of investment in associate					
Profit before income tax	67 831		67 831	(20 997)	46 834
Income tax expense	(5 217)		(5 217)	2 643	(2 574)
Profit from continuing operations	62 614		62 614	(18 354)	44 260
Profit (loss) from discontinued operation (net of income tax)		568	568		568
Profit for the period (Net profit)	62 614	568	63 182	(18 354)	44 828
Attributable to					
Owners of the Company - Profit for the period (Net profit)	62 269		62 837		44 483
Non-controlling interests	345		345		345
Earnings per share (€ per share)					
Basic	0.75		0.76		0.54
Diluted	0.74		0.74		0.53

Appendix 4

Revenue by region

First half 2011 € in millions	First half 2011	First half 2010	Year-on-year variation at historical exchange rates	Year-on-year variation at constant exchange rates
EMEA	498	452	10%	9%
North & South America	256	200	28%	30%
Asia	174	163	7%	10%
Total revenue	928	815	14%	14%

Second quarter 2011 € in millions	Second quarter 2011	Second quarter 2010	Year-on-year variation at historical exchange rates	Year-on-year variation at constant exchange rates
EMEA	255	244	5%	3%
North & South America	141	108	31%	41%
Asia	88	86	3%	17%
Total revenue	485	437	11%	15%

Appendix 5

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		1.27
Fourth quarter		1.36
Second half		1.31
Full year		1.33

Appendix 6

In thousands of Euro

		June 30, 2011	December 31, 2010
ASSETS			
Non-current assets			
	Property, plant and equipment, net	210 933	217 211
	Goodwill, net	796 335	798 993
	Intangible assets, net	154 774	152 561
	Investments in associate	8 106	10 934
	Deferred income tax assets	59 096	51 318
	Available-for-sale financial assets, net	-	1 667
	Other non-current assets	34 658	33 335
	Derivative financial instruments	13 704	7 451
	Total non-current assets	1 277 606	1 273 470
Current assets			
	Inventories, net	173 323	155 254
	Trade and other receivables, net	491 240	537 099
	Derivative financial instruments	15 688	7 937
	Cash and cash equivalents	214 072	256 110
	Total current assets	894 323	956 400
	Assets held for sale	47 520	57 183
	Total assets	2 219 449	2 287 053
EQUITY			
	Share capital	88 016	88 016
	Share premium	1 209 251	1 209 437
	Treasury shares	(142 824)	(132 046)
	Fair value and other reserves	110 355	79 962
	Cumulative translation adjustments	(18 810)	5 879
	Retained earnings	365 177	344 302
	Capital and reserves attributable to the Owners of the Company	1 611 165	1 595 550
	Non-controlling interests	3 865	14 757
	Total equity	1 615 030	1 610 307
LIABILITIES			
Non-current liabilities			
	Borrowings	13 189	14 772
	Deferred income tax liabilities	24 194	19 213
	Employee benefit obligations	44 456	43 587
	Provisions and other liabilities	65 077	71 712
	Derivative financial instruments	640	764
	Total non-current liabilities	147 556	150 048
Current liabilities			
	Borrowings	14 950	5 423
	Trade and other payables	418 563	463 094
	Current income tax liabilities	11 072	15 754
	Provisions and other liabilities	10 803	13 710
	Derivative financial instruments	1 475	8 929
	Total current liabilities	456 863	506 910
	Liabilities associated with assets held for sale	-	19 788
	Total liabilities	604 419	676 746
	Total equity and liabilities	2 219 449	2 287 053

Appendix 7

Cash position variation schedule

€ in millions	First Half 2011	First Half 2010
Net cash, beginning of period	255	381
Cash generated by operating activities, before cash outflows related to restructuring actions	43	27
Including cash provided (used) by working capital decrease (increase)	(2)	(10)
Cash used in restructuring actions	(3)	(3)
Cash generated by operating activities	40	24
Capital expenditure and acquisitions of intangibles	(37)	(29)
Free cash flow	3	(5)
Interest received, net	1	1
Cash used by acquisitions	5	(20)
Other cash used by investing activities	(3)	0
Currency translation adjustments	(6)	12
Cash generated (used) by operating and investing activities	(1)	(12)
Cash used by the share buy-back program	(31)	(23)
Dividend paid to Gemalto shareholders	(23)	(22)
Other cash provided (used) by financing activities	13	5
Change in cash and cash equivalent due to change in consolidation method	(19)	0
Cash and cash equivalents, end of period	214	352
Current and non-current borrowings including finance lease and bank overdrafts, end of period	(28)	(22)
Net cash, end of period	186	330

Appendix 8

Changes in the segment reporting

Activity (€ in millions)	First half 2010 reporting segment	First half 2011 reporting segment	First half 2010 revenue	First half 2010 PFO
Patent licensing	Security	Patents	16	12
Public telephony	Others	Mobile Communication	8	(0)
POS	Others	None (Discontinued)	25	1