

Gemalto reports third quarter 2011 revenue

- Revenue of main segments¹ up by 7% at constant exchange rates
- Secure Transactions grows by 22%
- Strong NFC and LTE Software & Services developments in Mobile Communication
- Objectives for 2011 confirmed

All variations are at constant exchange rate except where otherwise noted. Variations at historical rates are attached in Appendix 1 of this document. All figures presented in this press release are unaudited.

Amsterdam, October 20, 2011 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announced its revenue for the third quarter of 2011.

Gemalto Revenue for Ongoing Operations

Gemalto Ongoing operations	Mobile Communication	Machine-to-Machine ²	Secure Transactions	Security	Total four main segments	Patents	Total Q3 2011
Revenue	234 M€	43 M€	139 M€	74 M€	490 M€	0 M€	490 M€
Year-on-year variations at constant exchange rates	(3%)	+36%	+22%	+7%	+7%	-	+5%

Olivier Piou, Chief Executive Officer, commented: "Gemalto recorded another quarter of solid revenue expansion. The Secure Transactions business continued to perform particularly well. In Mobile Communication, software and services were very active and we currently have more than twenty LTE and NFC mobile contactless projects in preparation for commercial deployment. As a result, Gemalto confirms its financial objectives for 2011. In the longer run, the US market has started this quarter to send strong signs of future migration to EMV. This further reinforces our strategic positioning and long-term growth prospects."

¹ The main segments include the Mobile Communication, Machine-to-Machine, Secure Transactions, and Security business segments representing close to 100% of the Q3 2011 company revenue; i.e. they exclude the Patents segment which accounted for € 11 million revenue in Q3 2010.

² The Machine-to-Machine segment includes mainly the activity of Cinterion, which was acquired in July 2010 and consolidated as of August 1st 2010, i.e. for two months of the Q3 2010 reporting period.

Basis of preparation of financial information

In this press release the revenue information for the third quarter of both 2010 and 2011 is presented for ongoing operations and under the 2011 format of segment reporting.

Ongoing operations:

In this publication like in previous publication, and for a better understanding of the current and future year-on-year evolution of the business, the Company provides revenue for the “Ongoing operations” for both 2010 and 2011 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 final shareholding restructuring agreement has been completed with the partner. Further information can be found in the “Additional Information” chapter.
- **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 was reclassified for the 2010 reporting periods. Consequently there is no revenue of POS included in the Company 2010 and 2011 reported revenues.

The Appendix 5 details the contribution of discontinued operations to the third quarter 2010 revenue.

Basis of presentation of the segment information starting 2011

Since 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 5 details the contribution of these activities to the third quarter 2010 revenue.

Historical exchange rates and constant currency figures

Revenue figures in this press release are at historical exchange rates and variations are at constant 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 currency 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 currency 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.

General information

For the period, Gemalto revenue for the main segments was up by 7% year-on-year at constant exchange rates. It was up by 2% at historical exchange rates as currency exchange rates variations vis-à-vis the Euro between the third quarter of 2010 and the third quarter of 2011 were significant. Average exchange rates between the Euro and the US Dollar are presented in Appendix 4.

Total Company revenue grew by 5% year-on-year at constant exchange rates and was stable at historical exchange rates. Revenue variations at historical rates are presented in Appendix 1.

Segment information

Mobile Communication

€ in millions	Q3 2011	Q3 2010
Revenue	233.5	255.7
Year-on-year variation at constant exchange rates	(3%)	

Mobile communication posted revenue of €233.5 million, lower by 3% year-on-year.

Product revenue was lower by 4%. Product mix is starting to evolve positively, supported by the progressive adoption of new generation of products in certain developed countries.

Software and Services revenue was stable as trimming of the least profitable activities in the recently acquired businesses continued. LTE and NFC contract bookings continued to increase with more than twenty commercial projects currently under deployment. These provide significant scale effect and will be complemented by high-end product deliveries to support commercial launches. Gemalto confirms it is anticipating a return to year-on-year profit expansion in Mobile Communication for the second semester,

Machine-to-Machine

€ in millions	Q3 2011	Q3 2010 ²
Revenue	43.1	33.3
Year-on-year variation at constant exchange rates	+36%	

² The Machine-to-Machine segment includes mainly the activity of Cinterion, which was acquired in July 2010 and consolidated as of August 1st 2010, i.e. for two months of the Q3 2010 reporting period.

The Machine-to-Machine segment posted revenue of €43.1 million this quarter.

Investment in new products and services and marketing efforts to support Gemalto's newly integrated offerings are being deployed.

Secure Transactions

€ in millions	Q3 2011	Q3 2010
Revenue	139.4	119.0
Year-on-year variation at constant exchange rates	+22%	

Secure Transactions delivered another remarkable expansion of revenue, posting a 22% year-on-year increase, extending the trend that began in the third quarter of 2010.

Growth this quarter was driven by countries migrating to EMV in the Americas and Asia. Gemalto continues to leverage its geographical presence and its recently renewed product and services portfolio to capture the market growth worldwide.

Security

€ in millions	Q3 2011	Q3 2010
Revenue	74.1	71.9
Year-on-year variation at constant exchange rates	+7%	

Revenue in Security grew by 7% with Government Programs revenue increasing by 12%, driven by deployments in fast growing economies and in Europe.

Identity and Access Management (IAM) revenue was lower in the third quarter, due to a slowing of sales to one large customer. The activity is expected to return to growth in the fourth quarter, supported by increasing sales in e-banking.

Patents

€ in millions	Q3 2011	Q3 2010
Revenue	0	11
Year-on-year variation at historical exchange rates	-	

As anticipated, no revenue from patent licensing activities was recorded this quarter.

Additional information

- During the quarter, an action plan to accelerate the migration to EMV contact and contactless chip technology in the United States was announced by a major payment network, in particular with the objective to help prepare the U.S. payment infrastructure for the arrival of NFC-based mobile payments.
- As anticipated, the agreement for shareholding restructuring of the JV whose assets were held for sale was executed with our partner in the JV. Gemalto has now become a minority shareholder, holding a 20% interest in the JV and has received a first set of payments amounting to €30 million, in relation to transfer of shares and dividends.

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.

Financial calendar

Full year 2011 revenue and earnings will be reported on Thursday **March 8, 2012**, before the opening of Euronext Paris.

Live Audio Webcast and Conference call

Gemalto third quarter 2011 revenue 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 9458 or (US) +1 866 907 5924 or (FR) +33 1 7077 0938.

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.

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

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

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.

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

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

Appendices

All variations in these appendices are comparing the third quarter 2011 revenue to the third quarter 2010 revenue. For a better understanding of Gemalto's year-on-year business evolution, the revenue figures have been calculated for ongoing operations, as described in the basis of preparation of this document.

Appendix 1

Revenue variations at constant and historical exchange rates

Gemalto Ongoing operations	Mobile Communication	Machine-to-Machine	Secure Transactions	Security	Total four main segments	Patents	Total Q3 2011	Total Q3 2010
Revenue	234 M€	43 M€	139 M€	74 M€	490 M€	0 M€	490 M€	491 M€
At constant rates	(3%)	+36%	+22%	+7%	+7%	-	+5%	
At historical rates	(9%)	+30%	+17%	+3%	+2%	-	(0%)	

Appendix 2

Third quarter revenue by region

€ in millions	Third quarter 2011	Third quarter 2010	Year-on-year variation at constant exchange rates	Year-on-year variation at historical exchange rates
EMEA	252 M€	261 M€	(2%)	(4%)
North & South America	148 M€	132 M€	+21%	+12%
Asia	90 M€	98 M€	+1%	(8%)
Total revenue	490 M€	491 M€	+5%	(0%)

Appendix 3

Year-to-date revenue and year-on-year variations at constant exchange rates

Gemalto Ongoing operations	Mobile Communication	Machine-to-Machine*	Secure Transactions	Security	Total four main segments	Patents	Total Q3 2011
Year-to-date revenue at end of Q3 2011	678 M€	127 M€	391 M€	221 M€	1416 M€	3 M€	1419 M€
Year-on-year variations at constant exchange rates	(3%)	+303%	+21%	+10%	+13%	(90%)	+11%

* The Machine-to-Machine segment includes mainly the activity of Cinterion, which was acquired in July 2010 and consolidated as of August 1st 2010.

Appendix 4

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		1.36
Second half		1.31
Full year		1.33

Appendix 5

Changes in the segment reporting between 2011 and 2010 presentations

Activity	Third quarter 2010 reporting segment	Third quarter 2011 reporting segment	Third quarter 2010 revenue (€ in millions)
Patent licensing	Security	Patents	11
Public telephony	Others	Mobile Communication	5
POS	Others	None (Discontinued)	9