SEMI-ANNUAL FINANCIAL REPORT

AS OF JUNE 30, 2009

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Condensed consolidated interim financial statements

as of June 30, 2009

(unaudited)

Interim consolidated statement of financial position (unaudited)

In thousands of Euro	Notes	December 31, 2008	June 30, 2009
ASSETS			
Non-current assets			
Property, plant and equipment, net	9	215,357	222,699
Goodwill, net	10	552,432	564,722
Intangible assets, net	10	56,065	54,210
Investments in associates	11	10,469	13,278
Deferred income tax assets		21,058	22,702
Available-for-sale financial assets, net	12	1,203	1,298
Assets held for sale		1,711	2,168
Other non-current assets		14,255	19,463
Total non-current assets		872,550	900,540
Current assets			
Inventories, net	13	161,031	164,501
Trade and other receivables, net	14	447,133	434,009
Derivative financial instruments	15	16,458	22,243
Cash and cash equivalents	16	367,129	339,257
Total current assets		991,751	960,010
Total assets		1,864,301	1,860,550
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		88,016	88,016
Share premium		1,214,429	1,216,335
Treasury shares		(114,933)	(112,929)
Fair value and other reserves		56,835	68,256
Cumulative translation adjustment		(39,986)	(20,213)
Retained earnings		84,118	127,703
		1,288,479	1,367,168
Minority interest		14,141	11,750
Total equity		1,302,620	1,378,918
LIABILITIES			
Non-current liabilities			
Borrowings		11,246	9,804
Deferred income tax liabilities		13,502	13,122
Employee benefit obligation		25,646	27,220
Provisions and other liabilities	17	60,909	67,135
Total non-current liabilities		111,303	117,281
Current liabilities			
Trade and other payables	18	381,849	328,588
Current income tax liabilities		9,471	5,047
Borrowings		11,900	7,769
Derivative financial instruments	15	14,680	10,186
Provisions and other liabilities	19	32,478	12,761
Total current liabilities		450,378	364,351
Total liabilities		561,681	481,632
Total equity and liabilities		1,864,301	1,860,550

Interim consolidated income statement (unaudited)

In thousands of Euro (except earnings per share)	Notes	Six-month period ended June 30, 2008	Six-month period ended June 30, 2009
Revenue		791,173	800,233
Cost of sales		(521,873)	(510,868)
Gross profit		269,300	289,365
Operating expenses			
Research and engineering		(46,778)	(49,191)
Sales and marketing		(109,380)	(117,818)
General and administrative		(49,273)	(50,416)
Other income (expense), net		(98)	1,917
Combination related expenses	6	162	-
Reorganization expenses	6	(6,533)	(3,834)
Amortization of intangible assets	6	(6,499)	(14,522)
Operating result		50,901	55,502
Financial income (expense), net	20	3,203	(2,825)
Share of profit of associates		1,032	608
Gain on sale of investment in associate [1]		202	-
Profit before income tax		55,338	53,285
Income tax expense		(8,313)	(7,415)
Profit for the period		47,025	45,869
Attributable to:			
Equity holders of the company	21	45,001	43,585
Minority interest		2,024	2,284
Basic earnings per share	21	0.54	0.53
Diluted earnings per share	21	0.53	0.52
Weighted average number of shares outstanding		83,123	82,282
Weighted average number of shares outstanding assuming dilution		84,362	83,262

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

Interim consolidated statement of comprehensive income (unaudited)

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

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

[1] No tax has been recognized on other comprehensive income.

Interim consolidated statement of changes in equity (unaudited)

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

In thousands of Euro	Number of shares [1]		Attributable to equity holders of the Company						Minority interest	Total equity
	Issued	Outstanding	Share capital	Share premium	Treasury shares	Fair value and other reserves	Cumulative translation adj.	Retained earnings		
Balance as of January 1, 2008	91,015,844	83,491,578	91,016	1,247,140	(139,932)	82,674	(22,475)	(27,746)	11,568	1,242,245
Profit for the period								45,001	2,024	47,025
Other comprehensive income (loss)						990	(12,306)	-	(78)	(11,394)
Total comprehensive income (loss)						990	(12,306)	45,001	1,946	35,631
Share-based compensation expense						6,339				6,339
Employee share option scheme		870,202			18,000	(7,000)				11,000
Purchase of Treasury shares, net		(876,224)			(15,688)					(15,688)
Dividend paid/payable to minority interests									(1,252)	(1,252)
Balance as of June 30, 2008	91,015,844	83,485,556	91,016	1,247,140	(137,620)	83,003	(34,781)	17,255	12,262	1,278,275
Balance as of January 1, 2009	88,015,844	82,296,192	88,016	1,214,429	(114,933)	56,835	(39,986)	84,118	14,142	1,302,621
Profit for the period								43,585	2,284	45,869
Other comprehensive income						6,685	19,773	-	295	26,753
Total comprehensive income						6,685	19,773	43,585	2,579	72,622
Share-based compensation expense						5,250				5,250
Employee share option scheme		223,535			3,887	(514)				3,373
Purchase of Treasury shares, net		(95,821)			(1,883)					(1,883)
Acquisition of minority interest									(823)	(823)
Excess of purchase price on SAIT minority interest acquisition				(1,937)						(1,937)
Correction of the excess of purchase price on subsequent acquisition of Gemplus shares [2]				3,843						3,843
Dividend paid/payable to minority interests									(4,148)	(4,148)
Balance as of June 30, 2009	88,015,844	82,423,906	88,016	1,216,335	(112,929)	68,256	(20,213)	127,703	11,750	1,378,918

[1] As of June 30, 2009, the difference between the number of shares issued and the number of shares outstanding corresponds to the 5,591,938 shares held in treasury.

[2] As at June 30, 2009, the Company recognized some deferred tax assets that did not meet the recognition criteria at the date of the combination with Gemplus. As a result, in accordance with the provisions of IFRS 3 and IAS 12, the Company reduced the carrying value of the goodwill and increased the value of the share premium by €3.0 million and €3.8 million respectively.

Interim consolidated cash flow statement (unaudited)

In thousands of Euro	Notes	Six-month period ended June 30, 2008	2009
Cash flows from (used in) operating activities			
Cash generated from operations	22	42,792	36,414
Interest paid		(852)	(1,596)
Income tax paid		(7,970)	(13,042)
Net cash provided by operating activities		33,970	21,776
Cash flows from (used in) investing activities			
Acquisition of subsidiary, net of cash acquired		-	(12,611)
Acquisition of businesses		-	(9,412)
Purchase of minority interests in subsidiaries		-	(2,760)
Purchase of property, plant & equipment		(19,140)	(21,288)
Proceeds from sale of property, plant & equipment		1,086	129
Acquisition and capitalization of intangible assets		(3,563)	(4,753)
Purchase of non-current assets		(287)	(88)
Proceeds from sale of a subsidiary		-	333
Proceeds from sale of investments in associate		202	-
Purchase of an investment in associate		-	(2,550)
Interest received		5,584	2,632
Net cash used in investing activities		(16,118)	(50,368)
Cash flows from (used in) financing activities			
Proceeds from exercise of stocks options		11,000	3,373
Purchase of Treasury shares (net)		(15,595)	(1,467)
Proceeds from borrowings		203	103
Repayments of borrowings		(4,878)	(2,408)
Dividends paid to minority interests		(662)	(4,148)
Net cash used in financing activities		(9,932)	(4,547)
Net increase (decrease) in cash and bank overdrafts		7,920	(33,139)
Cash and bank overdrafts, beginning of period	16	336,815	360,034
Currency translation effect on cash and bank overdrafts		(4,687)	9,669
Cash and bank overdrafts, end of period	16	340,048	336,564

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Notes to the condensed consolidated interim financial statements

All amounts are stated in thousands of Euro unless otherwise stated.

Note 1 General information

On December 6, 2005, the two companies Gemalto N.V. (formerly Axalto Holding N.V.) (the "Company") and Gemplus International S.A. ("Gemplus") signed an agreement to combine and create Gemalto, the world leader in digital security. Following regulatory reviews and approvals, the transaction took place on June 2, 2006.

Gemalto N.V. ("the Company") and its subsidiaries (together "Gemalto" or "the Group") design, manufacture and sell Smart Cards ("Cards") and Point-of-Sales Terminals ("POS Terminals"). Cards include microprocessor, magnetic stripe, memory, public telephony and other cards. The Group also provides related services for mobile communication, secure transactions (principally in the financial and pay TV sectors), identity and security applications, including licensing of intellectual property rights. POS Terminals include point-of-sales terminals, systems and related services. The Group has plants and sells around the world.

The Company is a limited liability company incorporated and domiciled in the Netherlands. The new address of its registered office has been Barbara Strozzilaan 382, 1083 AX Amsterdam, the Netherlands, since December 1, 2008.

The Company was first listed on Eurolist by Euronext Paris on May 18, 2004.

These interim condensed consolidated financial statements for the six-month period ended June 30, 2009 have been authorized for issue by the Board of Directors of the Company on August 24, 2009.

The activity of Gemalto is subject to seasonal fluctuations, which may result in significant variations in its business and results from operations between the first and the second halves of the fiscal year. Therefore, the financial performance of the first half of 2009 reported in these interim condensed consolidated financial statements is not necessarily indicative of the results of Gemalto for the full year 2009.

Note 2 Basis of preparation

The condensed consolidated interim financial statements of Gemalto for the six-month period ended June 30, 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (available at the following internet address: www.ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission). These condensed consolidated interim financial statements for the six-month period ended June 30, 2009 have been prepared in compliance with IAS 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2008.

Note 3 Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2008 as described in the notes to the annual consolidated financial statements, except as noted below.

1. Standards, amendments to existing standards and interpretations mandatory for financial statements as at June 30, 2009:

   a. *Standards which have an impact on the Group's financial statements as at June 30, 2009*

      - IAS 1 *Revised Presentation of Financial Statements*
        The statements "balance sheet" and "cash flow statement" are now denominated "statement of financial position" and "statement of cash flows" respectively.
        The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity now includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements (a consolidated interim income statement and a consolidated statement of comprehensive income).

      - IFRS 8 *Operating Segments*
        This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 *Segment Reporting*. Additional disclosures about each of these segments are shown in Note 8, including revised comparative information.

      - Amendments to IFRS 7 *Financial Instruments*: *Disclosures - Improving Disclosures about Financial Instruments*
        The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three-level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The Group will disclose this information in the annual consolidated financial statements as at December 31, 2009.

   b. *The following standards, amendments to existing standards and interpretations did not have any impact on the Group's financial statements as at June 30, 2009*

      - Amendment to IAS 23 *Borrowing Costs*
      - Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
      - Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of financial statements - Puttable Financial Instruments and Obligations Arising on Liquidation*

- Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- 2008 Improvements to IFRSs *(*except Improvement to IFRS 5 *Non-current Assets Held For Sale and Discontinued Operations* which will be effective as of July 1, 2009)
- Amendment to IAS 39 *Financial instruments: Recognition and measurement* and IFRS 7 *Financial Instruments: Disclosures - Reclassification of Financial Assets – Effective Date and Transition*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 15 *Agreements for the Construction of Real Estate*

2. Standards, amendments to existing standards and interpretations issued but not mandatory for financial statements as at June 30, 2009 (and not early adopted by the Group)

   - Amendments to IAS 27 *Consolidated and Separate Financial Statements*
   - IFRS 3 (Revised) *Business combinations*
   - Amendment to IAS 39 *Financial instruments: Recognition and Measurement - Eligible Hedged Items*
   - Amendment to IFRIC 9 *Reassessment of Embedded Derivatives* and *IAS 39 Financial instruments: Recognition and measurement - Embedded Derivatives*
   - 2009 Improvements to IFRSs
   - Amendment to IFRS 2 *Share-Based Payment - Group Cash-settled Share-based Payment Transactions*
   - IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
   - IFRIC 17 *Distributions of Non-cash Assets to Owners*
   - IFRIC 18 *Transfers of Assets from Customers*

The standards, amendments to existing standards and interpretations above are not anticipated to have a material impact on the Group's future financial position or performance. However, IFRS 3 Revised and the amendment to IAS 27 may have a material impact on our future consolidated financial statements, if the Group enters into significant business combinations after January 1, 2010.

Note 4 Use of judgments and estimates

The preparation of the condensed consolidated interim financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of condensed consolidated interim financial statements, and the reported amounts of revenues and expenses (including the classification as reorganization expenses) during the reporting period. On an ongoing basis, Gemalto evaluates its estimates, including those related to doubtful accounts, valuation of inventories and investments, warranty obligations, recoverability of goodwill, intangible assets and property, plant and equipment, income tax provision and recoverability of deferred taxes, contingencies and litigation.

Gemalto bases its estimates on historical experience and on various other assumptions that, in management's opinion, are reasonable under the circumstances. These results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

As of June 30, 2009, 89% of Gemalto's total benefit obligation and 90% of Gemalto's plan asset fair values were remeasured. The impact of not remeasuring other employee benefit obligation is considered as not material.

Note 5 Acquisitions

Acquisition of NamITech

In April 2009, Gemalto acquired the NamITech business from Allied Technologies Ltd, based in South Africa. Gemalto agreed to pay a total of ZAR 74 million (i.e. approximately €5.8 million) for the NamITech business, the leading provider of secure cards and services in the South African area. Gemalto has integrated the newly acquired business into its South African subsidiary Gemalto NamITech (Pty) Ltd, formerly Axalto ZA (Pty) Ltd.

Gemalto accounted for NamITech business acquisition by applying the purchase method of accounting as defined by IFRS 3 *Business Combination*. The assets and liabilities acquired match their fair value and no intangible asset has been identified. As a result, the excess purchase price has been fully allocated to the goodwill. The final purchase consideration is subject to an adjustment clause and final settlement, but the impact is not expected to be material.

(In millions of Euro)

Purchase consideration for NamITech business		5.8
Capitalized acquisition costs		0.2
Total purchase consideration	A	6.0
Gemalto share of net assets	B	5.4
Goodwill arising on acquisition	(A-B)	0.6

Acquisition of NXP's Mobile Services Business

In April 2009, Gemalto acquired the mobile services business of NXP, the independent semiconductor company founded by Philips. Gemalto paid a total of €3.8 million for the business based in Sophia Antipolis, France, where it develops and markets software and service solutions compliant with the "MIFARE4Mobile" interface specifications.

MIFARE is the leading contactless technology, predominantly used within transportation networks, ticketing and access management applications. Adding this MIFARE4Mobile software to Gemalto's Trusted Service Manager (TSM) platform further strengthens the possibility of linking transport operators, banks and mobile phone operators to enable the use of the mobile phone with existing payment and contactless ticketing infrastructure. The TSM notably makes the entire process of downloading tickets and subscriptions onto the mobile phone more efficient and secure.

(In millions of Euro)

Purchase consideration for NXP business	3.8
Capitalized acquisition costs	0.0
Total purchase consideration	3.8

The excess of purchase consideration (€3,850) over the share of net assets acquired (€3) has been provisionally fully allocated to the goodwill. The allocation of the assets acquired and liabilities and contingent liabilities assumed will be reflected in the consolidated financial statements as at December 31, 2009.

Acquisition of O3SIS Information Technologies AG ("O3SIS")

In April 2009, Gemalto completed the acquisition of 100% of the share capital of O3SIS for €13 million. This company is the leading provider of carrier grade Personal Data Management solutions for Mobile networks such as T-Mobile, Vodafone, Telefonica 02, E-Plus, Orange and Mobilkom. With more than one million personal data records managed and more than 300 devices supported, including such popular devices as the iPhone, the G-Phone and Blackberries, O3SIS software suite allows consumers to share all kinds of personal data, contacts, email, multimedia content, whether they be stored on the handset, a personal computer or "in the clouds". O3SIS software suite also provides the "push email" technology used to notify and transfer email messages to any mobile subscriber's device, whether fixed or mobile. O3SIS, which employs 60 engineers, is based in Overath, near Cologne, in Germany.

(In millions of Euro)

Purchase consideration for O3SIS		12.7
Capitalized acquisition costs		0.3
Total purchase consideration	A	13.0
Fair value of net assets acquired		(0.7)
less Identified intangible assets on the balance sheet date		-
Fair value of net assets acquired (excluding intangibles)	B	(0.7)

Gemalto accounted for the acquisition of O3SIS applying the purchase method of accounting as defined by IFRS3 *Business Combination*. Gemalto management, assisted by independent qualified experts, provisionally identified and allocated the combination value to the assets acquired and liabilities and contingent liabilities assumed, including those not previously recognized by the acquiree, as follows:

Fair Value of the acquired intangible assets		
Existing technology		5.0
Brand name		0.4
Fair value of the acquired intangible assets		5.4
Deferred tax impacts		
Deferred tax liability related to the recognition of existing technology and brand name		(1.6)
Gemalto share of adjusted net assets	C	3.8
Goodwill arising on acquisition	(A-B-C)	9.9

The estimated remaining useful life of the acquired existing technology has been estimated to 9 years. The brand name 03SIS is a registered trade name and is deemed to have an indefinite useful life.

Acquisition of 49% of Raidax S.A.

In February 2009, Gemalto acquired for €550 the 49% of the shares of Raidax S.A., a private company based in Switzerland, specialized in acquiring, selling, and generating patents.

The entity is consolidated through the equity method (see note 11) and goodwill arising on acquisition amounts to €517.

Acquisition of 11.03% of OpenTrust S.A.

In March 2009, Gemalto acquired, for €2,000, 11.03% of OpenTrust S.A., a private company based in Paris which provides Identity and Access Management solutions for enterprises.

The entity is consolidated through the equity method (see note 11) and goodwill arising on acquisition amounts to €1,554.

Acquisition of an additional 31.85% interest in Shanghai Axalto IC Card Technologies Co. Ltd (SAIT)

In May 2009, Gemalto acquired an additional 31.85% interest of SAIT previously owned by Shanghai Posts and Telecommunications Development Company. As a consideration for the minority interest, the former minority shareholder received a cash payment of $3.8 million (equivalent to €2.7 million). The purchase price was offset against the minority interest of €823 and the balance of €1,937 has been recognized against share premium in equity. As a result of the acquisition, Gemalto now owns 82.85% of the subsidiary.

Impact of the acquisitions on the first half 2009 revenue and operating income

The impacts of the above acquisitions on the reported revenue and operating income as at June 30, 2009 were €3.4 million and €(1.3) million respectively.

Note 6 Additional disclosure on the effect of the business combinations on our financial statements

Due to the combination with Gemplus and, to a much lesser extent, the acquisitions thereafter, the Company's financial statements have undergone significant change.

The Group has incurred expenses in connection with the combination with Gemplus, which would not have been otherwise incurred. No combination related charges have been reported in the income statement for the six-month period ended June 30, 2009 (credit amount of €162 for the six-month period ended June 30, 2008).

Charges incurred in connection with headcount reductions in the support functions, with the consolidation of manufacturing and office sites, as well as the rationalization and harmonization of the product and service portfolio consequent to the combination with Gemplus, are disclosed under the line named "Reorganization expenses" in the IFRS income statement for an amount of €3,834 for the six-month period ended June 30, 2009 (€6,533 in 2008). This amount consisted of employee benefits, severance and associated costs for €2,923 (€2,681 in 2008) and other costs for €911 (€3,852 in 2008).

The Group also discloses under the line named "Amortization of intangible assets" the amortization expense for the six-month period ended June 30, 2009 related to the Existing Technology and Customer Relationships acquired from Gemplus, for €3,681 and €2,812 respectively (€3,681 and €2,818 respectively in 2008).
As at June 30, 2009, the Company recognized some deferred tax assets that did not meet the recognition criteria at the date of the combination with Gemplus. As a result, in accordance with the provisions of IFRS 3 and IAS 12, the Company reduced the carrying value of the goodwill and increased the value of the share premium by €3.0 million and €3.8 million respectively. These adjustments have been recognized as an expense under the line "Amortization of intangible assets".

Note 7 Financial assets/liabilities by category

In accordance with IFRS 7 provisions, financial assets and liabilities would be allocated as follows:

December 31, 2008	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available-for-sale	Total
Assets					
Available-for-sale financial assets, net	-	-	-	1,203	1,203
Other non-current assets	14,261	-	-	-	14,261
Trade and other receivables, net	447,133	-	-	-	447,133
Derivative financial instruments	-	-	16,458	-	16,458
Cash and cash equivalents	101,015	266,114	-	-	367,129
Total	562,409	266,114	16,458	1,203	846,184

	Derivatives used for hedging	Financial liabilities	Total
Liabilities			
Borrowings	-	23,146	23,146
Derivative financial instruments	14,680	-	14,680
Total	14,680	23,146	37,826

June 30, 2009	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available-for-sale	Total
Assets					
Available-for-sale financial assets, net	-	-	-	1,298	1,298
Other non-current assets	19,463	-	-	-	19,463
Trade and other receivables, net	434,009			-	434,009
Derivative financial instruments			22,243	-	22,243
Cash and cash equivalents	82,401	256,856	-	-	339,257
					-
Total	535,873	256,856	22,243	1,298	816,270

	Derivatives used for hedging	Financial liabilities	Total
Liabilities			
Borrowings	-	17,573	17,573
Derivative financial instruments	10,186	-	10,186
			-
Total	10,186	17,573	27,759

Note 8 Segment information

In accordance with IFRS 8 *Operating Segments*, the information by operating segment is derived from the business organization and activities of Gemalto. These operating segments have not been modified further to the application of IFRS 8.

Gemalto operates three core activities: Mobile Communication, Secure Transactions, and Security, and sells microprocessor cards (including embedded software), software solutions and services (including device management platforms, services to personalize each device individually), and intellectual property rights licenses. The company also sells, mostly in the Security segment, other microprocessor based products such as electronic passports and secured USB keys.

Mobile Communication customers are mobile operators. Secure Transactions supply financial cards to financial institutions, transportation cards to large urban mass transit operators, and Pay TV subscriber authentication and right management cards to large secure access service providers. Security offers include secure electronic documents, such as e-passport or e-identity cards, and issuance related services for governmental agencies; they also include product and solutions based on microprocessor technology for strong user authentication, typically used in a corporate environment or to securely access services over the internet such as e-banking. Revenue, gross and operating profit derived from the licensing of the Group's patent portfolio is included into the Security segment's income statement.

Gemalto also operates a Public Telephony activity, which sells memory cards, and a POS Terminals activity which sells point-of-sale terminals (including embedded software and related servers) and related technical support and maintenance services. For reporting purposes, Public Telephony and POS Terminals activities are combined under the heading "Other Operating Segments".

The information reported for each operating segment is the same as reported and reviewed internally on a monthly basis in order to assess performance and allocate resources to the operating segments. Gemalto's operating segments have been determined based on these internal reports.

Due to the combination with Gemplus, and, to a much lesser extent, the acquisitions thereafter, Gemalto's financial statements have undergone significant changes, due in particular to the accounting treatment of this transaction in accordance with IFRS 3 *Business Combination*. To supplement the financial statements presented on an IFRS basis, the Group presents adjusted financial information which excludes certain business combination accounting entries, and expenses directly incurred in connection with the combinations (reported in the column "Adjustments" within the tables below). These supplemental adjusted financial measures are used internally to understand, manage and evaluate the business and take operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of executives is based in part on the performance of the business based on these adjusted measures.

Financial income and expenses are not included in the result for each operating segment that is reviewed internally. Nor is asset or liability information on a segmented basis reviewed in order to assess performance and allocate resources.

The information by operating segment reported in the tables below applies the same accounting policies as those used and described in these consolidated interim financial statements.

Compared to the published condensed consolidated financial statements as of June 30, 2008, segment information has been restated for comparative purpose.

Six-month period ended June 30, 2008

In thousands of Euro	Mobile communication	Secure Transactions	Security	Other Operating Segments	Adjusted financial information	Adjustments	IFRS financial information
Revenue	442,899	214,864	101,239	32,187	791,190	(18)	791,173
Cost of sales	(262,839)	(154,521)	(73,182)	(25,745)	(516,287)	(5,585)	(521,872)
Gross profit	180,060	60,343	28,057	6,442	274,903	(5,602)	269,300
Operating expenses							
Research and engineering	(24,399)	(7,344)	(11,702)	(3,331)	(46,776)	(2)	(46,778)
Sales and marketing	(61,559)	(23,324)	(21,059)	(3,375)	(109,317)	(63)	(109,380)
General and administrative	(28,014)	(11,422)	(8,166)	(1,627)	(49,230)	(42)	(49,272)
Other income (expense), net	(126)	(7)	45	(10)	(99)	-	(99)
Adjusted operating result	65,961	18,246	(12,824)	(1,902)	69,482		
Combination related expenses							162
Reorganization expenses							(6,533)
Amortization of intangible assets							(6,499)
Operating result (EBIT)							50,901
Financial income (expense), net							3,203
Share of profit (loss) of associates							1,032
Gain on sale of investment in associate							202
Profit (loss) before income tax							55,338
Income tax expense							(8,313)
Profit (loss) for the period							47,025

	Six-month period ended June 30, 2009						
	Mobile communication	Secure Transactions	Security	Other Operating Segments	Adjusted financial information	Adjustments	IFRS financial information
In thousands of Euro							
Revenue	416,281	219,120	130,369	34,585	800,355	(122)	800,233
Cost of sales	(242,375)	(164,081)	(77,812)	(26,596)	(510,864)	(4)	(510,868)
Gross profit	173,906	55,039	52,557	7,989	289,491	(126)	289,365
Operating expenses							
Research and engineering	(27,329)	(8,314)	(10,802)	(2,745)	(49,190)	(1)	(49,191)
Sales and marketing	(61,761)	(26,345)	(26,742)	(2,957)	(117,806)	(12)	(117,818)
General and administrative	(31,694)	(11,663)	(6,012)	(1,042)	(50,411)	(5)	(50,416)
Other income (expense), net	1,597	120	192	8	1,917	-	1,917
Adjusted operating result	54,718	8,837	9,194	1,252	74,001		
Combination related expenses							-
Reorganization expenses							(3,834)
Amortization of intangible assets							(14,522)
Operating result (EBIT)							55,502
Financial income (expense), net							(2,825)
Share of profit (loss) of associates							608
Gain on sale of investment in associate							-
Loss on sale of affiliates							-
Profit (loss) before income tax							53,285
Income tax expense							(7,415)
Profit (loss) for the period							45,869

Notes to the condensed consolidated interim financial statements

The table below shows revenue attributed to geographic areas, on the basis of the location of the customers

	Year ended June 30,	
Sales	2008	2009
North and South America	176,632	203,562
Europe, Middle East and Africa	442,970	433,145
Asia Pacific	171,571	163,526
	791,173	800,233

Note 9 Property, plant and equipment

Property, plant and equipment (net) consist of the following:

	Property, plant and equipment
Six months ended June 30, 2008	
Net book value as at January 1, 2008	217,095
Additions	19,307
Disposals	(1,833)
Depreciation and amortization	(18,427)
Currency translation adjustment	(2,545)
Net book value as at June 30, 2008	213,597
Six months ended June 30, 2009	
Net book value as at January 1, 2009	215,357
Additions	21,288
Disposals	(501)
Depreciation and amortization	(20,510)
Reclassification to asset held for sale (1)	(457)
Reclassification to intangible assets	(41)
Acquisition of subsidiary and business (2)	3,253
Sale of subsidiary	(1)
Currency translation adjustment	4,311
Net book value as at June 30, 2009	222,699

(1) Reclassification to asset held for sale relates to the buildings located in Sologne, France.

(2) Acquisition of subsidiary and business refers to the acquisition of Namitech and O3SIS as detailed in note 5.

Over the six-month period ended June 30, 2009, the group acquired buildings and improvements, and machinery and equipment for €3,046 and €18,242 respectively.

Note 10 Goodwill and intangible assets

Goodwill and intangible assets (net) consist of the following:

	Goodwill	Intangible assets
Six months ended June 30, 2008		
Net book value as at January 1, 2008	543,831	73,715
Additions	-	3,563
Disposals	-	(444)
Write-offs	-	(1,233)
Depreciation and amortization	-	(17,450)
Currency translation adjustment	(1,602)	(15)
Net book value as at June 30, 2008	542,229	58,136
Six months ended June 30, 2009		
Net book value as at January 1, 2009	552,432	56,065
Additions (1)	-	6,764
Business acquisition (2)	14,296	5,370
Write-offs (3)	(2,971)	(19)
Depreciation and amortization	-	(14,330)
Reclassification from tangible assets	-	41
Currency translation adjustment	965	319
Net book value as at June 30, 2009	564,722	54,210

(1) Additions mostly include capitalized development costs and software licenses for €2,574 and €2,833 respectively.

(2) Goodwill has been accounted for following the acquisitions as discussed in note 5. The €5,370 addition in other intangibles consists of technology and trade name recognized upon O3SIS acquisition for €5,000 and €370 respectivly.

(3) As at June 30, 2009, the Company recognized some deferred tax assets that did not meet the recognition criteria at the date of the combination with Gemplus. As a result, in accordance with the provisions of IFRS 3 and IAS 12, the Company reduced the carrying value of the goodwill and increased the value of the share premium by €3.0 million and €3.8 million respectively. These adjustments have been recognized as an expense under the line item "Amortization of intangible assets" in the consolidated income statement.

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value in use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were discussed in annual financial statements for the year ended December 31, 2008. As at June 30, 2009, there were no indications of goodwill impairment.

Note 11 Investments in associates

Investments in associates consist of the following:

	December 31, 2008	June 30, 2009
Investments as of beginning of period	8,294	10,469
Acquisition of associates [(1)]	-	2,550
Dividends paid by associates [(2)]	-	(140)
Share of profit [(3)]	2,350	608
Currency translation adjustment	(175)	(39)
Other movements	-	(170)
Investments as of end of period	10,469	13,278

[(1)] Gemalto acquired 49% and 11.03% of voting shares of Raidax S.A and OpenTrust S.A for €550 and €2,000 respectively. Net assets acquired amount respectively to €33 and €446. As a consequence goodwill of €517 and €1,554 have been recognized.
[(2)] In March 2009, Toppan Gemalto Services Co.Ltd (Japan) paid a dividend of 17,500,000 JPY (€140) to Gemalto S.A.
[(3)] The €608 mostly consist of Gemalto's shares of AB Svenska Pass and Makxalto Advanced Card Technology Co. first semester 2009 profits of €389 and €223 respectively.

Note 12 Available-for-sale financial assets

Available-for-sale financial assets consist of the following:

	December 31, 2008	June 30, 2009
Available-for-sale financial assets as of beginning of period	1,445	1,203
Net gains or losses transferred to/from equity	(242)	95
Available-for-sale financial assets as of end of period	1,203	1,298

Note 13 Inventories

Inventories consist of the following:

	December 31, 2008	June 30, 2009
Gross book value		
Raw materials and spares	58,330	53,937
Work in progress	73,415	82,547
Finished goods	50,261	47,631
Total	182,006	184,115
Obsolescence reserve		
Raw materials and spares	(7,696)	(7,639)
Work in progress	(8,317)	(5,815)
Finished goods	(4,962)	(6,160)
Total	(20,975)	(19,614)
Net book value	161,031	164,501

Note 14 Trade and other receivables

Trade and other receivables consist of the following:

	December 31, 2008	June 30, 2009
Trade receivables	356,869	341,855
Provision for impairment of receivables	(8,898)	(8,214)
Trade receivables, net	347,971	333,641
Prepaid expenses	13,422	15,142
VAT recoverable and tax receivable	29,268	27,776
Advances to suppliers and related	12,956	9,976
Unbilled customers	14,280	25,971
Other	29,236	21,503
Total	447,133	434,009

The company's broad geographic and customer distribution spreads the concentration of credit risk. No single customer accounted for more than 10% of the company's sales in 2009. An allowance for uncollectible accounts receivable is maintained based on expected collectibility. The expected collectibility of accounts receivable is assessed periodically or when events lead to believe that collectibility is uncertain. Additionally, the company performs ongoing credit evaluations of customer's financial position. As of June 30, 2009, trade receivables of €103,194 (December 31, 2008: €104,455) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and whose credit rating is regularly assessed.

Note 15 Derivative financial instruments

Derivative financial instruments consist of the following:

	December 31, 2008						June 30, 2009					
	USD	GBP	JPY	SGD	PLN	ZAR	USD	GBP	JPY	SGD	PLN	Other
Cash flow hedges												
Forward contracts	2,403	-	-	396	(2,557)	-	6,858	(896)	113	(98)	(1,298)	444
Option contracts	936	4,906	(4,572)	-	(623)	-	4,168	1,128	(772)	-	(285)	-
Fair value hedges												
Forward contracts	(132)	(12)	148	21	(261)	(22)	911	113	127	113	19	14
Option contracts	862	1,751	(1,466)	-	-	-	1,561	440	(603)	-	-	-
	4,069	6,645	(5,890)	417	(3,441)	(22)	13,498	785	(1,135)	15	(1,564)	458

Note 16 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	December 31, 2008	June 30, 2009
Cash at bank and in hand	101,015	82,401
Short term bank deposits and investment funds	266,114	256,856
Total	367,129	339,257

The amount of cash and bank overdrafts shown in the cash flow statement is net of bank overdrafts as reconciled below:

	December 31, 2008	June 30, 2009
Cash and cash equivalents	367,129	339,257
Banks overdrafts	(7,095)	(2,693)
Total	360,034	336,564

Notes to the condensed consolidated interim financial statements

The cash and cash equivalents reported above reconcile with the net cash position reported in the Management Report as follows:

	December 31, 2008	June 30, 2009
Cash and cash equivalents	367,129	339,257
Current borrowings	(11,900)	(7,769)
Non-current borrowings	(11,246)	(9,804)
Total	343,983	321,684

Note 17 Non-current provisions and other liabilities

Non-current provisions and other liabilities consist of the following:

	December 31, 2008	June 30, 2009
Warranty non-current	4,582	5,437
Restructuring and reorganization reserves	4,983	5,264
Litigations	646	1,715
Tax claims	12,271	14,494
Provisions for other risks	5,950	5,521
Total non-current provisions	28,432	32,431
Management compensation [1]	8,637	8,678
Government grants	2,342	3,440
Long term payables [2]	21,498	22,586
Total other non-current liabilities	32,477	34,704
Total non-current provisions and other liabilities	60,909	67,135

[1] Management compensation relates to former Gemplus Board chairman's termination package conditioned to the refund of a loan granted to him by Gemplus in 2000.
[2] The €22,586 carrying value of long term payables is assessed to be equivalent to their fair value.

Variation analysis of the non-current provisions is as follows:

	Warranty non-current	Restr. & Reorg. Reserves	Litigation	Tax claims	Prov. for other risks	Total
As of January 1, 2009	4,582	4,983	646	12,271	5,950	28,432
Additional provisions	1,599	43	1,079	3,188	1,371	7,280
Acquisition of a subsidiary	-	-	-	-	27	27
Business disposal	-	-	(5)	-	471	466
Unused amount reversed	(228)	-	(105)	(1,053)	(762)	(2,148)
Used during the year	(392)	(430)	(22)	(91)	(1,295)	(2,230)
Reclassifications	(138)	37	66	(66)	62	(39)
Cumulative translation adjustment	14	631	56	245	(303)	643
As of June 30, 2009	5,437	5,264	1,715	14,494	5,521	32,431

Note 18 Trade and other payables

	December 31, 2008	June 30, 2009
Trade payables [(1)]	154,919	121,391
Employee related payables	117,285	102,435
Accrued expenses	42,115	37,570
Accrued VAT	17,026	13,538
Deferred revenue	45,524	44,542
Other	4,980	9,112
Total trade and other payables	381,849	328,588

[(1)] The significant decrease in the trade payables is due to changes in payments terms with some key suppliers and also to the consequence of the European Union directive on payment term conditions applicable to suppliers.

Note 19 Current provisions and other liabilities

	December 31, 2008	June 30, 2009
Warranty - current	2,881	2,751
Provision for loss on contracts	1,444	1,627
Restructuring and reorganization [(1)]	18,631	4,496
Other	9,522	3,887
Total current provisions	32,478	12,761

[(1)] For the six-month period ended June 30, 2009, severance payments were made in connection with restructuring plans previously accrued for. As a consequence, restructuring and reorganization reserves has been released for €14,299.

Variation analysis of the current provisions is as follows:

	Warranty - current	Provision for loss on contracts	Restr. & Reorg. Reserves	Other	Total
As of January 1, 2009	2,881	1,444	18,631	9,522	32,478
Additional provisions	979	553	191	513	2,236
Unused amount reversed	(566)	(580)	7	(5,939)	(7,078)
Used during the year	(293)	(120)	(14,299)	(424)	(15,136)
Reclassifications	(243)	330	(37)	(64)	(14)
Cumulative translation adjustment	(7)	-	3	279	275
As of June 30, 2009	2,751	1,627	4,496	3,887	12,761

Note 20 Finance income (expense)

	Six-month period ended June 30	
	2008	2009
Interest expense [1]	(1,119)	(1,893)
Interest income [2]	5,585	2,632
Foreign exchange transaction gains (losses) [3]:		
-Foreign exchange gains (losses), net of derivative instruments not designated as hedge accounting [4]	23	(2,812)
-Financial cost of hedges	(1,420)	(924)
Other	134	172
Financial income (expense), net	3,203	(2,825)

(1) Other financial liabilities
(2) Assets at fair value through profit and loss
(3) Derivatives used for hedging
(4) Including €4,034 relating mostly to the reclassification from equity of accumulated foreign exchange losses upon disposal of consolidated entities

Note 21 Earnings per share

	Six-month period ended June 30,	
Basic	2008	2009
Profit attributable to equity holders of the company	45,001	43,585
Weighted average number of ordinary shares outstanding (thousands)	83,123	82,282
Basic earnings per share	0.54	0.53

	Six-month period ended June 30,	
Diluted	2008	2009
Profit attributable to equity holders of the company	45,001	43,585
Weighted average number of ordinary shares outstanding (thousands)	83,123	82,282
Dilution from share options (thousands)	1,239	980
Weighted average number of ordinary shares for diluted earnings per share (thousands)	84,362	83,262
Diluted earnings per share	0.53	0.52

The Company presents both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated according to the Treasury Stock method by dividing net income by the average number of common shares outstanding assuming dilution. Dilution is determined assuming that all stock options, which are in the money, are exercised at the beginning of the period and the proceeds used, by the Company, to purchase shares at the average market price for the period. The number of dilutive share options as of June 30, 2009 amounted to 979,610.

Note 22 Cash generated from operations

	Six-month period ended June	
	2008	2009
Income for the period before minority interest	47,025	45,869
Adjustment for:		
Tax	8,313	7,416
Research tax credit	(5,101)	(4,904)
Depreciation	18,523	20,510
Amortization	17,452	21,144
Stock option compensation charge	6,341	5,250
Gains and losses on sale of fixed assets and write-offs	2,254	511
Gains and losses on sale of investments	(202)	205
Cumulated translation adjustment transferred to financial income upon liquidation of a consolidated entity and repayment of loan	-	4,037
Net movement in provisions and other liabilities	(21,143)	(16,634)
Retirement benefit obligation	(378)	9
Interest income	(5,584)	(2,632)
Interest expense	1,120	1,893
Share of profit from associates	(1,032)	(608)
Changes in current assets and liabilities (excluding the effects of acquisitions and exchange differences in consolidation)		
Inventories	(14,215)	2,149
Trade & other receivables	(394)	18,983
Derivative financial instruments	2,314	(2,303)
Trade & other payables	(12,501)	(64,481)
Cash generated from operations	42,792	36,414

Note 23 Commitments and contingencies

Legal proceedings
The Company is subject to legal proceedings, claims and legal actions arising in the ordinary course of business. The Company's management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Schlumberger residuals
Pursuant to the terms of the Master Separation Agreement signed on March 19, 2004, Schlumberger and the Company agreed to carry out the complete transfer of the Schlumberger group's Cards and POS businesses to the Company or one of its subsidiaries.

These undertakings remain in effect as long as there are contracts, assets or liabilities falling within the scope of the Company's business that have not been transferred at the time of the Separation. This also applies to contracts, assets or liabilities falling within the scope of Schlumberger's business that have not been transferred at that same time.

Until the date of transfer of these contracts, assets or liabilities to the Company or to Schlumberger or in the event that they could not be transferred or shall not be transferred as agreed by the parties, Schlumberger and the Company have agreed to cooperate and execute the contracts or manage the assets and liabilities in the name of and for the account of the other party, pursuant to the instructions of such party, who will receive all profits and bear all losses resulting from these contracts, assets and liabilities.

Therefore, the activities, assets and liabilities pertaining to Schlumberger activities falling under the provisions of the Master Separation Agreement are not disclosed in the accompanying consolidated financial statements of the Company nor is the associated payable from the Company to Schlumberger or the associated receivable by the Company from Schlumberger.

However, one legal action is still pending. Any liability arising from this action will be assumed by Schlumberger under the applicable provisions of the Master Separation Agreement. Accordingly, the Company has not made any provision in respect of this matter.

As of June 30, 2009, the balance of the assets and liabilities belonging to Schlumberger was a net liability of €1.5 million (as of December 31, 2008, it was a net asset of €3.1 million).

Note 24 Related Parties

For a description of Gemalto's transactions with related parties, reference is made to note 32 to the consolidated financial statements as at December 31, 2008.

The following changes in Gemalto's related parties have occurred on the first half of 2009:

- On May 28, 2009, Texas Pacific Group notified the AFM that they had reduced their holding in Gemalto's ordinary shares to 6.53%;
- New associates: OpenTrust S.A. and Raidax S.A. (as described in note 5).

Transactions with related parties are conducted, in the ordinary course of business, on terms comparable to transactions with third parties. In the first six months of 2009, there have been no related party transactions that have materially affected the Group's financial position or performance.

Note 25 Post-closing events

To management's knowledge, there is no significant event that occurred since June 30, 2009, which would materially impact the financial statements, as presented in these condensed consolidated interim financial statements.

Note 26 Consolidated entities

The main changes in consolidated entities for the six-month period ended June 30, 2009 were as follows:

- Acquisitions and change in controlling interest (see note 5)

Country of incorporation	Company name	Percentage of group voting rights	Percentage of ownership
China	Shanghai Axalto IC Card Technologies Co. Ltd	83% [1]	83%
France	OpenTrust S.A. [2]	11%	11%
Germany	O3SIS Information Technologies AG	100%	100%
Switzerland	Raidax Technology S.A. [2]	49%	49%

[1] Subsequent to the acquisition of an additional 31.85% interest
[2] Associated company accounted for according to the equity method

- Change of Name

Country of incorporation	Former name	New name
Japan	Toppan Gemplus Services Co. Ltd [3]	Toppan Gemalto Services Co. Ltd [3]
South Africa	Axalto ZA Pty Ltd	Gemalto Namitech (Pty) Ltd

[3] Associated company accounted for according to the equity method

- Liquidations

Country of incorporation	Company name	Percentage of group voting rights	Percentage of ownership
Poland	Polski Plastik Sp. z o.o.	100%	100%
Thailand	Boolanakarn Holdings (Thailand) Ltd	100%	49%
Thailand	GemCard (Thailand) Co. Ltd	100%	100%

- Disposals

Country of incorporation	Company name	Percentage of group voting rights	Percentage of ownership
China	Hunan Slb Telecoms Equipment Co. Ltd	100%	100%
Panama	Axalto Eastern Holdings Inc.	100%	100%

gemalto
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First half 2009 Management Report

Highlights

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

First half 2009 income statement is presented on an adjusted basis (see page 35 "Basis of preparation of financial information"). The reconciliation with IFRS income statement is presented in Appendix 5. The balance sheet is prepared in accordance with IFRS, and the cash position variation schedule is derived from the IFRS cash flow statement. All figures in this Management Report are at historical exchange rates, except where otherwise noted, and are by reference comparing first half 2009 to first half 2008 figures.

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

Key figures of the adjusted income statement:

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

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

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

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

Basis of preparation of financial information

The Company's condensed consolidated interim financial statements included in the semi-annual financial report were prepared in accordance with the International Financial Reporting Standards. Additional financial information on an adjusted basis (unaudited) is presented in this Management Report that is not in conformity with IFRS, in particular the adjustments to revenue and cost of sales, and the presentation of operating expenses and operating income, operating margin and earnings per share which exclude one-off combination related expenses linked to the 2006 combination between Axalto and Gemplus and, to a much lesser extent, to the acquisitions realized thereafter, and reorganization charges and charges resulting from the accounting treatment of the transactions. Charges resulting from the accounting treatment of the combination between Axalto and Gemplus consist of additional stock-based compensation due to the revaluation of Gemplus' stock options as of combination date, amortization and depreciation of some intangible assets. One-off expenses related to the combination between Axalto and Gemplus consist of charges which would not have been incurred had the transaction not occurred: professional advisory services incurred in connection with the integration, new Gemalto brand and logo creation and worldwide registration, as well as impairment charges related to capitalized development costs on projects which are redundant with existing products or technologies available in Gemplus. Most of these combination related expenses were incurred in 2006. Reorganization charges consist of costs related to headcount reductions in the support functions, consolidation of manufacturing and office sites (including property, plant and equipment, intangible asset and inventory write-offs and impairments, asset transfer costs, employee benefits, severance and associated costs, lease termination and building refurbishment costs and under-absorption in the manufacturing plant being closed) as well as rationalization and harmonization of the product and service portfolio. The Company believes that this information, which is not in conformity with IFRS, is helpful supplemental information in order to better assess its past and future performance. In addition, the Company's Management uses this information which is based on its best estimate and judgment in its own planning and in assessment of its operating performance. This information provided by the Company may not be comparable to similarly titled measures employed by other companies.
All variations in this document are at historical exchange rates, except where otherwise noted, and are by reference comparing first half 2009 to first half 2008 figures. Fluctuations in currency exchange rates against the Euro have a translation impact on the Euro value of Group revenues. Comparisons at constant exchange rates aim at neutralizing this translation effect on the analysis of the Group operations.

IFRS results and reconciliation between adjusted and IFRS results

The IFRS consolidated income statement for the first half 2009 shows an operating income of € 56 million and a net profit of € 46 million, compared with an operating income of € 51 million and a net profit of € 47 million reported in the first half 2008. In the first half 2009, basic earnings per share amounted to € 0.53 and diluted earnings per share to € 0.52 as well. The Company provides in Appendix 5 the reconciliation between the IFRS and adjusted income statements for the first half 2009 (unaudited). Charges incurred in connection with headcount reductions in the support functions, with the consolidation of manufacturing and office sites, as well as the rationalization and harmonization of the product and service portfolio, amounted to € 4 million in the first half 2009 and are reported under the line "Reorganization expenses".

Adjusted income statement[3] analysis

Extract of the adjusted income statement:

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

Earnings per share (€ per share)[6]:	First half 2008	First half 2009
- basic	0.74	0.73
- diluted	0.73	0.72

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

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

[3] See page 35 "Basis of preparation of financial information" for a detailed description of the adjusted financial information.

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

[5] EBITDA is defined as operating income plus depreciation and amortization expenses. In accordance with the adjusted basis of preparation, these amounts exclude amortization and impairment charges related to the intangible assets of Gemplus identified upon Combination pursuant to IFRS 3 "Business Combination".

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

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

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

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

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

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

The adjusted operating income was € 74 million[8], up 7%, and the adjusted operating margin was 9.2%, up an additional 0.4 percentage points on the particularly strong performance reported in H1 2008. The operating income improvement reflects the Company's strong efforts in pursuing best practices, productivity gains and tight cost control.

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

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

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

Balance sheet and cash position variation schedule

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

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

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

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

Gemalto's share buy-back program used € 2 million in cash in the first half 2009 through the purchase of 112,716 shares representing 0.1% of Gemalto's share capital. As of June 30, 2009, the Company owned 5,591,938 shares i.e. 6.4% of its own shares in treasury. This volume of shares covers all exercisable stock options. The average acquisition price of the shares repurchased on the market and held in Treasury as of June 30, 2009 was € 20.19. The total number of Gemalto shares issued is 88,015,844. Net of the 5,591,938 shares held in treasury, 82,423,906 shares were outstanding as of June 30, 2009.

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

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

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

Segment information [9]

Mobile Communication

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

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

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

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

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

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

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

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

[9] All segment information provided in this Management Report is on an adjusted basis (unaudited) as described in page 35 "Basis of preparation of financial information".

Secure Transactions

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

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

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

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

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

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

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

Security

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

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

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

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

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

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

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

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

Others

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

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

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

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

Outlook

Our business has strong fundamentals and prospects. We continue our mission to provide trust and convenience to the wireless and digital world that is emerging, and look ahead with the goal of revenue growth and earnings expansion.

Market seasonality in 2009 is expected to be in line with historical patterns. Our 2009 objective of above 10% adjusted operating margin remains unchanged.

Acquisition of businesses and subsidiaries

Acquisition of businesses and subsidiaries for the period represented a cumulated purchase consideration of € 25 million.

For additional disclosures regarding acquisitions of businesses and subsidiaries, reference is made to the above note 5 to the condensed consolidated interim financial statements as at June 30, 2009.

Transactions with related parties

For disclosure regarding transactions with related parties, reference is made to the above note 24 to the condensed consolidated interim financial statements as at June 30, 2009.

Risks and uncertainties

In our Annual Report 2008, we have extensively described certain risk categories and risk factors which could have a material adverse effect on the Company's financial position and results. Those risk categories and risk factors are deemed incorporated and repeated in this report by reference.

For the second half of 2009, we currently believe none of them should be particularly emphasized.

Additional risks not known to us, or currently believed not to be material, could later turn out to have a material impact on our businesses, objectives, revenues, incomes, assets, liquidity or capital resources.

Changes in share capital ownership

On February 18, 2009, *FMR Llc (Fidelity*) notified the AFM that they had increased their holding in Gemalto's ordinary shares to 5.04%.

On May 28, 2009, *Texas Pacific Group* notified the AFM that they had reduced their holding in Gemalto's ordinary shares to 6.53%.

On May 28, 2009, *Caisse des Dépôts et Consignations* notified the AFM that they had increased their holding in Gemalto's ordinary shares to 8.43%, directly and indirectly through the *Fonds Stratégique d'Investissement*.

DESCRIPTION OF ADJUSTED MEASURES

Following the combination with Gemplus and, to a much lesser extent, following the acquisitions realized thereafter, Gemalto's financial statements have undergone significant changes, due in particular to the accounting treatment of these transactions in accordance with IFRS 3 "Business combination". To supplement the financial statements presented on an IFRS basis, the Group presents adjusted financial information.

Adjusted financial information excludes certain business combination accounting entries, and expenses directly incurred in connection with the combination with Gemplus. The Group believes that this information is helpful in understanding its past financial performance and its future results. Adjusted financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures, and should be read only in conjunction with consolidated financial statements prepared in accordance with IFRS. Management regularly uses these supplemental adjusted financial measures internally to understand, manage and evaluate the business and take operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of executives is based in part on the performance of the business based on these adjusted measures.

The adjusted financial information reflects adjustments to the IFRS income statements based on the following items, as well as the related effects on income tax:

• Additional stock-based compensation specifically due to the accounting treatment of the combination: as prescribed by IFRS 2 "Share-based payment" and IFRS 3 "Business Combination", vested and unvested stock options or awards granted by an acquirer in exchange for stock options or awards held by employees of the purchased company, or any substantially equivalent commitment by the acquirer to assume the obligations of the acquiree with regards to stock options granted to the latter's employees, as is the case for Gemalto under the Combination Agreement, shall be considered to be part of the purchase price for the acquirer, and the fair value (at the effective date of the acquisition or merger) of the new (acquirer) awards shall be included in the purchase price. It leads to an increase in the compensation charge related to stock-options granted by Gemplus prior to the acquisition. The adjustment, eliminating the additional stock-based compensation charge, is intended to reflect the compensation charge that Gemplus would expense if the company had continued to operate on a standalone basis. The Group believes this adjustment is useful to investors as a measure of the ongoing performance of its business.

• Amortization and depreciation of intangible assets: amortization and depreciation of intangible assets recognized as a result of the combination with Gemplus have been excluded from the adjusted profit for the period. The Group believes this is useful because, prior to this combination in the second quarter of fiscal 2006, it did not incur significant charges of this nature, and the exclusion of this amount helps investors understand the evolution of IFRS operating expenses in periods subsequent to the combination with Gemplus. Investors should note that the use of intangible assets contributed to revenue earned during the period and will contribute to future revenue generation and that these amortization expenses will be recurring.

• **Combination related charges**: in 2006, Gemalto incurred material expenses in connection with the combination with Gemplus, which it would not have otherwise incurred. Combination related charges consist of professional advisory services incurred in connection with the integration, new Gemalto brand and logo creation and worldwide registration, as well as impairment charges related to capitalized development costs on projects which are redundant having regard to existing products or technologies available in Gemplus. Gemalto also determined that its investment in a listed company was impaired as a consequence of the combination with Gemplus. The related impairment charge was recorded in Financial income (loss) in the first half of 2006. No combination related charge was recorded in the first half of 2008 nor 2009.

• **Reorganization charges**: charges incurred in connection with headcount reductions in the support functions, the consolidation of manufacturing and office sites (including property, plant and equipment, intangible asset and inventory write-offs and impairment, asset transfer costs, under-absorption costs linked to plant closure, employee benefits, severance and associated costs, lease termination and building refurbishment cost) and the rationalization and harmonization of IT systems and of the product and service portfolio.

To summarize, for the first half of 2009 and 2008 Gemalto provides two sets of income statements:

- IFRS consolidated income statement, pursuant to its regulatory obligations,
- Adjusted income statement.

Gemalto IFRS consolidated income statement	- Includes all charges resulting from the accounting treatment of the combination with Gemplus and, to a much lesser extent, of the acquisitions realized thereafter (amortization and impairment of intangible assets, additional stock-based compensation), and one-off expenses and reorganization charges incurred in connection with the combination with Gemplus and, to a much lesser extent, with acquisitions realized thereafter (reorganization and combination related charges).
Gemalto adjusted income statement	- Excludes one-off expenses and reorganization charges incurred in connection with the combination with Gemplus and, to a much lesser extent, in connection with the acquisitions realized thereafter (reorganization and combination related charges) and charges resulting from the accounting treatment of the combination with Gemplus and, to a much lesser extent, from the accounting treatment of the acquisitions realized thereafter (as detailed above).

Appendix 1

First half 2009 adjusted income statement by business segment

(At historical exchange rates)

€ in millions	Six months ended June 30, 2009				
	Mobile Communication	Secure Transactions	Security	Other	Total
Revenue	416.3	219.1	130.4	34.6	800.4
Gross profit	173.9	55.0	52.6	8.0	289.5
Operating expenses	120.8	46.3	43.6	6.7	217.4
Operating income	54.7	8.8	9.2	1.3	74.0

First half 2008 adjusted income statement by business segment

(At historical exchange rates)

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

Appendix 2

Deliveries of secure personal devices

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

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

Appendix 3

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

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

Appendix 4

Average exchange rates between the Euro and the US dollar

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

Appendix 5

Consolidated Income Statement for the six month period ended June 30, 2009
Reconciliation from IFRS to Adjusted financial information

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

Appendix 6

Cash position variation schedule

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

[10] In this cash position variation schedule, interest paid (€ 1.6 million in first half 2009) and interest received (€ 2.6 million in first half 2009) are netted and reported as "Interest received, net" as part of cash flows from investing activities. In the cash flow statement presented in the condensed consolidated interim financial statements, interest paid is reported as cash flows used in operating activities, and interest received as cash flows from investing activities.
Therefore, in the above cash position variation schedule, cash generated by operating activities comprises two items: cash generated from operations and income tax paid. Whereas the cash generated by operating activities reported in the cash flow statement presented in the condensed consolidated interim financial statements includes a third item: interest paid.
[11] Bank overdraft amounts to € 2.7 million as at June 30 2009 and is essentially nil as at June 30, 2008. Consequently cash and bank overdraft amount to € 337 million as at June 30, 2009 and € 340 million as at June 30, 2008.

Management Statement

Management Statement

The Company Management hereby declares that to the best of its knowledge:

- the condensed consolidated interim financial statements prepared in accordance with IAS 34, *"Interim Financial Reporting",* give a true and fair view of the assets, liabilities, financial position and profit or loss of Gemalto and the undertakings included in the consolidation as a whole; and

- the half year management report includes a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

Amsterdam, August 24, 2009

Mr. Olivier Piou Chief Executive Officer	Mr. Jacques Tierny Chief Financial Officer