

Gemalto: the world leader in digital security



→ innovation

Our world-class team of 1,300 engineers plays a leading role in research and development in digital security.

p. 45

→ insight

CEO Olivier Piou is confident that Gemalto is progressing well towards his vision of digital security.

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→ responsibility

We have an enviable record in terms of international benchmarks for Health Safety and Environment management systems.

p. 40

→ people

With our global presence, cultural and national diversity is part of our corporate DNA and is reflected in our human resources policies.

p. 42

→ customers

Ensuring that our customers are very satisfied is central to our business strategy.

p. 48

Our vision p. 02
Our markets p. 16
Our company p. 38

→ security

We help make each interaction between citizens and the public sector more secure and convenient, while protecting privacy.

p. 30

→ partnerships

We have a network of over 400 partners around the world with whom we have forged strong links.

p. 49

→ capability

Our production system is uniquely placed to deliver the highest quality products efficiently, rapidly and flexibly to our customers.

p. 51

→ telecommunications

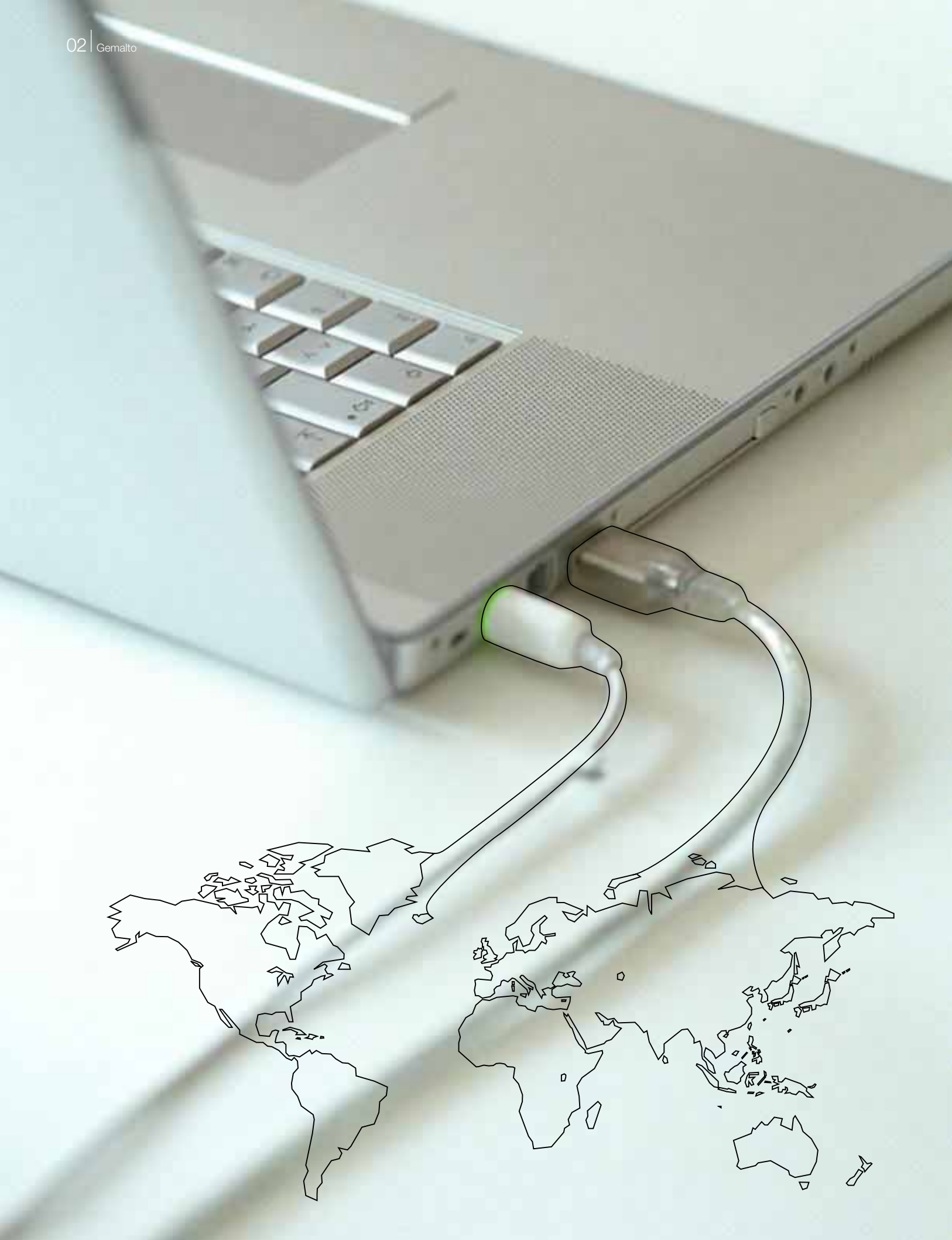
Our solutions let end-users connect when and where they want, however they want.

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→ transactions

Security and convenience are the needs that are fueling growth in the secure transactions market.

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“In an increasingly connected society, Gemalto is leading the way in making digital interactions secure and easy.”

The world leader in digital security p. 04

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**Our
vision**

Gemalto: the world leader in digital security

In a world where the digital revolution is increasingly transforming our lives, Gemalto's end-to-end security solutions are designed to make personal digital interactions more convenient, safe and enjoyable.

Our activities range from the development of software applications through the design and production of secure personal devices such as smart cards, SIMs, e-passports and tokens, to the deployment of managed services for our customers.

More than 1 billion people worldwide use our products and services for telecommunications, financial services, e-government, identity and access management, multimedia content, digital rights management, IT security, mass transit and many other applications.

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.

Gemalto N.V. is a public company incorporated in the Netherlands. It is headquartered in Amsterdam, and has subsidiaries around the world. Unless otherwise specified, we refer to them collectively as "Gemalto". For detailed information about Gemalto and its financial results, please refer to the appropriate chapters of the Annual Report, which is posted on www.gemalto.com.

Key figures

at December 31, 2007

→ **10,000**
employees

90 nationalities based in 40 countries on every continent

85 sales and marketing offices;

→ 31 personalization centers;
19 production sites; 10 R&D centers

→ **100**
new inventions

first filed in 2007; over 5000 patents in total in 1,200 patent families

Revenue in 2007

→ **€1.6** billion

1.2 billion

→ secure personal devices produced and personalized in 2007, and every one is different

→ **400**

mobile telecom operators

300 of the world's top banks and the governments of over 30 nations trust us with secure personal data

At the heart of Gemalto

Security expertise

Gemalto's internationally renowned team of security and cryptography experts leads the way in the design and implementation of new anti-fraud solutions certified to the highest standards. We hold an extensive portfolio of patents and security certifications.

Design and production of secure personal devices

Gemalto's expertise spans the entire process for creating secure personal devices. We buy microprocessors, develop operating systems and software, and produce and personalize objects - of which we have already delivered 10 billion worldwide. We continue to innovate with new forms and architectures, and provide complete solutions for secure, convenient services.

Personalization and issuance

Gemalto is a trusted partner for the individual personalization of millions of secure personal devices daily, certified to the best security level practices. Our issuance and post-issuance services oversee each step in delivering them all the way to the end-user, as well as replacing and upgrading them once in the field.

Highlights 2007



1. Our new ID card for Federal employees is the first to meet US Government standards for both existing and new physical access control systems.

2. Demonstrating our expertise with their technologies and our ability to meet customers' needs, Microsoft named us as a Gold Certified Partner.

Microsoft
CERTIFIED

2 Partner

United States Leading the world in e-passports

Gemalto has been rated* as the no. 1 provider of e-passports, supplying the US and at least 30% of the Visa Waiver Program nations.

The Keesing report estimates that some 70 nations are deploying e-passport programs, and that the overall annual volume in two year's time will be around 100 million.

* Keesing Journal of Documents & Identity: Annual Report e-passports 2006-2007

United Kingdom Securing online banking

Customers of Barclays Bank plc, one of the world's largest financial services institutions, are benefiting from a tailor-made product that offers stronger authentication for online banking.

Gemalto's solution comprises a unique device customized with the bank's visual identity, manufacture of the readers, plus a complete service of fulfillment and distribution. Over half a million units were delivered in 2007, offering users the freedom to enjoy enhanced security and simple remote banking whether at home or on the move. Barclays' strong authentication program is aimed at preventing online fraud related to remote banking and helps prevent the theft and use of online credentials.

Users can generate One-Time Passwords with the reader, authenticate themselves at login and sign transactions by inserting their chip-enabled banking cards into the device and entering their PIN code. They can easily carry the devices with them and perform these secure transactions from any personal computer.

Mexico Delivering smart driving licenses

Nearly 1 million drivers in Monterrey are beginning to use our biometric driving licenses. The solution comprises a fast, secure and user-friendly scheme for driver registration and fine payment, which aims to reduce fraud and administration costs.

Since the cards also act as the national ID document, they can be upgraded with additional e-services.



Portugal Providing national ID cards

All Portuguese citizens should soon be using their new e-ID cards, which include a built-in biometrics feature, as their national ID document. This new so-called “Citizen Card,” the size of a credit card, enables citizens to communicate with their government administrations simply, rapidly and more securely. It includes several ID numbers such as civil identification, taxpayer, social security and health, and will later replace the elector card.

It will also enable a variety of e-government services to be available through the electronic identification it provides. The cardholder has a secret PIN code to identify and authenticate himself/herself, and the card generates a legally-binding digital signature for secure declarations and administrative procedures.

Gemalto is providing the entire card solution including the secure operating system, the personalization system and applications, the middleware and associated helpdesk services. This is the first ID project in Europe based on Identification Authentication Signature specifications.

India Accelerating microbanking

Underbanked people in India are benefiting from simplified access to financial services through the use of our specially developed smart cards.

Each card holds up to 15 different types of secure application such as deposits, savings, loans, insurance and e-purses.

The card also acts as an electronic statement to store the last 150 transactions, which are validated using biometric authentication. This one-card-does-all solution resolves the normal barriers to growth by providing users with convenient and secure banking services.

Up to 500 million people are currently underserved by the financial sector and this initiative aims at the development of poorer areas.

Taiwan Starting “Pay-Buy-Mobile”

Shoppers in Taiwan are experiencing a milestone in mobile contactless history by using our technology to make contactless payments with their mobile phones.

Subscribers to FarEasTone are the first in Asia to experience this SIM-based proximity communication (NFC) service which offers the same ease and convenience as an ordinary contactless payment card while at the same time opening up fun new ways to shop.

For example, users can interact with “smart posters” embedded with NFC tags by waving their mobile across the poster and walking away with a coupon downloaded to the SIM for use at the checkout or for later purchases.



1. Our end-to-end solution enables customers of a German bank to securely use the internet to design a unique credit card using a photo of their choice.

2. Our MagIC³ Point-Of-Sale (POS) terminals have been EMV certified both by the Association of Italian Banks (ABI) and American Express.

Highlights 2007



1

1. In North America, consumers are enjoying the benefits of a true first from Gemalto: a healthcare and financial payment card in one. They can use our solution to keep track of their personal health information, give it to healthcare providers and then pay for services.

2. Our Protiva™ solution won the 2007 Global Product Excellence in Digital Security - Customer Trust Award* for our ability to protect digital resources.

*Info Security Products Guide



2

Germany

Increasing efficiency in healthcare

The German government has launched a major nationwide health program, and chosen

Gemalto's advanced digital healthcare solution to support it with the supply and personalization of 35 million latest-generation e-health-cards. These act as a security device to strongly authenticate the patient and so help to reduce fraud and increase privacy.

They also enable secure access to electronic medical files that include emergency data such as blood group, allergy alerts and ongoing treatments records. This personal information can only be read by authorized healthcare professionals if the patient consents by entering their PIN code. The new cards also carry electronic prescriptions which significantly reduce paperwork, avoid duplicate examinations and so lessen unnecessary use of healthcare services.

This new reference strengthens Gemalto's positioning in the healthcare sector following achievements in Algeria, Belgium, China, Finland, France, Mexico, Puerto Rico, UK, USA and Slovenia.



United States

Making public transport quicker and easier

Millions of passengers in Boston are traveling with greater speed and convenience by using our secure contactless cards.

Commuters simply hold them close to a reader that instantly deducts the fare or validates their pass. We are also a supplier to major transport projects in the Netherlands, Paris, London, Sao Paulo and Santiago.

Turkey

Enabling mobile signatures

The 30 million subscribers of Turkey's leading mobile operator can now benefit from the world's largest mobile signature program.

Our SIM-based identification solution allows them to securely access services that require strong authentication, such as internet banking or e-government applications, while using their mobile phones to generate a legally binding electronic signature.

This means they can perform secure online transactions through their handset, anytime, anywhere. What makes this solution secure is that it relies on "something you own" (the private key of your digital signature stored in the SIM card) and "something you know" (the secret code).



South Africa Achieving bank card accreditation

American Express, MasterCard and Visa have recognized the reliability of our banking solutions by making Gemalto the first company in South Africa to receive all three certifications for our new personalization facility there.

We already supply banking cards in many African countries and this local capability is enabling us to address the emerging EMV market. Since it allows us to operate closer to our bank customers, we are able to serve them with increased responsiveness.



China Deploying 3G services

Guangdong Mobile has selected us to deliver China's first 3G-ready SIM service platform, to be deployed in time for the 2008 Olympic Games in Beijing. Our over-the-air (OTA) platform enables them to communicate with their subscribers through high-speed data channels in a more efficient and cost-effective way. At the same time, their subscribers benefit from a faster, more responsive and enhanced experience.

3G enables people to enjoy a much more colorful digital lifestyle with their wireless devices, in ways that benefit their daily lives. They can watch events like the Olympic Games live, handle their personal finances and easily interact with friends and relatives through their mobile phone. Our OTA platform links these digital services to subscribers through its ability to recommend and manage their preferred content. It is fully compatible with all 3G-network technologies foreseen, in particular the Chinese-developed TD-SCDMA.



1. Recognized as a groundbreaking network security solution, our "Live Provisioning" was double winner of 2007 Tomorrow's Technology Today Awards*.

**Info Security Products Guide*



A year of strong and demonstrable progress

Message from Alex Mandl,
Gemalto Chairman



In December 2005 we announced the combination of our sector's two leading companies to create Gemalto, and 2007 was its first full year of operation.

We are now well ahead of the three year integration schedule we announced and synergies are being realized faster than anticipated. Beyond that, the cultures of the two companies are blending well and addressing the huge opportunities before us as a well-functioning, cohesive team.

Thanks to this merger, we have assembled the skills and the scale to fully serve three important markets: mobile telecom, secure transactions and security. The business potential in all these segments is enormous, and as the world leader in digital security, we are well placed to respond to these opportunities.

The combination of first rate know-how, proven innovation capabilities, a strong balance sheet and good relationships with a long list of outstanding customers, positions us well to excel in both the developed and developing markets.

The financial results for 2007 indicate the significant strides that Gemalto is making. Compared to 2006, revenue, earnings and cash flow improvements reflect our continuous progress. We are therefore on track to achieve our stated goal of 10% EBIT for 2009.

Our Board of Directors is strongly focused on fulfilling its governance responsibilities. It monitors best practices, adopting these when appropriate, and through a regular self assessment program continues to refine the way it works.

Our 10 000 employees addressed the challenges of the merger with great commitment and continue to serve our customers with real dedication. Their talent and motivation are key to our success in responding to the opportunities ahead. I want to thank them for all their efforts and successes.

We made strong and demonstrable progress on all fronts during 2007. This positive momentum will carry us forward to achieve our goals and aspirations in the future.



“We are on track to achieve our stated goal”

We are realizing Gemalto's ambitions

Interview with Olivier Piou,
Chief Executive Officer of Gemalto



When Gemalto was created you described your “digital security” vision. How has it matched the reality?

O.P.: Digital security has a key role to play in the “digital revolution”— a major trend already bringing huge benefits to developed countries, and being enthusiastically adopted by emerging nations.

Yet fear of fraud, identity theft and other concerns are holding people back from making the most of these opportunities. They need to feel that the wealth of devices and services on offer are both convenient to use and trustworthy.

So convenience and trust are at the core of our vision of digital security. Developments in all our key markets show how well received they are. One year after establishing Gemalto, we are continuously expanding the possibilities of secure digital technology with new services and new products, and winning meaningful contracts in all segments and geographies.

Gemalto's origins are in smart cards. But are they just a thing of the past?

O.P.: We are very proud of our achievements in smart cards and they remain an important part of our business.

Still, with the growth of the digital universe and the technologies that go with it, we are seeing many more ways in which we can address digital security, so we are vigorously widening our range of products, software and services.

For example, we offer our “secure digital companion” for enterprises in the form of a USB key, and contactless payments using secure key fobs; our instant issuance service platforms allow consumers to subscribe to their new means of payment at the entrance of a shopping mall and use them immediately; and travelers can have their passports conveniently checked at airports by our fast lane eBorder Gate solution.

Revenue in our software and services activities already exceeded €100 million in 2007, clearly indicating the growth potential we have in that area. So we're not leaving smart cards behind, we are complementing them with a much broader offer.



“We have a solid business model with well identified growth paths”



Telecommunications

1. In Taiwan we enabled shoppers to make contactless payments with their mobile phones.



“We are vigorously widening our range of products, software and services”

Gemalto celebrated its first anniversary in mid-2007. How did you tackle the challenges you faced?

O.P.: When we effectively merged in June 2006, our goal of turning our digital security vision into reality was seriously challenged. In a rapidly evolving marketplace, we faced an extremely competitive battle around basic products, and we had to activate several fall-back scenarios.

So we quickly put our house in order, harmonizing our offers and deploying each company's best practices; we maximized our synergy plan by renegotiating our supply contracts and cutting our own costs; we asserted stricter pricing discipline in the field, and completely revisited our production footprint.

Despite this intense short term pressure we also launched a host of initiatives to accelerate profitable growth. In marketing we positioned visibly segmented brands to clearly differentiate our products and services; we took an aggressive, value driven line in launching new products to respond faster to market developments and roll out innovations more rapidly; and we deployed a new worldwide organization, streamlining our structures and processes, and creating greater accountability.

By the end of the year these efforts were being rewarded. Revenues grew again in the second semester, SIM sales prices improved, synergies exceeded our expectations and our global operations delivered an outstanding year-end performance.

As a customer-driven company, we also took encouragement from our survey of over 150 key accounts. Our employees' dedication to our wide base of international blue chip customers was rewarded by clear expressions of rising satisfaction and a good level of confidence in our business.

2007 was indeed the year in which we began realizing Gemalto's ambitions.

What were the key technology and market developments in 2007?

O.P.: There were three notable trends: convenience – a constant demand for easy to use solutions; contactless – especially for electronic passports, rapid payment and corporate security; and convergence - the merging of several areas like mobile, transportation, banking, identity and the internet. Together, these are helping us offer our clients a rapidly widening range of secure and enjoyable services for their end-users. For example, in Colombia we provided the world's first SIM-based mobile banking service; and

in Taiwan and Belgium we enabled shoppers to make contactless payments with their mobile phones. In South Africa, bank customers are now using our Network Identity Manager dongle to safeguard their online transactions; and Turkish citizens can use their mobile phones to access e-government applications and sign their requests electronically.

With large deliveries in e-passports and e-ID cards we were rated¹ the world's no. 1 supplier of e-passport programs, in line to be deployed by some 70 countries. EMV² rollouts and renewals generated robust demand in the banking sector; we won a contract to provide 35 million e-health cards and services in Germany; and we saw strong growth across all markets in the uptake of our services. With our capacity for innovation, these trends improved our sales mix and generated growth in all our main segments.

What are the key factors for success going forward?

O.P.: Continuing to improve the profitability of our businesses is a high priority. To do that we will complete our cost-cutting program, make the most of our purchasing clout and reap additional synergies.

We sold 1.3 billion intelligent devices last year, with our software and applications on board, so we plan to leverage this extraordinary installed base with services across all our markets. We will nurture our strong client relationships and forge new ones, particularly where we see vigorous growth in the world's most youthful economies.

We will address the many opportunities generated by convergence, and make our customers' and their end-users' lives simpler with our end-to-end solutions. We will also grow through new offers in contactless payments, personalization services and other exciting new technologies.

Our balance sheet is extremely robust. We bought back almost 10% of our own share capital in 2007, yet we still have a strong cash position with virtually no debt. Thanks to our structured evolution we have a solid business model with well identified growth paths and robust financials. I believe our performance in 2007 shows we have the talents, the resources and the vision to clearly flourish in digital security in the coming years.

¹ The Keesing Journal of Documents and Identity

² EMV: the industry standard for international debit/credit cards established by Europay, Mastercard and Visa.



Secure Transactions

1. EMV rollouts and renewals generated robust demand in the banking sector.

Security

2. We are the world's no. 1 supplier of e-passport programs, to be deployed by some 70 countries.

“We have the talents, the resources and the vision to flourish in digital security”

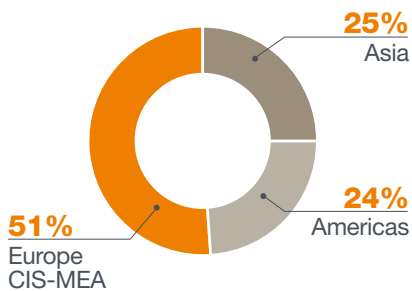


Gemalto worldwide

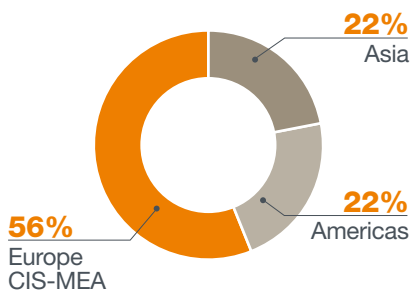
Gemalto's worldwide presence is key to the way we serve our clients.

In fact we are present on every continent, with a network of 85 sales and marketing offices, 31 personalization facilities, 19 production sites and 10 R&D centers. Beyond this physical footprint, it's our worldwide network of 400 partners and our own 10,000 employees who make the difference. Amongst them, we have 2,500 highly skilled engineers and some 90 nationalities – so wherever our clients are based, we're not far away and we speak their language.

Headcount by region at end December 2007



Revenue by region in 2007



19

→ production sites

85 sales and marketing offices

31

→ personalization facilities

90

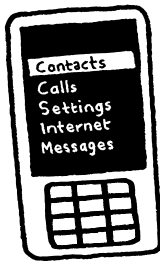
→ nationalities

R&D centers

10

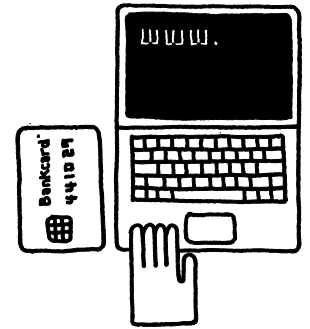


- ◆ Office
- * Personalization center
- Production site
- ✕ R&D center



8 million

→ With our **OTA solution** we updated 8 million subscribers' SIM cards in Thailand in a record 40 days



→ In the UK over 500,000 Barclays' customers can **bank online** with a high level of security using our two-factor authentication solution

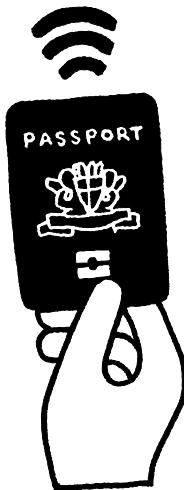
500,000

1.5 billion

→ No.1 in **chip cards**. We sold 1.5 billion chip cards representing 49% market share in 2006 (source : Nilson report 2007)

Markets, sectors and segments

Digital security is our vision and refers to the protection and enhancement of digital interactions in many different sectors and by many means. These include various types of smart cards, a wealth of new objects that include our secure operating systems and applications (e.g. e-passports, secure USB keys etc.), as well as software and an increasing number of services. As a result of recent technological innovations and the convergence of, for example, mobile telecommunications and the internet, many of these digital security products, software and services transcend conventional market categories. They may also appear to straddle different financial reporting segments so that, for example, contactless payments via a mobile handset are included in our Mobile Telecommunications segment rather than Secure Transactions. As a rule of thumb, in this brochure we refer to market sectors rather than reporting segments, and we generally make every effort to clarify these issues for the reader

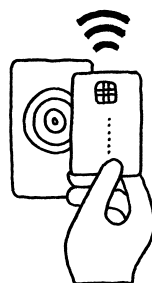


10 million

→ By March 2007 we had provided secure digital technologies to 10 million **e-passports**

100 million

→ In ten years we have delivered more than 100 million **contactless cards**



**“We are continuously
expanding the
possibilities
of digital security.”**

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Financial Services p. 24
Public Sector p. 30
Enterprise p. 34
Internet Content Providers p. 37



Our markets

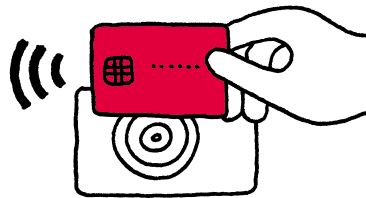
Key markets

Telecommunications

Gemalto offers a unique portfolio of solutions to address the increasingly complex eco-system of digital communications, building on its expertise as the world's leading supplier of SIM cards, software and services to the mobile industry.

We create value and long-term differentiation for our customers, helping them build loyalty and boost revenue per user, both in traditional market segments and in the developing markets of convergence, multimedia, proximity and mobile TV services.

- We help over 400 telecom providers worldwide get the most out of their platforms and solutions for their 700 million subscribers.
- Different business models tailored to meet the challenges of the mobile operator.
- A complete infrastructure for operator service deployment.
- As no two clients are the same, we offer low-cost solutions as well as multimedia and convergent offers for advanced networks.
- Security is at our core, helping customers strengthen their position in newly-opened and interconnected markets (mobile-TV, mobile payment, user authentication, etc).
- Our unique team of experienced consultants, researchers and engineers supports customers with advanced products, personalized end-to-end solutions and dedicated services.
- Vast range of cards and solutions for public telephony leveraging our experience in loyalty and marketing, and benefiting from our unrivalled, flexible production capacity.



Financial Services and Retail

The leading and fastest-growing player in this sector, delivering innovative and secure payment solutions to financial institutions and retailers around the world.

With our unrivalled track record in smart card security, hundreds of banks and other issuers trust us with their transaction and loyalty projects including chip card migration, consulting and personalization services, secure personal data management software, contactless payment systems, card design, payment terminals, readers, and secure tokens for online banking.

- Hundreds of millions of end-users benefit from our products and services.

- Widest portfolio in the industry covering all applications and technology platforms, with a stream of new developments to match our customers' needs.
- Renowned capacity for innovation and dedicated resources for customized applications mean we enable our customers to differentiate themselves.
- Chip conversion of card portfolios helps create fully integrated, customized solutions.
- Unique worldwide coverage means we offer local support and responsive personalization services.
- We are participating in almost all major smart public transport ticketing projects worldwide.





Public Sector

Durable and highly secure products, solutions and services for governments, national printers and integrators in the service of citizens.

- Practical experience in 30 countries on major e-passport and e-ID card projects; some of the world's biggest e-health programs; and numerous driving license, vehicle registration and tachograph projects.
- Unique, comprehensive offer for national identity programs including issuance, enrolment, border control and e-government applications.
- R&D team provides security, interoperability and durability.
- Extensive technological partnerships and PPP schemes like the build-operate-transfer/design-build-operate-maintain model, which allow private companies to design, finance, construct and operate revenue-producing public projects.

Enterprise

Secure identity and access management systems for corporations and other organizations, enabling them to identify, authorize and manage an individual's activity within their physical and IT space.

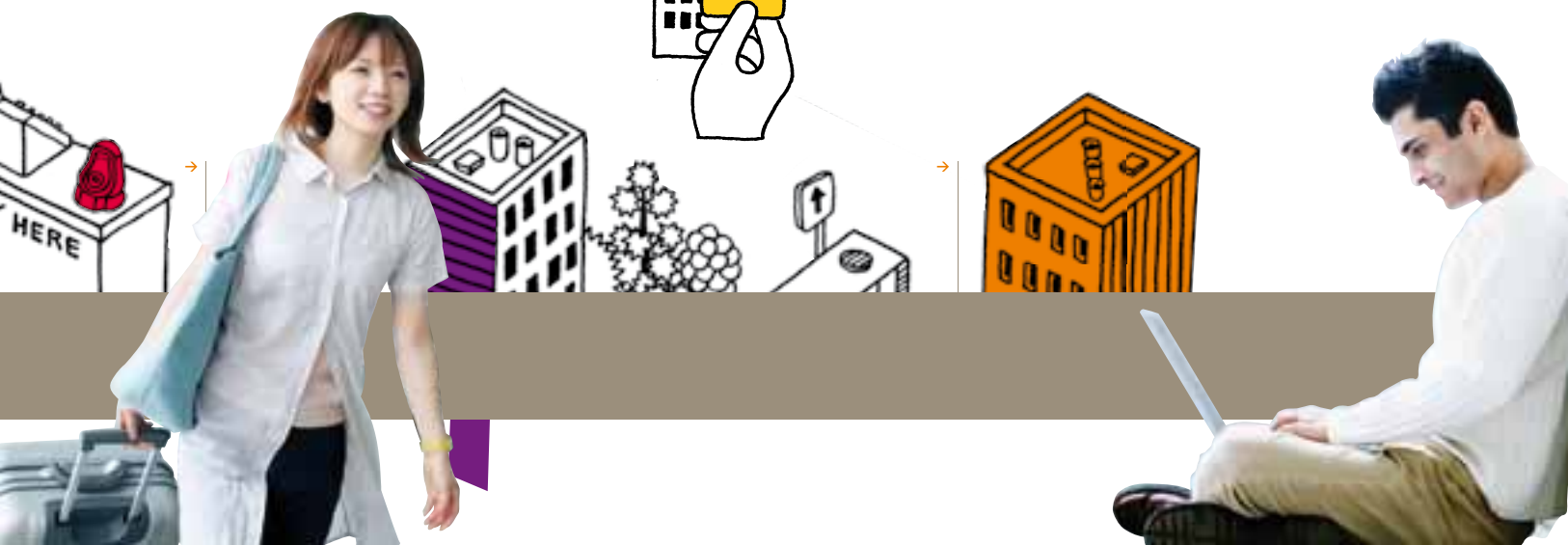
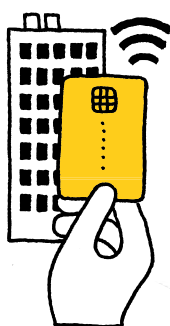
- Strong user authentication plus convenience and simplicity for users.
- Business-to-business authentication and digital signatures, plus all components for end-to-end security solutions, including readers, client middleware, card management systems, related services and training.
- Experience of working with large corporations (Fortune 500) such as Barclays, Shell, Chevron, Pfizer, Boeing, Telia Sonera, Schlumberger and Microsoft®.
- Access management to buildings, email, IT networks, corporate databases, corporate and personal bank accounts, employee services, benefit schemes, secure project databases, confidentiality on the road, plus other applications and services.
- Available in multiple forms such as cards, USB keys and one-time-password tokens compliant with the OATH framework, OpenID and other standards.



Internet Content Providers

Secure internet and network transaction solutions for online retailers, financial institutions, portals and internet content providers.

- Provides end-to-end security for online authentication.
- Protects against phishing, keyboard loggers and Trojans.
- Secure device solution, tamper-resistant.
- No drivers or software to be downloaded.
- Uses existing IT infrastructure.
- Authentication to multiple sites.
- Mutually trusted, secure connection.
- Strong tamper-proof platform.



Telecommunications

Our combination of software solutions, SIMs and managed services is gaining traction in the marketplace in terms of customer perception and service deployment.



We work closely with our customers through our sales and marketing offices worldwide, and through our customer communities.

This combination of technologies and market expertise helps our customers roll out a steady stream of new services and increase average revenue per user (ARPU) or device.

A more competitive organization

To provide the most appropriate response to our customers' needs, in 2007 we organized our telecom business into four strategic lines.

The first cuts across the whole Gemalto business. "Allynis™" is a complete and future-proof range of secure operated services, including outsourced personalization and delivery, supported by our powerful engineering, industrial and financial capabilities. Allynis encompasses all of Gemalto's managed and operated services for Telecom, including personal data management and storage, over-the-air (OTA) device updates for evolving roaming agreements on the go, and so on. Our customers benefit by outsourcing parts of their non-core business, and by using our technology with less capital investment.

"UpTeq™" is the brand name covering advanced products and data services. By offering the highest level of security, UpTeq enables mobile operators to provide the rich, multimedia content that attracts customers and keeps them coming back for more. UpTeq promotes fast adoption of services by end-users thanks to its ease-of-use and built-in self-care functions. It also provides skilled project management, execution and delivery.



Our Allynis™ Mobile NFC brochure describes how our customers can make the most of new opportunities in the contactless world (see also page 29).

The mobile handset: so much more than a phone

More and more people around the world are connected in a variety of different ways. Whether the services currently available to them are basic or sophisticated Gemalto is making communicating easier, more portable, more personal and more secure. Our solutions let end-users connect when and where they want.

Our mission is to help our clients, the network operators, our partners and content and device vendors, to deliver an exciting, innovative yet secure experience to the billions of users and machines connected wirelessly on every continent.

Operators the world over turn to Gemalto

Gemalto serves 400 telecom operators, including almost all the world's top 50. They rely on our knowledge and expertise for products and services that help reinforce and extend their relationships with their customers. They value our outstanding reputation for innovation, built on a global network of ten R&D and customization centers.

free to share



3.5 million

→ With our SIM phonebook back up service, SFR's subscribers made 3.5 million synchronizations in 18 months



1



2

1. We offer a complete SIM card order, packaging and delivery service. This makes life more efficient for our customers and helps them get closer to their subscribers with innovative, personalized products.

2. Our smart USB dongle provides connectivity to broadband networks, nomadic services and PC communication tools.

"LinqUs™" is our brand name for value-added product and service deployment to any mobile subscriber. With its open interoperability, LinqUs allows operators to swiftly update their entire installed base of (U)SIMs and market a vast array of applications developed by Gemalto and our partners. These include location-based services, entry range mobile advertising, and phone book back-up and restore applications.

QipSo™ covers our entry-level SIM card offer. This addresses the emerging and fastest-growing mobile markets, which account for a significant portion of global volume growth. With this well segmented and differentiated offer, we have organized ourselves to maintain volume leadership while pursuing our overall profitability objectives. Our R&D teams in China and India are developing tailored SIM product ranges for low-income end-users.

New services and solutions

In multimedia, at the 2007 3GSM World Congress Gemalto unveiled a complete solution developed for Telefónica Móviles España (TME), Spain's leading mobile operator. Using an enhanced phonebook, this solution gives instant access to TME's services and includes fixed-mobile convergence applications.

TME is using the solution to personalize the handset home screen with branded icons, providing direct links from the main menu to the operator's applications as well as to multimedia content.

In a high-profile demonstration of our capacity to manage services on behalf of operators, we also integrated our SIM phonebook back-up

13 million

→ Brazilian subscribers used our LinqUs™ platform to get entertainment and information about the Pan-American Games Rio 2007

and synchronization offering for SFR, France's no. 2 operator.

Now subscribers can manage and save their contacts either directly through their handsets or via SFR's website. SFR's customers clearly recognize the benefit, with no fewer than 3.5 million synchronizations in just 18 months.

The Machine-to-Machine (M2M) market began to display its potential in 2007. M2M covers a vast array of applications including remote management, intrusion control and healthcare. German car makers in particular are starting to embed M2M SIMs in some models as the platform for "telematics" functions such as GPS navigation and consumer services. Gemalto has designed a robust SIM-based device resistant to wide temperature ranges and shocks, which was showcased at SIMposium 2007 in Berlin.



Convergence

With 1.3 billion people using the internet and 2.6 billion using mobile phones, there is huge potential for innovation, disruption and complication when those two worlds converge. Some subscribers already enjoy new services.

With the right mobile device and a high-power SIM they browse the internet, send emails, conduct financial transactions, watch TV and video, play music and games, take photographs and videos and send them to a PC. Gemalto know-how is playing a crucial role in this dynamic market, enabling operators to offer secure and innovative services while giving end-users a convenient, enjoyable experience.

In Asia, we deployed an OTA campaign for Thailand's largest Mobile operator, AIS, updating nearly 8 million subscribers' SIM cards in a record 40 days, compared to several months if AIS had invited customers to visit a point of sale, or sent new cards out by post.

Using our interoperable SIM Value Added Service engine, we launched exclusive mobile banking services in Colombia with all the country's SIM-enabled operators and its largest banking network, Redeban Multicolor. These services allow mobile subscribers to perform secure transactions on the move and access banking services, transfer money, check their account balance, recharge mobile prepaid services and pay bills.

To drive forward development of Near Field Communication (NFC) technology, Gemalto and NXP joined forces to develop SIM-enabled NFC solutions compatible with existing payment and public transport infrastructures. NFC-enabled mobile devices allow consumers to store and access all kinds of personal data, at home or on the move. By creating a common standard based on both companies' expertise in NFC, MIFARE and SIM, this is building a solid platform for the launch of innovative NFC services (see page 28 for more about NFC).

In October, Gemalto won the 2007 Frost & Sullivan Award in the field of mobile contactless technologies for its smart card web server. This offers a common platform for all mobile operators to organize and present their services to the subscriber, irrespective of location.



Public telephony

Public phones are installed in 157 countries in the world, and close to 50% of them accept payment by prepaid chip cards. Fixed operators continue to support their networks of phone booths, offering a diversity of payment methods and innovative services, while end-users are constantly demanding new ones based on prepaid cards.

Gemalto is the clear leader* in the supply of prepaid memory phone cards to this market segment, producing a steady stream of competitively priced innovative solutions, including modules tailored to specific market demands.

We offer the most comprehensive range of products in the public telephony market, including the latest versions of chip prepaid cards as well as secure card authentication via the UniSAM™ and a robust Key Generation System.

Leveraging our security and smart card technology know-how, we offer complete security solutions for different card generations, including Security Authentication Modules and Key Management System updates.

We support interactive campaigns across the world, from the Middle East to Latin America, through airtime lotteries, for instance, with results displayed instantly on either the card or the phone screen, and this provides us with unique market differentiation and expertise.

Gemalto continues to support telecom operators in a wide range of initiatives designed to promote their business, by sharing our sales and marketing know-how and our technical knowledge.

Source: The Nilson Report Nov. 2007

Financial Services & Retail

Security and convenience are fueling growth in secure transactions as people demand freedom to pay for goods and services at home or on the move, without fear of fraud or identity theft.

Our Allynis CardLikeMe™ brochure describes how people can make their credit cards unique using a personal photo of their choice (see also page 27).



New levels of trust and convenience

Gemalto is a world leader in technologies and services for securing transactions, with 15% market share in payment cards¹. We are a prime mover in the widespread adoption of EMV², tackling card fraud, while our contactless technologies allow users to wave their card at a terminal to purchase goods or board a bus. Gemalto is also partnering mobile telecom operators and banks to offer customers specially-designed SIMs that let them pay with their mobile handsets using NFC (Near-Field Communication).

The spread of broadband internet access has powered rapid growth in e-commerce as well as the emergence of Web 2.0 communities, where consumers become occasional sellers as well as buyers. Gemalto's powerful encryption

and secure identification processes are protecting merchants and customers alike in the virtual sphere. Trust and convenience are crucial to the development of these exciting revenue-generating opportunities.

User-friendly payment solutions

Gemalto supplies innovative contact and contactless cards, payment terminals incorporating the latest technologies and a complete set of user authentication solutions for secure online banking. Furthermore, we are continuously innovating with card body designs and new materials in order to respond to our clients' developing needs.

Thanks to our world-renowned encryption experts, our creative designers and expert customer service team, we are delivering secure and easy digital payment solutions for the 21st century.

Continuing EMV roll-outs

The spread of EMV chip-and-pin cards, surging growth in contactless payment cards and the arrival of new user-friendly services were dominant trends in 2007. All these developments are encouraging people to buy online, while enhancing their experience in a host of settings, from fast-food outlets to mass transit systems.

In Taiwan Citibank picked Gemalto in 2007 as its exclusive EMV banking cards provider. The partnership provides for the supply of one

1. Source: *The Nilson Report* Nov. 2007.

2. EMV: the industry standard for international debit/credit cards established by Europay, Mastercard and Visa.

free to shop



230 million

→ microprocessor cards for **secure transactions** delivered in 2007

number 1

→ in **payment cards** (source: *The Nilson Report Nov. 2007*)



1



2

1. With its advanced display features and the highest security levels, our stylish ProxPay contactless payment reader holds a unique position on the market.

2. Contactless payment devices come in an increasing range of forms, including secure key fobs.

million cards and associated personalization services. Citibank selected Gemalto for its known expertise with large scale EMV roll-outs.

In Canada, Gemalto is helping financial institutions to migrate successfully to EMV. Our EMV Pilot package provides cards, personalization and consultation services to local organizations to assist them in upgrading their debit and credit cards to the new standard.

In South Africa, Gemalto was the first company to achieve American Express, MasterCard and Visa accreditations there, for the deployment of EMV cards by South African financial institutions.

In Vietnam, Gemalto and FPT Information System formed a partnership for the first EMV deployment there, with Vietnam Joint-Stock Commercial Bank for Private Enterprises.

In Italy, Gemalto became the first company to receive EMV and American Express certifications for our Linux™-based payment terminals (see page 28 for more about our range of POS terminals).

In India, Financial Information Network & Operations Ltd (FINO) is deploying Gemalto smart cards with biometric authentication. These securely record micro-banking transactions and give access to financial services to under-banked rural populations (see "Highlights" page 7 for further details).

Rapid contactless adoption

Contactless technology, once mainly confined to the US, is now starting to develop

in many countries around the world and in many different guises.

Financial institutions are fast adopting contactless microprocessor cards for their speed and simplicity in handling low value payments.

Users enjoy the convenience of simply waving or tapping their card when passing a terminal in order to pay for purchases or hop on a bus. Mass transit companies too benefit from faster admission and boarding, increased fare revenues and lower costs (see also page 29).

In Taiwan, we are currently delivering MasterCard OneSmart™ PayPass™ EMV contactless "combi-cards" to Cathay United Bank and Taipei Fubon Bank, two leading Taiwanese banks.

Contactless cards are also simplifying and speeding up small-sum payments for Taiwan's mass rapid transit system (MRT), buses, parking lots and other locations. Cardholders simply tap their cards at PayPass readers to make their payment.

The Commonwealth Bank of Australia also picked Gemalto for its first PayPass pilot. During this trial phase in New South Wales 33,000 CBA cardholders are able to use their card at more than 150 participating merchants for purchases under AU\$35. By eliminating the need to enter a PIN or sign a receipt, consumers and merchants alike enjoy shorter queues and faster transactions.

In Belgium, subscribers to mobile network operator BASE are using their handsets

Your card: your photo! REACHING CUSTOMERS MORE EFFECTIVELY

In an increasingly competitive market, customer acquisition and retention represent a real challenge for banks. Giving cardholders the opportunity to customize their bank card with a personal photograph is a real differentiation factor. It also strengthens the customer's attachment, much in the same way as customizing a mobile phone or PC screen, and can help move the card to the top of the wallet. Gemalto's Allynis CardLikeMe does just this. It is an end-to-end solution including web services, which allow the end user to upload and edit the picture, as well as secure printing. Customers receive a unique card which they are proud to show and use.

to make payments. Recognizing Gemalto's unique leadership in both the telecom SIM and the payment card markets, BASE adopted our SMS-based mobile payment solution combined with Banksys m-banksafe technology.

Identity management expertise

In 2007, Gemalto helped several customers leverage their existing investment in EMV infrastructure in order to develop their internet transactions business by using our one-time password (OTP) and public key infrastructure (PKI) technologies.

Projects with DSV (Germany) and CitiGroup (US), for example, are creating new business opportunities for our customers, while in the UK over 500,000 Barclays customers can bank online with a high level of security by using our two-factor authentication solution. Barclays selected Gemalto to provide the authentication devices as well as a full range of services including procurement of readers, fulfillment and distribution of the complete solution to its end-users.

Nedbank in South Africa is also securing online transactions for 80,000 of its customers with Gemalto's strong authentication Network Identity Manager (NIM) solution. Based on a USB (universal serial bus) key, this is very simple to use while boosting trust and confidence when performing online transactions (see also page 37).

Reaching customers more effectively

New services deployed in 2007 aim to help financial institutions get even closer to their

customers by improving the end-user's overall card experience, generally through ultra-personalization features such as his-and-her cards. We are also providing improved logistics and distribution channels for banks all the way to the end-user.

One such innovation is Allynis CardLikeMe, a web service that lets consumers use their home PC to select their favorite picture for their banking card. At the same time, this offers banks a useful marketing segmentation tool, in order to reach their different customer groups more accurately.

Another is Dexxis Instant Issuance, which enables banks to issue cards immediately at the branch in order to capture consumers' impulse demands. This can be particularly effective in shopping malls, as at the Citibank branch in Hong Kong, for instance, where consumers are able to use their new means of payment immediately. Instant Issuance also offers an ideal solution in markets where mail services are not totally secure.



1. Our pocket-sized device provides convenient One-Time-Passwords for secure banking transactions.



number 1

→ Gemalto is no 1 in **smart card readers and chipsets** in 2007 (source: Frost & Sullivan)



1. MagIC³ terminal, part of our portfolio of advanced point-of-sale terminals.

Secure Point-of-Sale terminals

Global demand for secure EMV compatible point-of-sale (POS) terminals continued to grow during 2007 as more and more markets switch to EMV payment cards.

The key to the success of Gemalto's terminals lies in five major strengths, namely security, standards compliance, connectivity, customizable applications and cost of ownership.

Our MagIC³ "Open&Sec" architecture, unveiled in 2006, was a brand new technology platform running on Linux. This speeds the introduction of new applications for new market segments while preserving all the qualities that make our terminals so popular. With the launch of our MagIC³-X and C terminals in 2007, Gemalto started to deliver on the promises of this platform.

MagIC³-X is a high-end desktop terminal for demanding, high-volume retailers, the first

of this kind to be developed, manufactured and sold by Gemalto. Its connectivity is designed to address a broad array of needs and IT environments (e.g., USB, RS-232 and Ethernet). The new product has proved an instant success in challenging, competitive markets such as India. MagIC³-C is a zero-compromise entry-level terminal for retailers performing fewer than 10 transactions a day. This highly innovative product is an industry breakthrough, bringing POS terminals to the vast numbers of retailers not yet equipped. Shunning the low-cost trade-offs on offer from competing products, Gemalto delivers best-in-class technology for small retailers seeking the tools they need to expand their business.

The MagIC³ family will continue to expand in the course of 2008 with two more models in the pipeline. The R version is aimed at large retailers seeking to connect the terminal directly to their cashier system. By contrast, the M version is designed to open the market to high transaction volumes in a wide variety of settings, using the mobile phone as a mobile terminal to enable transactions on the move.

Smart readers and tokens

Gemalto is the world leader* in secure card interfaces including readers, chipsets, contactless interfaces, USB tokens and dongles. In 2007, we were honored to win the Frost & Sullivan Award for Market Leadership in smart card readers and chipsets. We supply the world's largest range of reliable, certified, user-friendly

readers for all security markets and applications such as e-banking, logical identification and authentication, healthcare and physical access control. Our best-selling PC-Link series is now widely used in IT security, e-government and business-to-business, as well as in the fast-growing home banking

and e-commerce segments. We have also launched a new line of hand-held readers offering dynamic one-time-password (OTP) authentication. In the corporate security sector, more and more financial institutions seeking to secure their business-to-business transactions as well as those with their internet customers are turning

to Gemalto's smart readers. Four of the main U.K. banks already use Gemalto's PC-Link reader to secure exchanges of information with their subsidiaries and other banks. For all markets requiring card interfaces, we also offer chipsets embedded in computers, keyboards or USB Tokens.

* Source: Frost & Sullivan 2007

Near Field Communications

A major application for SIM-based mobile Near Field Communications (NFC) is for payment and e-ticketing, and with contactless transport infrastructures now flourishing in almost every major city, the opportunities are expanding rapidly. Using NFC, commuters simply hold their phone near a reader to pay for entry or debit a stored “ticket” for their journey. So NFC makes life easier and quicker for travelers, and more efficient for transport operators. Yet even in this win-win environment, service delivery is a challenge since it means harmonizing the different needs of banks, mobile operators and transport companies. What’s required in this multi-player business is a single, trusted intermediary – and that’s where Gemalto comes in.

Transport

E-ticketing brings speed and convenience

E-ticketing is helping to cut fraud and enhance travelers’ experience, while enabling mass transit operators to roll out new revenue-generating services. Across the globe, too, contactless ticketing is replacing paper and magnetic formats.

Using contactless technology, passengers can now board buses, tramways and trains quickly and simply with a wave of their e-ticket; and pilot projects now underway allow passengers to pay their fare with their cell phones. For added convenience, interoperable tickets allow commuters to switch easily between mass transportation modes.

Expertise and innovation

Gemalto has pioneered contactless solutions for mass transit systems for more than 10 years and to date we have delivered more than 100 million contactless cards. With this long experience, expertise in 2G and 3G SIM cards, unrivalled industrial capabilities, worldwide coverage and commitment to innovation, we supply a complete portfolio of contactless products. All this makes us the ideal partner for operators seeking to deploy innovative fare payment technologies.

More recently, we have been helping city authorities in Europe and the US to roll out e-payment solutions for alternative modes of transportation such as “bicycle rental on demand.”

Accelerating adoption in 2007

Gemalto garnered several important and innovative projects with major cities worldwide in 2007. Among them, the Massachusetts Bay Transportation Authority selected our transit payment devices for a project representing 3.5 million units.

Meanwhile Leon, in Mexico, became that country’s first city to implement a rapid bus transportation system. Gemalto was chosen by PagoBus to provide 400,000 Celego Mifare™ contactless cards starting mid-2007.

In Sweden, Stockholms Lokaltrafik AB awarded Gemalto a contract to provide 1.4 million Celego Mifare™ contactless cards. This includes several of our Allynis services such as a web-based Sales and Logistics interface, and our “CardLikeMe” which enables users to upload a picture of their choice to be printed on their personalized card.

Other on-going projects in which we are engaged include the Oyster™ branded cards in London, Trans Link in the Netherlands, SPTrans in São Paulo, Denmark, Brazil, Taiwan, and several projects in China’s major cities such as Beijing, Guangzhou, Chongqing and Chengdu.



1. Commuters in London use their contactless “Oyster” cards for more convenient travel on the capital’s public transport system.



2. Our e-tickets provide speed and convenience for users of many of the world’s most ambitious mass transit projects.

Public Sector

Electronic and biometric identity documents are helping governments check travelers more swiftly and securely, and efficiently administer nationwide programs like healthcare and driving licenses.



20 top specialists were interviewed for our eGovernment 2.0 whitepaper which analyzes implementations in 7 European countries and focuses on e-ID, security and trust as keys to success.



The “e” factor

Electronic infrastructures based on the internet are behind immense advances in the efficiency and security of governments the world over, enabling them to upgrade essential functions in order to serve and inform their citizens more effectively. These infrastructures also stand behind efforts to improve border controls and thwart terrorist and criminal activities.

Public sector organizations and agencies are deploying these infrastructures across a range of functions, from enabling secure online government and administration services, to combating ID fraud, securing travel documents, and fostering dialogue with public opinion to achieve better policy outcomes.

These developments are visible above all in the widening array of “e-documents” (e-passports, e-ID cards and e-driving licenses) that we now carry as citizens. The result is a vast and fast-growing market known generically as e-government, with its offshoot in e-healthcare.

Leading provider of secure identity solutions

Gemalto is the leading provider of secure identity solutions. Our aim is to make each interaction between citizens and the public sector more secure and convenient, while protecting privacy. Security, durability, reliability of data exchanges and protection of privacy are mandatory when dealing with digital identity. We provide secure documents, solutions and managed services covering enrolment, issuance and complementary applications.

New milestones for e-passport and e-border control solutions

Gemalto now supplies e-passport solutions to 14 countries including the US, Singapore and several in Europe. We reached a significant milestone in March 2007 by which time we had provided secure digital technologies to some 10 million e-passports. This industry-beating figure, reached in under 16 months, reflects the continuing growth in this market and Gemalto's undisputed leadership in e-travel documents, with an estimated 30% market share¹.

In the US, Gemalto is one of just two vendors picked by the Government Printing Organization to supply their e-passport program. With our exceptional industrial capacity we are ideally positioned to help meet the higher-than expected demand from American citizens for their new-generation passports, and delivered very significant quantities in 2007.

1. source: Gemalto

free to go



→ **10 million**

By March 2007 we had provided secure digital technologies to 10 million e-passports



1. Gemalto has provided the operating system, personalization services and most of the 53 million patient cards for France's SESAM-Vitale healthcare scheme since it was launched more than a decade ago.

The European Commission has set a mandatory deadline of mid 2009 for the introduction by all EU member countries of second generation e-passports. These will include additional biometric information including fingerprint data, creating a strong link between the document and its owner.

They will also be required to function with EAC (Extended Access Control). This is a complex scheme that demands an experienced e-passport solution provider.

During 2007, we developed solutions in line with these new requirements and now offer one of the fastest, most comprehensive and interoperable operating systems on the market: Sealys eTravel EAC 80K CC. We also offer our Coesys Enrolment and Coesys Issuance solutions, as well as a new automatic border control solution: Coesys eBorder Gate. This slashes inspection time and reduces the need for human intervention by allowing security personnel to focus on potentially sensitive travelers.

Expanding capabilities for e-ID cards

Gemalto also supplies e-ID cards to governments worldwide. For example, Mexico's licensing authority (ICV) used our smart card platform to issue Monterrey's first e-driving licenses in 2007. These securely store the driver's information, while a sophisticated, highly secure card body makes it hard to copy and counterfeit.

Over the next three years we will supply some 900,000 licenses to ICV, paving the way for future e-government schemes that will further simplify administration and reduce fraud.

35 million

→ the number of **e-health insurance cards** we will supply and personalize in Germany

We will also be supplying Sweden with 600,000 driving licenses per year over the next three years. These include the latest innovation in security printing features: a transparent window in the pure polycarbonate structure for enhanced physical security that matches the stringent expectations of Sweden's criminal laboratory and national road authority.

The Portuguese Mint and National Printing Office (INCM) has also picked Gemalto to provide their national e-ID Citizen Card. This includes the operating system, Sealys MultiApp ID Certified, and our Coesys Issuance solutions for personalization and applications, middleware and associated helpdesk services. They also incorporate extended printing security and a fingerprint feature.

All Portuguese citizens will ultimately carry these cards as their national ID document.



Securing identity

The illegal use of non-secure ID documents comes with a cost. The British Home Office estimates the cost of identity fraud to the UK economy at £1.7 billion. With the widespread use of IT, more services are on offer via the internet, and identity fraud and theft has grown in parallel. Paper documents are easily forged and there is a multitude of different formats for certain documents which makes any control difficult. In Europe, for example, 120 different types of driver's license exist – a figure which leaps to 350 models in the US. The political climate of each country defines the need and level of security, but overall there is a global trend calling for greater security features and the necessary legislation to put these in place. In this environment, Gemalto has become a leading provider of secure, tailor-made Identity solutions for national identity programs, driver's licenses and vehicle registration.

They will be able to generate a legally binding digital signature in order to communicate rapidly, simply and securely with government administrations. The cards will include several ID numbers such as civil identification, taxpayer, social security and health. In future they will even replace voting cards.

The program went nationwide in August and involves more than 2 million cards a year. It is the first ID project in Europe to be based on Identification Authentication Signature (IAS) specifications.

E-healthcare brings new benefits

For the past 15 years, Gemalto has been supplying secure cards to healthcare programs around the world. In September 2007 we marked a milestone by delivering our 100 millionth Sealys Health Insurance card.

Combining secure card bodies, proven microprocessor technology and localized services, our systems embody sophisticated security mechanisms to protect personal patient data and rights while simplifying the task of healthcare administrators.

In May 2007, LifeNexus Inc., a medical records management company, chose Gemalto as the exclusive supplier of our .NET technology and professional services for North America's first healthcare payment card. Consumers can use them to keep track of their personal health data and pay for services, while healthcare providers can consult information on the card.

In July, Allgemeine Ortskrankenkasse (AOK), Germany's leading health insurer, also picked Gemalto to supply and personalize 35 million

Sealys e-health insurance cards. These serve as an active security device to perform strong patient authentication and reduce fraud. By enabling secure access to an electronic file including emergency data such as blood group, allergy alerts and ongoing treatments, the cards will avoid unnecessary procedures. They will also carry e-prescriptions, significantly reducing paperwork, while in-field updates will enable insurance funds to adjust their cost of ownership.

In both of these groundbreaking programs, Gemalto's digital security solution is key to protecting cardholder privacy and security, as all information on the card is encrypted and accessed only with the patient's PIN.

With other references in Algeria, Belgium, China, Finland, France, Mexico, Puerto Rico, the UK and Slovenia, and with the European health card & NETC@RDS, Gemalto is an experienced partner for e-healthcare projects.



1. The security of our Swedish e-passports is maximized by combining polycarbonate and laser engraving, enabling several visual security elements, and a microchip with biometric identifiers.

Europe's i2010 eGovernment 2.0 Action Plan

i2010 is the European Commission's strategic framework laying out guidelines for the information society and the media in the next few years. It promotes an open and competitive digital economy, research into information and communication technologies (ICT), as well as their application to improve social inclusion, public services and quality of life.

E-ID is one of the key elements of this ambitious program, and by 2009, each and every EU state will have begun the process of introducing secure digital identification tools. With its experience in this field, Gemalto is ideally placed to respond to this opportunity.

Enterprise

Public and private networks are critical assets for enterprises of all sizes, and Gemalto's innovative, highly secure access solutions are helping them counter proliferating threats to their security.



1

1. Our Smart Enterprise Guardian device enables organizations to easily protect digital identities and sensitive documents.

2. Our .NET solutions brochure describes how organizations can leverage our advanced smart card technology to secure their networks.



2

Securing business management

Employees, partners and customers require convenient, secure, on-demand access to data and applications from anywhere, irrespective of the platform. Yet while access by local and mobile users is a business necessity, it also leaves enterprise networks vulnerable to infiltration.

Thwarting hackers and other intruders is a major priority for companies of all sizes. They are increasingly deploying systems that combine certificate-based services with strong authentication. These systems enhance network security and protect access to confidential documents and digital assets. In addition, corporations must now comply with government regulations. In the EU, the European Network and Information Security Agency was set up in 2004 to address such issues. Meanwhile in the US, several federal laws mandate the use of strong authentication, including Homeland Security Presidential Directive 12 (HSPD-12), the Health Insurance Portability and Accountability Act and the Sarbanes-Oxley Act.

To address these growing demands, Gemalto offers its Protiva and SafesITe solutions. Incorporating the established strengths of smart cards with open standards, as well as close integration and partnership with Microsoft® and Citrix®, they are interoperable and cut the total cost of ownership.

Strong authentication that's easy to deploy

Our Protiva solution offers enhanced network security and online identity protection to small and medium-sized enterprises worldwide, and is supplied by Gemalto through a select group of Value-Added Resellers (VARs) and systems integrators. It delivers two key benefits: strong, two-factor authentication using one-time passwords, and the flexibility to implement additional identity services in response to evolving needs. When used with certificate-based applications, the smart card device can also provide core Public Key Infrastructure (PKI) services including encryption, digital signature, secure private key generation and secure storage. Law firms, regional banks and hospitals have deployed Protiva seamlessly into their existing infrastructures. In 2007 our Protiva platform was announced as Citrix Ready for use with the Citrix Access Gateway.

Customized security for the organizations and governments

SafesITe is a proven, comprehensive solution that enables governments and large-scale enterprises to manage and segment access to physical and network security systems with a single identity credential for each employee. It allows them to consolidate a wide array of functions without compromising on security, and, by offering support for services such as digital signature, secure

free to work



100,000

→ Pfizer users of Gemalto smart card badges
(source: CIO.com 2007)

11 million

→ of our Common Access Cards deployed
by the US Department of Defense

1



network log-on and remote access, also helps boost operating efficiency and productivity.

Major international organizations, including Boeing and Pfizer, have deployed Safes!Te to securely manage access to their global facilities and networks. It is supported around the world by systems integrators who provide installation, integration, and support services.

Gemalto has long been a major provider of strong authentication devices to the US Federal Government. The top-ranking agency within the US Executive Branch of Government chose Safes!Te, including card management services, in compliance with HSPD-12. Since 2001, the Department of Defense in particular has deployed 11 million of our Common Access Cards. Our integrated solution is compliant with the US government's stringent Federal Information Processing Standard (FIPS) 201, which requires interoperable smart card-based credentials for all federal employees and contractors.

Linking up with Windows Vista™

For enterprises seeking strong security within the Microsoft Windows® environment, our .NET smart card is supported in Windows Vista™ and can be provisioned with Microsoft's Identity Lifecycle Manager 2007. It seamlessly runs a streamlined version of the .NET framework to provide two-factor authentication, full cryptographic capabilities and support for on-card applications and services.

This solution has been chosen as Microsoft's own worldwide corporate badge for logical access. The high degree of integration between Gemalto and Microsoft products enables fast and easy

deployment of our solutions in Microsoft Windows® corporate IT platforms.

Award-winning solutions

For organizations of all sizes we also introduced our "Live Provisioning" solution and "Smart Enterprise Guardian" device in 2007.

Live Provisioning enables security managers to quickly and easily deploy new strong authentication devices or re-use existing ones. In September it was named by Info Security Products Guide as the double winner of Tomorrow's Technology Today Awards 2007, in both the Mid-Size Enterprise Security and Two-Factor Solution categories.

Then in November, Gemalto, in partnership with Lexar Media, Inc., a subsidiary of Micron Technology, Inc., launched the Smart Enterprise Guardian (SEG). This unique Personal Portable Security Device (PPSD)* incorporates the strongest industry standards for protecting digital identities and sensitive documents. The SEG combines our.NET solution and Lexar's memory encryption technology to provide unrivaled secure portable memory and strong authentication.

**PPSD: Personal Portable Security Device is a category newly defined by market intelligence firm IDC, and comes in many forms such as smart cards, USB and OTP tokens. PPSDs are personal devices that provide secure access from many different clients (PCs, laptops, smartphones, kiosks, etc.). They can be personalized and contain a processor, cryptographic calculation and key generation/secure storage.*

2



1. Our Secure Digital Companion is a convenient, multipurpose solution that helps protect enterprise networks and enables end-users to be more productive, efficient and secure when accessing applications and data.

2. Our Protiva .NET badge with its companion One Time Password reader is seamlessly integrated in Microsoft Vista and Forefront to provide secure two factor authentication anywhere.

Internet Content Providers

Accessing data, buying and selling, enjoying entertainment and joining online communities: huge numbers of individuals and firms have expanded their horizons and built businesses undreamt of just a few years ago.



1

Staying safe online

The internet has brought us countless opportunities – yet it has also brought new dangers such as identity theft, cybercrime, hacking and malicious attacks, to name but a few. Complexity too is a bar to development, as today's online consumers struggle with multiple screen logins, challenge/response, numerous passwords and other difficulties. Some of these not only breed confusion and inconvenience, they also leave gaps in security. Many users, clearly, would welcome a simple device allowing them to plug and play securely.

Raising the bar for online security

Gemalto's Network Identity Manager (NIM), a smart card-based mutual authentication system, answers these needs by optimizing the tradeoffs between cost, security and ease of use. This USB device requires no installation or client software and can be quickly and easily adapted to existing authentication and web servers. Once installed it enables a mutually trusted, secure connection between consumers and online providers, requiring minimal technical and end-user support.

For corporations, the NIM enables compliance with government regulations and corporate

security initiatives mandating the use of strong authentication. It also has the potential to increase an organization's online business by boosting consumer trust and confidence.

Thanks to our expertise in banking card personalization and fulfillment, the device can be quickly and safely issued to consumers in large-scale deployments.

VeriSign®, one of the world's leading authentication providers, has selected this solution for their Identity Protection (VIP) Network, radically improving the way consumers authenticate themselves online and securely log on to an internet site.



2

1. Our Network Identity Manager makes it simpler and more secure for users to conduct transactions and participate in communities online.

2. Our solution is used by VeriSign® to improve the way consumers identify themselves online and securely log on to internet sites.

Patents

Innovation is a key value for Gemalto. We consistently invest twice as much in Research and Development as in tangible capital expenditures. As a result, we have a portfolio of more than 5,000 patents in 1,200 patent families, covering innovations in production, security, value-added services, software, high and low level layers, and hardware. Many of Gemalto's patents have been granted in Europe, the US and Asia, including China. In order to promote digital security and convenience, we have also developed several licensing programs based on our latest research and innovations.



“We believe employee satisfaction and shared objectives are crucial to strong business performance.”

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**Our
company**

Our responsibilities

Health and safety **training features** prominently in all production sites and across the company.

A proactive HSE policy

Protecting the health and safety of employees and the environment has been a stated priority at Gemalto for over twenty years. To achieve those goals, we submit our HSE management system to certification procedures, develop eco-friendly products, strive to reduce the impact of our production activities, participate in the activities of the cities where we are located and pursue a host of other initiatives.

We lead the industry in terms of international benchmarks for Health, Safety and Environment management systems, with 20 ISO 14001 and nine OHSAS 18001 sites certified. Beyond ensuring compliance with legal requirements, these accreditation schemes verify that the appropriate organization is in place. In addition, they are the driving force behind our continuing efforts to improve Gemalto's HSE performance by cutting the frequency and gravity of incidents, organizing training and awareness campaigns to prevent their occurrence, and by curbing energy consumption and waste.

For the past two years, Gemalto has taken part in the European National Sustainable Development week, organizing initiatives to raise employee awareness of social and environmental issues.

We strive to create a working environment that protects both Gemalto's employees as well as contractors and the surrounding community. We do this by identifying potential hazards and anticipating their potential effects, as well as by making recommendations for appropriate corrective actions and system improvements.

Health and safety training features prominently at all production sites and across the company, for employees and managers alike. Our business driving policy, for example, seeks to eliminate driving related accidents through careful management of all phases of the transportation process. With our wide international footprint, our HSE systems have been tested in operation several times in recent years and their efficiency is recognized by our insurers.

Gemalto provides solutions for facilitating the access of disabled people to information technologies. With a high quality display, large characters and an audio function, our GemPocket OTP authentication reader allows people with impaired sight or hearing to benefit from the standard levels of service and functionality.





Gemalto is engaged in programs to comply with national recovery, recycling and end-of-life regulations.



Protecting the environment

Gemalto seeks to minimize the environmental impact of its products all along their life cycle – from initial design and production through consumption to disposal. This notably implies paying close attention to their chemical content and end-of-life management, and anticipating and complying with applicable regulations.

Our hazardous substances policy seeks to ensure the health and safety of both workers and end-users of our products. We also strive to reduce the burden our products place on the environment throughout their life cycle. Responding to both legal requirements and customer demands, Gemalto has developed a process to control hazardous substances, based on a blacklist of those that must be reviewed and signed by the material's supplier. Additional investigations, notably toxicity analyses, are performed at key stages in the product development and production process. All Gemalto products have been available in RoHS¹ format since July 2006.

Our personalization facility at Fareham, UK, has been CarbonNeutral™ accredited since April 1st, 2006, which means we now supply carbon neutral cards for banking applications. This system, inspired by the Kyoto Protocol pollution permit mechanism, provides financial incentives for curbing environmentally harmful actions.

Gemalto is also engaged in programs to comply with national recovery, recycling and end-of-life regulations, and provides these services to our customers. In November 2007, we confirmed our commitment to these activities by helping to lead the signing of a new charter with other members of the Association of Card Manufacturers and Personalizers (AFPC). To date, Gemalto operates waste management schemes in Germany, France, the UK and Poland. This approach is now also being deployed in Asia, within the framework of WEEE²/RoHS-like legislations.

Working in close cooperation with leading banking and telecom customers worldwide, we also offer a range of eco-friendly cards, made from paper-based materials for short-term use (e.g. scratch card paper), to carbon neutral credit cards and "green" PETG based "earthcards," a chlorine-free alternative to PVC cards.

1. Reduction of Hazardous Substances.

2. Waste of Electrical and Electronic Equipment: European directives.

Through PeopleQuest, our confidential online survey, we listen to employees' ideas and focus management on addressing them appropriately.

Human resources

With some 10,000 employees from 90 nationalities in 40 countries, diversity is part of Gemalto's corporate makeup, and we reflect that inclusiveness in our recruitment policies and career development priorities.

In a fast-moving business producing a stream of new technologies, a well-trained and intellectually stimulated workforce is a vital necessity, so we invest substantially in enhancing our employees' skills. We appreciate the global scale of our business and of the digital world in which we operate, and understand that local uses of our technologies vary considerably according to their location. As a key strategy envisaging our future development, we therefore proactively recruit talents from new and more recent countries of operation.

To develop the technical and managerial abilities critical to our growth, all areas of the organization are involved in customized competency-building programs. Our catalogue of trainings courses is deployed across all regions via our learning management system. One of our most successful worldwide projects is the Gemalto Ambassadors' program. This equips sales and marketing teams with the communications tools needed to tell Gemalto's story to our partners, customers and stakeholders consistently and effectively.

Our global HR Information System allows us to manage vital employee information, and enables a unified self-service employee/manager relationship. The Gemalto Performance Review sets objectives, measures achievement, provides for recognition when targets are met and highlights outstanding contributions to company performance. We also encourage internal mobility across job functions and regions.

We believe employee satisfaction and shared objectives are crucial to strong business performance. Through PeopleQuest, our confidential online survey, we listen to employees' concerns and focus management on addressing them appropriately. The survey embraces topics chosen to measure commitment and allows for comparisons year after year. We encourage employees to voice their opinions by pledging a contribution to humanitarian organizations of their choice in countries where we operate in return for their participation.

Our PeopleQuest survey enables employees to speak their mind regarding their attitudes, concerns and opinions about the company.





Our involvement can take many forms, from supporting local schools to promoting sustainable development and encouraging a healthier lifestyle or safer driving.

Corporate citizenship

Gemalto not only complies with all relevant legislation in the countries in which we do business, but, believing that we have a duty to contribute to the lives of the communities in which we operate, also strives to do better than this. This involvement can take many forms, from supporting local schools to promoting sustainable development and encouraging a healthier lifestyle or safer driving.

Among many examples, in Mexico we offer pupils with outstanding grades a grant to support them in school for the following year. Both of our factories there also support a variety of causes from local schools and an old people's home to national charities. Employees and the company give support by donating toys, food and clothes.

In Brazil, our Curitiba plant organizes an annual campaign in aid of local charities. It also supports a center providing vocational training for teenagers, and runs a campaign to recruit, train and hire disabled employees. Our São Paulo sales office, meanwhile, collects toys and clothes for two neighborhood charity schools.

In Poland, employees support a primary school with stationery, as well as an orphanage and an association for handicapped children. Promoting sustainable development is a major focus of our involvement in France, and a Sustainable Development Week, supported by many of our sites, focused on ecological commuting, organic food and energy conservation. In the area of health and fitness, Gemalto continued to sponsor the Marseille-Cassis International Half Marathon, with more than 100 of its European employees competing. In the US we have a growing presence in the Susan G. Komen Race for the Cure, supporting cancer research.

At our facility in Pennsylvania, US, employees took part in a food drive for the local homeless shelter/soup kitchen and raised money for a local charity. Finally, staff in Ontario, Canada supported a food bank this Easter and provided food and gifts for underprivileged families.



Our corporate governance principles are being transformed into an integral part of our business processes.

Corporate governance

Gemalto views compliance with the highest standards of corporate governance as a fundamental cornerstone on which to build shareholder value.

We strive to apply the highest standards of corporate governance in accordance with best international practices, starting with the recommendations of the Dutch corporate governance code, and to ensure that our corporate bodies function in a coordinated and transparent manner.

Gemalto's Code of Ethics provides guidelines for the conduct of all employees with respect to internal controls, financial disclosures, accountability, business practices and legal principles. Our whistleblower procedure guides the treatment of complaints regarding suspected financial irregularities and is being implemented in different countries.

In addition, Gemalto has charters governing the functioning of the Board of Directors and its Committees that are reviewed annually with regard to their appropriateness and effectiveness. It also has a policy on the ownership of and transactions in Gemalto securities.

At least once a year the Board evaluates its overall performance, as well as that of its Committees and its Executive and Non-Executive members, in a spirit of continuous improvement.

Gemalto's overall corporate governance structure is addressed in chapter 4 in the Annual Report.



Our research



Key strength no. 1

Our 1,300 expert engineers lead the development and implementation of new industry standards like the .NET card, Multimedia SIM, USB SWP and NFC mobile services.

Outstanding expertise to match our ambitions

Gemalto leads the digital security industry in research and development. Our world-class team of around 1,300 engineers includes internationally renowned experts in security and cryptography. The R&D teams work in 10 centers located in key zones around the world close to our customers.

We have a portfolio of over 5,000 patents and patent applications – a tribute to our long-term commitment to innovation, and a powerful springboard for anticipating and fulfilling our customers' needs.

Today we are improving our overall performance and speeding time-to-market for our innovations. A company-wide process to foster and implement new business opportunities encourages all employees to contribute creative ideas. Backed by disciplined scrutiny and execution, this process generated more than 60 ideas for new businesses from all over the company in 2007, of which 4 are currently being developed as in-house incubation cells.

Setting the digital security agenda

Our research engineers are leading experts in digital security and published several dozen articles in scientific journals in 2007, as well as serving on many scientific conference program committees.

We achieved a world first in 2007 when our JavaCard platform obtained an EAL4+ Common Criteria certificate using formal EAL7 assurances. This is the highest ever security certification for a card, signaling that the integrity and data confidentiality of multiple embedded applications on a single card are mathematically proven. This officially confirms that Gemalto offers customers the most dependable and effective security engineering environment on the market today.

Convergence: opening up a world of new possibilities

The rapid pace of change and the interconnection of mobile telecommunications, internet, banking and contactless technologies are breeding countless avenues for improving security, convenience and user experience, many of which are described in the review of our business operations.

By opening up smart card capabilities and security to the standard PC developers community, while ensuring state-of-art connectivity to IT and telecom

Key strength no. 2

We address digital security with **end-to-end solutions** in each market segment and a comprehensive portfolio of products and services to meet evolving needs.

infrastructures, Gemalto showed in 2007 how telecom operators and financial institutions can adapt flexibly to fast-changing markets.

At the 3GSM World Congress 2007 in Barcelona, we demonstrated a complete multimedia solution combining an enhanced phonebook, immediate access to Telefónica Móviles España's services, as well as applications related to fixed-mobile convergence – a direct response to a client's marketing needs. Later in the year, at the Cartes trade show in Paris, we won "Best Software" for "SConnect" in the Sesames awards. SConnect is a platform and browser agnostic technology enabling web applications and services to connect to any smart card. Eliminating the need for middleware and working seamlessly with existing infrastructures, SConnect is a paradigm shift in web-based service delivery that lets applications leverage smart cards for security and personalization.

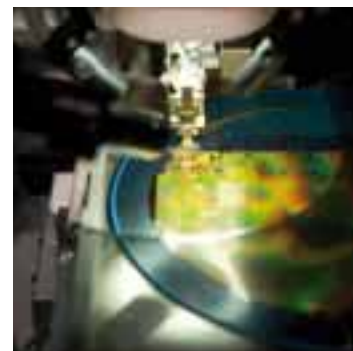
In 2007 Gemalto and Microsoft® organized the "Secure-The-Web" contest. Developers, researchers, start-ups and students were invited to develop innovative web service applications on our cards. The winners creatively employed two-factor authentication platforms to protect identities and data. Also in 2007, Gemalto and Sun organized the ninth edition of the "SIMagine" contest where developers are invited to imagine and implement new SIM-based applications that are then evaluated by mobile operators. Finally, Gemalto launched the "Gemalto Innovation Forum," a one day conference to present the ever expanding capabilities of smart card related technologies to R&D academics and the industry.

Setting standards in digital security

Gemalto plays a key role in the adoption of international standards, ensuring that different types of cards and applications work together seamlessly. Leading by example, we offer the widest range of interoperable cards, and are committed to international standards such as Java Card, ETSI, OMA, ICAO, 3GPP, ISO and Global Platform.

One notable breakthrough in 2007 was the definition of the standard for new high speed protocols for SIMs and handsets. This enables us to deliver innovative and interoperable mobile internet solutions faster and more flexibly.

Also in 2007, the technology pushed by Gemalto to use the SIM card as the core for contactless transactions with mobile phones was standardized,





Key strength no. 3

By bringing together players from many different horizons we are leveraging our experience of the convergent internet, media, telecoms and financial services markets.



A white paper describes how our software project management respects our QHSE policies and aims at excellence through the use of CMM and CMMI models.



setting the scene for convenient new applications for handset users in mass transportation and payment, for example.

Leveraging our expertise through collaborative ventures

Gemalto works closely with government and industrial partners to develop solutions designed around our customers' future needs. In 2007 we further expanded our operations in Singapore, including our R&D activities, in collaboration with the country's Economic Development Board. This move will enable us to serve our customers more effectively in Asia's fast-growing markets.

In addition, Gemalto R&D teams are currently participating in more than 30 publicly funded research projects, working closely with major French and European partners. These include projects under the European Union Information Society Technologies (IST) framework program and the Eureka initiative, an intergovernmental scheme to enhance European competitiveness through its support for businesses, research centers and universities. Gemalto sits on the Management Board of the largest Eureka cluster, MEDEA +, dealing with microelectronics and embedded applications and including a dedicated smart card area of application.

Gemalto is involved in Eureka MEDEA+ projects concerning the secure platform needed to comply with the future "European Citizenship Card" standard, and all security and trust aspects of a common technology platform for the next generation of secure Trusted Personal Devices.

Gemalto is also involved in other Eureka clusters such as ITEA for software intensive systems, and Celtic for Telecommunications systems. Gemalto is working with key European Community partners in advanced topics such as Near-Field Communication (NFC) technology for SIM cards in the e-city (e.g. e-ticketing and mobile payment) and interactive and personalized mobile TV.

Gemalto is also a Board member of and active contributor to three of the "Competitiveness Clusters" launched by the French Government, namely System@Tic, SCS (secure communications solutions) and TES (secure electronic transactions).

Finally, Gemalto has launched the Massimo project, a major French national initiative combining all relevant new technologies in a bid to create a paradigm shift in mobile multimedia.

Our relationships

Key strength no. 4

With 85 sales and marketing offices and employees from 90 nationalities, we are close to our customers and speak their language wherever they are.

Satisfying our customers

Ensuring a high level of customer satisfaction is central to our strategy, and key to developing a sustainable business model.

We therefore monitor our relationships with our customers very carefully in order to pinpoint areas for improvement at the earliest opportunity. A twice-yearly assessment is followed by the development and implementation of action plans to deal with any perceived shortcomings. This was the philosophy at the birth of Gemalto. Eighteen months later we have achieved a robust level of customer confidence, and this is showing consistent improvement. Our customers clearly view us as the market leader.

We listen to them via our “TellMe” survey, involving face-to-face interviews. This measures our performance across a spectrum of issues, handling problems, order processing, our offer of secured devices, solutions and services, information and innovation.

In 2007 we were pleased to hear that our customers are either “satisfied,” or “very satisfied” with our core business: managing business relationships; the range and quality of our secured devices; our flexibility, responsiveness and agility regarding deliveries; and our ability to handle issues transparently and proactively.

Regarding business relationships, a wireless customer in Latin America highlighted the “Sales Manager’s commitment and the company’s proactive approach to presenting alternative solutions and introducing business partners that will increase the value of the card.” A major European operator, meanwhile, highlighted the “high capacity of Gemalto plants” and our “on-time delivery with appropriate lead times.”

In our banking business, one of our Japanese customers told us: “Our Marketing & Technical teams have confidence in Gemalto’s products. Gemalto is doing well, focusing its efforts on what matters most to us; we see this as a differentiating factor for Gemalto. We view Gemalto as a long-term partner.”

In security, our customers, mostly governments, recognize that ours is “a very good offer in terms of smart cards and personalization services.” In general they appreciate the “level of listening from the technical team, its availability and reactivity.”





Key strength no. 5

Our customers comprise **400 telecom operators, 300 banks and 30 governments** with whom we share best practices through a unique mix of technological and market expertise.



As a result of the “TellMe” survey we identify literally hundreds of precise actions to address the needs and expectations of our individual customers. In addition, we are implementing company-wide improvement projects some of which cut across all our functions, while others more specifically concern a business line. We also communicate the survey’s findings to all our customers in the interests of transparency and trust.

A global partnership network

Our extensive network of partners allows us to respond swiftly and creatively to our customers’ needs, from development to delivery.

We have a network of over 400 partners around the world with whom we have forged strong links. They are divided into four main groups:

- 1. Business partners:** who develop, resell and market Gemalto products and solutions. These in turn comprise:
 - Resellers: who resell off-the-shelf and easily-integrated solutions and products.
 - Value added resellers (VARs): vertical market-centric providers who integrate Gemalto products and/or services into their own offering as part of a more complete solution.
 - Distributors: who buy and resell Gemalto products to resellers, VARs or system integrators.
 - System integrators: who act as prime contractors in integrating our products and solutions into large systems.
- 2. Technology partners:** who develop products complementary to and compatible with our own.
- 3. Solution partners:** who develop solutions based on Gemalto products or technologies using our tools, designs, rules and policies.
- 4. Original Equipment Manufacturers (OEMs):** who embed Gemalto technologies in their own products and resell them with their own branding.

Integrating our technologies

Microsoft® is one of Gemalto’s oldest partners, and in November 2007 we attained Gold Certified Partner status in the Microsoft Partner Program. As a Gold Certified Partner, we have demonstrated expertise with Microsoft technologies and a proven ability to meet customers’ needs.

Key strength no. 6

Our extensive network of business, technology and solutions partners, as well as OEMs, allows us to respond swiftly and creatively to our customers' needs.

Our smart card drivers and libraries are integrated in Windows Vista® OS for optimum security. Citrix Systems is the global leader in application delivery infrastructures, and our authentication solutions are now integrated with the entire Citrix Access Suite.

A growing network in Identity and Access Management

EMEA and North America are Gemalto's main regions in the IAM market, and we work with various partners who each bring their own skills and market reach to our strengths for a win-win business relationship.

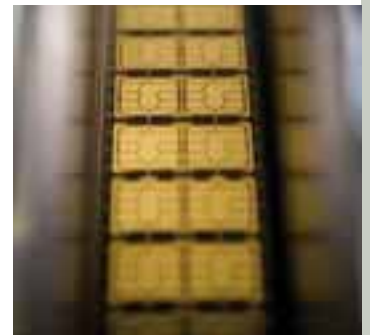
Partners in EMEA include among others Net Informatique Services, our French solutions distributor; Opteam, in Poland; Telia Sonera, the leading telecommunications company in the Nordic and Baltic region; BT Syntegra, Gemalto's largest system integrator; and Azlan, the Enterprise Division of Tech Data Corporation.

Gemalto partners with dozens of companies in North America, including Dell, Choice Solutions and Berbee, which is also strongly supportive of Microsoft. Other partners in this region include Plan B Technologies, NetSuite and Alternative Technology which has worked closely with us to recruit resellers and create "solution bundles" with Gemalto and Citrix products.

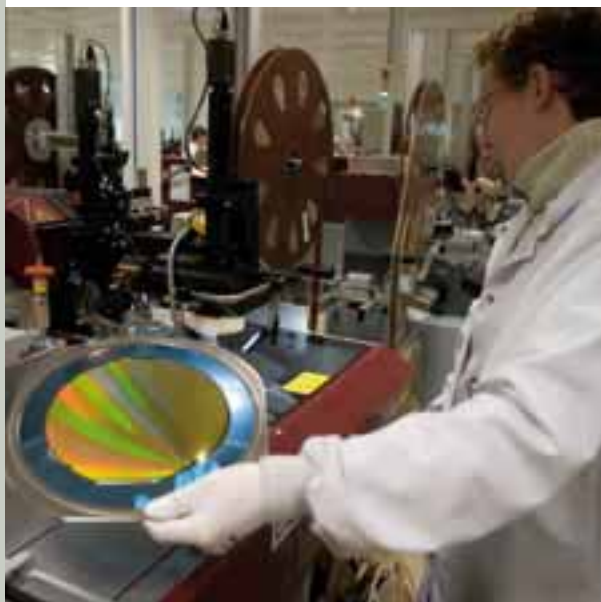
Leveraging third-party innovations

Our Partner Network also leverages the inventive work of third parties worldwide to bring best of breed solutions to our customers. Today's increasingly powerful smart cards present countless opportunities for exploitation by providers. By pooling their innovations and our expertise, we are able to build a segmented offer corresponding to the specific requirements of different end-users.

For example, OnePIN has developed an innovative service called "CallerXchange" on our SIM platform. This enables people to stay connected by automatically exchanging, inserting and updating contact information. With our support, CallerXchange has been successfully deployed within numerous major mobile operator groups.



Our capabilities



Key strength no. 7

Thanks to our “virtual factory” concept, we offer secure, flexible, on-time supply from our 19 production and 31 personalization sites worldwide.



Our personalization center at Chambray-les-Tours, France, won the BNP Paribas 2007 Supplier Award Crystal Challenge for the quality of its supply of banking cards and mailers.

Customer-focused production

With 19 production sites and 31 personalization centers around the world, our production system is uniquely placed to deliver the highest quality products efficiently, rapidly and flexibly to our customers.

Yet in order to adjust it to their evolving needs we have initiated a universal “World Class Manufacturing” program, putting all our facilities through a step-change to ensure they are operating at or above “Best in Class” standards. A 6-point charter guides actions at every site and is managed through a series of key performance indicators. Its main areas of focus are management, people development, order flow, Total Productive Maintenance (TPM) and process control aimed at “getting it right first time.”

Delivering productivity and performance

Many sites achieved significant progress in raising quality and productivity in 2007. Among many highlights, for example:

- In the US, our Montgomeryville plant increased capacity 43% by implementing Cells, Total Productive Maintenance and Six Sigma methodology.
- In Brazil, our Curitiba plant mapped its “order to delivery” process, cutting product shipment times.
- In Mexico, our Cuernavaca plant set a new record by producing and packaging 10.3 million SIM cards in just one month for 43 customers.
- In Singapore, capacity was boosted 83% for Telecom activity and 43% for Secure Transaction & Security activity.
- In China, several Shanghai plant employees were honored by the Government of Pudong New Area for achieving World Class standards.
- The Gemenos, France, plant increased capacity by 33% with no additional equipment by implementing Full Cell organization, TPM and systematic problem solving techniques.
- In Tours, France, our personalization center cut its cycle time by 60% and achieved a 23% increase in equipment availability by implementing Cell manufacturing and TPM.
- Our Vantaa plant in Finland implemented a new Enterprise Resource Planning system in only five months, resulting in better traceability and inventory management.
- In Tczew, Poland, our site increased capacity by 38% with no additional investment.
- In Filderstadt, Germany, we reduced reject rates and customer complaints by applying Six Sigma methodology to the introduction of new banking cards.

Key strength no. 8

We have all the main **quality certifications** like ISO 9001, ISO 27001, ISO 14001, OSHA 18000, and MasterCard CQM; CMM 2 for software development; and Lean Six Sigma.

Institutionalized quality procedures

Gemalto strives constantly for the highest standards of quality. This determination is reflected by our ongoing quest for excellence and best-in-class performance, to achieve which we have institutionalized continuous improvement programs at all levels of our company.

At the corporate level, we deploy robust and standardized processes, and we optimize their performance by daily adjustments and periodic reengineering. This notably applies to change management and to internal incident and claims management procedures. These help to safeguard our customers, whose protection is further enhanced by systematically applying both risk analysis studies such as FMEA (Failure Mode and Effects Analysis) and problem solving methodologies (8 Disciplines, DMAIC¹).

In our production sites, our World Class Manufacturing initiative based on Lean Six Sigma is spreading procurement management and fabrication best practices worldwide. Employee involvement is crucial, and we apply Statistical Process Control and Analysis, Total Productive Maintenance, and Value Stream Mapping methods in our efforts to achieve the highest quality standards.

By implementing these methodologies we are continuously improving both the capabilities and the reliability of our products and services, for which we enjoy a global reputation as confirmed by our customer survey. They also contribute to the success of our ISO9001 certification programs and EFQM² recognition, and ensure compliance with customer-specific requirements such as the MasterCard CQM (Card Quality Management) Standard.

Quality certification in R&D

In 2007, our development centers were again recognized for the excellence of their software engineering as measured by a process improvement program based on the CMMI (Capability Maturity Model Integration) model. Gemalto was first with a card development center certified at CMM level 2, first with a card services organization certified at CMMI level 2 and first with a card development center certified at CMMI level 3.

1. Define, Measure, Analyze, Improve, Control. Incremental process improvement using Six Sigma methodology.
2. European Foundation for Quality Management, of which Gemalto is a member.



**Key strength no. 9**

Our renowned security expertise and understanding of end-users help us create personal devices, software and services combining security with simplicity.

**A strong security culture**

Security is critical to our business success. Indeed it is part of the core value of our products and services. As a consequence, one of our top priorities is to achieve the highest security standards in order to safeguard the integrity, confidentiality and availability of our customers' assets and data, as well as our own.

Our policy in this regard is founded on a very strong security culture, implying visibility, awareness, thorough understanding of sensitive assets and first-class execution of security functions. This culture is nurtured by a managed security system built on leadership, commitment, standards, procedures, monitoring and control. It is sustained through continuous improvement.

Over the years, Gemalto has forged a strong risk management process involving assessments, audits and testing. This in turn is backed by close operational support, responding swiftly and effectively to business units' needs and adjusting those responses to regional and local conditions. Particular emphasis is placed on compliance with regulatory standards and trade rules in all parts of the world.

Integration of Gemalto's security management processes took place in the first half of 2007, entailing careful and rigorous management of the many resulting changes affecting our industrial footprint.

In addition to our extensive lineup of already certified sites, we prepared several more sites and activities for assessments in 2007, obtaining new security certifications from either Visa or Mastercard in South Africa, Taiwan, Poland and Brazil. As a result, Gemalto now has 24 production and personalization sites holding either Visa/MasterCard/GSM SAS or ISO 27001 certificates.

Through its ongoing efforts to develop and sustain the highest levels of security, Gemalto is helping to bring digital security to our everyday lives.

Glossary

Glossary of digital security terms

3G (Third Generation): the broadband telecommunications systems that combine high-speed voice, data and multimedia.

3GPP (3G Partnership Project): a group that aims to produce specifications for a 3G system based on GSM networks.

5S: a methodology for creating efficient working conditions, based on five key Japanese concepts.

Bot (Internet bot): a type of computer program designed to do automated tasks.

CAC (Common Access Card): a US Department of Defense smart card issued as standard physical and network identification for military and other personnel.

CDMA (Code Division Multiple Access): a wireless communications technology that uses the spread spectrum communication to provide increased bandwidth.

Contactless: a card that communicates by means of a radio frequency signal, eliminating the need for physical contact between the card and a reader.

DDA (Dynamic Data Authentication): a highly secure authentication technology that allows banks to approve transactions more securely at the terminal.

Digital signature: an electronic signature created using a public-key algorithm that can be used by the recipient to authenticate the identity of the sender.

DNS cache poisoning: a technique that tricks a Domain Name Server (DNS) into believing it has received authentic information when in reality it has not.

DOVID (Diffractive Optical Variable Image Device): a hologram, kinegram or other image used in secure printing of cards, documents, etc.

DVB-H (Digital Video Broadcasting-Handheld): a technical specification for bringing broadcast services to handheld receivers.

EMV: the industry standard for international debit/credit cards established by Europay, MasterCard and Visa.

e-passport: an electronic passport with high security printing, an inlay including an antenna and a microprocessor, and other security features (see page 27).

e-purse: a small portable device that contains ielectronic moneyi and is generally used for low-value transactions.

e-ticketing: electronic systems for issuing, checking and paying for tickets predominantly for public transport.

Ethernet: a diverse family of computer networking technologies for local area networks (LANs).

ETSI (European Telecommunications Standards Institute): the EU organization in charge of defining European telecommunications standards.

FIPS 201 (Federal Information Processing Standard): a US federal government standard that specifies personal identity verification requirements for employees and contractors.

FOMA (Freedom of Mobile Multimedia Access): the brand name for the world's first W-CDMA 3G services offered by NTT DoCoMo, the Japanese operator.

GSM (Global System for Mobile communications): a European standard for digital cellphones that has now been widely adopted throughout the world.

GSMA (GSM Association): the global association for mobile phone operators.

HIPAA (Health Insurance Portability and Accountability Act): the US act that protects health insurance coverage for workers and their families when they change or lose their jobs.

HSPD-12 (Homeland Security Presidential Directive-12): orders all US federal agencies to issue isecure and reliable forms of identificationi to employees and contractors, with a recommendation in favor of smart card technology.



ICAO (International Civil Aviation Organization): a UN agency that defines standards and practices for air navigation, prevention of unlawful interference, and facilitation of border-crossing procedures for international civil aviation.

IP (Internet Protocol): a data-oriented protocol for communicating data across a network; hence an IP address is a unique computer address using the IP standard.

ISO (International Organization for Standardization): an international body that produces the worldwide industrial and commercial ISO standards.

Java: a network-oriented programming language invented by Sun Microsystems and specifically designed so that programs could be safely downloaded to remote devices.

Key (keystroke) logging: means of capturing a user's keystrokes on a computer keyboard, sometimes for malicious purposes.

L6S (Lean Six Sigma): a methodology for eliminating defects and improving processes.

Malware: malicious software designed to infiltrate or damage a computer system without the owner's consent.

Man-in-the-middle attack: an attack in which an outsider is able to read, insert and modify messages between two parties without either of them knowing.

Microprocessor (smart) card: a card comprising a module embedded with a microprocessor chip, a computer with its own processor, memory, operating system and application software.

OATH (The Initiative for Open Authentication): an industry coalition comprising Gemalto, Citrix, IBM, Verisign and others, that is creating open standards for strong authentication.

OMA (Open Mobile Alliance): a body that develops open standards for the mobile phone industry.

OTA (Over-The-Air): a method of distributing new software updates to cellphones which are already in use.

OTP (One Time Password) (see page 20).

Password cracking: the process of recovering secret passwords from data in a computer system.

PDC (Personal Digital Cellular): a 2G mobile phone standard used in Japan and South Korea.

Phishing: sending fraudulent emails requesting someone's personal and financial details.

PIN (Personal Identification Number): a secret code required to confirm a user's identity.

PKI (Public Key Infrastructure): the software and/or hardware components necessary to enable the effective use of public key encryption technology. Public Key is a system that uses two different keys (public and private) for encrypting and signing data.

RUIM (Removable User Identity Module): an identity module for standards other than GSM.

SIM (Subscriber Identity Module): a smart card for GSM systems.

SMS (Short Message Service): a GSM service that sends and receives messages to and from a mobile phone.

Strong authentication (see page 23).

Thin client: a computer (client) that depends primarily on a central server for processing activities. In contrast, a thick or fat client does as much processing as possible.

Trojan: a program that contains or installs a malicious program.

USB (Universal Serial Bus): a standard input/output bus that supports very high transmission rates.

USIM (Universal Subscriber Identity Module): ensures continuity when migrating to 3G services.

VPN (Virtual Private Network): a private network often used within a company or group of companies to communicate confidentially over a public network.

W-CDMA (Wideband-Code Division Multiple Access): a 3G technology for wireless systems based on CDMA technology.

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