



First-quarter 2005 revenue up 17%

- Revenue: \$ 237 million
- Strong mobile communications activity, up 28%
- New contract in patent licensing
- More than 93 million microprocessor cards delivered

Amsterdam, 27 April 2005 – Axalto (Euronext NL0000400653 - AXL) today reported a 17% growth in first-quarter 2005 revenue, to \$ 237.3 million, compared with \$ 203.4 million in the first quarter of 2004, and a 13% increase at constant exchange rates.

Olivier Piou, Axalto Chief Executive Officer, commented: “Axalto scores another quarter of very strong growth. This performance is remarkable since first quarter 2004 activity had been exceptional in financial cards. This year, our strong positions in the fastest-growing regions were decisive to identify and seize the opportunities for growth. Axalto confirms that its unique and balanced portfolio enables the company to take full advantage of very different market environments.”

Axalto	First quarter 2005			
	2005 <i>(US \$ million)</i>	2004 <i>(US \$ million)</i>	Change %	% of total revenue in quarter
Cards				
Mobile Communications	135.1	105.8	+28%	57%
Financial Cards	44.5	49.4	(10)%	19%
Public Sector, Access and Other	25.8	25.2	+2%	11%
Prepaid Phone Cards	11.1	11.3	(2)%	5%
Total Cards	216.5	191.7	+ 13%	91%
Point of Sale terminals	20.8	11.7	+ 78%	9%
Total	237.3	203.4	+ 17%	100%

All comparisons in this document are at historical exchange rates, unless stated otherwise.

Cards Segment continues to grow

The Cards segment revenue amounted to \$ 216.5 million, a 13% increase over an excellent first quarter in 2004. At constant exchange rates, growth amounted to 10%.

During the period, Axalto delivered more than 93 million microprocessor cards, an increase of 28%.

Microprocessor card growth

Mobile Communications. The Mobile Communications product line revenue increased 28% to \$ 135.1 million in the first quarter of 2005. At constant exchange rates revenue grew 25%.

This growth was mainly driven by increased sales of SIM cards. By volume, sales increased 50% to more than 73 million.

The growth was also due to a sharp improvement in the product mix. The share of high-end cards has doubled over the last year equivalent period and now amounts to 34% of SIM cards delivered.

The average price of SIM cards fell 13% compared with the first quarter of 2004, and 15% at constant exchange rates. This decline mainly reflects natural price erosion.

Growth was confirmed during the quarter in the EMEA region (Europe, Middle East and Africa), as revenue increased 27%. Expansion was particularly strong in Eastern Europe and Africa.

Sales in Asia grew 1% compared with the first quarter of 2004. This outcome reflects contrasting conditions in the region. Pricing pressure intensified and volume shrank in north Asia, offset by very strong growth in deliveries in south Asia. Asia accounted for one third of the product line's revenue in the first quarter.

The Americas posted extremely strong growth again, with revenue increasing 75% compared with the first quarter a year ago. This performance reflects both robust growth in the volume of cards delivered and the adoption of high-end products by Axalto's clients over the last six months. Over the period, the region accounted for a quarter of mobile communications product line revenue, a new record.

Financial cards. In this product line, Axalto's revenue fell 10% over the quarter to \$ 44.5 million, a 14% drop at constant exchange rates. This decline should be seen against the background of a very high basis of comparison in the first quarter of 2004, which marked the peak of the massive roll-out of EMV cards in the United Kingdom and of our sales of microprocessor cards in the country.

For the same reason, the volume of microprocessor cards delivered fell 17% to 15.4 million.

By contrast, the average selling price of microprocessor cards was up more than 6% at constant exchange rates. This rise was due to a sharp improvement in the geographical mix in the EMEA region.

Public Sector, Access and Other. First-quarter 2005 revenue was up 2% to \$ 25.8 million. At constant exchange rates, sales inched down 1%.

During the quarter, the Company signed a major licensing contract based on its patent portfolio. Its value is comparable to that recorded in the first quarter of 2004.

Demand was stable in the public sector and transport. Deliveries of microprocessor cards and readers for corporate networks security and access increased, particularly in North America, offsetting a decline in the Pay TV business.

Memory cards (without microprocessor) continue to decline

Prepaid Phonecards. Revenue from this non-strategic product line continued to shrink, in line with the Company's expectations. Sales dropped 2%, and 4% at constant exchange rates.

Point-of-sale terminals: still driven by migration to EMV

Point-of-sale terminals segment revenue jumped 78% to \$ 20.8 million.

At constant exchange rates growth was 68%. However, in the first quarter of 2004 revenue from deliveries to several major financial institutions was deferred, with supply and service contracts being signed over the next few quarters. Setting aside this effect, the activity increased by 15%.

The overall strong growth in sales came from the United Kingdom and other EMEA region markets, as well as continued development in India.

Sales by region

First quarter 2005	Europe, Middle East, Africa		Asia		Americas	
Segment	Revenue (\$ m)	Change %	Revenue (\$ m)	Change %	Revenue (\$ m)	Change %
Cards	117.2	+7%	52.5	+8%	46.8	+41%
Point-of-sale terminals	17.5	+123%	3.0	+154%	0.3	(87%)
Total	134.7	+14%	55.5	+11%	47.2	+32%
Region /Total revenue	57%		23%		20%	

Contact:

Axalto

Médias
Isabelle Marand
T: + 33 1 46 00 55 42

imarand@axalto.com

Relation Investisseurs
Stéphane Bisseuil
T: + 33 1 46 00 70 70
M: + 33 6 86 08 64 13
sbisseuil@axalto.com

TBWA\CORPORATE
Emlyn Korengold
T: + 33 1 49 09 66 51
M: + 33 6 08 21 93 74
emlyn.korengold@twa-corporate.com

About Axalto

Axalto (AXAL.PA - Euronext: NL0000400653 - AXL) is the world's leading provider (Gartner Dataquest 2004) of microprocessor cards - the key to digital networks - and a major supplier of point-of-sale terminals. Its 4500 employees, from 70 nationalities, serve customers in more than 100 countries, with worldwide sales reaching 3 billion smart cards to date. The company has 25 years' experience in smart card innovation and leads its industry in security technology and open systems.

Axalto continuously creates new generations of products for use in a variety of applications in the telecommunications, finance, retail, transport, entertainment, healthcare, personal identification, information technology and public sector markets. Microprocessor cards provide convenience, security and privacy to public and private services operators, their customers and end users.

For more info, please visit www.axalto.com