

GEMPLUS INTERNATIONAL SA

Société Anonyme

Aérogolf Center

1, Hohenhof

L-2633 Senningerberg

R.C. Luxembourg B 73 145

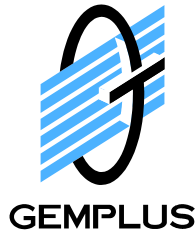
(the "Company")

**Report by the Board of Directors
with respect to the proposed waiver of, suppression of and authorisation
to suppress or limit, preferential subscription rights by the existing shareholders**

At the extraordinary general meeting of shareholders to be held on 27th April 2004, it is proposed to the shareholders of the Company to renew the validity period for part of the authorised share capital which had previously been determined at a general meeting of the Company held on 10th November 2000 for a three year period. Such three year period is to end on 31st May 2004 and therefore the Board of Directors proposes to the shareholders of the Company to renew, on the same terms and conditions, such period to end on the third anniversary of the date of the publication of the notarial deed recording the minutes of the extraordinary general meeting of shareholders of 27th April 2004 in the Luxembourg Mémorial. The Board of Directors would like to clarify that the proposal is made with respect to item 5.2.2 of the articles of incorporation of the Company, the remainder of the authorised share capital which is reserved under item 5.2.1 for specific issues of options and Gemplus S.A. shares being valid (save as to item 5.2.1(v) for which no extension is sought) until 31st May 2006 (being five years from the date of publication of the deed of the extraordinary general meeting of 10th November 2000).

The Board hence proposes to the general meeting of shareholders to decide to renew the validity period of such part of the authorised share capital for a period of three years as provided for above and to generally waive, authorise the Board to waive, suppress or limit as it deems fit, any pre-emptive subscription rights of existing shareholders for the issuance of shares in the Company within the authorised capital of the Company and thus to authorise issues of shares in the Company against contribution in cash with or without reserving pre-emptive subscription rights to existing shareholders. In relation thereto, the Board indicates that pursuant to Luxembourg company law, no pre-emptive subscription rights exist in favour of existing shareholders in the event of issues of shares against a contribution other than cash.

The Board of Directors proposes that such issues of shares against cash while waiving or suppressing or limiting pre-emptive subscription rights of existing shareholders shall be made either at the market value of the shares or, if a fairness opinion from any internationally recognised investment banker is obtained, even at an issue price lower (down to nil in case of incorporation of available reserves or such other amounts as may



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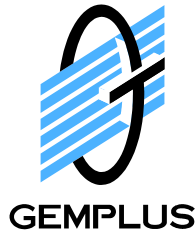
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be available within the Company) than the market value; provided that the Board may issue up to 15,000,000 shares for an issue price lower (down to nil in case of incorporation of available reserves or such other amounts as may be available within the Company) than the market value without obtaining such fairness opinion. Such issues may be made either directly or by way of grant of warrants or other instruments convertible into shares of the Company or any other way so as to ensure a maximum flexibility to the Company allowing it to react quickly to opportunities offered. For the purposes hereof, "market value" shall be the average of the price of the Company's shares on the Euronext stock exchange during the three month period prior to the date falling one week before the relevant issue of shares.

The Board believes that it is in the best interest of the Company in order to favor the development of its corporate purpose and the development of the group, that the Board be enabled to implement and conclude acquisitions and transactions in the best interest of the Company by being able to issue shares (and rights to shares) (both at the market value of the shares and for amounts below such market value, in compliance with the conditions determined above, including by way of free shares *inter alia* by way of incorporation of available reserves or other available amounts within the Company) in the Company to strategic business partners and services partners of the group as well as financing partners. The successful development and implementation of the Company's and its group's long term strategy will depend, among other factors, on the Company's ability to secure financing and payment of such strategic transactions on the best possible terms, including the issuance of shares either directly or by way of securities entitling the holder thereof to subscribe to shares.

In addition, the Board is of the opinion that the interest of the Company and its group requires that maximum flexibility is granted to the Company in order to be able to react quickly and without delay to participation, financing, joint venture or any other strategic proposals, strategies or projects and/or to secure financing and to issue or offer to issue shares or other securities enabling the holder thereof to subscribe to shares and/or to receive shares if the Board deems it appropriate in view of such proposals. The Board considers that it is for the benefit of the Company and its group to allow the Company, acting through its Board of Directors, to involve, by way of issue of shares or rights thereto, such partners or relations in the development of the Company and its group and of their business. In relation therewith the Board also believes that the interest of the Company requires that such shares or rights thereto may, depending on the circumstances of the transaction, be issued at discount. The issue of shares or rights thereto at a discount may include the incorporation of available reserves or other available amounts within the Company into its capital account. The board also believes that there may be business,



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strategic or financial circumstances where the Company and its group benefit from the issue and the flexibility to issue free shares or rights to shares (i.e. against nil cash or kind contribution) through in particular – but without limitation – the incorporation of available reserves or such other amounts as may be available within the Company.

In relation with the development of the Company and its group the Board further is of the opinion that it is in the interest of the Company to be able to issue shares (or rights thereto) as part of the payment of the acquisition price of new investments and/or expansions of the group made by the Company or its group. It may be appropriate that such issues be made below market value (including by way of free shares) depending on the transaction for which the issue is considered.

The Board of Directors further proposes to enable the Company to issue shares in case of a public offering for the shares of the Company at a price which the Board believes is below market value of the Company, subject to the terms and conditions set forth in this report.

All issuances of shares at below market value will comply with the conditions set forth in this report, as well as all applicable laws and stock exchange rules and regulations.

On behalf of the Board of Directors

Luxembourg, March 25, 2004