



GEMPLUS INTERNATIONAL S.A.

**Société Anonyme
Aérogolf Center
1, Hohenhof
L-2633 Senningerberg
R.C. Luxembourg B 73 145
(the "Company")**

Report of the Board of Directors regarding Corporate Governance to the annual shareholders meeting of April 27, 2004

1) Improved Functioning of the Board

Since the last annual shareholders meeting, the Board concentrated on the improvement of its functioning and processes, and increased its focus on the Board's role of supervising the management of the Company.

2) Meetings of the Board and its Committees

The Board held seven meetings in 2003. At three of these Board meetings, there were twelve directors in attendance, *i.e.*, 100% participation (February 11, 2003, July 29, 2003, October 28, 2003). At two of these Board meetings, there were ten directors in attendance and with the other two represented at the meeting by proxy (January 16, 2003, April 29, 2003). At the remaining two of these Board meetings, there were eleven directors in attendance, with the other one represented at the meeting by proxy (March 10, 2003, December 10, 2003).

The Audit Committee held eight meetings in 2003. At five of these Audit Committee meetings, there were four members in attendance, *i.e.*, 100% participation (January 9, 2003, January 16, 2003, February 11, 2003, April 25, 2003, June 5, 2003). At one Audit Committee meeting, there were two members in attendance, and the other two were excused (July 25, 2003). At the remaining two Audit Committee meetings, there were three members in attendance, and the other one was excused (September 29, 2003, October 27, 2003).

The Compensation Committee held three meetings in 2003. All four members participated in the first two meetings (January 15, 2003, July 29, 2003). At the remaining Compensation Committee meeting, all three remaining members were in attendance, the fourth one having resigned in the meantime (December 9, 2003). The Stock Administration Committee of the Compensation Committee unanimously

passed three circular resolutions in 2003 (June 2, 2003, July 10, 2003, October 1, 2003).

The Strategy Committee held one meeting in 2003 (October 27, 2003). All five members of the Strategy Committee were in attendance.

3) Corporate Governance Guidelines

During 2003, the Board developed a set of Corporate Governance Guidelines. The Corporate Governance Guidelines were adopted by the Board in early 2004. These guidelines take into account various sources of advice and requirements on good corporate governance, including applicable legal requirements and rules of the Euronext and Nasdaq securities exchanges.

4) Director Independence

The Board has determined, based on relevant law and securities exchange rules, that all Board members but three are independent :

- Mr. Dominique Vignon
- Mr. David Bonderman
- Mr. Randy L. Christofferson
- Mr. Thierry Dassault
- Mr. Geoffrey Fink
- Mr. Johannes Fritz
- Mr. Werner Karl Koepf
- Mr. Peter Kraljic
- Mr. William S. Price, III

Mr. Alex Mandl, current CEO, and Mr. Ronald W. Mackintosh, former CEO until August 31st, 2002, are not independent due to their current and former management and employment roles, respectively. Mr. Daniel Le Gal, formerly CEO until September 1999, is not independent in accordance with the recommendations of the Bouton report which applies a five year period following cessation of management or employment functions, but is independent under NASDAQ standards, which apply a three year rule following cessation of management or employment functions.

5) Shareholder Affiliated Directors

The Board has determined that the following Directors are Shareholder Affiliated Directors (as such term is defined in the Corporate Governance Guidelines):

Mr. David Bonderman is Founding Partner of Texas Pacific Group,
Mr. William S. Price, III is Founding Partner of Texas Pacific Group,
Mr. Geoffrey Fink is Principal of Texas Pacific Group,
Mr. Johannes Fritz is Head of the Quandt family office and Managing Director of Seedamm-Vermögensverwaltungs GmbH

6) Conflicts of Interest

In 2003, the Board and its Audit Committee paid particular attention to the issue of conflicts of interest of directors. A copy of the Report of the Board of Directors pursuant to article 57 of the Luxembourg Law of August 10, 1915 has been duly prepared and will be made available to the shareholders of the Company.

7) Performance of the Audit Committee

Throughout 2003, the Audit Committee regularly reviewed the Company's financial statements and performed all other activities relating to its roles and competence. The Audit Committee reviewed regular reports regarding its compliance with corporate governance requirements applicable to the Company.

8) Performance of the Compensation Committee

Throughout 2003, the Compensation Committee reviewed compensation strategies for the Company and reviewed and approved compensation-related policies and programs and performed all other activities relating to its roles and competence.

9) Code of Ethics

In December 2003, the Board approved a comprehensive Code of Ethics applicable to all directors, officers and employees of the Company. Management of the Company is currently preparing a broad communications and implementation plan for this Code of Ethics.