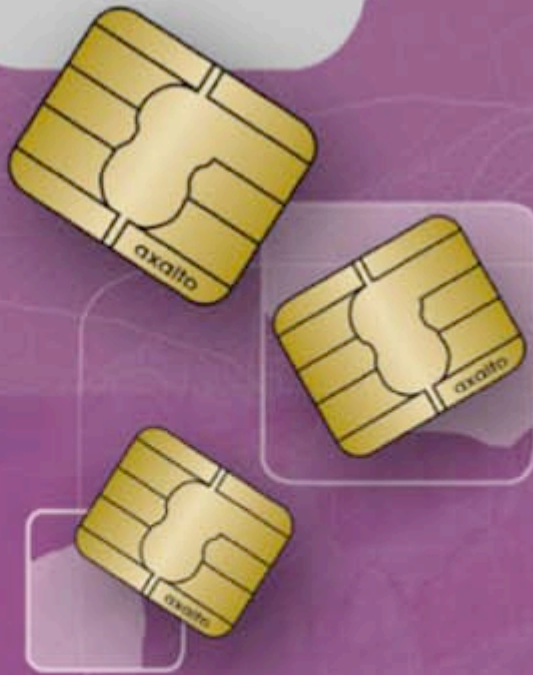




2005 Half Year Results

8 September 2005

Olivier Piou
Chief Executive Officer
Charles Desmartis
Chief Financial Officer



Key points

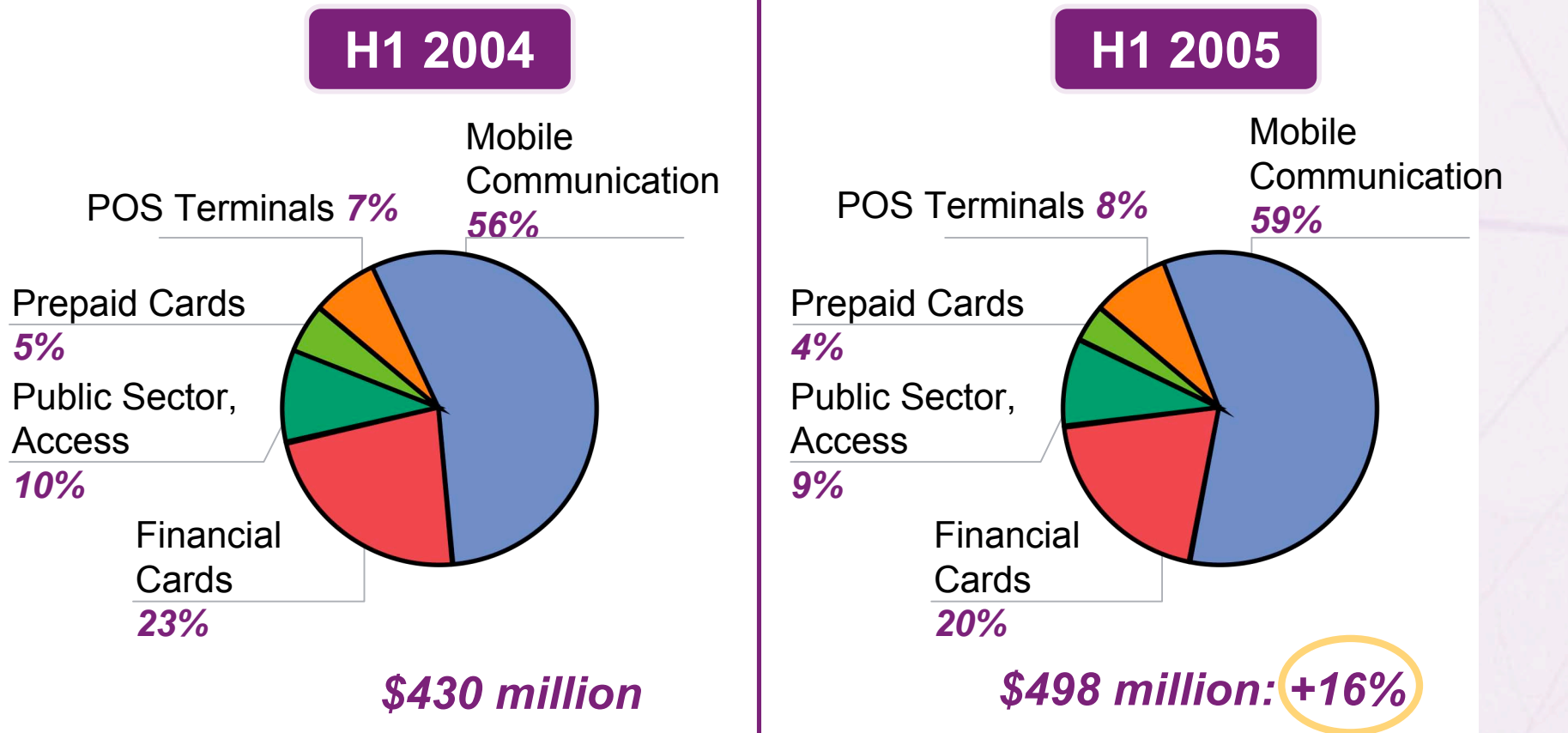
- **Excellent levels of activity and a reinforced financial situation**
 - Axalto fully benefited from its well balanced business portfolio and geographical presence
 - Axalto once again proved its ability to seize the growth opportunities, and to improve its earnings
- **Strong earnings growth in the first half of the year, with further significant improvement in margins**
 - Revenue: \$498 million, **up 16%**
 - Gross margin: **33.8%** vs. 32.3% in H1 2004
 - Operating margin: **9.4%** vs. 6.7% in H1 2004
 - Net income : \$33 million, up **71%**
 - Free cash flow: **\$42 million**
- **Stock-market recognition**
 - 26 January 2005: Differed Settlement System eligibility
 - 1 September 2005: SBF 120 index integration

Strong revenue growth



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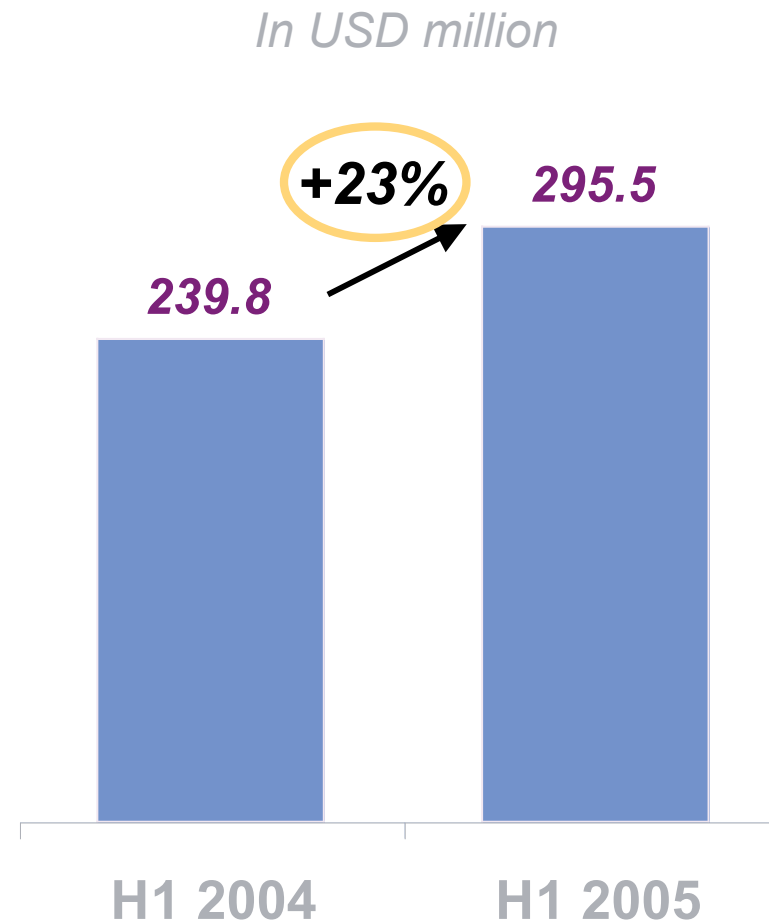
Breakdown of revenue in H1 2005



A well balanced business portfolio
A stronger share of Mobile Communication

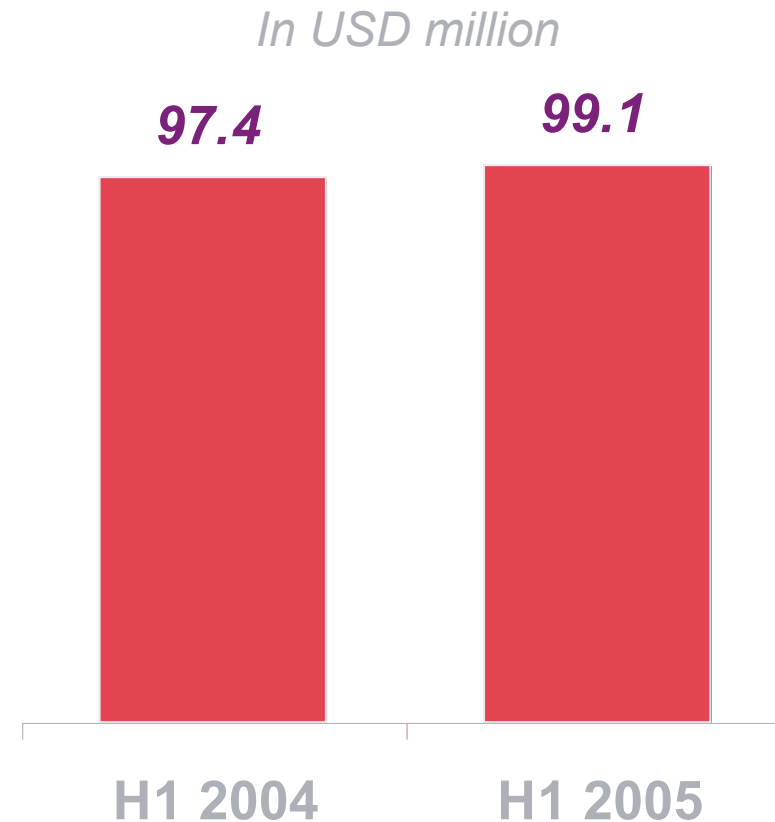
First-half revenue Mobile Communication

- Further very strong growth:
 - 157 million SIM cards sold in the first half of 2005 (+48%)
 - Strong growth in volumes of microprocessor cards sold in NSA and EMEA regions
 - Reduced Chinese market explains lower revenue in Asia
 - Improved product mix generated growth



First-half revenue Financial Cards

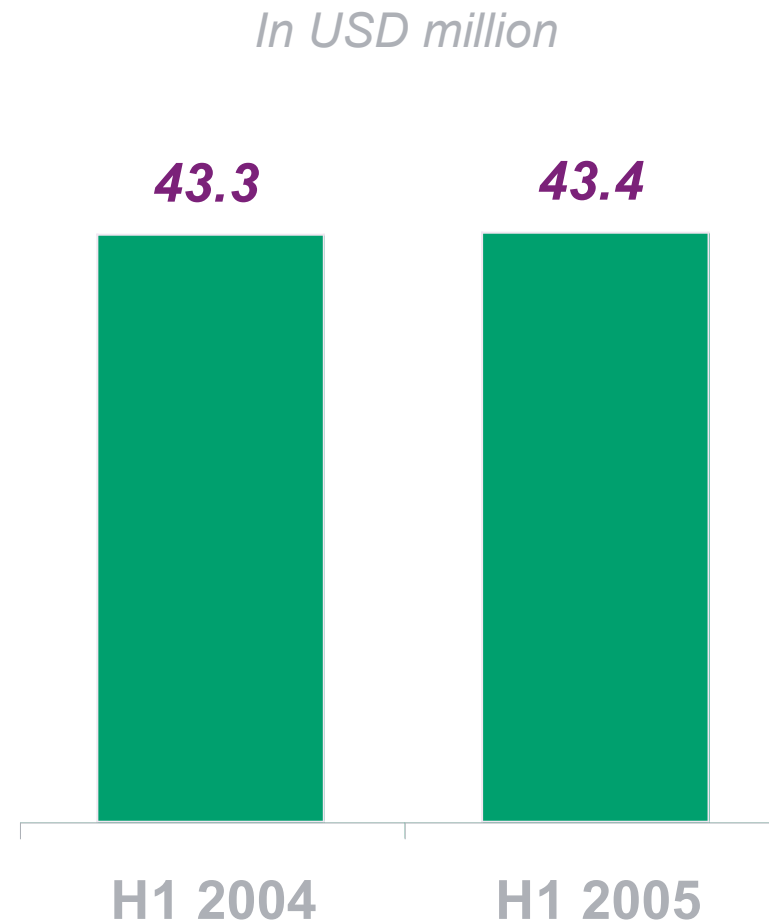
- Slight growth : +2%
 - 36 million microprocessor financial cards sold in the first half of 2005
 - Improvement in average selling price, the result of an improved product mix stemming from a more favorable geographical sales mix
 - Migration to the EMV standard continuing in the main European countries, and confirmed in Asia and in the Americas



Excellent performance given the particularly high comparison base in 2004

First-half revenue Public Sector, Access and Other

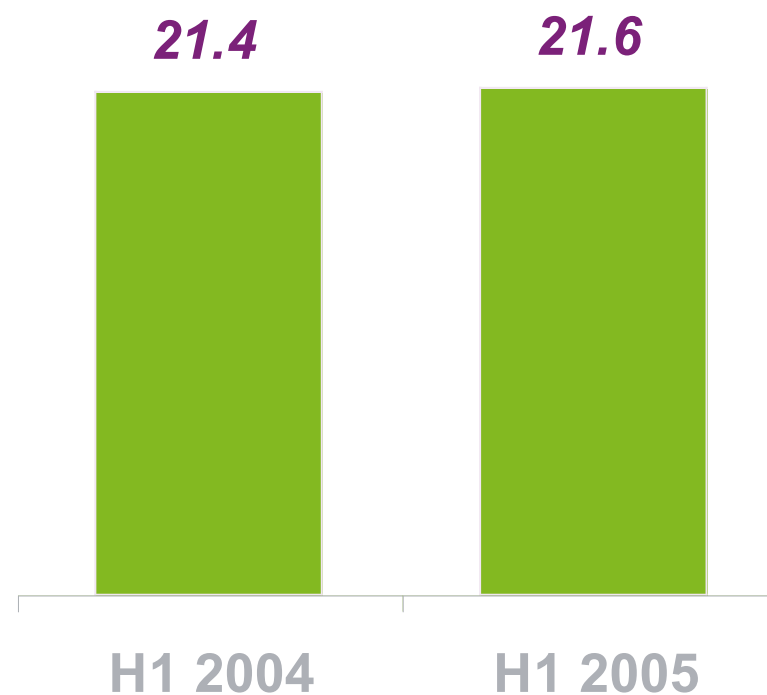
- Stable revenue over the period:
 - Product line still marked by the volatile nature of this business
 - Growth in public sector and transportation, despite delays in several large-scale national programs
 - Progress was able almost entirely to offset the decline in pay-TV cards
 - Stable revenue derived from patent licensing



First-half revenue Prepaid Phone Cards

In USD million

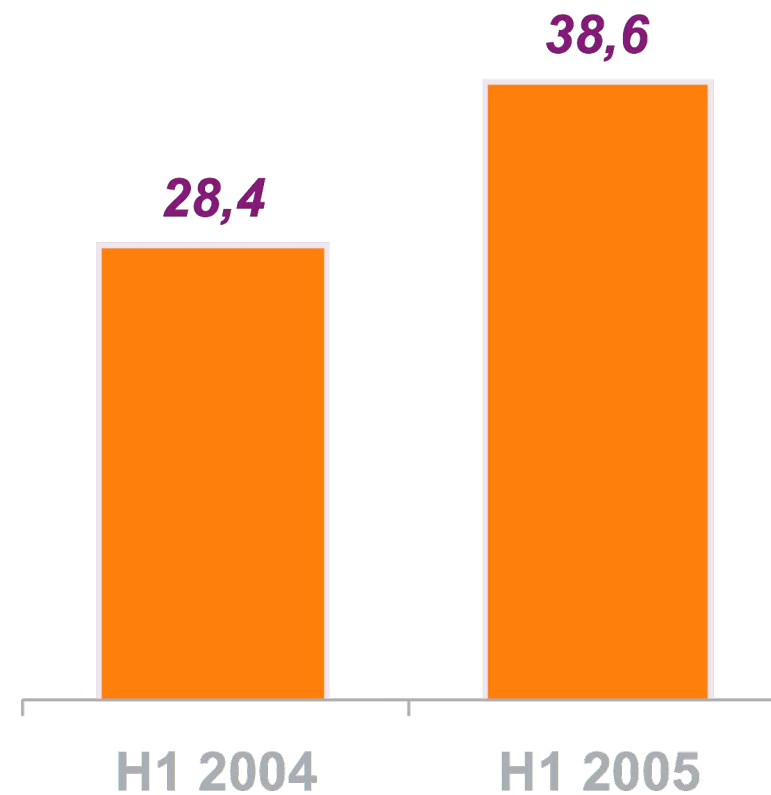
- Stable revenue from this product line
 - Axalto pursues its selective strategy in a declining market
 - Average selling price remains downwardly oriented



First-half revenue Point-of-Sale Terminals

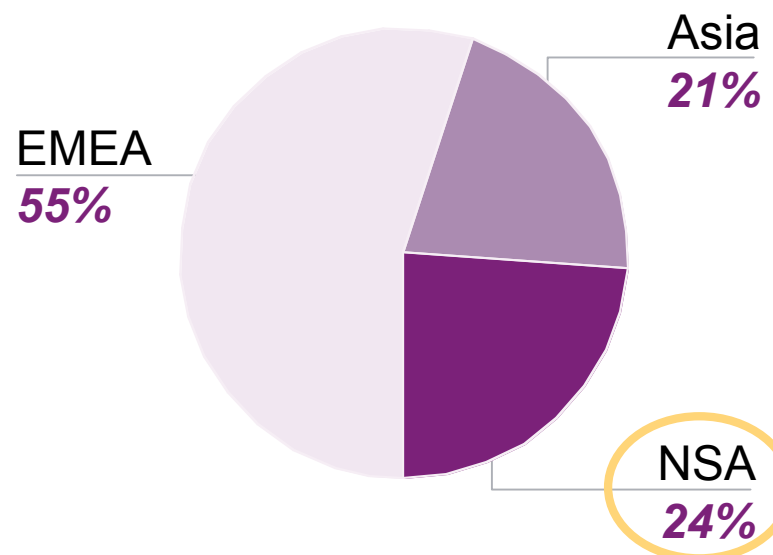
In USD million

- Strong growth in reported revenue: +36%
 - Robust growth in the EMEA region thanks to continuing EMV migration, as well as in Asia



Breakdown of revenue by area in H1 2005

- **EMEA:**
 - Revenue of \$275 million, up 14%, marked by strong growth in Eastern Europe and Africa
- **NSA**
 - Strongest growth in revenue, in percentage +52%, and in absolute terms: +\$40 million, at \$118 million in H1 2005
- **Asia:**
 - Revenue down 5% to \$105 million mainly due to the weakness of the Chinese market



Axalto's balanced international presence enabled it to seize growth opportunities where and when they happened

The NSA region became the second largest region in terms of revenue

First time adoption of International Financial Reporting Standards (IFRS)

- The company has adopted the IFRS as of January 1, 2005
 - 2004 is the transition year
 - 2005 is the year of first adoption

- The condensed interim consolidated financial statements as of June 30, 2005, are the first ones prepared in accordance with IFRS

- A note published on July 28th, 2005 describes :
 - the first time adoption elections made by the Group
 - the effects of the adoption on the 2004 financial statements
 - the estimated effect of IFRS 2 on the first-half 2005 statement of operations

- Total effect on 2004 net income : a \$2.8 million reduction
 - of which \$3.6 million as compensation expense on stock based payments (2004 stock options and discount stock purchase plans)

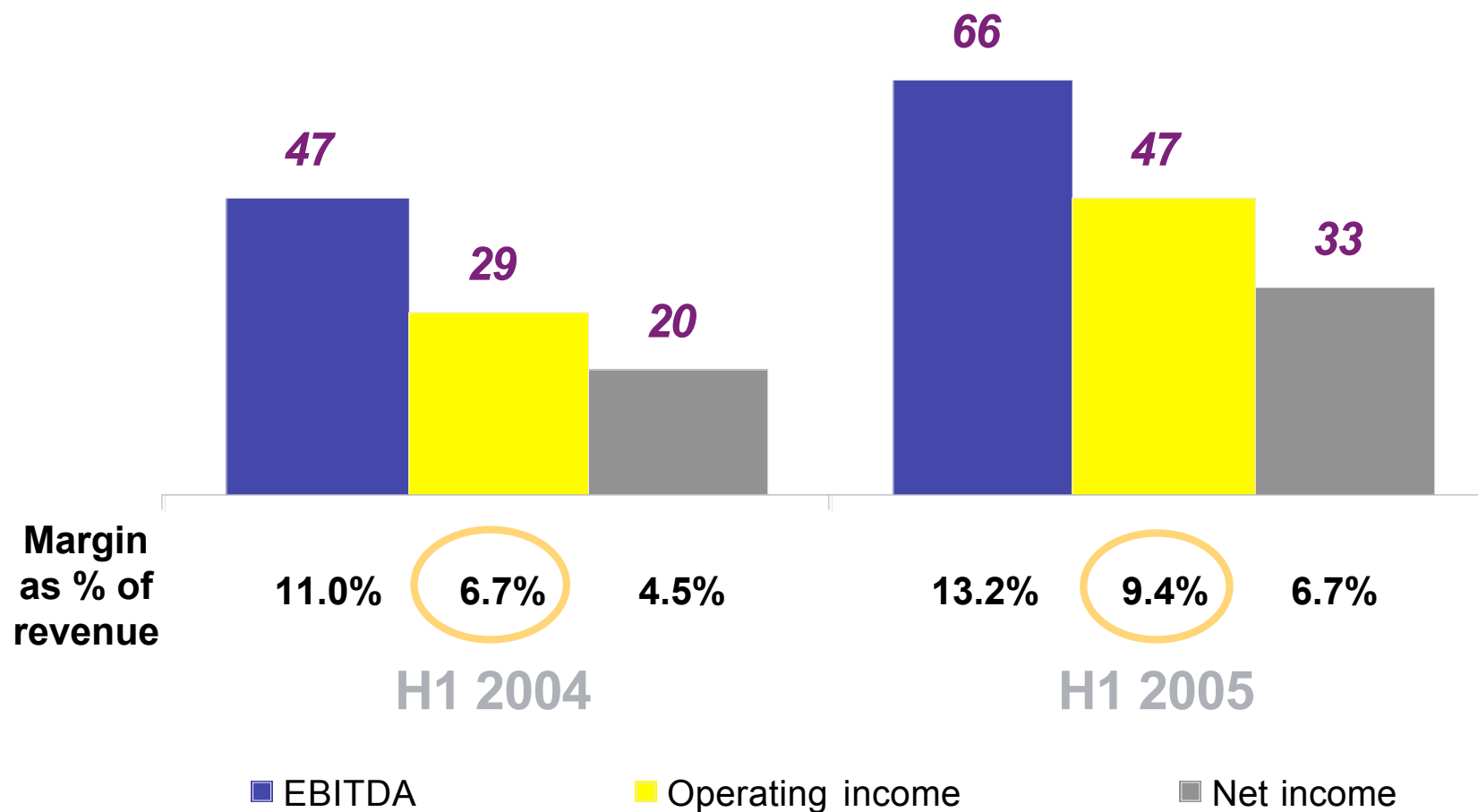
Renewed and significant improvement in profitability



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Significant improvement in profitability

In USD million



Income statement highlights

<i>In USD million</i>	H1 2004	H1 2005	Growth
Revenue	430.3	498.2	+16%
Gross profit	138.9	168.2	+21%
<i>Gross margin (%)</i>	32.3%	33.8%	
EBITDA	47.5	65.7	+39%
<i>EBITDA margin (%)</i>	11.0%	13.2%	
Operating income	29.0	47.1	+62%
<i>Operating margin (%)</i>	6.7%	9.4%	
Income before tax	28.5	47.3	+66%
<i>Margin (%)</i>	6.6%	9.5%	
Net income	19.5	33.3	+71%
<i>Net margin (%)</i>	4.5%	6.7%	
Net income attributable to equity holders	19.0	31.9	+ 68%
<i>Earnings per share attributable to equity holders</i>	0.47 USD	0.79 USD	+ 66%

(At historical exchange rates)

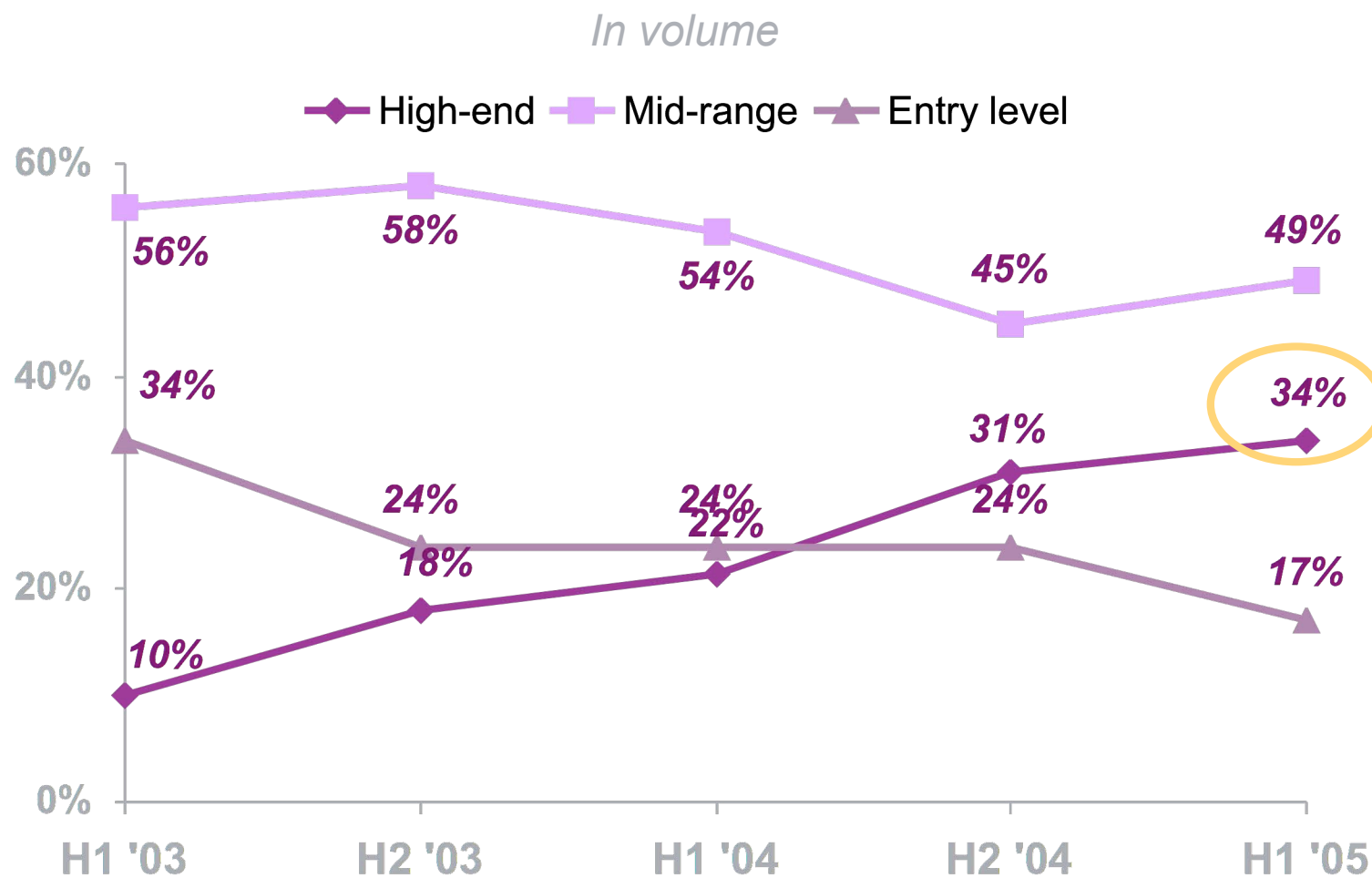
Strong leverage of revenue growth

Revenue variation factors: Cards segment

<i>In USD million</i>	H1 2004	Currency effects	Volume effect (Cards)	Mix effect (Cards)	Price effect (Cards)	Other	H1 2005
Mobile Communications	240	5	109	40	-102	4	296
Financial Cards	97	5	-1	5	-4	-3	99
Public Sector, Access and Other	43	1	-1		1	-1	43
Prepaid Phone Cards	21	1	3		-4	0	22
Total	402	12	110	45	-109	0	460

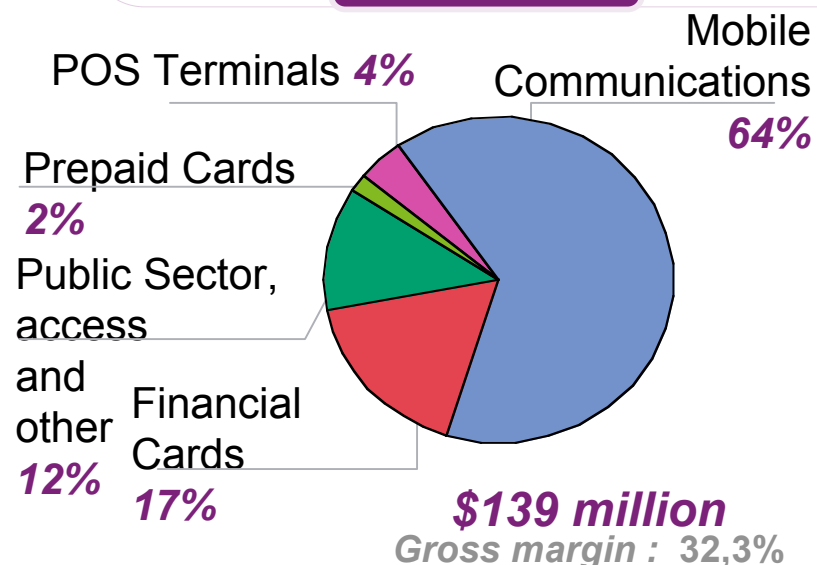
Improved product mix

Mobile Communication

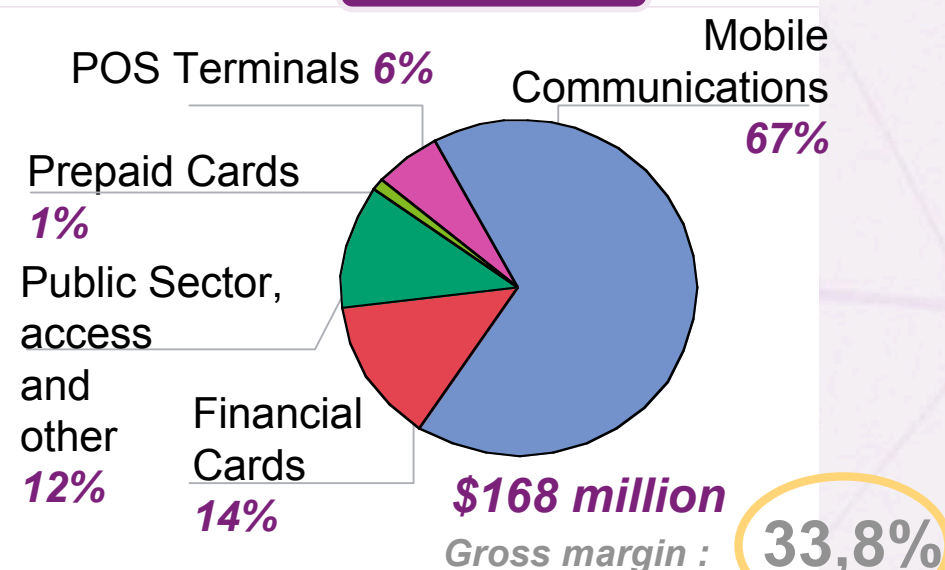


Gross profit by segment

H1 2004



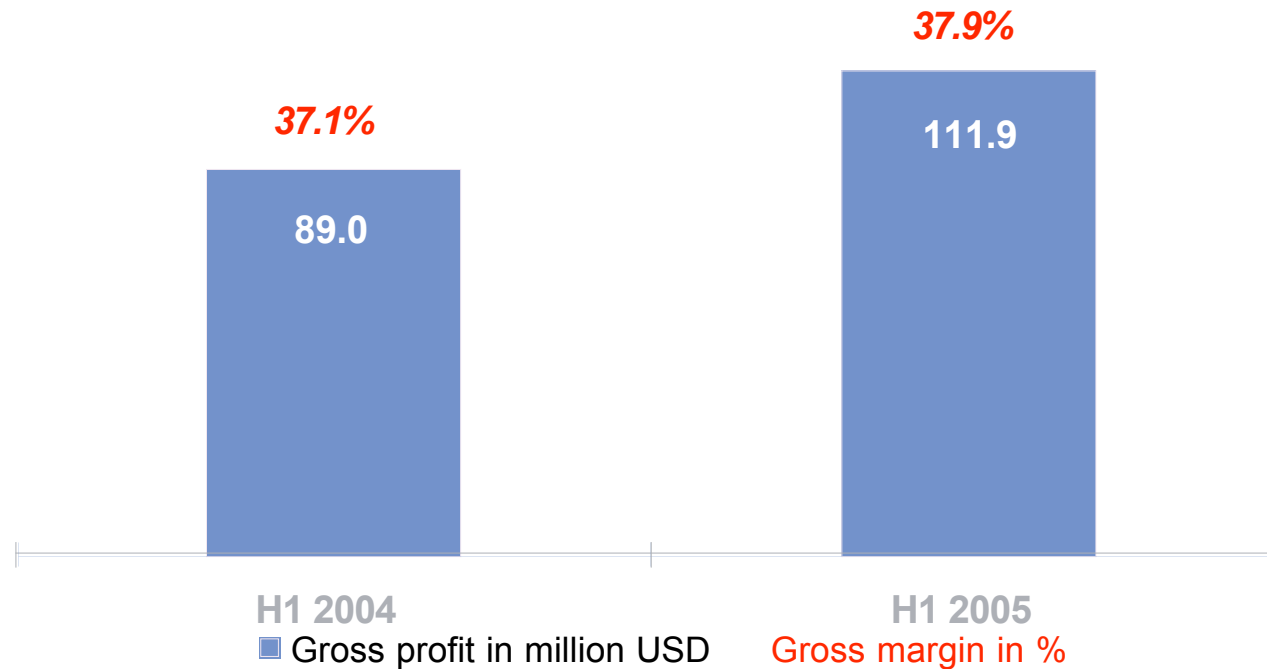
H1 2005



- Gross profit rose significantly, by 21% to \$168.2 million
- Gross margin improved considerably to 33.8% vs. 32.3%
- This improvement was the result of:
 - Higher volumes of microprocessor cards sold
 - Higher proportion of Mobile Communication in the global revenue
 - Better product mix in Mobile Communication and Financial Cards
 - Ongoing improvement in productivity and fixed costs controls
 - Successful components sourcing strategy

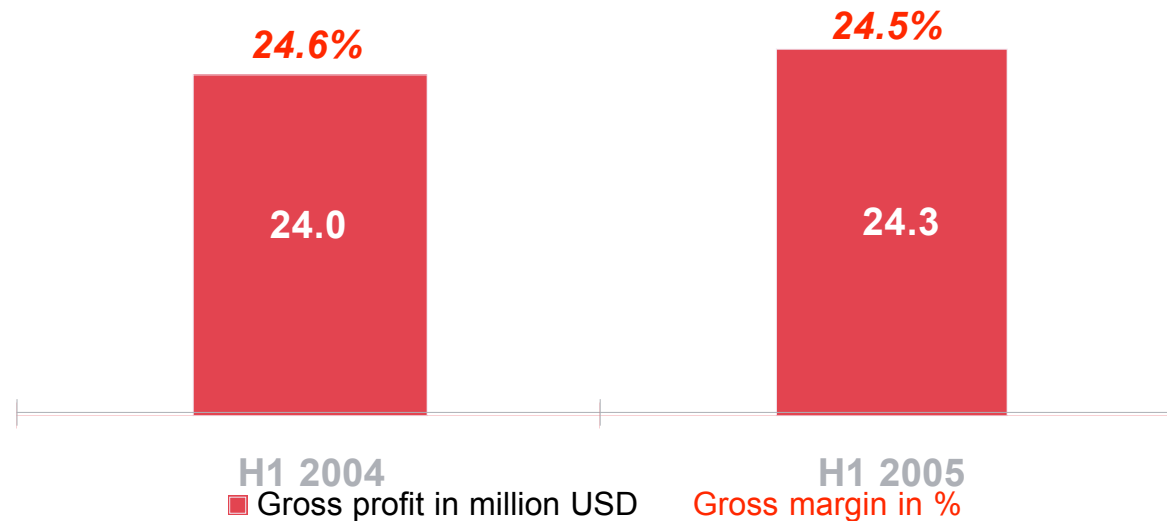
Gross profit Mobile Communication

18



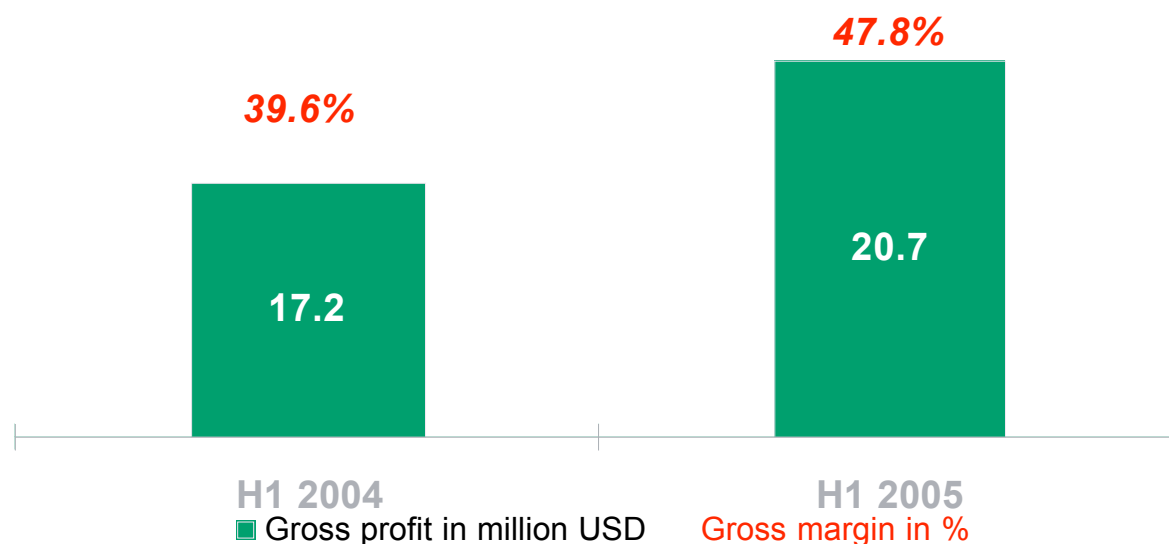
- Gross profit in the Mobile Communication product line increased by 26% versus H1 2004
 - Sharp increase in volumes
 - Improvement in the product mix, particularly in NSA

Gross profit Financial Cards



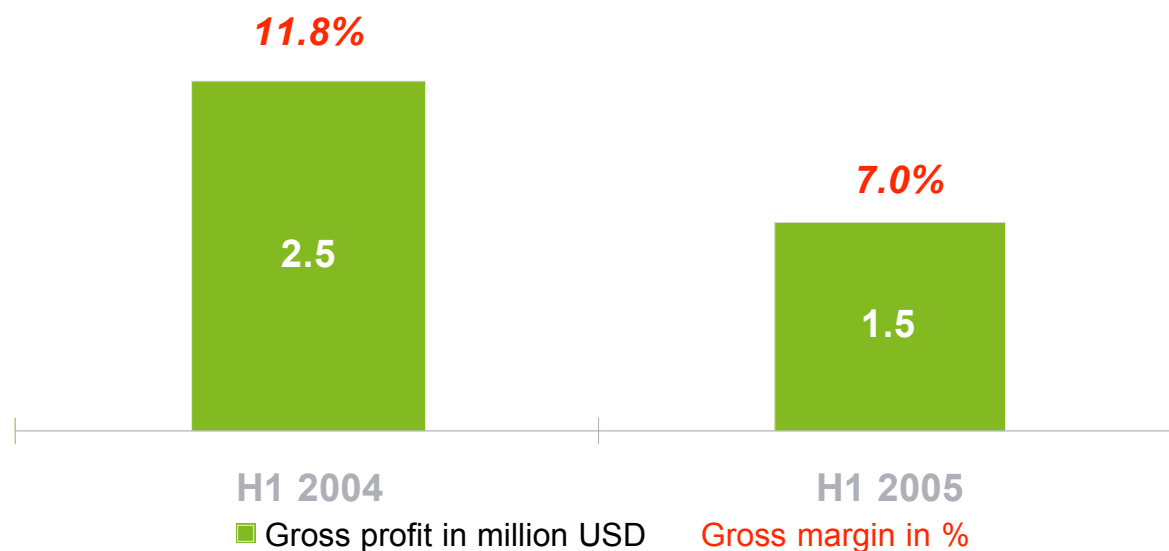
- Gross profit in the Financial Cards product line improved slightly
 - Volume of microprocessor cards sold remained stable in the first half of the year
 - Product mix improves through a more favorable geographical sales mix

Gross profit Public Sector, Access and Other



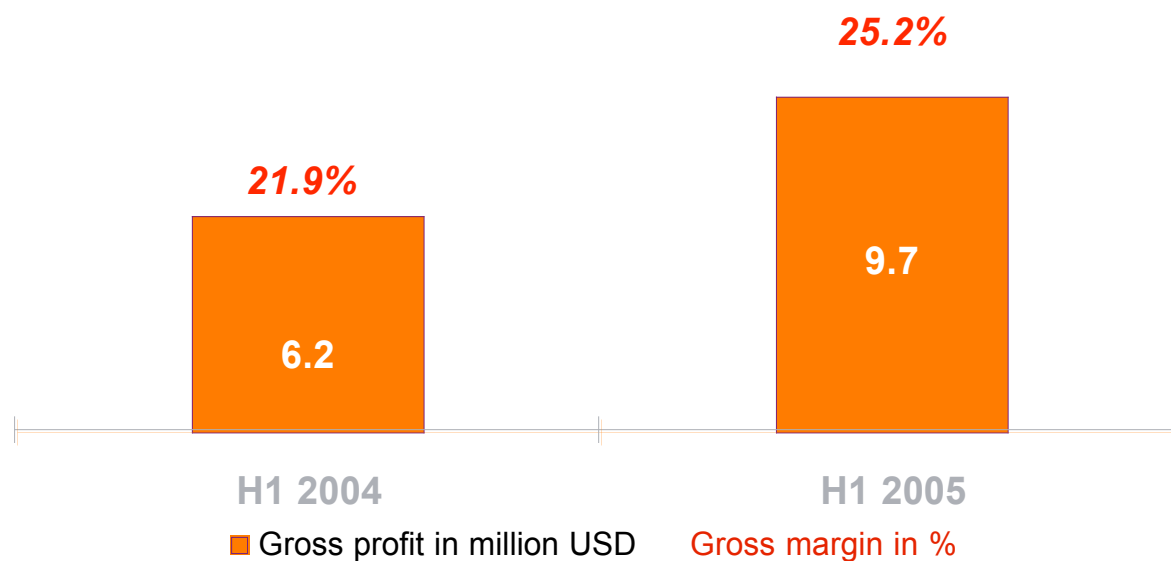
- Gross profit increased by 20.9% versus H1 2004
 - Volatile revenues and gross profit related to the nature of these large-scale public programs
 - More favorable mix of microprocessor cards delivered
 - Public Sector: higher volumes of high-end microprocessor cards, particularly in the NSA and Asia regions
 - Access: improved product mix

Gross profit Prepaid Phone Cards



- Gross profit decreases due to pricing pressures
- Positive contribution to operating profit due to low support costs

Gross profit Point-of-Sale Terminals



- Gross profit increased by 56% versus H1 2004
 - growth in targeted markets
 - successful outsourcing production plan set up in 2003

Significant reduction in operating expenses as a percentage of revenue

<i>In USD million</i>	H1 2004	H1 2005
Research and development	30.6	35.4
<i>As a % of revenue</i>	7.1%	7.1%
Sales and marketing	54.4	56.6
<i>As a % of revenue</i>	12.6%	11.4%
General and administrative expenses	27.2	31.1
<i>As a % of revenue</i>	6.3%	6.2%
Total operating expenses (excluding other income, net)	112.1	123.1
<i>As a % of revenue</i>	26.1%	24.7%

- Operating expenses decreased significantly as a percentage of revenue:
 - Effectiveness of the Group's tight costs controls
 - Increase in general and administrative expenses in line with expectations
- Demonstrating the solidity and potential of Axalto support structures

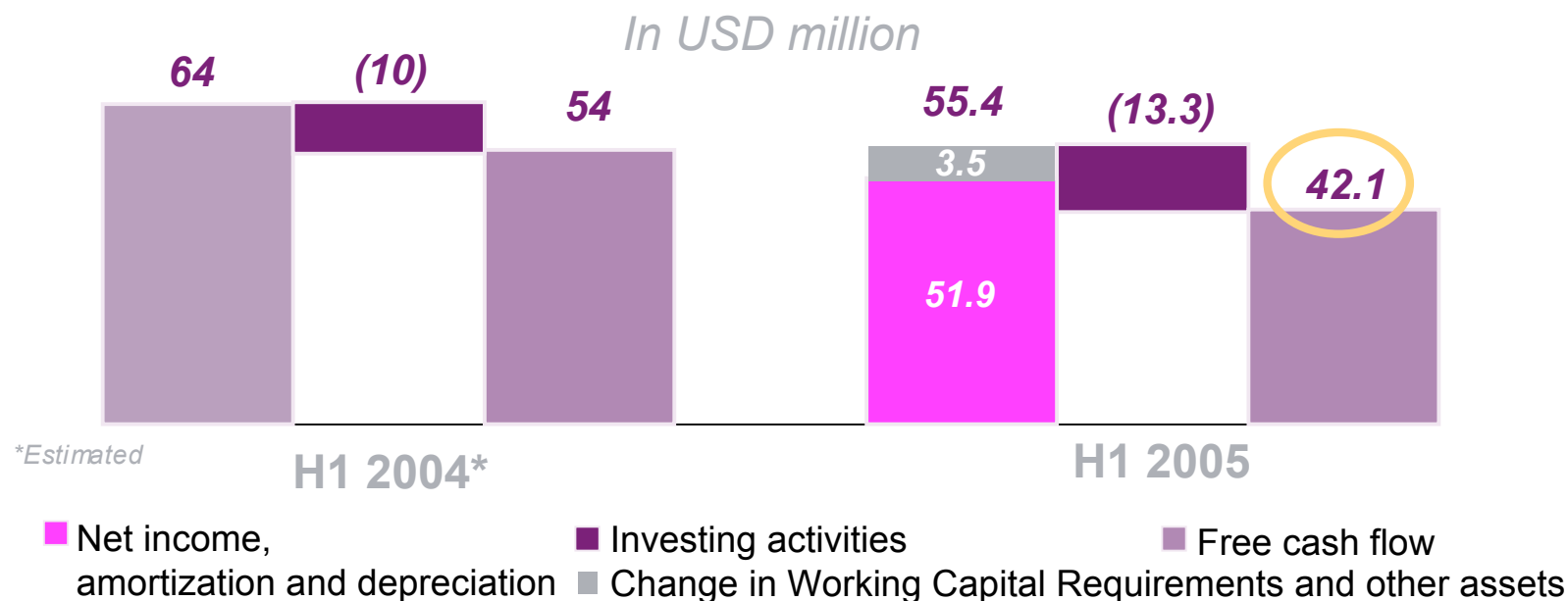
Strong surge in income

<i>In USD million</i>		H1 2004	H1 2005
Operating income		29.0	47.1
	<i>Operating margin</i>	6.7%	9.4%
Income before taxes		28.5	47.3
Net income		19.5	33.3
	<i>Net margin</i>	4.5%	6.7%
Net income attributable to equity holders		19.0	31.9

- Operating income increased by 62%
 - Operating margin of 9.4% of revenue versus 6.7% in H1 2004
 - Reflects the Group's strong growth as well as productivity gains in production and support functions
- Net income rises 71%
 - Net margin of 6.7%

Strong cash generation

Net cash generated (consumed) by operating and investing activities



- Strong free cash flow generation
 - sharp increase in net income
 - working capital requirement and other net operating assets were globally stable during the period
- Capital expenditures: \$13 million, i.e. to 2.7% of H1 2005 revenue

A solid balance sheet

<i>In USD million</i>	31/12/2004	30/06/2005
Exchange rate 1 USD = Euro	0.735	0.831
Assets		
Current assets		
Cash and short-term investments	224	228
Receivables and other assets	252	229
Inventory	122	99
Financial instruments	7	0
Total current assets	605	556
Property, plant and equipment (net)	111	99
Deferred taxes	54	49
Goodwill	311	281
Net intangible assets and other long-term assets	33	29
Total assets	1,114	1,013
Liabilities, minority interests and invested capital		
Current liabilities		
Short-term debts	9	0
Trade and other payables	295	251
Other current liabilities	26	39
Total current liabilities	330	290
Long-term debts	30	7
Retirement benefit obligation	17	16
Provisions & other long-term liabilities	28	25
Total liabilities	405	339
Minorities	7	2
Total invested equity	702	673
Total liabilities, minority interests and invested capital	1 114	1 013
Working capital requirement	65	34
<i>As a % of latest quarterly revenue, annualized</i>	6%	3%
Capital employed	524	454

Net Cash
Dec 2004
\$185m

Net Cash
June 2005

\$220m

A solid balance sheet

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Conclusion



Excellent first-half results

- Axalto has been able to seize and make the most of growth opportunities
- Excellent operating performance
 - Significant improvement in productivity
 - Tight control of operating expenses
- Healthy balance sheet further reinforced
 - Further improvement in profitability
 - Strong cash generation
 - Strong positive net cash position