



## Axalto's second quarter 2004 revenue up 31%

- Sales of \$226.9 million in the second quarter of 2004
- Over 40% growth in the Mobile Communications division
- Higher average SIM card selling prices
- Strong expansion in all geographic regions

**Amsterdam, 27 July 2004** – Axalto (Euronext NL0000400653 - AXL) today reports strong second quarter revenue of \$ 226.9 million, representing a 31% increase compared with the \$ 173.7 million revenue recorded in the year-earlier period.

At constant exchange rates, revenue rose by 26%.

| Axalto                              | Second quarter |              | Change       | % of<br>Total Revenue |
|-------------------------------------|----------------|--------------|--------------|-----------------------|
|                                     | 2003           | 2004         |              |                       |
|                                     | (\$ m)         | (\$ m)       |              |                       |
| <b>Cards</b>                        |                |              |              |                       |
| Mobile Communications               | 93.2           | 134.0        | + 44%        | 59%                   |
| Financial Cards                     | 39.6           | 48.0         | + 21%        | 21%                   |
| Public Sector, Access<br>and Others | 16.3           | 18.1         | + 11%        | 8%                    |
| Prepaid Phonecards                  | 11.4           | 10.1         | (11)%        | 4%                    |
| <b>Total Cards</b>                  | <b>160.5</b>   | <b>210.2</b> | <b>+ 31%</b> | <b>93%</b>            |
| <b>Point-of-Sale Terminals</b>      | <b>13.2</b>    | <b>16.7</b>  | <b>+ 27%</b> | <b>7%</b>             |
| <b>Total Revenue</b>                | <b>173.7</b>   | <b>226.9</b> | <b>+ 31%</b> | <b>100%</b>           |

### Very strong growth in the Cards division

Revenue in the Cards division grew by 31% in the second quarter to \$ 210.2 million. At constant exchange rates, the increase was 26%.

## Higher revenue in all microprocessor cards segments

Mobile Communications. Sales in this segment increased by 44%, and by 40% at constant exchange rates, to \$134 million in the second quarter of 2004.

This improvement resulted mainly from rapid volume growth in all regions. The number of SIM cards sold rose by 37% to 57 million units.

Compared to the first quarter of 2004, average SIM card prices also improved by 8%. The average price increase was 9% at constant exchange rates. Compared to the second quarter of 2003, average SIM card prices were up 2%, and flat at constant exchange rates. This performance was mainly due to an improvement in the product mix, resulting from higher sales of high-end cards, particularly those cards with large memory capacity of 64KB or 128KB to host operator applications and user data.

Growth was strongest in the Europe, Middle East and Africa (EMEA) region, due to a substantial improvement in the product mix.

In the North, Central and South America (NSA) area, sales continued to grow rapidly, driven by mobile operators adopting GSM standards and a strong increase in subscriptions to existing GSM networks.

Financial Cards. In the second quarter, Axalto generated sales of \$48 million in this division, an increase of 21% year-on-year and 13% at constant exchange rates.

Sales volumes of microprocessor cards grew strongly, by 34%, due in particular to continuing migration to the EMV standard.

Average sales prices reduced slightly, due to the year-on-year decrease in the UK already reported in the first quarter that was almost fully compensated by increases in the other parts of the world. In the NSA region, average sales prices grew strongly with the significant increase of high-value added card shipments.

Public Sector, Access and Others. Second-quarter revenue in this division came in at \$18 million, representing growth of 11%, and 6% at constant exchange rates.

Axalto recorded higher sales of Common Access Cards (CAC) to the US Department of Defense, while shipments of Vitale health cards decreased in France.

Prepaid Phonecards. In line with Axalto's strategy which aims to focus on cards offering higher value added and to supply low-end memory cards only to specific customers that are deemed strategic, revenue in this division continued to shrink, by 11% compared to the same quarter last year, mainly due to lower selling prices. At constant exchange rates, sales were down 14%.

Accordingly, this segment now accounts for only 4% of Axalto's revenue.

## Solid quarter in the Point-of-Sale Terminals division

Revenue in the POS Terminals division rose by 27%, to \$17 million in the second quarter of 2004. At constant exchange rates, the increase was 21%.

This increase was mainly due to the strong activity in EMEA generated under supply contracts with large financial institutions.

## Expansion in all geographic regions

| Second quarter | EMEA         |             | Asia         |             | NSA          |             |
|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Divisions      | Sales (\$ m) | Change      | Sales (\$ m) | Change      | Sales (\$ m) | Change      |
| Cards          | 110.6        | +39%        | 58.6         | +15%        | 41.0         | +38%        |
| POS            | 13.5         | +51%        | 2.2          | (28%)       | 1.0          | (19%)       |
| <b>Total</b>   | <b>124.1</b> | <b>+40%</b> | <b>60.8</b>  | <b>+12%</b> | <b>42.0</b>  | <b>+36%</b> |

EMEA (Europe, Middle East and Africa) was Axalto's fastest-growing region in the second quarter, with sales up 40%, and 30% at constant exchange rates. EMEA accounted for 55% of Axalto's total sales during the period.

The NSA (Americas) region maintained its rapid development, with 36% growth, and contributed 19% of Axalto's sales in the second quarter.

Asia continued to account for more than a quarter of sales, with 27%.

**Olivier Piou, CEO, made the following comments:** *'The Axalto IPO has generated strong momentum and was very positively received by our customers. They clearly perceive our new status as a strong renewal of our commitment to help them meet their business objectives.*

*The stock-market listing has also been a great source of additional motivation for our staff. Today, every one of us is particularly determined to create value for Axalto's new shareholders whose support and confidence we very much appreciated during the IPO.*

*Axalto's strong second-quarter performance proves its ability to take full advantage of the rapid expansion in its various markets around the world, and bolsters its position in high-value-added microprocessor cards.*

*As a result of this vigorous growth, we are expecting our operating margin in the first half to show a substantial improvement compared with the same period of last year.'*

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### About Axalto

Axalto (Euronext: NL0000400653 AXL) is the world's leading provider of microprocessor cards (Gartner Dataquest 2004) — the key to digital networks — and a major supplier of point-of-sale terminals. Its 4500 employees come from 70 nationalities and 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 information, visit us at [www.axalto.com](http://www.axalto.com)

## Appendix

### 1- Historical tables (Unaudited)

#### Quarterly 2003 revenue by segment

At historical exchange rates (\$m)

|                                  | Q1-2003      | Q2-2003      | Q3-2003      | Q4-2003      | 2003         |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Cards</b>                     |              |              |              |              |              |
| Mobile Communications            | 89.6         | 93.2         | 123.5        | 137.6        | <b>444.0</b> |
| Financial Cards                  | 38.2         | 39.6         | 40.1         | 42.3         | <b>160.3</b> |
| Public Sector, Access and Others | 13.1         | 16.3         | 19.8         | 13.4         | <b>62.6</b>  |
| Prepaid Phonecards               | 8.2          | 11.4         | 14.4         | 16.0         | <b>49.9</b>  |
| <b>Total Cards</b>               | 149.0        | 160.5        | 197.9        | 209.3        | 716.7        |
| <b>Point-of-Sale Terminals</b>   | 12.6         | 13.2         | 9.6          | 15.7         | <b>51.0</b>  |
| <b>Total</b>                     | <b>161.6</b> | <b>173.7</b> | <b>207.5</b> | <b>225.0</b> | <b>767.7</b> |

#### Quarterly revenue 2003 by geographical region

At historical exchange rates (\$m)

| Division                             | Region | Q1-2003      | Q2-2003      | Q3-2003      | Q4-2003      | 2003         |
|--------------------------------------|--------|--------------|--------------|--------------|--------------|--------------|
| <b>Cards</b>                         | ASA    | 51.5         | 51.1         | 57.5         | 51.6         | <b>211.8</b> |
|                                      | EMEA   | 76.2         | 79.7         | 96.7         | 111.7        | <b>364.4</b> |
|                                      | NSA    | 21.3         | 29.7         | 43.6         | 46.0         | <b>140.6</b> |
| <b>Total Cards</b>                   |        | 149.0        | 160.5        | 197.9        | 209.3        | <b>716.7</b> |
| <b>Point-of-Sale Terminals</b>       | ASA    | 1.5          | 3.0          | 1.5          | 1.8          | <b>7.8</b>   |
|                                      | EMEA   | 10.0         | 8.9          | 7.2          | 12.3         | <b>38.4</b>  |
|                                      | NSA    | 1.1          | 1.2          | 1.0          | 1.5          | <b>4.8</b>   |
| <b>Total Point-of-Sale Terminals</b> |        | 12.6         | 13.2         | 9.6          | 15.7         | <b>51.0</b>  |
| <b>Total</b>                         |        | <b>161.6</b> | <b>173.7</b> | <b>207.5</b> | <b>225.0</b> | <b>767.7</b> |

**2- First Half Revenue 2003 & 2004  
(Unaudited)**

| <b>Segment</b>                   | <b>Revenue<br/>H1 2003</b> | <b>Revenue<br/>H1 2004</b> | <b>% of variation<br/>at historical<br/>exchange rates</b> | <b>% of variation at<br/>constant<br/>exchange rates</b> |
|----------------------------------|----------------------------|----------------------------|--|--|
| Mobile Communications            | 182,8                      | 239,8                      | 31%  | 26%  |
| Financial Cards                  | 77,8                       | 97,4                       | 25%  | 14%  |
| Public Sector, Access and Others | 29,4                       | 43,3                       | 47%  | 38%  |
| Prepaid Phonecards               | 19,5                       | 21,4                       | 9%   | 4%   |
| <b>Total Cards</b>               | <b>309,5</b>               | <b>401,9</b>               | <b>30%</b>   | <b>23%</b>   |
| <b>POS</b>                       | <b>25,7</b>                | <b>28,4</b>                | <b>10%</b>   | <b>2%</b>  |
| <b>Total</b>                     | <b>335,3</b>               | <b>430,3</b>               | <b>28%</b>   | <b>21%</b>   |

| <b>Region</b> | <b>Revenue<br/>H1 2003</b> | <b>Revenue<br/>H1 2004</b> | <b>% of variation<br/>at historical<br/>exchange rates</b> | <b>% of variation at<br/>constant<br/>exchange rates</b> |
|---------------|----------------------------|----------------------------|--|--|
| EMEA          | 174,9                      | 241,8                      | 38%  | 24%  |
| Asia          | 107,1                      | 110,7                      | 3%   | 3%   |
| NSA           | 53,3                       | 77,8                       | 46%  | 46%  |
| <b>Total</b>  | <b>335,3</b>               | <b>430,3</b>               | <b>28%</b>   | <b>21%</b>   |