

2004 : First Quarter Revenue

The interim financial information as of and for the quarters ended March 31, 2003 and 2004 presented below is unaudited but has been prepared on the same basis as our combined financial statements. Our revenue for the quarter ended March 31, 2004 may not be indicative of our results of operations for the same quarter or of our revenue or results of operations for the full year 2004. See “— Other Factors Affecting Results of Operations — Seasonality”.

The following table sets forth the breakdown of our revenue by geographic region at historical exchange rates for the periods indicated in millions of dollars and as a percentage of total revenue:

revenue by geographic region

Geographic region	Quarter ended March 31,			
	2003 (millions of \$)	(% of total)	2004 (millions of \$)	(% of total)
EMEA(1)				
Cards	76	47%	110	54%
POS	10	6%	7	3%
Total EMEA	86	53%	117	57%
Asia				
Cards	52	32%	49	24%
POS	1	1%	1	1%
Total Asia	53	33%	50	25%
NSA(2)				
Cards	21	13%	33	16%
POS	1	1%	3	2%

Total NSA	22	14%	36	18%
Total	161	100%	203	100%

Notes:

(1) Europe, the Middle East and Africa.

(2) North America, Central America and South America.

The following table sets forth the breakdown of our revenue by division at historical exchange rates for the periods indicated in millions of dollars and as a percentage of total revenue:

revenue by division

	Quarter ended March 31,			
	2003		2004	
	(millions of \$)	(% of total)	(millions of \$)	(% of total)
Cards				
Mobile Communications	90	56%	106	52%
Financial Cards	38	24%	49	24%
Public Sector, Access and Others(1)	13	8%	25	13%
Prepaid Phonecards	8	5%	12	6%
Total Cards	149	93%	192	95%
Point-of-Sale Terminals	12	7%	11	5%
Total	161	100%	203	100%

Note:

(1) Includes revenue from the licensing of intellectual property.

At historical exchange rates, our revenue increased by 26% to \$203 million in the first quarter of 2004 from \$161 million in the first quarter of 2003. At constant exchange rates, revenue increased by 16% to \$203 million in the first quarter of 2004 from \$175 million in the first quarter of 2003.

Cards Division

At historical exchange rates, revenue for the Cards division increased by 29% to \$192 million in the first quarter of 2004 from \$149 million in the first quarter of 2003. At constant exchange rates, revenue increased by 19% to \$192 million in the first quarter of 2004 from \$161 million in the first quarter of 2003. This increase in revenue reflects higher revenue in each of our cards businesses. Revenue grew in all of our geographic regions, except in Asia, where the increase in revenue in our mobile communications business (resulting mainly from higher volumes of SIM cards sold in the region) was offset by a decline in revenue in our financial cards business (resulting mainly from lower shipments in the region).

Mobile Communications. At historical exchange rates, revenue in our mobile communications business increased by 18% to \$106 million in the first quarter of 2004 from \$90 million in the first quarter of 2003. At constant exchange rates, revenue increased by 12% to \$106 million in the first quarter of 2004 from \$95 million in the first quarter of 2003. The increase in revenue was principally due to a large increase in volumes of sales and a favorable evolution of our product mix, which were partially offset by the impact of decreases in average sales prices of our wireless SIM cards products. We recorded a 26% increase in volumes of products sold, to 49 million SIM cards, with strong growth in all of our geographic regions. In terms of percentage of our total volumes of products sold, we recorded the largest increase in NSA due to continued migration of existing wireless networks to the GSM standard and to subscriber growth in existing GSM networks. Average sales prices declined 9% due to the continuing price pressure on our low-end and mid-range products, which was only partially offset by the increase in sales of our high-end products. Our product mix improved as a result of the commercial launch of new generation high-end products in EMEA and Asia during the second half of 2003.

Financial cards. At historical exchange rates, revenue in our financial cards business increased by 29% to \$49 million in the first quarter of 2004 from \$38 million in the first quarter of 2003. At constant exchange rates, revenue increased by 14% to \$49 million in the first quarter of 2004 from \$43 million in the first quarter of 2003. The increase in revenue principally reflected a 49% increase in volumes of microprocessor cards sold, to 21 million units. This increase resulted mainly from higher shipments in the United Kingdom, attributable to the continuing migration of UK financial institutions to the EMV standard, which was partially offset by a decline in shipments in Asia, a decrease in average sales prices and, to a lesser extent, changes in our microprocessor card product mix (reflecting higher volumes of EMV-compliant microprocessor cards sold in the United Kingdom for basic banking applications).

Public Sector, Access and Others. At historical exchange rates, revenue in our public sector, access and others business increased by 92% to \$25 million in the first quarter of 2004 from \$13 million in the first quarter of 2003. At constant exchange rates, revenue increased by 79% to \$25 million in the first quarter of 2004 from \$14 million in the first quarter of 2003. The increase in revenue is attributable to an increase in revenue from the licensing of technology from CP8 patents and, to a lesser extent, higher pay television and transportation card shipments, which were partially offset by lower average sales prices of our products in these two sectors.

Prepaid Phonecards. At historical exchange rates, revenue in our prepaid phonecards business increased by 50% to \$12 million in the first quarter of 2004 from \$8 million in the first quarter of 2003. At constant exchange rates, revenue increased by 33% to \$12 million in the first quarter of 2004 from \$9 million in the first quarter of 2003. This increase was mainly attributable to an increase in volumes shipped in NSA.

POS Division

At historical exchange rates, revenue for the POS division decreased by 8% to \$11 million in the first quarter of 2004 from \$12 million in the first quarter of 2003. At constant exchange rates, revenue decreased by 21% to \$11 million in the first quarter of 2004 from \$14 million in the first quarter of 2003. This decrease was mainly due to a deferral in the recognition of revenue related to shipments made during the first quarter of 2004 to large financial institutions pending the signature of three long-term contracts at the end of the quarter. One of these contracts was signed in April 2004.