



axalto

Axalto finishes strong year on a record note

Fourth Quarter 2004 Revenue up +30%

- Fourth Quarter revenue rises to \$ 291 million
- Record sales volumes set in
 - Mobile communication,
 - Financial services,
 - Public Sector and Access
- All regions post very strong growth rates

- Full year 2004 revenue of \$ 960 million: + 25%
- Significant rise in full year earnings anticipated

Amsterdam, 26 January 2005 – Axalto (AXAL.PA, Euronext NL0000400653 - AXL) today reports fourth quarter revenue increase of 30%, at \$ 291 million versus \$ 225 million in the year-earlier period, and a 24% progress at constant exchange rates.

As a result, full-year 2004 consolidated revenue came in at \$ 960 million, a 25% rise on full-year 2003, and a gain of 19% at constant exchange rates.

Olivier Piou, Axalto CEO, commented: “We are pleased with this quarter’s performance and the remarkable growth achieved in each of our regions and product lines. Axalto’s teams are recording a number of large-scale commercial successes that reflect the level of excellence already well known by our long-standing clients. Axalto’s quality and true worth are beginning to shine through for the benefit of our shareholders”.

Revenue by segment		Fourth-quarter		
Axalto	2004	2003	Change	% of total revenue in quarter ended December 31 st 2004
Cards	(\$ million)	(\$ million)		
Mobile Communication	171.7	137.6	+ 25%	59%
Financial Cards	51.7	42.3	+ 22%	18%
Public Sector, Access, and Other	36.9	13.4	+176%	13%
Prepaid Phonecards	8.7	16.0	(45)%	3%
Total Cards	269.0	209.3	+29%	92%
Point-of-Sale Terminals	22.4	15.7	+ 43%	8%
Total	291.5	225.0	+ 30%	100%

All comparisons in this document are at historical exchange rates unless otherwise specified

Record growth in the Cards segment

Boosted by a 51% growth in sale volumes (112 million microprocessor cards were shipped during the quarter versus 74 million for the same period of a year ago) the increase in revenue in the Cards segment was particularly strong at +29% to represent \$ 269 million over the quarter.

At constant exchange rates, the revenue increase was 23%.

Microprocessor card sales continue to develop at remarkable rates

Mobile Communication: In the fourth quarter of 2004 revenue in this product line increased by 25% compared with the previous year's equivalent period, and by 20% at constant exchange rates, to \$ 171.7 million.

In what is a traditionally strong quarter, and in comparison with already record shipments in the fourth quarter of 2003, this outstanding rise was fuelled by sharp volume growth and high-end card shipments.

Sales of SIM cards totaled 84.1 million units over the quarter, and 257 million units for the full year. Both are new records for Axalto.

The Average Sales Price (ASP) decreased by 1.6% sequentially, and 3.6% at constant exchange rates.

Integrating the ASP erosion encountered and described in the previous quarters, the fourth quarter 2004 ASP presents a year-on-year decline of 16.7% at historical exchange rates and 19.7% at constant exchange rates, resulting from two key factors:

- the natural price erosion of entry and mid-range products, and
- the growing share in sales volumes originating from Asia.

Asia posted an excellent 33% growth in revenue and accounted for 30% of Mobile Communication revenue over the quarter. This performance was mostly due to outstanding sales in India and the South Eastern part of the area.

The share of the Americas region (NSA) in the Mobile Communication revenue also reached the 30% mark, on the back of a remarkable 46% improvement on the previous year's figure. The region's growth was driven by large-scale high-end card deliveries to a large US operator and to Latin American mobile networks operators as part of their GSM standard deployments.

The Europe Middle East Africa region (EMEA), accounted for the balance 40% of mobile communication sales. Revenue grew 8% during the quarter, a very solid performance with respect to an outstanding fourth quarter 2003 benchmark.

Financial Cards: During the fourth quarter of 2004, Axalto generated revenue of \$ 51.7 million in this product line, up 22% on the previous year's equivalent period, and up 14% at constant exchange rates.

Driven by the continuing EMV-migration rollout and by a greater contribution from the Asia region, which doubled its revenue relative to the same quarter last year to represent 14% of the product line sales during the quarter, microprocessor card sales volumes grew 22% to 18.6 million units.

The average sales price was stable year on year as the product mix continued to improve, especially in the EMEA region.

Public Sector, Access and Other: Fourth-quarter revenue in this product line came in at \$ 36.9 million, a 176% surge in comparison with the equivalent period of the previous year, and a 162% increase at constant exchange rates.

The quarter's revenue benefited from Axalto's long-standing pro-active intellectual property licensing strategy, with revenue related to licenses accounting for \$ 12.6 million.

Excluding licensing revenues from the comparison basis, fourth quarter 2004 revenue rose by 111% relative to the equivalent period of the previous year. This increase was spurred on by the strong development in overall sales volumes that more than tripled in a year. Almost 9 million units were sold during the quarter, powered by initial deliveries related to a number of recent contract wins.

Memory cards represent less than 3% of Axalto's fourth quarter 2004 revenue

In line with Axalto's strategic focus on higher value-added microprocessor cards, Prepaid Phonecards revenue continued to drop substantially during the quarter, by 45%, and by 47% at constant exchange rates. This was due to lower selling prices overall and reduced volumes supplied in Asia and EMEA.

Point-of-Sale Terminals continue to leverage upward market trend

Revenue in the POS Terminals segment rose by 43% in comparison with the equivalent period of the previous year, and by 33% at constant exchange rates, reaching \$ 22.4 million in the fourth quarter of 2004.

This strong performance was once again spurred on by strong sales in the EMEA region, derived from a growing number of EMV-related supply contracts.

Revenue by geographic region

Fourth quarter 2004	EMEA		Asia		NSA	
	Revenue (\$ m)	Change	Revenue (\$ m)	Change	Revenue (\$ m)	Change
Cards	138.9	+ 24%	64.9	+ 26%	65.2	+ 42%
Point-of-Sale Terminals	18.1	+ 47%	4.2	+ 130%	0.1	(91%)
Total	157.0	+ 27%	69.1	+ 29%	65.3	+ 37%

Full Year 2004

Revenue split by segment

Axalto	Full year		Change	% of Total Full Year 2004 Revenue
	2004	2003		
Cards	(\$ million)	(\$ million)		
Mobile Communication	548.8	444.0	+ 24%	57%
Financial Cards	196.2	160.3	+ 22%	20%
Public Sector, Access, and Other	98.4	62.5	+ 57%	10%
Prepaid Phonecards	39.7	49.9	(20)%	4%
Total Cards	883.1	716.6	+ 23%	92%
Point-of-Sale Terminals	77.3	51.0	+ 52%	8%
Total	960.4	767.7	+ 25%	100%

Revenue split by geographic region:

Full year 2004	EMEA		Asia		NSA	
	Revenue (\$ m)	Change	Revenue (\$ m)	Change	Revenue (\$ m)	Change
Cards	472.2	+ 30%	227.9	+ 8%	183.0	+ 30%
Point-of-Sale Terminals	63.7	+ 66%	9.4	+ 21%	4.2	(12%)
Total	535.9	+ 33%	237.3	+ 8%	187.2	+ 29%

About Axalto

Axalto (AXAL.PA - Euronext: NL0000400653 - AXL) is the world's leading provider (Gartner Dataquest 2004) of microprocessor cards - the key to digital networks - and a major supplier of point-of-sale terminals. Its 4500 employees, from 70 nationalities, 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 info, please visit www.axalto.com

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