



First Quarter 2006 Revenue: \$210 million

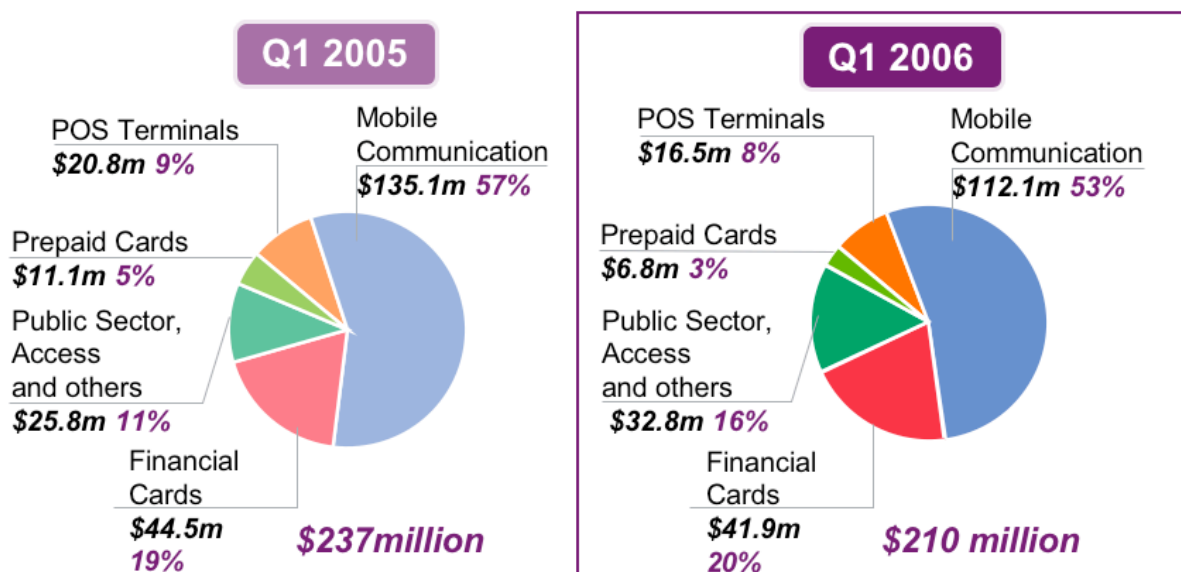
- **Mobile Communication faces very strong competitive environment**
- **Public sector activity rises**
- **Electronic passport deployments begin**

Amsterdam, April 27, 2006 - Axalto (Euronext NL0000400653 - AXL) today reported that its first quarter 2006 revenue came in at \$210 million, down 7% at constant rates, and 11% at historical exchange rates compared with last year's revenue figure of \$237 million, which was Axalto's strongest ever first quarter.

Olivier Piou, Axalto's Chief Executive Officer, commented: "Axalto's first quarter revenue was lower relative to an unusually strong same period of last year, in line with our expectations. The deployments of national electronic passport programs have now begun, and we secured enviable positions in this segment over the quarter. During the period the Gemplus and Axalto shareholders approved our merger of equals project, and the US anti-trust and French regulatory authorities gave their green light to the proposed combination."

First quarter 2006					
Axalto	2006	2005	Variation	Variation at constant rates	% of total
	(US \$ million)	(US \$ million)	%	%	revenue in quarter
Cards					
Mobile Communication	112.1	135.1	(17%)	(15%)	53%
Financial Cards	41.9	44.5	(6%)	+2%	20%
Public Sector, Access and Other	32.8	25.8	+27%	+40%	16%
Prepaid Phone Cards	6.8	11.1	(39%)	(37%)	3%
Total Cards	193.6	216.5	(11%)	(7%)	92%
Point of Sale terminals	16.5	20.8	(21%)	(14%)	8%
Total	210.1	237.3	(11%)	(7%)	100%

First quarter breakdown of revenue



All figures at historical exchange rates



Cards segment

Revenue in the Cards segment came to \$194 million over the first quarter, a 7% decrease on last year's performance at constant rates.

During the quarter Axalto delivered over 120 million microprocessor cards.

Mobile Communication

The Mobile Communication product line recorded revenue of \$112 million in the quarter, down 15% at constant exchange rates on last year's record-setting figure. Axalto continued to deliver strong volumes, with close to 97 million units delivered. The average sales price declined 37% at constant exchange rates compared with the first quarter of 2005 reflecting

- the fiercely competitive environment,
- the unfavorable geographic mix, with a larger proportion of volumes delivered to operators in emerging countries,
- the price erosion accumulated over the past quarters.

Sales volumes grew in EMEA but pricing pressures remained strong and as a result revenue decreased compared with the first three months of 2005.

For the first time in a year, Asia's Mobile Communication revenue increased compared with the same quarter of the previous year, on the back of strong growth in sales volumes, in particular in China. During the quarter Axalto actively participated in the field trials of the Chinese third generation mobile telephony TD-SCDMA technology.

Against the backdrop of an outstanding first quarter performance in 2005, revenue in the Americas was down by a third, due to a comparable decrease in volumes shipped.

Financial Cards

Axalto's revenue in this product line was \$42 million this quarter, up 2% at constant exchange rates. Axalto delivered close to 18 million microprocessor cards during the quarter.

The activity in EMEA was globally stable with stronger activity in the Middle East, Central and South Europe and a reduction in the UK. It was also stable in Asia. The improvement came from the Americas, which benefited from the EMV migration in Latin America and further contact-less payment card shipments in the USA.

Public Sector, Access and Other

Revenue in this product line for the quarter was \$33 million, a 40% improvement at constant exchange rates on last-year's figure.

The growth in revenue was due to increased deliveries in the Identity and the Transportation activities in EMEA, and to an increase in the revenue derived from the company's patent portfolio compared with the first quarter of 2005.

Prepaid Phone Cards (memory cards, i.e. without a microprocessor)

Revenue in this non-strategic product line dropped by 39% this quarter, reflecting a further decline in worldwide demand. It represented 3% of Axalto's total revenue in the quarter.

Point-of-sale Terminals segment

The Point-of-sale Terminals segment's revenue decreased by 14% this quarter at constant exchange rates when compared with same period last year, when revenue of \$2.9 million related to deliveries made in 2004 and deferred at the end of that year was recognized. The segment continued its selective geographic expansion within EMEA, obtaining new business that almost offset a slight revenue decrease in Western Europe. Delays in the award of several large tenders accounted for the decrease in Asia.

Geographical break-down of 2006 first quarter revenue

Axalto	Europe, Middle East, Africa		Asia		Americas	
Segment	Revenue (\$ m)	Change	Revenue (\$ m)	Change	Revenue (\$ m)	Change
Cards	106.2	(9%)	51.7	(1%)	35.7	(24%)
Point-of-Sale Terminals	14.1	(19%)	1.9	(37%)	0.5	+41%
Total	120.3	(11%)	53.6	(3%)	36.2	(23%)
% Region	57%		26%		17%	

Important information

Investors and security holders are strongly advised to read, when they become available, the prospectus/offer to exchange and related exchange offer materials regarding the business combination transaction referenced in this press release, as well as any amendments and supplements to those documents because they will contain important information. When available, the prospectus/offer to exchange and the other documents may also be obtained from Axalto Investor Relations. If required, the prospectus/offer to exchange will be filed with the U.S.

Securities and Exchange Commission by Axalto. To the extent the prospectus/offer to exchange is filed with the Securities and Exchange Commission, security holders may obtain a free copy of the prospectus/offer to exchange (when available) and other related documents filed by Axalto at the Commission's website at www.sec.gov.

Forward-Looking Statements

This communication contains certain statements that are neither reported financial results nor other historical information and other statements concerning Axalto, Gemplus and their combined businesses after completion of the proposed combination. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, events, products and services and future performance. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates" and similar expressions. These and other information and statements contained in this communication constitute forward-looking statements within the safe harbor provisions of U.S. federal securities laws. Although management of the companies believe that the expectations reflected in the forward-looking statements are reasonable, investors and security holders are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of the companies, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements, and the companies cannot guarantee future results, levels of activity, performance or achievements. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this communication include, but are not limited to: the ability of the companies to integrate according to expectations; the ability of the companies to achieve the expected synergies from the transaction; trends in wireless communication and mobile commerce markets; the companies' ability to develop new technology and the effects of competing technologies developed and expected intense competition generally in the companies' main markets; profitability of expansion strategy; challenges to or loss of intellectual property rights; ability to establish and maintain strategic relationships in their major businesses; ability to develop and take advantage of new software and services; the effect of the transaction and any future acquisitions and investments on the companies' share prices; changes in global, political, economic, business, competitive, market and regulatory forces. Moreover, neither the companies nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. The forward-looking statements contained in this communication speak only as of this communication and the companies are under no duty to update any of the forward-looking statements after this date to conform such statements to actual results or to reflect the occurrence of anticipated results or otherwise.

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About Axalto

Axalto (AXAL.PA - Euronext: NL0000400653 - AXL) is the world's leading provider (Gartner 2005, Frost & Sullivan 2004) of microprocessor cards - the key to digital networks - and a major supplier of point-of-sale terminals. Its 4,500 employees, from over 60 nationalities, serve customers in more than 100 countries, with worldwide sales reaching over 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 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, please visit www.axalto.com