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## **PRESS RELEASE**

### **KUDELSKI LAUNCHES NEW CONVERTIBLE BOND OFFERING AND ANNOUNCES TENDER OFFER ON OUTSTANDING 2009 CONVERTIBLE BOND ISSUE**

#### **NEW CONVERTIBLE BOND OFFERING**

September 6<sup>th</sup>, 2005 - Kudelski Financial Services Holding S.C.A. (the **Issuer**) has launched today a bond issue (the **Offer**) of up to CHF 350,000,000 (including a Greenshoe of up to CHF 50,000,000) unsubordinated bonds due 2012 (the **New Bonds**), convertible into bearer shares of, and unconditionally and irrevocably guaranteed by, Kudelski S.A. (**Kudelski** or the **Company**), with Goldman, Sachs & Co. Bank acting as joint-lead manager and sole bookrunner and Zürcher Kantonalbank acting as joint-lead manager (collectively the **Managers**).

The Issuer is issuing the New Bonds in the context of the Kudelski Group's commitment to actively manage its balance sheet by, *inter alia*, optimising its financing costs and improving its debt maturity profile. The Issuer will be using the proceeds of the New Bonds to fund the repurchase of the outstanding 2.25% guaranteed convertible unsubordinated bonds of the Issuer due 2009 issued on 31 January 2002 (the **Existing Bonds**). The remaining proceeds are intended to be for potential acquisitions and other general corporate purposes of the Kudelski Group outside of Switzerland. The proceeds will further strengthen the Kudelski Group's financial position and support its long-term strategy.

The New Bonds are structured as fixed rate 7 year maturity convertible bonds and are marketed to investors with a coupon of 1.625% to 2.125% and an initial conversion premium range of 34% to 39% to a reference price of the Bearer Shares set at pricing, which is expected to occur today. The Issuer may call the New Bonds at any time after the end of year 5 at par value provided that on 20 out of 30 consecutive trading days, the Bearer Shares trade at a minimum of 110% of the conversion price.

On or after 1 January 2006 and until 5 October 2012 the New Bonds shall be convertible into Bearer Shares in accordance with their terms. These conversion rights will be covered by conditional capital and/or arrangements with certain shareholders of Kudelski. Kudelski is calling an Extraordinary General Meeting on 30 September 2005 to seek approval for a resolution to increase its conditional capital. The Kudelski family pool, who controls together 57% of the voting rights and 22% of the share capital of the Company, will vote in favour of such resolution.

The Offer consists of a public offering of bonds in Switzerland and a private placement in certain other jurisdictions.

#### **TENDER OFFER ON OUTSTANDING 2009 CONVERTIBLE BOND ISSUE**

The Issuer and Kudelski (together, the **Companies**) are also announcing today that they will be inviting holders to tender for cash (the **Tender Offer**) any and all of the Issuer's U.S. \$325,000,000 2.25% guaranteed convertible unsubordinated bonds due 2009 issued on 31 January 2002 (the **Existing Bonds**), of which U.S. \$157,928,000 principal amount is currently outstanding.

Goldman Sachs International will be acting as sole Dealer Manager for the Tender Offer. The Bank of New York will be acting as Principal Tender Agent and the The Bank of New York (Luxembourg) S.A. will be acting as Luxembourg Tender Agent (together with the Principal Tender Agent, the **Tender Agents**).

The Tender Offer will be made upon the terms and subject to the conditions of a Tender Offer Memorandum, copies of which will be available from the Tender Agents and the Dealer Manager at the addresses set out below.

The Tender Offer will begin on 22 September 2005 and, unless extended or terminated by the Companies, expire at 5.00 p.m., Central European Time (CET), on 5 October 2005. The Settlement Date for the Tender Offer, unless extended or terminated as aforesaid, shall be 11 October 2005.

This press release is for information purposes only and does not constitute an offer to sell, purchase or subscribe for any bonds or Bearer Shares, or the solicitation of an offer to sell, purchase or subscribe for any such bonds or Bearer Shares. The distribution of this press release as well as the submission of the Offer and Tender Offer (collectively, the **Offers**) may be restricted by law in certain jurisdictions. Any persons reading this press release should inform themselves of and observe any such restrictions.

This press release is not an offer of securities for sale in the United States or to U.S. persons. No offer with respect to the New Bonds or the Existing Bonds is being or will be made, directly or indirectly, in or into, the United States. The New Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, and may consequently not be offered or sold in the United States or to U.S. persons absent such registration or an applicable exemption from registration.

This press release is only for circulation to persons outside the United Kingdom, persons within the United Kingdom falling within the definition of Investment Professionals (as defined in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Order**)), or other persons to whom it may lawfully be communicated in accordance with the Order.

No offer is being made, directly or indirectly, to the public in the Grand Duchy of Luxembourg and this press release, the offering circular, the dealer manager agreement relating to the New Bonds, as well as the Tender Offer Memorandum or any other circular, prospectus, form of application, advertisement or other material relating to the Offers are neither an offer to sell the New Bonds nor a solicitation to purchase the Existing Bonds in Luxembourg.

The Offers will not directly or indirectly be made in a country or jurisdiction in which such Offers would be illegal, otherwise violate the applicable laws or regulations or which would require the Companies to change the terms or conditions of the Offers in any way, to submit an additional application to or to perform additional actions in relation to any governmental, regulatory or legal authority. It is not intended to extend the Offers to any such country or jurisdiction. Documents relating to the Offers must neither be distributed in nor sent to such countries or jurisdictions. Such documents must not be used for the purpose of offering to sell the New Bonds or soliciting to purchase the Existing Bonds.

The payment date of the New Bonds will be 5 October 2005. Application shall be made to list the Bonds on the SWX Swiss Exchange with provisional trading expected to start on 3 October 2005. The Bearer Shares are listed on the SWX Swiss Exchange, traded on virt-x and part of the Swiss Market Index.

Stabilisation: FSA.

A summary of the terms of the New Bonds, which qualifies this announcement, will be made available separately. Enquiries and requests for additional information on the Offer should be directed to:

<b>Kudelski S.A.</b>	<b>Goldman Sachs International</b>	<b>Goldman, Sachs &amp; Co. Bank</b>
22, route de Genève	Peterborough Court	Münsterhof 4
1033 Cheseaux	133 Fleet Street	8001 Zurich
Tel. +41 21 732 01 24	London EC4A 2BB	Tel. +41 1 224 16 99
Santino Rumasuglia	Tel. +44 20 7552 2058	Odysseas Terzis
	Remi Olajoyegbe	

#### **Tender Agents**

<b>The Bank of New York</b>	<b>The Bank of New York (Luxembourg) S.A.</b>
One Canada Square	Aerogolf Center
Canary Wharf	1A Hoehenhof
London E14 5AL	L-1736 Senningerberg
Tel.: +44 20 7964 5144	Luxembourg
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#### **About Kudelski**

*The Kudelski Group ([www.nagra.com](http://www.nagra.com)) is a world leader in digital security. Its technologies are used in a wide range of applications requiring access control and rights management, whether for securing transfer of information (digital television, broadband Internet, video-on-demand, interactive applications, etc.) or to control and manage access of people or vehicles to sites and events. Kudelski S.A., the parent company of the Kudelski Group, is headquartered in Cheseaux-sur-Lausanne, Switzerland. Its bearer shares are listed on the SWX, traded on virt-x, and part of the Swiss Market Index.*

*Kudelski Financial Services Holding S.C.A. is a partnership limited by shares (société en commandite par actions) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg and registered with the Luxembourg trade and companies register under number B.85.281.*