

## 2/ Capital structure

Kudelski Group  
Annual report 2004

### 2.1 Amount of the ordinary, authorized and conditional capital

#### 2.2 Authorized and conditional capital in particular

##### Ordinary capital

The share capital amounts to CHF 515 595 800. It is divided into 46 929 580 bearer shares with a nominal value of CHF 10 and 46 300 000 registered shares with a nominal value of CHF 1. Each share confers the right to one vote. All the shares are fully paid up.

##### Authorized capital

The Board of Directors is authorized to increase the share capital in one or more stages, until May 26, 2006, by a maximum total of CHF 40 881 640 through the issue of 3 768 164 bearer shares with a nominal value of CHF 10 and of 3 200 000 registered shares with a nominal value of CHF 1, to be fully paid-up.

The preferential subscription rights of shareholders may be excluded and allotted to third parties by the Board of Directors with a view to acquiring corporations or parts of corporations or in order to finance the whole or partial acquisition of other companies in Switzerland or elsewhere.

##### Conditional capital

The conditional capital amounts to CHF 68 341 760 and is structured as follows:

- \_ A maximum amount of CHF 8 341 760 through the issue of a maximum of 834 176 bearer shares with a nominal value of CHF 10, to be fully paid up, as and when the option rights which are or will be granted to employees of the company and of affiliated companies are exercised.
- \_ A maximum amount of CHF 60 000 000 through the issue of maximum of 6 000 000 bearer shares with a nominal value of CHF 10, to be fully paid up, as and when the conversion rights linked to the convertible bonds of the company or its subsidiaries are exercised. Preferential subscription rights for shareholders are excluded.

### 2.3 Changes of capital over the last three financial years

	31.12.04	31.12.03	31.12.02
in kCHF			
Registered share capital	46 300	46 300	46 300
Bearer share capital	469 296	468 649	467 299
Legal reserve	60 692	59 380	57 719
Net profit	723	2 732	25 055
Total available earnings	162 622	162 036	160 965
Total shareholders' equity	738 910	736 365	732 283

Information relating to changes in capital having taken place in 2004, 2003 and 2002 are shown in the Group's corresponding financial statements.

### 2.4 Shares and participation certificates

The capital of Kudelski SA on December 31, 2004 was made up of 46 300 000 registered shares and 46 929 580 bearer shares. Each share confers the right to one vote at the General Meeting and to a dividend proportional to the nominal value of the share of whatever kind.

### 2.5 Profit sharing certificates

Kudelski SA does not have profit sharing certificates.

### 2.6 Limitations on transferability and nominees registration

As per the Articles of Incorporation of Kudelski SA, the registered shares may be transferred by presentation of the endorsed stock and subject to the approval of the Board of Directors. The latter may refuse to approve the transfer of registered shares in one or other of the following cases:

- a) If there exists good cause within the meaning of Article 685 b (2) of the Swiss Code des Obligations, i.e. if admission of the acquirer of the stocks into the shareholder group is incompatible with the object of the company or is capable of compromising the economic independence of the company.

This would in particular be the case if the acquirer is capable of prejudicing the company directly or indirectly and if transfer of the stock could jeopardize the existing majorities.

b) If the company makes an offer to the vendor to take over the shares for its own account, for the account of other shareholders or of third parties at their actual value at the time of the request.

c) If the acquirer has not expressly declared that he was taking over the shares on his own behalf and for his own account.

If the shares were acquired by right of succession, estate distribution, marital agreement or judicial execution proceedings, the company may only refuse consent if it offers to take over the shares from the acquirer at their actual value.

In the case of dispute, the actual value provided for under this article will be determined by the courts of the domicile of the company. The company will bear the costs of valuation.

If the acquirer does not reject the purchase offer within one month of becoming aware of the actual value, the offer will be deemed accepted.

Kudelski SA has no regulations concerning nominee registration.

## 2.7 Convertible bonds and options

### Convertible bond

At the end of January 2002, Kudelski Financial Services Holding S.C.A., a 100% subsidiary of Kudelski SA, issued an unsubordinated convertible bond of USD 325 million. The conversion price was initially fixed at CHF 127.50 per ordinary bearer share of Kudelski SA and was changed on July 31, 2003 to the corresponding amount of CHF 100 (on the basis of a USD exchange rate of 1.6396) in conformity with the provisions of the bond public offering prospectus. Kudelski SA guarantees this issuance unconditionally and irrevocably.

The annual coupon is 2.25% calculated on the nominal amount of the bonds and payable semi-annually (on January 31 and July 31) from July 31, 2002.

As of January 31, 2009, the maturity date, the issuer will redeem the bonds at 105.79% of their nominal amount. Bonds may be redeemed at any time after January 31, 2005 and before January 31, 2007.

The convertible bond is listed on the Luxembourg stock exchange under reference number ISIN XS0140968842.

During the 2002 and 2003 financial years, a bond repurchase operation was conducted on the market. By December 31, 2003, the Kudelski SA Group had repurchased USD 152.072 million in nominal value. These bonds have been cancelled. Following this operation, the nominal amount of bonds in circulation on December 31, 2004 stood at USD 172.928 million.

The offering circular for the convertible bond is available on the Kudelski Group website under the following link: [www.nagra.com/rapport\\_annuel/convertible.pdf](http://www.nagra.com/rapport_annuel/convertible.pdf)

### Options

In 2003, the Kudelski Group implemented a stock option plan for certain employees.

The following options were distributed:

Number of options	Vesting	Expiration	Ratio	Exercise price
125 000	01.04.06	01.04.07	1-for-1	CHF 20
125 000	01.04.07	01.04.08	1-for-1	CHF 20
125 000	01.04.08	01.04.09	1-for-1	CHF 20

For more information on the stock option plan, please refer to the Kudelski Group's financial statements.

### Share purchase plan

In 2004, the Kudelski Group implemented a share purchase plan for employees of certain companies in the Group, enabling them to buy Kudelski SA bearer shares at preferential conditions. Each participant can subscribe each year to this plan for a maximum amount of 7.7% of his/her gross annual salary.

The share purchase price is the SWX Swiss Exchange closing price the day of the subscription, with up to 42% discount. However, shares under this plan have a three-year blocking period, starting from the date of purchase.

A chart relating to employees' participation in this plan for the year 2004 is available in the Kudelski Group Financial Statements page 26.