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Filing of a draft simplified stock-swap takeover bid for CS Communication & Systèmes stock subscription warrants

Presented by CALYON

This bid and the publication of the *note d'information* are subject to approval by the *Autorité des marchés financiers* (the "AMF"). Pursuant to article 231-17 of the General Regulations of the AMF, this press release was submitted to the AMF before its publication.

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PRESENTATION OF BID

On 19 July 2005, CS Communication & Systèmes filed a draft simplified stock-swap takeover bid (the "Bid") with the AMF for all CS Communication & Systèmes stock subscription warrants expiring in October 2005 - ISIN code FR0010003350 - in circulation (the "October 2005 warrants"), i.e. a total number that may be submitted under this Bid of 1,059,851 October 2005 warrants.

Under articles 231-14 *et seq.* of the General Regulations of the AMF, CALYON (the "Presenter Bank") acting on behalf of CS Communication & Systèmes (the "Initiator" or the "Company") has irrevocably agreed with the AMF to offer that holders of October 2005 warrants exchange their October 2005 warrants for CS Communications & Systèmes stock subscription warrants and new shares of CS Communications & Systèmes, issued for that purpose, under the conditions indicated below.

REASONS FOR TRANSACTION AND INTENTIONS OF INITIATOR

The Bid is part of an effort to optimize the future financing structure of CS Communication & Systèmes deriving from the possible exercise of October 2005 warrants expiring on 30 October 2005. If all of those stock subscription warrants are exercised, the maximum amount of increase in shareholders' equity of CS Communications & Systèmes would be approximately 16.2 million euros.

On 29 June 2001, the executive committee of CS Communication & Systèmes decided to proceed with a reserved issue to CS Management of 65,550 shares with stock subscription warrants, a warrant No. 1 and a warrant No. 2 being attached to each share issued (the "2001 warrants"). After modification by the joint regular/special meeting of shareholders on 13 June 2003, warrants No. 1 and 2 had the following characteristics.

- Warrants No. 1 give the right to one share of CS Communication & Systèmes at the price of 15.25 euros and may be exercised from 1 July 2002 until 30 October 2005
- Warrants No. 2 give the right to one share of CS Communication & Systèmes at the price of 15.25 euros and may be exercised from 1 July 2003 until 30 October 2005

Also, following the difficulties that the Company experienced in 2000 and 2001, on 31 May 2002 CS Communication & Systèmes conducted a capital increase by issuing shares with stock subscription warrants in the amount of 15.2 million euros (issue of 999,053 warrants, one warrant being attached to each share, each warrant giving the right to subscribe for one share of CS Communication & Systèmes at the price of 15.25 euros, exercisable from 1 July 2004 to 30



October 2005 (the "2002 warrants"). That transaction was part of an effort to recapitalize and stabilize the company's financial structure.

In three years, CS Communication & Systèmes has improved its financial fundamentals: the operating margin has become positive and was 2.3% in 2004 versus (0.9%) in 2001. The Company also has negative net financial debt with 10.5 million euros in cash at the end of 2004. Consequently, the funds that would result from exercising the warrants expiring in October 2005 are not crucial to CS Communication & Systèmes.

To optimize its financial structure, CS Communication & Systèmes proposes that the holders of October 2005 warrants exchange them for shares of CS Communication & Systèmes and new warrants whose expiration (July 2007) will be more in line with the group's medium-term growth and financing strategy.

This transaction would enable CS Communication & Systèmes to optimize the return on equity used and to have a better fit between its financing capacity and its real financing needs:

- The Bid would enable the Company to postpone for two years the fund raising connected with exercising the warrants and would thereby spare the company from disposing of additional cash that it could use only to reduce its short-term bank debt, causing a smaller return on equity invested
- With an exercise price of 30 euros for the new warrants versus 15.25 euros for the existing warrants, the amount of increase in equity that would result from the exercise of the new warrants would be 39.7 million euros (instead of 16.2 million euros with the old warrants)

For the shareholders of CS Communication & Systèmes, the planned transaction would have the effect of increasing the operating earnings per share and would make it possible to postpone by two years the dilution of their stake in the Company's capital resulting from the exercise of the warrants with a much smaller short-term dilution.

FEATURES OF THE SIMPLIFIED STOCK - SWAP TAKEOVER BID

Terms of the Bid

CS Communication & Systèmes plans to offer irrevocably that holders of October 2005 warrants exchange them, at the rate of 5 CS Communication & Systèmes stock subscription warrants to be issued with expiration in July 2007 (the "July 2007 warrants") and 1 new share of CS Communication & Systèmes to be issued for every 4 October 2005 warrants (the "Parity").

Securities that may be submitted in response to the Bid

The October 2005 warrants derive from the equivalency declared as of 1 July 2004 of the 2002 warrants and the 2001 warrants issued by the Company.

On 29 June 2001, the executive committee of CS Communication & Systèmes decided to proceed with a reserved issue to CS Management of 65,550 shares with stock subscription warrants, a stock subscription warrant ("warrant") No. 1 and a warrant No. 2 being attached to each share issued (the 2001 warrants), each warrant No. 1 giving the right to subscribe for ONE share of CS Communication & Systèmes, at the exercise price of 15.25 euros, between 1 July 2002 and 31 December 2003, and each warrant No. 2 giving the right to subscribe for ONE share of CS Communication & Systèmes, at the exercise price of 15.25 euros, between 1 July 2003 and 31 December 2004.

Also, on 31 May 2002, the Board of Directors of CS Communication & Systèmes decided to issue 999,053 shares with stock subscription warrants maintaining the pre-emptive rights (prospectus approved by the *Commission des opérations de bourse* under No. 02-664 on 4 June 2002), one warrant being attached to each share issued, each warrant giving the right to subscribe for ONE share of CS Communication & Systèmes, at the price of 15.25 euros, between 1 July 2004 and 30 October 2005 (the 2002 warrants).

To standardize the exercise period of all stock subscription warrants that have been issued by CS Communication & Services since 2001, the joint regular/special meeting of shareholders on 13 June 2003 decided, by proposal from the Board of Directors, to extend the exercise period of the



2001 warrants until 30 October 2005, to bring that period into line with the period of the 2002 warrants.

On 1 July 2004, the 999,053 2002 warrants were declared equivalent to the 131,100 2001 warrants, and the features of the 2002 warrants and 2001 warrants became identical as of that date.

Main features of October 2005 warrants (after declaration of equivalency):

- Number of October 2005 warrants: 1,130,153
- Exercise parity: 1 October 2005 warrant for 1 new share
- Exercise price: 15.25 euros
- Exercise period: from 1 July 2004 to 30 October 2005
- Maximum number of new shares that may be created: 1,130,153
- Right to dividends on shares subscribed by exercise of October 2005 warrants: January 1 of the fiscal year during which the shares are subscribed
- Listing: Eurolist of Euronext Paris SA (ISIN code FR0010003350)

Number of securities that may be submitted in response to the Bid

The Bid concerns all October 2005 warrants in circulation, i.e. a total number that may be submitted in response to the Bid of 1,059,851 October 2005 warrants, whose exercise would have given access to 1,059,851 new shares of CS Communication & Systèmes with a par value of 5 euros, representing 16% of the capital.

Source of CS Communication & Systèmes stock subscription warrants and shares of CS Communication & Systèmes submitted in exchange

The issuance of CS Communication & Systèmes stock subscription warrants and shares of CS Communication & Systèmes remitted in exchange for October 2005 warrants was decided by the Board of Directors on 12 July 2005 by virtue of the authorization that it had been given by the Meeting of Shareholders held on 7 June 2005. The exact number of CS Communication & Systèmes stock subscription warrants and the shares of CS Communication & Systèmes to be issued will depend on the number of October 2005 warrants that are submitted in response to the Bid and will be determined by the Chairman of the Board of Directors by authorization of that Board, after the notice of result of the Bid is published.

The maximum numbers of CS Communication & Systèmes stock subscription warrants and shares of CS Communication & Systèmes that may be issued in connection with the Bid are 1,324,813 and 264,963 respectively.

Features of July 2007 warrants to be remitted in exchange:

- Maximum number of 2007 warrants that may be issued: 1,324,813
- Exercise parity: 1 July 2007 warrant for 1 new share
- Exercise price: 30 euros
- Exercise period: from 2 September 2005 to 31 July 2007
- Maximum number of new shares that may be created: 1,324,813
- Right to dividends on shares subscribed by exercise of July 2007 warrants: first day of the fiscal year during which the warrants are exercised and the subscription price is paid
- Listing: Eurolist of Euronext Paris SA

Intention of principal shareholders

SAVA & Cie, which, as of 12 July 2005, directly and indirectly holds 2,965,005 shares of CS Communication & Systèmes, i.e. 52.53% of the capital and 69.17% of the voting rights, announced its intention to submit in response to the Bid at least 80% of the 983,607 October 2005 warrants that it holds (i.e. 92.81% of all October 2005 warrants in circulation). It reserves the right to exercise, sell and/or submit in response to the Bid the remaining 20%, i.e. 196,721 October 2005 warrants.

Summary of factors used in determining exchange parity

Premiums shown on theoretical value of October 2005 warrants

The premiums shown on the ratio of the theoretical value of one October 2005 warrant to 1.25 new warrants (theoretical value) and 0.25 share of CS Communication & Systèmes ranged from -14%



to 10% depending on the volatility and the reference market price used in the calculation scenarios.

The premium on the Bid parity is determined by the ratio of the induced Bid parity to the parity used for the Bid, minus one.

The following table represents a Bid premium sensitivity study depending on the volatility and reference price used.

		Volatility Used			
		20%	25%	30%	35%
Spot price 5 July 2005	€8.3	-12.4%	-4.9%	2.6%	10.1%
1-month weighted average	€7.0	-13.9%	-5.8%	2.3%	10.3%
3-month weighted average	€8.3	-12.4%	-4.9%	2.7%	10.1%
6-month weighted average	€9.5	-10.5%	-3.5%	3.5%	10.4%

Premiums shown on the market value of October 2005 warrants

The premiums shown on the ratio of the market value of one October 2005 warrant (spot price, 1 month, 3 month and 6 month) to 1.25 new warrants (theoretical value) and 0.25 share of CS Communication & Systèmes are from -8% to 25% depending on the volatility and reference market price used in the calculation scenarios.

The following table represents a Bid premium sensitivity study depending on the volatility and reference price used.

		Volatility Used			
		20%	25%	30%	35%
Spot price 5 July 2005	28.3	-0.6%	8.0%	16.5%	24.9%
1-month weighted average	27.0	-8.0%	0.7%	9.3%	17.9%
3-month weighted average	28.3	-7.7%	0.2%	8.2%	16.0%
6-month weighted average	29.5	-2.4%	5.2%	12.8%	20.3%

However, given the low liquidity of the CS Communication & Systèmes warrants, the reference to their market value hardly seems relevant.

Thus, the premium or discount obtained in connection with the transaction does not vary substantially depending on the price of the underlying security. Also, based on an average volatility of CS Communication & Systèmes and its comparable companies of 20% to 35%, the net effect of this transaction is neutral for the warrant holders.

Summary of the opinion of the Board of Directors of CS Communication & Systèmes

At its meeting on 12 July 2005, the Board of Directors that was convened to rule on the draft Bid for the October 2005 warrants issued the following opinion:

"The Board of Directors of CS Communication & Systèmes has taken cognizance of the draft simplified stock-swap takeover bid targeting the October 2005 warrants, the corresponding draft *note d'information*, and the work of BDO Marque & Gendrot, the independent expert retained to rule on the fairness of the planned exchange parity. The Board of Directors has heard the report from the accounting committee that analysed the transaction.



That draft was examined in light of the interest that it holds for the Company and its shareholders.

As a result, this transaction will enable the Company to postpone the dilution due to the exercise of the October 2005 warrants until a period that is more opportune for its funding needs. Nevertheless, the Company's financial structure would be optimized and strengthened in the medium term due to a larger potential capital increase.

For the holders of October 2005 warrants, the net effect of the transaction will be neutral, and they will retain the right to acquire shares of CS Communication & Systèmes subsequently.

After discussion, and after considering the desire of some directors to modify some parameters of the transaction to reduce the number of shares offered so as not to dilute the shareholders immediately by offsetting with an increase in the number of warrants offered, the exchange parity has been set at 5 July 2007 warrants and 1 new share for every 4 October 2005 warrant.

The Board of Directors, after deliberation, has approved the transaction and its terms, including the parity of 5 July 2007 warrants and 1 new share for 4 October 2005 warrants, on the condition that the independent expert obtain an additional report concluding that this proposed exchange parity is fair.

It has agreed to issue the new shares and the warrants to compensate the warrant holders who respond to the Bid.

SAVA & Cie has also announced its intention to submit in response to the Bid at least 80% of the 983,607 October 2005 warrants that it holds (i.e. 92.81% of all October 2005 warrants in circulation). It reserves the right to exercise, sell and/or submit in response to the Bid the remaining 20%, i.e. 196,721 October 2005 warrants."

The additional report from the independent expert concluding that the proposed exchange parity is fair was submitted on 18 July 2005.

CS is a major player in the design, integration and operation of mission critical systems. CS is listed on the Eurolist and Euronext Paris markets, and is included in the CAC Small 90, CAC Mid&Small 190 and SBF 250 indexes (Shares: Euroclear 7896 / ISIN FR 007317813; warrants – FR 0010003350-SXBSA).

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