

The Kudelski Group headquarters in
Cheseaux-sur-Lausanne, Switzerland



Corporate Governance

This report has been prepared in compliance with the Directive on information relating to Corporate Governance issued by the SWX Swiss Exchange. Unless otherwise mentioned, the information provided in this report reflects the situation as of 31 december 2007.

1. Group structure and shareholding

1.1 Group structure

Kudelski SA has its registered offices in Cheseaux-sur-Lausanne. The company has been structured as a holding company since 1999 and its shares have been listed on the SWX Swiss Exchange since 2 August 1999.

1.1.1 Operational structure of the Group

From an operational point of view, the Group's activities are divided into three divisions: Digital Television, Middleware/Advertising and Public Access, which develop their products with the assistance of departments dedicated to Marketing, Research and Development, Sales and Management of Intellectual Property.

The Digital Television division is composed of four segments: Broadband, Broadcast, Mobile and Home devices. The Middleware/advertising division is composed of the two segments referred to in its name. The Public Access division is divided into three segments: Car Access, People Access (ski) and People Access (events). The Audio activity is consolidated in the accounts of Nagravision SA and is under the operational direction of Charles Egli.

Results by sector are presented on pages 20-21 of the Kudelski Group's 2007 financial statements.












































1.1.2 Listed companies included in the scope of consolidation

Kudelski SA is a Swiss holding company listed on the SWX Swiss Exchange (Ticker: KUD; val. No 001226836/ ISIN: CH0012268360) with a market capitalization at 31 December 2007 of CHF 1 065 609 529. Only the bearer shares of Kudelski SA are listed on the SWX Swiss Exchange. Since 17 January 2007 Kudelski SA has held through subsidiaries a share reaching at 31 December 2007 31.66% of the capital and 76.92% of voting rights of OpenTV Corp, Middleware/advertising division. With its main office of business in San Francisco (United States), OpenTV Corp. is a BVI holding company listed on the NASDAQ (Ticker: OPTV; CUSIP No G675431/ ISIN: VGG675431016) with a market capitalization at 31 December 2007 of USD 183 021 348.

Main operating companies held by Kudelski SA

Digital Television		Middleware/advertising		Public Access	
Nagravision SA	100%	OpenTV*	31.66%	Nagra Public Access AG 100%	
NagraCard SA	100%			SkiData AG 100%	
NagraID SA	100%			polyright SA 50%	
Nagra Trading SA	100%				
Nagra France SAS	100%				
Nagra USA Inc.	100%				
Nagravision Asia Pte Ltd	100%				
Quative Ltd	100%				
SmarDTV SA	100%				
Abilis Systems Sàrl	100%				
NagraStar LLC	50%				
Nagra plus SA	50%				
Nagra Thomson Licensing SA	50%				
		* 76.92% of voting rights.			

International presence

		Digital TV	Public Access	Audio	Middleware/ advertising
Europe	Switzerland				
	France				
	Austria				
	Germany				
	Belgium				
	Spain				
	Italy				
	The Netherlands				
	Sweden				
	United Kingdom, Ireland				
Americas	USA				
	Brazil				
Middle East	United Arab Emirates				
	Israel				
Asia/Pacific	Singapore				
	China				
	Japan				
	Malaysia				
	Australia				

Head offices

Subsidiaries/companies with specific purpose

Offices



* Since January 2008

1.1.3. Unlisted companies included in the scope of consolidation

Information concerning the company name, registered office, share capital and holdings owned by unlisted Group companies included in the scope of consolidation are shown on pages 57 and 62 of the Kudelski Group's 2007 financial statements.

Mrs I. Kudelski Mauroux and Mr H. Kudelski (and their respective descendants)*

Registered shares	–
Bearer shares	3 000 000
Share capital held	5.75%
Voting right	3.20%

Mrs M. Kudelski and Mrs I. Kudelski Haldy (and their respective descendants)*

Registered shares	–
Bearer shares	3 000 000
Share capital held	5.75%
Voting right	3.20%

* As published in the FO SC (Swiss Official Gazette of Commerce) on 29 February 2008, as per Articles 20 and 21 of LBVM.

1.2 Significant shareholders

The principal shareholders of Kudelski SA are the Kudelski family pool including Mr André Kudelski and Mr Stefan Kudelski and, outside the Kudelski family pool, Mrs Irène Kudelski Mauroux and Mr Henri Kudelski (and their respective descendants) and Mrs Marguerite Kudelski and Mrs Isabelle Kudelski Haldy (and their respective descendants) through an investment structure of which they are the beneficial owners. To the Group's knowledge, no other shareholder holds more than 3% of the capital and there are no shareholder agreements between the family pool and other shareholders.

The shareholding structure, and in particular the control given to the Kudelski family pool over the company, guarantees the Group's independence vis-à-vis the main digital television operators and also the Group's stability in relation to its clients.

Kudelski family pool

At 31.12.2007

Registered shares	46 300 000
Bearer shares	6 753 147
Share capital held	21.73%
Voting right	56.55%

1.3 Cross-holdings

The Group has no knowledge of the existence of any cross-holdings.

2. Capital structure

2.1 Amount of ordinary, authorized and conditional capital at 31.12.2007

and

2.2 Specific information concerning authorized and conditional capital

Ordinary capital

The share capital amounts to CHF 521 594 170. It is divided into 47 529 417 bearer shares with a nominal value of CHF 10 per share and 46 300 000 registered shares with a nominal value of CHF 1 per share. Each share confers the right to one vote. All shares are fully paid up.

Authorized capital

The Board of Directors is authorized to increase the share capital in one or more stages until 2 May 2008 by a maximum amount of CHF 40 881 640 through the issuance of 3 768 164 bearer shares with a nominal value of CHF 10 per share and 3 200 000 registered shares with a nominal value of CHF 1 per share, to be fully paid up.

The issue price, the nature of contributions, the date as of which new shares shall give entitlement to dividends and other modalities of the share issue shall be determined by the Board of Directors. The preferential subscription rights of shareholders may be excluded and allotted to third parties by the Board of Directors with a view to acquiring companies or parts of companies or in order to finance the whole or partial acquisition of other companies in Switzerland or elsewhere. All statutory restrictions to the transfer of shares are applicable to the new registered shares.

Conditional capital

The conditional capital amounts to CHF 109 843 390 and is structured as follows:

- a maximum amount of CHF 98 433 390 through the issuance of a maximum of 984 339 bearer shares with a nominal value of CHF 10 per share, to be fully paid up as and when the option rights or share subscription rights which will be granted to employees of the company and of affiliated companies are exercised. Preferential subscription rights for shareholders are excluded. Share option or subscription conditions are determined by the Board of Directors. Issue at a price below market conditions is authorized;
- a maximum amount of CHF 100 000 000 through the issuance of a maximum of 10 000 000 bearer shares with a nominal value of CHF 10 per share, to be fully paid up, as and when the conversion rights related to the convertible bonds of the company or its subsidiaries are exercised. Preferential subscription rights for shareholders are excluded.

The preferential subscription right of shareholders to the issuance of a convertible bond may be limited or excluded by decision of the Board of Directors on valid grounds, namely (a) if the convertible bonds are placed primarily on the foreign market, or if the issue proceeds contribute (b) to the financing or refinancing of acquisitions of companies or firms or (c) to the financing of other strategic investments of the Group, or (d) to financing the redemption of all or part of convertible bonds previously issued by the company or its subsidiaries.

If the convertible bond is not offered as a priority to shareholders, (a) the convertible bonds must be sold to the public under market conditions, (b) conversion rights must be exercised within 7 years of the day of issuance of the respective bond, and (c) the conversion price must be at least the equivalent of market conditions at the time of the issuance of the bond.

2.3 Changes of capital

CHF'000	31.12.07	31.12.06	31.12.05
Registered share capital	46 300	46 300	46 300
Bearer share capital	475 294	473 052	470 529
Legal reserve	76 107	68 629	60 039
Net profit	53 782	72 320	35 182
Total available earnings	260 161	241 888	187 449
Total shareholders' equity	857 862	829 869	767 317

For information relating to changes in the capital structure which have taken place in 2007, 2006 and 2005, please refer to the Group's corresponding financial statements.

2.4 Shares and participation certificates

The capital of Kudelski SA at 31 December 2007 consisted of 46 300 000 registered shares with a nominal value of CHF 1 per share and 47 529 417 bearer shares with a nominal value of CHF 10 per share. Each share confers the right to one vote at the General Meeting and to a dividend proportional to the nominal value of the relevant type of share.

Kudelski SA does not have any participation certificates.

2.5 Profit sharing certificates

Kudelski SA does not have profit sharing certificates.

2.6 Restrictions on transferability and nominees registration

As per the Articles of Incorporation of Kudelski SA, registered shares may be transferred upon delivery of the endorsed share certificate, subject to the approval of the Board of Directors and the registration of the new shareholder in the share register. The Board of Directors may refuse to approve the transfer of registered shares in one or more of the following cases:

a) If there exists a valid reason within the meaning of Article 685 b paragraph 2 of the Swiss Code of Obligations, i.e. if admission of the acquirer of the stocks into the shareholder's group is incompatible with the object of the company or may jeopardize the economic independence of the company. This would in particular be the case if the acquirer could prejudice the company directly or indirectly or if transfer of the stock could jeopardize the existing majorities.

b) If the company offers the seller of the shares to acquire the shares for its own account, for the account of other shareholders or of third parties at their real value at the time of the request.

c) If the acquirer does not expressly declare that he has acquired the shares in his own name and for his own account. If the shares are acquired by succession, division of an estate, marital property rights or debt enforcement, the company may only refuse its consent if it makes an offer to the acquirer to take over the shares at their real value.

In the event of a dispute, the real value referred to in this section will be determined by the court having jurisdiction in the place where the company has its registered office. The company will bear the costs of such valuation. If the acquirer does not reject the purchase offer within one month of becoming aware of the real value, the offer will be deemed accepted.

With regard to the admissibility of the registration of nominees, Kudelski SA has no regulations concerning the registration of nominees.

The limitation on the transferability of registered shares, the authorized or conditional increase in share capital and the limitation or exclusion of preferential subscription rights are decided by the General Meeting if approved by shareholders holding at least two thirds of the shares represented at the Meeting and an absolute majority of the nominal share capital represented.

The General Meeting is validly constituted regardless of the number of shareholders present or the number of shares represented.



2.7 Convertible bonds and options

Convertible bond

On 5 October 2005, Kudelski Financial Services Holding S.C.A., a wholly owned subsidiary of Kudelski SA, issued a non-subordinated convertible bond of CHF 350 million in order to pursue the aim of the Kudelski Group to manage actively its assets, in particular by optimizing its financial costs and by improving the duration of its financial debt instruments. The proceeds resulting from the issuance of the convertible bond were mainly used for the redemption of the previous convertible bond issued at the end of January 2002 and the remainder was used and will be used for acquisitions or other purposes corresponding to the general interests of the Group outside Switzerland.

The annual coupon amounts to 1.625% calculated with reference to the nominal amount of the bond payable on 5 October each year from 5 October 2006 onwards. The conversion price was initially set at CHF 67.76 per ordinary bearer share of Kudelski SA.

At the Ordinary General Meeting of the shareholders of Kudelski S.A., held on 24 May 2007, it was decided in particular to pay, on 30 May 2007, an ordinary gross dividend of CHF 0.30 and an extraordinary gross dividend of CHF 0.30 per bearer share with a nominal value of CHF 10. In accordance with section D.1.2 (1) (c) of the bond conditions, the methods of conversion were adjusted as follows, with effect from 30 May 2007: bonds, with a nominal value of CHF 5 000 each, may be converted at no cost until 21 September 2012 (subject to early repayment), into 74.6491 (instead of 73.7898) bearer shares of Kudelski S.A. with a nominal value of CHF 10 per share. The conversion price of bearer shares now amounts to CHF 66.98 (instead of CHF 67.76).

The repayment price of the bonds is at par on 5 October 2012. Early repayment can take place from 5 October 2010. Kudelski SA unconditionally and irrevocably guarantees this issue. The convertible bond is quoted on the SWX Swiss Exchange, under value number ISIN CH0022692609.

The offering circular for the convertible bond is available on request from the Group's head office or by e-mail to info@nagra.com.

For information about the convertible bond, please refer to note 27 of the consolidated financial statements.

Options

In 2003, the Kudelski Group implemented a stock option plan for certain employees. The following options were distributed (status as at 31 December 2007):

Number of options	Vesting	Expiration	Ratio	Exercise price
125 000	01.04.2006	01.04.2007	1-for-1	CHF 20
126 000	01.04.2007	01.04.2008	1-for-1	CHF 20
126 000	01.04.2008	01.04.2009	1-for-1	CHF 20

For more information on the stock option plan, please refer to the financial reports of the Kudelski Group, pages 45-46.

Share purchase plan

In 2004, the Kudelski Group introduced a share purchase plan for the employees of certain Group companies, enabling those employees to buy Kudelski SA bearer shares on favorable terms. Each participant can subscribe annually to this plan up to a maximum amount of 7.7% of his/her gross annual salary.

The share purchase price is the closing price of the Kudelski SA share listed on the SWX Swiss Exchange on the day of subscription with up to 42% discount. However, the shares are subject to a three year blocking period from the date of purchase.

A chart showing employee participation in this plan for the year 2007 can be found on pages 45-46 of the Kudelski Group financial statements.

3. Board of Directors

The Board of Directors is the highest executive body of the company. It has the non-transferable and inalienable responsibilities set forth by the law and the Articles of Incorporation. It currently consists of eight members elected by the General Meeting of Shareholders.

The Board has elected three Committees – an Audit Committee, a Strategy Committee and a Remuneration and Nomination Committee – which are responsible for specific tasks (please refer to pages 55-56 of the present report).

Mr Stefan Kudelski has been the Honorary Chairman of the Board of Directors since 2 May 2006.

Mr Nicolas Gœtschmann, who is not a Board member, was appointed as Corporate Secretary by the Board.

3.1 Members of the Board of Directors

	Year of birth	Nationality	Education	First election	End of term of office
André Kudelski* Chairman of the Board and Chief Executive Officer	1960	Swiss	Degree in Physical Engineering Ecole Polytechnique Fédérale de Lausanne (EPFL) (Federal Institute of Technology of Lausanne)	1987	22.04.2008
Claude Smadja Deputy Chairman of the Board and Lead Director	1945	Swiss	Degree in Political Science University of Lausanne	1987	22.04.2008
Norbert Bucher	1931	Swiss	Doctorate in Engineering (EPFL) Various postgraduate studies at the University of New York, Harvard Business School and IMD Lausanne	1992	22.04.2008
Patrick Fœtisch	1933	Swiss	Doctorate in Law University of Lausanne Bar Exam	1992	22.04.2008
Laurent Dassault	1953	French	Degree in Corporate Law Diploma of the ESLSCA Ecole Supérieure Libre des Sciences Commerciales Appliquées, Paris	1995	22.04.2008
Pierre Lescure	1945	French	Degree in Literature and Journalism Centre de formation des journalistes, Paris	2004	22.04.2008
Marguerite Kudelski	1965	Swiss	Engineer diploma and Doctorate in Microtechnology Ecole Polytechnique Fédérale de Lausanne Executive MBA IMD Lausanne	2006	22.04.2008
Alexandre Zeller	1961	Swiss	Degree in Economics University of Lausanne	2007	22.04.2008

* André Kudelski is the only member to combine his Board duties with an executive function within the Group.

André Kudelski



Claude Smadja



Norbert Bucher



Laurent Dassault



Patrick Fœtisch



Marguerite Kudelski



Pierre Lescure



Alexandre Zeller

André Kudelski

André Kudelski began his career in 1984 as a Research & Development (R&D) engineer with Kudelski SA. In 1986, after working for several months with a firm in Silicone Valley, he returned to work in the family business firstly as Pay TV Product Manager then as Director of Nagravision SA, a company in charge of the Pay TV sector. Mr Kudelski then took over from his father Stefan Kudelski and from 1991 became Chairman and Chief Executive Officer of the parent company of a fast growing Group.

Current mandates

Kudelski Group:

- Nagravision SA, Chief Executive Officer
- NagraCard SA, Chief Executive Officer
- Nagra plus SA, Chairman and Chief Executive Officer
- SkiData AG, member of the Supervisory Board
- OpenTV Corp., Executive Chairman
- NagraStar LLC, Co-Chairman

Other:

- Edipresse SA (Switzerland), Board member, Chairman of the Audit Committee
- Nestlé SA (Switzerland), Board member, member of the Audit Committee
- HSBC Private Banking Holdings SA (Switzerland), Board member
- Dassault Systèmes SA (France), Board member, member of the Audit Committee and of the Remuneration and Nomination Committee
- Committee of economiesuisse (Switzerland), member.

Claude Smadja

After fifteen years with Télévision Suisse Romande (TSR) as Deputy Editor of the Information Department, Claude Smadja joined the management of the World Economic Forum in 1987, a position that he held until 1992. He then returned to TSR as Director of Information until 1996, in which year he was appointed Managing Director of the World Economic Forum. In June 2001, Claude Smadja set up his own strategy consultancy Smadja & Associates, Strategic Advisory, which collaborates on strategic issues with multinationals and government bodies and organizes international events.

Current mandates

Kudelski Group:

- OpenTV Corp., Board member

Other:

- Edipresse SA (Switzerland), Board member, Chairman of the Remuneration Committee
- Infosys Technologies Ltd. (United States), Independent Director, Chairman of the Nomination Committee
- International Board of Overseers of the Illinois Institute of Technology, member.

Norbert Bucher

Norbert Bucher began his professional career as an engineer with Sulzer, in Winterthur and in New York, then moved to Syska & Hennessy Inc, Consulting Engineers in New York. He then joined Philip Morris Europe SA as Deputy Managing Director. After eleven years as Deputy Managing Director at Interfood SA in Lausanne, he held the position of Senior Vice President with Jacobs Suchard in Zurich for seven years.

Current mandates

Kudelski Group:

- Nagra plus SA, Board member

Patrick Fœtisch

Patrick Fœtisch is an independent lawyer specialized in contracts and finance at an international level. He acts as legal counsel to Group companies as and when required, employing the benefit of his in-depth knowledge of their activities to provide assistance and legal advice.

Current mandates

Kudelski Group:

- Nagravision SA, Chairman
- NagraCard SA, Chairman
- Nagra plus SA, Board member
- NagralD SA, Chairman
- SkiData AG, member of the Supervisory Board

Other:

- Renault Finance SA (Suisse), Board member

Laurent Dassault

After a thirteen-year career in the banking sector, Laurent Dassault joined the Dassault Group in 1992 and held important positions in subsidiaries of the group. Today he is entrusted with approximately thirty mandates, including those of the Dassault Group, mainly in the financial, industrial and wine-producing sectors.

Current mandates

- Groupe Industriel Marcel Dassault SAS (France), Vice-President (since 1992)
- Dassault Belgique Aviation SA (Belgium) (since 1992), Chairman and Chief Executive Officer
- Dassault Systèmes SA (France) (since 1992), Board member
- Sogitec Industries SA (France) (1992), Board member
- Société de Véhicules Electriques SAS (SVE) (France), Board member
- Immobilière Dassault SA (France) (since 2003), Chairman of the Supervisory Board
- Dassault Investissements Sàrl (France) (since 1991), Managing Director
- Château Dassault SAS (France) (since 1994), Chairman

- Terramaris SA (Switzerland), Board member
- Power Corporation (company incorporated under the Canadian law on joint stock companies) (Canada), Board member
- 21 Centrale Partners SA (France), member of the Supervisory Board
- Generali France SA (France), Board member
- Financière Louis Potel & Chabot SAS (France), Board member
- Banque Privée Edmond de Rothschild Europe SA (Luxembourg), Board member
- Fauchier Partners Management Ltd. (England), Board member
- Catalyst Investments II L.P. (Israel), Chairman of the Advisory Board
- Lepercq, de Neufelize & Co. Inc. (United States), Board member
- Association des Amis du Centre Georges Pompidou (France), Board member

Pierre Lescure

Aside from a two-year period (1972-1974) as a television news presenter for Antenne 2, Pierre Lescure spent the first fifteen years of his professional career with the RTL, RMC and Europe 1 radio stations where he held successively several positions, in particular Deputy Editor and Director of Programs. In 1981 he returned to television as Editor in Chief of Antenne 2. From 1984, he worked with André Rousselet on launching the pay TV channel Canal+, where he was appointed Director and then Chief Executive Officer. From 1993 to 2002, he was Chairman and Chief Executive Officer of the Canal+ Group. From 2000 to 2002 Pierre Lescure was also co-Chief Executive Officer of Vivendi-Universal. Since 2002, Pierre Lescure has been Chairman and Chief Executive Officer of Anna Rose Production, a company active in audiovisual and cinematographic production as well as communication consultancy services.

Current mandates

- Lagardère SCA (France), member of the Supervisory Board
- Thomson SA (France), Board member, member of the Remuneration Committee
- Havas SA (France), Board member
- Le Monde SA (France), External member of the Supervisory Board
- Le Monde Presse SAS (France), Chairman
- SA de la rue du Louvre SA (France), Chairman of the Supervisory Board

Marguerite Kudelski

From 1991 to 1999, Marguerite Kudelski began her professional career with the Laboratory of Electromechanics and Electrical Machines of the EPFL and worked in parallel as development engineer within the Nagra Audio division of the Kudelski Group.

In 1999, she became the Head of R&D with Précél SA in Neuchâtel (at the time a Kudelski Group company) before being appointed as CEO and Board member of the same company in 2000, positions that she held until the end of 2002.

After completing a number of marketing and financial analysis projects for NagralD in 2003, she took responsibility for certain key projects for the Group within the Finance Department from 2004 to 2006. Since March 2007, Marguerite Kudelski has worked as a consultant, offering various services (business development, counseling) to national and international companies.

Current mandate

- Kudelski Group:
- polyright SA, Board member

Alexandre Zeller

Alexandre Zeller began his professional career in 1984 with Nestlé as a Management Auditor. Three years later he joined Credit Suisse where he assumed various positions in the field of loans and asset management at the Swiss and international level, while at the same time managing various branches. In 1999 he was appointed to the Executive Board of Credit Suisse Private Banking. In November 2002, Alexandre Zeller joined the Banque Cantonale Vaudoise as Chief Executive Officer.

Current mandates

- Banque Piguet & Cie SA (Switzerland), Board member
- Renault Finance SA (Switzerland), Board member
- Association Suisse des Banquiers (Switzerland), Deputy Chairman of the Board of Directors
- Union des Banques Cantionales Suisses (Switzerland), Deputy Chairman of the Board of Directors
- Fondation Genève Place Financière (Switzerland), Board member
- Chambre Vaudoise du Commerce et de l'Industrie (Switzerland), Committee member

3.2 Other activities and vested interests

Please refer to the individual CVs of Board members under 3.1 above.

3.3 Cross-involvements

The requirements of the SWX Swiss Exchange directive have been removed.

3.4 Election and term of office

The Board of Directors comprises a maximum of eight members. Board members are appointed by the General Meeting for a period of one year. The term of office ends on the day of the Ordinary General Meeting. Members may be re-elected.

3.5 Internal organization

The Board of Directors performs inalienable and non-transferable duties prescribed by law (see Article 716 of the Swiss Code of Obligations) with the support of its three Committees: Audit, Strategy and Remuneration and Nomination.

The internal organization of the Board of Directors is defined in the Articles of Incorporation and the Board Regulations. The regulations are available upon request to the General Secretariat of the Kudelski Group.

3.5.1 Distribution of tasks within the Board of Directors

The Board of Directors constitutes itself by appointing from within its ranks the Chairman and the Deputy Chairman. The functions of Chief Executive Officer and Lead Director are allocated if the Board decides to elect a Chief Executive Officer. Otherwise management of the company is delegated in full to the Executive Board. A Corporate Secretary may be appointed and chosen from outside the Board of Directors. He or she is not a member of the Board of Directors.

The Chairman of the Board leads the discussions at the General Meeting, ensures that the minutes are taken, is in charge of protocol and directs meetings of the Board, informs Board members of the development of business and the half-yearly accounts, represents the company in dealings with administrative and/or judicial authorities subject to mandates entrusted by the Board of Directors to a third party, to a Director or to one of its members.

The Deputy Chairman may convene a meeting of the Board of Directors. He chairs the General Meeting in the absence of the Chairman.

Management of the company may be delegated to the Chief Executive Officer, unless otherwise stipulated by law. In his management activities, the CEO acts in accordance with directives issued by the Board of Directors and safeguards the interests of the company. He also presents a report to each meeting of the Board of Directors covering the essential aspects of business development.

In the Group's current structure, the functions of Chairman of the Board of Directors and Chief Executive Officer are exercised by one person. This situation guarantees a rapid and fluid information and decision-making process, enabling the company to respond operationally and strategically at the pace required by developments in the sectors of activity pursued by the Group. There are mechanisms to counterbalance any potential risk resulting from the combination of these functions through the institution of the office of Lead Director.

The Lead Director ensures the independence of the Board of Directors vis-à-vis the Chairman and Chief Executive Officer and also the management of the company and chairs the Board of Directors in cases of conflict of interest involving the Chairman and Chief Executive Officer. He chairs the meeting of the Board of Directors in situations of conflicts of interest involving the Chairman and Chief Executive Officer. Thus the Lead Director may convene and direct autonomously a meeting of the independent members of the Board of Directors if the interests of the company require independent deliberation. He ensures a performance appraisal process for the Chairman of the Board of Directors and the Chief Executive Officer.

3.5.2 Composition, attributions and delimitation of competencies of Board Committees

Committees are constituted by the Board of Directors which appoints their members and chairpersons. The Board Committees meet as often as is necessary. They have a consultative and preparatory role vis-à-vis the Board of Directors, to which they report on a regular basis. Committee reports serve as the basis for decision making by the Board of Directors.

Audit Committee

The Audit Committee consists of at least three non-executive members of the Board of Directors. At least one Committee member must have proven experience in the field of accounting. All members have knowledge or practical experience in the field of financial management. The Audit Committee meets in principle three times a year.

The Audit Committee may at any time request detailed risk analyses of the Group's different sectors of activity as well as relating to specific fields of its choice. The Committee calls on experts outside the Board of Directors where this is deemed necessary for the successful completion of its tasks.

The Audit Committee supervises the company's internal financial reporting process and ensures its integrity, transparency and quality. It ensures that accounting methods comply with applicable regulations and constantly updates and provides financial information to the company.

It assesses the quality of work of external auditors and provides appropriate recommendations to the Board of Directors concerning renewal of the term of office of external auditors or, where necessary, their replacement. The Committee ensures that the recommendations of external auditors are followed up and safeguards their independence.

The Committee provides regular reports presenting its recommendations to the Board of Directors concerning the adequacy, efficiency and veracity of accounting processes.

Strategy Committee

The Strategy Committee is composed of a minimum of three members of the Board of Directors, including the Chairman and Deputy Chairman. It meets at least twice a year.

The purpose of the Strategy Committee is to review and define the Group strategy. It drafts strategic development options with a view to ensuring the long-term enhancement of the Group's competitive position and its shareholder value. To this end, the Strategy Committee monitors the development of markets and the Group's competitive position, drafts future development models and oversees the Group's development by means of investments, disinvestments and reorganization.

To define strategic choices, the Strategy Committee relies upon information supplied by the management, the members of the Board of Directors and, if deemed necessary, by external counsel.

The Strategy Committee periodically reviews the balance between the Group's objectives, its structure and the organization in place to achieve strategic objectives.

The Strategy Committee makes proposals to the Board of Directors, which finally decides on strategic choices.

Remuneration and Nomination Committee

The Committee is composed of at least two non-executive members of the Board of Directors. It meets at least twice a year.

The Committee supervises the remuneration policy put in place by the company. It ensures that remuneration packages are in line with the salary levels applied in the regions and sectors of activity where the Group operates. Managers whose activity exerts a significant influence on the development of business have a considerable variable component in their remuneration.

The Chairman of the Board of Directors takes part – as a guest – in deciding upon the remuneration of Board members and key officers of the company, to the exclusion of his own remuneration.

The Committee presents to the Board of Directors proposals for the appointment of Board members to be submitted to the General Meeting.

It examines, at the request of the Chief Executive Officer, applications for management positions and may if it wishes meet with candidates.

The Committee calls upon outside experts where deemed necessary to support its recommendations and decisions.

	Audit Committee	Strategy and Nomination Committee	Remuneration Committee
André Kudelski		—	
Claude Smadja	—	—	—
Norbert Bucher	—		
Laurent Dassault			
Patrick Fœtisch			—
Marguerite Kudelski	—		
Pierre Lescure		—	—
Alexandre Zeller			
Chairman	—		
Member	—		

3.5.3 Working methods of the Board of Directors and its Committees

The cooperation and allocation of competencies between the Board of Directors and its Committees are described in chapter 3.5.2.

The Board of Directors meets at least four times a year, but as often as is required for the proper conduct of business.

In 2007, the Board of Directors and its Committees met as follows:

Board of Directors	8 times
Strategy Committee	3 times
Audit Committee	3 times
Remuneration and Nomination Committee	4 times

Average attendance at Board meetings exceeded 90%. Meetings of the Board of Directors lasted between three and seven hours. Most Committee meetings lasted between two and three hours.

3.6 Competencies

Please see also section 3.5.1 for details of the internal organization of the Board of Directors and the position of Chief Executive Officer.

Board of Directors

The Board of Directors:

- has the ultimate management of the company and issues all necessary directives;
- determines the organization;
- determines the principles of the accounting system and of the financial controls as well as the financial planning insofar as this is necessary for the management of the company;
- appoints and dismisses the persons entrusted with management and representation;
- exercises ultimate supervision of the persons entrusted with management to ensure in particular compliance with the law, the Articles of Incorporation, regulations and instructions given;
- prepares the annual report, calls the General Meeting and implements its decisions;
- takes decisions on capital calls with respect to shares that are not fully paid up (Article 634a of the Swiss Code of Obligations);
- takes decisions regarding the assessment of an increase in capital and relevant changes to the Articles of Incorporation (Articles 651 para. 4, 651a, 652a, 652g, 652h, 653g, 653h of the Swiss Code of Obligations);
- informs the judge in the event of over-indebtedness;
- proposes decisions relating to the conversion of shares (bearer to registered/registered to bearer) in which case the decision must be taken by a majority of board members representing shares A and B.

Group management

The Board of Directors has delegated full management of the company to the Chief Executive Officer, subject to legal imperatives and contrary provisions in the Articles of Incorporation. The Chief Executive Officer therefore coordinates the day-to-day operations of the Group companies.

3.7 Information and control instruments with respect to Group management

Because of the nature of the industry, mechanisms for controlling Group management and information feedback systems are very important. The Kudelski Group has therefore put in place information and control instruments at different levels, which it improves on a continuous basis: strategy, operations, finance, law, human resources and information management.

Strategy

- The Chief Executive Officer submits a report to the Board members prior to each meeting outlining key aspects of business development (sales figures, market trends, personnel) for each Group entity and activity.
- Board members receive weekly or quarterly press reviews concerning the Group, depending on their relevance, or other informative documents concerning the Group and its entities, as well as a message from the Chief Executive Officer whenever the latter deems this is necessary.
- At least twice a year, members of management are invited to present their activities to members of the Board of Directors. Members of the Board may also ask questions directly to company managers as and when they see fit.
- At each Board meeting, if justified by the business situation and depending on the agenda, members of management, Group executives or outside experts are invited to present specific subjects to members of the Board of Directors.

Operation and strategy

- In the Group's key sectors, ad hoc committees comprising a cross-disciplinary panel of internal experts evaluate market, strategic, operational, legal and financial risks. These ad hoc committees analyze risks, manage processes relating to the evaluation of such risks, propose measures and monitor their implementation. There is a committee for each division, as well as a security committee and an innovation committee. Information and comments arising from these committees are conveyed to the Group management during the "Executive Board Meetings" which take place at least once a month. The "Digital TV Executive Board Meetings", which take place at least once a month and last on average four hours, also use the information provided by the ad hoc committees and review in particular two specific and relevant topics for the Digital TV division.

Finance

- The Controlling entity conducts regular financial and operational analyses intended to identify operational and financial risks throughout the value chain of the different activities of Group companies and proposes and coordinates necessary improvements and corrective actions. This entity also makes available a platform of analytical services to Group management and operational departments.
- In addition, the Group is implementing the COSO (Committee Of Sponsoring Organizations of the Treadway Commission) reference system. This system aims at providing "reasonable assurance" as regards the performance and efficiency of operations, the reliability of financial information and reporting, and compliance with laws and regulations in force. A person is in charge of internal controls.
- Each year the Group improves the level of detail and efficiency of its information management system, in particular by combining financial information and quantitative information while taking into account the different stages in the sales process. This constantly enhances the accuracy and across-the-board nature of the company's vision of its activities. Every month, the Business Analysis Office issues region, client and project-specific reports, while the Controlling entity provides entity, profit center and cost center-specific reports to concerned persons, namely in particular regional heads, heads of affiliated companies and the Chief Financial Officer.

Law

- Increasingly close involvement of the Legal Department in the Group's different fields of activity and in decision making contributes to improving legal risk management.

Human Resources

- The Human Resources Department has implemented a Performance Development System (PDS) which seeks to ensure coordination between employee management programs and business needs. It includes performance assessment and individual career development based on the company's needs.

Information Management

- The Corporate IT department has developed and implemented a series of policies and procedures concerning IT security (for the use of computer systems, data protection and back-up, etc).

4. Group management

4.1 Group executive management members*

	Date of birth	Nationality	Position	Education
André Kudelski	1960	Swiss	Chairman and Chief Executive Officer (CEO) of the Group	Degree in Physical Engineering Ecole Polytechnique Fédérale de Lausanne (EPFL) (Federal Institute of Technology of Lausanne)
Pierre Roy Executive Vice President of the Group	1952	Swiss	Director of Operations (COO), Digital TV	Degree in Business Management Hautes Etudes Commerciales (HEC) de l'Université de Lausanne
Charles Egli Executive Vice President of the Group	1948	Swiss	Chief Executive Officer (CEO), Nagra Public Access AG	ETS Engineer in Electronics Ecole Technique Supérieure de Lausanne (or today Hautes Etudes Spécialisées)
Adrienne Corboud Fumagalli Executive Vice President of the Group	1958	Swiss/ Italian	Business Development	Doctor of Economic and Social Science University of Fribourg
Mauro Saladini Executive Vice President of the Group	1966	Swiss	Chief Financial Officer (CFO)	ETHZ Electrical Engineer Ecole Polytechnique Fédérale de Zurich (Federal Institute of Technology of Zurich) MBA INSEAD (France)
Lucien Gani	1948	Swiss	General Counsel Head of Group Legal Affairs	Doctorate in Law HEC Degree University of Lausanne Bar Exam
John Burke Senior Vice President	1953	Irish	Head of Group Human Resources	Degree in Economics MBA (Hons) Trinity College (Dublin)
Nicolas Gøetschmann	1960	Swiss	Corporate Secretary Head of Group Administration	Degree in Economics University of Fribourg

* Alan Guggenheim was Executive Vice President of the Group and CEO of NagraStar LLC until 15 March 2007.

André Kudelski



Pierre Roy



Charles Egli



Adrienne Corboud Fumagalli



Mauro Saladini



Lucien Gani



John Burke



Nicolas Gøetschmann

André Kudelski
Please see section 3.1.

Pierre Roy
Pierre Roy began his professional career with Procter & Gamble as a Financial Analyst in 1975. Following this early experience, he joined IBM in 1977 as a Sales Engineer. In 1979, he began his international career with Digital Equipment Corporation where he fulfilled various management positions at the European headquarters in Geneva and also abroad, in the Finance and Administration, Marketing and Business Management departments.

He joined Kudelski SA in 1992 as Managing Director of Nagra Audio, Business Development Director of Nagra- vision and Managing Director of Précel (at the time a Kudelski Group company).

In 1999 he started his own corporate consultancy firm working in the telecommunications sector while continuing to collaborate on strategic projects for Nagra- vision. In 2003, he was appointed Chief Operating Officer for the Digital Television sector of the Kudelski Group and Executive Vice President.

Mandates with main operational companies held by Kudelski SA:

- OpenTV Corp., Board member
- Nagra- vision SA, Board member, Managing Director
- NagraCard SA, Board member, Managing Director
- NagraID SA, Board member
- Nagra Trading SA, Board member
- SmarDTV SA, Board member

- Quative Ltd., Board member
- Nagra Thomson Licensing SA, Chairman
- Nagra USA, Inc., Board member
- Nagra- vision Asia Pte Ltd., Board member

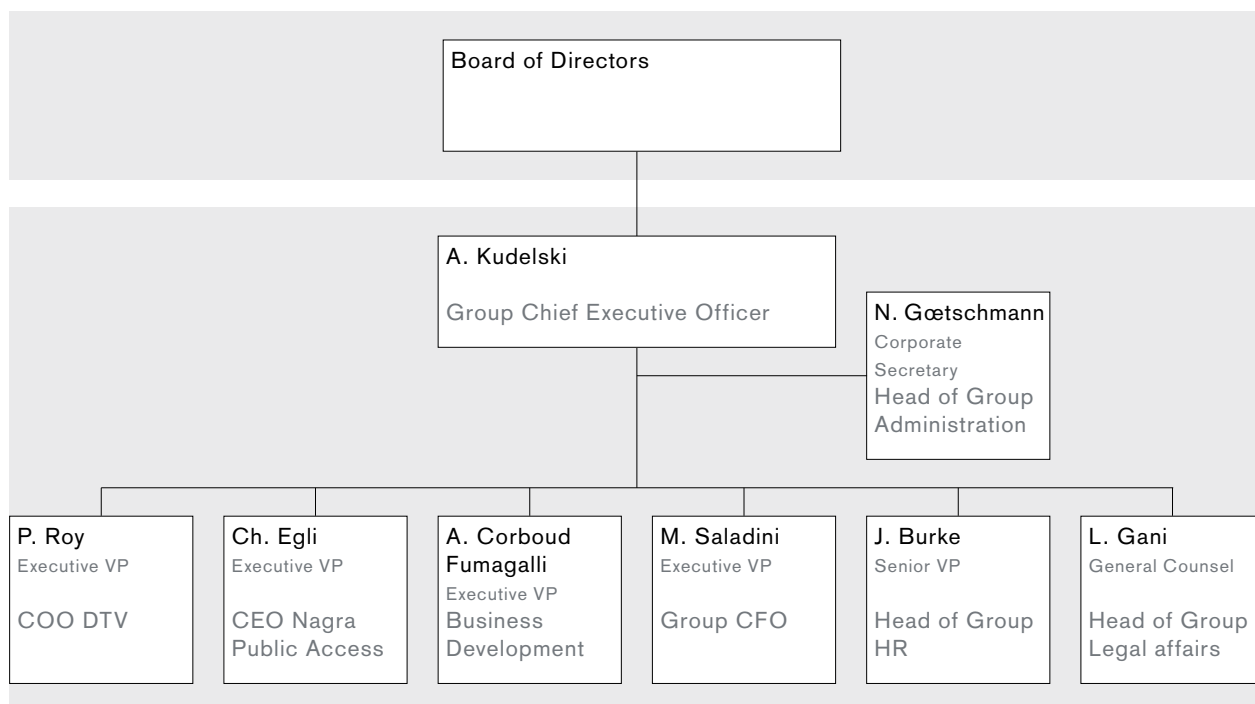
Charles Egli
Charles Egli worked at Studer Revox in Zurich as a Development Engineer then as Project Manager until 1989, when he joined Nagra- vision as Project Manager. In 1992, he was appointed as Chief Operating Officer of Kudelski SA then, in January 2003, Chief Executive Officer of Nagra Public Access AG and Executive Vice President of the Kudelski Group. He has also occupied the post of Chief Executive Officer of SkiData AG since September 2004.

Mandates with main operational companies held by Kudelski SA:

- Nagra Public Access AG, Chief Executive Officer
- SkiData AG, Chief Executive Officer and Chairman of the Supervisory Board
- NagraCard SA, Board member
- NagraID SA, Board member
- Nagra- vision SA, Board member
- polyright SA, Vice President
- Nagra plus SA, Managing Director

Adrienne Corboud Fumagalli
Adrienne Corboud Fumagalli was a researcher, teacher and consultant in the field of media and information technology policy with a variety of institutions (University of Fribourg, DAMS Bologna, CNRS Paris, McGill University, Montreal) for several years.

Governing bodies



In 1996 she joined the PTT in the management team of Radiocom (Radio.TV, Mobile) in charge of New Business Development and the international market. The PTT then became Swisscom, and Adrienne Corboud Fumagalli held various positions, particularly in the development of multimedia activities from 1997 to 2000. She then became Director of Product Marketing in Radio Broadcasting Services. In November 2000, she joined the Kudelski Group as Corporate Secretary. In January 2004, she was appointed Executive Vice President in charge of Business Development.

As head of Business Development, she manages a number of company or asset acquisition projects. As part of internal development projects, Adrienne Corboud Fumagalli has handled as from 2005, the launch and management of the Mobile TV activity, and of the Abilis startup company.

Mandates with main operational companies held by Kudelski SA:

- NagraVision SA, Managing Director
- Abilis Systems Sàrl, Managing Director
- NagraID SA, Board member, Corporate Secretary
- SmarDTV SA, Board member

Mauro Saladini

After five years as a financial services consultant with Accenture, Mauro Saladini joined Thema Consulting, where he set up the Zurich subsidiary and took responsibility for cash flow and risk management activities. From 1997, he joined McKinsey & Co where he became a partner in 2001. He worked in particular on corporate finance and strategy projects relating to various industries, particularly the media and telecommunications. In addition, Mauro Saladini was in charge of the Swiss Media Practice and joint-head of the European Media Practice. He has been the Chief Financial Officer and Executive Vice President of the Kudelski Group since 1st February 2003.

Mandates with main operational companies held by Kudelski SA:

- OpenTV Corp., Board member
- SkiData AG, member of the Supervisory Board

Other:

- Airesis SA (Suisse), Board member
- Newave Energy Holding SA (Suisse), Board member

Lucien Gani

Lucien Gani began his professional career in 1972 as a lawyer with the Federal Tax Administration then occupied the post of Deputy Director with the Compagnie Vaudoise d'Electricité in Lausanne, where he remained from 1974 until 1976. Between 1977 and 1983, he was a trader with the company La Commerciale SA in Lausanne.

From 1984, he wrote his doctoral thesis in law and started his Bar practice training in 1987. Since 1990, he has worked as an independent lawyer with a law firm in Lausanne. He joined the Kudelski Group in January 2006 as Head of Legal Affairs.

Previously, he acted as counsel for several years as an independent lawyer in the drafting and negotiation of strategic contracts for the Kudelski Group.

Mandates with main operational companies held by Kudelski SA:

- OpenTV Corp., Board member
- SmarDTV SA, Chairman
- Nagra Trading SA, Chairman
- NagraID SA, Board member
- NagraVision SA, Board member
- NagraCard SA, Board member

John Burke

John Burke began his professional career in marketing with Procter & Gamble International in Geneva in 1977. From 1982, he was appointed Group Marketing Manager with various Group subsidiaries, particularly in Geneva, Athens, Cincinnati and Madrid. In 1986, he joined Roto-Vision SA as Sales Director. He then joined the IUCN (World Conservation Union) in 1991 as Director of Communications and Public Relations.

In 1996, he joined Novartis Consumer Health, initially as Head of Human Resources and Communication. He was then appointed Head of the Medical Nutrition division and a member of the Executive Committee, before being promoted to worldwide Head of the Nutrition division. In 2001, John Burke joined the Geneva-based International Federation of Red Cross and Red Crescent Societies as Director of Support Services and in 2004 was appointed Chief Administrative Officer of the Global Fund to Fight Aids, TB and Malaria, where he remained until he joined the Kudelski Group on 1st June 2006.

Mandates with main operational companies held by Kudelski SA:

- NagraVision SA, Managing Director
- NagraCard SA, Managing Director
- NagraID SA, Managing Director

Nicolas Goetschmann

From 1986 to 1989, Nicolas Goetschmann was a Private Client Executive with Credit Suisse in Geneva before becoming a Fund Manager with Kestrel SA in Neuchâtel. In 1990, he joined the Kudelski Group as Director of Finance and Administration. Since 2004, he has been the Corporate Secretary of the Kudelski Group as well as Director of Group Administration.

Mandates with main operational companies held by Kudelski SA:

- NagraVision SA, Managing Director
- NagraCard SA, Managing Director
- Nagra Trading SA, Managing Director
- Nagra Public Access AG, Managing Director
- Nagra USA Inc., Board member

5. Remuneration, shareholdings and loans

4.2 Other activities and vested interests

Please refer to the individual CVs of members of the Group management under 4.1 above.

4.3 Management contracts

There were no management contracts in place at Kudelski SA on 31 December 2007.

5.1 Content and method of determining remuneration and shareholding programs

The Remuneration and Nomination Committee monitors and approves the remuneration policy established by the company. It proposes to the Board of Directors for approval the remuneration of members of the Board of Directors as well as members of Group management (see section 3.5.2 Remuneration and Nomination Committee).

Generally, the remuneration policy in the Kudelski Group is based on the performance of business units and persons individually throughout the course of the year.

The Financial Statements show details on pages 49 and 50 of remuneration paid to members of the Board of Directors and management as stipulated by Article 663b^{bis} of the Swiss Code of Obligations.

Members of the Board of Directors

Overall remuneration of non-executive members of the Board of Directors includes fixed annual fees as well as an allowance for costs and other expenses incurred in connection with the performance of their duties. This remuneration is paid in cash. Options are attributed to them according to distribution criteria determined by the Remuneration and Nomination Committee at the time such options are granted to eligible company staff.

If specific tasks or services not within the usual scope of activities of the Board of Directors of Kudelski SA or a Group company are assigned to Board members, the services rendered are remunerated on the basis of fees, the rate of which correspond to the market rate for the same type of services.

Members of Group management

The global annual remuneration of members of Group Management includes a salary and a variable element based on individual performance, the attainment of Group objectives, Group performance, and the attainment of objectives set for individuals.

The salary consists of remuneration in cash, a number of shares and payment in kind, including for example payment of the health insurance premium. Methods of payment of the variable element are decided by the Remuneration and Nomination Committee and payment may be made in cash and/or in the form of Kudelski SA bearer shares, in particular as per the share price. Interested parties also have the possibility of taking part in the share purchase plan introduced in 2004, in accordance with the said plan.

6. Shareholder participation

The provisions of the Articles of Incorporation governing the participation rights of shareholders are in compliance with the law as set out in the Swiss Code of Obligations. The Articles of Incorporation of Kudelski SA may be consulted on the Kudelski Group web site via the following link:
www.nagra.com/ar/statuts_Kudelski.pdf.

6.1 Voting rights and representation restrictions

In accordance with the Articles of Incorporation of Kudelski SA, there are no restrictions on voting rights and no statutory Group clauses and rules on granting exceptions.

6.2 Statutory quorums

The Kudelski SA Articles of Incorporation do not provide for any statutory quorums.

6.3 Convening of the General Meeting of Shareholders

The rules in the Articles of Incorporation on calling the General Meeting of Shareholders are in accordance with applicable legal provisions. The General Meeting of Shareholders must be called at least twenty days before the date of the meeting. The notice of the General Meeting is published in the Swiss Official Gazette of Commerce.

6.4 Agenda

Items on the agenda are mentioned in the notice.

Regarding rules for adding items to the agenda, the Articles of Incorporation of Kudelski SA do not contain provisions that differ from the Swiss Code of Obligations, namely Article 699, "Shareholders who represent shares totaling a nominal value of CHF 1 million* may request that an item be included in the agenda. The calling and the inclusion of an item on the agenda must be requested in writing listing the items and motions".

* This represents 0.2% of the capital of Kudelski SA.

6.5 Registrations in the share register

Kudelski SA shares that can be traded on the SWX Swiss Exchange are bearer shares; consequently there is no register of shareholders for this category of shares.

7. Changes of control and defense measures

7.1 Duty to make an offer

Kudelski SA has no provision on opting-out or opting-up in its Articles of Incorporation. Thus the provisions regarding the threshold of 33 1/3% of the voting rights for making a public takeover offer set out in Article 32 of the Stock Exchange Act are applicable.

7.2 Clauses on changes of control

No such clauses exist.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

The auditors of Kudelski SA are PricewaterhouseCoopers SA (Lausanne). Some companies affiliated to the Group are audited by other auditors. The auditors were re-appointed by the General Meeting of Shareholders of Kudelski SA of 24 May 2007 for a statutory period of one year. The PricewaterhouseCoopers SA mandate began in 1985. It has been under the responsibility of Mr Felix Roth since 1 January 2003.

8.2 Auditing fees

The Kudelski Group paid PricewaterhouseCoopers for auditing services for the year 2007 the sum of CHF 969 400.

Auditing services are understood to mean the work required each year to examine the consolidated accounts of the Group and its subsidiaries and to prepare the reports required under the laws of each country, performed by PricewaterhouseCoopers. In addition, some audit assignments were entrusted to other auditors.

8.3 Additional fees

The Kudelski Group paid PricewaterhouseCoopers for additional services for the year 2007 the sum of CHF 178 000.

Additional services mean in particular services such as the auditing of occasional transactions, the implementation of new or modified accounting methods and other services such as advice on mergers, acquisitions and sales of companies. They also include services related to the monitoring of international laws on corporations as well as advice concerning tax and risk management.

8.4 Monitoring and control instruments pertaining to the audit

The aim of the Audit Committee of the Board of Directors is to provide effective and regular supervision of the company's financial reporting processes in order to ensure their integrity, transparency and quality. To this end and under its terms of reference, it is responsible for monitoring the work of the external auditors.

Representatives from the auditors of the Kudelski Group, including the partner in charge of the Group's audit, are regularly invited to take part in meetings of the Audit Committee as external participants. This year they were invited to three meetings of the Audit Committee.

For more information on the Audit Committee, please refer to points 3.5.2 and 3.5.3 of this report.

9. Information policy

The Kudelski Group keeps investors regularly informed of the following developments:

- progress of business, major new contracts;
- changes occurring in the management of the Group;
- acquisitions or sales of companies;
- half-yearly and annual financial results.

Press releases are issued in compliance with the SWX Swiss Exchange regulations concerning factual publicity and are available on the Group's website simultaneously with their publication. A link on the home page of the Group's web site allows direct access to press releases. The Group communicates as often as necessary in this manner. Press releases are generally published in French and in English. In certain specific cases a German version is also provided. They are available in these different languages on the website. Persons wishing to receive Kudelski Group press releases may subscribe to a mailing list using a form available on the Kudelski Group website.

Financial results are presented to investors and financial analysts during a press conference held twice a year. Persons invited also have the possibility of following the conference by phone.

The Group's website is a permanently updated source of information. The Investor Relations section contains in particular a list of the principal dates of the corporate calendar (publication of results, General Meeting and presence at major trade shows) as well as the Group's main publications (annual report, half-year report).