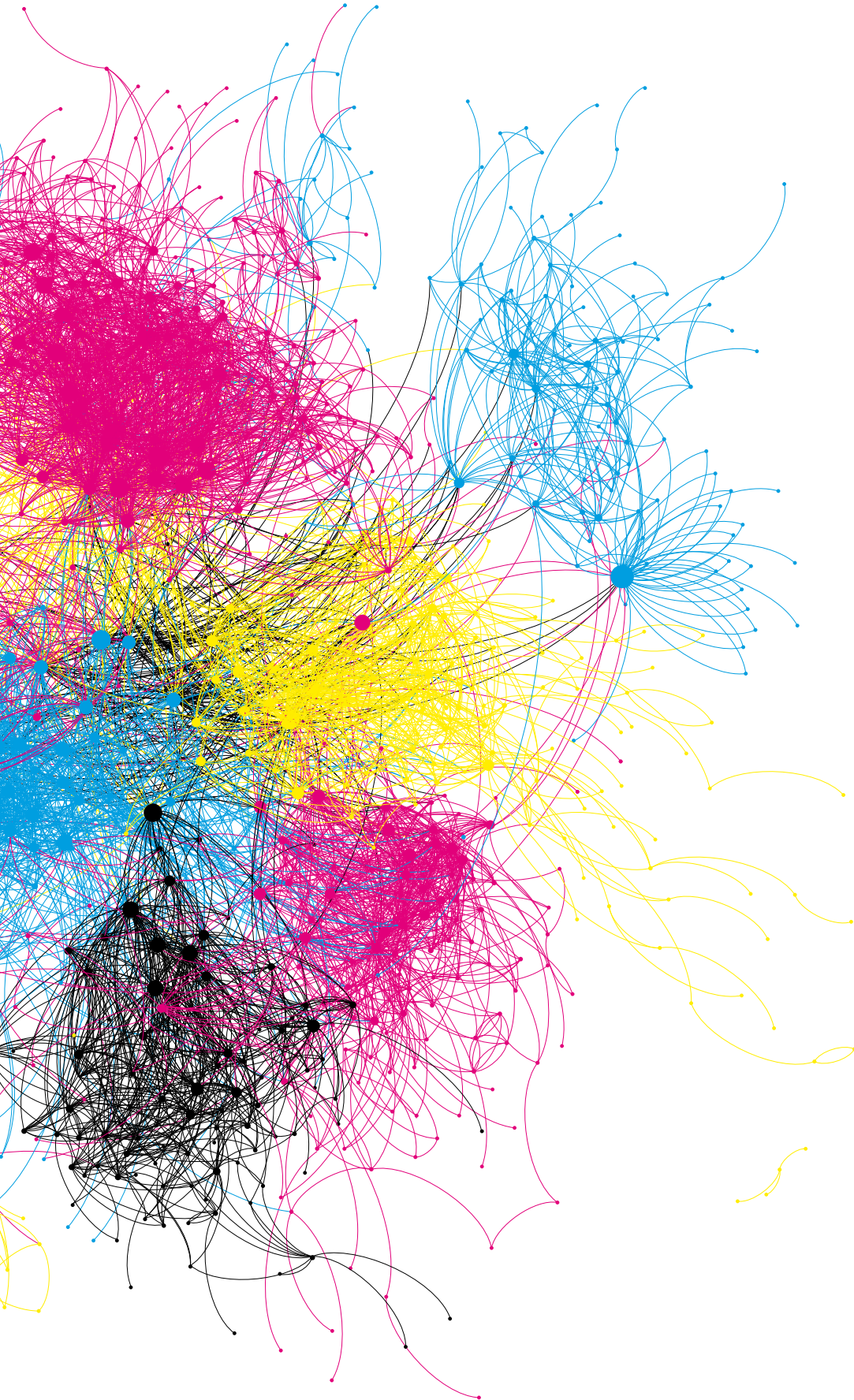


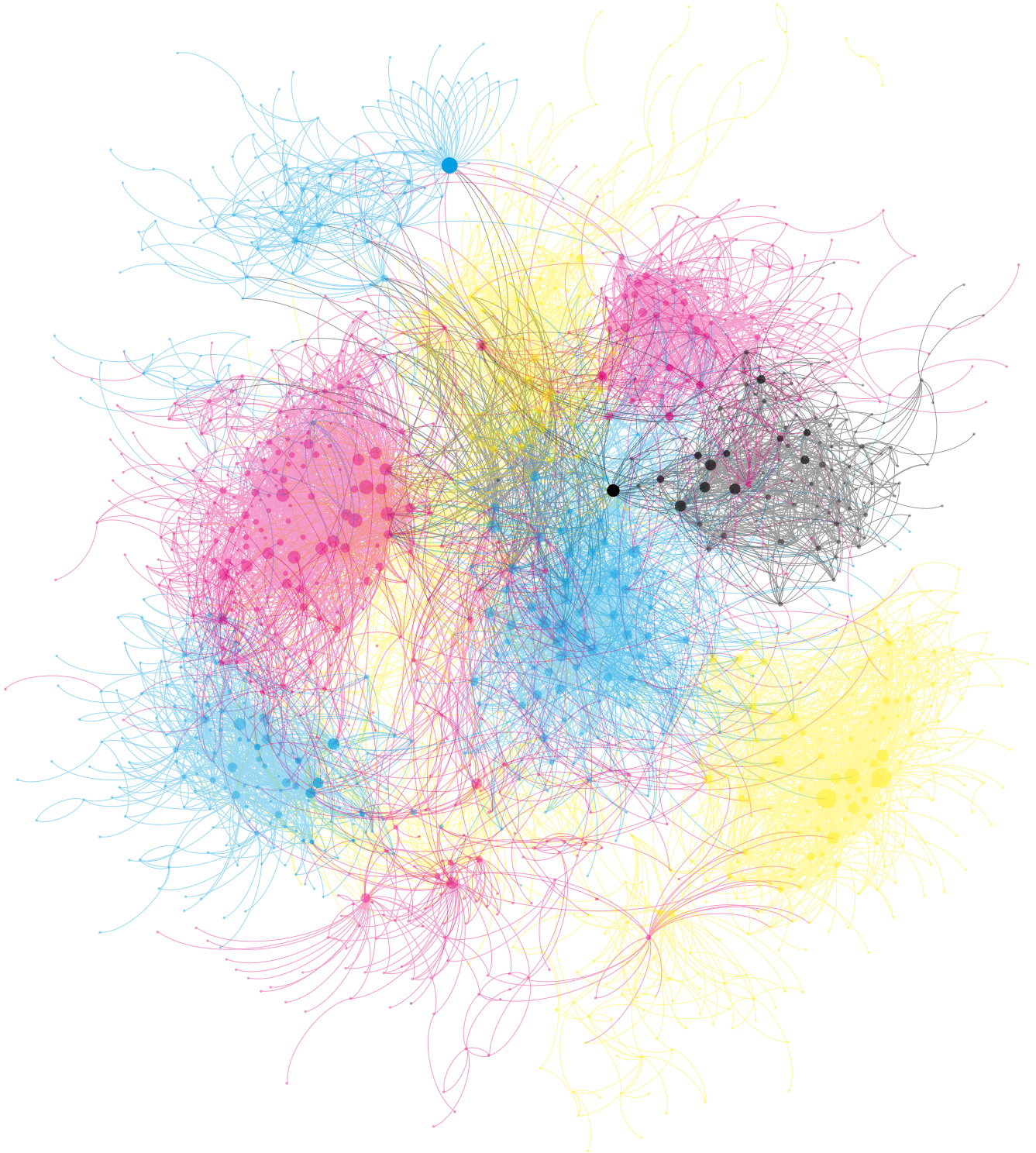
KUDELSKI GROUP

2011 ANNUAL REPORT



06 CORPORATE GOVERNANCE

This report was prepared in compliance with the directive on information relating to corporate governance issued by the SIX Swiss Exchange. Unless otherwise mentioned, the information provided in this report reflects the situation as of 31 December 2011.



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 SIX Swiss Exchange since 2 August 1999.

The structure of the Kudelski Group is shown below – sections 1.1.1. - 1.1.3.

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 solutions 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 departments:

- Sales and Operations
- Products and Solutions
- Conditional Access
- Corporate Development

The Middleware & Advertising division* is composed of the two segments referred to in its name.

*As from 1 January 2012, the Middleware & Advertising division is integrated in the Digital Television division. Since that date, the Digital Television division is divided into four departments as follows: Sales; Operations and Products; Conditional Access; Engineering Solutions; Corporate Strategy and Business Development.

The Public Access division is divided into three segments:

- Car Access
- People Access (ski)
- People Access (events)

The company's Audio activities were consolidated in the accounts of Nagravision SA and under the operational direction of Charles Egli until their transfer to Audio Technology Switzerland SA effective as of 31 December 2011.

Results by sector are presented in note 6 of the Kudelski Group's 2011 financial statements.

Main operating companies held directly or indirectly by Kudelski SA

The list of the Group's main operating companies is included in note 57 of the 2011 financial statements. Additional information is also included in the 2011 Annual Report's key figures.

1.1.2. Listed companies included in the scope of consolidation

Kudelski SA is a Swiss holding company listed on the SIX Swiss Exchange (Ticker: KUD; Sec. No 001226836/ISIN: CH0012268360) with a market capitalization at 31 December 2011 of CHF 414 373 572. Only the bearer shares of Kudelski SA are listed on the SIX Swiss Exchange.

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 is shown on pages 110 and 116 of the Kudelski Group's 2011 financial statements.

INTERNATIONAL PRESENCE

		DIGITAL TV	MIDDLEWARE/ ADVERTISING	PUBLIC ACCESS
EUROPE	Switzerland	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	France	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Austria	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Germany	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Belgium	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Spain	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Italy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	The Netherlands	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Sweden	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	United Kingdom	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
AMERICAS	USA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Brazil	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Chili	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Canada	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MIDDLE EAST	United Arab Emirates	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ASIA / PACIFIC	Singapore	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	China	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Hong Kong	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Japan	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Taiwan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	South Korea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Australia	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	India	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

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 two investment structures of which they are the beneficiaries. Furthermore, Mrs Marguerite Kudelski holds 5112 bearer shares in her own name. To the Group's knowledge, no other shareholder holds more than 3% of the voting rights and there are no shareholder agreements between the family pool and other shareholders.

The shareholding structure, under which the Kudelski family pool has control over the company, guarantees the Group's long term stability. This stability is essential to ensure long-term continuity and independence, which are key elements for the Group's main customers.

Kudelski Financial Services SCA has issued a convertible bond (ISIN: CH 0022692609) for an amount of CHF 350 million, representing 5 307 856 bearer shares (5.58% of voting rights). See section 2.7 for details.

Announcements made by Kudelski SA to SIX Swiss Exchange concerning disclo-

sure of shareholdings may be consulted on the company website at:
www.nagra.com/investors-doc.html

They are also available on the SIX Swiss Exchange website under the following link:

http://www.six-swiss-exchange.com/shares/security_info_fr.html?id=CH0012268360CHF4

Click on the link regarding management transactions.

1.3. CROSS-HOLDINGS

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

AT 31 DECEMBER 2011	REGISTERED SHARES	BEARER SHARES	SHARE CAPITAL HELD	VOTING RIGHTS HELD
Kudelski family pool	46 300 000	8 034 311	23.72%	57.16%
Mrs I. Kudelski Mauroux and Mr H. Kudelski (and their respective descendants)		3 000 000	5.62%	3.16%
Mrs M. Kudelski* and Mrs I. Kudelski Haldy (and their respective descendants)		3 000 000	5.62%	3.16%

* Mrs Marguerite Kudelski additionally holds 5112 bearer shares in her own name.

2. CAPITAL STRUCTURE

2.1. Amount of ordinary, authorized and conditional capital at 31.12.2011 and

2.2. Specific information concerning authorized and conditional capital

Ordinary capital

The share capital is CHF 533 798 320. It is divided into 48 749 832 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 4 May 2012 by a maximum amount of CHF 40 881 640 through the issue 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 from 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 whole or partial acquisition of other companies in Switzerland or elsewhere. All statutory restrictions to the transfer of shares are applicable to new registered shares.

Conditional capital

The conditional capital amounts to CHF 107 639 240 and is structured as follows:

- a maximum amount of CHF 7 639 240 through the issue of a maximum of 763 924 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. There are no preferential subscription rights for shareholders. 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 issue 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.

There are no preferential subscription rights for shareholders. The preferential subscription right of shareholders to the issuance of a convertible bond may be limited or eliminated by decision of the Board of Directors on valid grounds, namely (a) if the convertible bonds are placed primarily in markets outside Switzerland, 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 loans previously issued by the company or its subsidiaries. If the convertible bond is not offered preferentially to shareholders, (a) the convertible bonds must be sold to the public under market conditions, (b) conversion rights must be exercised within a period of seven years from 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 issue of the bond.

2.3. Changes in capital

CHF '000	31.12.11	31.12.10	31.12.09
Registered share capital	46 300	46 300	46 300
Bearer share capital	487 498	487 383	485 635
Legal reserve	45 675	84 611	81 887
Capital contribution reserve	43 304	n/a	n/a
Net profit	-25 930	90 615	42 834
Total available earnings	348 591	394 900	322 532
TOTAL SHAREHOLDERS' EQUITY	971 368	1 013 194	936 354

For information relating to changes in the capital which have taken place in 2011, 2010 and 2009, please refer to the Group's corresponding financial statements. Information regarding the capital contribution reserve can be found under note 3.4 of the Kudelski SA financial statements in the Kudelski Group's 2011 financial statements.

2.4. Shares and participation certificates

The capital of Kudelski SA at 31 December 2011 was made up of 46 300 000 registered shares with a nominal value of CHF 1 per share, and 48 749 832 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 participation certificates.

2.5. Profit sharing certificates

Kudelski SA does not have profit sharing certificates.

2.6. Restrictions on transferability and nominee 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 registration in the share register and to the Swiss Federal Act on Intermediated Securities.

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 valid reason within the meaning of article 685b paragraph 2 of the Swiss Code of Obligations, i.e. if admission of the acquirer of the shares 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 shares 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 inheritance, division of an estate, marital property rights or by 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. Kudelski SA has no regulations concerning the registration of nominees.

Limitations on the transferability of registered shares, authorized or conditional increases in share capital and limitations on or eliminations of preferential subscription rights are decided upon at 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 and/or the number of shares represented.

2.7. Convertible bond, straight bond and share purchase plan

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 actively manage its assets, in particular by optimizing its financial costs and by improving the duration of its financial debt instruments. The issue proceeds were used mainly for the redemption of the previous convertible bond issued at the end of January 2002, and the remainder is used for potential acquisitions or other purposes corresponding to the general interest of the Group outside Switzerland.

Following a merger between Kudelski Financial Services Holdings S.C.A. and KUD SA, Luxembourg, KUD SA absorbed Kudelski Financial Services Holding S.C.A. on 28 June 2011. With this merger, KUD SA replaces Kudelski Financial Services Holding S.C.A. as issuer and debtor in the framework of the convertible bond effective 28 June 2011.

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. The con-

version price was initially set at CHF 67.76 per ordinary bearer share of Kudelski SA. In accordance with section D.1.2(1)(c) of the bond conditions, the conversion price of bearer shares was adjusted on 30 May 2007 at CHF 66.98 and on 5 April 2011 with a new conversion price which is now CHF 65.94 per ordinary bearer share of Kudelski SA. Bonds, with a nominal value of CHF 5000 each, may be converted at no cost until 21 September 2012 (subject to early repayment), into 75.8265 (instead of 73.7898 initially) 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 65.94 (instead of CHF 67.76 initially). A conditional capital of 5 307 856 Kudelski SA shares has been constituted for this purpose, as mentioned in section 1.2 above.

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 SIX Swiss Exchange, under security 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. More information about the convertible bond can be found in the financial reports, note 28 of the consolidated financial statements.

Straight bond

On 11 June 2011, Kudelski SA issued a 5 ½ year CHF 110 million straight bond. The proceeds of this transaction are used for general corporate purposes, enabling the Kudelski Group to diversify its financial resources and lengthen its average debt maturity profile.

The annual coupon amounts to 3% calculated with reference to the bond payable on 11 December of each year from 11 December 2011.

The repayment price of the bonds is at par on 11 December 2016. The straight bond is quoted on the SIX Swiss Exchange, under security number ISIN CH0122488452. The offering circular for the straight bond is available on request from the Group's head office or by e-mail to info@nagra.com. More information about the straight bond can be found in the financial reports, note 29 of the consolidated financial statements.

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 SIX Swiss Exchange on the day of subscription with a discount of up to 42%. 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 2011 can be found in the Kudelski Group financial statements, note 42 of the consolidated 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. The Board currently consists of eight members elected

by the General Meeting of Shareholders. Three Committees, an Audit Committee, a Strategy Committee and a Remuneration and Nomination Committee, are formed within the Board of Directors and are responsible for specific tasks (see sections 3.4.1 - 3.5.)

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

Mr Nicolas Goetschmann, 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)	1987	15.05.2012
CLAUDE SMADJA Deputy Chairman of the Board and Lead Director	1945	Swiss	Degree in Political Science University of Lausanne	1999	15.05.2012
NORBERT BUCHER	1931	Swiss	Doctorate in Engineering Ecole Polytechnique Fédérale de Lausanne (EPFL) Various postgraduate studies at the University of New York, Harvard Business School and IMD Lausanne	1992	15.05.2012
PATRICK FËTISCH	1933	Swiss	Doctorate in Law University of Lausanne Bar Exam	1992	15.05.2012
LAURENT DASSAULT	1953	French	Degree in Corporate Law Degree from ESLSCA Ecole Supérieure Libre des Sciences Commerciales Appliquées, Paris	1995	15.05.2012
PIERRE LESCURE	1945	French	Degree in Literature and Journalism Centre de formation des journalistes, Paris	2004	15.05.2012
MARGUERITE KUDELSKI	1965	Swiss	Engineering degree in Microtechnology Doctorate in Microtechnology Ecole Polytechnique Fédérale de Lausanne Executive MBA IMD Lausanne	2006	15.05.2012
ALEXANDRE ZELLER	1961	Swiss	Degree in Economics University of Lausanne	2007	15.05.2012

* André Kudelski is the only member to combine his Board duties with an executive function within the Group (Chief Executive Officer)



ANDRÉ KUDELSKI



CLAUDE SMADJA



NORBERT BUCHER



PATRICK FETISCH



LAURENT DASSAULT



PIERRE LESCURE



MARGUERITE KUDELSKI



ALEXANDRE ZELLER

CURRENT MANDATES

KUDELSKI GROUP

OTHER

ANDRÉ KUDELSKI

André Kudelski began his career in 1984 as a Research & Development engineer with Kudelski SA. In 1986, after working for several months with a firm in Silicon 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 Kudelski SA.

- Nagravision SA, Chief Executive Officer
- Nagra plus SA, Chairman and Chief Executive Officer
- SkiData AG, Member of the Supervisory Board
- OpenTV Corp., Executive Chairman (until 31 December 2010)
- NagraStar LLC., Co-Chairman

- Dassault Systèmes SA (France), Board member, member of the Audit Committee and of the Remuneration and Nomination Committee
- Edipresse SA (Switzerland), Board member, Chairman of the Audit Committee
- HSBC Private Banking Holdings (Suisse) SA (Switzerland), Board member
- Nestlé SA (Switzerland), Board member, member of the Audit Committee
- Comité d'economiesuisse (Switzerland), member
- Swiss-American Chamber of Commerce (Switzerland), Vice-Chairman

CLAUDE SMADJA

After 15 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.

- OpenTV Corp., Board member (until 31 December 2010)

- Edipresse SA (Switzerland), Board member, Chairman of the Remuneration Committee and member of the Audit Committee
- International Board of Overseers of the Illinois Institute of Technology (United States), 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 occupied the position of Senior Vice President with Jacobs Suchard in Zurich for seven years.

- Nagra plus SA, Board member

PATRICK FÆTISCH

Patrick Fætisch is an independent lawyer specializing in contracts and finance at an international level. He acts as legal counsel to Group companies as and when required, bringing to bear his in-depth knowledge of their activities to provide assistance and legal advice.

- Nagravision SA, (Switzerland) Chairman
- Nagra France SAS, (France) Chairman
- NagraID SA, (Switzerland) Chairman
- Nagra plus SA, (Switzerland) Board member
- SkiData AG, (Austria) Member of the Supervisory Board

CURRENT MANDATES

OTHER

LAURENT DASSAULT

After a career spanning thirteen years in the banking sector, in 1992 Laurent Dassault joined the Dassault Group, in whose subsidiaries he holds important positions. Today he assumes around thirty mandates, including those of the Dassault Group, mainly in the financial, industrial and wine-producing sectors.

- 21 Centrale Partners SA (France), member of the Supervisory Board
- Amis du FRAC (Fond Régional d'Art Contemporain en Aquitaine) (France), President
- Arqana SAS (France), advisor to the Directoire
- Artcurial SA (France), Board member
- Artcurial Développement Sàrl (France), Co-gérant
- Artcurial Holding SA (France), Chairman of the Development Committee
- Association des Amis du Musée d'Art Moderne (France), Board member
- Banque Privée Edmond de Rothschild Europe SA (Luxembourg), Board member
- Catalyst Investments II L.P. (Israel), Chairman of the Advisory Board
- Château Dassault SAS (France) (since 1994), Chairman
- Financière Louis Potel & Chabot SAS (France), Board member
- Generali France SA (France), Board member and President of the Accounting Committee
- Groupe Industriel Marcel Dassault SAS (France) (since 1992), Directeur Général Délégué and Board member
- Immobilière Dassault SA (France) (since 2003), Chairman of the Supervisory Board
- Laurent Dassault Rond Point (LDRP) SCI (France), Associé Gérant
- Lepercq, de Neuflyze & Co. Inc. (United States), Board member
- L. REAL ESTATE SCA SICAR (Luxembourg), Chairman of the Investors Committee
- Organisation pour la Prévention de la Cécité (OPC) (France), Board member
- ONE DROP France (association), President
- PECHEL INDUSTRIES SAS (France), membre du comité de suivi
- Power Corporation du Canada (company incorporated under Canadian law on joint stock companies) (Canada), Board member
- SAGARD PRIVATE EQUITY PARTNERS SAS (France), membre du comité consultatif
- SGAM ALTERNATIVE INVESTMENTS SA (France), prestataire
- Sita SA (Switzerland), Board member
- SOGITEC Industries SA (France), Board member

PIERRE LESCURE

Save for 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 Europe1 radio stations where he successively occupied a variety of 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 the launch project for 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, he has been Chairman and Chief Executive Officer of Anna Rose Production SAS, a company active in audio-visual and cinematographic production as well as in communication consultancy services. Lastly, since July 2008 he has directed the Théâtre Marigny in Paris.

- Lagardère SCA (France), member of the Supervisory Board
- Havas SA (France), Board member
- PrisaTV S.A.U. (Spain), member of the Supervisory Board
- DTS Distribuidora de Televisión Digital, S.A. (Digital+) (Spain), member of the Supervisory Board

CURRENT MANDATES

MARGUERITE KUDELSKI

Marguerite Kudelski's professional career began at the EPFL's Laboratory of Electromechanics and Electrical Machines, where she worked from 1991 to 1999. During this period she also worked as a development engineer within the Nagra Audio division of the Kudelski Group. In 1999, she became the Head of R&D with Précel SA in Neuchâtel (then a Kudelski Group company) before being appointed as CEO and Board member of the same company in 2000, positions that she occupied 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. From 2007 to 2011, Marguerite Kudelski worked as a consultant, offering services such as business development and management consulting. In December 2011, Mrs Kudelski took over the management of the Group's historical activity, Nagra Audio, which was transferred to the company Audio Technology Switzerland SA where she holds the position of Chairman of the Board of Directors and Head of the R&D Department.

KUDELSKI GROUP

- polyright SA, Board member (until 18 July 2011)

OTHER

- Audio Technology Switzerland SA, Chairman

The internal organization of the Board of Directors is defined in the Articles of Incorporation and the Board Regulations. The regulations are available on request to the General Secretariat of the Kudelski Group by calling +41 21 732 01 27 or by post at the following address: 22-24 route de Genève, 1033 Cheseaux-sur-Lausanne.

3.4.1. 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. If the Board of Directors allocates the function of Chief Executive Officer to its Chairman, a "Lead Director" is also elected among its members. If not, management of company is delegated in full to the Chief Executive Officer or otherwise 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.

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 carried out various duties in the field of loans and asset management at a Swiss and international level, while at the same time managing various branches. In 1999 he was appointed to the Executive Board and then as CEO of Credit Suisse Private Banking. In November 2002, Alexandre Zeller joined the Banque Cantonale Vaudoise as Chairman of the Executive Board. From July 2008 to February 2012, he was CEO of HSBC Private Bank (Switzerland) and, as from October 2010, Regional CEO Europe and Middle East. Since March 2012, Alexandre Zeller is an independent consultant and director.

OTHER

- Swiss Banking (Swiss Bankers Association), Board member (from 10 February 2010 to 15 February 2012)

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

3.2. Other activities and vested interests

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

The year of the first election as well as the end of term of office for each member are mentioned under section 3.1.

3.3. Election and term of office

The Board of Directors comprises between one and ten 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. They may be re-elected.

3.4. Internal organization

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

Management of the company may be delegated to the Chief Executive Officer, unless otherwise stipulated by law. In his management activities, the Chief Executive Officer acts in accordance with directives issued by the Board of Directors and

safeguards the interests of the company. He also makes a report at each meeting of the Board of Directors covering the essential aspects of the current business situation.

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 a potential risk resulting from the combination of these functions through the institution of the 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; he also chairs the Board of Directors in cases of conflict of interest involving the Chairman and Chief Executive Officer. Thus the Lead Director may autonomously convene and direct 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.

3.4.2. 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 Committee consists of at least three non-executive members of the Board of Directors. At least one Committee member has proven experience in the field of accounting. All members may 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 various 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. The Audit Committee reviews the auditing fees, ensures execution of the yearly audit plan, assesses the efficiency of the auditors in identifying and solving issues related to the Group or to the financial statements. The Audit Committee 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 four 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 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 market trends 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 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 has ultimate decision-making power on strategy.

Remuneration and Nomination Committee

This Committee is composed of three 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 (refer to section 5: Remuneration, shareholdings and loans).

The Committee presents proposals to the Board of Directors concerning the appointment of Board members to be submitted to the General Meeting. At the request of the Chief Executive Officer,

	AUDIT COMMITTEE	STRATEGY COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
■ President			
■ Member			
André Kudelski	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
Claude Smadja	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/>
Norbert Bucher	<input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
Laurent Dassault	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
Patrick Foëtisch	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Marguerite Kudelski	<input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
Pierre Lescure	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/>
Alexandre Zeller	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>

it examines applications for management positions and may if it wishes meet with candidates.

3.4.3. 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 section 3.4.2.

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

In 2011, the Board of Directors and its Committees met as follows:

Board of Directors	10 times
Strategy Committee	4 times
Audit Committee	3 times
Remuneration and Nomination Committee	2 times

Average attendance at Board meetings exceeded 90%. Meetings of the Board of Directors lasted on average five 3.5 hours. Most Committee meetings lasted on average two hours.

3.5. Competencies

Please see also section 3.4.1 for details of the internal organization of the Board of Directors and the position of Chief Executive Officer.

The Board of Directors

The Board of Directors:

- has the ultimate management of the company and issues all necessary instructions;
- determines the organization;
- determines the principles of the

accounting system and of the financial controls and also of financial planning insofar as this is necessary for the management of the company;

- appoints and dismisses persons entrusted with management and representation;
- exercises ultimate supervision over persons entrusted with management to ensure in particular compliance with the law, the Articles of Incorporation, regulations and instructions given;
- writes 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 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 Code of Obligations);
- informs the judge in the event of over-indebtedness.

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.

3.6. 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. These instruments concern strategy, operations, finance, law, human resources and information management.

Supervision

- The Chief Executive Officer submits a report to the Board members prior to each meeting outlining key aspects of the current business situation (key contracts, sales trends, market trends, human capital) for each Group entity and activity.
- Board members receive weekly or quarterly press digests concerning the Group, depending on the amount of relevant newsflow; they may also receive other informative documents concerning the Group and its entities, as well as a message from the Chief Executive Officer whenever the CEO 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 executives 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.

Operations 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 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 specifically chosen and relevant topics for the Digital TV segment. As from 1 January 2012, the new streamlined composition of the Group Management, which includes the CEO, the CFO, the COO and the EVP Strategy and Business Development, gives Group Management the necessary flexibility to tailor its meetings and their duration to the needs of the Group. The management of the Digital TV activity is now ensured by an “Executive Board Group Operation” comprised of the CEO, the COO and the CFO as well as senior members of the DTV activity depending on the agenda. This committee meets twice a month for 2.5 hours. Synchronization between Group Management and extended Management, i.e. including as well the Group’s General Counsel, the Director of Human Resources the Senior Vice President “Advanced Advertising and Innovation”, the Corporate Secretary and senior members of the DTV activity, is achieved within the “Executive Board–Extended” which takes place every month and lasts 2 hours.

Finance

- The Controlling entity conducts regular financial and operational analyses intended to identify operational and financial risks throughout the value chain of the various 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 manage-

ment and operational departments. Each year the Group improves the level of detail and efficiency of its information management system, in particular by combining financial and operational information. This provides an increasingly accurate and global view of the various activities. Every month, the Controlling entity prepares a number of reports which are made available to management. Those reports are then adapted and sent to each regional head and business unit with the corresponding analytical metrics. The reports include: a report providing an overview of the Group’s profit and loss broken down by activity and showing profit trends and budget overruns/shortfalls, with adaptations based on quarterly revisions of the annual forecast by entity, as well as their operational indicators; a sales report including region, client and sales type-specific analysis as well as their respective margins; a report on the operational cost trend broken down by cost center, a report on the financial development of key projects and a monthly and quarterly report on cash flow situation for the Group and for each segment for the current year and the coming year.

- In addition, the Group has an internal control system based on 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 team is in charge of internal controls. The various processes are periodically reviewed and analyzed by the external auditors (PriceWater-houseCoopers).

Legal

- Close involvement of the Legal Department in decision making contributes to

improving legal risk management.

- Contract management and electronic archiving tools have been introduced enabling more efficient tracking of contracts and confidentiality agreements.
- Under the responsibility of the Legal Department, management implemented an “IP Board” including experts from the Legal Department and from the Corporate Development Department. This Board is responsible for providing management with proposals regarding operational and strategic matters in the field of intellectual property. The Board is also in charge of the implementation and of the follow-up of management decisions. It meets once every quarter for 1.5 hours and otherwise as needed to perform its duties. Two main committees report to the IP Board: the committee in charge of monetizing the intellectual property portfolio and the Open Source Board. The IP Board submits proposals and reports on its activity during the Executive Board Meetings at least twice a year. As from 1 January 2012, the IP Board will submit proposals to the “Executive Board–Extended”.

Human Resources

- The HR Department uses a performance development tool (“Performance Development System” – PDS) designed to align the teams’ management programs with the needs of the company. PDS features performance- and skills-evaluation functions and establishes a career development baseline for employees in line with 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	Engineer-physicist Ecole Polytechnique Fédérale de Lausanne (EPFL)
MAURO SALADINI Executive Vice President of the Group	1966	Swiss	Chief Financial Officer (CFO)	ETHZ Electrical Engineer Ecole polytechnique fédérale de Zurich MBA INSEAD (France)
PIERRE ROY Executive Vice President of the Group	1952	Swiss	Director of Operations (COO), Digital TV	Degree in Business Management (HEC) Lausanne
ALEX OSADZINSKI** Executive Vice President of the Group	1958	British/ American	Director Product	Degree equivalent to a USA BSc in Computer Science / Management Information Systems and Marketing
MARK BEARIAULT*** General Counsel	1971	American	Director of Group Legal Affairs	Juris Doctor Georgetown University Law Center, Washington, DC (USA) Bar exams California and New York
JOHN BURKE Senior Vice President	1953	Irish	Director of Group Human Resources	Degree in Economics MBA (Hons) Trinity College (Dublin)
NICOLAS GÛETSCHMANN Corporate Secretary	1960	Swiss	Director of Group administration	Degree in Economics University of Fribourg
CHARLES EGLI Executive Vice President of the Group	1948	Swiss	Director Chief Executive Officer of Nagra Public Access AG	ETS Engineer in Electronics Ecole Technique Supérieure Lausanne or today HES (Hautes Etudes Spécialisées) Lausanne
YVES PITTON Senior Vice President of the Group	1968	Swiss	Director Corporate Development	Degree in Physical Engineering University of Lausanne Doctorate in Materials Science Ecole Polytechnique Fédérale de Lausanne (EPFL) MBA SDA Bocconi (Italy)

* On 1 January 2012 the Group's Executive Management was reduced to the following members: Messrs Kudelski, Saladini, Roy and Osadzinski, as announced in a press release on 31 October 2011.

** Alex Osadzinski obtained various scientific diplomas in the United Kingdom in return for which the company International Education Evaluations Inc. in 1991 issued an equivalence to an American Bachelor's degree in Computer Science/Management Information Systems and Marketing.

*** Lucien Gani (born in 1948, Swiss, holding a Doctorate in Law, a HEC Degree from the University of Lausanne and a Bar Exam) was a member of the Group Management until 31 March 2011. He continues to assume missions for the Group as well as the following mandates for Kudelski Group companies: SmarDTV SA, President; NagraID SA, Board member; Nagravision SA, Board member; EDSI SAS (France), Chairman; Nagra Media Pvt Ltd., India, Board member. As from 1 April 2011, Mr Beariault succeeded Lucien Gani as Group General Counsel.



ANDRÉ KUDELSKI



MAURO SALADINI



PIERRE ROY



ALEX OSADZINSKI



MARK BEARIAULT



JOHN BURKE



NICOLAS GØETSCHMANN



CHARLES EGLI



YVES PITTON

ANDRÉ KUDELSKI

Please refer to section 3.1. of this chapter.

MAURO SALADINI

Mauro Saladini started his career in 1990 as a financial services consultant with Accenture. In 1995, he joined Thema Consulting, where he set up the Zurich subsidiary and took responsibility for cash flow and risk management activities. In 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, mainly 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 1 February 2003.

MANDATES WITH MAIN OPERATIONAL COMPANIES HELD BY KUDELSKI SA

- Nagravision SA, Director
- OpenTV Corp., Board member (until 31 December 2010)
- SkiData AG, Chairman of the Supervisory Board (until 1 July 2012; from this date Vice President of the Supervisory Board)
- NagraID Security SA, Board member

Other mandates:

- Newave Energy Holding SA (Switzerland), Board member (until 27 February 2012)
-

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 Nagravision 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 Nagravision. In 2003, he was appointed Chief Operating Officer for the Digital Television sector of the Kudelski Group and Executive Vice President.

- OpenTV Corp., Board member (until 31 December 2010)
 - Nagravision SA, Board member, Director
 - SmarDTV SA, Board member
 - Nagra USA, Inc., Board member
 - Nagravision Asia Pte Ltd., Board member
 - Nagra Media Korea LLC, Board member
 - Nagra Media Pvt Ltd., India, Board member
 - Nagra Thomson Licensing SA, Chairman (until 24 June 2011)
-

ALEX OSADZINSKI

Alex Osadzinski began his professional career in the United Kingdom in 1978, at two successful start-up companies which were subsequently sold. In 1984, he joined AT&T Unix Europe as European Sales Manager. From 1986 to 1994 he worked for Sun Microsystems, where he became Vice President for Markets and Product Strategy. After two years with Grass Valley Group (Tektronix) as Vice President for Marketing and International Sales, President of Grass Valley Japan and General Manager, Mr Osadzinski returned to the world of start-ups with the companies BE from 1996 to 1998 and Vitria Technology from 1998 to 2000. Both these companies were subsequently listed on the stock exchange. He then became CEO of the start-up Katmango. From 2001 to 2008 he was involved in start-ups as a "Venture Partner" through the company Trinity Ventures, one of the main venture capital companies in Silicon Valley and active in software and digital media. In December 2008, Mr Osadzinski joined the Kudelski Group as Executive Vice President Product in the Digital Television division. On 1 January 2012, Mr Osadzinski became Executive Vice President and Director Strategy and Business Development.

- Nagravision SA, Director
 - OpenTV Corp., Board member (until 27 June 2011)
 - OpenTV Inc., Board member and Director
-

MARK BEARIAULT

Mark Beariault began his professional career in 1996 at the law firm of Simpson Thacher & Bartlett in New York City where he represented financial institutions and companies in a broad range of corporate finance and securities transactions. In 1999, he moved to San Francisco, California where he advised entrepreneurs and technology companies, first at the law firm of Wilson Sonsini Goodrich & Rosati. From 2000 to 2002, he was Associate General Counsel at OmniSky Corporation, a wireless data company, and Senior Corporate Counsel at VERITAS Software, a provider of data storage software until 2003. Mr. Beariault then joined the legal department of OpenTV Corp. serving first as its Deputy General Counsel and then as its General Counsel beginning in 2006, with responsibility for worldwide legal, regulatory and intellectual property matters. The Kudelski Group acquired a controlling interest in OpenTV in January 2007 and took the company private in March 2010, at which time Mr. Beariault became Senior Vice President, Legal in the Kudelski Group's legal department. In April 2011, he was appointed to the Group Executive Board as General Counsel and Director of Group Legal Affairs at the Group's headquarters in Switzerland.

- Nagra USA, Inc., Board member
 - SmarDTV SA, Board member
 - OpenTV Inc., Director
-

MANDATES WITH MAIN OPERATIONAL COMPANIES HELD BY KUDELSKI SA

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, including Geneva, Athens, Cincinnati and Madrid. In 1986, he joined RotoVision 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 1 June 2006.

- Nagravision SA, Director

NICOLAS GÆTSCHMANN

From 1986 to 1989, Nicolas Gœtschmann 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.

- Nagravision SA, Director
- Nagra Public Access AG, Director (until 4 June 2010)
- Nagra USA Inc., Board member
- Nagra France Holding SAS (France), Chairman

CHARLES EGLI

Charles Egli worked at Studer Revox in Zurich as a Development Engineer then as Project Manager until 1989, when he joined Nagravision as Project Manager. In 1992, he was appointed as Chief Operating Officer of Kudelski SA and then, in January 2003, Chief Executive Officer of Nagra Public Access AG (until 4 June 2010) and Executive Vice President of the Kudelski Group. He also occupied the post of Chief Executive Officer of SkiData AG from September 2004 to July 2012. As from July 2012, Charles Egli will become Chairman of the Supervisory Board of SkiData AG.

- SkiData AG, CEO Vorstandsvorsitzender (until 1 July 2012)
- SkiData AG, Chairman of the Supervisory Board (as from 1 July 2012)
- Nagra Public Access AG, Chief Executive Officer (until 4 June 2010)
- Nagravision SA, Board member
- polyright SA, Board member, Vice President (until 18 July 2011)
- Nagra plus SA, Director

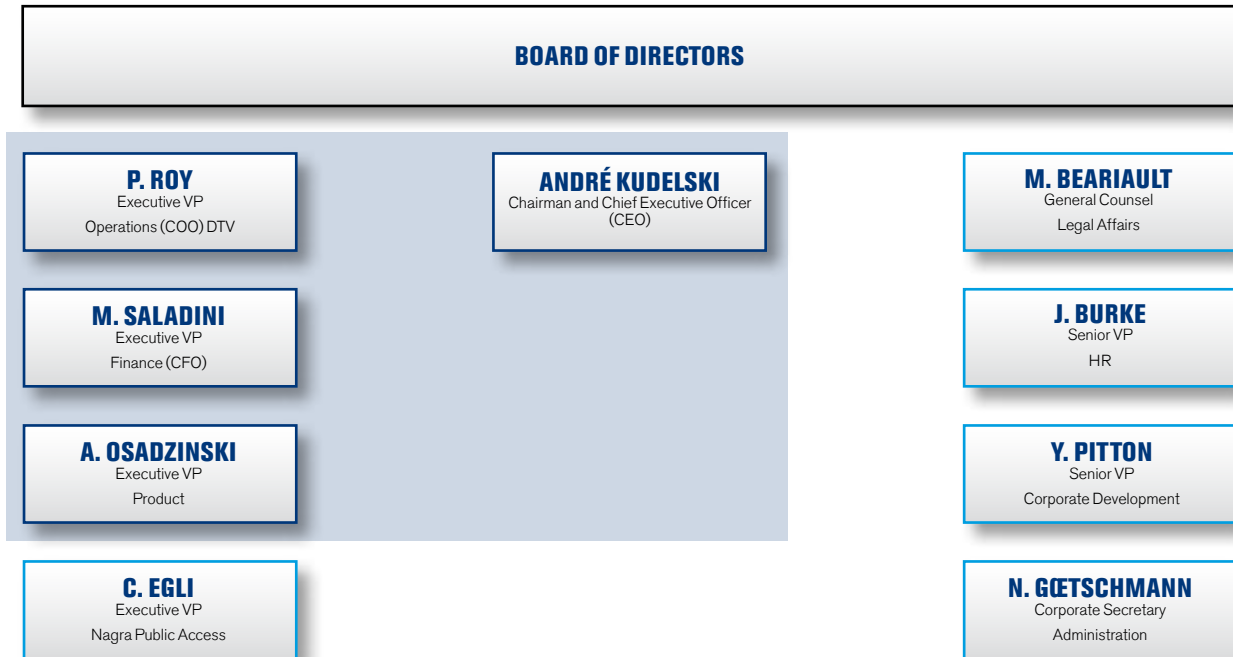
YVES PITTON

Mr Pitton worked on several projects at the Ecole Polytechnique Fédérale de Lausanne (EPFL) and for various international companies during the three years of his PhD thesis. After obtaining his PhD in Material Sciences & Engineering, he joined Alusuisse (now called Constellium Valais Ltd.) as Project and Product Manager, with responsibilities for product development, marketing and business development. He left Alusuisse to study for an MBA, which he obtained after one year's study in 2001. From August 2001, Mr Pitton worked as a consultant and then Engagement Manager for McKinsey & Co in Europe and the United States, where he led strategic projects for international companies operating in various business sectors, including finance, TV & new media, high-tech, technology and industrial businesses, both in Europe and in the US. He joined the Kudelski Group in October 2006 and was put in charge of strategic projects. In September 2008, he took responsibility for Business Development, and on 15 December he was appointed to the Group Executive Board as Senior Vice President in charge of Corporate Development. As from 1 April 2012, Yves Pitton will become Senior Vice President Advanced Advertising and Innovation based in San Francisco.

- Nagravision SA, Director (until 22 February 2012)
- Abilis Systems Sàrl, gérant

Other mandates:

- Ligaris SA (Switzerland), Board member



On 1 January 2012, the Group's Executive Management was reduced to the following members: Messrs Kudelski, Saladini, Roy and Osadzinski

4.2. Other activities and vested interests

Please refer to the individual profiles 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 2011.

5. REMUNERATION, SHAREHOLDINGS AND LOANS

5.1. Principles of remuneration

The objective of the remuneration policy of the Remuneration and Nomination Committee is to align the interests of the management bodies as closely as possible with those of the company over the medium and long term. In particular, the variable component of remuneration can change depending on the evolution of business, the level of responsibility assumed by executive members and their performance, which can have a positive or negative effect on the remuneration of each member

of management. The method for determining the remuneration of each executive member is optimized in such a way as to avoid favoring short-term results.

The Committee seeks to ensure that global remuneration offers a salary level that is comparable with that of an executive manager with similar competencies and responsibilities, also taking into account national and international practices in the digital television and Internet activity sectors. The Committee also takes into account the Group's desire not to dilute the capital of the company excessively.

Fixed remuneration is not considered individually as a comparison factor for the Committee, which favors an overall assessment of remuneration in the long-term interest of the company and of its shareholders. The Remuneration and Nomination Committee's assessment of the terms of remuneration was based on its own opinion and on the terms applied in the market by other companies of similar size (in terms of complexity, revenues

and number of employees and listed on the Swiss Stock Exchange and on the Nasdaq or on Swiss Performance Index – SPI – sectors Technology) and with which it competes in hiring board members and upper managers, without being implicitly in the same activity sector, without referring to particular benchmarks or engaging the services of consultants. The Remuneration and Nomination Committee considers that there are no companies that can be compared to the Group, outside the above-mentioned general elements. This is in particular due to the diversification of the Group's activities and the rapid evolution of the markets in which the Group operates on the one hand, and the influence of the players in these markets on the other hand.

The purpose of the variable component of remuneration is to align the interests of the members of Group Management with those of the company by having members contribute to value creation or be penalized in the opposite situation. The variable component of remuneration depends on

the Group's results (both economic and strategic), the employee's level of responsibility, and the achievement of individual objectives. Variable remuneration is not expressed as a percent of fixed remuneration.

There is currently no provision setting forth a particular allowance or benefit – including with regard to share vesting periods – in the event of termination of the employment contract of a member of Group Management, early departure of a member of the Board of Directors or change in control of the company.

5.2. Components of remuneration

Note 45 to the financial statements shows the breakdown of payments to members of the Board of Directors and Group Management, pursuant to Article 663bis of the Swiss Code of Obligations.

The principles governing the determination of components of remuneration are different for non-executive members of the Board of Directors and for Group Management.

5.2.1 Members of the Board of Directors

Overall remuneration of non-executive members of the Board of Directors is composed of fixed annual fees and an allowance for costs and other expenses incurred while performing their duties. The company's founder and Honorary Chairman also receives fixed annual fees as shown in note 45 of the financial statements. This remuneration is paid in cash.

If specific tasks or services not within the usual scope of activities are assigned to Board members, the services rendered are remunerated on the basis of fees that correspond to market rates for the same type of services.

5.2.2 Members of Group Management

Instruments of remuneration

The total annual remuneration of members

of Group Management includes a salary and a variable component.

Remuneration is paid in cash, shares and payment in kind, including for example payment of all or part of the health insurance premium and the provision of a company car. The fixed component is in principle paid in cash. The Remuneration and Nomination Committee has discretionary authority to determine how the variable part is paid, taking into account such criteria as the share price and the dilution effect. A maximum of 50% of the variable part of remuneration is in principle paid in the form of Kudelski SA bearer shares, with the exception of a member of Group Management who does not reside in Switzerland and whose variable remuneration is paid entirely in cash. These shares are blocked for a period of 1, 3 or 7 years in accordance with the employee's wishes, but at least half of these shares must be blocked for at least three years. Members of Group Management may also take part in the share purchase plan introduced in 2004, in accordance with the terms of said plan (refer to section 2.7)

Variable remuneration

The amount of the variable component depends on the individual performance of the member of management and the strategic, economic and operational performance of the Group. The key factors determining variable remuneration levels are the performance of the Group and its divisions, the budget, the strategic initiatives, the achievement of objectives and the quality of management delivered by the member of management concerned.

The objectives are set by the Board of Directors and reflect the Group's strategy; they also represent part of the objectives of the Chief Executive Officer (CEO). The CEO sets the individual objectives of each member of Group Management with the Remuneration Committee.

The Remuneration and Nomination Committee has discretionary authority to determine how the components of individual performance and those relating to the Group are to be weighted, in order to set the remuneration of each member of Group Management. The global results of the assessment of each individual objective are calculated according to a weighted geometric average. The result of the mathematical formula promotes excellence at all levels and encourages members of management to optimize their performance. The variable component of compensation is thus maximized by reaching, or even surpassing, several individual objectives. However, failing to reach a single important objective has a non-linear effect that can impact variable salary significantly.

Special information regarding 2011

The remuneration of each member of management is fixed globally and the variable remuneration of management members is not determined according to the fixed component of remuneration as specified in section 5.1. above. As an indication, the variable component of the remuneration of members of management in 2011 represented between 20% and 55% of the global remuneration, except for the remuneration of the Chief Executive officer (see note 45 of the Financial Statements). This ratio is not fixed and can therefore change every year. The differences in the ratio between fixed and variable remuneration between the management members is based on the practices used in the market at the time of the person's nomination, the function and the status within the company as mentioned under section 5.1. above.

The variable component of the remuneration of members of management was lower than in 2010, mainly because of the evolution of the Group's results which were negatively impacted by a certain number of external factors related to the effects of foreign exchange rates and slower growth in some regions, among other causes.

5.3 Competency and procedure for determining remuneration levels

The Remuneration and Nomination Committee is responsible for setting the remuneration policy as well as the remuneration of each member of the Board of Directors and Group Management. As an exception to this principle, the remuneration of members of the Remuneration and Nomination Committee is set by the Board of Directors (refer to section 3.4.2, Remuneration and Nomination Committee). The Chairman of the Board is invited to take part in setting the remuneration of members of the Board and key managers in the company, with the exception of the Chairman's own remuneration.

46 Each year, the Remuneration and Nomination Committee examines the remuneration policy and sets the remuneration of each member of the Board of Directors and Group Management, in principle during the first quarter; during the same period, the Chief Executive Officer sets the performance objectives of the members of Group Management. He presents the decisions to the Board of Directors in a meeting that is generally held during the first quarter as well. The remuneration of non-executive members of the Board of Directors and of the Remuneration and Nomination Committee is set by the entire Board of Directors in a meeting that is also generally held during the first quarter. The individuals whose remuneration is being discussed do not attend the relevant meetings of the Remuneration and Nomination Committee and of the Board of Directors

5.4 Changes to the remuneration policy during the year under review

No major change was made to Kudelski Group's remuneration policy relative to the 2011 financial year. However, it should be noted that the blocked shares of the Group Management were blocked, for periods of 3 to 7 years only (refer to section 5.2.2., Instruments of remuneration).

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 website 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 20 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 Art. 699 CO, "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. Registration in the share register

Kudelski SA shares that can be traded on the 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. This means that if a shareholder reaches the limit laid down by the law on stock markets (art. 32 LBVM: 33¹/₃% of the voting rights), he must by virtue of this law submit a takeover bid.

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 reappointed by the General Meeting of Shareholders of Kudelski SA of 5 April 2011 for a statutory period of one year. The PricewaterhouseCoopers SA mandate began in 1985. It has been under the responsibility of Mrs Corinne Pointet Chambettaz since 1 January 2010. The auditor in charge is replaced at the latest seven years after the year in which he first occupied this position, as specified in article 730a paragraph 2 of the Swiss Code of Obligations.

8.2. Auditing fees

The Kudelski Group paid PricewaterhouseCoopers for auditing services for the year 2011 the sum of CHF 964 000. Auditing services are understood to mean the work required each year to examine the consoli-

dated accounts of the Group and its subsidiaries and to prepare the reports required under the laws of each country, performed by PricewaterhouseCoopers.

8.3. Additional fees

The Kudelski Group paid PricewaterhouseCoopers for additional services for the year 2011 the sum of CHF 208 654 representing CHF 169 166 for tax advisory services and CHF 39 490 for other additional services. Additional services mean in particular services such as the auditing of occasional transactions and other services such as new or modified accounting methods.

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.

PricewaterhouseCoopers provides the Audit Committee with a detailed report before each Committee meeting regarding the execution and results of its work within the Kudelski Group, proposals to correct or improve identified problems and the implementation status of decisions made by the Audit Committee.

The auditor's representatives, including the auditor in charge of the Group's audit, are regularly invited to take part in meetings of the Audit Committee as external participants. Representatives from PricewaterhouseCoopers were invited to all three meetings of the Audit Committee with the exception of discussions and decisions of the Audit Committee regarding the auditors. The auditor in charge of the internal audit attended the parts of these three meetings that were relevant for him. For more information on the Audit Committee, and particularly on the selection,

evaluation and independence criteria, please refer to sections 3.4.2. and 3.4.3. of this report.

9. INFORMATION POLICY

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

- progress of business and 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 rules in force on the SIX Swiss Exchange 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 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 can also follow the conference by phone.

The Group's website is a permanently updated source of information. The Investor Relations section contains 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 and half-year report).

The Group's main website links and e-mail addresses are on page 124 of this report.

Important dates

15 May 2012: Annual General Meeting, Lausanne

21 August 2012: Publication of the Interim Financial Report

30 April 2013: Annual General Meeting, Lausanne

INTERNET LINKS

GROUP WEB SITE

www.nagra.com

INVESTOR RELATIONS SECTION

www.nagra.com/investors.html

IMPORTANT DATES

www.nagra.com/investors-calendar.html

FINANCIAL DOCUMENTATION

www.nagra.com/investors-doc.html

PRESS RELEASES

www.nagra.com/media-pr.html

IMPRESSUM

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124 E-MAIL ADDRESSES

GENERAL INFORMATION

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INVESTOR RELATIONS

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MEDIA RELATIONS

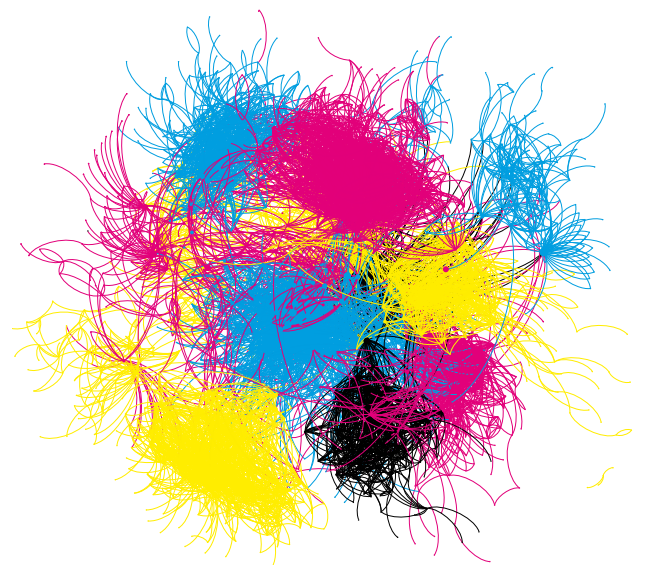
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This report is published in French and translated into English, except for the Financial Statements which are only published in English. Except for the Financial Statements, the French version prevails.



This image symbolizes a world where connectivity is growing exponentially

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