

3. Board of Directors

The Board of Directors is the highest decision-making body within the company and is responsible for monitoring the decisions taken at management level. At present, it is made up of eight members elected by the General Meeting of shareholders. The Board of Directors has an Audit Committee, a Strategy Committee and a Remuneration and Nomination Committee.

Membership is as follows:

André Kudelski

Chairman of the Board and Chief Executive Officer (CEO)

Claude Smadja

Deputy Chairman of the Board and Lead Director

Norbert Bucher

Laurent Dassault

Patrick Fœtisch

Stefan Kudelski

Pierre Lescure

Gérard Limat

Secretary to the Board:

Nicolas Gœtschmann

Corporate Secretary (not member)

3.1 Members of the Board of Directors

3.2 Other activities and vested interests

These points are addressed in the individual CVs of the members of the Board of Directors provided on the following pages.

	Year of birth	Position on the Board	Nationality	Executive/Non-executive
André Kudelski	1960	Chairman and Chief Executive Officer	Swiss	Executive
Claude Smadja	1945	Deputy Chairman and Lead Director	Swiss	Non-executive
Norbert Bucher	1931	Member	Swiss	Non-executive
Laurent Dassault	1953	Member	French	Non-executive
Patrick Fœtisch	1933	Member	Swiss	Non-executive
Stefan Kudelski	1929	Member	Swiss	Non-executive
Pierre Lescure	1945	Member	French	Non-executive
Gérard Limat	1940	Member	Swiss	Non-executive



André Kudelski



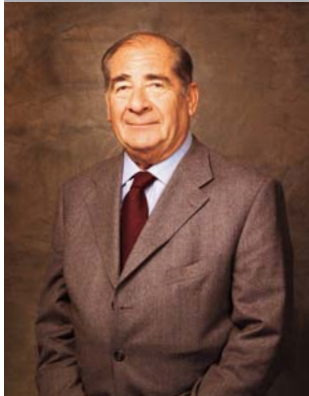
Claude Smadja



Norbert Bucher



Laurent Dassault



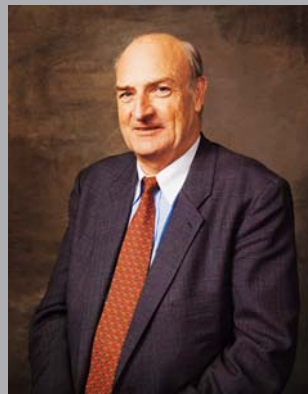
Patrick Føetisch



Stefan Kudelski



Pierre Lescure



Gérard Limat

Kudelski Group
Corporate governance

André Kudelski

André Kudelski obtained a degree in physical engineering from the Ecole Polytechnique Fédérale de Lausanne (Swiss Federal Institute of Technology) in 1984. He then held the position of R&D Engineer at Kudelski SA and in Silicon Valley, before becoming Pay TV Product Manager and then Director of Nagravision, the Pay TV division of Kudelski SA. In 1991, André Kudelski succeeded his father Stefan Kudelski to the position of Chairman and Chief Executive Officer of Kudelski SA. He has been on Kudelski SA's Board of Directors since 1987.

André Kudelski sits on the Boards of the Edipresse Group, of Nestlé and of Dassault Systèmes (France), among others. He is also a member of the Advisory Board of Credit Suisse, of the Swiss American Chamber of Commerce and of the Board of *economiesuisse*.

André Kudelski presides over the Strategy Committee of the Kudelski SA Board of Directors.

He also holds positions on the Boards of several Kudelski Group companies: Nagravision (Chief Executive Officer), NagraCard (Chief Executive Officer), Nagra Plus (President and Chief Executive Officer) and MediaCrypt (President).

André Kudelski is also a member of the Supervisory Board of SkiData.

Claude Smadja

Claude Smadja is a politics graduate from the University of Lausanne. After a number of years as Deputy Editor of the Information Department at Télévision Suisse Romande (TSR), the TV channel for French-speaking Switzerland, in 1987 he joined the management of the World Economic Forum, a position that he was to hold until 1992. He then returned to TSR as Information Director until 1996, when he was appointed Managing Director of the World Economic Forum. In 2001, Claude Smadja set up his own strategy consultancy, Smadja & Associates, Strategic Advisory.

Claude Smadja sits on the Boards of the Edipresse Group, Infotech and Infosys, where he also holds the position of Chairman of the Nomination Committee. In addition, he is member of the International Board of Overseers of the Illinois Institute of Technology.

Claude Smadja sits on the Kudelski SA Board of Directors since 1999. He has been Deputy Chairman of the Board since 2002 and, since 2003, Lead Director in the sense of the "Swiss Code of Good Practice in Corporate Governance" issued by *economiesuisse*.

He is also Chairman of the Audit Committee and a member of the Strategy Committee and of the Remuneration and Nomination Committee of the Kudelski SA Board of Directors.

Norbert Bucher

Norbert Bucher obtained a doctorate in technical sciences at the Ecole Polytechnique Fédérale de Lausanne (Swiss Federal Institute of Technology). He also studied on post-graduate management programs at the New York University, at the Harvard Business School in Boston and at the IMEDE (IMD Lausanne).

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

A member of the Kudelski SA Board of Directors since 1992, he is also a member of the Board's Audit Committee.

Norbert Bucher is also a member of the Board of Nagra Plus and Chairman of the Board of Directors of Ticketcorner.

Laurent Dassault

A business law graduate, Laurent Dassault also holds a degree from the Paris ESLSCA (School of Applied Commercial Sciences).

In 1977, he began his career at Banque Vernes in the "France – exploitation" department (from 1977 to 1982) and became Director of the banking department at Banque Industrielle et Commerciale du Marais (1983 – 1989), taking over Banque Parisienne Internationale with Paribas in 1990. He held the position of Administrator of "General Management and Shareholders" at the Banque Parisienne Internationale.

In 1992, he joined the Groupe Industriel Marcel Dassault (GIMD), where he now holds important positions within its various French and foreign structures.

He thus occupied the following positions (as from date in brackets): Chairman and Managing Director of Dassault Belgique Aviation (1992), Managing Director of Immobilière Dassault SA (2003), member of the Board of GIMD (1992), SVE, Dassault Systèmes (1992), SOGITEC Industries SA (1992) and IPS (Industrial Procurement Services) (1992). He was also Chairman of Midway Aircraft (1992).

Laurent Dassault sits on the Board of Terramaris SA in Fribourg, Switzerland, of the Power Corporation in Montreal, Canada and of Assicurazioni Generali SPA in Italy (2004).

He is also a member of the Advisory Board of 21 Central Partners (Benetton Group) in Paris (2003) and of the Advisory Committee of Sagard Private Equity Partners in Paris (2003).

Patrick Fœtisch

Patrick Fœtisch graduated from the University of Lausanne as a Doctor of Law.

He manages his own law office.

He sits on the Board of Directors of Renault Finance SA, Lausanne.

A member of the Kudelski SA Board of Directors since 1992, he is also Chairman of the Board's Remuneration and Nomination Committee.

Patrick Fœtisch acts as legal counsel to the Group as and when required.

He holds positions on the Board of the following Kudelski Group companies: Nagravisio (President), NagraCard (President), Nagra Plus (member of the Board), NagraID (President) and polyright (member of the Board).

He is also a member of the Supervisory Board of SkiData.

Stefan Kudelski

Stefan Kudelski studied at Florimont (Geneva). Self-taught in electronics, from 1948 he studied to be a physical engineer at the Ecole Polytechnique Fédérale de Lausanne (Swiss Federal Institute of Technology).

In 1951, he created the Kudelski firm with the first Nagra, a self-contained tape recorder designed for radio reporters. Within a few years, having expanded into new, enhanced models, the Nagra range became a standard tool in the cinema and television industry.

In 1991, a project for diversification into the field of encryption for pay TV provided the firm with a new direction. At this point, Stefan Kudelski handed over the reins of management to his son, André Kudelski.

Stefan Kudelski has received many awards during his career: Academy Awards (Oscars) in 1965, 1977, 1978 and 1983, two Emmy Awards and Gold Medals from L. Warner, AES (Audio Engineering Society), Lyra and Eurotechnica.

He is also an honorary member of AES, of SMPTE (Society of Motion Picture Television Engineers), of BKSTS (British Kinematograph Sound and Television Society), of SVIA (Schweizerischer Verein für Informatik in der Ausbildung), of IEEE (Institute of Electrical and Electronics Engineers) and of AMPS (Association of Motion Picture Sound). In addition, he possesses an honorary doctorate from the Ecole Polytechnique Fédérale de Lausanne.

Pierre Lescure

After taking a university degree in literature and journalism and graduating from the Centre de Formation des Journalistes in 1965, Pierre Lescure started his career working with various radio stations (RTL, RMC, Europe1) and then turned to the television industry. He worked at Antenne 2 as a news presenter from 1972. He then returned to the radio industry and became co-editor-in-chief of Europe1 in 1974 and director of programs of RMC in 1979. In 1982-1983, he was editor-in-chief at Antenne 2 and, in 1984, worked with André Rousselet at the launch of the pay TV channel Canal+. In 1988, he was appointed Chief Executive Officer of Canal+ and, in 1993, President and Chief Executive Officer of Canal+.

From 2000 to 2002, he was co-Chief Executive Officer of Vivendi Universal.

Pierre Lescure is member of the Supervisor Board of the Lagardère group and of the newspaper Le Monde. He is also member of the Board of Directors of Thomson and of Havas.

Gérard Limat

Gérard Limat started his professional career with Feldschlösschen in 1957; he worked in this company until 1965 when he obtained the Federal Accounting Diploma.

He worked as accountant at Garage Janneret in Geneva from 1965 to 1967 and then for six months at the Geneva Bankruptcy Office. He started his career in the Dassault Group in 1968 as an accountant.

He is currently the manager of Terramaris International SA in Meinier-Genève (a company belonging to the Dassault Group).

Gérard Limat is also Chairman of the Board of Directors of Société Financière Terramaris SA in Fribourg, Sita SA in Fribourg and Dasnair SA in Meinier-Genève. In addition, he sits on the Board of Cendres et Métaux in Bienne.

He is a member of the three Committees within Kudelski SA's Board of Directors.

Gérard Limat is also a member of the Board of Ticketcorner, Nagra Public Access and polyright.

3.3 Cross-involvements

André Kudelski and Claude Smadja sit on the Board of Edipresse.

André Kudelski and Laurent Dassault sit on the Board of Dassault Systèmes.

3.4 Elections and terms of office

The members of the Board are appointed by the General Meeting for a term of one year. They may be re-elected. The term of office ends on the day of the Ordinary General Meeting. The Board of Directors establishes itself by appointing a Chairman and a Deputy Chairman. The Secretary may be chosen from outside the Board of Directors. He or she is not a member of the Board.

	1 st election to the Board	Last election	Expiry date of the appointment
André Kudelski	1987	10.05.2005	02.05.2006
Claude Smadja	1999	10.05.2005	02.05.2006
Norbert Bucher	1992	10.05.2005	02.05.2006
Laurent Dassault	1995	10.05.2005	02.05.2006
Patrick Fœtisch	1992	10.05.2005	02.05.2006
Stefan Kudelski	1968	10.05.2005	02.05.2006
Pierre Lescure	2004	10.05.2005	02.05.2006
Gérard Limat	1995	10.05.2005	02.05.2006

3.5 Internal organizational structure

3.5.1. Allocation of tasks within the Board of Directors

With the support of its three Committees, the Board of Directors exercises inalienable and non-transferable functions established by the law (Art. 716 CO).

The Chairman is responsible for conducting discussion at the General Meeting, meetings of the Board, the task of informing the members of the Board of the development of business and the biannual accounts as well as representing the company in respect of administrative and judicial authorities.

The Board of Directors today is made up of eight members, seven of whom are non-executive. It meets at least four times a year, but as often as the good conduct of business requires.

In the absence of contrary provision of law, management of the company is delegated to the Chief Executive Officer.

In his management activities, the CEO acts on the basis of directives issued by the Board of Directors, and safeguards the interests of the company.

He presents the accounts of the company to the members of the Board of Directors every six months. He also presents a report covering the substantive aspects of business development.

The Lead Director convenes and manages autonomously a meeting of the independent members of the Board of Directors if the interest of the company requires such independent discussion. He ensures a performance appraisal process for the Chairman and Chief Executive Officer of the Board of Directors.

The Lead Director sees to the independence of the Board of Directors vis-à-vis the Chairman and Chief Executive Officer, as well as vis-à-vis the company; he chairs the Board of Directors in case of conflict of interests of the Chairman and Chief Executive Officer.

In the current Group structure, the functions of Chairman and Chief Executive Officer are exercised by the same person. This situation is an asset because of the rapid evolution of the Kudelski Group's activity sector which requires a very fast decision-making process both operationally and strategically. Control mechanisms exist, inter alia the Lead Director function, in order to balance this situation. This situation is very frequent in companies operating in the Kudelski Group's activity sector.

3.5.2. Members list, tasks and area of responsibility for each Committee

Each Committee is governed by a charter defining its purpose, its obligations and its composition. The Committees of the Board also meet as often as is necessary and report regularly to the Chairman of the Board of Directors.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee oversees the remuneration policy implemented by the company. It likewise examines, together with the Chairman of the Board of Directors, the remuneration of the members of the Board of Directors and of the top management of the company.

It ensures that remunerations are aligned to the level of similar companies active in the same sector, as well as regions where employees and executives carry out their work.

It also ensures that remunerations encompass an important variable part for executives having significant influence on the business.

It submits to the General Meeting of shareholders proposals for appointment of members of the Board of Directors.

It reviews, at the Chairman of the Board of Directors' request, the applications for management positions and may therefore receive the necessary documents and meet with the candidates.

This Committee may consult outside experts in the preparation of its recommendations and decisions.

It is composed of at least two non-executive members of the Board of Directors.

Audit Committee

The Audit Committee provides effective and regular supervision for the financial reporting processes of the company in order to satisfy itself of their integrity, transparency and quality. It ensures the compliance of the accounting methods with applicable regulations on the subject and also sees to the constant updating and provision of financial information to the company.

This Committee supervises the internal reporting processes and the work of the external auditors. It ensures that the recommendations of the latter are followed up and safeguards their independence.

It supplies regular recommendations and reports to the Board of Directors on the adequacy, efficacy and truthfulness of the accounting processes.

The Audit Committee meets four times a year in principle. It reports to the Board of Directors on its activities. The Committee may call on independent experts and consultants as it deems fit in the accomplishment of its tasks.

The Committee is made up of at least three members who are non-executive members of the Board of Directors. At least one of the members of the Committee must have proven experience in the field of accounting. All members must have knowledge or practical experience of financial management. The members are appointed by the Board of Directors.

Strategy Committee

The task of this Committee is to constantly review and define the strategy of the Group. It drafts strategic development options with the goal of ensuring the long-term enhancement of the competitive position of the Group and its shareholder value.

To this end, the Strategy Committee monitors the development of the markets and the competitive position of the Group, drafts future development models and safeguards the development of the Group by means of investments, disinvestments and reorganization.

In order to define strategic choices, the strategic committee relies upon information gathered from the management, the Board of Directors, and, if needed, external counsels.

The Strategy Committee periodically reviews the adequacy between the Group's objectives, its structure and the organisation in order to meet the strategic objectives.

The Strategy Committee submits proposals to the Board of Directors, which remains the decisional organ for strategic matters.

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

	Audit Committee	Strategy Committee	Remuneration and Nomination Committee
André Kudelski		■	
Claude Smadja	■	■	■
Norbert Bucher	■		
Patrick Føetisch			■
Gérard Limat	■	■	■

■ Chairman
■ Member

3.5.3 Work methods of the Board of Directors and its Committees

In 2005, the Board and its Committees met as follows:

Board of Directors	6 times
Strategy Committee	3 times
Audit Committee	4 times
Remuneration and Nomination Committee	3 times

Average attendance at Board meetings, excluding absences for health reasons, was more than 90%. The Board reserved one full day for the discussion of strategic questions. With the exception of this one-day meeting, most meetings lasted between 3 and 4 hours.

3.6 Definition of areas of responsibility

The Board of Directors has delegated co-ordination of the day-to-day operations of the Group's companies to the Chief Executive Officer. The internal organizational structure and the definition of the fields of responsibility of the Board of Directors and the Committees of the Board are established in the By-laws. This document is available on request from the General Secretariat of the Kudelski Group.

3.7 Information and control instruments vis-à-vis the Group management

The Group has defined and implemented a risk management process enabling the systematic identification of key business risks, their potential impact and proposed measures. The risk management process addresses reasonably likely events and developments with a material economic impact on the Group and covers market, strategic, operational and financial risks.

The Controlling Unit provides ad hoc financial and operational audits targeted at identifying relevant risks along the value chain and devising opportunities for improvement. A segregation of duties between Controlling and Accounting ensures that appropriate controls are in place. In specific core areas, ad hoc units are in charge of ensuring appropriate internal controls: thus, for example, the Chief Security Officer and a Security Committee provide appropriate controls of the Group's core security activities.

The Audit Committee can request more detailed risk assessments in specific areas of interest.

The Group is developing its Information Management System, further enhancing the detail level and efficiency of its reporting by combining financial information and numeric information whilst taking into account the various stages of the sales process. This allows to have a permanent vision of revenues by unit for the upcoming quarters.

In this perspective, an expert team within the Controlling Unit is dedicated to analyzing the Group's performance and implementing and delivering an analytical service platform designed for the Group management and the operational units.

Key performance indicators are defined for all operational activities on the value chain and are automatically available from the information system.

The Project Controlling Office provides specific project-based indicators for the Digital Television activity based on the analytical platform. The project portfolio, approved and managed by the Group management, is managed according to acknowledged project portfolio management principles. Management of this portfolio enables monitoring of the use of available resources by the operational managers as well as by the Group management.