

## 2. Capital structure

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

#### 2.2 Authorized and conditional capital in particular

##### Ordinary capital

As of December 31, 2006, the share capital amounts to CHF 519 352 400. It is divided into 47 305 240 bearer shares with a nominal value of CHF 10 and 46 300 000 registered shares with a nominal value of CHF 1. Each share confers the right to one vote. All the shares are fully paid up.

##### Authorized capital

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

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

##### Conditional capital

The conditional capital amounts to CHF 112 085 160 and is structured as follows:

- A maximum amount of CHF 12 085 160 through the issuance of a maximum of 1 208 516 bearer shares with a nominal value of CHF 10, to be fully paid up, as and when the option rights or the share subscription rights which will be granted to employees of the company and of affiliated companies are exercised.
- 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, to be fully paid up, as and when the conversion rights linked to the convertible bonds of the company or its subsidiaries are exercised. Preferential subscription rights for shareholders are excluded.

## 2.3 Changes of capital

	31.12.06	31.12.05	31.12.04
CHF'000			
Registered share capital	46 300	46 300	46 300
Bearer share capital	473 052	470 529	469 296
Legal reserve	68 629	63 039	60 692
Net profit	72 320	35 182	723
Total available earnings	241 888	187 449	162 622
Total shareholders' equity	829 869	767 317	738 910

Information relating to changes in capital having taken place in 2006, 2005 and 2004 are shown in the Group's corresponding financial statements.

## 2.4 Shares and participation certificates

The capital of Kudelski SA on December 31, 2006 was made up of 46 300 000 registered shares with a nominal value of CHF 1 and 47 305 240 bearer shares with a nominal value of CHF 10. Each share confers the right to one vote at the General Meeting and to a dividend proportional to the nominal value of the share of whatever kind.

Kudelski SA does not have participation certificates.

## 2.5 Profit sharing certificates

Kudelski SA does not have profit sharing certificates.

## 2.6 Limitations on transferability and nominees registration

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

- a) If there exists valid reason within the meaning of Article 685 b (2) of the Swiss Code of Obligations, i.e. if admission of the acquirer of the stocks into the shareholder 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 can prejudice the company directly or indirectly and if transfer of the stock could jeopardize the existing majorities.

- b) If the company makes an offer to the vendor to take over the shares for its own account, for the account of other shareholders or of third parties at their actual value at the time of the request.
- c) If the acquirer has not expressly declared that he was taking over the shares in his own name and for his own account. If the shares were acquired by succession, division of an estate, marital property law or by debt enforcement, the company may only refuse its consent if it offers to the acquirer to take over the shares at their real value.

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

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

Kudelski SA has no regulations concerning nominee registration.

## 2.7 Convertible bonds and options

### Convertible bond

On October 5, 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 of actively managing its assets, in particular by optimizing the financial costs and by improving the duration of its financial debt instruments. The proceeds of the issuance were used mainly for the redemption of the previous convertible bond which was 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 of Switzerland.

The annual coupon amounts to 1.625% computed on the nominal amount of the bonds and payable annually as of October 5, 2006. The conversion price has been set at CHF 67.76 per ordinary bearer share of Kudelski SA.

The repayment price of the bonds is at par on October 5, 2012. Early repayment can take place after October 5, 2010. Kudelski SA unconditionally and irrevocably guarantees this issuance.

The convertible bond is listed on the SWX Swiss Exchange under reference no. ISIN CH0022692609.

The offering circular for the convertible bond is available upon request at the Kudelski Group headquarters or by e-mail at info@nagra.com.

More information on the convertible bond can be found in the Kudelski Group 2006 financial statements, note 27 to the consolidated financial statements.

### Options

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

The following options were distributed (status as at December 31, 2006):

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

For more information on the stock option plan, please refer to the Kudelski Group's financial statements, pages 47-48.

### Share purchase plan

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

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

This plan may be extended to other companies of the Group in the future.

A chart relating to employees' participation in this plan for the year 2006 is available in the Kudelski Group financial statements pages 47-48.