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The year 2008 was marked by passing the one billion Swiss francs revenue milestone and by a fundamental transformation of the digital TV business of the Kudelski Group.
For over 15 years, the Kudelski Group has posted an average revenue growth of more than 25% per year – mainly by organic growth – and for the first time passed the one billion Swiss francs revenue milestone in 2008.

The Kudelski Group ended this year of transition with total revenues and gain on sale of subsidiaries of 1.037 billion Swiss francs, an operating profit of CHF 18.5 million and a net loss of CHF 7 million.

It should be noted that the decision to accelerate the transformation of the Digital Television division’s business model from sales mode to service mode greatly affected the profitability of the last financial year. This special transitional situation led to the 2008 figures not reflecting the real operating performance of the Group. In fact, it was better than the figures suggested. In other words, without the massive change in business model, 2008 would have been one of the best years for the Kudelski Group.

The service mode has the advantage of better aligning the interests of the Kudelski Group with those of its major clients, by making its revenues depend on the installed base – i.e. the total number of subscribers – rather than on new subscribers only. Positive feedback from clients confirms that they see this model as strengthening their relationship and strategic partnership with the Kudelski Group. Financially, while the service mode is costly to implement, it is economically much more robust during periods of recession, even if the number of subscribers increases.

However, despite the high cost of the transition, one should not forget the objective of this migration, which is to improve the Group’s medium and long term profitability by capitalizing on the extended lifetime of new generations of smartcards.

With the mass migration of active cards/modules to the service mode, the Kudelski Group has reached an important strategic objective:

With the introduction of new security technologies and the move to service mode of the majority of the installed base, the Kudelski Group can now focus on its development strategy aiming to surpass the average market growth over the mid and long term. To achieve this, the Group is working simultaneously on three development axes:

1. Gain market share in its core business by capturing new territories and capitalizing on its technology and know-how.
2. Offer solutions addressing new markets derived from its core business (for example in the DTV sector: cable, DTT, IPTV, mobile TV).
3. Complete its solution offering by extending its services to sectors complementary
to its core activity (for example in the DTV sector: turnkey solutions, interactivity, middleware, set-top boxes, Digital Video Recorders, advanced advertising and integrated conditional access modules).

This three-point approach is based on the evolution of markets and technologies as well as on the specific skills of the Kudelski Group. It will become a key growth driver for both the Digital Television and Public Access sectors, considering that the primary objective is to create value for operators who have chosen our solutions and for the Kudelski Group.

In recent years, significant efforts have been employed to meet and anticipate market trends. However, this has resulted in increasingly complex solutions and additional costs.

Thanks to its critical mass and after implementing structures to sustainably meet market needs, the Kudelski Group is taking a string of measures to increase profitability, maximize productivity and reduce its cost base. Specifically, the following objectives have been defined:

- implementation of a solution architecture based on a common platform to optimize synergies between the various product lines;
- integrated management of solution roadmaps in order to reduce time-to-market, improve efficiency, increase solutions lifecycle and give customers better visibility on future developments;
- reduction of unit costs by gradually empowering sites located in low-cost regions close to our key markets (ex. China);
- increased cost flexibility and cost reduction through privileged agreements with strategic partners.

In order to implement its development strategy more effectively, the Kudelski Group has reviewed the distribution of responsibilities within the management of its Digital Television division. The new organizational structure is aimed at improving the quality and speed of action and places a special focus on product management, conditional access and integrated solutions. The bottom-line is to guarantee excellence in each discipline while ensuring the overall coherence of end-to-end solutions.

After the year 2008 marked by mass migration to the service mode, the Kudelski Group expects positive business developments in 2009. However, the uncertain global economic environment will lead the Group to be particularly watchful of the evolution of its activities and of its customers, in order to be able to anticipate any potential deterioration.

The Board of Directors will propose to the Annual General Meeting to pay a dividend of 1.5 centimes per bearer share and 1.5 centimes per registered share. The decision to maintain a dividend payment was motivated by the positive outlook for the year 2009 and by the desire to provide continuity to the shareholders who have placed their trust in us.

We would like to express our sincere gratitude to shareholders, customers, partners and employees who have enabled the Kudelski Group to achieve its transformation and face the year 2009 in a positive way.
MESSAGE TO SHAREHOLDERS

André Kudelski, Chairman and Chief Executive Officer of the Kudelski Group
Growth dynamics: the Group’s total revenues and other operating income reached CHF 1.037 billion
The Group continues
to exceed the average
dustry growth rate

RECOVERING SECOND HALF
The introduction of new generation security solutions at several Digital TV accounts together with the migration of some of the Group’s largest accounts to the service mode had a strong effect upon the Group 2008 results. Last year, the Group delivered over 25 million smartcards for customers migrated to the service mode.

As anticipated, this change in model affected the profitability of the Digital TV business. On the other hand, both the Public Access and the Middleware & Advertising segments continued to deliver on their positive momentum maintaining a healthy contribution margin in a challenging economic environment.

Once more, the Group confirmed the strong growth trend of the last 5 years, with total revenues and other operating income reaching CHF 1.037 billion. Achieving a compounded annual growth rate of 15% over the last 5 years, the Group continues to materially exceed the average industry growth rate.

With an operating margin of CHF 37 million, second half profitability exceeded expectations, leading to an operating income for the year of CHF 18.5 million. Initial results from cost control measures allowed the Group to reach a result over target, in spite of the 10% average USD exchange rate decline from 2007 to 2008.

CHF 18.5 MILLION OF OPERATING PROFIT IN 2008
While the weakening USD affected the 2008 top line, Group net revenues grew by 11%. At constant exchange rates, the Group achieved a strong 20.4% growth.

The “Margin after cost of material” (a proforma non-IFRS item) for the year was at CHF 696.5 million. As a percentage of revenues net of other operating income, the margin after cost of material is down 4.9 percentage points to 66.9%. While the card replacement at EchoStar positively contributed to the revenue line, it had a negative effect on the Group 2008 margins. Net of the EchoStar card replacement revenues, the margin after cost of material as a percentage of revenues would have been roughly at the same level as in 2007.

Compared to the previous year, personnel expenses increased by CHF 23 million. Entities acquired and consolidated for the first time in 2008 added CHF 13.7 million. Net of the newly acquired entities, Group’s personnel cost increased by a mere 2.8%, the lowest growth of the last 7 years. This was due, in particular, to cost control in the core conditional access business. Between the first and second half year, the increase of personnel cost was reduced to CHF 5.3 million.

Other operating expenses increased by CHF 39.9 million. CHF 28 million one-off costs for card replacements at three operators and CHF 7.3 million provisions for bad debt drove most of the increase.

Legal costs remained high in 2008. The Group consolidated operating profit (OIBDA) before depreciation and amortization amounts to CHF 92.2 million. Depreciation, amortization and impairments were CHF 24.2 million higher compared to 2007, mainly due to impairment charges for software assets and active smartcards. 2008 operating profit has reached CHF 18.5 million.

The interest expenses of CHF 16.1 million include interest costs for the outstanding convertible bond, while the net CHF 18.9 million finance expense is mainly driven
by FOREX losses. CHF 0.9 million income tax expenses reflect the Group’s optimized tax structure.

Overall, the Group generated a net loss of CHF 7 million for the full year. Following the CHF 34.9 million loss in the first half, the Group started to recover profitability in the second half posting a CHF 27.9 million gain. Net loss attributable to equity holders for the full year was at CHF 14.6 million.

Digital TV achieved a 26.6% growth rate in constant currency

Digital TV strongly recovered in the second half, generating a 46.1% net revenue growth compared to the first half. For the full year Digital TV achieved a 15.3% growth rate, 26.6% in constant currency. Digital TV has remarkably performed in Europe during the second half, with net revenues increasing by 44.5% compared to the first half. On a full year basis, European revenues were 18.2% higher, 24.8% in constant currency.

Among the Digital TV reference customers, Portugal Telecom deployed in 2008 the full Nagra solution suite, including conditional access, Quative’s Service Delivery Platform, and NagraGuide Electronic Program Guide based on OpenTV STB middleware. The Group acted as the end-to-end solution integrator. Portugal Telecom provided the largest growth contribution of the Group’s European customers in 2008.

In the Americas, net revenues almost doubled compared to the first half, with the EchoStar card replacement as the main driver of this growth. The American Digital TV customer portfolio continues to broaden, with an ongoing inflow of new customers. As an example, TVAzteca, a new customer, was the highest growth contributor of our South American Digital TV business in 2008.

Asian Digital TV sales were roughly at the same level as in the first half. While local currency sales did not grow compared to the previous year, the consolidation took place at a high absolute level, following the 56.5% growth rate achieved in 2007.

2008 operating income for the Digital TV segment was over initial expectations at CHF 7.3 million, posting a recovery in the second half.

Within Digital TV, new business areas continued to grow on an aggregate basis compared to the previous year, but still generated a single digit million operating loss.

Impact of Migration to the Service Mode

In early 2008, the Group stated the intention to push for the migration of the majority of its installed base of cards to the service mode. The Group is successfully delivering on this plan, having completed the migration of over 25 million cards to the service mode in 2008, in addition to the natural growth of its installed base of cards in service mode by more than 7 million units.

Among the customers introducing the new pricing model, the largest one is EchoStar. The Group expects to award to EchoStar a monetary consideration upon the successful signing of a new multi-year agreement. In 2009, the Group expects to net such consideration out against outstanding receivables from EchoStar.

The Group has applied the terms of the new agreement with an upfront payment for each smartcard delivered and a recurring monthly payment from the beginning of 2008. Based on this new model, the Group recognizes the upfront revenue when cards are delivered.
2008 Financial Review

and invoiced and the recurring revenue on an ongoing monthly basis. The cost of cards is expensed.

In addition to EchoStar, the Group shifted other large operators to the service mode. Overall, the net cash impact, without migration and R&D costs, of the service mode migration amounts to CHF 162 million.

In 2008, the Group also replaced 10 million new generation smartcards for other operators accounted for in the service mode.

The aggregate P&L impact, without migration costs, R&D costs and impairments, of the service mode migration and service mode card replacements in 2008 totaled CHF 92 million.

Public Access grows by 10.8%

Public Access growth moderately decelerated in the second half, with a year-on-year growth of 7.2%, 10.8% in constant currency. European sales were up 8% in constant currency, with a favorable contribution from the Car Access sector. The American region continued to outstrip the market growing by 39% in constant currency, while Asia and Africa consolidated their revenue contribution, generating sales of CHF 20.2 million. This represents an increase of 11.4% in constant currency, following a particularly strong year 2007, where the Asia region generated a 30% growth rate.

Public Access posted an operating income for the year of CHF 21.6 million. In spite of the difficult market conditions, Public Access operating margin is only 1 percentage point short of the 10% target margin.

Middleware & Advertising in line with expectations

The Middleware & Advertising top line has been nominally growing at 11.5%, 23.9% in constant currency, in particular benefiting from the strong development of the Indian market.

On the other hand, the European business was weak in 2008 reflecting a slow down affecting two large accounts. Exchange rate effects further accentuated the slow down, with European revenues down by 6% in constant currency and by 15.4% in Swiss francs compared to the previous year.

At CHF 10.2 million, operating income for the Middleware & Advertising segment was positive for the first time, following initial quick wins envisaged upon the acquisition of a controlling stake in OpenTV.

Balance Sheet and Cash Flow

New cards in service mode drive the increase of Financial assets and other non-current assets, with a CHF 22.4 million increase of long-term deferred contract costs for cards in service mode. Tangible fixed assets are down CHF 12.1 million, including an impairment of CHF 14.9 million for the residual value of old cards and equipment in service mode.

Most of the increase in intangible assets is related to the CHF 10.3 million additional Goodwill from the acquisition of EmbedICs, EDSI, SkiBadge, Orcus, Pač and Ruzz.

Receivables are CHF 93.7 million over the balance at end of 2007, including the EchoStar receivables earmarked for the aforementioned monetary compensation. The ageing of the outstanding receivables shows that amounts overdue for more than six months went down from 7.9% to 3.3% of total receivables.
Total non-current liabilities increases by CHF 44.1 million including additional bank loans of CHF 33.7 million. Total current liabilities are CHF 103.1 million over the end 2007 balance, mainly reflecting CHF 66.9 million additional short-term bank borrowing to finance liquidity needs in relation to service mode deployments.

The increase of receivables led to a negative CHF 7.4 million operating cash flow for the year. The Group used CHF 100.6 million for investing activities, including CHF 60.7 million for tangible fixed assets mainly relating to smartcards and equipment for customers in service mode, CHF 34.8 million for the acquisition of subsidiaries and CHF 28.8 million for purchases of intangible assets.

OUTLOOK
In early 2009, the Group has completed the migration of large Digital TV customers to the service mode. Between 2008 and end of February 2009, more than 30 million smartcards were shifted to this model.

In 2009, the Digital TV segment will reap the initial fruit of this change in model. Service mode revenues are expected to fully kick in starting in the second half and one-off migration costs will be substantially lower than in 2008. While lower upfront replacement card payments will affect the top line growth, the Group expects improved operating profits and substantially better cash flows. Both the Public Access and the Middleware & Advertising segments are expected to experience a higher sensitivity to the overall development of the economy. While 2009 growth is likely to slow down, the Group has initiated cost containment measures aimed at maintaining the profitability of both segments.
More than 50% of the installed base of cards is now in service mode. In 2008, 25 million active cards were migrated to this mode.
Liang
Architect, Hong Kong

« I can now follow TV programs without interruption, changing from the TV to my mobile phone or my laptop. It’s simple and easy for me, always on the move and often in a rush. And it allows me to see programs without having to get home on time »
Strengthened by its success in new segments, the Kudelski Group has consolidated its position as world leader in digital television
Kudelski Group revenues in 2008 passed the symbolic milestone of one billion Swiss francs. In nearly 20 years, the company multiplied its revenues by 50, demonstrating its ability to sustain strong long-term growth and to seize opportunities in its core business, digital TV.

**LEADERSHIP IN AN EXPANDING MARKET**

The transition from analog to digital in the television industry continues apace, especially in the cable sector, and will accelerate over the next five years.

The Kudelski Group is thus operating in an expanding market, especially as television finds new ways of dissemination through the process of digital convergence and remains one of the most widespread entertainment activities in the world.

An early player in this market, the Group now holds a leading position with content security solutions that have extended to adjacent sectors over the years to address the increasingly complex needs of operators and the expectations of end users.

**FROM NICHE TO MASS MARKETS**

Strategically, the Kudelski Group anticipated several years ago the effects of digital convergence, which now enables the same content to be distributed to and consumed on multiple terminals such as television, PC and various mobile devices. This evolution allowed the company to continually push back the boundaries of its business, which originally consisted of securing access to pay-TV programs. Today, the technologies of the Group are diversifying wherever video or multimedia content requiring security is broadcast, whatever the distribution channel — satellite, terrestrial, cable, Internet or telecommunications.

Television consumption is diversifying rapidly, moving from the living room to all kinds of mobile receivers. The Kudelski Group’s success in the field of mobile TV illustrates how the company is entering the new mass markets. Resulting from the Group’s research in 2004, the mobile TV solutions were introduced on the Italian market, in many respects recognized as avant-garde. In 2008, they were deployed in several other countries, including China, where the 2008 Olympics provided the opportunity to launch the concept on a large scale. Today, the Group has become the world leader in this field.

Still in their initial phase and yet to reach break-even point, mobile TV solutions have real development potential. With other new sectors — SmarDTV’s conditional access modules, IPTV, advanced features, graphic user interfaces — they already account for a significant part of Digital TV revenues and are an important growth driver for the firm in the medium and long term.
INNOVATION AND GROWTH

Total revenues of the Group in CHF 000 000

Year 1951 60-70 71-80 81-90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08

- First professional portable recorder, Nagra I
- First professional portable video recorder
- First of pay TV activity
- First digital TV access systems
- High-end HiFi audio line
- Mixed TV/Internet systems
- Entry into content management market
- Entry into physical access sector
- Freemotion access control systems for ski
- Cards with predetermined access rights
- Full VOD/DVR solutions
- IPTV solutions
- Mobile TV solutions
- Middleware/advertising solutions
- Solutions for hybrid networks
- End-to-end DTV solutions
- Third generation security solutions

Digital TV
Public Access
Audio

Innovation is a key growth driver for the Kudelski Group, as a technology expert. Innovation has enabled the Group to create more value for both its customers and itself.

2004-2008 figures are based on IFRS financial statements; 1997-2003 figures are based on Swiss GAAP FER; 1996 and previous years are based on the Swiss Code of Obligations

* Average yearly revenues
AN EVOLVING PRODUCT RANGE
The Kudelski Group’s increasing role with operators also contributes to the firm’s expansion. From a specialized provider of access control systems, the Group has become a global and multidisciplinary partner. It now offers integrated end-to-end solutions that can adjust to the operators’ existing platforms and that can be deployed over any distribution mode.

Kudelski solutions are used to organize content, enhance and manage it and provide attractive and user-friendly interfaces for the end user. In this context, the acquisition of a controlling stake in the Californian company OpenTV in 2007 was a strategic move, bringing the Group new skills and market presence in the field of interactivity and new forms of advertising. The company is now present on the entire digital TV ecosystem.

Thanks to the variety of its solutions, the Kudelski Group is positioned as a preferred partner enabling operators to improve their services to subscribers, introduce new applications, increase ARPU (Average Revenue Per User) and reduce the investment cost per customer. The Group aims to continuously increase the value of the relationship between the operator and the subscriber. Therefore, the notion of service is clearly a natural axis of development for the Group in the years to come.

MIGRATION TO SERVICE MODE COMPLETED
In 2003, the Kudelski Group decided to gradually change the business model used with its most strategic clients from a sale to a service mode. As a result, relations between the Group and its customers moved towards a real partnership.

The new business model enables operators to acquire and operate Kudelski’s conditional access systems on the basis of a fee determined by the number of smartcards/modules in use by the operator. It reduces the operators’ capital needs when acquiring new subscribers and includes maintenance and periodic smartcard replacement costs.

For the Kudelski Group, the service mode has the long-term advantage of generating a more stable revenue stream, being less dependent on the one-off sale of new systems and less subject to the vagaries of the economy. In addition, this mode is particularly suitable for mature markets. However, the new model required major investments and led to a momentary loss of income during the migration period. At the end of 2008, some 25 million cards had been migrated. The process was completed in February 2009 with a further 5 million cards transferred. Therefore, the full effects of this migration will be felt from 2010 when the conditions for profitability are met.

Strategically, this business model has the advantage of aligning the interests of operators with those of the Kudelski Group. While supporting the technological risks, the Kudelski Group keeps control of the technology and the introduction of new generations of products. If product lifetime is extended, both the Group and the operator reap the benefits.
A MORE DIVERSIFIED CUSTOMER AND INCOME BASE
Through its increasingly comprehensive digital TV solutions and its range of products targeting new industry sectors, the Kudelski Group is extending its business development opportunities by addressing mass markets. This allows it to significantly expand its customer base and strengthen its position on all five continents.

The company’s revenue sources are now much more diversified than a few years ago. With the introduction of the service model, this contributes to steadier revenue streams and better risk distribution.

In the Group’s traditional activity sector, customers gained during 2008 are mainly based in Asia and Europe, but also in America. Significantly, many of these operators have opted for multi-solution systems including for example conditional access, IPTV and OpenTV’s middleware and interactive advertising solution.

In the new sectors, client wins include telcos with renowned companies such as Vodafone Italy, Telecom Italia Mobile, Telefónica, and China Satellite Mobile Broadcasting.

THIRD-GENERATION SECURITY
Security remains at the heart of the Kudelski Group’s missions and remains a strategic

The company’s revenue sources are now much more diversified than a few years ago. With the introduction of the service model, this contributes to more robust revenues and better risk distribution.
issue, especially in new sectors. With the proliferation of transmission channels and the diversity of consumer devices, security is becoming an increasingly important component therefore requiring specific developments.

The company is allocating very substantial resources in this area so as to always deliver the most state-of-the-art technologies and counter piracy activities. A significant share of the R&D budget – which represented more than 220 million francs in 2008 – is devoted to this aspect. Fundamentally, the Kudelski Group is committed to combating piracy and is deploying appropriate measures at both the technological, operational and legal levels. This is essential to protect the vital interests of its clients and their revenues.

The conditional access systems supplied since the second half of 2007 and the smartcards associated with them have third generation technology based on a diversified and segmented approach to security. Security is diversified in time and space making it difficult for hackers because of modifications in the encryption model. In this new concept, anti-piracy and monitoring activities form an integral part of the security strategy.

The Kudelski Group is engaged in an active and fundamental fight against television piracy. As part of this effort, it is prosecuting companies and individuals who are involved in piracy activities as well as those who develop infrastructures designed to facilitate such activities. Through these actions, the Kudelski Group aims at extending the lifespan of the solutions used by its clients by reducing the economic attractiveness of large-scale industrial piracy in the long term. These actions complement the significant development of new security technologies.

The technologies developed for conditional access systems have a direct impact on all the solutions proposed by the Group in the new business areas. Therefore, they represent a significant competitive advantage in winning new customers and new markets.

**STRUCTURES EVOLVING IN RESPONSE TO NEW CHALLENGES**

Market dynamics and the sustained and continued growth of the Kudelski Group require periodic rethinking of the structure of the company, especially since it addresses a global market.

In 2008, the Group reviewed its Digital TV organization and strengthened its top management team.

The new structure is designed to address new operators’ needs and respond to increasingly complex challenges. It is based on two core values to ensure the future success of the Group, creativity and rapidity.
A GLOBAL LEADER IN PUBLIC ACCESS SECURITY

Nagra Public Access is the Group’s second activity sector. It offers security technologies for physical access applications with solutions designed to manage the access of people and vehicles to facilities and sites.

The Kudelski Group also holds a strong position in this sector, with solutions for car parks, ski resorts, amusement parks, stadiums and sites such as university campuses, hospitals and corporations.

In the field of public access as well as in the television sector, digital convergence is extending further the range of possibilities and driving the evolution of consumer habits. To address this situation, the Group is developing increasingly global and integrated solutions allowing operators to manage interaction with the end-user – which is also becoming more frequent – in a coordinated and simplified way.

The growth strategy of the Nagra Public Access entity, which began to bear fruit more than two years ago, is primarily focused on two areas: geographic expansion, particularly outside of Europe, and the development of new solutions.

STRONG GROWTH

The evolution of public access solutions towards an integrated management concept is reflected in a growing range of products and an increased demand for service and consulting activities. Nagra Public Access achieved a 10.8% growth at constant currency in 2008 and now accounts for 23% of the Group’s consolidated revenues. In addition to organic growth, the company is also developing through acquisitions and partnership contracts. During the past year, several investments were made including:

- acquisition of French company Skibadge, provider of automated ski ticket vending equipment;
- collaboration agreement with the American company RTP LLC (formerly known as Resort Technology Partners), a leading provider of integrated point-of-sale software and internet solutions to the resort, recreation and entertainment industries. This agreement was complemented in late 2008 by taking a 25% stake in the capital of this company;
- acquisition of a 49% stake in Hinditron, distribution partner in India for parking management systems;
- acquisition of Belgian company Orcus, providing access control solutions for the parking industry.

In addition, the Group sold its 25% stake in Digital Elektronik, continuing however, its collaboration with this production partner. This sale is in line with the Nagra Public Access strategy to focus on its expertise in research and development rather than on production aspects.

INCREASINGLY GLOBAL PRESENCE

Global expansion requires constant strengthening of the sales network. The Nagra Public Access distribution network was particularly extended in North America and Asia in 2008. Additionally, in order to strengthen relationships with operators and to develop strategic markets more actively, new subsidiaries were set up in the US (Denver), Canada (Vancouver), India (Mumbai), the Middle East (Dubai), Spain (Madrid), France (La Ciotat) and Belgium (Brussels), and the existing subsidiary in Japan was strengthened. A joint venture was established in India between SkiData and its distributor Hinditron, following the successful entry into this market in 2007.

Additionally, the division is developing more and more intensively in emerging markets especially in South America and Central Asia.
PERPETUATING THE LEGEND

Today, the audio sector only accounts for a very small portion of the Group’s revenues. However, the company remains committed to this activity, which since its inception in 1951, has consistently contributed to the positioning and the reputation of the Nagra brand.

The Nagra Audio Division continues to design and produce professional recorders, the latest generations of which incorporate the most advanced digital technology. Nagra’s equipment is designed to be part of a now fully digital sound and image production process, containing all the features required to interface easily with the world of computers and networked telecommunications.

With a wide range of products, Nagra is present in several specific markets including audio-visual media, cinema studios and, with ultra-miniature devices, the security domain related to secret services.

Since 1997, Nagra Audio has diversified its production to the Hi-Fi area, where the brand occupies the high-end segment. With a growing range of devices, this sector is experiencing constant growth and now generates income equivalent to that from professional equipment.
Today, things are changing all the time. And all new developments in the world are likely to affect us. To stay in touch with what’s going on, I keep myself permanently informed. And I have a simple and effective tool to help me: mobile TV
Convergence: The Kudelski Group has a complete suite of solutions that enable it to play a key role in the evolution of the digital television ecosystem
DIGITAL TELEVISION

More than 101 million active smartcards/modules worldwide

One of the main strengths of the Kudelski Group is to have developed comprehensive and scalable solutions that address all platforms, whether they use satellite, cable, digital terrestrial, IP or mobile technologies. Thanks to their architecture, the Kudelski Group’s solutions adapt perfectly to hybrid platforms that combine several types of networks.

END-TO-END SOLUTIONS TO ADDRESS NEW NEEDS
The Kudelski Group offers a suite of integrated solutions meeting the needs of convergent platforms. Conditional access, middleware, content management and protection, interactivity, user interfaces and security modules are the main elements of a range that covers the entire digital television ecosystem.

The Kudelski Group delivers global turnkey platforms enabling operators to offer their subscribers more choices in viewing content and interacting with it.

The diagram on pages 33-34 shows the entire digital television ecosystem and the content lifecycle, from creation to consumption. It shows how the Kudelski Group’s solutions operate within this system and how they add value to the TV experience.

Content protection / Conditional access
Nagravision is the leading supplier of open conditional access systems, Digital Rights Management and integrated on-demand solutions for content providers and digital TV operators. Its technologies are currently being used by leading pay-TV operators worldwide securing content delivered to over 101 million active smartcards/devices.

Content management
Lysis CMS (Content Management System) is an end-to-end flexible system allowing for the secure and optimized workflow management from acquisition of content to payload transmission. This powerful tool enables operators to create and manage linear TV and video-on-demand services as well as product bundles for set-top box, PC and mobile consumption.

Advanced digital television solutions
The Kudelski Group’s expertise in the field of advanced and interactive digital television solutions lies primarily in OpenTV, a company dedicated to creating and delivering compelling viewing experiences to consumers of digital content worldwide. These advanced digital television features are powered by the company’s middleware, which is integrated into set-top boxes and digital televisions around the world and across multiple platforms including satellite, cable, IPTV and DTT. One of the company’s leading technologies is its PVR solution which enables network operators and consumer electronics manufacturers to create an advanced PVR solution in a very flexible manner, which includes features such as multiple simultaneous recordings of programs, access to video-on-demand services and electronic program guides.

The OpenTV product range also includes innovative interactive and addressable advertising solutions, participative applications as well as a variety of enhanced television applications.

Electronic Program Guides
Electronic Program Guides (EPG) facilitate navigation, guiding subscribers as they adjust to the explosive growth in digital TV programs. Nagravision’s NagraGuide solution (based on OpenTV’s middleware) as well as the user interface developed by OpenTV benefit from advanced features.
Reliance’s Big TV Indian DTH service: more than 1 million subscribers in its first 90 days

Based in India, Reliance communications has chosen the Kudelski Group's complete solution suite for its new Big TV MPEG-4-based DTH service launched in August 2008.

Transmitted from the MEASAT 3 satellite covering both India and the surrounding region, the Big TV service includes 200 TV channels as well as subscription and pay-per-view video-on-demand. The operator plans to upgrade the offering to over 400 channels and to introduce DVR services.

Big TV gained more than 1 million subscribers in only three months, with the highest single day activation figure of 20,000 subscribers. Thanks to its experience in the execution of large, complex projects, Nagravision was able to quickly understand Reliance’s needs, and then integrate the building blocks needed to realize Reliance’s goals. The end-to-end solution provided by Nagravision includes:

- the conditional access solution that ensures content security and secure delivery;
- the content management system (CMS);
- integration of OpenTV’s middleware and applications in the set-top boxes;
- NagraGuide interactive program guide.

Nagravision acted as the solution integrator providing an end-to-end solution.

Reliance’s Big TV Indian DTH service: more than 1 million subscribers in its first 90 days

DIGITAL TELEVISION

including PVR management application and on-demand services.

Quative Service Delivery Platform - IPTV

Quative provides a next-generation award-winning Service Delivery Platform (SDP), in combination with a comprehensive Content Management System (CMS) from Nagravision/Lysis and a&es as a specialized end-to-end IPTV solution integrator for service providers. Quative is focusing on telecom and Internet service providers launching new IPTV services or migrating to next-generation IPTV solutions. Quative also offers a solution for cable and satellite/terrestrial pay-TV providers deploying IPTV to seamlessly enrich the existing broadcast services.

SmartDTV’s removable security modules

SmartDTV is an international leader in pay television technology. It designs and manufactures highly secure, interchangeable modules and associated enabling technologies, which provide authorized access to scrambled television services. SmartDTV CAMs and CableCARDs are used daily by millions of subscribers around the world. These modules address the needs of the rapidly expanding market of removable security modules used to secure consumer electronic equipment such as integrated digital television sets. These devices feature an interface (PCMCIA-like) into which a conditional access module (CAM) or a CableCARD module can be inserted, making the use of a separate decoder superfluous. Compliant with DVB and OpenCable specifications, the SmartDTV modules also enable the deployment of interactive applications such as pay-per-view, video-on-demand and games. The cards support high definition programs.
Digital Television

NAGRAVISION/OPEN TV COMPLEMENTARITY IN PRODUCT OFFERING

PCTV
SmarDTV’s PCTV solution is a compact module the size of a USB key integrating the USB interface, conditional access features and a DVB tuner for digital terrestrial broadcasting. This module enables users to receive digital pay-TV programs on a PC.

OPEN TV
In 2008, OpenTV achieved its first year of profitability and remained on target to establish long-term profitability and growth both for the middleware and the advertising activities.

Strong potential for PVR solutions
OpenTV’s PVR solutions represent a high potential, fast-growing market. Of the 121 million enabled digital decoders and TV sets, 73 million are PVR-enabled devices. In 2008, shipments of these devices grew 56% over 2007. The expansion of this market provides OpenTV with more opportunities to up-sell in areas such as video-on-demand, advanced advertising, home networking and advanced IP-aware interactive applications.

Advanced advertising solutions
OpenTV develops and markets interactive and addressable advertising solutions that enable operators to add value to advertising over different platforms. OpenTV also provides advertising campaign management solutions (OpenTV Eclipse® and OpenTV EclipsePlus™) which currently deliver and manage spot advertising to more than 28.5 million cable subscribers in the US, representing approximately 45% of that market.

Hybrid and convergent platforms
The strong hybrid trend can be seen as a pragmatic precursor to the convergence of delivery networks (satellite, terrestrial, cable, DSL, mobile, etc.) and media consumption devices (TV, PC, mobile, portable players, etc.). The crossover between broadcast (DTT, DTH) and broadband (cable, DSL) is increasingly leading operators to redefine their needs in order to prepare for the future. This evolution is driven from both sides of the spectrum. Broadband operators are relying on broadcast technologies to increase service coverage and enhance bandwidth efficiency for the basic offering. Likewise, broadcast operators are increasingly relying on broadband to add interactivity and on-demand capabilities to their offer.

In the specific case of cable operators, broadcast (DVB-C) and broadband (IP DOCSIS) naturally come together on the same conduit to create the optimal mix of bandwidth efficiency and interactivity.

A similar evolution is occurring in mobile TV: a broadband approach, such as 3G, and broadcast distribution (DVB-H, FLO,
STiMi, etc.) can mutually enrich each other in bandwidth efficiency and interactivity.

Much has been said about convergence over the past ten years. However, today it is no longer just a concept but a reality. There is a strong demand developing for media assets to naturally follow the consumer’s rapidly evolving “digital lifestyle” in which it is almost taken for granted that content follows the consumer from one device and location to the next. New consumption habits have emerged offering real opportunities for the digital television industry. Technologically, the challenge is to offer consumers a consistent and simple media consumption experience. It is also to manage the entire content life cycle and create business models that match the increasingly varied and complex behaviour people are developing around digital content (watch, pause, rewind, store, take along, annotate, share, comment, find similar, file, etc.).

MOBILE TV – NAGRA CONFIRMS ITS LEADERSHIP

The Kudelski Group has supported mobile phone operators since the early commercial deployments of mobile TV services. Its Nagra Mobile solution is used by Italian operators H3G, TIM and Vodafone who were the world’s first operators to introduce mobile TV services on secure DVB-H networks.

In 2007, the Group consolidated its position as the mobile TV market leader by winning several new deals in Europe, the United States and Asia. A significant step was made in 2008 when the Group’s technology was selected by China Satellite Mobile Broadcasting Limited (CSM), a company held under the Administrative Bureau of China’s State Administration of Radio, Cinema and Television (SARFT) as the conditional access provider for its nationwide mobile TV service CMMB (China Mobile Multimedia Broadcasting) that was launched for the Beijing 2008 Olympic Games.

Nagra Mobile on all standards

A leader in mobile TV on DVB-H with over 95% market share in terms of number of users, a pioneer on the STiMi standard with the deployment in China, Nagravision is further extending its footprint in the mobile television market with developments on the DVB-SH and MediaFLO standards.

The DVB-SH broadcasting technology enables the delivery of content from the satellite directly to the mobile phone. This market offers good growth prospects as the European Commission is expected to grant European-wide broadcasting licenses to a number of satellite operators. These will sell their services to television operators as well as to mobile telecommunications companies. Nagravision has supported two major DVB-SH trials: Solaris Mobile (Eutelsat / SES Afra), the leading provider of satellite networks for next generation mobile services, and ICO Global Communications Ltd. in the United States. ICO is developing an advanced hybrid system combining satellite and terrestrial communication services to offer voice, data and Internet throughout the United States on portable devices. Furthermore, in 2007, Nagravision was the first conditional access company in the world to comply with the MediaFLO standard.

MicroSD cards: bridges between connected and non-connected devices

The secure Nagravision MicroSD card is fully integrated with the Nagra Mobile conditional access solution. The card offers consumers a bridge between their connected mobile phones and their unconnected devices such as personal navigation devices and portable media players, providing full portability for both live access and recorded content. The Nagra Mobile conditional access system delivered to China Mobile also integrates MicroSD cards.
China’s national mobile TV service launched by China Satellite Mobile Broadcast (CSM) for the Beijing 2008 Olympic Games and secured by Nagravision’s conditional access solution, now covers 150 cities in China. During deployment phase two announced in February 2009, 183 additional cities will be secured by the Nagravision CAS. Nagravision will also secure the full national satellite coverage which extends the service to rural areas.

Based on the STiMi (Satellite Terrestrial Interactive Multi-service Infrastructure) standard, this service is available on a range of devices including handsets, digital media players and computers. More than 200 devices from over 120 partners will be integrated with Nagravision’s conditional system. At the end of the first half of 2009, Nagravision plans to have completed integration with more than 150 devices.

From 1st January 2009 in China, mobile transmission signals are encrypted. Nagra Mobile secures mobile TV services including Chinese channels as well as news, weather and music channels, among others.

**STRONG GROWTH ANTICIPATED**

The subscriber base of the service is expected to grow dramatically in the coming years as coverage is increased. In anticipation of continued service growth, Nagravision is preparing to deliver over four million secure chips in 2009. Additionally, Nagravision is deploying 338 systems. This is a very large deployment demonstrating Nagravision’s strong footprint in this market.

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**MADAM SUN ZHAOHIU, DEPUTY DIRECTOR-GENERAL AND HEAD OF THE CSM DEPARTMENT AT SARFT**

“This project has the potential of shaping a turning point in the mobile TV industry thanks to the unwavering commitment of the government of China to make it happen, the sheer scale of the Chinese population who will benefit from it and drive immediately huge economies of scale, and the utmost commitment of the industrial players involved in China. We selected Nagravision as our conditional access system partner based on their leadership position in the conditional access industry, the proven scalability and stability of their systems, and their ability to deliver and manage complex systems.”
For Kudelski, innovating means delivering creative solutions enabling operators to enhance and extend their offering.

ACCOMPANY THE CLIENT’S DEVELOPMENT

Innovation means offering creative solutions enabling operators to continuously enhance their services and achieve their objectives. For the Kudelski Group, innovation goes far beyond the technology aspect, even though the firm makes substantial investments in research and development.

The Kudelski Group has been a long-time partner of the CANAL+ Group. For over twenty years, it has accompanied the operator’s evolution, from the launch of analog pay-TV channels in the 1980s through to today’s sophisticated range of services.

CANAL+ is a major player in the programming and production of pay-TV offerings. A pioneer in the new television sectors and technologies, this operator is particularly known for its innovations transforming the habits of consumers by delivering increasingly rich and diversified content and creating new ways of consuming it.

In 2008, two major innovations using Kudelski Group technologies were launched:

- a miniature high-definition digital terrestrial television decoder in USB format for pay-television viewing on personal computers;
- a dual-tuner, high-definition satellite terminal, with Internet connection and integrated hard disk offering a range of innovative services.
THE WORLD’S FIRST HD DIGITAL TERRRESTRIAL USB KEY DECODER FOR PAY-TV
Launched under the name LA CLE CANAL+, the device offers subscribers a seamless experience bundling the CANAL+ bouquet including CANAL+ HD with the 18 free-to-air DTT channels, some of which in high-definition, and local channels. The entire content protection for encrypted premium programming, including rights management on the PC, relies on the Nagravision, Nagra+ and SmarDTV technologies developed with the CANAL+ teams. This solution represents a major worldwide innovation. Subscribers can connect the USB key to the PC to immediately access free-to-air DTT programs and also, if they wish, the CANAL+ bouquet, anytime and anywhere, without needing a connection to the Internet. The device decrypts the content using a Nagravision conditional access system integrated in a SIM format.

“We have been working with the Kudelski Group since the end of 2006. Their teams collaborated with us from start to end, from the conception of the idea right through to the creation of the technical solution. The Nagra+/SmarDTV solution is compatible with any DTT network in the world, meaning that we can roll this out in future without having to start from scratch. And this is by no means the least of the qualities of this solution.”

+LE CUBE – STATE-OF-THE-ART TECHNOLOGY TO DELIVER THE BEST CONTENT
In November 2008, CANAL+ revolutionized all existing viewing habits and launched +LE CUBE: a fully redesigned, intelligent and interactive decoder, offering subscribers a new TV experience. +LE CUBE is a dual-tuner, high-definition, satellite terminal with internet connection and integrated hard disk. But beyond its technological performance, +LE CUBE offers innovative services:

“AVANT-PREMÈRE” (preview)
A service that allows subscribers to access the episodes or seasons of exclusive American series, in the original subtitled version, just after their U.S. broadcast and before their broadcast on the CANAL+ channels.

“AVANT-DERNIÈRE” (postview)
The possibility for subscribers to view or view again the previous seasons or episodes of their favorite American series.

LIVE-PROGRAM CONTROL AND HD RECORDING
The 320 GB hard disk allows live-program control with “Pause” or “Go back” during the broadcast. Storage space allows recording of up to 100 hours of high-definition programming on the hard disk.

CANAL+ ON DEMAND
The “catch-up” service which allows subscribers to access the best content up to a month after its initial broadcast.

PROGRAM GUIDE
+LE CUBE integrates a new, even richer, simpler, more user-friendly program guide that will be able to automatically recommend broadcasts likely to interest subscribers based on their preferences.

JEAN-CHRISTOPHE DEKEYSER-DONZE, BUSINESS DEVELOPMENT NEW BROADCAST PRODUCTS, CANAL+ GROUP

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Digital TV value chain

Digital Media Market Structure

**Content**
- TV: TV programs, Music, Sport
- On Demand: e-commerce, Video-on-demand, Interactive advertising, Avant-premiere
- Web: Participation TV, Social networking, Games

**Services**
- Protection of access to content and services
- Content management
- Applications

**Distribution**
- Broadcast: terrestrial, satellite
- Broadcast: cable
- Broadband: cable, telcos
- Mobile: 3G, DVB-H, DVB-SH, MediaFLO, StiMi
- Hybrid: combined networks

**Consumption**
- Anytime, anywhere, on any device
- AT HOME: TV, decoder, DVR (Time Shifting), home server, PC, etc.
- ON THE MOVE: mobile phone, multimedia player, laptop, etc.
SEIZE THE OPPORTUNITIES OFFERED BY CONVERGENCE
The transition to digital and the convergence of networks results in richer content offered to consumers. The Kudelski Group’s end-to-end solutions address operators’ needs and enable them to take advantage of the new possibilities and increase their revenue sources.

NAGRAVISION
Content protection, conditional access, on-demand services (VOD, SVOD, Start-over, Catch-up TV, etc.), DVR applications, user interfaces

open.tv
Middleware, interactive applications, advanced and addressable advertising, recommendation solutions

lysis
Content management

QUATIVE
IPTV platform

SMAR.TV
Removable conditional access modules and PCTV solutions

Ableis
Integrated circuits for digital television, wireless communications

nagra ID
Secure smartcards

KUDELSKI ADDED VALUE
SEIZE THE OPPORTUNITIES OFFERED BY CONVERGENCE
The transition to digital and the convergence of networks results in richer content offered to consumers. The Kudelski Group’s end-to-end solutions address operators’ needs and enable them to take advantage of the new possibilities and increase their revenue sources.

PROTECT REVENUES – ENABLE NEW BUSINESS MODELS
Kudelski’s solutions allow operators to securely manage and broadcast their content and to extend their services while offering more interactivity to consumers. The most state-of-the-art technology supports and accompanies market evolution while responding to consumers’ expectations.

MAXIMIZE ALL TYPES OF NETWORKS
One of the key issues for operators is to be able to integrate new platforms and technologies in order to extend their services to other types of consumers. Thanks to their open architecture and their modular design, Kudelski’s solutions enable them to achieve this in a rapid and cost-effective manner.

A SEAMLESS VIEWING EXPERIENCE
The Groups’ solutions provide optimal comfort and ease of use. They are designed to offer subscribers a seamless and consistent TV experience across all devices.
Alex
Freerider, Zermatt

« I can access the whole mountain area keeping my RFID access card deep inside my pocket and forget about the gates where you have to remove your gloves to find your card »
SkiData confirms its growth: good 2008 financial results, new strategic investments and geographic expansion
SkiData successfully pursued its geographic expansion and technological development strategy confirming its position as a global player in the field of physical access control. In order to better meet the needs of operators and consumers and deliver optimized service quality, a “Solution Services” department was created last year. In 2008, SkiData’s dynamism was recognized when the company was named as the winner of the “Austria’s Leading Companies” competition for the province of Salzburg, an award that honors Austrian firms showing “outstanding growth and a solid financial basis.”

**INNOVATION REWARDED**
A technological pioneer for many years, SkiData continued to stand out by its ability to innovate. After the Salzburg Innovation prize awarded to SkiData in 2007 for the Freemotion access system, the company received the 2008 Intertraffic Innovation Prize for its new automated payment and vending machine Power.Cash.

This product sets a new benchmark in the parking industry. Based on an intuitive interface and integrating the various offers of service providers, the solution allows consumers to pay not only parking time, but also to access services related to local activities, such as tickets for public transport, shows or local leisure centers. This product demonstrates SkiData’s commitment to offer new high-value-added business models benefiting both consumers and operators.

**PARKING AS PART OF THE MOBILITY CHAIN**
Traffic and parking are two sectors that are converging giving rise to new needs and new expectations on the part of operators. Anticipating this demand, SkiData introduced a range of products in the parking domain aimed at integrating parking as part of the overall mobility chain.

Interfacing with systems from other vendors and based on interconnected software communication platforms, SkiData’s open architecture solutions allow access to different services in one single transaction using a single data carrier (card or ticket) on a payment terminal or through the Internet. As an example, this “total mobility” concept will be implemented in Belgium by the SNCB (Société Nationale des Chemins de fer belges), the national railways.

Data storage functions, centralized management and remote systems monitoring can be integrated into SkiData solutions, allowing operators to control their facilities more efficiently.
TECHNOLOGIES OF THE FUTURE: TOWARD GREATER FREEDOM
With the evolution of the parking sector, new technologies such as Near-Field Communication (NFC) i.e. short distance reading of data contained on a mobile phone chip, provide new levels of comfort for the user. With this technology, mobile phones serve as electronic tickets to access car parks and pay parking time. Other applications can be added such as locating one’s car in the car park.

DESTINATION MANAGEMENT – A MAJOR NEW DEVELOPMENT
The idea behind Destination Management is simple yet effective: it is all about bringing together a region’s wide range of touristic services on a central sales portal so that guests can purchase them in a quick and easy “one-stop shopping” transaction (e.g. a web shop, hotel reception, sports shop, ski rental, travel agency, etc.). Every guest can pick and choose from available services to select, book and purchase the holiday package of their choice. The authorizations for these services are all contained on the same contactless data carrier that guests can use to access the desired activities.

In early 2009, a first implementation was made in the Austrian resort of Brandnertal. This project is presented on the following page.

In 2008, the cooperation agreement between SkiData and the American company RTP (Resort Technology Partners) allowed SkiData to reinforce its activities in the field of Destination Management, particularly in the mountain sector in North America.

WEB SOLUTIONS
SkiData has developed a range of technological web-based solutions. They are designed to provide operators with new ways of marketing their products and make them more attractive. Integrating traditional management systems and Internet technology, they meet the needs of both operators and consumers making an ever greater use of the web as a tool to search for, compare and book holidays.

DIRECT-TO-ACCESS (DTA)
A solution allowing lift and car park operators and other service providers to implement new value-generating business models such as pre-booking via mobile phone (SMS) or cash card, Internet sales, decentralized sales terminals and many other services. The DTA solution has been on the market and in use for over three years and an increasing number of resorts have adopted it, both in Europe and in Asia. The latest version of this solution also supports SkiData’s parking management application.

WEB SHOP
An “all-in-one” solution for the sale of ski passes (one-day to thirty-day passes, season passes), pay-per-use as well as integrated on-line hotel and parking reservations.

The integrated resort management solution developed in cooperation with SkiData’s US-based strategic partner RTP will enable a whole range of new services such as pay-per-use already implemented at the Brandnertal resort and additional guest services.

2008 MAIN PROJECTS

Car Access

<table>
<thead>
<tr>
<th>Country</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airports</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>Hanover airport</td>
</tr>
<tr>
<td>Turkey</td>
<td>Istanbul, Izmir and Antalya airports</td>
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<tr>
<td>United Arab Emirates</td>
<td>Dubai airport</td>
</tr>
<tr>
<td>Other sectors</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>Networked car parks of the Société Nationale des Chemins de Fer belges (SNCB)</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>Networking of 200 car parks (operator Q-Park)</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>Dubai shopping mall</td>
</tr>
<tr>
<td>India</td>
<td>Major malls / Four Seasons Hotel Mumbai</td>
</tr>
<tr>
<td>USA</td>
<td>Ski resorts and shopping malls (Chicago, New York, Maryland, California)</td>
</tr>
</tbody>
</table>

People Access

<table>
<thead>
<tr>
<th>Country</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>Installation for 24 ski resorts in the Aosta Valley</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Chelsea FC stadium</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>First SkiData ski systems</td>
</tr>
<tr>
<td>USA</td>
<td>Freemotion solution at Aspen (Colorado) and Stevens Pass (Oregon)</td>
</tr>
</tbody>
</table>
In the 2008-2009 winter season, the Austrian region of Brandnertal saw a powerful re-launch, accompanied by a range of guest services based on the motto of “Destination Management”. Now regional cableway operator Bergbahnen Brandnertal has added another improvement with a “pay-per-use” solution under the name “FlexMax” – the world’s most flexible ski ticket with an hour-based tariff, thanks to SkiData’s innovative access technology.

Taking advantage of the offer is very easy: after signing up on-line, the user receives a card that he or she can use at all lift facilities of the region for the entire winter season without having to queue at a desk or book a ski pass on the Internet. Holders are charged only for the time they are actually using the lifts, base on a flexible hourly rate. The charges are cleared via the guest’s credit card on a monthly basis. FlexMax guests can also check their time balance any time over the Internet.

**SKIDATA SOLUTION- FLEXIBILITY AND SIMPLICITY**
Both guests and service provider can benefit from central booking by way of appropriately set-up web shops. Service providers can package and offer their services to consumers via SkiData’s contactless “KeyCard”. Decentralized sales terminals can also be set up to issue KeyCards anywhere within the resort. This means that they enjoy more visibility and benefit from new sales channels within the resort. They can also serve guests with attractive combined offers and all-inclusive service packages.

Guests can book the services they desire directly on a central platform, the “web shop”, accessible from numerous sales outlets in the resort. They can also pre-book, which means that they do not have to queue at the ticket booth and can spend more quality time on the slopes. They also enjoy better prices, group offers or special offers made possible by the flexibility of the SkiData solution, such as the “pay-per-use” package.

**KERSTIN BIEDERMANN, CEO OF ALPENREGION BLUDENZ GMBH**

“SkiData’s Destination Management solution has made it possible for us to market the entire Brandnertal region in a uniform, resource-saving way. We introduced it with the goal of improving the value-creating potential of the Brandnertal region. For us it represents a highly innovative opportunity to allow our guests to select their individual holiday from the comfort of their home – no fixed “one-size-for-all” deals, but an individual selection of what they want. In combination with our existing Brandnertal region card, transactions can be managed directly and easily at the service partners. This also improves the overall added value of the service providers themselves, as each of them can now offer improved customer service by selling ski passes, ski coaching, rental equipment or health products.”
Public Access value chain

MARKET STRUCTURE

**TYPES OF CUSTOMERS**

- Car parks
- Airports
- Shopping malls
- Hospitals
- Ski resorts
- Stadiums
- Exhibition halls
- Amusement parks

**SERVICES AND SOLUTIONS**

- Modular physical access control solutions for people and vehicles, and for destination management applications
- Multifunction application management system: access, timing, payment

**Analysis of needs**

**Platform definition**

**Integration/deployment**

**CONSUMER BENEFITS**

- Ergonomics, comfort, rapidity, ease of use
- Handsfree access
- Seamless access
- Access via phone
- Internet reservation
- Pay-per-use
- Cashless access
- Card reloading
- UHF access
- **SOLUTIONS FOR MOUNTAIN DESTINATIONS**
  Latest reader technology, management software, ticket vending machines, POS solutions and services covering the entire guest cycle.

- **SOLUTIONS FOR FAIRS, AMUSEMENT PARKS AND STADIUMS/ARENAS**
  Leading platform for comprehensive visitor management, reporting and workflow support along the guest cycle (pre-event, event and post-event stages).

- **PARKING MANAGEMENT SOLUTIONS FOR OPERATORS OF PARKING FACILITIES**
  Leading-edge, all-in-one solutions for efficient parking access and revenue control.

- **DATA CARRIER TECHNOLOGIES**
  Data carriers of various formats and technologies for ultimate convenience and ease of access.

- **SERVICES**
  REMCO: Remote Monitoring and Control of systems and facilities for maximum efficiency.
  Data Warehouse: flexible reporting and data analysis for optimum business planning and CRM support.
  Web Shop platform and hosting services.
  Server hosting for ultimate data security and maintenance.

- **MULTIFUNCTION APPLICATION SYSTEM**
  Smartcard-based solution for multiple-applications including access, time and payment management.

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**NAGRA PUBLIC ACCESS ADDED VALUE**

**ENSURING CONVENIENCE, SECURITY AND PROFITABILITY**
Nagra Public Access solutions guarantee state-of-the-art convenience and security wherever controlled access of persons or vehicles to buildings or venues is concerned. The solutions are also a powerful tool for creating value on which operators can rely for developing their revenue flow and business models while providing users with services of the highest quality.

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**PROVIDING CUSTOMIZED SOLUTIONS BASED ON MODULAR ELEMENTS**
To provide maximum performance at attractive costs, Nagra Public Access platforms have an open architecture and are composed of different modular solutions that enable installations to be tailored to the specific needs of operators and existing equipment. These solutions are designed to be durable and “future ready”: they can evolve in accordance with future requirements of an increasingly networked environment.

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**HELPING THE USER THROUGH QUALITY, DESIGN AND INNOVATION**
As the main driver of business growth, the satisfaction of the end user is at the center of all Nagra Public Access developments. Whether it be software interfaces or hardware equipment, the objective is always to provide the highest quality in terms of ergonomics, efficiency and design for the benefit of both customers and end users. Innovations such as the revolutionary Freemotion hands-free access solution are the result of this approach.
«Nagra, for me the name rings like a legend. A living legend rhyming with excellence in sound reproduction. It has conquered all the Hollywood studios since the invention of the first portable recorder in 1951»
Professional recorders and Hi-Fi range: outstanding equipment perpetuating over 50 years of achievement
Kudelski Group     Annual Report 2008

NAGRA AUDIO

Equipment distinguished by its uncompromising design, robustness and long life

Nagra is one of the most prestigious contributors to the history of sound reproduction. In the professional audio world and among sound enthusiasts, the brand is synonymous with exceptional products, true to a no-compromise approach over the decades.

PROFESSIONAL RECORDERS

Portable recorders continue to be an important part of the audio division’s activities. These devices have always been distinguished by their design and unique features, as well as their unmatched robustness and long life.

Current machines are fully digital and, like their predecessors, are benchmarks in terms of performance and sound quality. They are designed to fit into the flow of current production, dominated by computer equipment and network communication.

Developed for specific uses and specific applications, Nagra recorders are defined mainly for the film, music and audio-visual media industries and the security domain. Some of them, produced at a lower cost with current technology, have also been able to attract a growing clientele outside professional circles.

Nagra’s after-sale service for all its equipment, even the oldest, remains one of the great strengths of the brand. Users know they can count on a well-established global network and lasting technical support. In this connection, the website www.nagraaudio.com plays a growing part, allowing for example remote updating of equipment software.

Nagra VI

Launched in 2008, the Nagra VI recorder began its career with success. The equipment boasts the latest technologies in electronics and software being the most advanced machine ever produced by the company. It has six tracks and possesses microphone inputs of exceptional quality. It is equipped with an LCD screen for the operational and editing functions. Its front panel is made of composite material — a first for Nagra — offering both very high resilience to wear and a reduction in the total weight of the equipment.

The Nagra VI is positioned as a versatile, ergonomically designed model. It forms a promising foundation on which the brand will base various developments in the coming years.

Nagra CBR

Nagra has extensive experience in miniaturized devices intended for discrete use by security services. The Nagra CBR recorder, measuring just 6 x 5 cm, is the latest achievement in this field. It includes electronics enabling high-quality sound recording even under the harshest conditions. This equipment was sold in 25 countries in 2008.

Nagra LB

Successor to the successful ARES-C, the Nagra LB recorder is now in full promotion. With a compact case, this new device for the broadcasting media has a large number of built-in functions and communication devices, such as Ethernet, Bluetooth and USB. It enables journalists to perform editing and assembly on the same device in the field, then to transmit the content to a distant site in the shortest possible time, ready for broadcasting.

In 2008 the Nagra LB recorder received the Mario Award for TV Technology from the National Association of Broadcasters (NAB) in Las Vegas and the SATIS (Salon des Technologies de l’Image et du Son) trophy in Paris — rewarding innovative products in the “production” category.
Since 1997, the Nagra audio division has expanded its business to the Hi-Fi market, where it is now positioned in the very high-end segment. The prestige enjoyed by the brand and the uncompromising quality of the equipment have contributed to a rapid expansion of this sector, with sales growing steadily in Europe, America and Asia.

The Hi-Fi range has progressively expanded and now includes the key components to set up an exceptional system:

- CD players Nagra CDC, CDT and CDP;
- valve preamplifiers Nagra PL-L and PL-P;
- phono preamplifiers Nagra VPS and BPS;
- valve amplifier Nagra VPA;
- transistor amplifiers Nagra PMA (mono) and PSA (stereo).

Nagra VPS

On show at the beginning of 2008 at CES – the Consumer Electronic Show in Las Vegas, the Nagra VPS phono preamplifier has received praise from the specialized press that sees it as a new benchmark in its class. Vinyl disks still retain an important circle of enthusiasts and the Nagra VPS, which has valve circuits, enables them to extract the full potential of this highly appreciated medium. Sales look promising.

A second phono preamplifier: the Nagra BPS

In the wake of the Nagra VPS, another phono preamplifier has been designed, the Nagra BPS, using solid-state circuits. This battery-powered device is very compact and has an attractive price due to a simplified approach in terms of functions. It is versatile, simple and universal. It is intended for use in association with the best current record players. Launch is programmed for 2009.

New amplifiers in preparation

To expand its range of amplifiers, Nagra plans to launch at the end 2009/beginning 2010 two new devices whose prototypes have been presented at trade fairs, where they aroused great interest. One of these amplifiers is based on 300B valves, known for their musical qualities; the other is a development of the Nagra PSA amplifier.
NAGRA AUDIO

1 Nagra VI six-track digital recorder for the cinema, music and television industries
2 Nagra LB two-track recorder for radio journalists
3 Nagra BPS solid-state and Nagra VPS valve phono preamplifiers
CORPORATE GOVERNANCE
This report has been 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 2008.
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.

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. The Public Access division is divided into three segments:

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

The Audio activity is consolidated in the accounts of Nagravision SA and is under the operational direction of Charles Egli.

Results by sector are presented on pages 24 and 25 of the Kudelski Group’s 2008 financial statements.
CORPORATE GOVERNANCE

INTERNATIONAL PRESENCE

<table>
<thead>
<tr>
<th>Region</th>
<th>Digital TV</th>
<th>Public Access</th>
<th>Nagra Audio</th>
<th>Middleware &amp; Advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
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<td>Italy</td>
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<td>Netherlands</td>
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<td>United Kingdom, Ireland</td>
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<td>Israel</td>
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<td>Asia / Pacific</td>
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<tr>
<td>Singapore</td>
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<td>China</td>
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<td>Australia</td>
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</tr>
</tbody>
</table>

- Head offices
- Subsidiaries / companies with specific purpose
- Offices

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; val. No 001226836/ ISIN: CH0012268360) with a market capitalization at 31 December 2008 of CHF 533 545 930. Only the bearer shares of Kudelski SA are listed on the SIX Swiss Exchange.

Since 17 January 2007, Kudelski SA has held through subsidiaries a share in the capital of OpenTV, Middleware & Advertising sector, of 32.33% of the capital and 77.21% of voting rights. Headquartered in San Francisco (United States), OpenTV Corp. is a BVI holding company listed on the NASDAQ (Ticker: OPTV; CUSIP No G675431; ISIN: VGG675431016) with a market capitalization at 31 December 2008 of USD 170 467 336.

1.1.3. Unlisted companies included in the scope of consolidation
Information concerning the company name, registered office, share capital and holdings owned by unlisted Group companies included in the scope of consolidation are shown on pages 66 and 73 of the Kudelski Group’s 2008 financial statements.

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 Maurox 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 5 112 bearer shares in her own name. To the Group’s knowledge, no other shareholder holds more than 3% of the capital and there are no shareholder agreements between the family pool and other shareholders.
CORPORATE GOVERNANCE

At 31 December 2008

<table>
<thead>
<tr>
<th></th>
<th>Registered shares</th>
<th>Bearer shares</th>
<th>Share capital held</th>
<th>Voting right</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kudelski family pool</td>
<td>46,300,000</td>
<td>7,424,113</td>
<td>23.01%</td>
<td>57.11%</td>
</tr>
<tr>
<td>Mrs I. Kudelski Maurox and Mr H. Kudelski (and their respective descendants)</td>
<td>3,000,000</td>
<td>5.73%</td>
<td>3.19%</td>
<td></td>
</tr>
<tr>
<td>Mrs M. Kudelski* and Mrs I. Kudelski Haldy (and their respective descendants)</td>
<td>3,000,000</td>
<td>5.73%</td>
<td>3.19%</td>
<td></td>
</tr>
</tbody>
</table>

* Mrs Marguerite Kudelski holds in addition 5,112 bearer shares in her own name.

The shareholding structure, which confers to the Kudelski family pool the 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.

1.3. CROSS-HOLDINGS

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

2. CAPITAL STRUCTURE

2.1. AMOUNT OF ORDINARY, AUTHORIZED AND CONDITIONAL CAPITAL AT 31.12.2008 AND

2.2. SPECIFIC INFORMATION CONCERNING AUTHORIZED AND CONDITIONAL CAPITAL

Ordinary capital

The share capital amounts to CHF 523,959,740. It is divided into 47,765,974 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.

The Board of Directors is authorized to increase the share capital in one or more stages until 22 April 2010 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.

Authorized capital

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 the whole or partial acquisition of other companies in Switzerland or elsewhere. All statutory restrictions to the transfer of shares are applicable to the new registered shares.
Conditional capital
The conditional capital amounts to CHF 107,477,820 and is structured as follows:

- a maximum amount of CHF 7,477,820 through the issue of a maximum of 747,782 bearer shares with a nominal value of CHF 10 per share, to be fully paid up, as and when the option rights or share subscription rights which will be granted to employees of the company and of affiliated companies are exercised. Preferential subscription rights for shareholders are excluded. Share option or subscription conditions are determined by the Board of Directors. Issue at a price below market conditions is authorized;

- a maximum amount of CHF 100 million 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. Preferential subscription rights for shareholders are excluded.

The preferential subscription right of shareholders to the issuance of a convertible bond may be limited or excluded by decision of the Board of Directors on valid grounds, namely (a) if the convertible bonds are placed primarily on the foreign market, or if the issue proceeds contribute (b) to the financing or refinancing of acquisitions of companies or firms or (c) to the financing of other strategic investments of the Group, or (d) to financing the redemption of all or part of convertible loans previously issued by the company or its subsidiaries. If the convertible bond is not offered as a priority to shareholders, (a) the convertible bonds must be sold to the public under market conditions, (b) conversion rights must be exercised within 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 OF CAPITAL

<table>
<thead>
<tr>
<th>CHF '000</th>
<th>31.12.08</th>
<th>31.12.07</th>
<th>31.12.06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered share capital</td>
<td>46,300</td>
<td>46,300</td>
<td>46,300</td>
</tr>
<tr>
<td>Bearer share capital</td>
<td>477,680</td>
<td>475,294</td>
<td>473,052</td>
</tr>
<tr>
<td>Legal reserve</td>
<td>79,028</td>
<td>76,107</td>
<td>68,529</td>
</tr>
<tr>
<td>Net profit</td>
<td>48,321</td>
<td>53,782</td>
<td>72,920</td>
</tr>
<tr>
<td>Total available earnings</td>
<td>290,079</td>
<td>250,161</td>
<td>241,888</td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td>893,067</td>
<td>857,862</td>
<td>829,869</td>
</tr>
</tbody>
</table>

For information relating to changes in the capital which have taken place in 2008, 2007 and 2006, please refer to the Group’s corresponding financial statements.

2.4. SHARES AND PARTICIPATION CERTIFICATES

The capital of Kudelski SA at 31 December 2008 was made up of 46,300,000 registered shares with a nominal value of CHF 1 per share, and 47,765,974 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 TRANSFERRABILITY AND NOMINEES REGISTRATION

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

a) If there exists valid reason within the meaning of article 685 b paragraph 2 of the Swiss Code of Obligations, i.e. if admission of the acquirer of the 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 flock could jeopardize the existing majorities.

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

c) If the acquirer does not expressly declare that he has acquired the shares in his own name and for his own account. If the shares are acquired by succession, division of an estate, marital property rights or 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.

Regarding the admissibility of the registration of nominees, Kudelski SA has no regulations concerning the registration of nominees.

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

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

2.7. CONVERTIBLE BONDS AND OPTIONS

Convertible bond
On 5 October 2005, Kudelski Financial Services Holding S.C.A., a wholly owned subsidiary of Kudelski SA, issued a non-subordinated convertible bond of CHF 350 million in order to pursue the aim of the Kudelski Group to 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.

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 conversion price was initially set at CHF 67.76 per ordinary bearer share of Kudelski SA.

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

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

The offering circular for the convertible bond is available on request from the Group’s head office or by e-mail to info@nagra.com. More information about the convertible bond can be found in the financial reports, note 28 of the consolidated financial statements.

Options
In 2003, the Kudelski Group implemented a stock option plan for certain employees. The following options were distributed (status as at 31 December 2008):

<table>
<thead>
<tr>
<th>Number of options</th>
<th>Vesting</th>
<th>Expiration</th>
<th>Ratio</th>
<th>Exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>125,000</td>
<td>01.04.2006</td>
<td>01.04.2007</td>
<td>1-for-1</td>
<td>CHF 20</td>
</tr>
<tr>
<td>126,000</td>
<td>01.04.2007</td>
<td>01.04.2008</td>
<td>1-for-1</td>
<td>CHF 20</td>
</tr>
<tr>
<td>126,000</td>
<td>01.04.2008</td>
<td>01.04.2009</td>
<td>1-for-1</td>
<td>CHF 20</td>
</tr>
</tbody>
</table>

For more information on the stock option plan, please refer to the financial reports of the Kudelski Group, pages 52-53.

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.
### 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 below pages 62 and 6).

Mr Stefan Kudelski has been the Honorary Chairman of the Board of Directors since 2 May 2006. Mr Nicolas Gœtschmann, who is not a Board member, was appointed as Corporate Secretary by the Board.

### 3.1. MEMBERS OF THE BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Year of birth</th>
<th>Nationality</th>
<th>Education</th>
<th>First election</th>
<th>End of term of office</th>
</tr>
</thead>
</table>
| André Kudelski* | Swiss | Degree in Physical Engineering  
| Chairman of the Board and Chief Executive Officer | | | | |
| Claude Smadja | Swiss | Degree in Political Science  
University of Lausanne | 1999 | 28.04.2009 |
| Deputy Chairman of the Board and Lead Director | | | | |
| Norbert Bucher | Swiss | Doctorate in Engineering  
Ecole Polytechnique Fédérale de Lausanne (EPFL)  
| Patrick Fœtisch | Swiss | Doctorate in Law  
University of Lausanne  
| Laurent Dassault | French | Degree in Corporate Law  
Diploma of the ESLSCA  
| Pierre Lescure | French | Degree in Literature and Journalism  
| Marguerite Kudelski | Swiss | Engineer diploma in Microtechnology  
Doctorate in Microtechnology  
Ecole Polytechnique Fédérale de Lausanne (EPFL)  
Executive MBA (IMD Lausanne) | 2006 | 28.04.2009 |
| Alexandre Zeller | Swiss | Degree in Economics  
University of Lausanne | 2007 | 28.04.2009 |

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

André Kudelski  Claude Smadja  Norbert Bucher  Laurent Dassault

Patrick Fœtisch  Marguerite Kudelski  Pierre Lescure  Alexandre Zeller
CORPORATE GOVERNANCE

<table>
<thead>
<tr>
<th><strong>CURRENT MANDATES</strong></th>
<th><strong>Kudelski Group:</strong></th>
<th><strong>Other:</strong></th>
</tr>
</thead>
</table>
| **ANDRÉ KUDELSKI**  | - Nagravision SA, Chief Executive Officer  
- NagraCard SA, Chief Executive Officer  
- Nagra plus SA, Chairman and Chief Executive Officer  
- SkiData AG, Member of the Supervisory Board  
- Open TV Corp., Executive Chairman  
- NagraStar LLC., Board member | - 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), Board member |

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

| **NORBERT BUCHER** | - Nagra plus SA, Board member | |

| **PATRICK FŒTISCH** | - Nagravision SA, Chairman  
- NagraCard SA, Chairman  
- Nagra plus SA, Board member  
- NagraID SA, Chairman  
- SkiData AG, member of the Supervisory Board | - Renault Finance SA (Switzerland), Board member |

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.

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 problems with multinationals and government bodies and organizes international events.

NORBERT BUCHAR
Norbert Bucher began his professional career as an engineer with Sulzer, in Winterthur and in New York. He 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.

PATRICK FŒTISCH
Patrick Fœtisch 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, employing the benefit of his in-depth knowledge of their activities to provide assistance and legal advice.
CORPORATE GOVERNANCE

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
– Arqana SAS (France), member of the Supervisory Board
– Artcurial Développement Sarl (France), Co-gérant
– Artcurial Holding SA (France), Chairman of the Development Committee
– Association des Amis du Centre Georges Pompidou (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
– Dassault Belgique Aviation SA (Belgium) (since 1992), Président-Directeur Général
– Dassault Investissements Sàrl (France) (since 1991), Managing Director
– Dassault Systèmes SA (France) (since 1992), Board member
– Fauchier Partners Management Ltd. (England), Board member
– Financière Louis Potel & Chabot SAS (France), Board member
– GENERALI France SA (France), Board member and member of the Accounting Committee
– Génération Entreprise (French association), member of the Supervisory Board
– Groupe Industriel Marcel Dassault SAS (France), Vice-Chairman (since 1992)
– Immobilière Dassault SA (France) (since 2003), Chairman of the Supervisory Board
– Laurent Dassault Rond Point (LDRP) SCI (France), Associé Gérant
– Lepercq, de Neuflize & Co. Inc. (United States), Board member
– Organisation pour la Prévention de la Cécité (OPC) (France), Board member
– 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
– Société de Véhicules Electriques SAS (SVE) (France), Board member
– SOGITEC Industries SA (France) (1992), Board member
– Terramaris SA (Switzerland), 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 Europe 1 radio stations where he occupied successively 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 audiovisual 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
– Thomson SA (France), Board member, member of the Remuneration Committee
– Havas SA (France), Board member
– Le Monde SA (France), external member of the Supervisory Board
– Le Monde Presse SAS (France), Chairman
CORPORATE GOVERNANCE

CURRENT MANDATES
Kudelski Group:

MARGUERITE KUDELSKI
From 1991 to 1999, Marguerite Kudelski began her professional career with the Laboratory of Electromechanics and Electrical Machines of the EPFL and worked in parallel as development engineer within the Nagra Audio division of the Kudelski Group. In 1999, she became the Head of R&D with Précél SA in Neuchâtel (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 NagraID in 2003, she took responsibility for certain key projects for the Group within the Finance Department from 2004 to 2006. Since March 2007, Marguerite Kudelski has worked as a consultant, offering various services (business development, counseling) to companies in Switzerland and internationally.

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 of Credit Suisse Private Banking. In November 2002, Alexandre Zeller joined the Banque Cantonale Vaudoise. Since July 2008, he is CEO of HSBC Private Bank (Switzerland).
CORPORATE GOVERNANCE

3.2. OTHER ACTIVITIES AND VESTED INTERESTS
Please refer to the individual profiles of Board members under 3.1 above.

3.3. CROSS-INVOLVEMENTS
The requirements of the SIX Swiss Exchange directive have been cancelled.

3.4. ELECTION AND TERM OF OFFICE
The Board of Directors comprises a maximum of eight members. Board members are appointed by the General Meeting for a period of one year. The term of office ends on the day of the Ordinary General Meeting. They may be re-elected.

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

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

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

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

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

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

In the Group’s current structure, the functions of Chairman of the Board of Directors and Chief Executive Officer are exercised by one person. This situation guarantees a rapid and fluid information and decision-making process, enabling the company to respond operationally and strategically at the pace required by developments in the sectors of activity pursued by the Group. There are mechanisms to counterbalance 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 and chairs the Board of Directors in cases of conflict of interest involving the Chairman and Chief Executive Officer. He chairs the Board of Directors in situations of conflict of interest involving the Chairman and Chief Executive Officer. Thus the Lead Director may convene and direct autonomously a meeting of the independent members of the Board of Directors if the interests of the company require independent deliberation. He ensures a performance appraisal process for the Chairman of the Board of Directors and the Chief Executive Officer.

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

Audit Committee
The 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 different sectors of activity as well as relating to specific fields of its choice. The Committee calls on experts outside the Board of Directors where this is deemed necessary for the successful completion of its tasks.

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

It assesses the quality of work of external...
CORPORATE GOVERNANCE

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

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

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

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

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

The Strategy Committee periodically reviews the balance between the Group’s objectives, its structure and the organization in place to achieve strategic objectives. The Strategy Committee makes proposals to the Board of Directors, who finally decides on strategic choices.

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

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

The Chairman of the Board of Directors takes part in determining the remuneration of Board members and key officers of the company, to the exclusion of his own remuneration. The Committee presents to the Board of Directors proposals for the appointment of Board members to be submitted to the General Meeting.

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

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

In 2008, the Board of Directors and its Committees met as follows:

<table>
<thead>
<tr>
<th>Committee</th>
<th>Times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>7</td>
</tr>
<tr>
<td>Strategy Committee</td>
<td>2</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>3</td>
</tr>
<tr>
<td>Remuneration and Nomination Committee</td>
<td>3</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Audit Committee</th>
<th>Strategy Committee</th>
<th>Remuneration and Nomination Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>André Kudelski</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claude Smadja</td>
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<td>Norbert Bucher</td>
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<td>Laurent Dassault</td>
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<td>Patrick Fœtisch</td>
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<tr>
<td>Marguerite Kudelski</td>
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<tr>
<td>Pierre Lesure</td>
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<tr>
<td>Alexandre Zeller</td>
<td></td>
<td></td>
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<tr>
<td>Chairman</td>
<td></td>
<td></td>
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<tr>
<td>Member</td>
<td></td>
<td></td>
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</tbody>
</table>

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,
CORPORATE GOVERNANCE

– 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 indebtedness;
– informs the judge in the event of overindebtedness;
– proposes decisions relating to the conversion of shares (bearer registered/registered bearer) in which case the decision must be taken by a majority of Board members representing shares A and B.

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

3.7. INFORMATION AND CONTROL INSTRUMENTS WITH RESPECT TO GROUP MANAGEMENT

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

Strategy
– The Chief Executive Officer submits a report to the Board members prior to each meeting outlining key aspects of business development (key contracts, sales evolution, market trends, human capital) for each Group entity and activity.
– Board members receive weekly or quarterly press reviews concerning the Group, depending on their relevance, or other informative documents concerning the Group and its entities, as well as a message from the Chief Executive Officer whenever the latter deems this is necessary.
– At least twice a year, members of management are invited to present their activities to members of the Board of Directors. Members of the Board may also ask questions directly to company 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.

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

Finance
– The Controlling entity conducts regular financial and operational analyses intended to identify operational and financial risks throughout the value chain of the different activities of Group companies and proposes and coordinates necessary improvements and corrective actions. This entity also makes available a platform of analytical services to Group management and operational departments.
– In addition, the Group has an internal control system based on the COSO (Committee OfSponsoring 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.
– Each year the Group improves the level of detail and efficiency of its information management system, in particular by combining financial information and quantitative information while taking into account the different stages in the sales process. This provides an increasingly accurate and global view of the activity. Every month, the Business Analysis Office issues region, client and project-specific reports, while the Controlling entity provides entity, profit center and cost center-specific reports to concerned persons, namely in particular regional heads, heads of affiliated companies and the Chief Financial Officer.

Law
– Close involvement of the Legal Department in the Group’s different fields of activity and decision making contributes to improving legal risk management.
Human Resources

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

Information Management

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

4. GROUP MANAGEMENT

4.1. GROUP EXECUTIVE MANAGEMENT MEMBERS*

<table>
<thead>
<tr>
<th>Name</th>
<th>Nationality</th>
<th>Date of Birth</th>
<th>Position</th>
<th>Education</th>
</tr>
</thead>
</table>
| André Kudelski              | Swiss       | 1960          | Chairman and Chief Executive Officer (CEO) of the Group | Engineer-physicist
Ecole Polytechnique Fédérale de Lausanne (EPFL) |
| Pierre Roy                 | Swiss       | 1952          | Director of Operations (COO), Digital TV      | Degree in Business Management
HEC Lausanne                                        |
| Charles Egli               | Swiss       | 1948          | Director                                      | ETS Engineer in Electronics (Ecole Supérieure)
or today HES (Hautes Études Spécialisées) Lausanne |
| Mauro Saladini             | Swiss       | 1966          | Chief Financial Officer (CFO)                 | ETHZ Electrical Engineer
Ecole Polytechnique Fédérale de Zurich (EPFZ)
MBA INSEAD (France)                                      |
| Lucien Gani                | Swiss       | 1948          | Director of Group Legal Affairs              | Doctorate in Law
HEC Degree
Université de Lausanne
Bar Exam                                               |
| John Burke                 | Irish       | 1953          | Director of Group Human Resources            | Degree in Economics
MBA (Hons)
Trinity College (Dublin)                               |
| Nicolas Gaetschmann        | Swiss       | 1960          | Director of Group Administration             | Degree in Economics
Université de Fribourg                                 |
| Alex Osadzinski            | British/American| 1958    | Director Product                              | Diploma equivalent to a USA BSc in Computer Science / Management Information Systems and Marketing* |
| Yves Pitton                | Swiss       | 1968          | Director Corporate Development               | Doctorate in Materials Science
Ecole Polytechnique Fédérale de Lausanne (EPFL)
MBA SDA Bocconi (Italie)                                 |

* Alex Osadzinski obtained various scientific diplomas in the United Kingdom 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.

** Adrienne Corboud/Fumagalli was Executive Vice President of the Groupe until 31 August 2008.
CORPORATE GOVERNANCE

LEFT TO RIGHT:
Charles Egli, Yves Pitton, Pierre Roy, André Kudelski, Alex Osadzinski, Mauro Saladini, Lucien Gani, Nicolas Götschmann, John Burke
CORPORATE GOVERNANCE

Mandates with main operational companies held by Kudelski SA:

- OpenTV Corp., Board member
- Nagravision SA, Board member, Director
- NagraCard SA, Board member, Director
- NagraID SA, Board member
- Nagra Trading SA, Board member
- SmarDTV SA, Board member
- Quative Ltd., Board member
- Nagra Thomson Licensing SA, Chairman
- Nagra USA, Inc., Board member
- Nagravision Asia Pte Ltd., Board member

Other:

- 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 Nagradata, Business Development Director of Nagravision and Managing Director of Précès (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.

- 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 then, in January 2003, Chief Executive Officer of Nagradata AG and Executive Vice President of the Kudelski Group. He has also occupied the post of Chief Executive Officer of SkiData AG since September 2004.

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

- Lucien Gani began his professional career in 1972 as a lawyer with the Federal Tax Administration then occupied the post of Deputy Director with the Compagnie Vaudoise d'Electricité in Lausanne, where he remained from 1974 until 1976. Between 1977 and 1983, he was a trader with the company La Commerciale SA in Lausanne. From 1984, he wrote his doctoral thesis in law and started his Bar practice training in 1987. Since 1990, he has worked as an independent lawyer with a law firm in Lausanne. He joined the Kudelski Group in January 2006 as Director of Legal Affairs. Previously, he acted as counsel for several years as an independent lawyer in the drafting and negotiation of strategic contracts for the Kudelski Group.
JOHN BURKE
John Burke began his professional career in marketing with Procter & Gamble International in Geneva in 1977. From 1982, he was appointed Group Marketing Manager with various Group subsidiaries, particularly in Geneva, Athens, Cincinnati and Madrid. In 1986, he joined 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 1st June 2006.

– Nagravision SA, Director
– NagraCard SA, Director
– NagraID SA, Director

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

– Nagravision SA, Director
– NagraCard SA, Director
– Nagra Trading SA, Director
– Nagra Public Access AG, Director
– Nagra USA Inc., Board member
– Nagra France Holding SAS (France), Chairman
– Nagra plus SA, Director

ALEX OSAZDINSKI
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 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 of Silicon Valley, active in software and digital media. In December 2008 Mr Osadzinski joined the Kudelski Group as Director Product in the Digital Television division.

– Nagravision SA, Director

YVES PITTON
Mr Pitton worked on several projects at the Ecole Polytechnique Fédérale de Lausanne (EPFL) and for different international companies during the three years of his PhD thesis. After obtaining his PhD in Material Sciences & Engineering, he joined Alusuisse (now called Alcan Aluminium Vaïas SA) as Project Manager and then Product Manager in 1997, 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 where he was 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 Director Corporate Development.

– Nagravision SA, Director
– Abilis Systems Sàrl, gérant
– Ligaris SA (Switzerland), Board member
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 2008.

5. REMUNERATION, SHAREHOLDINGS AND LOANS

5.1. CONTENT AND METHOD OF DETERMINING REMUNERATION AND SHAREHOLDING PROGRAMS
The Remuneration and Nomination Committee monitors and approves the remuneration policy established by the company. It proposes to the Board of Directors for approval the remuneration of members of the Board of Directors as well as members of Group management (see section 3.5.2 Remuneration and Nomination Committee).

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

The Financial Statements show details under note 45 of remuneration paid to members of the Board of Directors and management as stipulated by article 663bis CO.

Members of the Board of Directors
Overall remuneration of non-executive members of the Board of Directors includes fixed annual fees as well as an allowance for costs and other expenses incurred in connection with the performance of their duties. This remuneration is paid in cash. Options are attributed to them according to distribution criteria determined by the Remuneration and Nomination Committee at the time such options are granted to eligible company staff. If specific tasks or services not within the usual scope of activities of the Board of Directors of Kudelski SA or a Group com-
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 Bourse 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: 33 1/3% 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 22 April 2008 for a statutory period of one year. The PricewaterhouseCoopers SA mandate began in 1985. It has been under the responsibility of Mr Felix Roth since 1 January 2003.

8.2. AUDITING FEES
The Kudelski Group paid PricewaterhouseCoopers for auditing services for the year 2008 the sum of CHF 966,000. Auditing services are understood to mean the work required each year to examine the consolidated accounts of the Group and its subsidiaries and to prepare the reports required under the laws of each country, performed by PricewaterhouseCoopers. In addition, some audit assignments were entrusted to other auditors.

8.3. ADDITIONAL FEES
The Kudelski Group paid PricewaterhouseCoopers for additional services for the year 2008 the sum of CHF 180,000. Additional services mean in particular services such as the auditing of occasional transactions, the implementation of new or modified accounting methods and other services such as advice on mergers, acquisitions and sales of companies. They also include services related to the monitoring of international laws on corporations as well as advice concerning tax and risk management.

8.4. MONITORING AND CONTROL INSTRUMENTS PERTAINING TO THE AUDIT
The aim of the Audit Committee of the Board of Directors is to provide effective and regular supervision of the company’s financial reporting processes in order to ensure their integrity, transparency and quality. To this end and under its terms of reference, it is responsible for monitoring the work of the external auditors.

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

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

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

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

Press releases are issued in compliance with the rules in force on the Swiss Bourse concerning factual publicity and are available on the Group’s website simultaneously with their publication. A link on the home page of the Group’s web site allows direct access to press releases. The Group communicates as often as necessary in this manner. Press releases are generally published in French and in English. In certain specific cases a German version is also provided. They are available in these different languages on the website. Persons wishing to receive Kudelski Group press releases may subscribe to a mailing list using a form available on the Kudelski Group website. Financial results are presented to investors and financial analysts during a press conference held twice a year. Persons invited also have the possibility of following the conference by phone.

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

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INTERNET LINKS

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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
# MAIN KUDELSKI GROUP COMPANIES

## DIGITAL TELEVISION

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>NagraVision</td>
<td>Integrated software security solutions for digital television operators and content providers.</td>
</tr>
<tr>
<td>openTV</td>
<td>Middleware solutions enabling advanced digital television services including interactive television as well as interactive and addressable advertising.</td>
</tr>
<tr>
<td>SMARIDTV</td>
<td>Removable conditional access modules (CAM) for digital TV access on digital devices.</td>
</tr>
<tr>
<td>Quative</td>
<td>Last generation turnkey IPTV platform including content protection, management and distribution.</td>
</tr>
<tr>
<td>Nagra+</td>
<td>Security systems for analog pay television. Innovative concepts developed in cooperation with CANAL+. Joint-venture with CANAL+ (F).</td>
</tr>
<tr>
<td>Abilis</td>
<td>Integrated circuits for digital television, wireless communications and mobile phones.</td>
</tr>
<tr>
<td>nagraID</td>
<td>Development and production of modules and smartcards for contact and contactless identification systems.</td>
</tr>
<tr>
<td>Embedics</td>
<td>Data security engineering and application security development.</td>
</tr>
<tr>
<td>TESC</td>
<td>Independent test and certification company for DVB products, and a support and integration center for conditional access software.</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>Specialized in the development of high security software solutions for digital television, mobile phone and banking applications.</td>
<td></td>
</tr>
</tbody>
</table>
**PUBLIC ACCESS**

Integrated access and management solutions for car parks, ski lifts as well as sports, culture, entertainment and exhibition facilities.

**AUDIO**

Portable digital recorders for professionals; products in the high-end Hi-Fi sector.

**polyright**

Open-ended rights and service management solutions for hospitals, universities and corporations. Joint-venture with the Securitas group.
HISTORICAL OVERVIEW

1951

Creation of the company by Stefan Kudelski and launch of the first portable recorder, the Nagra I.

1958

Release of the Nagra III, the legendary cinema recorder.

1986

The company is listed on the stock market.

1989

CAANAL+ adopts Kudelski’s access control system for pay television.

1991

André Kudelski succeeds Stefan Kudelski as Chairman and Chief Executive Officer of the Kudelski Group. First million analog decoders sold. Conditional access television systems become Kudelski’s core business.

1992

Creation of Nagra+, joint-venture with CAANAL+. Launch of the Nagra D, the first portable professional 4-track digital recorder.

1995

First order (from EchoStar) for a Nagravision digital system, marking the arrival of Nagravision in the North American market.

1996

Full conversion of the convertible bond (1986-1996) as part of a PEO.

1997

Digital pay television becomes the company’s core business. Nagra Audio launches a range of high-end Hi-Fi products.

1998

Creation of NagraStar, a joint-venture with EchoStar, and of NagraCard. Capital increase and first indirect split of the Kudelski share (5+1).

1999

The company becomes a holding company. Kudelski stock is listed on the principal market of SIX Swiss Exchange.
2000
Investment in polymir. Capital increase and second indirect split (10+2).

2003
Recovery of the digital television market. Acquisition of the Mediaguard product line from CANAL+ Technologies and creation of Nagra France.

2006
Strategic investments for the development of the digital TV ecosystem. Acquisition of the digital TV activity of SCM Microsystems resulting in the creation of SmarDTV. Intensified research & development effort with a focus on content protection, IPTV and mobile TV.

2001
The Group makes several acquisitions in the public access sector (SkiData, Ticketcorner) and in digital television (Lysis, Livewire). The Kudelski share is split by 10. Launch of a convertible bond of USD 325 million. The operation is heavily over-subscribed.

2004
The Group publishes record results, tripling its digital TV revenues in Europe and almost doubling them in America.

2007
The Group becomes a leader in middleware and interactivity for digital television with the acquisition of a controlling interest in OpenTV. Launch of new IPTV and mobile TV solutions. Launch of new families of security solutions. Excellent results for Nagra Public Access. Success of the Nagra CD player.

2002
After a ten-year period of uninterrupted growth, the Kudelski Group suffers from the impact of the crisis in the television market, particularly in Europe, and of unfavourable developments in the foreign exchange markets. The company carries out an in-depth review of its structures. Creation of the holding company Nagra Public Access (including SkiData, Ticketcorner and polymir).

2005
Early redemption of the USD 325 million convertible bond and issuance of a new convertible bond of CHF 250 million. Creation of Quative (IPTV sector). New Nagra Public Access structure; the entity is profitable again. Sale of the majority stake of Ticketcorner. Success of the new Nagra PMA pyramidal amplifier.

2008
Revenues pass the billion Swiss franc milestone for the first time thanks to a 20.4% Group revenue growth in constant currency. Over 101 million digital TV active smartcards & devices worldwide. 25 million smartcards successfully migrated to service mode. Increasing footprint in Asia including for new solutions.
ADDRESSES

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<table>
<thead>
<tr>
<th><strong>PUBLIC ACCESS</strong></th>
<th><strong>NAGRA AUDIO</strong></th>
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<tr>
<td><strong>SKIDATA AG</strong></td>
<td><strong>NAGRA AUDIO</strong></td>
</tr>
<tr>
<td>Untersbergstrasse 40</td>
<td>Nagravision SA</td>
</tr>
<tr>
<td>5083 Grödig/Salzburg</td>
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<td><a href="http://www.skidata.com">www.skidata.com</a></td>
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<td><a href="mailto:info@nagra.com">info@nagra.com</a></td>
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<tr>
<th><strong>POLYRIGHT SA</strong></th>
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<tr>
<td>10, rue de l'Industrie</td>
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IMPRESSION

PROJECT MANAGEMENT: Corporate Communications, Kudelski Group
CONCEPTION, COPYWRITING, COORDINATION (except financial statements): Catherine Hugon, Desrochers Communication
DESIGN: essencedesign
PRINTING: Swiss Printers IRL, Renens, Switzerland
PHOTOGRAPHY: Christoph Kern: conceptual images
Régis Colombo: portraits Board of Directors and Group Management
PHOTOLITHOGRAPHY: atelierZed

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