

KUDELSKI GROUP

2012 ANNUAL REPORT

06 CORPORATE GOVERNANCE

KUDELSKI GROUP
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This report was prepared in compliance with the directive on information relating to corporate governance issued by the SIX Swiss Exchange. Unless otherwise mentioned, the information provided in this report reflects the situation as of 31 December 2012.

1. GROUP STRUCTURE AND SHAREHOLDING

1.1. Group structure

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

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

1.1.1. Operational structure of the Group

From an operational point of view, the Group's activities are divided into two divisions: iDTV (Integrated Digital Television) 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 iDTV division is divided into four units:

- Sales and Operations
- Conditional Access
- Middleware
- Cyber Security Services & Technologies

This structure results from a reorganisation that took place in the course of 2012.

The Public Access division is divided into three units:

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

Results by sector are presented in note 6 of the Kudelski Group's 2012 financial statements.

Main operating companies held directly or indirectly by Kudelski SA

The list of the Group's main operating companies is included in note 58 of the 2012 financial statements. Additional information is also included in the 2012 Annual Report's key figures.















































1.1.2. Listed companies included in the scope of consolidation

Kudelski SA is a Swiss holding company listed on the SIX Swiss Exchange (Ticker: KUD; Sec. No 001226836/ISIN: CH0012268360) with a market capitalization as of 31 December 2012 of CHF 466 799 937. Only the bearer shares of Kudelski SA are listed on the SIX Swiss Exchange.

1.1.3. Unlisted companies included in the scope of consolidation

Information about the company name, registered office, share capital and holdings owned by unlisted Group companies included in the scope of consolidation is shown on pages 112 and 117 of the Kudelski Group's 2012 financial statements.

INTERNATIONAL PRESENCE

		iDTV	PUBLIC ACCESS
EUROPE	Switzerland		
	France		
	Austria		
	Germany		
	Belgium		
	Spain		
	Italy		
	The Netherlands		
	Sweden		
	United Kingdom		
	Russia		
AMERICAS	USA		
	Brazil		
	Chile		
AFRICA	South Africa		
ASIA/PACIFIC	Singapore		
	China		
	Hong Kong		
	Japan		
	Taiwan		
	South Korea		
	Australia		
	India		

1.2. Significant shareholders

As of 31 December 2012, the principal shareholders of Kudelski SA are the Kudelski family pool including Mr André Kudelski and Mr Stefan Kudelski and, outside the Kudelski family pool, Mrs Irène Kudelski Mauroux and Mr Henri Kudelski

(and their respective descendants), and Mrs Marguerite Kudelski and Mrs Isabelle Kudelski Haldy (and their respective descendants) through two investment structures of which they are the beneficiaries. Furthermore, Mrs Marguerite Kudelski holds 5112 bearer shares in her own name.

To the Group's knowledge, no other shareholder holds more than 3% of the voting rights and there are no shareholder agreements between the family pool and other shareholders. The shareholding structure, under which the Kudelski family pool has control over the company, guarantees the Group's long term stability. This stability is essential to ensure long-term continuity and independence, which are key elements for the Group's main customers.

Following the death of Mr Stefan Kudelski on 26 January 2013 and of Mr Henri Kudelski on 16 March 2013, the principal shareholders of Kudelski SA are a group of shareholders, whose interest amounts to 63.42% and whose members are the following: Mr André Kudelski, Mrs Marguerite Kudelski, Mrs Isabelle Kudelski Haldy, Mrs Irène Kudelski Mauroux and their respective descendants. The shares are directly owned or owned through an investment structure of which the abovementioned persons are the beneficiaries. For more information, please refer to the announcements made to SIX Swiss Exchange, which are available at the following address: <http://www.nagra.com/cms/Investors-doc-center.html>

All announcements made by Kudelski SA to SIX Swiss Exchange regarding disclosure of shareholdings may be found on the company's website at the abovementioned address.

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

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

Click on the link regarding management transactions.

AS OF 31 DECEMBER 2012	REGISTERED SHARES	BEARER SHARES	SHARE CAPITAL HELD	VOTING RIGHTS
Kudelski family pool	46 300 000	8 149 311	23.84%	57.15%
Mrs I. Kudelski Mauroux and Mr H. Kudelski (and their respective descendants)		3 000 000	5.60%	3.15%
Mrs M. Kudelski* and Mrs I. Kudelski Haldy (and their respective descendants)		3 000 000	5.60%	3.15%

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

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 31.12.2012 and

2.2. Specific information concerning authorized and conditional capital

Ordinary capital

The share capital is CHF 536 121 550. It is divided into 48 982 155 bearer shares with a nominal value of CHF 10 per share and 46 300 000 registered shares with a nominal value of CHF 1 per share. Each share confers the right to one vote. All shares are fully paid up.

Authorized capital

The Board of Directors is authorized to increase the share capital in one or more stages until 15 May 2014 by a maximum amount of CHF 40 881 640 through the issue of 3 768 164 bearer shares with a nominal value of CHF 10 per share and 3 200 000 registered shares with a nominal value of CHF 1 per share to be fully paid up. The issue price, the nature of contributions, the date from which new shares shall give entitlement to divi-

dends and other modalities of the share issue shall be determined by the Board of Directors. The preferential subscription rights of shareholders may be excluded and allotted to third parties by the Board of Directors with a view to acquiring companies or parts of companies or in order to finance whole or partial acquisition of other companies in Switzerland or abroad. All statutory restrictions on the transfer of shares are applicable to new registered shares.

Conditional capital

The conditional capital amounts to CHF 105 316 010 and is structured as follows:

- a maximum amount of CHF 5 316 010 through the issue of a maximum of 531 601 bearer shares with a nominal value of CHF 10 per share, to be fully paid up, as and when the option rights or share subscription rights which will be granted to employees of the company and of affiliated companies are exercised. There are no preferential subscription rights for shareholders. Share option or subscription conditions are determined by the Board of Directors. Issuance at a price below market conditions is authorized;
- a maximum amount of CHF 100 000 000 through the issuance

of a maximum of 10 000 000 bearer shares with a nominal value of CHF 10 per share, to be fully paid up, as and when the conversion rights related to the convertible bonds of the company or its subsidiaries are exercised.

There are no preferential subscription rights for shareholders. The preferential subscription right of shareholders to the issuance of a convertible bond may be limited or eliminated by decision of the Board of Directors on valid grounds, namely (a) if the convertible bonds are placed primarily in markets outside Switzerland, or if the issue proceeds contribute (b) to the financing or refinancing of acquisitions of companies or firms or (c) to the financing of other strategic investments of the Group, or (d) to financing the redemption of all or part of convertible loans previously issued by the company or its subsidiaries. If the convertible bond is not offered preferentially to shareholders, (a) the convertible bonds must be sold to the public under market conditions, (b) conversion rights must be exercised within a period of 7 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 issuance of the bond.

2.3. Changes in capital

In thousand CHF	31.12.12	31.12.11	31.12.10
Registered share capital	46 300	46 300	46 300
Bearer share capital	489 822	487 498	487 383
Legal reserve	1 10 290	45 675	84 611
Capital contribution reserve	37 945	43 304	n/a
Net profit	-21 186	-25 930	90 615
Total available earnings	262 790	348 591	394 900
TOTAL SHAREHOLDERS' EQUITY	947 147	971 368	1 013 194

For information relating to changes in capital which have taken place in 2012, 2011 and 2010, please refer to the Group's corresponding financial statements. Information regarding the capital contribution reserve can be found under note 3.4 of the Kudelski SA financial statements in the Kudelski Group's 2012 financial statements.

2.4. Shares and participation certificates

The capital of Kudelski SA at 31 December 2012 consisted of 46 300 000 registered shares with a nominal value of CHF 1 per share, and 48 982 155 bearer shares with a nominal value of CHF 10 per share. Each share confers the right to one vote at the General Meeting and to a dividend proportional to the nominal value of the relevant type of share. Kudelski SA does not have participation certificates.

2.5. Profit sharing certificates

Kudelski SA does not have profit sharing certificates.

2.6. Restrictions on transferability and nominee registration

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

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

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

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

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

Kudelski SA has no regulations concerning the registration of nominees.

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

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

2.7. Convertible bond, straight bond and share purchase plan

Convertible bond

On 5 October 2005, Kudelski Financial Services Holding S.C.A., a wholly owned subsidiary of Kudelski SA, issued a non-subordinated convertible bond of CHF 350 million in order to pursue the aim of the Kudelski Group to actively manage its assets, in particular by optimizing its financial costs and by improving the duration of its financial debt instruments. The issue proceeds were used mainly for the redemption of the previous convertible bond issued at the end of January 2002,

and the remainder was used for potential acquisitions or other purposes corresponding to the general interest of the Group outside Switzerland.

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

The annual coupon amounted 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 had been initially set at CHF 67.76 per ordinary bearer share of Kudelski SA.

In accordance with section D.1.2(1)(c) of the bond conditions, the conversion price of bearer shares was adjusted on 30 May 2007 at CHF 66.98 and on 5 April 2011 at CHF 65.94 per ordinary bearer share of Kudelski SA. Bonds, with a nominal value of CHF 5000 each, could be converted at no cost until 21 September 2012 (subject to early repayment), into 75.8265 (instead of 73.7898 initially) bearer shares of Kudelski S.A. with a nominal value of CHF 10 per share. A conditional capital of 5 307 856 shares had been constituted for this purpose.

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

On 5 October 2012, the convertible bond was entirely repaid to creditors. More information about the convertible bond can be found in note 35 of the consolidated financial statements.

Straight bond

On 11 June 2011, Kudelski SA issued a 5½ year CHF 110 million straight bond. The proceeds of this transaction are used for general corporate purposes, enabling the Kudelski Group to diversify its financial resources and lengthen its average debt maturity profile.

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

The repayment price of the straight bonds is at par on 11 December 2016. The straight bond is quoted on the SIX Swiss Exchange, under security number ISIN CH0122488452. The offering circular for the straight bond is available on request from the Group's head office or by e-mail to info@nagra.com. More information about the straight bond can be found in note 30 of the consolidated financial statements.

Share purchase plan

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

The share purchase price is the closing price of the Kudelski SA share listed on the SIX Swiss Exchange on the day of subscription with a discount of up to 42%.

However, the shares are subject to a three year blocking period from the date of purchase.

A chart showing employee participation in this plan for the year 2012 can be found in note 44 of the consolidated financial statements.

3. BOARD OF DIRECTORS

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

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

Mr Stefan Kudelski was Honorary Chairman of the Board of Directors until 26 January 2013, the date of his death.

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

3.1. Members of the Board of Directors

	YEAR OF BIRTH	NATIONALITY	EDUCATION	FIRST ELECTION	END OF TERM OF OFFICE
ANDRÉ KUDELSKI* Chairman of the Board and Chief Executive Officer	1960	Swiss	Degree in Physical Engineering Ecole Polytechnique Fédérale de Lausanne (EPFL)	1987	30.04.2013
CLAUDE SMADJA Deputy Chairman of the Board and Lead Director	1945	Swiss	Degree in Political Science University of Lausanne	1999	30.04.2013
NORBERT BUCHER	1931	Swiss	Doctorate in Engineering Ecole Polytechnique Fédérale de Lausanne (EPFL) Various postgraduate studies at the New York University, Harvard Business School and IMD Lausanne	1992	30.04.2013
PATRICK FËTISCH	1933	Swiss	Doctorate in Law University of Lausanne Bar Exam	1992	30.04.2013
LAURENT DASSAULT	1953	French	Degree in Corporate Law Degree from ESLSCA Ecole Supérieure Libre des Sciences Commerciales Appliquées, Paris	1995	30.04.2013
PIERRE LESCURE	1945	French	Degree in Literature and Journalism Centre de formation des journalistes, Paris	2004	30.04.2013
MARGUERITE KUDELSKI	1965	Swiss	Engineering degree in Microtechnology Doctorate in Microtechnology Ecole Polytechnique Fédérale de Lausanne (EPFL) Executive MBA IMD Lausanne	2006	30.04.2013
ALEXANDRE ZELLER	1961	Swiss	Degree in Economics University of Lausanne	2007	30.04.2013
JOSEPH DEISS	1946	Swiss	Doctorate in Economics and Social Sciences University of Fribourg	2012	30.04.2013

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



ANDRÉ KUDELSKI



CLAUDE SMADJA



NORBERT BUCHER



PATRICK FËTISCH



LAURENT DASSAULT



PIERRE LESCURE



MARGUERITE KUDELSKI



ALEXANDRE ZELLER



JOSEPH DEISS

CURRENT MANDATES

KUDELSKI GROUP

OTHER:

ANDRÉ KUDELSKI

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

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

- Aéroport International de Genève (Switzerland), Vice-Chairman
- Dassault Systèmes SA (France), Board member, member of the Audit Committee and of the Remuneration and Selection 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'économiesuisse (Switzerland), member
- Swiss-American Chamber of Commerce (Switzerland), Vice-Chairman

CLAUDE SMADJA

46 After 15 years with Télévision Suisse Romande (TSR) as Deputy Editor of the Information Department, Claude Smadja joined the management of the World Economic Forum in 1987, a position that he held until 1992. He then returned to TSR as Director of Information until 1996, in which year he was appointed Managing Director of the World Economic Forum. In June 2001, Claude Smadja set up his own strategy consultancy Smadja & Associates, Strategic Advisory, which collaborates on strategic issues with multinationals and government bodies and organizes international events.

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

- Edipresse SA (Switzerland), Board member, Chairman of the Remuneration Committee and member of the Audit Committee
- International Board of Overseers of the Illinois Institute of Technology (United States), member

NORBERT BUCHER

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

- NAGRA PLUS SA, Board member

PATRICK FÆTISCH

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

- Nagravision SA, Chairman
- Nagra France SAS, Chairman
- NagraID SA, Chairman
- NAGRA PLUS SA, Board member
- SkiData AG, Member of the Supervisory Board

- AMRP Handels AG (Switzerland), Chairman

CURRENT MANDATES

OTHER:

LAURENT DASSAULT

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

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

PIERRE LESCURE

Save for a two year period (1972-1974) as a television news presenter for Antenne 2, Pierre Lescure spent the first fifteen years of his professional career with the RTL, RMC and Europe1 radio stations where he successively occupied a variety of positions, in particular Deputy Editor and Director of Programs. In 1981 he returned to television as Editor in Chief of Antenne 2. From 1984, he worked with André Rousselet on the launch project for the pay TV channel CANAL+ where he was appointed Director and then Chief Executive Officer. From 1993 to 2002, he was Chairman and Chief Executive Officer of the CANAL+ Group. From 2000 to 2002 Pierre Lescure was also co-Chief Executive Officer of Vivendi-Universal. Since 2002, he has been Chairman and Chief Executive Officer of Anna Rose Production SAS, a company active in 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
- Havas SA (France), Board member
- PrisaTV S.A.U. (Spain), member of the Supervisory Board
- DTS Distribuidora de Televisión Digital, S.A. (Digital+) (Spain), member of the Supervisory Board

MARGUERITE KUDELSKI

Marguerite Kudelski's professional career began at the EPFL's Laboratory of Electromechanics and Electrical Machines, where she worked from 1991 to 1999. During this period she also worked as a development engineer within the Nagra Audio division of the Kudelski Group. In 1999, she became the Head of R&D with Précel SA in Neuchâtel (then a Kudelski Group company) before being appointed as CEO and Board member of the same company in 2000, positions that she occupied until the end of 2002. After completing a number of marketing and financial analysis projects for NagralD

in 2003, she took responsibility for certain key projects for the Group within the Finance Department from 2004 to 2006. From 2007 to 2011, Marguerite Kudelski worked as a consultant, offering services such as business development and management consulting. In December 2011, she took over the management of the Group's historical activity, Nagra Audio, which was transferred to the company Audio Technology Switzerland SA where she holds the position of Chairman of the Board of Directors and Head of the R&D Department.

ALEXANDRE ZELLER

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

Executive Board. From July 2008 to February 2012, he was CEO of HSBC Private Bank (Switzerland) and, as from October 2010, Regional CEO Europe and Middle East. Since March 2012, Alexandre Zeller is an independent consultant and director. SIX Group SA has designated him to serve as Chairman of its Board, his appointment being subject to the decision of SIX Group SA's General Meeting of Shareholders, which will be held in May 2013.

JOSEPH DEISS

Joseph Deiss obtained a doctorate degree in economy and social sciences from the University of Fribourg (Switzerland) in 1971. After his doctorate, he was a research student at the University of Cambridge in the United Kingdom. He then returned to the University of Fribourg where he was lecturing economics as from 1973 and was "privat docent" as from 1977. He was appointed adjunct professor ("professeur extraordinaire") in 1983 and professor of political economy in 1984, a position he occupied until 1999. During this time, he was also a visiting professor at a number of Swiss Universities including ETH Zurich, University of Lausanne and University of Geneva. Between 1996 and 1998, he was the Dean of the Faculty of Economics and Social Sciences of the University of Fribourg.

Parallel to his academic career, Joseph Deiss has pursued a political career. He was a member of the Grand Council of the canton of Fribourg from 1981 to 1991, when he was elected President of the Grand Council of Fribourg for one year.

From 1991 to 1999, he was a member of the National Council. During this period, from 1993 to 1996, he was Switzerland's price regulator. In 1999 he was elected to the Federal Council, where he was responsible for the Federal Department of Foreign Affairs (1999-2002) and the Federal Department of Economic Affairs (2003-2006). He served as President of the Swiss Confederation in 2004. Since his retirement from the Federal Council in 2006, Joseph Deiss has been a business consultant and has had roles on the Board of Directors of various companies. In June 2010, he was elected President of the United Nations General Assembly for its 65th session from September 2010 to September 2011.

CURRENT MANDATES

KUDELSKI GROUP:

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

* This company is no longer part of the Kudelski Group effective as of 18 July 2011.

OTHER:

- Audio Technology Switzerland SA (Switzerland), Chairman

OTHER:

- Maus Frères SA (Switzerland), member of the Board

KUDELSKI GROUP:

- OpenTV Corp., Board member (until March 2010)

OTHER:

- Zurich Insurance Company South Africa (ZICSA) (South Africa), Board member
- Emmi SA (Switzerland), Board member (until 27 avril 2013)
- Clinique Générale-Ste-Anne SA (Switzerland), Chairman
- Zurich Insurance Company Ireland (ZIP) and Zurich Life Assurance plc Ireland (ZLAP) (Ireland), Board member
- Interprox SA (Switzerland), Board member
- ALSTOM (Suisse) SA, Chairman
- Zurich Insurance Group, International Advisory Council, Vice Chairman
- Liberty Global, European Advisory Council, member

3.2. Other activities and vested interests

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

3.3. Election and term of office

The Board of Directors comprises between one and ten members. Board members are appointed by the General Meeting for a period of one year. The term of office ends on the day of the Ordinary General Meeting. They may be re-elected. The year of the first election as well as the end of term of office for each member are mentioned under section 3.1.

3.4. Internal organization

The Board of Directors performs inalienable and non-transferable duties prescribed by the law (art. 716 of the Swiss Code of Obligations) with the support of its three Committees: Audit, Strategy, and Remuneration and Nomination. 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 Corporate Secretary of the Kudelski Group by calling +41 21 732 01 27 or by post at the following address: 22-24 route de Genève, 1033 Cheseaux-sur-Lausanne.

3.4.1. Distribution of tasks within the Board of Directors

The Board of Directors constitutes itself by appointing from within its ranks the Chairman and the Deputy Chairman. If the Board of Directors allocates the function of Chief Executive Officer to its Chairman, a "Lead Director" is also elected among its members. If not, management of company is delegated in full to the Chief Executive Officer or otherwise to the Executive Board. A Corporate Secretary may be appointed and chosen from outside the Board of Directors. He

or she is not a member of the Board of Directors.

The Chairman of the Board of Directors 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 the 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 an Officer 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 makes a report at each meeting of the Board of Directors covering the essential aspects of the current business situation.

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

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

3.4.2. Composition, attributions and delimitation of competencies of Board of Directors' Committees

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

Audit Committee

The Audit Committee consists of at least three non-executive members of the Board of Directors. At least one Committee member has proven experience in the field of accounting. All members may have knowledge or practical experience in the field of financial management. The Audit Committee meets in principle three times a year. The Audit Committee may at any time request detailed risk analyses of the Group's various sectors of activity as well as relating to specific fields of its choice. The Committee calls on experts outside the Board of Directors where this is

	AUDIT COMMITTEE	STRATEGY COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
 <i>President</i>			
 <i>Member</i>			
André Kudelski			
Claude Smadja			
Norbert Bucher			
Laurent Dassault			
Patrick Fœtisch			
Marguerite Kudelski			
Pierre Lescure			
Alexandre Zeller			
Joseph Deiss			

has ultimate decision-making power on strategy.

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

The Remuneration and Nomination Committee supervises the remuneration policy put in place by the company (refer to section 5: Remuneration, shareholdings and loans). The Committee presents proposals to the Board of Directors concerning the appointment of Board members to be submitted to the General Meeting. At the request of the Chief Executive Officer, it examines applications for management positions and may if it wishes meet with candidates.

3.4.3. Working methods of the Board of Directors and its Committees

The cooperation and allocation of competencies between the Board of Directors and its Committees are described in section 3.4.2.

The Board of Directors meets at least four times a year, but as often as is required for the proper conduct of business. In 2012, the Board of Directors and its Committees met as follows:

Board of Directors	8 times
Strategy Committee	4 times
Audit Committee	3 times
Remuneration and Nomination Committee	2 times

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

50 deemed necessary for the successful completion of its tasks.

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

It assesses the quality of work of external auditors. The Audit Committee reviews the auditing fees, ensures execution of the yearly audit plan and assesses the efficiency of the auditors in identifying and solving issues related to the Group or to the financial statements. The Audit Committee provides appropriate recommendations to the Board of Directors concerning renewal of the term of office of external auditors or, where necessary, their replacement. The Committee ensures that the recommendations of external auditors are followed up and safeguards their independence.

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

Strategy Committee

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

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

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

The Strategy Committee periodically reviews the balance between the Group's objectives, its structure and the organization in place to achieve strategic objectives. The Strategy Committee makes proposals to the Board of Directors, which

3.5. Competencies

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

The Board of Directors

The Board of Directors:

- is responsible for the ultimate management of the company and issues all necessary instructions;
- determines the organization;
- determines the principles of the accounting system and of the financial controls and also of financial planning insofar as this is necessary for the management of the company;
- appoints and dismisses persons entrusted with management and representation;
- exercises ultimate supervision over persons entrusted with management to ensure in particular compliance with the law, the Articles of Incorporation, regulations and instructions given;
- writes the annual report, calls the General Meeting and implements its decisions;
- takes decisions on capital calls with respect to shares that are not fully paid up (article 634a of the Code of Obligations);
- takes decisions regarding the assessment of an increase in capital and relevant changes to the Articles of Incorporation (articles 651 para. 4, 651a, 652a, 652g, 652h, 653g, 653h of the Code of Obligations);
- informs the judge in the event of over-indebtedness.

Group management

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

3.6. Information and control instruments with respect to Group management

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

Supervision

- The Chief Executive Officer submits a report to the Board members prior to each meeting outlining key aspects of the current business situation (key contracts, sales trends, market trends, human capital) for each Group entity and activity.
- Board members receive weekly or quarterly press digests concerning the Group, depending on the amount of relevant newsflow; they may also receive other informative documents concerning the Group and its entities, as well as a message from the Chief Executive Officer whenever the CEO deems this is necessary.
- At least twice a year, members of Group Management are invited to present their activities to members of the Board of Directors. Members of the Board of Directors may also ask ques-

tions 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 Group Management, Group executives or outside experts are invited to present specific subjects to members of the Board of Directors.

Operations and strategy

- In the Group's key sectors, ad hoc committees comprising a cross-disciplinary panel of internal experts evaluate market, strategic, operational, legal and financial risks. These ad hoc committees analyze risks, manage processes relating to the evaluation of such risks, propose measures and monitor their implementation. There is a security committee and an innovation committee. Information and comments arising from these committees are conveyed to the Group Management during the Executive Board Committees, which frequency and duration are tailored to the needs of the Group. Management of the iDTV division is supported by an "Executive Board Group Operations" committee comprised of the CEO, the COO, the CFO, the EVP Strategy and Business Development* as well as senior members of the iDTV division. This committee meets twice a month for 2.5 hours and reviews in particular selected relevant topics for the iDTV division. In addition, the members of the Group Executive Management and the General Counsel, Head of Legal Affairs, the Senior Vice President, Head of Human Resources, the Senior Vice President "Advanced Advertising and Innovation", the Senior Vice President "Intellectual Property" and the Corporate Secretary meet twice a month

* From 1st January 2013, the tasks of the former EVP Strategy and Business Development have been taken over by the other members of the Group's Executive Management (see section 4).

for one hour as part of the “Executive Board Group Functions” committee to discuss relevant topics relating to general corporate matters. Finally the synchronisation between Group Executive Management and the “Executive Board Group Operations” and “Executive Board Group Functions” committees is achieved within the “Executive Board Group Management” committee which meets every month for two hours.

Finance

- The Controlling entity conducts regular financial and operational analyses intended to identify operational and financial risks throughout the value chain of the various activities of Group companies and proposes and coordinates necessary improvements and corrective actions. This entity also makes available a platform of analytical services to Group management and operational departments.
- Each year the Group improves the level of detail and efficiency of its information management system, in particular by combining financial and operational information. This provides an increasingly accurate and global view of the Group's various activities. Every month, the Controlling entity prepares a number of reports which are made available to management. Those reports are then adapted and sent to each regional head and business unit with the corresponding analytical metrics. The reports include: a report providing an overview of the Group's profit and loss broken down by activity and showing profit trends and budget overruns/shortfalls, with adaptations based on quarterly revisions of the annual forecast by entity, as well as their operatio-

nal indicators; a sales report including region, client and sales type-specific analysis as well as their respective margins; a report on the operational cost trend broken down by cost center, a report on the financial development of key projects and a monthly and quarterly report on cash flow situation for the Group and for each segment for the current year and the coming year.

- In addition, the Group has an internal control system based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) reference system. This system aims at providing “reasonable assurance” as regards the performance and efficiency of operations, the reliability of financial information and reporting, and compliance with laws and regulations in force. A team is in charge of internal controls. The various processes are periodically reviewed and analyzed by the external auditors (PriceWaterhouseCoopers).

Legal

- The Legal Department provides advice and consultation as part of the Group's decision making processes and as part of the activities of all Group departments in order to better mitigate and manage legal risks as well as to ensure appropriate levels of compliance with the Group's policies. The Legal Department is involved with the negotiation and approval of contracts entered into by Group companies and maintains contract management and electronic archiving tools to ensure efficient tracking of contracts.

Intellectual Property

- The Intellectual Property Department is responsible for protecting, developing, managing and licensing the Group's technologies and intellectual property portfolio. In connection with this responsibility the Intellectual Property Department briefs senior management on operational and strategic matters in the field of intellectual property that impact Group activities.

Human Resources

- The HR Department uses a performance development tool (“Performance Development System” – PDS) designed to align the teams' management programs with the needs of the company. PDS features performance- and skills-evaluation functions and establishes a career development baseline for employees in line with the company's needs. Since January 2013, a PDS tool embedded in the Group integrated HR information system is available on-line. It gives speedier access to progress against objectives and enhanced management reporting capability. In addition to the PDS, the HR information system now includes an employee database, time and absence management, training and development modules and compensation management.

Information management

- The Corporate IT department, jointly with the Corporate Security department, have developed and implemented a series of policies and procedures concerning IT security (for the use of computer systems, data protection, monitoring, systems management, back-up, etc.) to set appropriate risk limits and to provide a reliable Information System environment.

4. GROUP MANAGEMENT**4.1. Group executive management members *****ANDRÉ KUDELSKI****MAURO SALADINI****PIERRE ROY****ALEX OSADZINSKI**

	DATE OF BIRTH	NATIONALITY	POSITION	EDUCATION
ANDRÉ KUDELSKI	1960	Swiss	Chairman and Chief Executive Officer (CEO) of the Group	Engineer-physicist Ecole Polytechnique Fédérale de Lausanne (EPFL)
MAURO SALADINI Executive Vice President of the Group	1966	Swiss	Chief Financial Officer (CFO)	ETHZ Electrical Engineer Ecole polytechnique fédérale de Zurich MBA INSEAD (France)
PIERRE ROY Executive Vice President of the Group	1952	Swiss	Director of Operations (COO), Digital TV	Degree in Business Management Hautes Etudes Commerciales (HEC) de l'Université de Lausanne
ALEX OSADZINSKI** Executive Vice President of the Group	1958	British/ American	Director Strategy and Business Development	Degree equivalent USA BSc in Computer Science / Management Information Systems and Marketing

* Since 1 January 2013 the Group's Executive Management is composed of the following members: Messrs Kudelski, Saladini and Roy, as announced in a press release dated 18 December 2012.

** Alex Osadzinski obtained various scientific diplomas in the United Kingdom in return for which the company International Education Evaluations Inc. in 1991 issued an equivalence to an American Bachelor's degree in Computer Science/Management Information Systems and Marketing. Alex Osadzinski left the Kudelski Group effective as of 31 December 2012.

MANDATES WITH MAIN OPERATIONAL COMPANIES HELD BY PAR KUDELSKI SA

ANDRÉ KUDELSKI

Please refer to section 3.1. above.

MAURO SALADINI

Mauro Saladini started his career in 1990 as a financial services consultant with Accenture. In 1995, he joined Thema Consulting, where he set up the Zurich subsidiary and took responsibility for cash flow and risk management activities. In 1997, he joined McKinsey & Co, where he became a partner in 2001. He worked in particular on corporate finance and strategy projects relating to various industries, mainly media and telecommunications. In addition, Mauro Saladini was in charge of the Swiss Media Practice and joint-head of the European Media Practice. He has been the Chief Financial Officer and Executive Vice President of the Kudelski Group since 1 February 2003.

- Nagravision SA, Officer
- SkiData AG, Vice Chairman of the Supervisory Board
- NagraID SA, Executive Director
- NagraID Security SA, Board member
- OpenTV Corp., Board member (until 31 December 2010)

PIERRE ROY

Pierre Roy began his professional career with Procter & Gamble as a Financial Analyst in 1975. Following this early experience, he joined IBM in 1977 as a Sales Engineer. In 1979, he began his international career with Digital Equipment Corporation, where he fulfilled various management positions at the European headquarters in Geneva and also abroad, in the Finance and Administration, Marketing and Business Management departments. He joined Kudelski SA in 1992 as Managing Director of Nagra Audio, Business Development Director of Nagravision and Managing Director of Précel (at the time a Kudelski Group company). In 1999 he started his own corporate consultancy firm working in the telecommunications sector while continuing to collaborate on strategic projects for Nagravision. In 2003, he was appointed Chief Operating Officer for the Digital Television sector of the Kudelski Group and Executive Vice President.

- Nagravision SA, Board member and Executive Director
- SmarDTV SA, Board member
- Nagra Media UK Ltd, Board member
- Nagra-Kudelski Ltd, Chairman (until mid-April 2013)
- Nagravision Italia s.r.l., Board member
- Nagravision Iberica SL, Board member
- Nagra USA Inc., Board member
- Nagravision Asia Pte Ltd., Board member
- Nagra Media Korea LLC, Board member
- Nagra Media Pvt Ltd, Board member
- OpenTV Corp., Board member (until 31 December 2010)
- OpenTV Europe SAS, Chairman
- OpenTV Australia Pty Ltd, Board member
- Nagra Thomson Licensing SA, Chairman (until 24 June 2011)*

* This company is no longer part of the Group effective as of 16 June 2011.

ALEX OSADZINSKI

Alex Osadzinski began his professional career in the United Kingdom in 1978, at two successful start-up companies which were subsequently sold. In 1984, he joined AT&T Unix Europe as European Sales Manager. From 1986 to 1994 he worked for Sun Microsystems, where he became Vice President for Markets and Product Strategy. After two years with Grass Valley Group (Tektronix) as Vice President for Marketing and International Sales, President of Grass Valley Japan and General Manager, Mr Osadzinski returned to the world of start-ups with the companies BE from 1996 to 1998 and Vitria Technology from 1998 to 2000. Both these companies were subsequently listed on the stock exchange. He then became CEO of the start-up Katmango. From 2001 to 2008 he was involved in start-ups as a "Venture Partner" through the company Trinity Ventures, one of the main venture capital companies in Silicon Valley and active in software and digital media. In December 2008, Mr Osadzinski joined the Kudelski Group as Executive Vice President Product in the Digital Television division. On 1 January 2012, Mr Osadzinski became Executive Vice President and Director Strategy and Business Development until 31 December 2012 when he left the Kudelski Group.

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

BOARD OF DIRECTORS

ANDRÉ KUDELSKIChairman and Chief Executive Officer
(CEO)**MAURO SALADINI**Executive VP
Finance (CFO)**PIERRE ROY**Executive VP
Operations (COO) iDTV**ALEX OSADZINSKI***Executive VP
Strategy and Business Development

* Alex Osadzinski left the Kudelski Group effective as of 31 December 2012 and therefore is no longer member of the Executive Group Management since 1 January 2013.

4.2. Other activities and vested interests

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

4.3. Management contracts

There were no management contracts in place at Kudelski SA on 31 December 2012.

5. REMUNERATION, SHAREHOLDINGS AND LOANS**5.1. Principles of remuneration**

The remuneration policy of the Remuneration and Nomination Committee aims at aligning the interests of the management personnel as closely as possible with those of the company and of the shareholders over the medium and long term and is based on the following principles:

- coherence in remuneration against the tasks, workload and level of responsibility assumed;
- adequacy of remuneration depending on the course of business, on changes and evolution of the market on which the Group operates and depending on the middle and long term Group strategy;

- global assessment (not individually-based) of remuneration to enhance a long-term vision of the company interest;
- as for Group Management, assessment of the individual performance in connection with short and long term objectives.

The Remuneration and Nomination Committee (see section 5.3) seeks to ensure that global compensation is comparable with that of management personnel with similar competencies and responsibilities in companies operating in the digital television and Internet sectors on the international market, particularly in Switzerland or in high technology centers, such as the Western region of the United States and in Europe. It also takes into account the Group's desire not to dilute the capital of the company excessively.

The Remuneration and Nomination Committee does not base its assessment on benchmarks and does not use consultant services for remuneration. It makes a general assessment of the terms applied in the market by the following categories of companies:

- high technology companies listed on the Nasdaq or on the NYSE;

- and high technology companies listed on the Euronext;

- high technology companies listed on the Swiss Stock Exchange and belonging to the Swiss Performance Index (SPI), sector Technology; and

- high technology companies that are privately owned

with which the Group competes in staff hiring and which are similar in terms of Group structure, complexity and revenues, taking into account that such companies are not in the same business as the Group. The speed of the market evolution in which those companies operate is also an assessment criteria.

Apart from the abovementioned elements, the Remuneration and Nomination Committee considers that there are no other criteria based on which the Kudelski Group could be compared to other companies. This is in particular due to the diversification of the Group's activities on the one hand, and, on the other hand, to the rapid evolution of the markets in which the Group operates and the influence of the players in these markets.

The level of remuneration of the non-executive members of the Board of Directors is determined by their role within the Board of Directors and its committees. The elements of the remuneration are set out in section 5.2.1.

The total annual remuneration of members of Group Management includes a fixed and a variable component. The variable component of remuneration depends on the Group's results (both economic and strategic), on the level of responsibility assumed and on the individual performance, which can have a positive or negative effect on the level of remuneration of each Group Management member. The purpose of the variable component of remuneration is to align the interests of the Group Management members with those of the company and thus reward them for value creation. The variable component of remuneration is not expressed as a percent of the fixed component (see also section 5.2.2).

There is currently no provision setting forth a particular allowance or benefit – including with regard to share vesting periods – in the event of termination of the employment contract of a member of Group Management or in the event of departure of a member of the Board of Directors. Nor are there any such provisions in favour of the members of the Board of Directors, of the Group Management members or in favour of any other individual holding a key position within the Group in the event of a change in control of the company. The employment contracts of the Group Management members are annually based contracts, automatically renewable from year to year and subject to a termination notice of six months, which helps ensure management stability within the Group.

5.2. Components of remuneration

Note 46 of the financial statements show the breakdown of payments to the members of the Board of Directors and of Group Management, pursuant to Article 663b^{bis} of the Swiss Code of Obligations.

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

5.2.1 Members of the Board of Directors

The overall remuneration of non-executive members of the Board of Directors is composed of fixed annual fees and an allowance for costs and other expenses incurred while performing their duties. This remuneration is paid in cash. The company's founder and Honorary Chairman also received fixed annual fees for the year 2012 as shown in note 46 of the financial statements. This remuneration was also paid in cash.

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

5.2.2 Members of Group Management

The total annual remuneration of the Group Management members includes a salary and a variable component.

The remuneration is paid in cash, in shares and consists of payment in kind, including for example provision of a company car and payment of all or part of the international/Swiss included health insurance premium. The fixed component is in principle paid in cash. The Remuneration and Nomination Committee has discretionary authority to

determine how the variable part is paid, taking into account such criteria as the share price and the dilution effect.

A maximum of 50% of the variable part of remuneration is in principle paid in the form of Kudelski SA bearer shares, with the exception of one member of Group Management who does not reside in Switzerland and whose variable remuneration was paid entirely in cash. These shares are blocked for a period of 3 or 7 years in accordance with the individual's wishes. Members of Group Management may also take part in the share purchase plan introduced in 2004, in accordance with the terms of said plan (see section 2.7: Share purchase plan).

The amount of the variable remuneration component depends on the individual performance of the Group Management member and the strategic, economic and operational performance of the Group. The key factors determining variable remuneration levels are the performance of the Group and its divisions, the budget, the strategic initiatives, the achievement of objectives and the quality of management delivered by such Group Management member. The Group objectives are discussed and agreed upon between the Board of Directors, the Strategy Committee, the Remuneration and Nomination Committee and the Chief Executive Officer and reflect the Group's strategy. They are set on an "ad hoc" basis every year. The CEO sets the individual objectives of each member of Group Management in agreement with the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee assesses the achievement of individual performance objectives and those of the Group and it has discretionary authority to determine how the components of indi-

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

Special information regarding year 2012

The remuneration of each member of Group Management is fixed globally and the variable remuneration of the Group Management members is not determined according to the fixed component of remuneration as specified in section 5.1. For information, the variable component of the remuneration of Group Management represented in 2012 between 30% and 60% of the global remuneration, except for the remuneration of the Chief Executive officer (see note 46 of the Financial Statements). This ratio is not fixed and can therefore change every year. The differences in the ratio between fixed and variable remuneration between the Group Management members is based on the function and the status within the company and the practices used in the market at the time of the person's nomination.

The variable component of remuneration of the Group Management increased in 2012 from 2011 due to the achievement, or even the over-achievement, of several important

objectives. However, a reduced performance factor applied to Group Management to take into account in 2012 the cost reduction plan started in 2011. The variable component of remuneration was lower than in 2010, mainly because of the company's results in absolute terms.

5.3 Competency and procedure for determining remuneration levels

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

Each year, the Remuneration and Nomination Committee reexamines the remuneration policy and sets the annually-based remuneration of each member of the Board of Directors and of Group Management, in principle during the first quarter. During the same period, the Chief Executive Officer discusses the performance objectives of the members of Group Management. He presents the decisions to the Board of Directors in a meeting that is generally held during the first quarter as well. The remuneration of non-executive members of the Board of Directors and of the Remuneration and Nomination Committee is set by the entire Board of Directors in a meeting

that is also generally held during the first quarter. The individuals whose remuneration is being discussed do not attend the relevant meetings of the Remuneration and Nomination Committee and of the Board of Directors.

5.4 Changes to the remuneration policy during the year under review

No major change was made to Kudelski Group's remuneration policy relative to the 2012 financial year. It should be noted that the blocked shares of the Group Management were blocked for periods of 3 or 7 years (see section 5.2.2.).

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 0.19% of the capital of Kudelski SA.

6.5. Registration in the share register

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

7. CHANGES OF CONTROL AND DEFENSE MEASURES

7.1. Duty to make an offer

Kudelski SA has no provision on opting-out or opting-up in its Articles of Incorporation. This means that if a shareholder reaches the limit laid down by the law on stock markets (art. 32 LBVM: 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 15 May 2012 for a statutory period of one year. The PricewaterhouseCoopers SA mandate began in 1985. It has been under the responsibility of Mrs Corinne Pointet Chambettaz since 1 January 2010.

The auditor in charge is replaced at the latest seven years after the year in which he/she first occupied this position, as specified in Article 730a paragraph 2 of the Swiss Code of Obligations.

8.2. Auditing fees

The Kudelski Group paid PricewaterhouseCoopers for auditing services for the year 2012 the sum of CHF 984 000. 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.

8.3. Additional fees

The Kudelski Group paid PricewaterhouseCoopers for additional services for the year 2012 the sum of CHF 172 506 representing CHF 124 206 for tax advisory services and CHF 48 300 for other additional services. Additional services mean in particular services such as the auditing of occasional transactions and other services such as new or modified accounting methods.

8.4. Monitoring and control instruments pertaining to the audit

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

PricewaterhouseCoopers provides the Audit Committee with a detailed report before each Committee meeting regarding the execution and results of its work within the Kudelski Group, proposals to correct or

improve identified problems and the implementation status of decisions made by the Audit Committee.

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

For more information on the Audit Committee, and particularly on the selection, evaluation and independence criteria, please refer to sections 3.4.2. and 3.4.3. above.

9. INFORMATION POLICY

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

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

Press releases are issued in compliance with the rules in force on the SIX Swiss Exchange concerning factual publicity and are available on the Group's website simultaneously with their publication. A link on the home page of the Group's web site allows direct access to press releases. The Group communicates as often as necessary in this

manner. Press releases are generally published in French and in English. In certain specific cases, a German version is also provided. They are available in these languages on the website.

Persons wishing to receive Kudelski Group press releases may subscribe to a mailing list using a form available on the Kudelski Group website. Financial results are presented to investors and financial analysts during a press conference held twice a year. Persons invited can also follow the conference by phone.

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

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

Important dates

- 30 April 2013: Annual General Meeting, Lausanne;
- 20 August 2013: Publication of the Interim Financial Report;
- 3 June 2014: Annual General Meeting, Lausanne.

INTERNET LINKS

GROUP WEB SITE

www.nagra.com

INVESTOR RELATIONS SECTION

www.nagra.com/investors.html

IMPORTANT DATES

www.nagra.com/investors-calendar.html

FINANCIAL DOCUMENTATION

www.nagra.com/investors-doc.html

PRESS RELEASES

www.nagra.com/media-pr.html

IMPRESSUM

PROJECT MANAGEMENT AND GRAPHIC DESIGN

Corporate Communications,
Kudelski Group

SUPPORT

Desrochers communication

PRINTING

IRL plus SA, Renens, Suisse

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

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