

3/ Board of Directors

Kudelski Group
Annual report 2004

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

The Board of Directors has an Audit Committee, a Strategy Committee and a Remuneration Committee.

Membership is as follows:

André Kudelski

Chairman of the Board and Chief Executive Officer (CEO)

Claude Smadja

Deputy Chairman of the Board of Directors and Lead Director

Norbert Bucher

Laurent Dassault

Patrick Fœtisch

Stefan Kudelski

Pierre Lescure

First election to the Board at the Ordinary General Meeting on 26 May 2004

Gérard Limat

Secretary to the Board:

Nicolas Gœtschmann

Corporate Secretary (not member)

3.1 Members of the Board of directors

3.2 Other activities and vested interests

3.3 Cross-involvements

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

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



André Kudelski



Claude Smadja

André Kudelski

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

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

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

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

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

Claude Smadja

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

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

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

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



Norbert Bucher



Laurent Dassault



Patrick Foëtisch



Stefan Kudelski



Pierre Lescure



Gérard Limat

Norbert Bucher

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

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

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

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

Laurent Dassault

A business law graduate, Laurent Dassault also holds a degree from the Paris ESLSCA (School of Applied Commercial Sciences). In 1977, he began his career at Banque Vernes and at Banque Industrielle et Commerciale du Marais, taking over Banque Parisienne Internationale with Paribas in 1990.

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

He is Chairman and Managing Director of Dassault Belgique Aviation, Managing Director of Immobilière Dassault SA and a member of the board of GIMD, SVE, Dassault Systèmes, SOGITEC Industries SA, IPS (Industrial Procurement Services), APRO (Aero Precision Repair and Overhaul Company) and Assicurazioni Generali S.p.A. in Trieste, Italy. He is also Chairman of Midway Aircraft.

Laurent Dassault sits on the Board of Terramaris SA in Fribourg, Switzerland, and of the Power Corporation in Montreal, Canada.

He is also a member of the Advisory Board of Syntek Capital SA in Pullach, Germany, and of the Advisory Committee of Sagard Private Equity Partners in Paris.

Laurent Dassault has been a member of the Kudelski SA Board of Directors since 1995.

Patrick Fœtisch

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

He manages his own law office.

He sits on the Board of Directors of Renault Finance SA, Lausanne and of Renault Holding AG, Zug.

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

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

He holds positions on the Board of the following Kudelski Group companies: NagraVision (President), NagraCard (President), Nagra Plus (member of the Board), NagraID (President), Tourist Data Shop (member of the Board) and SportAccess (member of the Board).

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

Stefan Kudelski

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

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

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

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

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

Stefan Kudelski has been on the Kudelski SA Board of Directors since 1968.

Pierre Lescure

After taking a university degree in literature and journalism, Pierre Lescure started his career working with various radio stations (RTL, RMC, Europe1) and then turned to the television industry in the early 1980s. In 1982-1983, he was editor-in-chief at Antenne 2 and, in 1984, worked with André Rousselet on the Canal+ project. In 1988, he was appointed Chief Executive Officer of Canal+ and, in 1993, President and Chief Executive Officer.

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

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

Pierre Lescure was elected a member of the Board of Directors of Kudelski SA at the Ordinary General Meeting on May 26, 2004.

Gérard Limat

Gérard Limat studied accountancy and has worked within the Dassault Group since 1968. He is currently the manager of Terramaris International SA in Meinier-Genève (a company belonging to the Dassault Group).

He is also Chairman of the Board of Directors of Société Financière Terramaris SA in Fribourg, Sita SA in Fribourg and Dasnair SA in Meinier-Genève.

In addition, he sits on the Board of Cendres et Métaux in Bienne, of Société d'Exploitation du Stade de Genève in Geneva and of Olympic Tools Hellas in Greece.

He was appointed to the Kudelski SA Board of Directors in 1995 and is a member of the three Committees within the Board, namely the Audit, Strategy and Remuneration Committees.

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

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

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

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3.4 Elections and terms of office

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

	1 st election to the Board	Last election	Expiry date of the appointment
André Kudelski	1987	26.05.2004	10.05.2005
Claude Smadja	1999	26.05.2004	10.05.2005
Norbert Bucher	1992	26.05.2004	10.05.2005
Laurent Dassault	1995	26.05.2004	10.05.2005
Patrick Fœtisch	1992	26.05.2004	10.05.2005
Stefan Kudelski	1968	26.05.2004	10.05.2005
Pierre Lescure	2004	26.05.2004	10.05.2005
Gérard Limat	1995	26.05.2004	10.05.2005

3.5 Internal organizational structure

3.5.1 Allocation of tasks within the Board of Directors

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

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

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

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

Board of Directors

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

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

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

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

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

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

Remuneration Committee

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

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

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

Audit Committee

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

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

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

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

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

Strategy Committee

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

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

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

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

- President
- Member

3.5.3 Work methods of the Board of Directors and its Committees

In 2004, the Board and its Committees met as follows:

Board of Directors	7 times
Strategy Committee	2 times
Audit Committee	3 times
Remuneration Committee	3 times

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

3.6 Definition of areas of responsibility

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

3.7 Information and control instrument vis-a-vis the group management

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

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

The Audit Committee can request more detailed risk assessments in specific areas of interest. For example, an assessment of IT-related risks was conducted on behalf of and discussed with the Audit Committee.

The Group continued to develop its Management Information System, further enhancing the scope, quality and timeliness of its reporting. A standardized reporting for all legal units and the relevant core centers within each unit is available. Moreover, a Project Controlling Office provides key customer and project-based operational indicators.