

and by members of the Group management of Kudelski SA (including the members of the Kudelski family who are not part of the family pool) as well as the parties closely related to such persons was 12 743 031 bearer shares and 46 300 000 registered shares.

Excluding the Kudelski family, the number of Kudelski SA shares held on December 31, 2006 by the other members of the Board of Directors as well as the parties closely related to such persons was 1 198 392 bearer shares.

5.6 Options

The Kudelski Group implemented an option plan in 2003. The situation on December 31, 2006 is as follows:

Executive member of the Board of Directors and members of Group management and parties closely related to such persons:

Year of grant: 2003

Number of options	Vesting period	Maturity	Ratio	Exercise price
25 436	01.04.2006	01.04.2007	1 – for – 1	CHF 20
43 960	01.04.2007	01.04.2008	1 – for – 1	CHF 20
43 960	01.04.2008	01.04.2009	1 – for – 1	CHF 20

Non-executive members of the Board of Directors and parties closely related to such persons:

Year of grant: 2003

Number of options	Vesting period	Maturity	Ratio	Exercise price
3 000	01.04.2006	01.04.2007	1 – for – 1	CHF 20
6 000	01.04.2007	01.04.2008	1 – for – 1	CHF 20
6 000	01.04.2008	01.04.2009	1 – for – 1	CHF 20

Year of grant: 2005

Number of options	Vesting period	Maturity	Ratio	Exercise price
1 000	01.04.2007	01.04.2008	1 – for – 1	CHF 20
1 000	01.04.2008	01.04.2009	1 – for – 1	CHF 20

5.7 Additional fees and remuneration

The additional fees (including consulting fees and fees relating to other contracts/agreements) and other remuneration paid by the Kudelski Group for services rendered during the financial year 2006 to members of the Board of Directors and to parties closely related to them were as follows: CHF 318 227 to Mr. Patrick Fœtisch – for himself and the lawyers appointed by him – as legal advisor to the Kudelski Group.

5.8 Loans granted to governing bodies

At December 31, 2006, Kudelski SA had no guarantees, loans, advances or borrowings in favor of members of the Board of Directors and members of the Group management or parties closely related to such persons.

5.9. Highest total compensation

For the member of the Board of Directors upon whom the highest total compensation was conferred during 2006, the elements are as follows:

- Compensation: CHF 5 461 675 (in cash)
- Share allotment: 115 000 (subject to restrictions)

6. Shareholder participation

The provisions of the Articles of Incorporation of Kudelski SA dealing with the participation rights of shareholders are in compliance with the law as set out in the Swiss Code of Obligations. The Articles of Incorporation are available on the Kudelski Group website under the following link: www.nagra.com/ar/statuts_Kudelski.pdf.

6.1 Voting rights and representation restrictions

As per the Articles of Incorporation, there exist 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 Calling together of the General Meeting of Shareholders

The statutory rules on the convening of the General Meeting of Shareholders do not differ from applicable legal provisions. The General Meeting of Shareholders is convened at least 20 days before the date of the meeting. The convocation is published in the Swiss Official Gazette of Commerce.

6.4 Agenda

Items on the agenda are published in the convocation. Regarding rules for adding items to the agenda of the General Meeting of Shareholders, the Kudelski SA Articles of Incorporation do not contain provisions that differ from the Code of Obligations, namely Art. 699 CO, "Shareholders who represent shares totaling a nominal value of CHF one million (*) may require the addition of an item on the agenda. The convocation and the addition of an item on the agenda must be required in writing and indicate the topics for discussion and the propositions".

(*) This represents 0.2% of the capital of Kudelski SA.

6.5 Inscription into the share register

Kudelski SA shares that can be traded on the SWX Swiss Stock Exchange are bearer shares; therefore no share register exists.

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. Thus the provisions regarding the threshold of 33 1/3% of the voting rights for making a public takeover offer set out in Article 32 of the Stock Exchange Act are applicable.

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. Some affiliated companies of the Group are audited by other auditors. The auditors were reappointed for a statutory period of one year by the General Meeting of Shareholders of Kudelski SA on May 2, 2006.

The mandate of PricewaterhouseCoopers SA began in 1985 and has been under the responsibility of Mr. Felix Roth since January 1, 2003.

8.2 Auditing fees

The Kudelski Group paid the sum of CHF 880 948 to PricewaterhouseCoopers for auditing services for the year 2006.

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 particular country, performed by PricewaterhouseCoopers. In addition, some audit assignments were placed with other auditors.

8.3 Additional fees

The Kudelski Group paid the sum of CHF 291 136 to PricewaterhouseCoopers for additional services for the year 2006.

Additional services mean in particular services such as the auditing of punctual transactions, the implementation of new or modified accounting methods and other services such as advice offered before mergers, acquisitions and sales of companies. They also include services relating to the monitoring of international laws on corporations as well as advice concerning tax and risk management.