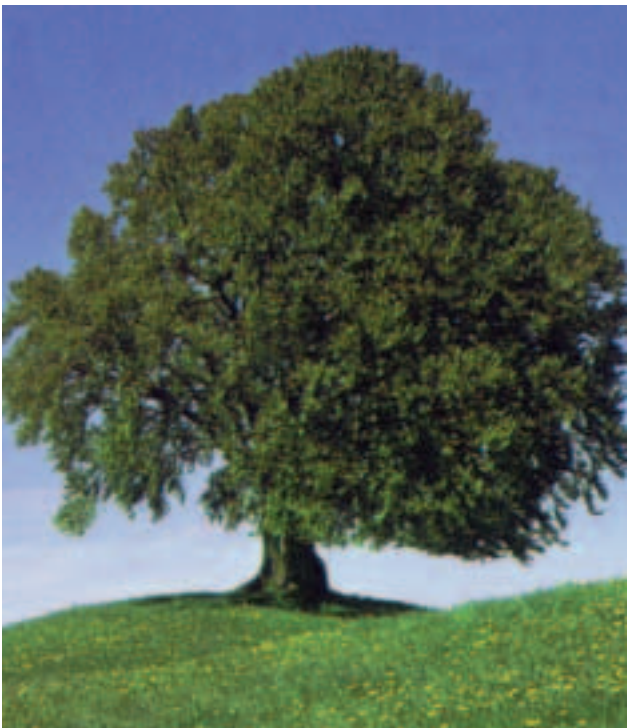


Ascom Pensionskasse (APK)

2003 Abridged Report



General

Pension funds in general came under strong pressure in 2003. In many instances, past negative returns on assets led to a dissolution of fluctuation reserves, and there was much discussion in the media about pension plan underfunding and possible ways of correcting this situation.

Since the method for calculating the actuarial reserve ratio varies from one pension plan to another, it was difficult to obtain an overview and comparisons proved confusing. The Federal Council therefore laid down binding provisions in Article 44 of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV2) governing the method for determining underfunding. These new provisions came into force on 1 July 2003. This calculation, performed retroactively to 31.12.2002, resulted in a slight overfunding for the APK, and estimates performed at regular intervals in the year under review have confirmed this situation. While possible corrective measures were discussed by the Foundation Board, their implementation was waived based on the calculation results.

As a defined benefit plan, the APK was only marginally affected by the confusion surrounding the minimum interest rate on occupational pension plans and conversion rate.

The reform of the Law on Occupational Pension Plans (BVG) will have a greater impact on our foundation. Firstly, it will be necessary to implement the transparency rules, which affects not only the information to insured members but also to supervisory organs. One important change involves a reduction in the income threshold for admission to an occupational pension plan, i.e. more employees will be subject to the BVG. A reduction of the coordination sum will also lead to an increase in insured salaries and hence additional costs. Other changes involve a more precise grading of the invalidity level. A sharp rise in costs is anticipated particularly in terms of invalidity cases.

It is necessary to identify the associated risks and initiate the requisite measures in good time.

Thanks to a significant improvement in earnings on stocks and shares, the actuarial reserve ratio increased from 96.3% to just under 100%. Fluctuation reserves could by no means be increased to the proportions defined in the investment guidelines.

The pension plan capital dropped only slightly despite a sharp reduction in the number of active members.

Personnel

Bernhard Kolb, employer representative on the Foundation Board, left Ascom on 30 April 2003. The Board of Directors of Ascom Holding Ltd elected as his successor Steffen W. Wurst, who remained in office until the end of 2003. Werner Siegenthaler, employer representative on the Foundation Board, retired on 30 September 2003. The Board of Directors appointed Johannes Schläpfer as his successor.

These changes in the Foundation Board affected the composition of the committees. Johannes Schläpfer replaced Werner Siegenthaler on the APK Real Estate/Mortgages Committee, and Philippe Choffat took over Bernhard Kolb's mandate in the APK Finance Committee.

Mortgage loans

Mortgage loans declined sharply in 2003, primarily due to the extremely low fixed mortgage rates offered by banks, which prompted an increased number of insured members and third parties to terminate their mortgage agreement with the APK.

Capital markets

The first two and a half trading months of 2003 bode ill for the year ahead, with the broad-based Swiss SPI index dropping at times by more than 20% below the 2002 year-end level. Other stock exchanges fared little better. A reverse trend set in shortly after the outbreak of the Iraq war.

The US market performed positively, followed in its wake by all stock exchanges around the world. Positive performance was also achieved in bonds, albeit primarily in the first half-year.

By contrast, the return on liquid assets was a modest 0.3%, due to the extremely low interest rates in Switzerland.

Overall, in the year under review the Ascom Pensionskasse reported positive performance of 13.5% on stocks and shares, including liquid assets. The corresponding benchmark calculated for the APK increased by 13.0%.

Real Estate

In 2003 the APK Foundation Board decided to sell various properties, which were offered on the market within the framework of "Project Progress". Since the majority of properties offered under Project Progress are in central locations, a large number have been successfully sold off in the current year. Sales activities are being proactively continued in order to dispose of the remaining real estate in this "package".

Demand in the real estate market varies widely from region to region, particularly for apartment blocks. Since the main selling criterion continues to be a central or relatively central location, a longer time scale must be set for sales of real estate in rural regions. This factor must be taken into account when selling off real estate.

The need to adjust rents in line with mortgage rate reductions has had a direct impact on real estate yield.

Berne, 5. 4. 2004

Ascom Pensionskasse

Anton Sutter **Annegret Bertschy**
Chairman Managing Director

The full Annual Report can be obtained from the APK Secretariat (Tel. 031 999 17 72).

Balance Sheets

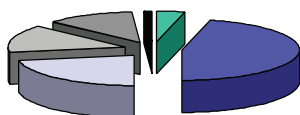
Assets

	31.12.2003		31.12.2002	
	CHF mill.	in %	CHF mill.	in %
Cash and other liquid assets	74.9	5.4	55.7	4.0
Receivables and accruals	10.9	0.8	13.9	1.0
Bonds	176.2	12.8	169.9	12.2
Mortgage loans	145.4	10.6	202.4	14.5
Total intangible assets	407.4	29.6	441.9	31.7
Shares	410.1	29.8	313.3	22.4
Real estate/land	560.2	40.6	640.5	45.9
Total tangible assets	970.3	70.4	953.8	68.3
Total assets	1,377.7	100.0	1,395.7	100.0

Liabilities

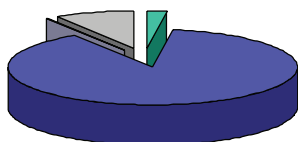
	31.12.2003		31.12.2002	
	CHF mill.	in %	CHF mill.	in %
Liabilities and accruals	4.2	0.3	5.6	0.4
Provisions, fluctuations and price transaction reserves	115.2	8.4	122.2	8.8
Savings capital	26.3	1.9	32.0	2.2
Pension fund capital	1,232.0	89.4	1,235.9	88.6
Total liabilities	1,377.7	100.0	1,395.7	100.0

2003 assets



■ Liquid assets	5.4%
■ Real estate/land	40.6%
■ Stocks and shares	29.8%
■ Mortgage loans	10.6%
■ Bonds	12.8%
■ Accounts receivable	0.8%

2003 Liabilities



■ Savings capital	1.9%
■ Pension fund capital	89.4%
■ Liabilities	0.3%
■ Provisions/reserves	8.4%

Income Statements

	CHF mill.	
	2003	2002
Contributions and transfers		
Employee contributions	18.4	22.0
Employer contributions	18.9	22.4
Buy-ins and lump-sum payments	2.5	2.0
Vested benefits accounts	12.1	13.0
	51.9	59.4
Benefits and insurance expenses		
Pension payments incl. cost-of-living increase and death benefits	-61.1	-59.3
Capital withdrawals on retirement	-4.8	-2.7
Termination payments	-86.1	-126.5
Advance withdrawals for home ownership/divorce	-4.4	-4.3
Release of non-committed funds in favour of cost-of-living increases	0.0	6.3
Contributions to security fund	-0.5	-0.4
	-156.9	-186.9
Net result from insurance portion	-105.0	-127.5
Net result from investments		
Interest on bank and current accounts	0.3	1.7
Currency exchange gains/(losses)	1.2	-0.4
Interest on mortgages	5.9	9.8
Securities	76.5	-124.9
Real estate	21.1	10.4
Interest cost	-0.8	-0.9
Investment-related administration expenses	-2.4	-2.7
	101.8	-107.0
General administration expenses	-1.4	-1.3
Expenditure over income before formation of reserves for value fluctuations	-4.6	-235.8
(Formation)/dissolution of reserves for value fluctuations	-5.1	95.0
Expenditure over income	-9.7	-140.8

General information and explanation of pension scheme

Purpose

The Ascom Pensionskasse is an occupational pension plan set up in accordance with the provisions of the BVG (Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans) and its regulatory statutes for employees (and their dependants) of Ascom companies and companies with business or financial affiliations with the latter, to provide financial benefits for retirement and in the event of premature death and disability.

The Ascom Pensionskasse, based on a defined benefit plan, is governed by the Pension Scheme Regulations dated 1 January 2000 and associated amendments. The fund is self-administered and thus bears full responsibility for risks. Employer and employee contributions are equal.

Legal principles

Deed of Foundation of 9 October 1997

Regulation of 1 January 2000

The Foundation is entered in the Occupational Pension Scheme Register for the Canton of Berne under No. BE 0221 and is subject to the supervision of the Berne Cantonal Office of Social Security and Supervisory Authority (ASVS).

Membership

	31. 12. 2003	31. 12. 2002
Active members	2,726	3,593
Pension recipients	3,388	3,326

The number of active members dropped by 867 to 2,726 in the year under review. In addition to the termination of affiliation agreements with companies which are no longer part of the Ascom Group, a large number of individual members left the pension plan. At the same time the number of pension recipients rose by 62 to 3,388.



Bodies

Foundation Board: Employer representatives:

Anton Sutter, President / Hans Bracher /
Philippe Choffat / Bernhard Kolb
(until 30. 4. 03) / André Maurer /
Werner Siegenthaler (until 30. 9. 03) /
Johannes Schläpfer (from 1. 10. 03) /
Steffen W. Wurst (1. 5. 03 – 31. 12. 03)

Employee representatives:

Daniel Messerli, Vice President / Claus
Köhnen / Hans Marti / Adrian Santschi /
Rosmarie Schlunegger / Alois Vogler

Committees:

The Foundation Board is supported by
three committees with clearly defined
powers and responsibilities
– APK Personnel
– APK Real Estate/Mortgages
– APK Finance

Delegates:

A total of 29 delegates from 10 con-
stituencies representing all the affiliated
companies act as a liaison between
the Foundation Board and the insured.
The 4-year term of office lasts until re-
elections in 2005.



Management:

Annegret Bertschy
Nicole Devaux (Deputy)

Portfolio Management:

Erwin Krättli

Real Estate Management:

Peter Wyss

Accounting:

Jürg von Dach

Actuaries:

ATAG Libera AG,
Pension Fund Consultants, Zurich

Auditors:

Ernst & Young Ltd, Berne

Supervisory Body:

Canton of Berne Office for Social
Security and Supervisory Authority



Principles of accounting and preparation of the financial statements

Bookkeeping, balancing of accounts and valuation complies with the provisions of the Swiss Code of Obligations (OR) and the BVG. The Annual Report, consisting of the Balance Sheet, Income Statement and Appendix, gives a true and fair view of the financial situation of the pension fund.

The balance sheet and income statement were drawn up on the basis of Swiss GAAP FER 26. The previous-year figures were adapted for the sake of comparability.

The Foundation Board as the most senior body is responsible for the investment of assets.

The Foundation Board is examining the current investment strategy in conjunction with external agencies. The main priority is to determine the APK's risk spread and select the relevant asset mix on this basis. Special attention is paid to the security and risk spread of investments, yield enhancement and liquidity monitoring.

Valuation principles

The following valuation principles were applied:

Mortgage loans:

Mortgage loans are secured by mortgage certificates and valued at nominal values.

Bonds:

Bonds are valued at market value. A fluctuation reserve of CHF 4.3 million is included under Liabilities for differences between the market and nominal value.



Shares:

Shares are valued at market value. In addition, a fluctuation reserve of CHF 10.7 million corresponding to 2.6% of the value has been formed under Liabilities. Future gains on shares will be used to restock the portion to the 25% defined in the investment guidelines.

Agricultural land:

Ownership of real estate in an agricultural zone (total 223 397 m²) is not covered by the provisions governing real estate in Article 50 of the BVV2. However, the pension fund is permitted to deviate from the investment provisions if justified by special circumstances and if fulfillment of the pension objective is not jeopardised. These exemptions apply in this case. Moreover, at CHF 10.–/m² the valuation for real estate in the agricultural zone is on the cautious side. The real estate was purchased a number of years ago, partly as building land which was subsequently rezoned and reverted to agricultural land.

Properties:

The market value of capitalised properties (subject to value-adding renovations) was recalculated in 2003. The following provisions are included under Liabilities:

- Deferred taxes: 22% of positive revaluation gain
- Selling costs: 3% of market value
- Price transaction reserves: 5% of the market value of residential properties
10% of the market value of commercial properties

Other assets/other liabilities:

Other assets, receivables and obligations are stated at nominal values.

Investment strategy

The investment guidelines are based on the strategy and associated bandwidths approved by the Foundation Board on 8 September 2003. The Foundation Board has decided to invest a maximum of 4.5% of assets in hedge funds as diversification from existing investments in stocks and shares.

Investment category	Fund strategy	Bandwidths	Max. threshold per BVG	Effective % at 31.12.03
1. Cash and other liquid assets	6%	–	100%	6.2% **
2. CHF bonds	6%	5–7%	100%	6.2%
3. Foreign currency bonds	7%	6–8%	20%	6.6%
4. Swiss equities	11%	9–13% *	30%	13.1%
5. Foreign equities	13%	11–15% *	25%	14.0%
6. Hedge funds	4.5%	2–4.5% *		2.5%
7. Private equity	0.5%	0–1%		0.2%
8. Real Estate	40%	34–42% *	50%	40.6%
9. Mortgage loans	12%	10–14%	75%	10.6%

* Value increases or structural changes may result in the upper bandwidth being exceeded by 2%.

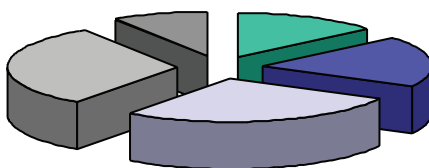
** Including receivables and accruals

Summary of stocks and shares by investment category

(based on performance comparison)

	2003		2002	
	Mill.	%	Mill.	%
Liquid Assets	74,9	11,3	55,7	10,4
CHF bonds	85,5	12,9	73,3	13,6
Foreign currency bonds	90,8	13,7	96,6	17,9
Swiss equities	180,3	27,3	144,0	26,7
Foreign equities*	229,8	34,8	169,3	31,4
	661,3	100,0	538,9	100,0

* incl. hedge funds + private equity



Performance of securities

	2003	2002
Cash and other liquid assets	0.29%	1.35%
CHF bonds, Switzerland	8.97%	3.54%
CHF bonds, foreign	2.10%	4.24%
Foreign currency bonds	7.28%	1.60%
Swiss equities	20.42%	-25.43%
Foreign equities	21.32%	-31.91%
Total	13.49%	-18.92%
Yield benchmark comparison	12.96%	-15.95%

Return on capital assets

	2003	2002
Mortgage loans		
Net return on average volume	3.4%	4.1%
Securities (incl. liquid assets)		
Performance	13.5%	-18.9%
Real Estate		
Total net return on real estate excluding undeveloped land and construction accounts	3.9%	4.2%
Total return		
Total performance as % of average Foundation capital	7.0%	-7.0%

Calculation of the coverage ratio

	CHF million	
	31.12.2003	31.12.2002
Actuarial coverage ratio (according to previous calculation method)		
Savings and pension capital	1,258.2	1,267.9
Required actuarial reserve	1,259.4	1,316.4
Coverage difference	-1.2	-48.5
Coverage ratio (%)	99.91	96.32

	CHF million	
	31.12.2003	31.12.2002
Financial coverage ratio (per BVV2)		
Savings and pension capital	1,258.2	1,267.9
Fluctuation reserve for securities	15.0	5.9
Price transaction reserve for real estate	38.6	42.6
Other provisions	9.4	9.3
	1,321.2	1,325.7
Required actuarial reserve	1,259.4	1,316.4
Coverage difference	61.8	9.3
Coverage ratio (%)	104.91	100.70

The financial coverage ratio corresponds to the coverage ratio calculation method defined by the Federal Council in its Ordinance on the BVG, i.e. in BVV2. A pension plan is regarded as underfunded if, on the balance sheet date, the actuarially required pension capital calculated by experts according to recognised valuation principles is not covered by the available pension assets, including fluctuation reserves and technically uncommitted provisions. The amendment to Art. 44, Para. 1 BVV2 came into force on 1 July 2003.

As a result of the new provisions, the Ascom Pensionskasse has an actuarial reserve ratio according to the BVV2 of 104.91% (2002: 100.7%).

Report of the Statutory Auditors

Ernst & Young AG have conducted an audit of the Financial Statements, overall management, investment management and individual retirement accounts of the Ascom Pensionskasse for the year ended 31 December 2003. In their opinion, these are in compliance with the law, the Deed of Foundation and the Regulations. Ernst & Young AG recommend that the Financial Statements be approved.