

Ascom Pensionskasse (APK)

2006 Abridged Report



2006 Annual Report

The APK can look back on 10 years' of business operations. The APK resulted from the merging of the pension funds within the Ascom Group. The turbulences and restructuring have demanded continual adaptations and brought those responsible a wealth of know-how and experience for coping with the wide variety of tasks.

In the year under review, the worldwide stock markets once again developed positively. Above all, the increase in value of the shares contributed significantly to the performance achieved by the APK on the total assets of 6.7% (previous year 11%). This allowed us to build up the value fluctuations reserves further. Hence the risk capability has again been improved. The coverage ratio in accordance with Art. 44 BVV2 increased from 109.9% to 114.3%.

The Foundation Board recorded two resignations in the year under review. These were from Claus Köhnen and Adrian Santschi, the latter as a result of the cancelling of the affiliation contract with Sunrise. We should like to thank them both for everything they have done for the welfare of our Pension Fund. The Assembly of Delegates held in June 2006 voted Hanspeter Mühlemann and Peter Müller as replacements for the resigned employees' representatives. At the same time the existing employee representatives on the Foundation Board, Andreas Fischer, Hans Marti (new Vice President) and Rosmarie Schlunegger, were confirmed for a further period of office of four years. The vacancies in the APK Finances Committee and the APK Human Resources Committee have been filled by Peter Müller and Hanspeter Mühlemann respectively. On the employer's side, the Board of Directors of Ascom Holding Ltd has confirmed the current Foundation Board members Hans Bracher, Philippe Choffat, André Maurer, Anton Sutter and Hans Zimmermann for a further period of office of 4 years.

In 2006 two regular Foundation Board meetings were held. In addition to the standard items on the agenda, the Foundation Board dealt in particular with the project for a new pension fund concept within the Group. The workshop held in August for all members of the Foundation Board of Ascom pension funds concentrated fully on this concept. The work has progressed to such a degree that if the Foundation Board Members of all affected foundations are in agreement, it can be expected that the new

concept will be introduced on 1.1.2008.

The level of the active membership reduced in the year under review by 398 from 2,154 to 1,756, approximately 2/3 of which is due to the cancellation of the affiliation contract with Sunrise Business Communications AG. Based on this fact, a partial liquidation was carried out as at June 30th, 2006. The statutory vested benefits as well as the corresponding proportion of the actuarial reserves and the value fluctuation reserves was transferred collectively to the new Pension Fund. The conditions for the transfer of the assets were regulated by a notarised contract.

The structure, the organisation and the remodelling of our pension fund will also in 2007 continue to occupy the Foundation Board intensively. The environment and the general conditions are favourable in order to implement the important steps to secure the future.

Berne, in April 2007

Ascom Pensionskasse

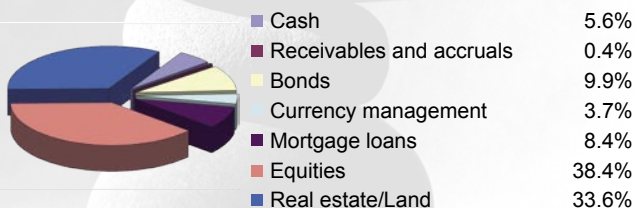
The full version of the Annual Report in German can be obtained from the APK secretariat (Tel. 031 999 17 72).

Balance sheets

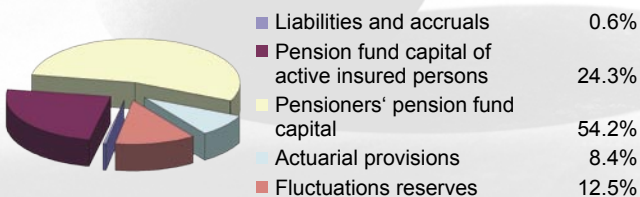
Assets	31.12.2006		31.12.2005	
	in CHF million	%	in CHF million	%
Cash and other liquid assets	76.4	5.6	140.5	10.2
Receivables and accruals	5.0	0.4	7.1	0.5
Bonds	133.9	9.9	131.7	9.5
Currency management	49.9	3.7	0.0	0.0
Mortgage loans	114.6	8.4	122.4	8.9
Total intangible assets	379.8	28.0	401.7	29.1
Equities	521.4	38.4	512.5	37.1
Real estate/Land/ Equipments	456.7	33.6	466.7	33.8
Total tangible assets	978.1	72.0	979.2	70.9
Total assets	1'357.9	100.0	1'380.9	100.0

Liabilities	31.12.2006		31.12.2005	
	in CHF million	%	in CHF million	%
Liabilities and accruals	8.6	0.6	9.9	0.7
Pension fund capital of active insured persons	329.4	24.3	391.1	28.3
Pensioners' pension fund capital	736.5	54.2	738.0	53.4
Actuarial provisions	114.3	8.4	118.1	8.6
Fluctuations reserves	169.1	12.5	123.8	9.0
Total liabilities	1'357.9	100.0	1'380.9	100.0

Assets 2006



Liabilities 2006



Income statements

	2006 in CHF million	2005 in CHF million
Contributions and transfers		
Employee contributions	12.9	14.3
Employer contributions	12.9	14.7
Buy-ins and lump-sum payments	1.8	1.6
Vested benefits accounts	15.8 43.4	13.8 44.4
Benefits, advance withdrawals and insurance expenses		
Pension payments including cost-of-living increases and death benefits	-65.7	-64.8
Capital benefits upon retirement	-2.1	-3.0
Termination payments	-78.1	-31.7
Advance withdrawals for home ownership/divorce	-2.2	-2.6
Formation/dissolution of insurance capital and actuarial provisions	65.0	-22.2
Contributions to security fund	-0.4 -83.5	-0.3 -124.6
Net result from insurance portion	-40.1	-80.2
Net result from investments		
Cash and money market demands	3.2	1.4
Bonds	6.3	6.6
Currency management	1.1	0.0
Equities	55.2	114.5
Mortgages	3.1	3.5
Real estate	23.0	22.7
Interest costs	-0.1	-0.1
Investment-related administration expenses	-2.1 89.7	-2.1 146.5
Value adjustment of deferred contributions	-0.2	0.0
General administration expenses	-1.1	-1.0
Income surplus before formation of reserves for value fluctuations	48.3	65.3
Formation of reserves for value fluctuations	-48.3	-65.3
Surplus	0.0	0.0

Appendix to Financial Statements 2006

General information and explanation of the pension scheme

Purpose of the Foundation

The purpose of the APK is to provide retirement, disability and surviving dependants' insurance according to the BVG and its regulatory statutes for employees of the foundation company as well as for affiliated companies through special agreements.

The pension fund is based on a defined benefit plan and is governed by the Pension Scheme Regulations that came into force on 1.1.2005 and the associated amendments. The fund is self-administered and thus bears full responsibility for all risks.

Employer and employee contributions are equal.

Legal principles

Deed of foundation dated 9 October 1997

Regulation dated 1 January 2005 including the Appendix

The Foundation is entered in the Occupational Pension Scheme Register for the Canton of Berne under the number BE.0221 and is subject to the supervision of the Berne Cantonal Office of Social Security and Supervisory Authority (ASVS).

Membership

	31.12.2006	31.12.2005
Active members	1,756	2,154
Pension recipients	3,383	3,417

Active membership reduced, in particular due to the cancelling of the Sunrise affiliation agreement, by a total of 398. The number of pensioners decreased by 34.

Bodies

• **Foundation Board:**

Employer
representatives

Sutter Anton, Chairman
Bracher Hans
Choffat Philippe
Maurer André
Zimmermann Hans

Employee
representatives

Köhnen Claus, Vice Chairman
(until mid 2006)
Marti Hans, Vice Chairman
(from 28.11.2006)
Fischer Andreas
Mühlemann Hanspeter
(from 1.7.2006)
Müller Peter (from 1.7.2006)
Santschi Adrian (until mid 2006)
Schlunegger Rosmarie

• **Committees:**

The Foundation Board is supported by three committees with clearly defined powers and responsibilities:

- APK Finance Committee
- APK Real Estate/Mortgages Committee
- APK Personnel Committee

• **Delegates:**

19 delegates from 9 constituencies, who represent all affiliated companies, act as a liaison between the Foundation Board and the insured persons.

• **Management:**

Bertschy Annegret
Krättli Erwin (Deputy)

• **Portfolio management:**

Krättli Erwin

• **Real estate management:**

Oesch Marlene, Department Head
Hämmerli Monika (Deputy)

• **Accounting:**

von Dach Jürg

• **Actuaries:**

LCP Libera AG,
Pension Fund Consultants, Zurich

• **Auditors:**

Ernst & Young AG, 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 Financial Statements, consisting of the Balance Sheet, Income Statement and Appendix, give a true and fair view of the financial situation of the pension fund according to the spirit of the law governing occupational pension plans and complies with the regulations laid down in the Swiss GAAP FER 26.

As the most senior body, the Foundation Board carries responsibility 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 based on this, to select the appropriate asset mix. Special attention is paid to the security and risk spread of investments and to yield enhancement, but also to liquidity monitoring.

Valuation principles

The following valuation principles were applied:

Securities

Bonds and shares are valued at market value on the balance sheet day. The exchange gains and losses achieved and not achieved are entered into the books under Net Income from bonds, currency management and shares.

Foreign currency translations

Income and expenses in foreign currency are translated at the prevailing daily exchange rate. Assets and liabilities in foreign currencies are translated at the year-end exchange rates. The resulting exchange rate profits and losses are recognised in the Income Statement as part of the net result from investments.

Mortgage loans

Mortgage loans are shown in the balance sheet at nominal value less necessary economic value adjustments.

Funds

The funds part is valued at current market value.

Real Estate

The current market value of that real estate which is fully owned by the APK is calculated purely using the capitalised earnings value method. The capitalisation rate consists of the basic rate plus surcharges for risk and negotiability, operating, maintenance and management costs and for depreciation for age.

The co-ownerships of business properties are valued using the DCF (Discounted Cash Flow) method. For added value over and above the investment value, provisions are made for deferred taxes.

Other assets / Other liabilities

The other assets and liabilities are shown in the balance sheet at nominal values.

Value fluctuations reserves

The objectives set for value fluctuations reserves are as in the previous year:

- CHF bonds	10%
- Foreign currency bonds	15%
- Currency management	15%
- Equities including funds	25%
- Residential properties including land/construction accounts	5%
- Commercial properties including co-properties	10%

The targets set for value fluctuations reserves on 31.12.2006, with a total of CHF 190.3 million, were not achieved; CHF 169.1 million are available.

Expansion of investment possibilities (Art. 59 BVV2)

Since both commercial and actuarial provisions are available, the purpose of the pension fund is not jeopardised, even though the asset value of about 72% is slightly higher than the highest level of 70% defined in Art. 55, Para. b BVV2.

The Foundation possesses land in the agricultural zone (total 222,586m²), which does not fall under the permitted asset investments in accordance with Art. 53 BVV2. The land parcels were purchased many years ago, partly as building land that was later rezoned as agricultural land.

Investment strategy

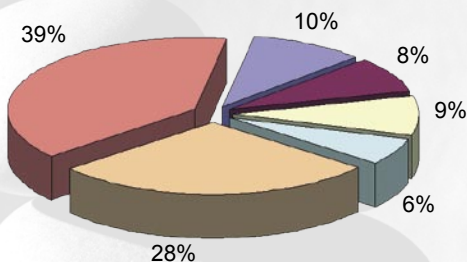
The investment guidelines are based on the strategy approved by the foundation board on 25 November 2005 together with the associated bandwidths. A new investment category, Currency management, has been introduced.

Investment category	Strategy APK	Band- widths	Max. thresholds according to BVG	Actual % on 31.12. 2006
Cash and other liquid assets	3%	–	100%	5.6%
CHF bonds	4%	3 – 5%	100%	4.4%
Foreign currency bonds	6%	5 – 7%	20%	5.5%
Currency management	4%	3 – 5%		3.7%
Mortgage loans	10%	8 – 12%	75%	8.4%
Swiss equities	14%	12 – 16%	30%	15.9%
Foreign equities	16%	14 – 18%	25%	17.2%
Hedge funds	6%	5 – 7%		5.2%
Private equity	1%	0 – 1%		0.1%
Real estate	36%	30 – 38%	50%	33.6%

Summary of the securities, liquid assets included, by investment category

	31.12.2006		31.12.2005	
	in CHF million		in CHF million	
■ Liquid assets	76.4	10%	140.5	18%
■ CHF bonds	59.4	8%	53.3	7%
■ Foreign currency bonds	74.5	9%	78.4	10%
■ Currency management	49.9	6%	0.0	0%
■ Swiss equities	215.8	28%	206.2	26%
■ Foreign equities*	305.6	39%	306.3	39%

*incl. Hedge Funds and Private Equity



Performance of securities

	2006	2005
Cash	0.8%	5.6%
CHF bonds, Switzerland	1.5%	2.1%
CHF bonds, foreign	-0.2%	-1.9%
Foreign currency bonds	2.5%	6.5%
Currency management	1.9%	--
Funds of Hedge Funds	2.0%	7.2%
Private Equity	64.5%	157.5%
Swiss equities	17.0%	31.5%
Foreign equities	12.7%	28.2%
Total	9.3%	19.1%
Benchmark comparison	10.5%	17.7%

Return/performance on the various capital investments

	2006	2005
Mortgage loans (Direct investments) Net return on average volume	2.7%	2.8%
Securities (including liquid assets) Performance	9.3%	19.1%
Real estate Net return on average volume	4.5%	4.4%
Total return Net return on the average investments of assets	6.7%	11.0%

Calculation of the coverage ratio

Coverage ratio in accordance with Art. 44 BVV2

	31.12.2006	31.12.2005
	in CHF million	in CHF million
Required pension fund capital and actuarial reserves	1'180.2	1'247.2
Value fluctuation reserves	169.1	123.8
Available to cover regulatory obligations	1'349.3	1'371.0
Coverage ratio	114.33%	109.92%

The pension capital and the actuarial provisions are calculated annually by experts in accordance with recognised valuation principles and based on generally accessible actuarial principles.

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 APK for the year ended 31 December 2006. 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.

