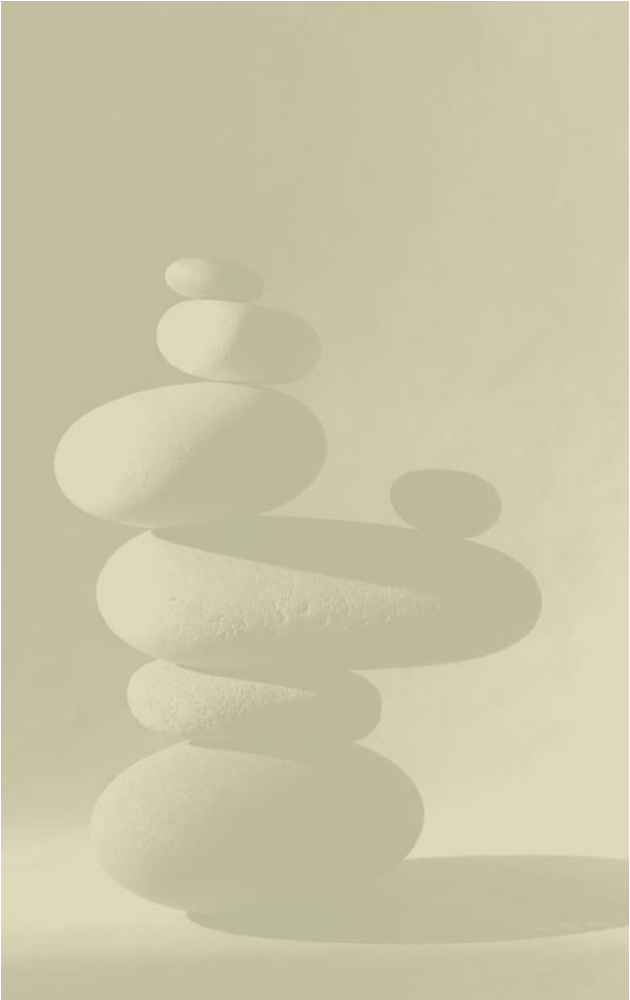


# **Ascom Pensionskasse (APK)**

## **2007 Abridged Report**



# 2007 Annual Report

The year under review was one characterised above all by considerable change. The preparations for the changeover from a defined benefit to a defined contribution pension plan and the merging with the other two Ascom Foundations (Kadervorsorgestiftungen) went ahead at full speed.

Following two good years, the result achieved by the APK on assets in 2007 is below expectations. After a positive first half-year, setbacks were suffered in the second half of the year due to the developments on the international markets. A positive influence on the net return was had by the pleasing results from real estate investments. Once again, it has been shown that a balanced asset allocation is of the utmost importance. When compared with other foundations, the net return of 3.46% achieved on total investments can be classified as very good.

The balance sheet total reduced insignificantly during the year under review to CHF 1,344 million (-1%). The value fluctuation reserves at CHF 172 million have reached around 93 % of the target value and the coverage ratio (available net assets as a percentage of the required pension fund capital) now stands at 114.8 % (previous year 114.3%).

The number of persons entitled to draw a pension is continually decreasing. At the end of the year under review, 3,345 persons were drawing a pension, i.e. 38 persons less than in the previous year. The level of the active membership reduced by 25 persons to 1,731 during the year under review.

The only change recorded in the Foundation Board was the resignation of Peter Müller, Delta Energy Systems AG, as the result of his change of job. The Assembly of Delegates voted Hermann Waldvogel, Ascom (Schweiz) AG onto the Foundation Board. Mr Waldvogel took office on 1 July 2007. He also took over the vacant position in the APK Finances Committee.

In the year under review, three meetings of the Foundation Board were held. The regularly recurring agenda items were dealt with at the regular Foundation Board meetings in April and November. At an extraordinary board meeting in June, the basic decision to merge with the „Ascom Kadervorsorge-Stiftung“ and the „Alpha-Vorsorge-Stif-

tung“ foundations was formulated and the approval of the new pension plan was dealt with. The changeover from a defined benefit to a defined contribution pension plan demanded the definition of transitional regulations as well as the complete revision of the Regulations. This work was carried out by a working group in close cooperation with pension plan experts and involved a broad approval process with the involved parties. The changes were presented in writing to the insured persons in the form of a brochure and in autumn, various information meetings were held. The comprehensive communications inspired understanding for the necessary change and had a positive effect on the introduction on 1.1.2008.

With the initiated changes and the coming into effect of the Regulations on the 1.1.2008, a major step has been completed for the future pension plan for the employees, the founding company and the affiliated companies. The change in the plan definition has increased the comprehensibility and transparency and provides greater freedom for all participants. The incorporation of the pension plan in a single Foundation ideally covers the requirements for a well-developed 2nd pillar pension fund and increases efficiency in the administration. In this sense, the APK is well prepared and has established the prerequisites for a further opening.

Berne, in April 2008

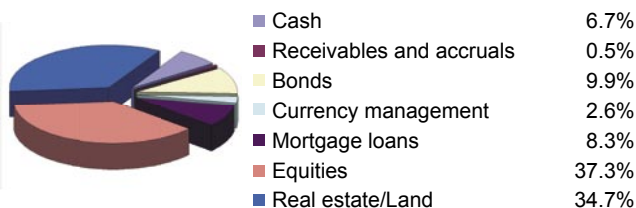
Ascom Pensionskasse

# Balance sheets

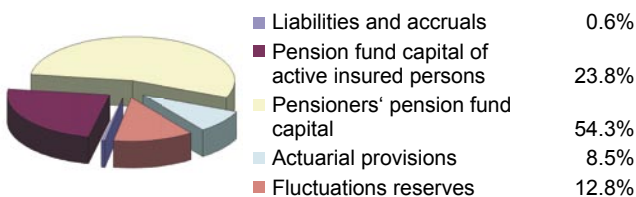
Assets	31.12.2007		31.12.2006	
	in CHF million	%	in CHF million	%
Cash and other liquid assets	90.7	6.7	76.4	5.6
Receivables and accruals	6.3	0.5	5.0	0.4
Bonds	132.7	9.9	133.9	9.9
Currency management	34.9	2.6	49.9	3.7
Mortgage loans	111.7	8.3	114.6	8.4
<b>Total intangible assets</b>	<b>376.3</b>	<b>28.0</b>	<b>379.8</b>	<b>28.0</b>
Equities	501.0	37.3	521.4	38.4
Real estate/Land/ Equipments	467.2	34.7	456.7	33.6
<b>Total tangible assets</b>	<b>968.2</b>	<b>72.0</b>	<b>978.1</b>	<b>72.0</b>
<b>Total assets</b>	<b>1'344.5</b>	<b>100.0</b>	<b>1'357.9</b>	<b>100.0</b>

Liabilities	31.12.2007		31.12.2006	
	in CHF million	%	in CHF million	%
Liabilities and accruals	7.9	0.6	8.6	0.6
Pension fund capital of active insured persons	320.4	23.8	329.4	24.3
Pensioners' pension fund capital	729.9	54.3	736.5	54.2
Actuarial provisions	114.5	8.5	114.3	8.4
Fluctuations reserves	171.8	12.8	169.1	12.5
<b>Total liabilities</b>	<b>1'344.5</b>	<b>100.0</b>	<b>1'357.9</b>	<b>100.0</b>

## Assets 2007



## Liabilities 2007



# Income statements

	2007 in CHF million	2006 in CHF million
<b>Contributions and transfers</b>		
Employee contributions	12.2	12.9
Employer contributions	12.2	12.9
Buy-ins and lump-sum payments	1.0	1.8
Vested benefits accounts	15.5 <b>40.9</b>	15.8 <b>43.4</b>
<b>Benefits, advance withdrawals and insurance expenses</b>		
Pension payments including cost-of-living increases and death benefits	-71.1	-65.7
Capital benefits upon retirement	-2.1	-2.1
Termination payments	-27.4	-78.1
Advance withdrawals for home ownership/divorce	-0.9	-2.2
Formation/dissolution of insurance capital and actuarial provisions	15.4	65.0
Contributions to security fund	-0.2 <b>-86.3</b>	-0.4 <b>-83.5</b>
<b>Net result from insurance portion</b>	<b>-45.4</b>	<b>-40.1</b>
<b>Net result from investments</b>		
Cash and money market demands	0.2	3.2
Bonds	-0.1	6.3
Currency management	1.0	1.1
Equities	16.8	55.2
Mortgages	3.3	3.1
Real estate	27.3	23.0
Interest costs	-0.1	-0.1
Investment-related administration expenses	-2.0 <b>46.4</b>	-2.1 <b>89.7</b>
Value adjustment of deferred contributions	0.2	-0.2
In-flow from the liquidation of the „Wohlfahrtsstiftung der Autophon Gesellschaften“	2.8	
General administration expenses	-1.3	-1.1
<b>Income surplus before formation of reserves for value fluctuations</b>	<b>2.7</b>	<b>48.3</b>
Formation of reserves for value fluctuations	-2.7	-48.3
<b>Surplus</b>	<b>0.0</b>	<b>0.0</b>

# Appendix to Financial Statements 2007

## 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

	<b>31.12.2007</b>	<b>31.12.2006</b>
Active members	1,731	1,756
Pension recipients	3,345	3,383

Active membership reduced by a total of 25. The number of pensioners decreased by 38.

## Bodies

- **Foundation Board:**

Employer  
representatives

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

Employee  
representatives

Marti Hans, Vice Chairman  
Fischer Andreas  
Mühlemann Hanspeter  
Müller Peter (until 30.6.2007)  
Schlunegger Rosmarie  
Waldvogel Hermann (from 1.7.2007)

- **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:**

18 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:**

Zingg 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 funds part is valued at the net asset value. 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.

### 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	5%
- Commercial properties including co-properties	10%

The targets set for value fluctuations reserves on 31.12.2007, with a total of CHF 184.5 million, were not achieved; CHF 171.8 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 222,586m<sup>2</sup>), 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

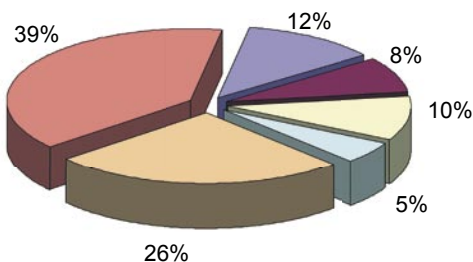
The investment guidelines are based on the strategy approved by the foundation board on 25 November 2005 together with the associated bandwidths.

Investment category	Strategy APK	Band- widths	Max. thresholds according to BVG	Actual % on 31.12. 2007
Cash and other liquid assets	3%	–	100%	6.7%
CHF bonds	4%	3 – 5%	100%	4.4%
Foreign currency bonds	6%	5 – 7%	20%	5.5%
Currency management	4%	3 – 5%		2.6%
Mortgage loans	10%	8 – 12%	75%	8.3%
Swiss equities	14%	12 – 16%	30%	14.6%
Foreign equities	16%	14 – 18%	25%	16.2%
Funds of Hedge Funds	6%	5 – 7%		6.3%
Private equity	1%	0 – 1%		0.1%
Real estate	36%	30 – 38%	50%	34.8%

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

	31.12.2007		31.12.2006	
	in CHF million		in CHF million	
■ Liquid assets	90.6	12%	76.4	10%
■ CHF bonds	59.2	8%	59.4	8%
■ Foreign currency bonds	73.5	10%	74.5	9%
■ Currency management	34.8	5%	49.9	6%
■ Swiss equities	197.0	26%	215.8	28%
■ Foreign equities*	304.0	39%	305.6	39%

\*incl. Hedge Funds and Private Equity



## Performance of securities

	2007	2006
Cash	-1.0%	0.8%
CHF bonds, Switzerland	2.6%	1.5%
CHF bonds, foreign	-3.0%	-0.2%
Foreign currency bonds	1.7%	2.5%
Currency management	1.5%	1.9%
Funds of Hedge Funds	7.1%	2.0%
Private Equity	71.7%	64.5%
Swiss equities	-0.9%	17.0%
Foreign equities	4.5%	12.7%
<b>Total</b>	<b>2.0%</b>	<b>9.3%</b>
Benchmark comparison	2.2%	10.5%

## Return/performance on the various capital investments

	2007	2006
<b>Mortgage loans</b> (Direct investments) Net return on average volume	2.9%	2.7%
<b>Securities</b> (including liquid assets) Performance	2.0%	9.3%
<b>Real estate</b> Net return on average volume	5.5%	4.5%
<b>Total return</b> Net return on the average investments of assets	3.5%	6.7%

## Calculation of the coverage ratio

Coverage ratio in accordance with Art. 44 BVV2

	<b>31.12.2007</b>	<b>31.12.2006</b>
	in CHF million	in CHF million
Required pension fund capital and actuarial reserves	1'164.8	1'180.2
Value fluctuation reserves	171.8	169.1
Available to cover regulatory obligations	1'336.6	1'349.3
<b>Coverage ratio</b>	<b>114.75%</b>	<b>114.33%</b>

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.

### Events occurring after the balance sheet date

The changeover from a defined benefit to a defined contribution pension plan took place on 1.1.2008. At the same time, the Ascom Pensionskasse will be merged with the „Ascom Kadervorsorge-Stiftung“ and the „Alpha-Vorsorge-Stiftung“ Foundations.

The previous valuation guidelines were used when preparing the annual financial accounts of the individual Foundations. In contrast, adapted and standardised valuation and amortisation criteria have been used for the merged balance sheet.

# 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 2007. 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.