

**Ascom Pensionskasse (APK)**

**2005 Abridged Report**



# 2005 Annual Report

During the year under review, the securities markets developed extremely positively. The appreciation in value of the shares played a major role in permitting the APK to achieve an overall performance on its total assets in 2005 of 11% (previous year 3.5%). This permitted us to make the necessary actuarial provisions and to further build up the value fluctuations reserves. Hence the risk capability has been further improved. The coverage ratio in accordance with BVV2 increased from 104.8% to 109.9%.

Restructuring within the Group and staff reductions at a large number of the affiliated companies, led to a reduction in the active membership from 2,345 to 2,154. The number of pensioners is approximately the same as the previous year and on 31.12.2005 stood at 3,417. Nevertheless, the pensions paid out rose by CHF 1.8 million while the ordinary contributions of the members reduced by CHF 1.5 million. The increase in the balance sheet total by 7% to CHF 1,381 million is the result of an increase in value of the assets.

The Foundation Board recorded two changes in the year under review due to two Foundation Board members leaving their employer companies; Daniel Messerli, Vice Chairman and employee representative since 1991, and Johannes Schläpfer, employer representative since 2003. We should like to thank them both in the name of the insured members for everything they have done for the welfare of our Pension Fund.

In 2005 the employees' representative Andreas Fischer and the employer's representative Hans Zimmermann were voted onto or appointed to the Board. The new members will both replace the departing Foundation Board Members in the APK Real Estate/Mortgages Committee.

In the year under review the Foundation Board and the APK Committees handled, in addition to the standard items on the agenda, the reform of the Law on Occupational Pension Plans (BVG) and the investment strategy for the asset investments. In November 2005 a workshop was held for all members of the Foundation Board of the Ascom Pension Funds to deal with the revision of the BVG and other current topics. As part of the workshop, with a view to the future, various possible solutions for the simplification and transparency were sketched out and discussed.

The new investment strategy, which takes effect from 1.1.2006, now defines a new investment category known as Currency Management as well as a higher level of investment in equities; on the other hand the real estate and mortgage loans investments will be reduced.

The legally defined regulations for the tendering of accounts in accordance with SWISS GAAP FER 26 which come into effect this year were already adopted by the APK last year. The new layout has proven its value and has led to improved transparency and consequently better information.

The structure and the organisation of our pension fund will also in 2006 occupy the Foundation Board intensively. The environment and the market is also in this field constantly changing; this demands continual checking of the vested benefits in order that these can be organised transparently, efficiently and in keeping with the times, both for the employees and employers.

Berne, in April 2006

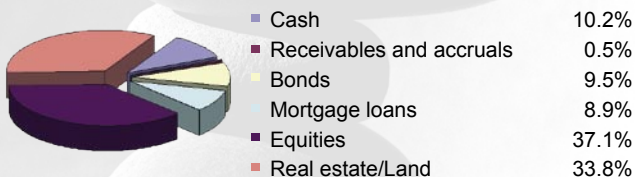
Ascom Pensionskasse

# Balance sheets

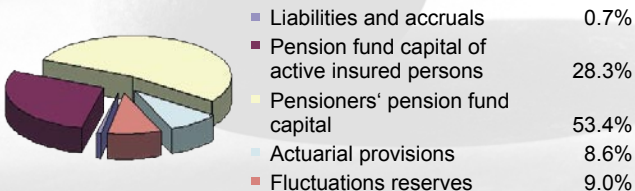
Assets	31.12.2005		31.12.2004	
	in CHF million	%	in CHF million	%
Cash and other liquid assets	140.5	10.2	71.8	5.6
Receivables and accruals	7.1	0.5	10.7	0.8
Bonds	131.7	9.5	142.0	11.0
Mortgage loans	122.4	8.9	130.0	10.1
<b>Total intangible assets</b>	<b>401.7</b>	<b>29.1</b>	<b>354.5</b>	<b>27.5</b>
Equities	512.5	37.1	438.7	34.0
Real estate/Land/ Equipments	466.7	33.8	495.7	38.5
<b>Total tangible assets</b>	<b>979.2</b>	<b>70.9</b>	<b>934.4</b>	<b>72.5</b>
<b>Total assets</b>	<b>1'380.9</b>	<b>100.0</b>	<b>1'288.9</b>	<b>100.0</b>

Liabilities	31.12.2005		31.12.2004	
	in CHF million	%	in CHF million	%
Liabilities and accruals	9.9	0.7	5.4	0.4
Pension fund capital of active insured persons	391.1	28.3	410.1	31.8
Pensioners' pension fund capital	738.0	53.4	735.4	57.1
Actuarial provisions	118.1	8.6	79.5	6.2
Fluctuations reserves	123.8	9.0	58.5	4.5
<b>Total liabilities</b>	<b>1'380.9</b>	<b>100.0</b>	<b>1'288.9</b>	<b>100.0</b>

## Assets 2005



## Liabilities 2005



# Income statements

	2005 in CHF million	2004 in CHF million
<b>Contributions and transfers</b>		
Employee contributions	14.3	15.1
Employer contributions	14.7	15.5
Buy-ins and lump-sum payments	1.6	1.5
Vested benefits accounts	13.8 <b>44.4</b>	14.0 <b>46.1</b>
<b>Benefits, advance withdrawals and insurance expenses</b>		
Pension payments including cost-of-living increases and death benefits	-64.8	-63.1
Capital withdrawals on retirement	-3.0	-3.1
Termination payments	-31.7	-66.3
Advance withdrawals for home ownership/divorce	-2.6	-3.0
Formation/dissolution of insurance capital and actuarial provisions	-22.2	44.3
Contributions to security fund	-0.3 <b>-124.6</b>	-0.4 <b>-91.6</b>
<b>Net result from insurance portion</b>	<b>-80.2</b>	<b>-45.5</b>
<b>Net result from investments</b>		
Cash and money market demands	1.4	-0.5
Bonds	6.6	6.1
Equities	114.5	19.4
Mortgages	3.5	4.1
Real estate	22.7	20.9
Interest costs	-0.1	-0.4
Investment-related administration expenses	-2.1 <b>146.5</b>	-2.4 <b>47.2</b>
General administration expenses	-1.0	-1.1
<b>Income surplus before formation of reserves for value fluctuations</b>	<b>65.3</b>	<b>0.6</b>
Formation of reserves for value fluctuations	-65.3	-0.6
<b>Surplus</b>	<b>0.0</b>	<b>0.0</b>

# Appendix to Financial Statements 2005

## General information and explanation of the pension scheme

### Purpose of the Foundation

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

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>31.12.2005</b>	<b>31.12.2004</b>
Active members	2,154	2,345
Pension recipients	3,417	3,421

The number of active members dropped by 191 within the year, primarily as a result of restructuring. The number of pensioners decreased slightly for the first time.

## Bodies

- **Foundation Board:**

Employer  
representatives

Sutter Anton, Chairman  
Bracher Hans  
Choffat Philippe  
Maurer André  
Schläpfer Johannes (until 30.9.2005)  
Zimmermann Hans (from 24.10.2005)

Employee  
representatives

Messerli Daniel, Vice Chairman  
(until mid 2005)  
Köhnen Claus, Vice Chairman  
from 1.7.2005  
Fischer Andreas (from 1.7.2005)  
Marti Hans  
Santschi Adrian  
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:**

21 delegates from 9 constituencies, who represent all affiliated companies, act as a liaison between the Foundation Board and the insured persons. The delegates have been reelected on November 2005. The term of office is four years and lasts until 2009.

- **Management:**

Bertschy Annegret  
Krättli Erwin (Deputy)

- **Portfolio management:**

Krättli Erwin

- **Real estate management:**

Oesch Marlene  
Hämmerli Monika

- **Accounting:**

von Dach Jürg

- **Actuaries:**

LCP Libera AG,  
Pension Fund Consultants, Zurich

- **Auditors:**

Ernst & Young AG, Bern

- **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 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 real estate was recalculated at the end of 2005 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%
- Equities including funds	25%
- Residential properties including land	5%
- Commercial properties including co-properties	10%

The targets set for value fluctuations reserves on 31.12.2005, with a total of CHF 180.9 million, were not achieved; CHF 123.8 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 70.9% is slightly higher than the highest level of 70% defined in Art. 55, Para. b BVV2. Based upon these considerations, the Foundation Board has also decided, as a diversification to the existing equities and bonds, to invest a maximum of 4.5% of the assets in Funds of Hedge Funds.

In addition, the Foundation possesses land in the agricultural zone (total 223,404 m<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

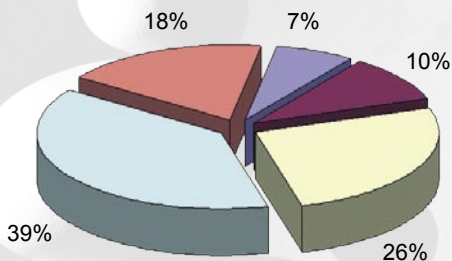
As the result of an increase in value, and in view of the strategy changes on 1.1.2006, upon the application by the APK Finance Committee and in agreement with the Foundation Board, the upper and lower limits of the bandwidths valid in 2005 have in some cases been exceeded. The total value of assets as per the balance sheet date lies slightly above the permitted highest value of 70%.

Investment category	Strategy APK	Band- widths	Max. thresholds according to BVG	Actual % on 31.12. 2005
Cash and other liquid assets	6%	–	100%	10.2%
CHF bonds	6%	5 – 7%	100%	3.9%
Foreign currency bonds	7%	6 – 8%	20%	5.7%
Swiss equities	11%	9 – 13%	30%	14.9%
Foreign equities	13%	11 – 15%	25%	16.2%
Hedge funds	4.5%	2 – 4.5%		5.8%
Private equity	0.5%	0 – 1%		0.2%
Real estate	40%	34 – 42%	50%	33.8%
Mortgage loans	12%	10 – 14%	75%	8.9%

The new investment strategy that comes into force on 1.1.2006, foresees a new investment category Currency Management as well as a higher investment in equities; on the other hand the real estate and mortgage loans parts will be reduced.

## Summary of the securities by investment category (based on the Performance comparison)

	31.12.2005 in CHF million		31.12.2004 in CHF million	
■ CHF bonds	53.3	7%	49.4	8%
■ Foreign currency bonds	78.4	10%	92.6	14%
■ Swiss equities	206.2	26%	191.3	29%
■ Foreign equities	306.3	39%	247.3	38%
■ Liquid assets	140.5	18%	71.8	11%



## Performance of securities

	2005	2004
Cash and other liquid assets	5.6%	-1.5%
CHF bonds, Switzerland	2.1%	4.6%
CHF bonds, foreign	-1.9%	-2.6%
Foreign currency bonds	6.5%	2.7%
Funds of Hedge Funds	7.2%	3.9%
Private Equity	157.5%	14.7%
Swiss equities	31.5%	5.2%
Foreign equities	28.2%	5.9%
<b>Total</b>	<b>19.1%</b>	<b>3.9%</b>
Benchmark comparison	17.7%	5.2%

## Return on capital investments

	2005	2004
<b>Mortgage loans</b> (Direct investments) Net return on average volume	2.8%	2.9%
<b>Securities</b> (including liquid assets) Performance	19.1%	3.9%
<b>Real estate</b> Net return on average volume	4.4%	3.7%
<b>Total return</b> Performance on the average investments of assets	11.0%	3.5%

## Calculation of the coverage ratio

Coverage ratio in accordance with Art. 44 BVV2

	<b>31.12.2005</b>	<b>31.12.2004</b>
	in CHF million	in CHF million
Assets (Balance sheet total)	1'380.9	1'288.9
Liabilities	-7.4	-3.9
Deferred income	-2.5	-1.5
Net pension fund capital	1'371.0	1'283.5
Pension fund capital and actuarial provisions	1'247.2	1'225.0
<b>Coverage ratio</b>	<b>109.92%</b>	<b>104.77%</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.

## 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 2005. 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.

