

Press release**Berne, 5 September 2006****Ascom records first growth results –
Increase in incoming orders and order backlog**

Ascom posted its first growth results in the first half of 2006, recording a 6% increase in incoming orders compared to the prior-year period and a 10% rise in order backlog compared to the year end of 2005. Growth was primarily attributable to the Wireless Solutions Division, where incoming orders were up by 10% and order backlog by 27% in the period under review. Ascom closed the first half of 2006 with consolidated revenue of CHF 329.8 million, EBIT of CHF 6.4 million and Group profit of CHF 4.8 million. Following the sale of various business activities and divisions in 2005, CHF 180 million was paid back to shareholders in the first half of 2006 in the form of a par value repayment and CHF 10.1 million in the form of dividends. Ascom shows a strong balance sheet at 30 June 2006, with an equity ratio of approximately 40%.

In the first half of 2006 Ascom achieved important milestones in the implementation of its corporate strategy and its focus on mission-critical communications. Incoming orders rose by 6% overall in the period under review to CHF 353.7 million (CHF 333.1 million in the prior-year period). Consolidated revenue for Ascom's **continuing operations** Wireless Solutions, Security Solutions and Special Products reached CHF 329.8 million (prior-year period: CHF 334.0 million). At CHF 6.4 million (including a profit of CHF 1.2 million from the sale of real estate), EBIT was lower than in the first half of 2005. However, the prior-year figure of CHF 18.9 million also includes higher special effects amounting to CHF 12.0 million (CHF 6.1 million from the divestments of previous years and CHF 5.9 million in non-recurring profits from the sale of real estate).

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Wireless Solutions

During 2005 Ascom formulated three principal measures for Wireless Solutions with the aim of accelerating growth: innovation, reinforcing the sales force, and strengthening the management team. These measures were successfully implemented in the first six months of 2006. Thanks to its leading market position and the successful rollout of new IP-based products and VoWiFi solutions, the division recorded a 10% increase in incoming orders to CHF 153.1 million. In the direct customer business, incoming orders rose by 18% and revenue by 7%, whereas revenue from the OEM business dropped by 30%. As a result, total revenue for the division was roughly on a par with the previous year at CHF 137.2 million. At CHF 10.6 million, the operating result for the first half of 2006 was below the prior-year figure of CHF 13.7 million. This was due to differences in the revenue mix and higher first-time production costs for the stockpiling and launch of the new products. Also due to rigorous cost management, EBIT remained unchanged at CHF 8.2 million.

Security Solutions

In the first half of 2006 the main priorities for Security Solutions were to resolve project-related problems in the Traffic Security business, which had caused a negative impact on the division's results in the second half of 2005. Four of the six projects experiencing difficulties have now been completed, while another is scheduled for completion in the near future. While this project situation continued to have a negative impact on the division's results in respect of operating margins in the first half of 2006, the Public Safety, Defence and Systems & Solutions business (within Telecom Operations) exceeded expectations. The division recorded incoming orders of CHF 97.4 million in the first half of 2006 (compared with CHF 97.1 million in the corresponding prior-year period). Security Solutions also had a higher order backlog at the end of June 2006 than at year end

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of 2005. Revenue stood at CHF 95.0 million (CHF 112.2 million in the prior-year period). This was due to lower revenue at Telco Net Services (following the decision of a major customer to insource in the first half of 2005), the above-mentioned situation with regard to Traffic Security projects and the time lag between incoming orders and revenue for certain Defence contracts. Security Solutions increased spending on development as well as marketing and sales in the first half of 2006. Major savings were achieved in terms of administrative costs, resulting in an operating result of CHF 2.3 million and almost a breakeven result of CHF (0.1) million at EBIT level.

Special Products

The business activities of Network Integration Italy, Payphones, Manufacturing France, Toll France and Hong Kong, as well as real estate operations, which are grouped together under **Special Products**, generated revenue of CHF 89.7 million and an operating loss of CHF (1.3) million during the period under review. EBIT for the first half of the year was CHF (1.4) million compared to CHF 3.9 million for the prior-year period. Network Integration Italy (EBIT breakeven) and Payphones (EBIT CHF 0.9 million) reported stable results. The difference at EBIT level in the half year comparison for Special Products is largely attributable to differing volumes of non-recurring profits from the sale of real estate.

Discontinued operations

Divestments were consistently and intensively pursued in the first half of 2006. The business activities of Network Integration Germany and Powerline Communications were sold, and an agreement for the sale of Manufacturing France (Ascodi Industries SA) was signed in July 2006. The residual real estate in Switzerland held for sale and not required for operations were sold in June and July 2006, thereby largely completing the

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streamlining of Ascom's business portfolio. A profit of CHF 0.6 million was recorded from discontinued operations in the period under review (prior-year: CHF 30.4 million).

Group

Ascom recorded a **Group profit of** CHF 4.8 million in the first six months of 2006 (CHF 4.2 million from continuing operations and CHF 0.6 million from discontinued operations). The prior-year Group profit of CHF 50.6 million included a profit of CHF 30.4 million from discontinued operations and higher special effects from divestments completed in previous years and from the sale of real estate (altogether a total amount of CHF 12.0 million).

At the Ordinary General Meeting held on 6 April 2006, shareholders approved the Board of Directors' proposal to distribute CHF 180 million in cash in the form of a par value repayment and an additional CHF 10.1 million in the form of a dividend payout. These amounts were distributed in the first half of 2006.

Ascom has a healthy balance sheet and at 30 June 2006 held cash and securities in an amount of CHF 110.6 million.

Outlook

No significant changes are currently anticipated in the economic environment within which Ascom operates. The company therefore expects a better result for the second half of 2006 and thus confirms its full year 2006 guidance. Ascom also confirms its goal to find new owners for the remaining Special Products activities by mid-2007.

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Key financial figures from income statement

	1st half-year	1st half-year
CHFm	2006	2005
Incoming orders	353.7	333.1
Order backlog	264.7	226.9
Revenue	329.8	334.0
Gross profit	101.3	108.3
<i>Gross profit margin</i>	<i>30.7%</i>	<i>32.4%</i>
Operating result	3.8	6.7
EBIT ¹	6.4	18.9
Profit from continuing operations ¹	4.2	20.2
Profit from discontinued operations	0.6	30.4
Group profit ²	4.8	50.6

¹ EBIT and Profit from continuing operations for the first half of 2005 also contain higher special effects of CHF 12.0 million from the divestments of previous years and from non-recurring profits from the sale of real estate.

² Group profit for the first half of 2005 contains special effects as mentioned above and a profit from discontinued operations of CHF 30.4 million.

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About Ascom

Ascom is an international solution provider with comprehensive technological know-how. The company concentrates on the core areas of Wireless Solutions (high-value, customer-specific on-site communications solutions) and Security Solutions (applications for security, communication, automation and control systems for infrastructure operators, public security institutions and the army). The Special Products Division covers the activities of Network Integration (network solutions for the data/voice convergence market) in Italy and Payphones (specialised products for voice traffic). With a wealth of experience in implementing complex projects for discerning customers, Ascom has established itself in important key markets. Offerings range from analysis and consulting to system design and system integration, project management, engineering and implementation, right through to maintenance and support. The company has subsidiaries in 18 countries and a workforce of some 2,600 employees worldwide. Ascom registered shares (ASCN) are listed on the SWX Swiss Exchange in Zurich.

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