

Media Release

Berne, 7 September 2004

Increased margin and Group profit of CHF 22 million in first half-year 2004 – Group to focus in future on two growth areas

In the first half-year 2004, Ascom significantly improved its earnings situation. Revenue for the four existing core areas remained stable year-on-year at CHF 485 million. The operating result generated a profit of CHF 39 million compared with a loss of CHF 25 million in the previous year. EBIT rose by CHF 75 million to CHF 30 million, and Group profit reached CHF 22 million compared with a loss of CHF 57 million in the previous year. Ascom intends in future to systematically expand the two core areas of Wireless Solutions and Security Solutions with a view to profitable, organic and acquisitive growth. Ascom will find the right partners for Transport Revenue and a large part of Network Integration (Business Communication) in order to ensure the further positive development of these areas on a global basis.

In the first half-year 2004 the Ascom Group posted consolidated revenue of CHF 596 million. The higher previous-year figure of CHF 833 million includes various activities which have since been divested. Revenue from continued activities amounted to CHF 537 million (previous-year figure: CHF 527 million), of which the core areas account for CHF 485 million (previous-year figure: CHF 488 million).

Marked improvement in operating result

In the first half of 2004 the Group posted a significantly improved operating result of CHF 39 million, following the previous year's loss of CHF 25 million. The operating result for the four existing core areas increased by 72% to CHF 43 million compared with CHF 25 million for the previous year. As a result, the operating margin for the

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four existing core areas improved by some 9% compared with 5% for the previous year.

Transport Revenue recorded a 7% increase in revenue to CHF 133 million and increased the operating result from CHF 2 million to CHF 12 million.

Security Solutions posted revenue of CHF 83 million (previous-year figure: CHF 91 million). This figure was impacted by the repositioning of the business as well as reluctance to invest on the part of customers in certain areas of Security Solutions. As a result, the operating result fell from the CHF 8 million in the previous year to CHF 4 million.

Network Integration has been successfully restructured over the past two years. At CHF 141 million, revenue was roughly on a par with the previous-year level (CHF 144 million), while the operating result improved to CHF 8 million (previous-year figure: CHF 0 million).

Wireless Solutions increased revenue in the first half-year 2004 by CHF 2 million to CHF 133 million and recorded an operating result of CHF 19 million (previous-year figure: CHF 15 million).

The following results were recorded outside the existing core areas: In the first half-year 2004, revenue from Co-operations amounted to CHF 63 million (previous-year figure: CHF 52 million) and an operating result of CHF 4 million compared to the previous-year's loss of CHF 14 million. Revenue for divested areas amounted to CHF 59 million (previous-year figure: CHF 306 million) and an operating profit of CHF 2 million compared to the previous-year's loss of CHF 25 million.

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Positive Group result

Ascom closed the first half-year 2004 with a Group profit of CHF 22 million compared to the previous-year's loss of CHF 57 million. At minus CHF 2 million, other expenses and income had no significant impact on the Group result. Losses from the sale of group companies (CHF 9 million), impairments on business areas to be divested (CHF 13 million) and restructuring costs (CHF 6 million) were largely offset by income of CHF 27 million from the release of tax provisions no longer required following settlement of the US tax case.

Cash flow and liquidity

In the first six months of 2004, the net cash inflow from operating activities amounted to CHF 20 million as opposed to a net cash outflow of CHF 21 million for the same period in 2003. At 30 June, 2004, the net liquidity of Ascom amounted to CHF 87 million (31 December 2003: CHF 55 million) At the end of the period under review, Ascom held cash and marketable securities in the amount of CHF 331 million. This figure includes securities of CHF 25 million as well as CHF 74 million held in an escrow account in favour of the holders of the CHF 200-million bond.

Future focus on two growth areas

Since the strategic direction was defined in 2002, the four existing Ascom core areas have performed well. Following a detailed analysis and in view of the financial possibilities open to Ascom, the Board of Directors and Executive Board have come to the conclusion that it will not be possible to pursue the organic, acquisitive development of all four areas simultaneously if major potentials are to be successfully leveraged. Having examined market potential, technological position and capital requirements, Ascom intends in

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future to concentrate on the two core areas of Wireless Solutions and Security Solutions. Over the next few years, Wireless Solutions and Security Solutions will be profitably expanded both geographically and technologically, to provide the basis for organic growth and targeted acquisitions. Ascom will seek the right partners for Transport Revenue and a large part of Network Integration (Business Communication) in order to ensure their further positive development on a global basis.

Key financial figures at 30 June 2004

CHFm	1. half-year 2004	1. half-year 2003
Total Ascom revenue	596	833
Revenue from continued activities	537	527
<i>of which core areas</i>	485	488
Operating result ¹	39	(25)
EBITDA	51	(3)
Result from operational activities (EBIT)	30	(45)
Group profit/(loss)	22	(57)
Net cash flow from operating activities	20	(21)

	30.06.2004	31.12.2003
Balance sheet total:	978	1 108
Net liquidity	87	55
Shareholders' equity	223	203
Equity ratio in %	23	18
Employees	4 228	4 842

¹ Before amortisation of intangible assets and other (expenses) / income

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About Ascom

Ascom is an international solution provider with comprehensive technological know-how. In future the company aims to concentrate on the core areas of Wireless Solutions (high-value 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 other areas mainly comprise Transport Revenue (fare collection, parking and toll collection systems) and Network Integration (network solutions for the data/voice convergence market). 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 22 countries and a workforce of some 4,200 employees worldwide. Ascom registered shares (ASCN) are listed on the SWX Swiss Exchange in Zurich.

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