

MEDIA RELEASE

5 September 2007

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Ascom: Accelerated implementation of strategy following unsatisfactory first half 2007 results

In the first half of 2007, Ascom enjoyed strong demand for its solutions, products and services. Incoming orders for the two core divisions rose by 18.1 %, while order backlog increased by 56.2 %. Group revenue was flat compared to the previous year period and Ascom ended the first half-year 2007 with a modest Group profit of CHF 1.1 million. This result was primarily due to the unsatisfactory operating income recorded by the Traffic Business Unit. Ascom has a robust equity ratio of 44 % and net liquidity of CHF 188.5 million.

Due to the slow and unsatisfactory nature of performance over the past twelve months, the Board of Directors has decided to accelerate the implementation of the Group strategy. Following the appointment of Riet Cadonau as new CEO, senior management has been further strengthened by appointing Dr Fritz Gantert as General Manager Security Solutions. The implementation of operational measures has been and remains important for Ascom's future. International expansion and customer focus will be stepped up further, and investments in innovations and R&D will continue to be pursued. At the same time, the process of focusing on core businesses will be accelerated. Sweeping measures to improve profitability, such as the repositioning of certain business units and streamlining of unprofitable segments, will be implemented with the aim of achieving an EBIT margin of 10 % by 2010. Based on an initial analysis, the cost of these various measures will be around CHF 50-60 million, only part of which will be cash-effective.

Ascom Group recorded in the first half of 2007 further growth in incoming orders, which rose by 8.2 % to CHF 321.3 million, ending the period under review with a high order backlog of CHF 304.5 million. At EBIT level the Group posted a profit of CHF 2.4 million (previous year CHF 8.2 million) and Group profit of CHF 1.1 million (previous year CHF 4.8 million), with revenue amounting to CHF 264.1 million (previous year CHF 275.2 million). Wireless Solutions and Security Solutions each recorded revenue growth of around 2.3 %, while Special Products generated lower revenue year-on-year, although it must be noted that this segment comprised only Payphones and Real Estate in the first half of 2007 and did not include the activities of Manufacturing France (included in the 2006 first half-year results) anymore, which was sold in autumn of last year.

Ascom has a strong, healthy balance sheet, a stable equity ratio of 44 % and sufficient net liquidity of CHF 188.5 million at 30 June 2007. The Group also generated positive cash flow from operating activities in the amount of CHF 33.3 million (previous year CHF 8.9 million).

Wireless Solutions

In the first six months of 2007 Wireless Solutions recorded an increase of 8.2 % in incoming orders to CHF 165.7 million and revenue growth of 2.3 % to CHF 140.3 million (previous year CHF 137.2 million). Wireless Solutions put in a good performance at EBIT level, posting a profit of CHF 9.3 million (previous year CHF 8.2 million) and improved the EBIT margin from 6.0 % to 6.6 % compared to the corresponding period in 2006.

Security Solutions

The overall picture in Security Solutions was mixed, with different results achieved in the individual business units. Defence and Systems & Solutions performed well in terms of incoming orders as well as revenue and profitability. Revenue and operating income generated by Traffic were extremely unsatisfactory, and the improvements aimed at in the second half of 2006 proved to be unsustainable.

As a result, Security Solutions recorded a loss at EBIT level of CHF (3.4) million (previous year CHF (0.1) million). Nevertheless, the Division generated higher revenue than in the previous-year period, posting a 2.3 % increase to CHF 97.2 million. Incoming orders were up by 33.6 % to CHF 130.1 million, while order backlog increased significantly by 71.6 % to reach CHF 194.2 million.

Accelerated implementation of strategy

The growth strategy adopted in October 2006 will continue to be pursued. However, since performance over the past twelve months has been unsatisfactory and too slow, the Board of Directors has decided to accelerate implementation of this strategy. Specifically, efforts aimed at internationalization and competence in the marketing and sales area will be stepped up within the organization, additional investments will be made in innovation capabilities, and the cost structure shall be brought to a competitive level.

Rigorous measures to improve profitability, such as the repositioning of certain business units and streamlining of unprofitable segments, will be implemented with the aim of achieving an EBIT margin on Group level of 10 % by 2010. Based on an initial analysis, the cost of these various measures is estimated to be at around CHF 50-60 million. The programmes will be defined in detail over the next few weeks and months, and implemented immediately thereafter. Detailed information on the individual measures will be announced at the Investor & Media Day on 30 November 2007.

Operational management team strengthened

The Board of Directors has pleasure in announcing the appointment of Dr Fritz Gantert, a manager with extensive international experience and strong implementation capabilities, as General Manager of Security Solutions. Dr Gantert previously worked for Ascom for several years, and over the past five years has held the post of CEO of a stock exchange listed company. He will take up his new position on 1 October 2007 and fully concentrate on the tasks that lie ahead of him within the Security Solutions Division. Ascom now has in place a highly experienced operational management team headed by CEO Riet Cadonau, to ensure the efficient, timely implementation of the growth strategy.

Outlook

From a current perspective, the targets for Wireless Solutions for fiscal year 2007 still remain in place. Revenue is to grow by around 5 %, and an EBIT margin of 8-10 % should be achieved (before any potential restructuring measures). Revenue at Security Solutions is expected to grow by more than 5 % over the full year. Due to rigorous measures to improve profitability, Security Solutions is not expected to close 2007 with a positive EBIT.

Key financial figures from the income statement

CHFm	H1 2007	H12006
Incoming orders	321.3	297.0
Order backlog	304.5	217.3
Revenue	264.1	275.2
Gross profit	92.9	93.8
<i>Gross margin</i>	35.2 %	34.1 %
Operating result ¹	1.4	4.5
EBIT	2.4	8.2
Profit from continuing operations	1.5	6.2
(Loss) / profit from discontinued operations	(0.4)	(1.4)
Group profit	1.1	4.8

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

The full 2007 Half-Year Report is available at www.ascom.com – Investor Relations – Reports and Presentations

ABOUT ASCOM

Ascom is an international solution provider with comprehensive technological know-how in Mission-Critical Communication. 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). 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 17 countries and a workforce of some 2,100 employees worldwide. Ascom registered shares (ASCN) are listed on the SWX Swiss Exchange in Zurich.

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