

## LETTER TO SHAREHOLDERS

Dear Shareholders

We are looking back to a strategically important year for Ascom. Major milestones were achieved and Ascom is well positioned to become the leading provider for integrated workflow solutions in healthcare and to further transform into a healthcare ICT company.

We are also looking back to a financially successful year with good results. Due to excellent business development in the second half-year, we succeeded in increasing Group profit to CHF 38.5 million (2013: CHF 36.9 million). In view of this good result, the Board of Directors will propose to the Annual General Meeting an increased dividend payment of CHF 0.45 per share, offering a dividend yield of about 3%.

Ascom further increased its profitability in 2014 and reached an EBITDA margin of 15.4% (2013: 14.7%) at Group level, while the revenue development was in line with the previous year at constant currencies.

We were able to pay back further loans and the Ascom Group showed a net cash position of CHF 27.1 million as of 31 December 2014 (2013: net debt of CHF 2.9 million) and reported an equity ratio of 51.8% (2013: 51.6%). Thus, Ascom is a financially very sound global technology group.

Ascom Wireless Solutions (which accounts for 71% of the Group's net sales) recorded revenue growth of 6.4% year-on-year at constant currencies and posted its best year ever in terms of profitability, achieving an EBITDA margin of 18.0%. After a very difficult first half-year, the performance of Ascom Network Testing improved considerably in the second half-year 2014. For the full year, the division achieved an EBITDA margin of 9.4% in spite of the revenue decline of 8.9% at constant currencies. In the second half-year, Network Testing reached an EBITDA margin of 13.4% and increased its revenues by 25.8% compared to the first half-year. This gives a strong platform for the 2015 development.



Fritz Mumenthaler, CEO (l.), Juhani Anttila, Chairman (r.)

Supported by the ongoing strong momentum in market, growth and profit development, we have decided to accelerate the implementation of our strategy with an additional investment program on top of normal investments of around CHF 10 million for 2015, mainly for Wireless Solutions. A key element of this plan, which includes the addition of up to 100 employees, is a deeper and more targeted focus on healthcare ICT markets, where we see excellent opportunities.

For 2015, we set the target to reach organic revenue growth in our core business of 3–7% at constant rates while achieving an EBITDA margin in the range of 13–16% due to the additional investments. For the period 2016/2017, we set the goal of reaching average organic revenue growth of 5–10% at constant currencies while achieving an EBITDA margin in the range of 14–18%.

### EBITDA margin of 15.4% at Group level

Ascom generated revenues of CHF 448.8 million in fiscal year 2014 (2013: CHF 459.7 million) and thus achieved stable revenue development at constant currencies. Incoming orders were slightly lower and came to CHF 461.3 million (2013: CHF 478.0 million). The order backlog increased year-on-year by 9.9% in constant currencies, providing a good basis for revenue growth in 2015. EBITDA on Group level increased year-on-year by 2.4% and amounted to CHF 69.2 million (2013: CHF 67.6 million), with an EBITDA margin of 15.4% (2013: 14.7%).

In its core business (including Wireless Solutions, Network Testing and Corporate, but excluding the activities related to the non-core real estate), Ascom generated revenues of CHF 437.6 million (2013: CHF 439.2 million), representing growth of 1.8% at constant currencies. Ascom posted in its core business EBITDA of CHF 66.5 million with an EBITDA margin of 15.2% (2013: 15.7%).

In spite of higher investments in R&D (2014: 10.8% of revenue), Ascom closed the year with a higher Group profit of CHF 38.5 million for 2014 (2013: CHF 36.9 million). In view of this good result, the Board of Directors will propose to the Annual General Meeting a dividend payment of CHF 0.45 per registered share (2013: CHF 0.40), offering a dividend yield of about 3% and reflecting an increased payout ratio of 42% (2013: 39%).

Following continuing loan repayments, the Ascom Group showed a net cash position of CHF 27.1 million as of 31 December 2014 (2013: net debt of CHF 2.9 million), and reported an equity ratio of 51.8% (2013: 51.6%).

#### **Ascom Wireless Solutions – a leading provider for integrated workflow solutions in healthcare**

Wireless Solutions continues to position itself as the solution provider for workflow optimization in healthcare and offers a very broad product portfolio in the healthcare segment. Wireless Solutions was able to further strengthen its strong market position in the healthcare segment. The division won important orders in the healthcare market in Norway and Sweden as well as in the Netherlands. In addition, the division further strengthened its position in the UK healthcare market by winning a long-term service contract, and successfully completed the integration of its two acquisitions in Australia and Malaysia.

Wireless Solutions experienced a very strong second half-year and ended the financial year 2014 with excellent results. The division grew its revenue to CHF 318.9 million, reflecting 6.4% growth year-on-year at constant currencies. The book-to-bill rate amounts to 1.05. Wireless Solutions achieved its best ever year in terms of profitability, achieving an EBITDA margin of 18.0%.

Innovation is a major growth driver for Wireless Solutions. The main innovation focus was on the design of Ascom Myco, a smart hand-held device, which is purpose-built for the healthcare industry. The launch of this new product in autumn 2014 was a key strategic milestone for the division and will be an important mid-term business catalyst; first revenues are expected in 2015.

With its leading market position and the in-depth knowledge of its customer needs, Wireless Solutions is excellently positioned to fully capitalize on the substantial potential in the healthcare industry. In order to capture significant growth opportunities, an investment plan with focus on healthcare ICT will be launched in 2015. The target is to accelerate the investment into solutions, software and professional services. Ascom has the vision to be present in every tier 1 hospital worldwide by 2020.

#### **Ascom Network Testing solidifies its leading market position in Test & Measurement**

In 2014, Network Testing was able to regain market share in Asia Pacific and showed very good results in the Middle East and Africa. However, a difficult market environment mainly in North America affected the division during the

fourth quarter due to postponement of offers. The division succeeded in further solidifying its leading market position in Test & Measurement while the Systems & Solutions product unit suffered from a slower market development and changes in customer behavior.

After a very difficult first half-year, the performance of Network Testing improved considerably in the second half-year 2014. For fiscal year 2014, the division generated revenues of CHF 119.0 million showing a decline of 8.9% year-on-year at constant currencies. With lower revenues, Network Testing achieved an EBITDA margin of 9.4%. The division showed a stronger second half-year with revenues of CHF 66.3 million achieving growth of 25.8% compared to the first half-year.

With attention centered on the recovery in North America, Network Testing will focus on expanding its global leading position in Test & Measurement while continuing the development of its Network Analytics solutions. The division plans to further expand up the mobile operator value chain supported by the success of its customer experience and analytics solutions.

#### **Ascom is transforming into a healthcare ICT company**

Maintaining the strategic focus and supported by the strong momentum experienced in the second half-year 2014, Ascom has decided to accelerate the healthcare strategy implementation with a plan called "Ascom 2020", including an accelerated investment program of up to CHF 10 million in addition to regular investments for 2015. As part of this program, up to 100 employees are planned to be added, expanding Sales, Marketing and Technology capabilities and creating a new Global Solutions Center. A key element of this plan is a deeper and more targeted focus on the healthcare ICT markets, where the Group has seen continuing strong development. In this fast-growing space, Ascom is increasingly uniquely positioned through its portfolio of solutions, products and integration capabilities to capture significant growth opportunities. With added and dedicated resources to expand its software, solutions and hardware propositions, the Wireless Solutions division will transform into a provider for integrated workflow solutions in healthcare to generate long-term, sustainable shareholder returns.

#### **Guidance**

Ascom sets a target to reach organic revenue growth in its core business of 3–7% at constant currencies in 2015 while achieving an EBITDA margin in the range of 13–16% due to the additional investments. For the period 2016/2017, Ascom sets a goal of reaching average organic revenue growth of 5–10% at constant currencies while achieving an EBITDA margin in the range of 14–18%.

#### **Impact of the Swiss franc appreciation in January 2015**

The expansion of Ascom's international presence and the various acquisitions and divestments made in past years

have significantly reduced the exposure of Ascom's business operations to fluctuations of the Swiss franc vis-à-vis other major currencies. With less than 100 employees currently employed in Switzerland (approximately 6% of Ascom's employee base), Ascom's Swiss cost base is largely matched by earnings generated in Switzerland. However, the Swiss franc's substantial appreciation in January 2015 will have translational repercussions in the range of about 10% on the future revenue, operating results, cash flows and balance sheet of Ascom Group when reported in Swiss francs. Importantly, Ascom does not expect a material impact from the translation of local currencies into Swiss francs on revenue growth rates or profitability margins.

#### Strengthened management team

Ascom strengthened its management team and created the new position of Head of Strategy & Business Development at Executive Board level. Francis Schmeer, a global executive with a solid track record in strategy and business development in various industries and regions, took up this position as of 1 September 2014.

#### Annual General Meeting 2015

In order to implement the requirements of the Swiss ordinance "Ordinance against excessive compensation in listed companies", the Board of Directors will propose all necessary changes to the Articles of Association at the upcoming Annual General Meeting.

The Board of Directors proposes with Urs Leinhäuser a new candidate to be elected as a Member of the Board of Directors. As a former CFO in various publicly listed companies and current Board Member of several companies, Urs Leinhäuser has broad experience and knowledge as well as a strong international background.

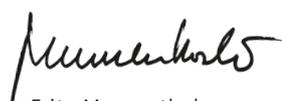
Cornelia Gehrig decided not to stand for re-election as she cannot comply, as an operational Group CFO of Bystronic, with the revised Articles of Association of Ascom (limitation of number of external mandates at affiliated companies within the same Group). The Board of Directors thanks Cornelia Gehrig for her valuable contribution to Ascom.

#### A word of thanks

On behalf of the entire Board of Directors and the Executive Board, we would like to thank you, our valued shareholders, for the trust and interest you have shown in Ascom. A special thank-you goes out to our customers and business partners for the confidence in our products, solutions and services. We would also like to thank our employees for their commitment and dedication to Ascom.



Juhani Anttila  
Chairman



Fritz Mumenthaler  
CEO

**Wireless Solutions  
(71% of the Ascom  
business) grew 6.4%  
at constant currencies  
year-on-year and  
achieved an EBITDA  
margin of 18.0%**

#### Ascom Group key figures

	2014	2013
Revenue in CHFm	448.8	459.7
EBITDA in CHFm	69.2	67.6
Group profit in CHFm	38.5	36.9
Earnings per share (EPS) in CHF	1.10	1.07
Employees (FTE) at 31.12.	1,696	1,586

#### Key figures Wireless Solutions

CHFm	2014	2013
Incoming orders	333.3	318.7
Revenue	318.9	306.1
EBITDA	57.3	53.1
Employees (FTE) at 31.12.	1,196	1,109

#### Key figures Network Testing

CHFm	2014	2013
Incoming orders	117.3	139.6
Revenue	119.0	133.3
EBITDA	11.2	17.9
Employees (FTE) at 31.12.	485	462

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