Half-Year Report 2006

Mission-Critical Communication

ascom

Dear Shareholder,

Ascom achieved initial growth effects during the first half of 2006 with an increase in incoming orders of 6% to CHF 353.7 million and a boost in order backlog of 10%. The measures initiated to strengthen our innovation performance for products and solutions as well as the reinforcement of our sales forces mainly accounted for this positive development. The growth in incoming orders is in particular due to the Wireless Solutions Division, which showed an increase in incoming orders of 10% and higher order backlog of 27%. Ascom recorded consolidated revenue of CHF 329.8 million. EBIT amounted to CHF 6.4 million, while net profit from continuing operations reached CHF 4.2 million. Group profit was CHF 4.8 million for the first half year 2006. After distributing cash in the form of a par value repayment and a dividend payout in the first half of 2006, Ascom's balance sheet remains strong with an equity ratio of about 40%.

In the first half of 2006 Ascom once again achieved important milestones in the implementation of its corporate strategy and its focus on mission-critical communication. 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. Successful implementation of these measures resulted in an increase of 18% in incoming orders from direct sales activities during the first half of 2006. Due to the continued decline in business with the main OEM customer, however, total revenue for the Division was at a similar level to that of the first half of 2005. The higher volume of incoming orders and the order backlog attest the effectiveness of Ascom's growth strategy for Wireless Solutions.

The main priorities for Security Solutions were to resolve project-related problems in the Traffic Security business, which had caused a significantly negative impact on the Division's results during the second half of 2005. Four of six projects experiencing difficulties have been completed meanwhile (we expect another project to be completed soon). This will free up development capacities in Traffic Security, which we can use for new business activities.

The Division's results in respect of operating margins in the first half of 2006 were still negatively impacted by these project situations. On the other hand, Public Safety, Defence, and Systems & Solutions (within Telecom Operations) exceeded our expectations.

In terms of innovation, Ascom implemented key elements of its innovation programme launched in 2005. Wireless Solutions successfully launched VoWiFi systems on the US market in March 2006, followed by the launch of IP-DECT solutions on European markets in June 2006. Security Solutions rolled out its new Qvoice Symphony product in the Telecom Operations area, and has already received the first project orders for this product. In addition, the product platform strategy based on openTAS® also led to a number of attractive orders in international markets.

Ascom has further improved the Group's cost structure, achieving cuts in IT costs through targeted measures and trimming corporate costs in line with the company's size. Industrial efficiency was enhanced through savings at Security Solutions' location in Hombrechtikon (Switzerland) and through production improvements at the Wireless Solutions location in Herrljunga (Sweden). Additional measures were introduced to strengthen the industrial base, such as streamlining the Wireless Solutions product portfolio and significantly cutting quality costs throughout the Group.

The divestment program was consistently and intensively pursued. 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 was sold in June and July 2006. As a result, a large portion of our business portfolio has now been streamlined, and Ascom's strategic focus on mission-critical communication is becoming increasingly clear.

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, debt-free balance sheet and at 30 June 2006 held a position in cash and securities of CHF 110.6 million.

Analysis of the half-year results

Ascom recorded an increase of 6% in its incoming orders, which reached CHF 353.7 million in the first half of 2006 compared with CHF 333.1 million in the prior-year period. Consolidated revenue for the **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 (CHF 18.9 million) also includes higher special effects of CHF 12.0 million from the divestments of previous years (CHF 6.1 million) and from non-recurring profits from the sale of real estate (CHF 5.9 million). Total net profit for continuing operations in the first half of 2006 was CHF 4.2 million.

Wireless Solutions recorded a 10% increase in incoming orders to CHF 153.1 million in the first half of 2006, thanks to its leading market position and the successful rollout of new

IP-based products and VoWiFi solutions. At CHF 137.2 million, revenue was roughly on a par with the prior-year level. While revenue growth of 7% was achieved in direct sales, revenue from the OEM business declined by 30%. The operating result for the first six months of 2006 was CHF 10.6 million (CHF 13.7 million in the prior-year period). However, also due to rigorous cost management an unchanged level of EBIT in the amount of CHF 8.2 million was achieved.

Security Solutions recorded incoming orders of CHF 97.4 million in the period under review (CHF 97.1 million in the corresponding prior-year period). Revenue amounted to CHF 95.0 million (CHF 112.2 million in the prior-year period). This was due to lower revenue at Telco Net Services (as a result of the insourcing decision taken by a major customer 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 investments in development as well as sales and marketing during the first half of 2006. Major savings were achieved in terms of administrative costs, leading to an operating result of CHF 2.3 million and almost a break-even result at EBIT level.

The business activities of Network Integration Italy, Payphones, Manufacturing France, Toll France and Hong Kong, as well as real estate are reported under **Special Products,** and generated revenue of CHF 89.7 million and an operating result of CHF (1.3) million during the period under review. Network Integration Italy and Payphones recorded stable results. EBIT for Special Products amounted to CHF (1.4) million in the first half of 2006 (CHF 3.3 million in prior-year). As already mentioned, the difference at EBIT level is mainly attributable to differences in non-recurring profits from the sale of real estate.

Discontinued operations contributed a profit of CHF 0.6 million in the period under review.

Ascom recorded an overall **Group profit** of CHF 4.8 million in the first half of 2006 (CHF 50.6 million in prior-year period). The figure in 2005 includes a net profit of CHF 30.4 million from discontinued operations (primarily non-recurring profits from the sale of business divisions) as well as higher special effects from divestments of previous years and a profit from the sale of real estate in a total amount of CHF 12.0 million.

Ascom – one company – one brand – one strategy

By focusing on Wireless Solutions and Security Solutions, we have created a cohesive organization with a clear structure. In line with our goal of sustainable and profitable growth, Ascom has formulated a corporate strategy based on the following pillars: **Mission-critical communication** – our products and solutions are used wherever comprehensive monitoring, faster response times, optimum security standards and absolutely error-free data transmission are essential for our customers. **Organic growth** – in our view, innovative products and solutions are the key to Ascom's sustainable development. In addition we aim to bolster our organic growth with strategically appropriate acquisitions, thus further expanding our market position. **Increased operating efficiency and consistent cost management** – a streamlined organizational structure coupled with short, efficient information channels allows us to respond swiftly and flexibly to the market.

With a view to the successful implementation of our corporate strategy and our medium and long-term objectives, we launched a process in the first half of 2006 designed to strengthen the Ascom brand. The Ascom brand reflects our corporate culture, which is founded on the following four brand values: **Responsibility** – our actions are characterised by reliability, integrity and trustworthiness. **Competence** – clear customer focus, superior quality and top performance are indicative of our competence. **Talent** – our employees' individual skills and expertise are invaluable to Ascom's success. **Ambition** – our top priority is to provide maximum customer satisfaction at attractive margins to us.

All of Ascom's business units and employees act in accordance with these four values. Together we will make every effort to ensure that the Ascom brand is positioned even more strongly in our customers' eyes and in our sales markets.

Outlook

Currently we do not anticipate any significant changes in the economic environment within which we conduct our business. We therefore expect a better result for the second half of 2006 and will continue our efforts to find new owners for the remaining activities of Special Products until mid-2007.

Juhani Anttila
Chairman of the Board of Directors

Rudolf Hadorn
Chief Executive Officer

Wireless Solutions

CHFm	1st half-year 2006	1st half-year 2005
Incoming orders	153.1	139.5
Order backlog	74.0	59.8
Revenue	**137.2**	**137.6**
Operating result	10.6	13.7
EBIT	**8.2**	**8.2**
EBITDA	12.3	16.3
Employees	1,159	1,180

Financials and Highlights

The growth strategy for Wireless Solutions proved highly successful in the first half of 2006, with a strong increase in incoming orders of 10% to CHF 153.1 million. Direct sales via our own subsidiaries (excl. orders from OEM partners) rose by about 18% and by as much as 38% in the USA. This clearly underscores the focus of our sales force on direct customer business in selected market segments and the improvements in our sales activities.

Revenue remained largely unchanged in the first half of 2006 at CHF 137.2 million. However, the proceeds from direct sales, which accounted for more than 85% of total revenue, rose by 7% to CHF 120.4 million. While revenue from small OEM partners increased, revenue from our major OEM customer continued to decline (resulting in a 30% drop in total OEM revenue). The Division recorded excellent growth rates in the UK, the Netherlands and the USA. Sales performance was also very good in Belgium, Norway and Switzerland.

The innovation programme launched in 2005 was effectively implemented with the successful market rollout of VoWiFi systems (Voice over Wireless Fidelity) in the USA in March 2006 and the launch of IP-DECT solutions (Internet Protocol-based Digital Enhanced Cordless Telephony) on European markets in June 2006, providing further proof of Ascom's innovativeness. The new product generations look set to generate higher demand and additional growth over the next few years.

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 based on a series of efficiency improvements, the Division recorded EBIT of CHF 8.2 million in the first half of 2006 (unchanged compared with the prior-year period).

The various market successes achieved during the period under review highlight Ascom's strong position in the area of mobile on-site communication solutions. Along with major hospitals, a large British retail chain commissioned Ascom to equip all of its stores with Ascom solutions. In addition, following its successful market launch in the USA, the Ascom i75 VoWiFi handset was the first VoWiFi handset to be certified by Cisco Systems for the CCX programme (Cisco Compatible Extensions) for application-specific devices. Ascom has also become the first provider worldwide to integrate Bluetooth technology in DECT handsets for professional providers.

Outlook

The excellent order backlog generated in the direct sales business during the first half of 2006 and the recognised high technical quality of Ascom solutions point towards revenue growth in the second six months of the year. We have taken measures to stabilise the OEM business, and in view of this the Division has not altered its expectations to achieve revenue growth of around 5% for the whole of 2006. The Division will continue to strive for a margin of 8-10% at EBIT level.

Security Solutions

CHFm	1st half-year 2006	1st half-year 2005
Incoming orders	97.4	97.1
Order backlog	113.3	98.6
Revenue	**95.0**	**112.2**
Operating result	2.3	3.5
EBIT	**(0.1)**	**(0.3)**
EBITDA	1.3	1.9
Employees	796	863

Financials and Highlights

Ascom Security Solutions reported incoming orders of CHF 97.4 million in the first half of 2006. Particularly when comparing to the second half of 2005, the dynamics in incoming orders was markedly improved in the segments Traffic Security, Public Safety and Telecom Operations. Traffic Security boosted its sales activities in Germany, Austria and the Czech Republic, and launched the new IP-based emergency call systems “NIS Road” and “NIS Rail” for road and railway operators in the European markets. Traffic Security also received projects from railway operators in the UK for IP-based emergency call systems and interactive help points. The provision of the tunnel communications system for Zurich’s western ring road represents an important order for the expansion of the tunnel radio business. This communication solution will be implemented in three phases between 2006 and 2009.

Following on from an installed reference project in Norway for IP-based alarm and mobilisation systems, Public Safety won orders for similar solutions from new customers in Poland, Finland and the Czech Republic. At the same time, two new orders from the Prague City Council for a digital communications and security system for the city constitute a solid platform for Ascom’s business activities in the Czech Republic. The Defence unit performed very well in Switzerland. Business performance in Finland was below expectations due to project delays as a result of customer decisions. The Swiss army’s order for the first serially-produced mobile multi-purpose MELEIS system was an important one for the Division. The system will be deployed in Peace Support Operation camps abroad.

Following the successful rollout of our new QVoice Symphony product, Mobile Test Solutions, part of the Telecom Operations unit, received a boost in a rather competitive market environment, and was already able to receive initial orders for the product. At the same time, business activities have been expanded in Russia, Asia and Africa. Systems & Solutions also enjoyed a very successful first half-year, winning sizeable orders in Switzerland, Germany and Japan.

Security Solutions posted revenue of CHF 95.0 million in the period under review. Measures relating to Traffic Security projects, IT and human resources costs as well as other efficiency improvements led to a reduction in operating costs, resulting in a positive operating result of CHF 2.3 million. On EBIT level, a result of CHF (0.1) million was achieved (CHF (0.3) million in the prior-year period).

Ascom is demonstrating its innovation power through the product platform concept launched in 2005. Various components used in the new IP-based “NIS Rail” and “NIS Road” information systems are also deployed in the Defence unit’s “OpenAccess Node” platform. The “ECS Dispatcher”, a new product for the Public Safety market, is based on the same technology. Thanks to this platform concept, Ascom is steadily enhancing its market position.

Outlook

The problems in Traffic Security have been largely resolved. In view of the measures implemented and the good order backlog, Security Solutions expects a further improvement in results during the second half of the year. The Division intends to achieve revenue at a similar amount of that posted during the previous year and expects a slightly positive EBIT for 2006 as a whole.

Special Products

CHFm	1st half-year 2006	1st half-year 2005
Incoming orders	95.5	104.2
Order backlog	77.6	73.0
Revenue	**89.7**	**95.2**
Operating result	(1.3)	(0.2)
EBIT	**(1.4)**	**3.9**
EBITDA	(0.4)	5.3
Employees	545	554

Financials and Highlights

Ascom further streamlined its business portfolio in the first half of 2006. Network Integration Germany and Powerline Communications (see discontinued operations) were sold in the first quarter of the year, and Ascom received an irrevocable offer from NCF, a French industrial group, for the activities of Manufacturing France (Ascodi Industries SA) in July 2006. Ascom intends to accept this offer and expects the transaction to be completed by the end of September 2006. The residual real estate in Switzerland held for sale and not required for operational purposes were sold in June and July 2006, bringing our real estate divestment programme to a successful conclusion.
At 30 June 2006 Special Products comprises the business activities of Payphones, Network Integration Italy, Toll, Manufacturing France as well as real estate. Negotiations are currently in progress with potential new owners for Network Integration Italy and Toll. Ascom expects a further sale of activities from this portfolio by the end of 2006.

Special Products recorded incoming orders of CHF 95.5 million and revenue of CHF 89.7 million in the first half of 2006. The operating result amounted to CHF (1.3) million compared with CHF (0.2) million in the prior-year period. At EBIT level the Division recorded CHF (1.4) million compared with CHF 3.9 million in the prior-year period. The difference is mainly due to different amounts of non-recurring gains from the sale of real estate not required for operational purposes in the two reporting periods (2006: CHF 1.2 million; 2005: CHF 5.9 million). Network Integration Italy and Payphones recorded stable results on an EBIT level.

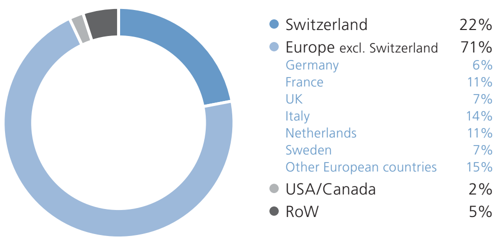
Network Integration Italy achieved revenue of CHF 43.9 million, thereby maintaining revenue at a respectable level compared with the prior-year period (CHF 43.7 million). This was achieved despite a persistently recessive and difficult market environment characterised by changes in the procurement strategy of the major customer and a fierce competitive environment. Ascom Italy developed more mid-market sales and increased consulting revenue. The business unit achieved a break-even result at EBIT level in the period under review (CHF 0.1 million in the prior-year period).

Payphones received a major order in the first half of 2006 to supply more than 17,000 payphones and associated maintenance services to a customer in Mexico. Revenue rose by around 3% to CHF 13.2 million, and Payphones once again recorded EBIT of CHF 0.9 million (CHF 0.5 million in the prior-year period) due to an even further improved competitive cost structure. In the period under review Ascom also received an order for a national payphones system in Russia, thereby laying the foundations for potential future business.
Significant cost reductions from use of new housings from China, an efficient sales force and the strength of the central payphones management system enabled the business unit to hold its own in a fiercely competitive market. Ascom will be launching e-government terminals in the second half of 2006, thus allowing Payphones to gradually expand its business base in the established markets.

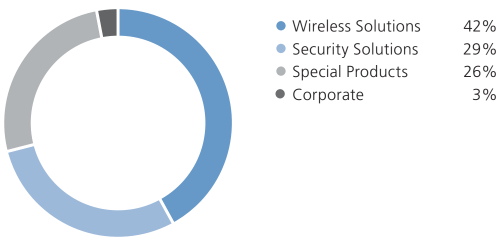
Summary of Key Financial Data

CHFm	1st half-year 2006	1st half-year 2005
Incoming orders	353.7	333.1
Order backlog	264.7	226.9
Revenue	329.8	334.0
Operating result	3.8	6.7
Profit before interest and taxes (EBIT)	6.4	18.9
Personnel expenses	144.2	206.6
Depreciation and amortisation	7.0	12.3
Group profit	4.8	50.6
Net cash flow from operating activities	(7.9)	28.6
Net cash flow from investing activities	29.9	7.6
Net cash flow from financing activities	(190.5)	(116.2)
Investments in property, plant and equipment	6.8	8.9
Research and development expenses	17.2	17.3
Balance sheet total	508.2	761.8
Non-current assets	82.6	103.9
Non-current assets in % of balance sheet total	16.3%	13.6%
Current assets	425.6	657.9
Current assets in % of balance sheet total	83.7%	86.4%
Inventories and work in process	70.7	70.0
Equity	202.2	385.3
Equity in % of balance sheet total	39.8%	50.6%
Short-term liabilities	256.8	319.2
Long-term liabilities	49.2	57.3
Liabilities	306.0	376.5
Liabilities in % of balance sheet total	60.2%	49.4%
Cash and financial assets held for trading purposes less interest-bearing liabilities	110.6	279.1
Number of empolyees	2,517	2,629

Revenue by region



Revenue by segment



Condensed consolidated balance sheet

	CHFm	30.06.2006	31.12.2005	30.06.2005
Assets	Property, plant and equipment	42.8	46.8	62.7
	Intangible assets	28.3	34.7	29.8
	Other non-current assets	11.5	22.4	24.6
	Non-current assets	**82.6**	**103.9**	**117.1**
	Inventories and work in process	70.7	70.0	78.8
	Trade receivables	145.8	169.1	121.7
	Other current assets	63.6	48.4	127.8
	Cash and financial assets held for trading purposes	110.6	281.1	131.3
	Assets held for sale	34.9	89.3	151.4
	Current assets	**425.6**	**657.9**	**611.0**
	Total assets	**508.2**	**761.8**	**728.1**
Liabilities and equity	**Total equity**	**202.2**	**385.3**	**287.8**
	Non-current liabilities	**49.2**	**57.3**	**70.5**
	Liabilities in relation to assets held for sale	29.4	66.8	71.7
	Other current liablities	227.4	252.4	298.1
	Current liabilities	**256.8**	**319.2**	**369.8**
	Total liabilities	**306.0**	**376.5**	**440.3**
	Total liabilities and equity	**508.2**	**761.8**	**728.1**
	Cash and financial assets held for trading purposes less interest-bearing liabilities	110.6	279.1	128.1
	Unrestricted cash	110.5	278.9	133.9

Assets and liabilities held for sale are presented in detail in Note 3 on discontinued operations.

The decrease in assets and liabilities held for sale (CHF 54 million) results mainly from the Transport Revenue divestment in which assets were netted with liabilities in accordance with the sale contract, followed by a cash settlement of CHF 10 million.

Manufacturing France is shown as held for sale as at 30 June 2006, which has the effect of increasing these assets by CHF 13 million and the related liabilities by CHF 10 million.

The decrease in liquid funds and in equity is impacted by the capital redemption of CHF 180 million and dividend payment of CHF 10 million.

The decrease in other current liabilities derives mainly from a reduction in trade payables of CHF 25 million.

The accounting policies are described from page 14 onwards.

Condensed consolidated income statement

CHFm	1st half-year 2006	1st half-year 2005	Fiscal year 2005
Incoming orders	353.7	333.1	701.3
Order backlog	264.7	226.9	241.4
Revenue	329.8	334.0	688.6
Cost of goods sold	(228.5)	(225.7)	(466.3)
Gross profit	**101.3**	**108.3**	**222.3**
in % of revenue	*30.7%*	*32.4%*	*32.3%*
Marketing and distribution	(58.2)	(56.8)	(112.1)
Research and development	(17.2)	(17.3)	(36.3)
Administration	(22.1)	(27.5)	(51.1)
Operating result[1]	**3.8**	**6.7**	**22.8**
in % of revenue	*1.2%*	*2.0%*	*3.3%*
Amortisation of intangible assets	(0.8)	(5.9)	(5.3)
Other income/(expenses), net	3.4	18.1	17.2
Profit before interest and taxes (EBIT)	**6.4**	**18.9**	**34.7**
in % of revenue	*1.9%*	*5.7%*	*5.0%*
Financial income/(expenses), net	0.9	(2.1)	(6.7)
Share in net income of associated company	–	0.4	0.3
Profit before income taxes	**7.3**	**17.2**	**28.3**
in % of revenue	*2.2%*	*5.1%*	*4.1%*
Income taxes	(3.1)	3.0	1.2
Profit from continuing operations	**4.2**	**20.2**	**29.5**
in % of revenue	*1.3%*	*6.0%*	*4.3%*
Profit from discontinued operations	0.6	30.4	115.3
Group profit	**4.8**	**50.6**	**144.8**
Earnings per share in CHF			
Group	0.13	1.41	4.04
Continuing operations	0.12	0.56	0.82
Group diluted	0.13	1.41	4.01
Continuing operations diluted	0.12	0.56	0.82
EBITDA continuing operations in CHFm	13.4	31.2	56.5
Investments in property, plant and equipment in CHFm	6.8	8.9	21.7

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

The increase in incoming orders derives mainly from Wireless Solutions, whose increase of CHF 13.6 million more than compensated for decreases in other divisions.
Security Solutions and Special Products show a slight decrease in revenue (CHF –22.7 million) while Wireless Solutions remains stable.

The decrease in gross margin percentage (–1.7%) derives mainly from Wireless Solutions.
The reduction of the amortisation of intangible assets (CHF –5.1 million) was mainly caused by Wireless Solutions.
Amortisation of intangible assets does not include depreciation of software, which is charged to the operating result.
The reduction in administration costs (CHF –5.4 million) derives mainly from Security Solutions.

For the first half-year 2006 the employer's mutual fund of Ascom Holding AG has assumed the cost of employer contributions from the pension funds of Ascom (Schweiz) AG, in accordance with the fund's regulations and out of reserves created for this purpose. As a result, the personnel costs of Ascom (Schweiz) AG were reduced by CHF 3 million.

The reduction in other income/expense (CHF –14.7 million) was affected by reduction in non-recurring income from real estate sales (CHF –4.7 million) and from reduced provision releases relating to divestments in earlier years (CHF –5.6 million).

Tax income in the six months to 30 June 2005 includes the release of a liability for deferred taxes in an amount of CHF 4.9 million net.
The profit from discontinued operations is shown in detail in Note 3.

Condensed consolidated cash flow statement

CHFm	1st half-year 2006	1st half-year 2005	Fiscal year 2005
Cash flow from operating activities before changes in net working capital	**16.7**	**28.0**	**61.1**
Changes in inventory and work in process	(0.7)	(8.0)	7.8
Changes in trade receivables	22.9	47.3	8.0
Changes in trade payables	(21.0)	(12.6)	(1.3)
Other items, excluding cash	(9.0)	17.3	22.1
Cash flow from operating activities	**8.9**	**72.0**	**97.7**
Paid restructuring expenses	(5.9)	(10.0)	(13.7)
Paid warranty costs and guarantees	(2.8)	(3.2)	(2.5)
Paid other accrued costs	(6.7)	(20.1)	(24.9)
Other income/(expenses)	(0.7)	10.3	8.6
Interest (paid)/received	1.0	(8.3)	(8.0)
Other financial (income)/expenses	(0.2)	(1.1)	(5.9)
Income tax paid	(1.5)	(11.0)	(10.3)
Net cash flow from operating activities	**(7.9)**	**28.6**	**41.0**
(Acquisition)/sale of consolidated companies and business units	15.4	–	145.7
(Purchase)/disposal of property, plant and equipment	4.2	3.5	(0.1)
Other	10.3	4.1	0.2
Net cash flow from investing activities	**29.9**	**7.6**	**145.8**
Net cash flow from financing activities	**(190.5)**	**(116.2)**	**(122.9)**
(Decrease)/increase in cash	**(168.5)**	**(80.0)**	**63.9**
Unrestricted cash at end of reporting period	**110.5**	**133.9**	**278.9**

Cash flow from investing activities in 2006 includes CHF 13.8 million net from the divestments of Transport Revenue (CHF 10.3 million) and Network Integration in Switzerland (CHF 3.5 million), which are discontinued operations.

Cash flow from financing activities in 2006 includes the capital redemption of CHF 180 million (see Note 4).

In 2005 the CHF 200 million bond was repaid from CHF 103 million in freely available cash and CHF 97 million in settlement of the escrow account.

Condensed statement of changes in consolidated equity

CHFm	Equity attributable to shareholders of the Holding company						Minority interests	Total
	Share capital	Own shares	Legal and special reserves	Other reserves	Retained earnings	Translation adjustments		
Balance at 01.01.2005	**198.0**	**(4.4)**	**21.9**	**0.4**	**89.2**	**(59.2)**	**–**	**245.9**
Translation adjustments	–	–	–	–	–	2.2	–	2.2
Group profit	–	–	–	–	50.6	–	–	50.6
Total recognised income and expenses	–	–	–	–	–	–	–	52.8
Cost of share-based payment	–	–	–	0.3	–	–	–	0.3
Dividend payment	–	–	–	–	(9.9)	–	–	(9.9)
Purchase of own shares	–	(2.9)	–	–	–	–	–	(2.9)
Exercise of options	–	1.5	–	–	–	–	–	1.5
Balance at 30.06.2005	**198.0**	**(5.8)**	**21.9**	**0.7**	**129.9**	**(57.0)**	**–**	**287.7**
Translation adjustments	–	–	–	–	–	4.5	–	4.5
Group profit	–	–	–	–	94.2	–	–	94.2
Total recognised income and expenses	–	–	–	–	–	–	–	98.7
Cost of share-based payment	–	–	–	0.4	–	–	–	0.4
Dividend payment	–	–	–	–	–	–	–	–
Purchase of own shares	–	(1.7)	–	–	–	–	–	(1.7)
Exercise of options	–	0.1	–	–	–	–	–	0.1
Purchase of minority interest	–	–	–	–	–	–	0.1	0.1
Balance at 31.12.2005	**198.0**	**(7.4)**	**21.9**	**1.1**	**224.1**	**(52.5)**	**0.1**	**385.3**
Translation adjustments	–	–	–	–	–	(1.4)	–	(1.4)
Group profit	–	–	–	–	4.8	–	–	4.8
Total recognised income and expenses	–	–	–	–	–	–	–	3.4
Cost of share-based payment	–	–	–	0.7	–	–	–	0.7
Capital Redemption	(180.0)	1.6	–	–	(0.1)	–	–	(178.5)
Dividend payment	–	–	–	–	(10.1)	–	–	(10.1)
Purchase of own shares	–	(0.5)	–	–	–	–	–	(0.5)
Sale of own shares	–	0.1	–	–	–	–	–	0.1
Exercise of options	–	1.8	–	–	–	–	–	1.8
Balance at 30.06.2006	**18.0**	**(4.4)**	**21.9**	**1.8**	**218.7**	**(53.9)**	**0.1**	**202.2**

Summary of key financial data by segment

CHFm, 1st half-year	Wireless Solutions		Security Solutions		Special Products		Corporate		Total continuing operations	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Incoming orders	153.1	139.5	97.4	97.1	95.5	104.2	11.3	5.4	357.3	346.2
Revenue	137.2	137.6	95.0	112.2	89.7	95.2	11.4	4.8	333.3	349.8
of which with other segments	–	–	–	–	3.8	14.4	–	–	3.8	14.4
Gross profit	62.6	66.3	28.5	30.1	11.0	13.6	(0.8)	(1.4)	101.3	108.6
as % of revenue	*45.6%*	*48.2%*	*30.0%*	*26.8%*	*12.3%*	*14.3%*	*n/a*	*n/a*	*30.4%*	*31.0%*
Operating result	10.6	13.7	2.3	3.5	(1.3)	(0.2)	(7.8)	(10.2)	3.8	6.8
as % of revenue	*7.7%*	*10.0%*	*2.4%*	*3.1%*	*n/a*	*n/a*	*n/a*	*n/a*	*1.2%*	*1.9%*
Profit before interest and taxes (EBIT)	8.2	8.2	(0.1)	(0.3)	(1.4)	3.9	(2.6)	(0.3)	4.1	11.5
as % of revenue	*6.0%*	*6.0%*	*n/a*	*n/a*	*n/a*	*4.1%*	*n/a*	*n/a*	*1.2%*	*3.3%*
EBITDA	12.3	16.3	1.3	1.9	(0.4)	5.3	(2.1)	0.3	11.1	23.8
Investments incl. acquisitions	3.1	3.6	1.3	1.2	2.3	0.5	0.1	3.6	6.8	8.9
Employees	1,159	1,180	796	863	545	554	17	32	2,517	2,629

CHFm, 1st half-year	Divested activities[1]		Consolidation		Total Ascom	
	2006	2005	2006	2005	2006	2005
Incoming orders	–	–	(3.6)	(13.1)	353.7	333.1
Revenue	–	–	(3.5)	(15.8)	329.8	334.0
of which with other segments	–	–	(3.8)	(14.4)	–	–
Gross profit	–	–	–	(0.3)	101.3	108.3
as % of revenue	*–*	*–*	*–*	*–*	*30.7%*	*32.4%*
Operating result	–	(0.1)	–	–	3.8	6.7
as % of revenue	*–*	*–*	*–*	*–*	*1.2%*	*2.0%*
Profit before interest and taxes (EBIT)	2.3	7.4	–	–	6.4	18.9
as % of revenue	*–*	*–*	*–*	*–*	*1.9%*	*5.7%*
EBITDA	2.3	7.4	–	–	13.4	31.2
Investments incl. acquisitions	–	–	–	–	6.8	8.9
Employees	–	–	–	–	2,517	2,629

[1] discontinued activities before January 1, 2005 (date of implementation of IFRS 5)

Further information on Special Products segment

CHFm, 1st half-year	NI Italy[2]		Payphones		Other[3]		Total Special Products	
	2006	2005	2006	2005	2006	2005	2006	2005
Incoming orders	49.2	54.2	20.3	19.8	26.0	30.2	95.5	104.2
Revenue	43.9	43.7	13.2	12.8	32.6	38.7	89.7	95.2
of which with other segments	–	–	–	–	3.8	14.4	3.8	14.4
Gross profit	6.8	7.8	5.1	4.8	(0.9)	1.0	11.0	13.6
as % of revenue	*15.5%*	*17.8%*	*38.6%*	*37.5%*	*n/a*	*2.6%*	*12.3%*	*14.3%*
Operating result	0.6	0.8	0.5	0.8	(2.4)	(1.8)	(1.3)	(0.2)
as % of revenue	*1.4%*	*1.8%*	*3.8%*	*6.3%*	*n/a*	*n/a*	*n/a*	*n/a*
Profit before interest and taxes (EBIT)	–	0.1	0.9	0.5	(2.3)	3.3	(1.4)	3.9
as % of revenue	*n/a*	*0.2%*	*6.8%*	*3.9%*	*n/a*	*8.5%*	*n/a*	*4.1%*
EBITDA	0.1	0.3	1.2	1.2	(1.7)	3.8	(0.4)	5.3
Investments incl. acquisitions	0.3	0.1	–	–	2.0	0.4	2.3	0.5
Employees	137	138	102	105	306	311	545	554

[2] comprises activities of Network Integration in Italy
[3] principally comprises activities of Manufacturing France, Toll France and Hong Kong and Real Estate

Notes to the Consolidated Half-Year Financial Statements at 30 June 2006

1. General

These unaudited consolidated half-year financial statements of Ascom Holding Ltd and its subsidiaries cover the period from 1 January to 30 June 2006 and were prepared in accordance with the International Accounting Standard for interim financial reporting (IAS 34). These half-year financial statements contain an update of information already published and must therefore be read in conjunction with the year-end financial statements dated 31 December 2005.

Ascom Group's business activities are not subject to any pronounced seasonal fluctuations.

Preparation of the consolidated half-year financial statements demands certain estimates and assumptions that affect the reported assets, liabilities, income and expenses and contingent liabilities at the time the accounts are prepared. If at a later point in time variations should occur to such estimates and assumptions, which were decided upon by the management in good faith at the time the accounts were prepared, the original estimates and assumptions will be adapted accordingly in the accounting period in which the data changed.

This interim report may contain forward-looking statements relating to the Group's business operations, performance and profitability. Because such statements are subject to a number of risks, uncertainties and other important factors, actual future performance and results may differ significantly from the statements made in this document.

PricewaterhouseCoopers AG has carried out a review of the consolidated half-year financial statements. Their review report on the condensed consolidated financial statements at 30 June 2006 is shown on page 19.

2. Accounting principles

The consolidated half-year financial statements were prepared according to the same accounting principles as those applied for the consolidated financial statements for the year ended 31 December 2005.

The International Accounting Standards Board (IASB) revised or introduced various International Financial Reporting Standards (IFRS) effective on 1 January 2006. The following revised or new standards as of 1 January 2006 which are relevant for Ascom were applied for the first time or adapted accordingly in the preparation of these half-year financial statements:

- IAS 19 Employee Benefits
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 39 Financial Instruments: Recognition and Measurement

The implementation of these new standards had no significant effect on this interim report. The Group has decided to retain its former policy regarding the recognition of actuarial gains and losses (IAS 19).

3. Significant transactions and operational changes

Divestment of Manufacturing France

On 4 July 2006, Ascom announced that it had received an irrevocable offer from the French industrial buyer Network Concept Finances SAS to purchase the residual activities of Manufacturing France (Ascodi Industries SAS), at its book value. Ascom has in the meantime received approval for the transaction from the labor representation committees of Ascodi and Ascom SA in France and expects to sign and close the transaction by 30 September 2006.

Divestment of property

On 27 June 2006, Ascom announced the sale of its Solothurn Ziegelmatte property to Ypsomed. This property had been no longer required for Ascom's operations. The sales price of CHF 12.45 million led to a book profit of CHF 1.2 million after fees and provisions taken by Ascom, mainly for environmental clean-up. Customary representations and warranties were given to the buyer as part of this transaction.

Sale of Network Integration Germany, Powerline Communications, Mediacrypt

In the course of its divestment program for the Network Integration business, Ascom has sold the German Network Integration activity to Quam-Equity GmbH and has granted customary representations and warranties. The loss on this transaction amounted to CHF 0.8 million.

Ascom has also sold Powerline Communications to Current Communications Group/Maryland (USA). Ascom has received a royalty-free and non-transferable license of specific Powerline know-how for its own scope of business. The gain on the transaction amounted to CHF 1.0 million.

On 29 June 2006 Ascom agreed to terminate the existing 50/50% joint venture with Kudelski SA for Mediacrypt AG. Ascom sold its 50% shares to Kudelski at book value. Kudelski was almost the sole customer of Mediacrypt AG. Ascom has received a royalty-free perpetual, world-wide and non-transferable license of the Idea and Ideanext know-how for use in its own scope of business.

Tumsan: adjustment of acquisition cost

The intangible assets have been reduced to CHF 5.8 million by adjustment of the contingent future payments, following a reassessment of the current and projected business performance. A review of the carrying value as of 30 June 2006 revealed no impairment.

Assets and liabilities held for sale

	CHFm	Real Estate	Network Integration[1]	Transport Revenue	Manufactu-ring France	30.6.2006
Assets	Property, plant and equipment	19.6	–	–	3.7	23.3
	Intangible assets	–	–	–	0.1	0.1
	Other non-current assets	–	–	–	3.9	3.9
	Non-current assets	**19.6**	**–**	**–**	**7.7**	**27.3**
	Inventories and work in process	–	0.2	–	0.8	1.0
	Trade receivables	–	2.1	0.1	3.6	5.8
	Other current assets	–	–	–	0.3	0.3
	Cash and financial assets held for trading purposes	–	–	–	0.5	0.5
	Current assets	**–**	**2.3**	**0.1**	**5.2**	**7.6**
	Total assets	**19.6**	**2.3**	**0.1**	**12.9**	**34.9**
Liabilities	**Long-term liabilities**	**–**	**0.8**	**1.8**	**0.2**	**2.8**
	Short-term liabilities	**–**	**4.9**	**12.0**	**9.7**	**26.6**
	Total liabilities	**–**	**5.7**	**13.8**	**9.9**	**29.4**

[1] comprises activities of Network Integration in Switzerland, Belgium and Germany

Further information on discontinued operations

CHFm	Network Integration[1]	Powerline Communi-cations	Transport Revenue	1st half-year 2006
Incoming orders	2.8	0.1	–	2.9
Revenue	3.1	–	–	3.1
Gross profit	**0.2**	**–**	**–**	**0.2**
as % of revenue	*6.5%*	*–*	*–*	*6.5%*
Operating result	**(0.4)**	**–**	**–**	**(0.4)**
as % of revenue	*n/a*	*–*	*–*	*n/a*
Gain on disposal	(0.1)	1.0	(0.1)	0.8
Profit before interest and taxes (EBIT)	**(0.5)**	**1.0**	**0.1**	**0.6**
as % of revenue	*n/a*	*n/a*	*n/a*	*19.4%*
EBITDA	(0.5)	1.0	0.1	0.6
Employees	5	–	–	5

CHFm	Network Integration[1]	Powerline Communi-cations	Transport Revenue	1st half-year 2005
Incoming orders	51.8	0.5	148.4	200.7
Revenue	65.6	1.6	112.4	179.6
Gross profit	**14.6**	**0.3**	**34.4**	**49.3**
as % of revenue	*22.3%*	*18.8%*	*30.6%*	*27.4%*
Operating result	**(1.7)**	**(1.0)**	**14.1**	**11.4**
as % of revenue	*n/a*	*n/a*	*12.5%*	*6.3%*
Gain on disposal	21.7	–	–	21.7
Profit before interest and taxes (EBIT)	**18.3**	**0.4**	**12.7**	**31.4**
as % of revenue	*27.9%*	*25.0%*	*11.3%*	*17.5%*
EBITDA	19.2	0.5	14.1	33.8
Employees	144	9	729	882

CHFm	Network Integration[1]	Powerline Communi-cations	Transport Revenue	Fiscal Year 2005
Incoming orders	67.8	1.1	348.5	417.4
Revenue	83.0	3.7	231.2	317.9
Gross profit	**19.3**	**1.8**	**63.5**	**84.6**
as % of revenue	*23.3%*	*48.6%*	*27.5%*	*26.6%*
Operating result	**(1.6)**	**(1.6)**	**25.7**	**22.5**
as % of revenue	*n/a*	*n/a*	*11.1%*	*7.1%*
Gain on disposal	21.0	–	76.5	97.5
Profit before interest and taxes (EBIT)	**16.1**	**(0.1)**	**101.5**	**117.5**
as % of revenue	*19.4%*	*n/a*	*43.9%*	*37.0%*
EBITDA	17.9	–	103.3	121.2
Employees	35	9	–	44

[1] comprises activities of Network Integration Switzerland incl. divisional headquarters, Belgium and Germany

4. Dividend payout, changes in shareholders' equity, share options

The Annual General Meeting of 6 April 2006 approved distribution of a dividend in the amount of CHF 10.1 million, which was subsequently paid out.

The Annual General Meeting of 6 April 2006 also approved a capital redemption of CHF 5 per registered share, which was paid on 28 June 2006. The total amount paid was CHF 180 million.

In accordance with the resolution passed by the Board of Directors on 6 April 2006, a total of 111,000 new options were issued to members of Ascom's senior management on 1 March 2006. The options entitle holders to purchase one registered share of Ascom at a strike price of CHF 19.75 and are valid until 28 February 2010. The options are subject to a market hurdle as well as a blocking period, which expires on 29 February 2008.

On 30 June 2006 the Board of Directors resolved to lower the strike price by CHF 5 for all outstanding option plans with immediate effect due to the capital reduction of CHF 5 per share.

During the period under review, a total of 209,670 options were exercised under existing option plans

5. Contingent liabilities

Since 31 December 2005, guarantees related to business activities have decreased by CHF 44.8 million to CHF 191.8 million. There are no indications that these guarantees will result in obligations.

6. Significant events after the end of the interim reporting period

In July 2006 Ascom sold its remaining Swiss Real Estate portfolio at book value to Yennora Continental S.A. The portfolio had been reported as held for sale and comprised Solothurn (Weissensteinstrasse), Flamatt, Estavayer le Lac and Lausanne Entre Bois.

7. Time of release for publication

The Board of Directors approved the interim financial statements on 29 August 2006 and released them for publication at the press conference on 5 September 2006.

Foreign currency translation

Currency	Average 1st half-year 2006	Average 1st half-year 2005	Average fiscal year 2005	Balance sheet date 30.06.2006	Balance sheet date 31.12.2005	Balance sheet date 30.06.2005
US-Dollar	1.286	1.184	1.234	1.243	1.316	1.270
Pound sterling	2.275	2.232	2.256	2.268	2.261	2.318
Euro	1.564	1.546	1.547	1.560	1.559	1.542

Share information

	30.06.2006	31.12.2005	30.06.2005
Number of registered shares nom CHF 5.50 in millions	–	36.0	36.0
Number of registered shares nom CHF 0.50 in millions	36.0	–	–
Share price per registered share in CHF (high/low)	20.65/12.80[1]	22.95/16.55	23.70/15.80
Stock exchange capitalisation in CHFm	461	671	605

[1] The par value repayment was paid out on 28 June 2006.

PRICEWATERHOUSECOOPERS

Report to the Board of Directors of Ascom Holding Ltd, Berne, on the review of the condensed consolidated interim financial statements at 30 June 2006

On your instructions we have reviewed the condensed interim financial statements (condensed consolidated balance sheet, condensed consolidated income statement, condensed consolidated cash flow statement, condensed statement of changes in consolidated equity and notes to the condensed consolidated half-year financial statements on pages 10 to 18) of Ascom Holding Ltd for the half-year period ended 30 June 2006.

These condensed consolidated interim financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

Our review was conducted in accordance with the Swiss Auditing Standard 910 and with the International Standard on Review Engagements 2400, which require that a review be planned and performed to obtain moderate assurance about whether the condensed consolidated interim financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements have not been properly prepared, in all material respects, in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers AG

Stephen W. Williams Stefan Benkert

Zurich, 29 August 2006

14 March 2007 Annual Media Conference

16 April 2007 Annual General Meeting

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Declaration on forward-looking statements
This Half-year Report contains statements that constitute forward-looking statements relating to Ascom. Because these forward-looking statements are subject to risks and uncertainties, the reader is cautioned that actual future results may differ from those expressed in or implied by the statements, which constitute projections of possible developments. All forward-looking statements are based only on data available to Ascom at the time of preparing this Half-year Report.

This Half-year Report is also available in German. The original German-language version is binding.

The Half-year Report of the Ascom Group can be viewed online at http://www.ascom.com/report

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Korrigenda

Auf Seite 9 beziehen sich die Bilanzpositionen 2005 auf den 31. Dezember 2005.

Amendment

On page 9 balance sheet positions 2005 reflect 31 December 2005.