ascom

# HALF-YEAR REPORT 2007

# MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE CEO

**Dear Shareholders**

Ascom's two core divisions, Wireless Solutions and Security Solutions, closed the first half of 2007 with an encouraging 18.1% increase in incoming orders. In addition, the Group as a whole reported an order backlog of CHF 304.5 million as at 30 June 2007 (prior year period CHF 217.3 million). These results confirm the growing demand for our innovative solutions, products and services.

Nevertheless, Ascom is not satisfied with the performance over the past 12 months due to lack of progress by the Group in terms of both revenue and EBIT. The overall picture is mixed and disappointing. Wireless Solutions generated a very pleasing first-half EBIT of CHF 9.3 million (prior year period CHF 8.2 million), while Security Solutions fell short of the revenue and profitability goals. Wireless Solutions improved its EBIT margin during the period under review to 6.6 % (prior year period 6.0 %), but its revenue growth of around 2.3 % remained below the target to be achieved for the full-year. Security Solutions shows mixed results due to different performances of the various business units. Defence as well as Systems & Solutions (software solutions) performed in line with expectations during the first half of 2007, in terms of incoming orders, revenue and profitability. Activities in the other business units showed varying results. Telecom operators were particularly reluctant with investments during the first half-year. The improved results reported by Traffic Security for the second half of 2006 didn't prove to be sustainable. Contrary to our plans, revenue and operating results were highly disappointing in this business unit. A detailed analysis of our activities that was carried out during the last few weeks has shown that far-reaching measures are needed and must be initiated urgently.

**Implementation of our strategy is crucial**

The growth strategy agreed in October 2006 remains in place. A crucial factor both then and now is that our management and staff implement the operational measures. Due to the fact that the development during the past twelve months has been unsatisfactory and too slow, the Board of Directors has decided to invest in top management capacity. The internationalization and commercialization of the organization shall be pushed ahead, investments in our innovation capabilities are to continue, and the cost structure must be adjusted to a competitive level. In addition, company processes are to be improved and the complexity of the organization to be reduced.

Improving proximity to the customer remains our number one priority in order to accelerate the organic growth. Initiatives are already under way in Wireless Solutions to increase revenue with OEM customers and to expand the division's indirect sales channels.

The Board of Directors and the Executive Board unanimously agree that the Ascom Group must confine its focus as quickly as possible to its core businesses Wireless Solutions and Security Solutions, and achieve an EBIT margin of at least 10 % by 2010 at the latest. This requires that solutions, which are suitable for customers and employees, need to be found for non-core activities as quickly as possible, so as to avoid tying up further management capacities or financial resources for these units.

Ascom's core business are solutions for mission-critical communications, to which Wireless Solutions and Security Solutions belong. Security Solutions will restructure and refocus its operations so that only three business units will continue to exist: Security Communication (notably Defence and Public Safety) and Telecom Solutions (Systems & Solutions, TelcoNet Services and Mobile Test Solutions). The remaining activities will be combined in a third business unit and will undergo a strategic review.

Ascom continues to examine potential acquisitions within its decided acquisition criteria; several interesting targets currently exist. As well as seeking to grow organically, Ascom also aims to accelerate its growth through acquisitions. So far, none of the potential acquisition targets have resulted in a transaction, since in Ascom's view the prices involved would not have generated added value either for the company or for its shareholders.

**Management capacity**

An analysis of operational progress made during the last twelve months shows that rapid implementation of the agreed and planned measures is crucial for the company's success. We are pleased to have gained a highly experienced operational management team, whose mission is to implement the wide-ranging measures in an efficient and timely manner. Fritz Mumenthaler, who in addition to his task as General Manager of the Wireless Solutions Division carried out an excellent job as acting CEO, will now be joined on the management team by Dr. Fritz Gantert, who has been appointed General Manager of Security Solutions. Dr. Gantert is internationally very experienced and has strong implementation skills. He spent several years working for Ascom, before serving for the last five years as CEO of a stock exchange listed Swiss industrial company. The Executive Board thus comprises of these two Division heads, the CFO and the CEO. This experienced team will implement the necessary measures with full dedication and commitment.

**Outlook**

Consistent with the last few years, we expect to see a stronger performance in the second half-year. From today's perspective, there is no reason to adjust our guidance for the full year for the Wireless Solutions Division. Revenue growth is expected to be around 5 % and our goal of achieving an EBIT margin of 8 – 10 % before possible restructuring charges remains. Revenue growth at the Security Solutions Division is confirmed to be above 5 %. The sweeping measures aimed at improving profitability, such as repositioning specific business units and eliminating unprofitable segments, will impact the results on an EBIT level. Based on a first analysis carried out during the last few weeks, the total costs for the various measures within the Ascom Group will amount to approx. CHF 50 – 60 million. The initiatives and programs will be set out in detail during the coming weeks and months and implemented in a timely manner. We will provide detailed information on the status of the individual measures at the Investor & Media Day on 30 November 2007 in Berne. The goal is to achieve an EBIT margin of 10 % and organic growth of over 5 % by the year 2010 at the latest. The available liquidity shall be invested in acquisitions in our core business and for implementation of the aforementioned programs (not all of the costs mentioned will be cash-relevant).

Over the last few years Ascom has become a company operating in business areas that are not too capital-intensive. This has the advantage that businesses can be developed with a relatively low level of capital expenditure.

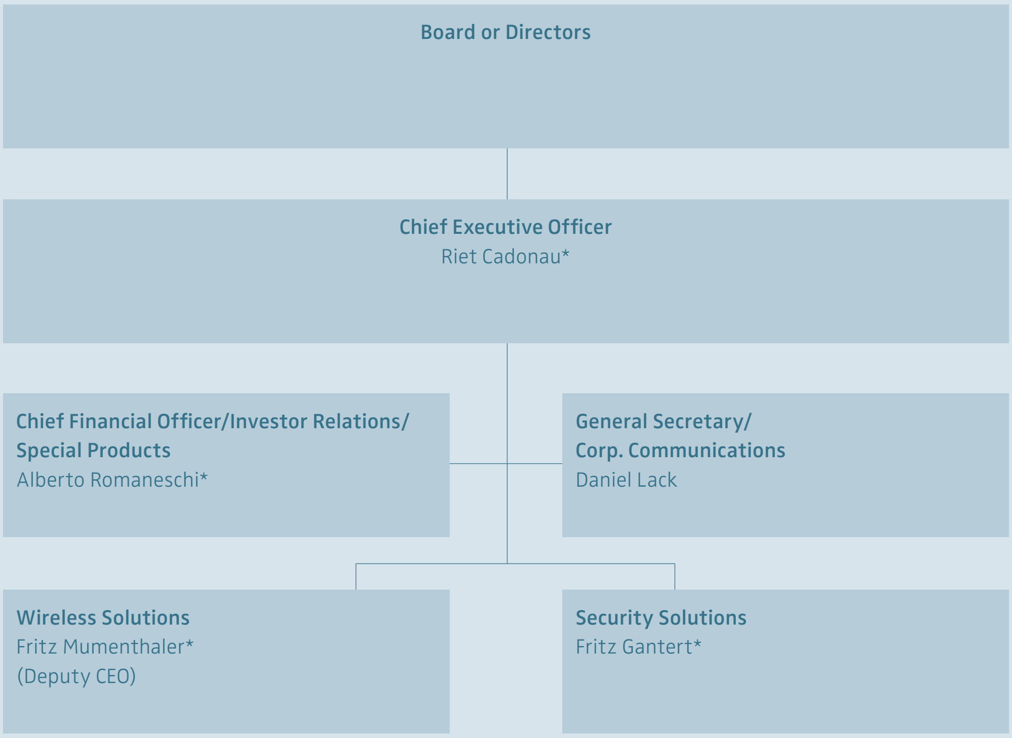
**Stable shareholder base**

As was communicated in October 2006, Ascom has a clear growth strategy in mission-critical communication, a strong implementation-oriented management team, a loyal workforce, a healthy balance sheet and a realistic ambition of becoming a growth company achieving double-digit EBIT margins. Now more than ever, Ascom needs the support of a stable shareholder base, which supports the company's strategy and is interested in achieving a sustainable improvement in share price value over the medium term, with cutting-edge Swiss and international technologies. In order to achieve this, Ascom has launched a structured process and hopes to achieve stability for all stakeholders. On behalf of the Board of Directors and the Executive Board, we thank you for your support.

**Juhani Anttila**
Chairman of the Board of Directors

**Riet Cadonau**
Chief Executive Officer
(since 20 August 2007)

## Operating corporate structure as of 1 October 2007




*Member of the Executive Board

# REPORTING

## Difficult first half-year 2007

The first six months of 2007 proved difficult for the Ascom Group despite an excellent order situation. Incoming orders rose by 8.2 % to CHF 321.3 million and the Group recorded a robust order backlog of CHF 304.5 million in the period under review.

The two core divisions, Wireless Solutions and Security Solutions, once more scored important successes, increasing incoming orders by 18.1 % to CHF 295.8 million. Order backlog for both divisions rose by CHF 105.2 million to CHF 292.4 million in the period under review. Nevertheless, the planned financial targets in terms of growth and profitability were not achieved. Group revenue remained below target at CHF 264.1 million compared with CHF 275.2 million in the previous-year period. In the first half of 2007 Wireless Solutions and Security Solutions contributed CHF 237.5 million to Group revenue, with both divisions growing revenue by roughly 2.3 %.

The Special Products segment (which still included Payphones and Real Estate in the first half of 2007) contributed CHF 17.9 million to Group revenue in the period under review. Special Products accounted for CHF 35.1 million of Group revenue in the previous-year period, whereby it must be noted that in 2006 this segment still covered the activities of Manufacturing France, which has been sold as per 30 September 2006.

Ascom recorded a profit of CHF 2.4 million at EBIT level in the first six months of 2007. The positive EBIT contribution from Wireless Solutions and business operations disposed of prior to 1 January 2005 offset corporate costs as well as the loss recorded by Security Solutions and Special Products at EBIT level. With an EBIT margin of 0.9 %, however, the first half-year result remains unsatisfactory.

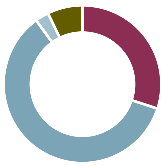
In the period under review Ascom recorded net profit of CHF 1.1 million compared to CHF 4.8 million in the first half of 2006.

## Wireless Solutions

Ascom Wireless Solutions succeeded in increasing incoming orders by 8.2 % to CHF 165.7 million, thereby achieving its target for the first half of 2007. The sharpest rise was in incoming orders from the USA (up 25 %), while OEM business recorded a 17 % rise in orders from existing and new partners. Incoming orders related to direct sales via subsidiaries were up 4 % on the previous year, in line with the market trend.

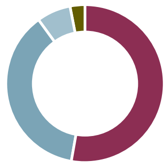
In the first half of 2007 the division won several major orders, consisting of subprojects whose impact on revenue will be reflected over the next one to two years. In addition, the direct sales operations of Wireless Solutions are winning more and more projects at an early stage of the development or sales cycle, with the result that average lead times (time from the project being awarded to handing the solution over to the customer) for these projects are increasing. Efforts to develop the service business are also bearing fruit. However, new service agreements signed in the first half of 2007 will run from one to three years and as a consequence will only have an impact on revenue in due course. Overall, Wireless Solutions recorded a 2.3 % increase in revenue to CHF 140.3 million, and a 14.1 % improvement in operating result to CHF 12.1 million. At EBIT level, profit rose to CHF 9.3 million compared with the previous-year figure of CHF 8.2 million. The EBIT margin increased to 6.6 % to end 0.6 percentage points above the figure recorded for the first half of 2006.

Revenue by region



| | |
|---|---|
| Switzerland | 30 % |
| Europe excl. Switzerland | 60 % |
| Germany | 8 % |
| France | 8 % |
| UK | 6 % |
| Netherlands | 13 % |
| Sweden | 10 % |
| Other Europe | 15 % |
| USA/CAN | 3 % |
| RoW | 7 % |

Revenue by division



| | |
|---|---|
| Wireless Solutions | 53 % |
| Security Solutions | 37 % |
| Special Products | 7% |
| Corporate | 3 % |

Wireless Solutions has positioned itself well in the United States and Europe with its new, highly competitive portfolio of products, solutions and services. The successful launch of VoWiFi solutions in the United States continues to bring in orders. Despite the fact that this technology is not so widely accepted in Europe as in the United States, the Division succeeded in installing VoWiFi systems in various European markets. The IP-DECT offerings from Wireless Solutions are attracting customers both in the United States and Europe. This favourable development should help to improve growth in the second half-year and disciplined cost management should further enhance profitability.

### Security Solutions

The Security Solutions Division closed the first half of 2007 with well-filled order books. Incoming orders rose by 33.6 % to CHF 130.1 million, primarily thanks to large contracts in the fields of Defence and Telecom Operations (Systems & Solutions). On this basis, order backlog increased by 71.6 % to CHF 194.2 million for the period under review.

The Division lagged behind its growth and profitability targets in the first six months of 2007. As expected, revenue in the Defence segment rose in line with market growth. The first six months of 2007 proved more difficult than anticipated in the other market segments. Since many projects and orders are spread over several years and had no impact on sales for the first half of 2007, revenue generated by the Public Safety segment was roughly on a par with the previous year.

Likewise, revenue in the Telecom Operations segment remained roughly at the same level as for the first half of 2006. The Systems & Solutions Business Unit performed very well in the first six months of 2007, but revenue for TelcoNet Services and Mobile Test Solutions suffered from the market's reluctance to invest.

Traffic Security recorded a marked decline in revenue in the period under review. Overall Security Solutions reported a 2.3 % increase in revenue to CHF 97.2 million for the first half year 2007, compared with CHF 95.0 million for the same period in 2006. The operating result fell by CHF 3.0 million and came to a loss of CHF (0.7) million. The organisational structure was streamlined with a view to cutting costs, resulting in a CHF 1 million reduction in functional costs in the first six months of 2007. The Division recorded a loss of CHF (3.4) million at EBIT level, compared with a loss of CHF (0.1) million in the first half of 2006.

Further measures will be taken in the second half of 2007 to improve operating performance.

# CONDENSED CONSOLIDATED BALANCE SHEET

| | CHFm | 30.06.2007 | 31.12.2006 | 30.06.2006 |
|---|---|---|---|---|
| **ASSETS** | Property, plant and equipment | 43.2 | 43.7 | 42.8 |
| | Intangible assets | 27.5 | 28.8 | 28.3 |
| | Other non-current assets | 15.2 | 16.0 | 11.5 |
| | **Non-current assets** | **85.9** | **88.5** | **82.6** |
| | Inventories and work in process | 60.6 | 51.5 | 70.7 |
| | Trade receivables | 87.0 | 107.2 | 145.8 |
| | Other current assets | 70.9 | 61.6 | 63.6 |
| | Cash and cash equivalents | 188.5 | 166.2 | 110.6 |
| | Assets held for sale | 15.2 | 17.8 | 34.9 |
| | **Current assets** | **422.2** | **404.3** | **425.6** |
| | **Total assets** | **508.1** | **492.8** | **508.2** |
| **LIABILITIES** | **Total equity** | **225.4** | **220.1** | **202.2** |
| **AND** | **Non-current liabilities** | **46.2** | **46.0** | **49.2** |
| **EQUITY** | Liabilities in relation to assets held for sale | 22.1 | 27.8 | 29.4 |
| | Other current liablities | 214.4 | 198.9 | 227.4 |
| | **Current liabilities** | **236.5** | **226.7** | **256.8** |
| | **Total liabilities** | **282.7** | **272.7** | **306.0** |
| | **Total liabilities and equity** | **508.1** | **492.8** | **508.2** |
| | Cash and marketable securities less interest-bearing liabilities | 188.5 | 166.2 | 110.6 |
| | Unrestricted cash | 187.9 | 165.6 | 110.5 |

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

Manufacturing France (Ascodi Industries SAS) 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. These activities were sold per 30 September 2006.

The accounting policies are described from page 13 onwards.

# CONDENSED CONSOLIDATED INCOME STATEMENT

| CHFm | 1st half-year 2007 | 1st half-year 2006 | Fiscal year 2006 |
|---|---|---|---|
| Incoming orders | 321.3 | 297.0 | 614.8 |
| Order backlog | 304.5 | 217.3 | 244.4 |
| Revenue | 264.1 | 275.2 | 564.9 |
| Cost of goods sold | (171.2) | (181.4) | (366.4) |
| **Gross profit** | **92.9** | **93.8** | **198.5** |
| in % of revenue | 35.2 % | 34.1 % | 35.1 % |
| Marketing and distribution | (53.2) | (52.2) | (103.3) |
| Research and development | (17.7) | (16.8) | (30.8) |
| Administration | (20.6) | (20.3) | (31.4) |
| **Operating result[1]** | **1.4** | **4.5** | **33.0** |
| in % of revenue | 0.5 % | 1.6 % | 5.8 % |
| Amortisation of intangible assets | (0.9) | (0.8) | (1.7) |
| Other income/(expenses), net | 1.9 | 4.5 | 1.7 |
| **Profit before interest and taxes (EBIT)** | **2.4** | **8.2** | **33.0** |
| in % of revenue | 0.9 % | 3.0 % | 5.8 % |
| Financial income/(expenses), net | 1.5 | 0.8 | – |
| Share in net income of associated company | – | – | – |
| **Profit before income taxes** | **3.9** | **9.0** | **33.0** |
| in % of revenue | 1.5 % | 3.3 % | 5.8 % |
| Income taxes | (2.4) | (2.8) | 0.2 |
| **Profit from continuing operations** | **1.5** | **6.2** | **33.2** |
| in % of revenue | 0.6 % | 2.3 % | 5.9 % |
| (Loss)/profit from discontinued operations | (0.4) | (1.4) | (16.1) |
| **Group profit** | **1.1** | **4.8** | **17.1** |

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

## Earnings per share in CHF

| | | | |
|---|---|---|---|
| Group | 0.03 | 0.13 | 0.48 |
| Continuing operations | 0.04 | 0.17 | 0.93 |
| Group diluted | 0.03 | 0.14 | 0.48 |
| Continuing operations diluted | 0.04 | 0.17 | 0.93 |

| | | | |
|---|---|---|---|
| EBITDA continuing operations in CHFm | 9.5 | 14.9 | 46.8 |
| Investments in property, plant and equipment in CHFm | 4.6 | 6.4 | 13.2 |

The 2006 1st half-year figures include the results of Manufacturing France which were presented in continuing operations. These activities were sold at the end of September 2006. The loss from discontinued operations for the annual period ending December 31, 2006 includes the results of Network Integration Italy, which was sold in the second half of 2006. The 2006 1st half-year results were restated to reflect the inclusion of the 2006 discontinued operations of Toll and Network Integration Italy in accordance with IFRS 5.

For the 1st half-year 2007 and 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 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 (1st half-year 2006: CHF 3 million).

The current period tax expense includes the effect of the release of a temporary difference in the amount of CHF 0.7 million relating to a prior period change in tax law that was not deemed to be material to the 2006 financial statements.

Other income includes an amount of CHF 1.6 million paid to the group, relating to a former disposal.

The loss from discontinued operations is shown in the detail in Note 3.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| CHFm | 1st half-year 2007 | 1st half year 2006 | Fiscal year 2006 |
|---|---|---|---|
| **Cash flow from operating activities before changes in net working capital** | **13.1** | **16.7** | **51.4** |
| Changes in inventory and work in process | (8.4) | (0.7) | (6.6) |
| Changes in trade receivables | 22.5 | 22.9 | 6.0 |
| Changes in trade payables | (12.8) | (21.0) | (1.2) |
| Other items, excluding cash | 18.9 | (9.0) | (4.6) |
| **Cash flow from operating activities** | **33.3** | **8.9** | **45.0** |
| Paid restructuring expenses | (2.2) | (5.9) | (8.5) |
| Paid warranty costs and guarantees | (2.2) | (2.8) | (5.4) |
| Paid other accrued costs | (3.6) | (6.7) | (3.0) |
| Other income/(expenses) | 1.6 | (0.7) | (4.9) |
| Interest (paid)/received | 2.2 | 1.0 | 2.8 |
| Other financial (income)/expenses | (0.1) | (0.2) | (2.1) |
| Income tax paid | (4.4) | (1.5) | (9.0) |
| **Net cash flow from operating activities** | **24.6** | **(7.9)** | **14.9** |
| (Acquisition)/sale of consolidated companies and business units | – | 15.4 | 38.1 |
| (Purchase)/disposal of property, plant and equipment | (3.7) | 4.2 | 24.1 |
| Other | 0.3 | 10.3 | (2.2) |
| **Net cash flow from investing activities** | **(3.4)** | **29.9** | **60.0** |
| **Net cash flow from financing activities** | **0.5** | **(190.5)** | **(189.9)** |
| **(Decrease)/increase in cash** | **21.7** | **(168.5)** | **(115.0)** |
| **Unrestricted cash at end of reporting period** | **187.9** | **110.5** | **165.6** |

Cash flow from investing activities in the fiscal year 2006 includes the cash proceeds from the sale of Network Integration Italy (CHF 31.6 million), the proceeds from the sale of the real estate portfolio and amounts resulting from the divestments of Transport revenue and Network Integration in Switzerland.

Cash flow from financing activities in 2006 includes a capital redemption of CHF 180 million.

# 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 1.1.2006** | **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 30.6.2006** | **18.0** | **(4.4)** | **21.9** | **1.8** | **218.7** | **(53.9)** | **0.1** | **202.2** |
| Translation adjustments | – | – | – | – | – | 5.3 | – | 5.3 |
| Group profit | – | – | – | – | 12.3 | – | – | 12.3 |
| Total recognised income and expenses | – | – | – | – | – | – | – | 17.6 |
| Cost of share-based payment | – | – | – | 0.3 | – | – | – | 0.3 |
| Purchase of own shares | – | (0.3) | – | – | – | – | – | (0.3) |
| Sale of own shares | – | 0.3 | – | – | – | – | – | 0.3 |
| **Balance at 31.12.2006** | **18.0** | **(4.4)** | **21.9** | **2.1** | **231.0** | **(48.6)** | **0.1** | **220.1** |
| Translation adjustments | – | – | – | – | – | 2.5 | – | 2.5 |
| Group profit | – | – | – | – | 1.1 | – | – | 1.1 |
| Total recognised income and expenses | – | – | – | – | – | – | – | 3.6 |
| Cost of share-based payment | – | – | – | 0.3 | – | – | – | 0.3 |
| Sale of own shares | – | 1.4 | – | – | – | – | – | 1.4 |
| **Balance at 30.06.2007** | **18.0** | **(3.0)** | **21.9** | **2.4** | **232.1** | **(46.1)** | **0.1** | **225.4** |

## Summary of key financial data by segment

| CHFm, 1st half-year | Wireless Solutions | | Security Solutions | | Special Products | | Corporate | | Total continuing operations | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Incoming orders | 165.7 | 153.1 | 130.1 | 97.4 | 16.8 | 38.8 | 8.7 | 11.3 | 321.3 | 300.6 |
| Revenue | 140.3 | 137.2 | 97.2 | 95.0 | 17.9 | 35.1 | 8.7 | 11.4 | 264.1 | 278.7 |
| of which with other segments | – | – | – | – | – | 3.8 | – | – | – | 3.8 |
| Gross profit | 66.8 | 62.6 | 24.3 | 28.5 | 2.7 | 3.5 | (0.9) | (0.8) | 92.9 | 93.8 |
| as % of revenue | 47.6 % | 45.6 % | 25.0 % | 30.0 % | 15.1 % | 10.0 % | n/a | n/a | 35.2 % | 33.7 % |
| Operating result | 12.1 | 10.6 | (0.7) | 2.3 | (2.0) | (0.6) | (7.9) | (7.8) | 1.5 | 4.5 |
| as % of revenue | 8.6% | 7.7 % | n/a | 2.4 % | n/a | n/a | n/a | n/a | 0.6 % | 1.6 % |
| Profit before interest and taxes | 9.3 | 8.2 | (3.4) | (0.1) | (2.9) | 0.4 | (2.2) | (2.6) | 0.8 | 5.9 |
| as % of revenue | 6.6 % | 6.0 % | n/a | n/a | n/a | 1.1 % | n/a | n/a | 0.3 % | 2.1 % |
| EBITDA | 13.5 | 12.3 | (1.5) | 1.3 | (2.4) | 1.1 | (1.7) | (2.1) | 7.9 | 12.6 |
| Investments incl. acquisitions | 2.9 | 3.1 | 0.9 | 1.3 | 0.6 | 1.9 | 0.2 | 0.1 | 4.6 | 6.4 |
| Employees | 1,152 | 1,159 | 770 | 796 | 127 | 327 | 17 | 17 | 2,066 | 2,299 |

| CHFm, 1st half-year | Divested activities[1] | | Consolidation | | Total Ascom | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Incoming orders | – | – | – | (3.6) | 321.3 | 297.0 |
| Revenue | – | – | – | (3.5) | 264.1 | 275.2 |
| of which with other segments | – | – | – | (3.8) | – | – |
| Gross profit | – | – | – | – | 92.9 | 93.8 |
| as % of revenue | n/a | n/a | n/a | n/a | 35.2 % | 34.1 % |
| Operating result | (0.1) | – | – | – | 1.4 | 4.5 |
| as % of revenue | n/a | n/a | n/a | n/a | 0.5 % | 1.6 % |
| Profit before interest and taxes | 1.6 | 2.3 | – | – | 2.4 | 8.2 |
| as % of revenue | n/a | n/a | n/a | n/a | 0.9 % | 3.0 % |
| EBITDA | 1.6 | 2.3 | – | – | 9.5 | 14.9 |
| Investments incl. acquisitions | – | – | – | – | 4.6 | 6.4 |
| Employees | – | – | – | – | 2,066 | 2,299 |

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

## Further information on the segment Special Products

| CHFm, 1st half-year | Payphones | | Other[2] | | Total Special Products | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Incoming orders | 12.3 | 20.3 | 4.5 | 18.5 | 16.8 | 38.8 |
| Revenue | 13.7 | 13.2 | 4.2 | 21.9 | 17.9 | 35.1 |
| of which with other segments | – | – | – | 3.8 | – | 3.8 |
| Gross profit | 3.3 | 5.1 | (0.6) | (1.6) | 2.7 | 3.5 |
| as % of revenue | 24.1 % | 38.6 % | n/a | n/a | 15.1 % | 10.0 % |
| Operating result | (0.8) | 0.5 | (1.2) | (1.1) | (2.0) | (0.6) |
| as % of revenue | n/a | 3.8 % | n/a | n/a | n/a | n/a |
| Profit before interest and taxes | (1.0) | 0.9 | (1.9) | (0.5) | (2.9) | 0.4 |
| as % of revenue | n/a | 6.8 % | n/a | n/a | n/a | 1.1 % |
| EBITDA | (0.8) | 1.2 | (1.6) | (0.1) | (2.4) | 1.1 |
| Investments incl. acquisitions | 0.3 | – | 0.3 | 1.9 | 0.6 | 1.9 |
| Employees | 97 | 102 | 3.0 | 225 | 127 | 327 |

[2] comprises activities of Manufacturing France (only 2006) and Real Estate

# NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2007

## 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 2007 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 2006.

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 2007 is shown on page 17.

## 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 2006.

The International Accounting Standards Board (IASB) revised or introduced various International Financial Reporting Standards (IFRS) effective on 1 January 2007. The following revised or new standards as of 1 January 2007 which are relevant for Ascom were applied for the first time or adapted accordingly in the preparation of these half-year financial statements:

- IFRS 7 Financial instruments: Disclosures and the Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures
- IFRIC 8 Scope of IFRS 2
- IFRIC 10 Interim financial reporting and impairment
- IFRIC 11 Group and Treasury share transactions

The implementation of these new standards had no significant effect on this interim report.

## 3. SIGNIFICANT TRANSACTIONS AND OPERATIONAL CHANGES

No materially significant transactions or operational changes other than management changes took place during the period 1 January to 30 June 2007.

### Assets and liabilities held for sale

| | CHFm | NI B/D/CH[1] | NI Italy | Transport Revenue | Powerline Communications | Toll | 30.06.2007 |
|---|---|---|---|---|---|---|---|
| ASSETS | Property, plant and equipment | – | – | – | – | 0.2 | 0.2 |
| | **Non-current assets** | **–** | **–** | **–** | **–** | **0.2** | **0.2** |
| | Inventories and work in process | 0.1 | – | – | – | 4.1 | 4.2 |
| | Trade receivables | – | – | 0.4 | – | 4.5 | 4.9 |
| | Other current assets | 0.2 | 4.0 | – | 0.3 | 1.5 | 5.9 |
| | **Current assets** | **0.3** | **4.0** | **0.4** | **0.3** | **10.1** | **15.0** |
| | **Total assets** | **0.3** | **4.0** | **0.4** | **0.3** | **10.3** | **15.2** |
| LIABILITIES | **Long-term liabilities** | **1.4** | **–** | **1.7** | **–** | **0.2** | **3.3** |
| | **Short-term liabilities** | **0.9** | **–** | **9.3** | **–** | **8.6** | **18.8** |
| | **Total liabilities** | **2.3** | **–** | **11.0** | **–** | **8.8** | **22.1** |

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

The assets and liabilities held for sale at the end of June 2006 included Manufacturing France. These activities have been sold in the second half of 2006. The Toll activities have been classified as held for sale as of the end of December 2006.

## Further information on discontinued operations

| CHFm | Toll | Network Integration[1] | Other[2] | 1st half-year 2007 |
|---|---|---|---|---|
| Incoming orders | 8.8 | 0.2 | – | 9.0 |
| Revenue | 10.7 | 0.3 | – | 11.0 |
| **Gross profit** | **1.2** | **–** | **–** | **1.2** |
| as % of revenue | 11.2 % | n/a | n/a | 10.9 % |
| **Operating result** | **(1.1)** | **(0.1)** | **(0.1)** | **(1.3)** |
| as % of revenue | n/a | n/a | n/a | n/a |
| Other income/(expenses), net | (0.3) | 0.4 | 0.7 | 0.8 |
| **Profit before interest and taxes (EBIT)** | **(1.4)** | **0.3** | **0.6** | **(0.5)** |
| as % of revenue | n/a | n/a | n/a | n/a |
| EBITDA | (1.4) | 0.3 | 0.6 | (0.5) |
| Employees | 75 | 3 | – | 78 |

| CHFm | Toll | Network Integration[1] | Other[2] | 1st half-year 2006 |
|---|---|---|---|---|
| Incoming orders | 7.5 | 52.0 | 0.1 | 59.6 |
| Revenue | 10.7 | 47.0 | – | 57.7 |
| **Gross profit** | **0.7** | **7.0** | **–** | **7.7** |
| as % of revenue | 6.5 % | 14.9 % | n/a | 13.3 % |
| **Operating result** | **(1.3)** | **0.2** | **–** | **(1.1)** |
| as % of revenue | n/a | 0.4 % | n/a | n/a |
| Other income/(expenses), net | (0.5) | (0.7) | 1.1 | (0.1) |
| **Profit before interest and taxes (EBIT)** | **(1.8)** | **(0.5)** | **1.1** | **(1.2)** |
| as % of revenue | n/a | n/a | n/a | n/a |
| EBITDA | (1.7) | (0.4) | 1.1 | (1.0) |
| Employees | 81 | 142 | – | 223 |

| CHFm | Toll | Network Integration[1] | Other[2] | Fiscal Year 2006 |
|---|---|---|---|---|
| Incoming orders | 12.5 | 92.7 | 0.4 | 105.6 |
| Revenue | 18.2 | 85.7 | 0.4 | 104.3 |
| **Gross profit** | **(4.2)** | **13.7** | **0.1** | **9.6** |
| as % of revenue | n/a | 16.0 % | 25.0 % | 9.2 % |
| **Operating result** | **(8.1)** | **1.5** | **(0.1)** | **(6.7)** |
| as % of revenue | n/a | 1.8 % | n/a | n/a |
| Other income/(expenses), net | (1.0) | 0.5 | 3.8 | 3.3 |
| Profit from divestments | – | (11.4) | – | (11.4) |
| **Profit before interest and taxes (EBIT)** | **(9.1)** | **(9.4)** | **3.7** | **(14.8)** |
| as % of revenue | n/a | n/a | n/a | n/a |
| EBITDA | (9.0) | (9.1) | 3.7 | (14.4) |
| Employees | 75 | 6 | – | 81 |

[1] comprises activities of Network Integration Italy, Switzerland, Germany and Belgium
[2] comprises activities of Transport Revenue and Powerline Communications

## 4. DIVIDEND PAYOUT, CHANGES IN EQUITY, SHARE OPTIONS

The Annual General Meeting of 16 April 2007 decided to distribute no dividends and approved the proposal to carry forward the total profit for the year 2006 of CHF 17.1 Million to the retained earnings.

In accordance with resolutions passed by the Board of Directors on 5 March 2007 and 22 May 2007, a total of 95,400 new options were issued to members of Ascom's senior management on 5 March 2007 resp. 22 May 2007. The options entitle holders to purchase one registered share of Ascom at a strike price of CHF 19.85 and are valid until 4 March 2011. The options are subject to a market hurdle as well as a blocking period, which expires on 4 March 2009.

During the period under review, a total of 83,600 options were exercised under existing option plans.

## 5. CONTINGENT LIABILITIES

Guarantees related to business activities amounted to CHF 173.2 Million (31 December 2006: CHF 172.6 million). There are no indications that these guarantees will result in obligations.

## 6. SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM REPORTING PERIOD

No significant events took place after the end of the interim reporting period.

## 7. TIME OF RELEASE FOR PUBLICATION

The Board of Directors approved the interim financial statements on 23 August 2007 and released them for publication at the press conference on 5 September 2007.

### Foreign currency translation

| Currency | Average 1st half-year 2007 | Average 1st half-year 2006 | Average fiscal year 2006 | Balance sheet date 30.6.2007 | Balance sheet date 31.12.2006 | Balance sheet date 30.6.2006 |
|---|---|---|---|---|---|---|
| US dollar | 1.225 | 1.286 | 1.263 | 1.228 | 1.219 | 1.243 |
| Pound sterling | 2.421 | 2.275 | 2.302 | 2.456 | 2.397 | 2.268 |
| Euro | 1.625 | 1.564 | 1.571 | 1.654 | 1.607 | 1.560 |

### Share information

| | 30.6.2007 | 31.12.2006 | 30.6.2006 |
|---|---|---|---|
| Number of registered shares nom CHF 0.50 in millions | 36 | 36 | 36 |
| Share price per registered share in CHF (high/low) | 27.50/15.00 | 20.65/12.00[1] | 20.65/12.80[1] |
| Stock exchange capitalisation in CHFm | 542 | 553 | 461 |

[1] A par value repayment of CHF 5.00 per share took place at 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 2007**

**Introduction**

We have reviewed the accompanying condensed consolidated interim financial statements (condensed consolidated balance sheet, condensed consolidated income statement, condensed consolidated statement of cash flows, condensed consolidated statement of changes in shareholders' equity and notes to the condensed consolidated half-year financial statements on pages 8 to 16) of Ascom Holding Ltd for the half-year period ended 30 June 2007. The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 ''Interim Financial Reporting''. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity''. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 ''Interim Financial Reporting''.

PricewaterhouseCoopers AG

St Räbsamen　　Claudia Muhlinghaus

Stefan Räbsamen　　Claudia Muhlinghaus

Zurich, 23 August 2007

# DATES AND CONTACTS

**Important dates**

| | |
|---|---|
| 30 November 2007 | Investor & Media Day |
| 12 March 2008 | Annual Media Conference |
| 15 April 2008 | Annual General Meeting |
| 3 September 2008 | Presentation of half-year results |

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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 www.ascom.com/report

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