

LETTER TO SHAREHOLDERS

Dear Shareholders

Ascom is looking back to a successful 2013 and is proud to present a good result to its shareholders. We succeeded to increase Group profit by about 70% to CHF 36.9 million (2012: CHF 21.8 million). Operating cash-flows were strong and amounted to CHF 63.3 million. Net debt of the Group was reduced to CHF 2.9 million (2012: CHF 41.3 million) while the equity ratio increased to 51.6%.

The core business (including Wireless Solutions, Network Testing and Corporate, but excluding the non-core activities related to real estate) achieved an EBITDA margin of 15.7% – the best EBITDA margin ever reached in the history of Ascom. In view of the excellent results, the Board of Directors will propose to the Annual General Meeting an increased dividend of CHF 0.40 per share.

The stock market honored the positive development of the Company, and the market capitalization of Ascom increased during the year by about 70% to CHF 540 million as of 31 December 2013.

Ascom Wireless Solutions further strengthened and expanded its leading global market position in the healthcare segment, and the division further increased its high level of profitability. Ascom Network Testing confirmed the turnaround that was successfully implemented in 2012. The division recorded profitable growth and reached a double-digit EBITDA margin. Ascom Group generated for the core business, which includes Wireless Solutions, Network Testing and Corporate, revenue of CHF 439.2 million, representing a growth rate of 2.7%. Substantially increased incoming orders and order backlog form the basis for profitable growth of the Group in 2014.

Ascom has defined specific growth initiatives for both divisions in order to reach revenue growth of 5–10% p.a. in its core business for 2014 as well as for 2015. This growth plan includes selected smaller acquisitions. Ascom has set its EBITDA margin targets for the core business at 15–16% for 2014 and at 16–17% for 2015. These EBITDA targets reflect the Group's strong intention to grow also inorganically and hence anticipate costs related to the integration of the acquired businesses in the first twelve months.

EBITDA margin of 15.7% for the Ascom core business

Ascom realized a strong improvement in the results during fiscal year 2013. In its core business, which includes Wireless Solutions, Network Testing and Corporate, but excludes the non-core activities related to real estate, incoming orders rose by 10.6% year-on-year, also due to a strong order intake



JUHANI ANTILA

CHAIRMAN

FRITZ MUMENTHALER

CEO

Ascom Group key figures

	2013	2012
Revenue in CHFm	459.7	449.8
EBITDA ¹ in CHFm	67.6	49.0
Group profit ¹ in CHFm	36.9	21.8
Earnings per share (EPS) ¹ in CHF	1.07	0.64
Employees (FTE) at 31.12.	1,586	1,771

¹ Previous year numbers are restated as a result of the adoption of IAS 19.

in December 2013. Order backlog increased by 12.4% year-on-year, creating a very good basis for further revenue growth. In 2013, Ascom generated in its core business revenue of CHF 439.2 million, representing a growth rate of 2.7%. Moreover, Ascom closed the year under review with a substantial hike in profitability and posted in its core business EBITDA of CHF 68.9 million, corresponding to an EBITDA margin of 15.7%.

Including the non-core activities related to real estate, Ascom Group generated in 2013 total revenues of CHF 459.7 million (2012: CHF 449.8 million) corresponding to a growth rate of 2.2%. EBITDA amounted to CHF 67.6 million (2012: CHF 49.0 million), and the EBITDA margin increased to 14.7% (2012: 10.9%). Non-core activities contributed with a loss of CHF 1.3 million at EBITDA level.

Group profit increased by 70%

Ascom reported a Group profit for 2013 at CHF 36.9 million, which is about 70% higher than in the previous year (2012: CHF 21.8 million). In view of the excellent results, the Board of Directors will propose to the Annual General Meeting an increased dividend of CHF 0.40 per share.

As of 31 December 2013, the Ascom Group reduced its net debt substantially to CHF 2.9 million compared to the previous year (2012: CHF 41.3 million); cash and cash equivalents came to CHF 58.2 million (2012: CHF 63.1 million), and the equity ratio increased to 51.6%.

Ascom Wireless Solutions – the solution provider for workflow optimization in healthcare

Wireless Solutions closed fiscal year 2013 with strong growth in incoming orders and further improved its already high profitability by achieving an EBITDA margin of 17.3%, the highest margin ever. The division was able to strengthen and expand its excellent position in the healthcare segment, in particular in patient systems. During the year, the division successfully completed the integration of the GE Nurse Call business, which has strengthened Ascom's position in healthcare as well as its value proposition in the US. Furthermore, Wireless Solutions won significant orders in important healthcare markets, in particular in the UK and in Germany. In December 2013, the division announced the acquisition of the Australian company Integrated Wireless, which closed on 2 January 2014. This acquisition is an excellent strategic step to gain access to the Asia Pacific markets and to further expand the division's leading position in the global healthcare market.

Wireless Solutions continued to steadily develop with a high profitability level. The division recorded revenue growth of 2.8% year-on-year to CHF 306.1 million (2012: CHF 297.7 million), and exceeded its already strong incoming orders from the previous year. Incoming orders increased by 7.6% to CHF 318.7 million, and order backlog rose by 14.4% to CHF 102.6 million. In terms of profitability, Wireless Solutions further improved its already high EBITDA margin and achieved the best year ever. In 2013, the division recorded an EBITDA of CHF 53.1 million (2012: CHF 48.2 million) corresponding to an outstanding margin of 17.3% (2012: 16.2%).

Wireless Solutions positions itself as "the solution provider for workflow optimization in healthcare". With its leading market position, its broad and comprehensive product portfolio and its excellent knowledge of customer needs, the division is in a prime position to capitalize on the growth opportu-

Key figures Wireless Solutions

CHFm	2013	2012
Incoming orders	318.7	296.1
Revenue	306.1	297.7
EBITDA	53.1	48.2
Employees (FTE) at 31.12.	1,109	1,247

Key figures Network Testing

CHFm	2013	2012
Incoming orders	139.6	118.6
Revenue	133.3	130.4
EBITDA	17.9	(4.6)
Employees (FTE) at 31.12.	462	507

nities in its addressed markets. Wireless Solutions has set the target to grow 5–10% in 2014. The division is well positioned due to the higher order backlog and the recently concluded acquisition of Integrated Wireless in Australia. Wireless Solutions initiated measures to penetrate further growth markets such as Middle East and Asia. Moreover, specific growth initiatives in the software and service business as well as in the nurse call business shall support the achievement of this goal.

Ascom Network Testing – a trusted partner in wireless network investment and management

With solid 2013 results, Ascom Network Testing confirmed its successful turnaround implemented in 2012. Having optimized its organizational structure and significantly reduced its cost base in 2012, the division was able to capitalize on the recovery of its addressed markets and succeeded in achieving its financial targets. Network Testing showed a strong growth in incoming orders and grew its revenue organically. The division defended its savings as identified in 2012, and delivered a substantial improvement in profitability, resulting in a double-digit EBITDA margin of 13.4%. In 2013, one of the main business drivers has been requests from customers to support capacity expansion in LTE networks. Network Testing has seen robust customer demand in the Americas as well as in the EMEA region (Europe, Middle East, and Africa), while market conditions in the Asia Pacific region were very disappointing. The division achieved in particular good growth in its product line Reporting & Analysis, this in line with its strategy.

The 2013 operating results demonstrate that Network Testing has made substantial progress. Revenue grew by 2.2% totaling CHF 133.3 million (2012: CHF 130.4 million), and incoming orders increased by 17.7% to CHF 139.6 million (2012: CHF 118.6 million). The division recorded a strong improvement in profitability with an EBITDA of CHF 17.9 million, corresponding to an EBITDA margin of 13.4% after a loss of CHF 4.6 million for fiscal year 2012.

Network Testing positions itself as “trusted partner in wireless network investment and management”. Network Testing has a strong market position and a widespread organizational footprint with its truly global customer base that provides a solid basis for further organic growth. The division has the ambition to bounce back in Asia Pacific and take advantage in particular of the LTE opportunities in China. In addition, Network Testing is in a good position to capitalize from the continuing strong market conditions in particular in Middle East, Africa, Europe, and the Americas. The division also plans to further grow the software and service content of its business. For 2014, Network Testing has the ambition to grow revenue by 5–10% and to further increase its EBITDA margin.

Broader shareholder structure for Ascom

Zürcher Kantonalbank divested its 26.86% stake as of 1 November 2013 in a private placement. The placement was well received, and numerous new investors as well as current shareholders from Switzerland and abroad invested about CHF 120 million in the acquisition of Ascom shares what is a strong sign of trust for the Ascom management. The company reports now a 100% free float of shares.

The stock market honored the positive development of Ascom, and the market capitalization of Ascom increased during the year by about 70% to CHF 540 million as of 31 December 2013.

Implementation of the new ordinance against excessive compensation

As of 1 January 2014, a new Swiss ordinance, "Ordinance against excessive compensation in listed corporations" became effective that aims to further strengthen shareholders' rights. The new rules will give the General Meeting of Shareholders, inter alia, substantial voting power on Board elections and on compensation for the members of the Board of Directors and the Executive Board.

Ascom has decided to comply with the new ordinance earlier than required and will propose all necessary changes to the Articles of Incorporation at the upcoming Annual General Meeting. The Board of Directors wants to avoid any uncertainties and to find appropriate solutions for Ascom. As a principle, compensation of the members of the Board of Directors and of the members of the Executive Board shall be adequate, competitive and performance oriented, and shall be set in line with the strategic goals, the success of the company as well as long-term interests of the shareholders.

As of 1 November 2013, the Ascom Head Office has been relocated to Baar (Canton of Zug). The Board of Directors proposes to the shareholders at the Annual General Meeting to transfer the legal domicile of Ascom Holding AG to Baar as well.

Renewal of the Board of Directors

Ascom wants to strengthen its position in the global healthcare industry as well as continue to grow in new markets. Therefore the Board of Directors proposes with Christina Stercken and Dr Harald Deutsch two new candidates to be elected as Members of the Board of Directors. Both candidates have an impressive international track record.

Paul E. Otth, Vice Chairman of the Board, has reached the Company's age limit and therefore cannot stand for re-election. Kenth-Ake Jönsson decided not to stand for re-election for personal reasons. The Board of Directors thanks the leaving Board Members for their precious contributions to Ascom.

A word of thanks

The positive development of Ascom and the convincing results achieved in fiscal year 2013 would not have been possible without the excellent work of our employees. On behalf of the entire Board of Directors and the Executive Board, we would like to express our gratitude to all our employees. Special thanks go to all our customers for their confidence in our products, solutions and services. Finally, we would like to thank you, our valued shareholders, for your trust and interest in Ascom.

We are confident that the Ascom Group is well positioned to continue its path and to further achieve profitable growth.



Juhani Anttila
Chairman



Fritz Mumenthaler
CEO