

## Letter to Shareholders

Dear Shareholders

2015 was a strategically important year for Ascom. As announced in January 2015, we have embarked to transform Ascom into a company focusing on IT and communication technology primarily in the healthcare industry by 2020. Already today, we see Ascom well-positioned as a provider of integrated workflow solutions mainly in healthcare, and the market offers us attractive and profitable growth opportunities on a global level. During 2015, we accelerated investments into solutions, software and professional services and expanded Sales, Marketing and Technology capabilities.

Thanks to the Wireless Solutions Division, Ascom reported an increase in revenues at constant currencies in 2015 of 1.5% at Group level and achieved an EBITDA margin of 11.6% (excluding additional restructuring costs of around CHF 4 million for the Network Testing Division) compared to 14.8% in 2014.

As of 31 December 2015, the Group has a net cash position of CHF 37.3 million (2014: CHF 27.1 million) and an equity ratio of 40.7% (2014: 34.4%). In 2015, Ascom generated a Group profit of CHF 24.3 million (2014: CHF 37.5 million) and the Board of Directors proposes an unchanged dividend of CHF 0.45 per share to the Annual General Meeting, offering a dividend yield of about 3%.

Wireless Solutions, which contributes 74% to the Group's business, made further progress with its transformation into a leading provider of healthcare ICT solutions. The division once again proved to be a solid business with good profitability and recorded revenue growth of 3.7% year-on-year at constant currencies. Despite additional expenditure of around CHF 6 million as part of the investment program announced in January 2015, Wireless Solutions achieved an EBITDA margin of 15.0%.



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

**Network Testing** suffered from difficult market conditions, mainly towards the end of the year, and recorded a revenue decline of 4.5% at constant currencies. Excluding the restructuring costs of around CHF 4 million, the EBITDA margin for the division amounted to 2.7%. The testing business (excluding the Systems&Solutions business unit divested in December 2015) achieved an EBITDA margin of 6% before restructuring costs.

As announced, Ascom is actively pursuing ongoing discussions of potential strategic options for Network Testing with various interested parties, representing both strategic and financial investors.

### Ascom switches from IFRS to Swiss GAAP FER

The consolidated financial statements in this Annual Report have been prepared in accordance with Swiss GAAP FER accounting standards for the first time. The Board of Directors has decided to change the accounting standards for the preparation of the consolidated financial statements of the Ascom Group from IFRS to Swiss GAAP FER, valid as of financial year 2015. For reasons of comparability, the 2014 figures were restated to reflect a Swiss GAAP FER comparison for both financial years.

### Solid result for Wireless Solutions

Supported by the successful launch of Ascom Myco, a purpose-built smart device for the healthcare industry leading to important hospital lighthouse project wins, Wireless Solutions was able to further strengthen its leading market position in healthcare ICT. The division executed the investment program launched in January 2015, thereby accelerating investments into workflow solutions, software and professional services.

Wireless Solutions established in 2015 an important strategic alliance with Tyco SimplexGrinnell for integrated healthcare communication solutions in the

United States and Canada. This alliance is a beneficial expansion of Ascom's distribution channels to further strengthen brand recognition, open up new markets, enhance sales growth and increase market share. Another important step towards becoming a leading provider of healthcare ICT solutions was the acquisition of the Italian medical software company UMS (United Medical Software), announced in December 2015. This acquisition accelerates Ascom's development roadmap for software integration and gives a geographic footprint in Italy.

In 2015, Wireless Solutions experienced a good performance in important key regions. In North America, Wireless Solutions was able to gain market share, delivering an excellent performance, posting double-digit growth in both incoming orders and revenues. In Europe, a positive development was achieved in particular in Germany and Switzerland. While most other regions and the OEM business performed according to the expectations, the business in the UK suffered from a challenging market environment.

Overall, the division recorded revenue growth of 3.7% year-on-year at constant currencies, posting revenues of CHF 304.2 million (2014: CHF 318.9 million). Growth in the acute care segment was clearly above-average. Despite additional expenditure of around CHF 6 million as part of the accelerated investment program, the division achieved a solid EBITDA margin of 15.0% (2014: 17.5%).

#### **Difficult market environment for Network Testing**

In the second half-year 2015, Network Testing faced an increasingly challenging market environment due to substantial changes in the North American Telecom sector. One major North American operator postponed significant network investments, resulting in a revenue decline of USD 8 million for Network Testing in 2015. The negative impact was partly offset by otherwise good results in North America.

In 2015, the business bounced back in Asia Pacific, reporting positive developments in particular in China, India and Middle East. While the business grew in Latin America as well, the market environment was challenging in Europe and Africa. Moreover, the business unit Systems & Solutions (which was sold as of December 2015) suffered from a declining demand. Overall, Network Testing generated in financial year 2015 net revenues of CHF 107.0 million, a decline by 4.5% at constant currencies (2014: CHF 119.0 million).

The lower revenues compared to the previous year and additional restructuring costs resulted in a decline in profitability. The Division Management already initiated in December 2015 structural changes and cost measures to align the testing business to the new market realities and to improve its profitability. Excluding restructuring costs of around CHF 4 million,

the EBITDA margin for fiscal year 2015 was at 2.7%. The division's testing business, excluding the divested Systems & Solutions business unit, posted an EBITDA margin of 6% before restructuring costs.

In addition to restructuring measures undertaken to improve Network Testing's profitability, growth initiatives have been launched, including a partnering with Ranplan, a British mobile network planning and design innovator, that opens up new market opportunities in the field of in-building networks.

#### **Unchanged dividend of CHF 0.45 per share**

In fiscal year 2015, Ascom generated revenues of CHF 410.8 million (2014: CHF 437.7 million), thus achieving growth at Group level of 1.5% at constant currencies. The revenue split was 74% for Wireless Solutions and 26% for Network Testing. EBITDA on Group level amounted to CHF 43.8 million (2014: CHF 64.8 million), including restructuring costs of CHF 4 million for the Network Testing Division. Excluding these restructuring costs, Ascom posted an EBITDA margin of 11.6% for fiscal year 2015 (2014: 14.8%).

Ascom closed the year with a Group profit of CHF 24.3 million (2014: CHF 37.5 million). The Board of Directors proposes an unchanged dividend of CHF 0.45 per share to the Annual General Meeting in acknowledgement of the continued solid business performance of the Wireless Solutions Division, offering a dividend yield of about 3% and an increased payout ratio of 66.7% (2014: 43.2%). The Ascom Group has as of 31 December 2015 a net cash position of CHF 37.3 million (2014: CHF 27.1 million) and a solid equity ratio of 40.7% (2014: 34.4%).

#### **Outlook**

In 2015, Ascom continued gaining access to global top-notch hospitals such as Humber River in Toronto or Nya Karolinska Solna near Stockholm. Ascom has the ambition to be present in every tier-one hospital in the world by 2020. Wireless Solutions will continue its transformation towards becoming a leading provider of healthcare ICT solutions. Wireless Solutions aims for sustainable growth both organically as well as through strategic partnerships or further targeted acquisitions, while maintaining and increasing its level of profitability. Ascom confirms its guidance for Wireless Solutions for 2016 and 2017, targeting revenue growth of 5–10% at constant currencies with an EBITDA margin of 14–18%. Due to the seasonality of the business, the second half-year is expected to be stronger than the first one.

Network Testing already implemented the restructuring program announced in December 2015 and has the objective to return to growth combined with a significant improvement in profitability. The partnering with Ranplan will support Network Testing to enter a new growth market for in-building and metro-

politan networks. In addition, Ascom is actively pursuing on-going discussions of potential strategic options for Network Testing with various interested parties, representing both strategic and financial investors.

### Annual General Meeting 2016

The shareholders approved at the Annual General Meeting 2015 with a majority of over 98% the revised Articles of Association, which reflect the implementation of the Swiss Ordinance against Excessive Compensation ("OaEC"). All proposals with regard to the compensation of the Board of Directors and the Executive Board are based on our revised Articles of Association.

The Board of Directors proposes Dr Valentin Chapero Rueda to be elected as an additional member of the Board of Directors. As a former CEO of a publicly listed company and long-standing successful leader, Valentin Chapero has a solid track record in the implementation of growth strategies in IT, telecom and health industries.

### A word of thanks

On behalf of the entire Board of Directors and the Executive Board, we would like to thank our customers and business partners for the confidence in our products, solutions and services. We sincerely thank our employees for their commitment and dedication to Ascom. Finally, we also extend our thanks to you, our valued shareholders, for your trust and the confidence you have given to us and that you continue to share and strongly support our vision to transform Ascom into a leading provider of healthcare ICT solutions.



Juhani Anttila  
Chairman



Fritz Mumenthaler  
CEO

In 2015, Wireless Solutions was able to gain market share in the important key region North America, delivering an excellent performance posting double-digit growth.

### Ascom Group

	2015	2014
<b>Net revenue</b> in CHFm	410.8	437.7
<b>EBITDA</b> in CHFm	43.8	64.8
Group profit in CHFm	24.3	37.5
Earnings per share (EPS) in CHF	0.69	1.07
Employees (FTE) at 31.12.	1,658	1,696

### Wireless Solutions

CHFm	2015	2014
Incoming orders	311.8	333.3
<b>Net revenue</b>	<b>304.2</b>	<b>318.9</b>
<b>EBITDA</b>	<b>45.5</b>	<b>55.8</b>
Employees (FTE) at 31.12.	1,237	1,196

### Network Testing

CHFm	2015	2014
Incoming orders	101.1	117.3
<b>Net revenue</b>	<b>107.0</b>	<b>119.0</b>
<b>EBITDA</b>	<b>(1.1)</b>	<b>10.6</b>
Employees (FTE) at 31.12.	407	485

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