

Letter to Shareholders

Dear Shareholders

2016 was a year of major changes in Ascom where important steps have been taken:

- Portfolio decision to convert Ascom from a divisional set-up to an integrated organization
- Sale of the Network Testing Division
- Strategic business focus on healthcare ICT and mobile workflow solutions
- Appointment of a new CEO with an excellent knowledge of the healthcare ICT industry and expertise in software and solutions sales and delivery
- Increase of investments into cutting-edge software development teams, driving growth and gross margin in the coming years
- Dedicated focus on organic growth, no major acquisitions planned
- Asset light operation with substantial recurring revenues and solid balance sheet with a net cash position

Solid result for Wireless Solutions

- Wireless Solutions achieved net revenue of CHF 300.8 million, with the healthcare business growing by about 5%. The revenue level was in line with the previous year despite fundamental changes in the organization and processes due to the transformation of Ascom to a OneCompany business.
- Supported by a stronger second half-year, Wireless Solutions achieved an EBITDA margin of 14.0% (adjusted for the OneCompany restructuring costs) despite higher R&D costs. Thanks to a higher gross margin, the profitability in the second half-year increased to an EBITDA margin of 17.7% (adjusted for the OneCompany restructuring costs). Given the seasonality of the business, Ascom traditionally has a stronger second half-year.



Juhani Anttila, Chairman (l.), Holger Cordes, CEO (r.)

Divestment of Network Testing Division

- The former Network Testing Division continued to suffer from the very difficult market environment for telecom operators with consolidating markets and significant price pressure over the last years. In the first nine months, the former Network Testing Division posted net revenue of CHF 53.8 million with an operative loss of CHF 20.0 million on EBIT level.
- After 20 months of intensive search and negotiations, we have found a good industrial solution for all stakeholders and the right owner to develop and scale this business further. The divestment of the Network Testing Division was closed on 30 September 2016.
- As announced in the media release of 22 August 2016, the divestment of the Network Testing Division led to an extraordinary loss of CHF 145.1 million, resulting principally from the non-cash recycling of goodwill previously offset against shareholders' equity according to Swiss GAAP FER.

Implementation of the new OneCompany organization

During Q4 2016, Ascom converted from a divisional and regional set-up to a OneCompany functional organization with one business, one mission and one culture. Going forward, Ascom concentrates its investments on healthcare ICT products and solutions – with healthcare being the most complex and challenging mobile workflow environment. Thus, innovation for healthcare will support sales in many other industries too. The full year result 2016 was impacted by non-recurring costs of CHF 10.6 million for the OneCompany program with the target to lower the future cost base.

Dedicated focus on healthcare

Wireless Solutions proved to be a stable business with good profitability over the five last years with EBITDA margins between 14 and 17.5%. However, the growth plans did not fully materialize in which the appreciation of the Swiss franc had a negative impact.

In 2015, the Board decided to accelerate the Wireless Solutions business on healthcare as the most promising market. Healthcare accounted for 63% of the total revenue of Wireless Solutions in 2016 and Ascom's installed base is impressive:

- Over 12,000 global hospital installations of Unite, our intelligent communication software
- Over 6,900 global healthcare installations of Ascom mobility including Ascom Myco
- Over 100,000 global healthcare installations of nurse call systems covering 1,000,000 hospital beds
- Over 100 installations of our Digistat suite of operating room, intensive care unit and medical device connectivity solutions
- Over 80 healthcare related apps for the smartphone Ascom Myco

The accelerating digitalization of healthcare starts to drive rapid growth. The digitalization of healthcare has suffered from the challenge to reach the point of care with its mission critical, mobile and ad hoc workflows. Ascom is uniquely positioned to provide this final missing link for healthcare to start embracing the full potential of information technology and knowledge driven workflows. Global healthcare ICT spend is approaching USD 150 billion per year, growing at over 7%. The Board of Directors and the Management are convinced that the healthcare market offers tangible growth opportunities for Ascom, who can leverage an impressive installed base in this expanding market.

Dividend of CHF 0.80 per share

The Board of Directors proposes to the shareholders a dividend payment of CHF 0.80 per share. After the divestment of the Network Testing Division and the strategic decision to focus on healthcare ICT as a one-business company, the Board decided to pay out the major part of the proceeds from the divestment to the shareholders. Thanks to the solid balance sheet and financing of the Group, there is no impact on the execution of the communicated growth strategy.

Over the last five years (2012–2016), the shareholder return (share price performance plus dividend payments) related to the Ascom share amounts to 118% (Swiss Performance Index, SPI: 68%).

2016 was a year of many changes for Ascom. On behalf of the entire Board of Directors and the Executive Board, we would like to thank our customers and busi-

ness partners for the confidence in our products, solutions and services. The Board of Directors also thanks the former CEO Fritz Mumenthaler, who left end of May 2016, for his many years of successful service for Ascom. Special thanks go to our employees worldwide for their exemplary commitment and dedication to Ascom.



Juhani Anttila
Chairman



Holger Cordes
CEO

A word of thanks from the Chairman

As the current Chairman of the Board of Directors, I would like to take this shareholder letter as an opportunity to express my sincerest thanks to you, our valued shareholders. It was an honor for me to serve as Chairman of Ascom's Board of Directors for the last fifteen years. I thank you for the trust and confidence you have given me. You have strongly supported us, the entire Board of Directors and the Executive Board.

Ascom aims always to meet the high demands in regards to corporate governance and the company puts all efforts in improving the transparency for its stakeholders. Thanks to all these efforts, a professional survey among listed companies in Switzerland awarded Ascom top-notch quality in corporate governance. I am proud that Ascom was ranked number 2 (from 171 listed Swiss companies) according to the 2016 Corporate Governance Study of zRating.

The Ascom Group was in a very critical situation when I joined the Board fifteen years ago. Ascom as a Swiss focused telecom supplier with a very broad portfolio was severely hit by the liberalization and globalization of the worldwide telecom market. I am very pleased that Ascom has transformed itself completely and stayed as an independent company with very promising growth opportunities in the new digital world as the leader of healthcare ICT solutions.

Juhani Anttila

The Board of Directors thanks the leaving members of the Board, Juhani Anttila, Dr J.T. Bergqvist, and Urs Leinhäuser for their very valuable contribution to Ascom. Juhani Anttila served as Chairman of Ascom for fifteen years and supported the successful transformation of Ascom with his clear-sighted strategic thinking and his strong personal dedication.