

Half-year Report 2018



Letter to Shareholders

Dear Shareholders

At the beginning of the year, we communicated that we would concentrate on three main topics: accelerating the execution of our strategy, focusing on North America and further strengthening our market position in Europe. We look back on an eventful and challenging first half-year 2018.

Many milestones have been reached in the first half-year 2018 to execute our strategy.

- Good progress has been made in becoming a best-in-class healthcare ICT and workflow solutions provider. Our Ascom Healthcare Platform is an unmatched platform, where digital clinical information flows efficiently across systems, devices and points of care.
- North America has stabilized. Our comprehensive analysis showed that we are well positioned with our portfolio to exploit the opportunities of the growing American healthcare communication market provided, that we succeed to improve our go-to-market strategy. Having implemented several strategic and operational measures, we are expecting a stronger second half-year 2018.
- An important proof point was the successful implementation of the Ascom Healthcare Platform at the Erasmus Medical Center in Rotterdam, a leading academic hospital center in Europe. Successful delivery of reference projects is the most powerful way to drive market perception.

First half-year results 2018 show a mixed picture

While the developments in net revenue and EBITDA margin were below our expectations, the increase in incoming orders and the good level of order backlog are positive achievements.

Ascom has succeeded in winning important orders in all geographic regions. Incoming orders came to CHF 169.3 million (H1/2017: CHF 158.0 million), resulting in an increase of 7.2% (2.4% at constant currencies). The high order backlog of CHF 164.0 million by mid-year 2018 (30 June 2017: CHF 136.8 million) supports the expected growth in the second half of 2018. Given the longer sales cycles in the software and solutions business, not the entire order backlog will be converted short-term.



Andreas Umbach, Chairman, Holger Cordes, CEO

“Our Ascom Healthcare Platform is an unmatched platform, where digital clinical information flows efficiently across systems, devices and points of care.”

Ascom generated net revenue of CHF 146.9 million (H1/2017: CHF 143.2 million), representing a growth of 2.6% (–1.6% at constant currencies) in the first half-year 2018.

Within Europe, the performance varied from market to market. The strongest performance has been achieved in the Benelux region. A major milestone was the successful implementation of the Ascom Healthcare Platform at the Erasmus Medical Center in Rotterdam, a leading academic hospital center in Europe. The customer feedback is very encouraging. Successful delivery of reference projects is the most powerful way to drive market perception, and we are already receiving additional interest for our comprehensive solutions driven by our deployments in the first half of 2018. Moreover, another leading Dutch hospital selected the Ascom Healthcare Platform for its new facilities.

The Nordic countries performed well too, while the other European regions and the region Asia, Australia, Africa showed a flat development. In some geographic areas, we are still seeing an element of transition, and it may take some time to fully implement the new strategy to sell much more software and solutions, taking into consideration also the longer sales cycles for complex projects. The OEM business delivered solid results, albeit below the very strong performance achieved in the previous year.

The North American region has not yet been able to deliver the expected improvements. Ascom's software sales accelerated significantly year-on-year with additional solid growth in mobility and services. However, Ascom continues to reinvigorate its channel strategy in regard to our Patient Systems solutions. Overall, the North American region's revenue was slightly below previous year's. The market potential in North America is very large, and we are well positioned with our products and solutions to exploit these market opportunities. The strengthening of the US management is almost completed, and we set up a more focused sales structure addressing both indirect channels and direct sales to tap into the growing market potential. We are expecting a stronger second half-year 2018 in North America.

Further investments into the future of the company

Our Ascom Healthcare Platform is an unmatched platform, where digital clinical information flows efficiently across systems, devices and points of care. Ascom has the most complete and comprehensive platform to integrate, orchestrate and enable resources in a mission-critical environment. In the coming months, we will further improve our platform with new products and solutions such as the purpose-built smartphone Myco 3, CDAS (Confirmed Digital Alarm System) and an Elderly Care Platform.

We are confident about our strategy. Although the full implementation may take longer than originally expected, Ascom keeps investing in its future. We strive to develop new solutions and to improve our penetration in the market. As a healthcare ICT provider, innovation is an important success driver, and we set new industry standards and increased workflow productivity in both the healthcare and enterprise sectors. As a result, R&D expenses increased by about 20% to CHF 16.5 million for the first half-year 2018, representing 11.2% of net revenue compared to CHF 13.8 million in H1/2017 (9.6% of net revenue). Moreover, we increased our sales and marketing expenses to strengthen our sales performance. Overall, total functional costs increased to CHF 66.4 million (H1/2017: CHF 60.8 million).

Due to these higher investments, mainly in innovation, EBITDA for the first half-year 2018 was at CHF 9.6 million (H1/2017: CHF 13.9 million) with an EBITDA margin of 6.5% (H1/2017: 9.7%). Ascom closed the first half-year 2018 with a Group profit of CHF 5.4 million (H1/2017: CHF 6.6 million).

Despite the dividend payout of CHF 16.2 million in April 2018, we have a net cash position of CHF 1.4 million and an equity ratio of 31.8% as of 30 June 2018.

Growth is expected to accelerate in the second half of 2018

Due to the usual seasonality of our business, the higher level of incoming orders, and the strong order backlog, we expect acceleration in growth in the second half-year 2018. In addition, we expect a recovery in North America due to the strategic and operational measures we have taken during the last months. Furthermore, we expect a positive impact from our successful reference projects and to benefit from our new offerings. Moreover, additional business potential is expected from the expansion of strong strategic alliances, e.g. with Dräger in Asia or Stryker in North America.

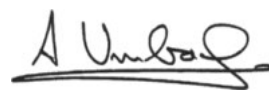
Guidance 2018 confirmed

Based on the expectation of a stronger second half of 2018, we confirm our communicated guidance for the full year 2018. Our targets are to achieve revenue growth of 3–6% and the EBITDA margin is expected to be in line with last year, up to around 15%.

A word of thanks

All our efforts are focused on reaching our ambitious targets. On behalf of the entire Board of Directors and the Executive Committee, we would like to thank all our employees for their dedication and drive to advance Ascom and our vision. We also extend special thanks to all our customers and business partners for their loyalty and confidence in our solutions, products and services. We also thank our shareholders, who foster our common vision to become a best-in-class healthcare ICT and mobile workflow solutions provider.

Sincerely,



Andreas Umbach
Chairman



Holger Cordes
CEO

Consolidated balance sheet

Assets

CHFm	Note	30.6.2018	%	31.12.2017	%
Cash and cash equivalents		25.4		30.3	
Trade receivables		63.4		73.0	
Other short-term receivables		7.1		7.6	
Inventories and work in progress		24.7		25.2	
Prepayments and accrued income		16.1		16.0	
Current assets		136.7	64.6	152.1	66.2
Property, plant and equipment		11.6		11.9	
Intangible assets		37.1		40.3	
Financial assets		26.3		25.3	
Non-current assets		75.0	35.4	77.5	33.8
Total assets		211.7	100.0	229.6	100.0

Liabilities and shareholders' equity

CHFm	Note	30.6.2018	%	31.12.2017	%
Trade payables		14.7		21.3	
Other liabilities		12.9		16.3	
Provisions		5.9		9.7	
Customer prepayments and deferred revenue		30.6		20.5	
Accrued liabilities		24.8		24.1	
Current liabilities		88.9	42.0	91.9	40.0
Borrowings	7	24.0		18.0	
Other liabilities		–		3.0	
Provisions		31.4		33.6	
Non-current liabilities		55.4	26.2	54.6	23.8
Total liabilities		144.3	68.2	146.5	63.8
Share capital		18.0		18.0	
Capital reserves		15.1		15.0	
Own shares		(0.5)		(0.5)	
Retained earnings		34.8		50.6	
Shareholders' equity		67.4	31.8	83.1	36.2
Total liabilities and shareholders' equity		211.7	100.0	229.6	100.0

Consolidated income statement

CHFm	Note	1 st half-year 2018	%	1 st half-year 2017	%
Net revenue		146.9	100.0	143.2	100.0
Cost of sales		(76.1)		(72.2)	
Gross profit		70.8	48.2	71.0	49.6
Marketing and sales		(39.9)		(37.4)	
Research and development		(16.5)		(13.8)	
Administration		(10.0)		(9.6)	
Other operating expenses		(0.8)		(0.8)	
Operating result (EBIT)		3.6	2.5	9.4	6.6
Financial income		2.2		0.6	
Financial expenses		(0.5)		(2.2)	
Ordinary result		5.3	3.6	7.8	5.4
Non-operating result	5	(0.1)		0.6	
Extraordinary result	6	1.1		0.4	
Profit before income tax		6.3	4.3	8.8	6.1
Income tax		(0.9)		(2.2)	
Group profit for the period ¹		5.4	3.7	6.6	4.6

¹ Attributable to the owners of the parent.

Earnings per share in CHF

CHFm	1 st half-year 2018	1 st half-year 2017
Basic	0.15	0.18
Diluted	0.15	0.18

Additional information – non-GAAP measures

CHFm	1 st half-year 2018	%	1 st half-year 2017	%
EBITDA	9.6	6.5	13.9	9.7

Consolidated statement of changes in equity

CHFm	Attributable to owners of the parent							
	Capital reserves ¹				Retained earnings			Total shareholders' equity
	Share capital	Own shares	Share premium	Other capital reserves	Currency translation adjustments	Goodwill offset	Other retained earnings	
Balance at 1.1.2017	18.0	(1.0)	1.1	13.9	(8.0)	(55.0)	111.9	80.9
Group profit for the period	–	–	–	–	–	–	6.6	6.6
Currency translation adjustments	–	–	–	–	0.7	–	–	0.7
Share-based payments	–	–	–	0.2	–	–	–	0.2
Disposal of own shares	–	0.5	–	(0.1)	–	–	–	0.4
Dividends paid ²	–	–	–	–	–	–	(28.8)	(28.8)
Balance at 30.6.2017	18.0	(0.5)	1.1	14.0	(7.3)	(55.0)	89.7	60.0
Balance at 1.1.2018	18.0	(0.5)	1.1	13.9	(3.5)	(54.9)	109.0	83.1
Group profit for the period	–	–	–	–	–	–	5.4	5.4
Currency translation adjustments	–	–	–	–	(5.0)	–	–	(5.0)
Share-based payments	–	–	–	0.1	–	–	–	0.1
Dividends paid ²	–	–	–	–	–	–	(16.2)	(16.2)
Balance at 30.6.2018	18.0	(0.5)	1.1	14.0	(8.5)	(54.9)	98.2	67.4

¹ Non-distributable statutory and legal reserves of Ascom Holding AG; CHF 3.6 million (previous year: CHF 3.6 million).

² Refer to note 4.

Consolidated statement of cash flows

CHFm	Note	1 st half-year 2018	1 st half-year 2017
Group profit for the period		5.4	6.6
+ Depreciation of property, plant and equipment		1.4	1.1
+ Amortization of intangible assets		4.8	3.5
+/- (Profit)/loss from disposal of property, plant and equipment	5	–	(0.8)
+ Share-based payments		0.1	0.2
+/- Addition/(release) of provisions		(0.8)	0.6
+/- Adjustment for non-cash items		0.3	1.1
+/- Change in inventory and work in progress		(1.1)	(5.1)
+/- Change in trade receivables		8.7	10.1
+/- Change in trade payables		(5.7)	(2.2)
+/- Change in other receivables and prepayments		–	2.1
+/- Change in accrued and other short-term liabilities and deferred income		5.7	(3.3)
– Interest income		(0.6)	(0.6)
+ Interest expenses		0.4	0.4
+ Interest received		0.4	0.4
– Interest paid		(0.1)	(0.1)
+ Income tax expenses		0.9	2.2
– Income tax paid		(2.7)	(5.2)
+/- Foreign currency translation differences on intra-group positions		(2.7)	1.4
Cash flow from operating activities		14.4	12.4
– Purchase of property, plant and equipment		(1.5)	(0.9)
+ Proceeds from disposal of property, plant and equipment	5	–	0.8
– Purchase of intangible assets		(3.8)	(4.4)
– Acquisition of a subsidiary or business ¹		(3.0)	–
+ Proceeds from divestment of a subsidiary or business		–	7.8
+/- Change in financial assets and other non-current assets		(0.4)	(0.3)
Cash flow from investing activities		(8.7)	3.0
+/- Proceeds from/(repayment of) long-term borrowings	7	6.0	15.0
+ Proceeds from disposal of own shares		–	0.4
– Dividends paid	4	(16.2)	(28.8)
Cash flow from financing activities		(10.2)	(13.4)
+/- Foreign currency translation differences on cash and cash equivalents		(0.4)	(0.1)
Increase/(decrease) in cash and cash equivalents		(4.9)	1.9
+ Cash and cash equivalents at 1.1.		30.3	34.3
Cash and cash equivalents at 30.6.		25.4	36.2

¹ Cash outflow attributable to the contingent purchase price payment related to the acquisition of UMS in 2016.

Notes to the consolidated interim financial statements

1. GENERAL INFORMATION AND BASIS FOR PREPARATION

These unaudited consolidated interim financial statements of Ascom Holding AG and its subsidiaries cover the period from 1 January to 30 June 2018 and are prepared in accordance with Swiss GAAP FER 31 ("Complementary recommendation for listed companies"). These consolidated interim 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 2017, which were prepared in conformity with the entire existing guidelines of Swiss GAAP FER (Generally Accepted Accounting Principles FER/ FER = Fachempfehlung zur Rechnungslegung = Accounting and reporting recommendations). The accounting policies have been applied consistently by Group companies. Furthermore, applied accounting and disclosure policies comply with the provisions of the listing rules of the SIX Swiss Exchange and the Swiss company law.

Preparation of the consolidated interim 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 are adapted accordingly in the accounting period in which the data changes.

Ascom Group's business activities are not subject to pronounced seasonal fluctuations. However, experience has shown that, factoring out economic influences, higher sales and therefore higher profitability are usually generated in the second half of the year largely following the investment spending patterns of Ascom's customers.

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Ascom Holding AG, the parent company of the Group, is a public limited company and domiciled in Baar, Switzerland.

2. ACCOUNTING PRINCIPLES

The consolidated interim financial statements were prepared according to the same accounting principles as those applied for the consolidated financial statements for the year ended 31 December 2017.

Ascom is exposed to translational and transactional effects of foreign currency fluctuations, in particular to the currencies below:

CHFm	ISO code	Unit	30.6.2018	Average 1 st half-year 2018	31.12.2017	Average 1 st half-year 2017
Euro	EUR	1	1.157	1.167	1.170	1.077
US dollar	USD	1	0.992	0.968	0.976	0.991
Swedish krona	SEK	1	0.111	0.115	0.119	0.112
Pound sterling	GBP	1	1.306	1.325	1.319	1.252

3. SEGMENT INFORMATION

Due to the unity and strategic focus of the business on Healthcare ICT, the top management (Group Executive Board) and the management structure of the Ascom Group are organized by functions. The allocation of financial resources of the Group by the Board of Directors and the Group Executive Board is decided centrally and by function. Research and development of the whole range of products and solutions is carried out centrally, while sales are carried out regionally with central support. Distribution and services are managed within central global functions. Accordingly, regional sales subsidiaries are responsible for the sale and delivery of the whole range of products, services and solutions in their sales area, supported by global R&D, global Supply Chain and global Services, as well as central marketing and administrative functions. The Company's risks and opportunities vary by region and are impacted and supported by local regulatory requirements, most notably in healthcare. Accordingly, the financial management and allocation of Company resources by the Group Executive Board is primarily based on regional market and net revenue developments.

Segment reporting is therefore reflecting Ascom's business as one single reportable segment. The allocation of incoming orders and net revenue is disclosed below based on the regional sales structure.

Allocation of incoming orders and net revenue of Ascom continuing business

CHFm	Incoming orders		Net revenue	
	1 st half-year 2018	1 st half-year 2017	1 st half-year 2018	1 st half-year 2017
Benelux	44.8	32.6	33.7	30.1
Nordics	28.5	25.5	24.2	22.2
DACH	25.9	25.8	21.8	21.5
Rest of Europe ¹	24.4	23.8	21.9	21.6
Americas ¹	23.4	25.9	23.5	25.1
Asia, Australia, Africa ¹	8.3	8.7	7.5	7.4
OEM (Original Equipment Manufacturer)	14.0	15.7	14.3	15.3
Total	169.3	158.0	146.9	143.2

¹ Prior-year numbers have been restated due to the fact that the former Growth Markets region has been split into 3 different regions:
 - South american business is now reported under Americas (former North America)
 - Central and Eastern Europe business is now reported under Rest of Europe
 - The remaining business of Growth Markets has been renamed to Asia, Australia, Africa

4. DIVIDENDS PAID, OWN SHARES, SHARE-BASED PAYMENTS

On 11 April 2018, the Annual General Meeting of Ascom Holding AG approved a dividend of CHF 0.45 per share entitled to dividends. The total payout amounted to CHF 16.2 million (previous year: CHF 28.8 million).

In the period under review, Ascom disposed of 42,556 registered shares in conjunction with the award of matching share under Ascom share matching plans.

5. NON-OPERATING RESULT

CHFm	1 st half-year 2018	1 st half-year 2017
Non-operating income	0.6	1.4
Non-operating expense	(0.7)	(0.8)
Total non-operating result	(0.1)	0.6

Non-operating income and expenses relate exclusively to non-core legacy real estate activities. In 2017, non-operating income included CHF 0.8 million attributable to the disposal of a non-core property in Switzerland.

6. EXTRAORDINARY RESULT

The extraordinary result of CHF 1.1 million is due to a contingency provision adjustment related to the disposal of the Network Testing Division in 2016.

7. BORROWINGS

The Group syndicated credit facilities expired on 24 May 2016 and were replaced by revolving multi-currency credit facilities in an aggregate amount equal to CHF 35.0 million with two banks to fund working capital in the ordinary course of business, at variable interest rates (LIBOR + 0.8%), with an option to fix the interest rate monthly for a maximum period of 12 months. In addition, the Group has an uncommitted guarantee line of CHF 10.0 million with a Swiss bank. At 30 June 2018, Ascom used the cash lines as shown in the table below (borrowings denominated in CHF):

CHFm	30.6.2018	31.12.2017
Non-current	24.0	18.0
Total borrowings	24.0	18.0

As the final maturity of the Group's credit facilities is 24 May 2020, the outstanding borrowings at 30 June 2018 are classified as non-current. The credit facility includes two financial covenants: a debt service ratio (calculated as the ratio of net debt and outstanding bank guarantees to EBITDA) and an equity ratio (calculated as the ratio of shareholders' equity to total assets). The financial covenants are fully complied with.

8. TIME OF RELEASE FOR PUBLICATION

The Board of Directors approved the 2018 consolidated interim financial statements on 7 August 2018 and gave permission for publication at the media conference on 16 August 2018.

9. SHARE INFORMATION

	1 st half-year 2018	1 st half-year 2017
Number of registered shares nom. CHF 0.50 ¹	36,000,000	36,000,000
Share price per registered share in CHF (high/low of the period under review)	25.70/17.66	19.80/15.65
Share price per registered share in CHF ¹	18.00	19.60
Market capitalization in CHFm ¹	648.0	705.6

¹ At the end of the period.

Summary of key financial data

CHFm	1 st half-year 2018	1 st half-year 2017
Incoming orders	169.3	158.0
Order backlog ¹	164.0	136.8
Net revenue	146.9	143.2
EBITDA	9.6	13.9
EBITDA in % of net revenue	6.5	9.7
Earnings before interest and income tax (EBIT)	3.6	9.4
EBIT in % of net revenue	2.5	6.6
Personnel expenses	(70.0)	(64.6)
Depreciation, amortization and impairment ⁵	(6.0)	(4.5)
Group profit for the period	5.4	6.6
Net cash flow from operating activities	14.4	12.4
Capital expenditures on property, plant and equipment	1.5	0.9
Capital expenditures on intangible assets	3.8	4.4
Research and development expenditures ²	(19.3)	(16.5)
Balance sheet total ¹	211.7	212.9
Shareholders' equity ¹	67.4	60.0
Shareholders' equity in % of balance sheet total ¹	31.8	28.2
Net cash or (net debt) ^{1,3}	1.4	11.1
Gearing in % ⁴	35.6	41.8
Dividends paid/distribution of share premium	16.2	28.8
Number of employees (FTE) ¹	1,227	1,199

¹ At the end of the period.

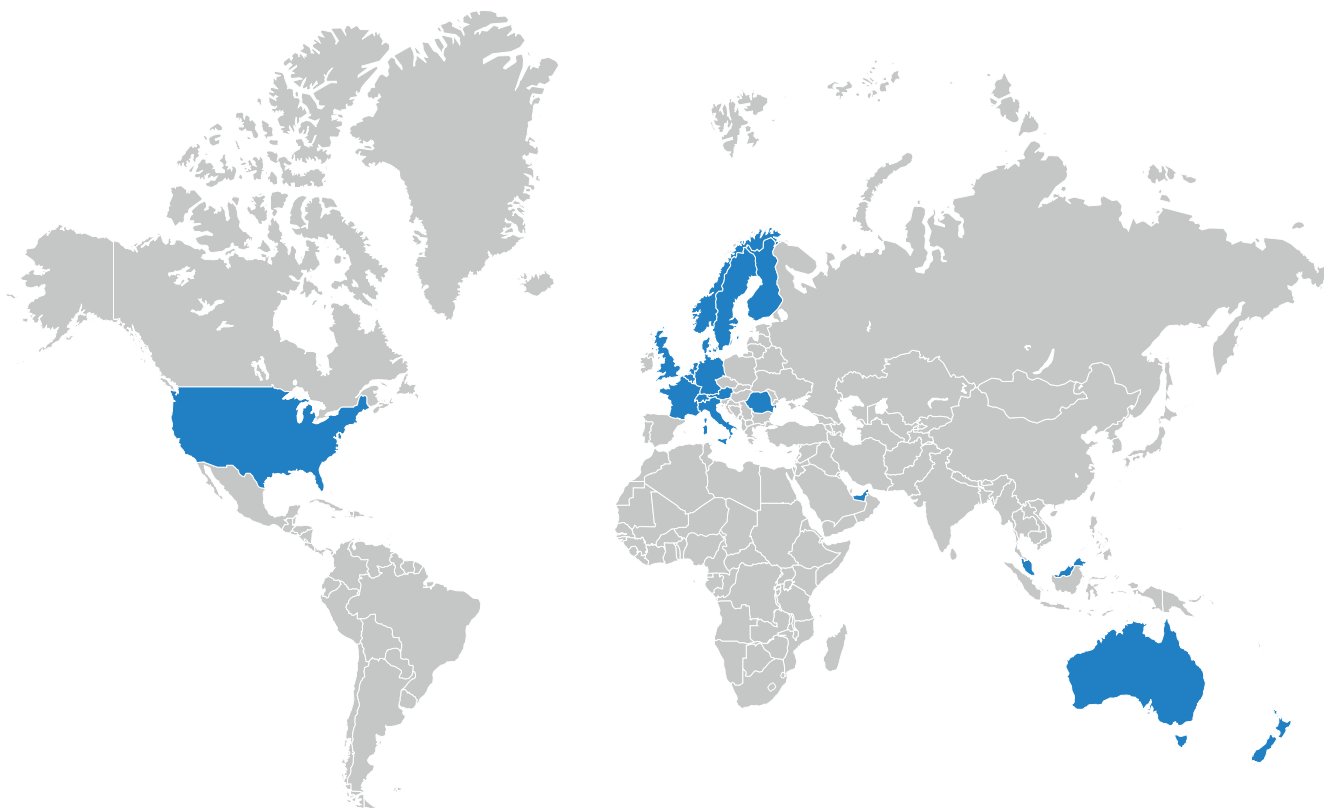
² Contains research and development expenditures either charged to profit or loss or recognized as intangible assets.

³ Cash and cash equivalents less borrowings.

⁴ Borrowings/shareholders' equity.

⁵ Excludes depreciation, amortization and impairment from non-operating result.

Worldwide contacts



Australia/New Zealand, Sydney

Ascom Integrated Wireless Pty. Ltd.
au-sales@ascom.com

Austria, Vienna

Ascom Deutschland GmbH
Branch Austria
info-at@ascom.com

Belgium, Bruxelles

Ascom (Belgium) NV
info.be@ascom.com

Denmark, Glostrup

Ascom Danmark A/S
info.dk@ascom.com

Finland, Turku

Ascom Miratel Oy
myynti@ascom.com

France, Nanterre

Ascom (France) SA
fr-info@ascom.com

Germany, Frankfurt a. M.

Ascom Deutschland GmbH
info.ws-de@ascom.com

Italy, Florence

Ascom UMS S.r.l.
it.info@ascom.com

Malaysia, Ampang

Ascom (Malaysia) Sdn Bhd
sales-my@ascom.com

Netherlands, Utrecht

Ascom (Nederland) BV
info.nl@ascom.com

Norway, Oslo

Ascom (Norway) A/S
firmapost@ascom.com

Romania, Cluj-Napoca

Ascom Mobile Solutions Romania SRL
info.ro@ascom.com

Sweden, Gothenburg

Ascom (Sweden) AB
info.se@ascom.com

Switzerland, Baar

Ascom Holding AG
investor@ascom.com

Switzerland, Mägenwil

Ascom Solutions AG
info.ws-de@ascom.com

United Arab Emirates, Dubai

Ascom Solutions AG
Branch Dubai
info.mea@ascom.com

United Kingdom, Birmingham

Ascom (UK) Ltd.
uksales@ascom.com

USA, Morrisville NC

Ascom (US) Inc.
info.us@ascom.com

Dates and contacts

Important dates

8 November 2018
Analyst & Investor Day
Restaurant Metropol, Zurich

Contact addresses

Ascom Group Communications & IR

Ascom Holding AG
Daniel Lack
Company Secretary and Legal & Communications/IR
Zugerstrasse 32 | CH-6340 Baar
+41 41 544 78 00 | Fax +41 41 761 97 25
info@ascom.com | investor@ascom.com

Publishing details

Publisher Ascom Holding AG, Baar
Financial Statements Ascom Group Finance, Baar
Editorial Tolxdorff & Eicher, Horgen
Translation CLS Communication AG, Zurich
Photos page 2: Severin Jakob, Zurich;
cover: Morsa Images/Getty Images
Concept, Design & Realization Linkgroup AG, Zurich

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Declaration of forward-looking statements

This Half-year Report contains 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.

The complete 2018 Half-year Report of the Ascom Group is available in English only and can be viewed online at: <https://www.ascom.com/Investor-Relations/Financial-information/Reports-and-presentations.html>

