Half-year Report 2016

Letter to Shareholders

Dear Shareholders

We are looking back to a challenging first half-year for Ascom. Although the Group result was disappointing, Ascom is on the right track with the implementation of its strategy to become a leading provider of healthcare ICT and mobile workflow solutions in 2020. The following steps have been initiated in the last months:

- **Portfolio decision to convert Ascom from a divisional set-up to a one-business company**
- **Clear 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**
- **Streamlining of the Company with a clearly lower cost base**
- **More investments into software by building a cutting-edge development team**
- **Dedicated focus on organic growth, no major acquisitions planned**

The business results for the first half-year 2016 show a mixed picture:

- Wireless Solutions looks back on a solid first half-year with an overall flat revenue development and a double-digit EBITDA margin. The healthcare business (which represents about 60% of the division's revenues) achieved net revenue growth of almost 7%. The division achieved an EBITDA of CHF 14.6 million, which was impacted by the drop in volume mainly in the OEM channel as well as the investments made in connection with the transformation of the Company into a solutions provider. The division's order backlog increased by about 10% compared to the previous year.

- Ascom experienced a loss of CHF 5.6 million on Group level. This disappointing result was strongly impacted by the substantial loss in the Network Testing Division of CHF 7.9 million on EBITDA level. In addition, one-time costs in connection with the change of the CEO, costs of exploring strategic options for Network Testing as well as consultancy costs in preparing the OneCompany structure lead to an additional deterioration of the result. Moreover, in contrast to the previous year, the half-year financial result 2016 included a considerable negative impact from currencies.

- Regardless of the unsatisfactory half-year result, Ascom is a financially sound company with cash and cash equivalents of CHF 33.6 million and an equity ratio of 35.5% as of 30 June 2016.

Juhani Anttila, Chairman

"Ascom is well positioned to achieve sustainable organic growth and to generate strong cash flows in the coming years."

Focus on organic growth

Ascom Wireless Solutions has a good customer base mainly in Western Europe and in the USA, and we are expanding our presence to new geographic areas. The latest lighthouse wins in Australia and Singapore are good examples of our competitive edge.

Ascom wants to grow organically based on our own expertise and a strong focus on innovation and software development. A recent analysis shows that we have great opportunities to exploit our internal knowhow together with our talented people better in order to create stronger organic growth. In order to participate in a broader way in workflow solutions, we will increase our software development efforts and investments. In addition, new strategic alliances and partnerships will support us in implementing our strategy.

We do not plan for major acquisitions. However, small technology or market entry acquisitions may complement our strategy implementation, but only in the frame of our existing balance sheet and cash generation possibilities.

Strategic options for Network Testing

The Network Testing Division experienced a difficult first half-year due to a challenging market environment.

The Board of Directors decided in August 2015 to evaluate strategic options for the Network Testing Division. Several intensive discussions with various interested parties, representing both strategic and financial investors, have taken place in the last months. These discussions will be continued with the target to find a good solution for all stakeholders.

Fundamental transformational steps in 2016

The swift implementation of the Ascom 2020 strategy with sustainable profitable growth is a priority for the Board of Directors, and we are convinced that we have initiated the right steps to accelerate it. The Board of Directors is pleased about the appointment of Holger Cordes as new CEO of Ascom. He is a manager with an excellent track record, solid knowledge of the healthcare ICT industry, expertise in software, and broad international experience.

2016 is a year of transformation for Ascom. On the one hand, we plan to fully concentrate on the transformation of Ascom into a leading provider of healthcare ICT and mobile workflow solutions. On the other hand, Ascom as a Group will be converted from a divisional and regional set-up to a OneCompany organization with one business, one mission, and one culture.

A fast implementation of the new OneCompany organization is important to accelerate the execution of the strategy. Ascom will be tailored to be an agile one-business company focused on healthcare ICT and mobile workflow solutions with a significant lower cost base. We will accelerate the integration of the portfolio and enhance a comprehensive value proposition. A global platform approach in R&D, product management and process standardization will strengthen our market position. The organization and administration will be leaner and more aligned with customer needs. We will accelerate the pace of our innovation by building a world-class cutting-edge development team to enhance our software development capabilities.

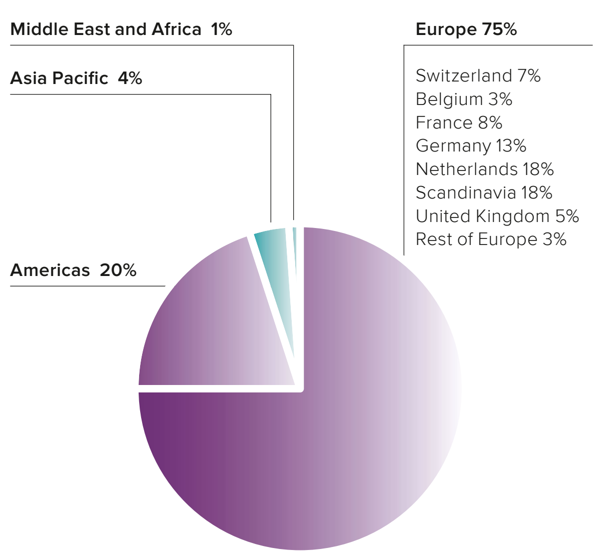
Outlook

Supported by the increased order backlog and a strong sales pipeline, we expect a clearly stronger second half-year in both divisions. In particular, we expect the healthcare business to grow at double-digit rates in the second six months. However, the result of the second half-year will be impacted by the costs for the OneCompany program of about CHF 10 million, which will lower our annual cost base by about CHF 10 million with a payback of 12 months.

Ascom will become one company with one mission and one culture in a very promising growing market. The focus on one business will lead to better earnings stability. The Board and the Management are convinced that Ascom is well positioned to achieve sustainable organic growth and to generate strong cash flows in the coming years.

Juhani Anttila
Chairman

Revenue by region Wireless Solutions



Interview with Holger Cordes

Holger Cordes, CEO

You joined Ascom as CEO as of 1 June 2016. What are your impressions?
I met an impressive team that lives up to its highly professional reputation in the market. Ascom has cutting edge and solid products and a sterling installed base of very loyal customers – which all three cannot be underestimated as factors for success. Together with the entire dedicated Ascom team, we will leverage these strong foundations and build our future growth and industry ambition on top of it.

It has been announced in January 2015 to transform Ascom into a company focusing on IT and communication primarily in healthcare by 2020. What is your vision for Ascom?
I believe healthcare is at a pivotal moment. The reality is that healthcare will not be sustainable at its current levels of access and quality without change. The expenses for healthcare will continue to increase considerably in the next years, mainly due to aging populations and scientific progress. Healthcare will no longer be affordable unless there are some fundamental changes. On the flip side, healthcare has not yet embraced the full potential of digitalization in general and the benefits of information velocity and data-driven decision support specifically. I am convinced that digitalizing the clinical and care workflow is one strong remedy to cure the increasing healthcare costs.

Our vision is that Ascom works towards a professional world without information gaps for the best possible decisions at any given time and location.

How do you see the development of digitalization in healthcare?
If we look at the development of the IT world of the past years, we see that the desktop world has come to an end and that the future is mobile. More soberly, we should even admit, that the desktop world never really made it into workflow support in highly mobile and ad-hoc environments.

Another observation is more and more that software architecture is foundational for good workflows. Hardware though is and will remain an important enabler that can free up the potential of good software architecture. It is hence the combination of good, interoperable and open software architecture with purpose-built cutting edge end-user devices that will free up the potential of digitalization.

A third element is that clinical environments (and many others, by the way) are highly mobile, largely ad-hoc and mission-critical. These three requirements have made life so difficult for the desktop world to become successful here. Mobility is not just a convenience, mobility has become mission-critical!

As a conclusion, I am convinced that digitalization can, has to and will change the paradigm in healthcare. Yet only if it can support ad-hoc, mission-critical and mobile workflows. This is where our expertise, strength and passion lies. This is where we see our mission.

How do you see this mission impact and contribute to a better and more affordable healthcare system?
First of all, we believe healthcare is the most challenging and most complex mobile workflow environment, but also the most rewarding and where we can make the biggest impact. It is, however, not the only industry where similar challenges through ad-hoc, mobile and mission-critical workflows exist. We will focus our development energies towards healthcare therefore, but we are convinced, that what we create will have benefits and use cases beyond just healthcare.

A major condition and the true reason for the limited success of the digital age in healthcare is to bridge the last mile to the patient, or bed if you like. Ascom already has three major elements in support of this challenge: We are at the hospital bed with our Nurse Call systems, we provide purpose built mobile devices for all the roaming staff busy with ad-hoc tasks and in constant need of communication, and we offer device connectivity and alarm management. There is hardly anyone better suited to bridge the last mile to the patient more comprehensively than Ascom.

Traditional healthcare ICT has tried to eliminate the need for communication. There is huge value in that approach and it will be a cornerstone of a more efficient and thus affordable healthcare system. Yet, it is also wrong, because it does not reflect the highly ad-hoc, hard to plan and roaming routine of a clinical ward that will always need communication. To bring the power of traditional healthcare ICT finally to bear, we, as an industry, need to bridge the last mile to the patient. Eliminating error, closing information gaps (in particular time gaps) and enabling the best decision in a "just in time" fashion – these are the true benefits of the digital age. We will ultimately succeed, if we bring the best of two worlds together: merge information technology with communication technology and thus bring open, flexible and interoperable expertise and experience to bear for the optimization of mission-critical workflows.

Our mission, therefore, is to bridge the information gap on the last mile of workflows by providing mission-critical, real time solutions for the highly mobile, ad-hoc and time sensitive environments. We can do this by combining all elements of this bridge in the "power of one". Ascom has the opportunity to play a major role in redefining digital workflow management from "just in case" to "just in time".

How will you implement the Ascom strategy?

Ascom has a solid business strategy, which we are now focusing further towards our clearly identified target segments. To live its mission, Ascom will accelerate the integration of the portfolio and enhance a comprehensive value proposition. Ascom wants to be the information broker for mission-critical information in highly mobile and ad-hoc environments.

We will pursue a market-driven strategy with a strong focus on organic growth and software development to drive market share. Ascom will be converted from a divisional and regional set-up to a OneCompany organization. A global platform approach in R&D, product management and process standardization shall strengthen our position. We will also look for partnerships and alliances to support the implementation of our strategy.

Does this approach also fit for the non-healthcare business?

Absolutely. As I indicated earlier on, our customers in the industry and retail business have very similar challenges in ad-hoc and mobile mission-critical workflows. We have a strong footprint in the industry and retail business and are committed to develop it further by leveraging our innovation across. Therefore and to strengthen our position, we will sharpen and innovate our go-to market strategies for industry, retail and OEM and drive focus through dedicated resources for dedicated segments.

Do you plan for major acquisitions in the next years?

Major acquisitions are not part of our core strategy. You cannot "buy" strategy. Our objective is to build our strategy and grow organically through a strong focus on innovation. However, selective and smaller acquisitions may complement our strategy and will continue to drive value and speed to market.

What will the Ascom organization look like in the future?

Ascom is one company with one mission and one culture. We will set up a OneCompany organization to allow economies of scale especially in functional and global platform areas. This will allow us to free up bandwidth and energy in our customer facing organizations and combine more efficiency in the back office with more agility and drive in the market – for the benefit of our customers and other stakeholders.

How will that translate into running the operational business?

In simplified terms, the management will be split into three main areas: functional or back office operations, solutions and customer facing organizations. We will, therefore, run functional teams in a centralized manner in the future. On the solutions side we will have two areas with "System Solutions" covering our more traditional solutions including Nurse Call and Mobility and "Platform Solutions" covering our growing innovation capabilities. Last not least, I will lead the customer-facing organizations as the CEO and engage more with our sales teams and have already started to do so. You could say the new culture I want to foster is: we are all sales! And the CEO is the first sales resource in the company.

We are in a full-size transformation phase in our sales and market-facing organizations with many tangible results emerging already. We will intensify this effort further and will also implement a dedicated leader for the global sales transformation program. And we will complement these efforts with a dedicated team to focus on strategic alliances and partnerships, as not only healthcare yet healthcare especially is an ecosystem where 1+1 more often than not equals 3.

What are the goals you intend to achieve over the next years?

We will continue to win lighthouse reference projects. We will become not just a player, but a thought leader in our segment, a go-to-company for mobile, mission-critical workflow enablement. We will innovate and accelerate the rate at which we will launch new solutions to drive workflow optimization on the last mile of critical workflows and to bridge the information gap. This will enable us to sustainably return to a double digit growth path and be one of the leading Healthcare IT companies in 2020 by size and reputation and bring our innovation to other comparable sectors too.

Business results

Solid first half-year results for Wireless Solutions

Wireless Solutions (accounting for about 80% of the Group's business) looks back on a solid first half-year and the division made further progress in its transformation towards becoming a leading provider of healthcare ICT solutions. The division generated in the first six months a net revenue of CHF 146.5 million (H1/2015: CHF 147.1 million) and thus achieved an overall flat revenue development. The healthcare business (about 60% of the division's revenues) achieved net revenue growth of 6.8% in the first half-year 2016. The drop in volume demand in the OEM channel and the investments made in connection with the transformation of Ascom into a solutions provider contributed to lower profitability. Wireless Solutions achieved in the first six months an EBITDA of CHF 14.6 million with a margin of 10.0% (H1/2015: 14.4%). Supported by the increased order backlog, a strong sales pipeline and the traditional half-year seasonality of the business, the division is expecting a significantly stronger result for the second half-year, both in terms of revenue and profitability. In particular, the healthcare business is expected to grow double-digit in the second half-year.

Most regions made a positive contribution to the further development of the division. Double-digit growth rates were achieved in Australia and in the Middle East region, and the business continued to grow as well in North America. Revenue development in Europe was overall flat. While sales developed positively in particular in Finland, Germany and France, the retail and healthcare business in the UK continued to face challenges. Moreover, the development of the handset market was below expectations, and sales with OEM partners were significantly lower than in the period of previous year.

In line with its strategy, Wireless Solutions was able to further strengthen its leading market position in healthcare ICT. The healthcare business (around 60% of the division's revenue) reported net revenue growth of 6.8% in the first half-year period 2016. The strong interest for Ascom Myco, the purpose-built smart device for the healthcare industry, continued in all regions. The app ecosystem is being enlarged and new releases of the Ascom Myco have been made, also based on customer preferences.

The order backlog increased by 10% to CHF 131.6 million (H1/2015: CHF 119.5 million) and the book-to-bill ratio came to 1.08. This solid order backlog will give Wireless Solutions a good head start for its sales performance during the second half-year 2016.

Wireless Solutions was able to secure important wins in the first half-year. A major Northern European state-of-the-art hospital awarded the division with an order of CHF 1.8 million, including 2,000 Ascom Myco smartphones and associated service contracts. Moreover, Wireless Solutions secured two major deals in the United States, involving a deployment of around 1,500 Ascom Myco units. In Australia, the division secured an important order from a major newly built hospital in Queensland. These successes solidify our market position and global brand. Sales cycles and project delivery of these more complex solutions tend to be longer compared to the pure product business, impacting profitability in the short-term as the division continues to progress within the expected payback of prior year investments.

Outside of the healthcare segment, the industry business continued to go strong, and Wireless Solutions was able to win important projects in particular in Germany. The development in the secure establishment business was in line with expectations while the retail business in particular in the UK remains confronted with a difficult market environment.

The division concluded the acquisition and is progressing well with the integration of the Italian medical software company UMS. With this important acquisition, the division gained access to new software and medical device integration capabilities. Moreover, Ascom could establish a geographic footprint in Italy.

Besides enhancements of the Ascom Myco, the division also launched a new DECT handset range featuring "wideband audio", extended bandwidth, improved sound quality and new design to integrate and work seamlessly with third-party systems.

Difficult first half-year for Network Testing

Network Testing continues to suffer from a difficult market environment, mainly in the Americas, Middle East and Africa while the business in Europe showed a flat development. Net revenue in the first half-year 2016 declined to CHF 35.2 million (H1/2015: CHF 54.6 million). Although the functional costs could be reduced compared to the prior half-year, the division incurred a loss of CHF 7.9 million at EBITDA level, mainly due to volume and gross margin decline.

With incoming orders and backlog growth during the second quarter 2016 and a solid pipeline development, the division projects to return to growth and profitability in the second half-year.


ascom

Consolidated balance sheet

Assets

CHFm	Note	30.6.2016	31.12.2015
Cash and cash equivalents		33.6	57.4
Trade receivables		84.4	101.8
Other short-term receivables		12.5	12.6
Inventories and work in progress		22.9	22.6
Prepayments and accrued income		14.0	10.3
Current assets		**167.4**	**204.7**
Property, plant and equipment		14.0	14.4
Intangible assets		52.1	40.7
Financial assets		29.4	26.6
Non-current assets		**95.5**	**81.7**
Total assets		**262.9**	**286.4**

Liabilities and shareholders’ equity

CHFm	Note	30.6.2016	31.12.2015
Borrowings	6	0.9	20.0
Trade payables		21.4	29.4
Other liabilities		21.7	21.1
Provisions		4.0	6.7
Customer prepayments and deferred revenue		31.0	29.4
Accrued liabilities		28.8	33.0
Current liabilities		**107.8**	**139.6**
Borrowings	6	25.3	0.1
Other liabilities		4.5	0.4
Provisions		32.0	29.6
Non-current liabilities		**61.8**	**30.1**
Total liabilities		**169.6**	**169.7**
Share capital		18.0	18.0
Capital reserves		14.8	14.6
Own shares		(1.6)	(2.3)
Retained earnings		62.1	86.4
Shareholders’ equity	5	**93.3**	**116.7**
Total liabilities and shareholders’ equity		**262.9**	**286.4**

The notes on pages 10 to 14 are an integral part of the consolidated interim financial statements.

Consolidated income statement

CHFm	Note	1st half-year 2016	1st half-year 2015
Net revenue		181.3	201.6
Cost of goods sold		(93.7)	(97.1)
Gross profit		**87.6**	**104.5**
Marketing and sales		(48.4)	(48.7)
Research and development		(22.3)	(22.2)
Administration		(17.1)	(16.7)
Other operating income		0.1	0.2
Other operating expenses		(4.3)	(4.4)
Operating result (EBIT)		**(4.4)**	**12.7**
Financial income		0.1	3.0
Financial expenses		(3.0)	(1.0)
Ordinary result		**(7.3)**	**14.7**
Non-operating result		(0.1)	0.2
Profit/(loss) before income tax		**(7.4)**	**14.9**
Income tax		1.8	(3.5)
Group profit/(loss) for the period[1]		**(5.6)**	**11.4**

[1] Attributable to the owners of the parent.

Earnings per share in CHF

CHFm	Note	1st half-year 2016	1st half-year 2015
Basic		(0.16)	0.32
Diluted		(0.16)	0.32

Additional information – non-GAAP measures

CHFm	Note	1st half-year 2016	1st half-year 2015
EBITDA	4	5.2	20.5

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since the beginning of 2015. Prior 1st half-year figures previously reported under IFRS have been restated accordingly (refer to note 2 of the consolidated interim financial statements).

The notes on pages 10 to 14 are an integral part of the consolidated interim financial statements.

Consolidated statement of changes in equity

	Attributable to owners of the parent							
			Capital reserves[1]			Retained earnings		
CHFm	Share capital	Own shares	Share premium	Other capital reserves	Currency translation adjustments	Goodwill offset	Other retained earnings	Total shareholders' equity
Balance at 1.1.2015	**18.0**	**(9.2)**	**1.1**	**11.5**	**(3.1)**	**(175.6)**	**265.2**	**107.9**
Group profit for the period	–	–	–	–	–	–	11.4	11.4
Currency translation adjustments	–	–	–	–	(9.9)	–	–	(9.9)
Goodwill offset with equity	–	–	–	–	–	–	–	–
Share-based payments	–	–	–	0.1	–	–	–	0.1
Purchase of own shares	–	–	–	–	–	–	–	–
Disposal of own shares	–	2.9	–	0.6	–	–	–	3.5
Dividend paid	–	–	–	–	–	–	(15.8)	(15.8)
Balance at 30.6.2015	**18.0**	**(6.3)**	**1.1**	**12.2**	**(13.0)**	**(175.6)**	**260.8**	**97.2**
Balance at 1.1.2016	**18.0**	**(2.3)**	**1.1**	**13.5**	**(11.7)**	**(175.6)**	**273.7**	**116.7**
Group profit/(loss) for the period	–	–	–	–	–	–	(5.6)	(5.6)
Currency translation adjustments	–	–	–	–	(0.4)	–	–	(0.4)
Goodwill offset with equity[2]	–	–	–	–	–	(2.2)	–	(2.2)
Share-based payments	–	–	–	0.4	–	–	–	0.4
Purchase of own shares	–	–	–	–	–	–	–	–
Disposal of own shares	–	0.7	–	(0.2)	–	–	–	0.5
Dividends paid[3]	–	–	–	–	–	–	(16.1)	(16.1)
Balance at 30.6.2016	**18.0**	**(1.6)**	**1.1**	**13.7**	**(12.1)**	**(177.8)**	**252.0**	**93.3**

[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 3.
[3] Refer to note 5.

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since the beginning of 2015. Prior 1st half-year figures previously reported under IFRS have been restated accordingly (refer to note 2 of the consolidated interim financial statements).

Consolidated statement of cash flows

CHFm	Note	1st half-year 2016	1st half-year 2015
Group profit/(loss) for the period		(5.6)	11.4
+ Depreciation of property, plant and equipment		1.9	1.7
+ Amortization of intangible assets		7.8	6.2
+/– (Profit)/loss from divestment of a subsidiary or business		(0.1)	–
+ Share-based payments		0.4	0.1
+/– Addition/(release) of provisions		0.9	0.5
+/– Adjustment for non-cash items		(3.6)	–
+/– Change in inventory and work in progress		(0.7)	(2.3)
+/– Change in trade receivables		17.5	14.0
+/– Change in trade payables		(7.7)	(6.8)
+/– Change in other receivables and prepayments		(2.3)	3.2
+/– Change in accrued and other short-term liabilities and deferred income		(6.2)	(11.0)
– Interest income		(0.1)	(0.1)
+ Interest expenses		0.4	0.5
+ Interest received		0.1	0.1
– Interest paid		(0.1)	(0.1)
+/– Income tax expenses/(income)		(1.8)	3.5
– Income tax paid		(1.8)	(4.5)
+/– Foreign currency translation differences on intra-group positions		1.3	2.5
Cash flow from operating activities		**0.3**	**18.9**
– Purchase of property, plant and equipment		(2.0)	(2.1)
+ Proceeds from disposal of property, plant and equipment		0.5	–
– Purchase of intangible assets		(7.1)	(3.5)
– Acquisition of a subsidiary or business	3	(5.8)	(1.8)
+ Proceeds from divestment of a subsidiary or business		0.1	–
+/– Change in financial assets and other non-current assets		0.5	0.3
Cash flow from investing activities		**(13.8)**	**(7.1)**
+/– Proceeds from/(repayment of) short-term borrowings		(19.3)	–
+/– Proceeds from/(repayment of) long-term borrowings		24.9	(8.0)
+ Proceeds from disposal of own shares		0.5	3.5
– Dividends paid		(16.1)	(15.8)
Cash flow from financing activities		**(10.0)**	**(20.3)**
+/– Foreign currency translation differences on cash and cash equivalents		(0.3)	(4.0)
Increase/(decrease) in cash and cash equivalents		**(23.8)**	**(12.5)**
+ Cash and cash equivalents at 1.1.		57.4	50.2
Cash and cash equivalents at 30.6.		**33.6**	**37.7**

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since the beginning of 2015. Prior 1st half-year figures previously reported under IFRS have been restated accordingly (refer to note 2 of the consolidated interim financial statements).

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 2016 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 2015, 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 is 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 2015, as Ascom early adopted all Swiss GAAP FER standards changes, which were published by the end of 2015, including standards changes which were binding after 31 December 2015, and where early adoption was permitted.

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

CHFm	ISO code	Unit	30.6.2016	Average 1st half-year 2016	31.12.2015	Average 1st half-year 2015
Euro	EUR	1	1.087	1.096	1.084	1.069
Pound sterling	GBP	1	1.315	1.411	1.476	1.454
Swedish krona	SEK	1	0.115	0.118	0.118	0.114
US dollar	USD	1	0.979	0.987	0.995	0.949

In 2015, Ascom changed the accounting and reporting standard from IFRS (International Financial Reporting Standards) to Swiss GAAP FER with retroactive effect from 1 January 2014. Therefore, the consolidated interim financial statements as of and for the half-year ended 30 June 2015, presented under the IFRS framework in prior year, have been restated according to Swiss GAAP FER. Detailed information related to the change from IFRS to Swiss GAAP FER are disclosed in the 2015 consolidated annual financial statement of the group. The effects of the above-mentioned accounting conversions on equity and group profit for the first half-year of 2015 are shown in the following table:

CHFm	30.6.2015
Adjustments equity	
Shareholders' equity according to IFRS	**215.0**
Removal of goodwill	(152.7)
Adjustment of pension liabilities	31.9
Adjustment of other liabilities	(0.1)
Adjustment deferred tax assets/liabilities	3.1
Shareholders' equity according to Swiss GAAP FER	**97.2**

CHFm	1st half-year 2015
Adjustments group profit for the period	
Group profit for the period according to IFRS	**11.0**
Adjustment pension expenses	0.5
Adjustment deferred tax expenses	(0.1)
Group profit for the period according to Swiss GAAP FER	**11.4**

3. SIGNIFICANT TRANSACTIONS AND OPERATIONAL CHANGES

Acquisition of UMS

On 12 January 2016, Ascom acquired all the shares of the privately held, Florence, Italy-based software company UMS (United Medical Software), which provides integrations for medical devices and supplies digital medical records software solutions for life-critical patient care. With this acquisition, Ascom gains access to new software and competence for global integrated workflow solutions in Healthcare ICT in perfect alignment with Ascom's Vision 2020. Moreover, Ascom improves its market position in Italy significantly thanks to the acquired installed base. UMS solutions help clinicians treat patients facing life-critical outcomes, while filling the gaps in digital medical records technology. UMS offers more than 200 medical device integrations and 1,000 different EMR forms and integrations and also has products ready for international deployment and installations in Europe. The company's customers include large university hospitals, private specialty clinics, and healthcare government entities. All 27 employees were taken over at their existing location.

UMS generated net revenues of CHF 3 million in 2015, with an EBITDA margin comparable to the Wireless Solutions Division.

The purchase price of CHF 8.9 million includes a contingent consideration of up to CHF 2.8 million, payable two years after closing, upon achievement of agreed revenue targets and retention of key employees.

CHFm	As at the acquisition date
Consideration as of 12.1.2016	
Cash paid	6.0
Acquisition-related costs	0.1
Total cash outflow	**6.1**
Contingent consideration	2.8
Total consideration	**8.9**
Identifiable assets and liabilities	
Cash and cash equivalents	0.3
Trade receivables	1.4
Intangible assets[1]	8.0
Other current and non-current assets	1.2
Liabilities	(4.2)
Total identifiable net assets	**6.7**
Goodwill[2]	2.2
Total consideration	**8.9**

[1] Intangible assets includes mainly intangible assets identified through business combination such as customer relations and technology.
[2] The Goodwill of CHF 2.2 million is attributable to the acquired workforce, additional growth potential in the Italian market and other product portfolio synergies.

4. SEGMENT INFORMATION

Key figures by segment

CHFm 1st half-year	Wireless Solutions		Network Testing		Corporate and other		Consolidation		Total Ascom	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Incoming orders	158.3	160.0	43.0	50.0	–	–	(0.4)	(0.1)	200.9	209.9
Order backlog	131.6	119.5	23.9	25.3	–	–	–	–	155.5	144.8
Net revenue	**146.5**	**147.1**	**35.2**	**54.6**	**–**	**–**	**(0.4)**	**(0.1)**	**181.3**	**201.6**
of which with other segments	0.4	0.1	–	–	–	–	(0.4)	(0.1)	–	–
Cost of goods sold	(74.3)	(71.9)	(19.3)	(25.1)	(0.1)	–	–	(0.1)	(93.7)	(97.1)
Gross profit/(loss)	**72.2**	**75.2**	**15.9**	**29.5**	**(0.1)**	**–**	**(0.4)**	**(0.2)**	**87.6**	**104.5**
as % of revenue	49.3%	51.1%	45.2%	54.0%	n/a	n/a	n/a	n/a	48.3%	51.8%
Marketing and sales	(36.5)	(34.9)	(11.7)	(13.0)	(0.4)	(0.8)	0.2	–	(48.4)	(48.7)
Research and development	(13.2)	(11.9)	(9.1)	(10.3)	–	–	–	–	(22.3)	(22.2)
Administration	(6.3)	(5.8)	(3.6)	(4.7)	(7.4)	(6.4)	0.2	0.2	(17.1)	(16.7)
Other operating income	–	–	–	–	6.3	6.0	(6.2)	(5.8)	0.1	0.2
Other operating expenses	(5.1)	(4.2)	(5.4)	(6.0)	–	–	6.2	5.8	(4.3)	(4.4)
Operating result (EBIT)	**11.1**	**18.4**	**(13.9)**	**(4.5)**	**(1.6)**	**(1.2)**	**–**	**–**	**(4.4)**	**12.7**
as % of revenue	7.6%	12.5%	n/a	n/a	n/a	n/a	0.0%	0.0%	n/a	6.3%
Financial income/(expenses), net									(2.9)	2.0
Non-operating result									(0.1)	0.2
Profit/(loss) before income tax									**(7.4)**	**14.9**
Income tax									1.8	(3.5)
Group profit/(loss) for the period									**(5.6)**	**11.4**

Additional information

	Wireless Solutions 2016	Wireless Solutions 2015	Network Testing 2016	Network Testing 2015	Corporate and other 2016	Corporate and other 2015	Consolidation 2016	Consolidation 2015	Total Ascom 2016	Total Ascom 2015
EBITDA	**14.6**	**21.2**	**(7.9)**	**0.4**	**(1.5)**	**(1.1)**	**–**	**–**	**5.2**	**20.5**
as % of revenue	10.0%	14.4%	n/a	0.7%	n/a	n/a	0.0%	0.0%	2.9%	10.2%
Corporate charges	4.5	3.7	1.7	2.1	(6.2)	(5.8)	–	–	–	–
EBITDA before corporate charges	**19.1**	**24.9**	**(6.2)**	**2.5**	**(7.7)**	**(6.9)**	**–**	**–**	**5.2**	**20.5**
as % of revenue	13.0%	16.9%	n/a	4.6%	n/a	n/a	0.0%	0.0%	2.9%	10.2%
Capital expenditures	7.4	4.4	6.6	1.1	–	0.1	–	–	14.0	5.6
Employees (FTE) at 30.6.	1,303	1,217	394	476	15	15	–	–	1,712	1,708
Reportable segments' assets[1]	**128.1**	**120.2**	**65.0**	**74.8**	**12.5**	**12.1**	**(4.5)**	**(3.1)**	**201.1**	**204.0**
Deferred income tax assets[1]									23.1	19.8
Other unallocated financial assets[1]									2.0	3.8
Income tax receivables[1]									3.1	1.3
Cash and cash equivalents[1]									33.6	57.4
Total assets[1]									**262.9**	**286.4**

[1] As of 30.6.2016 and 31.12.2015

Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Chief Executive Officer (CEO). Ascom's operating and reportable segments are the two divisions: Wireless Solutions and Network Testing. Corporate includes Group activities that are not assigned directly to the operating segments, primarily corporate headquarters activities.

Non-core activities related to businesses disposed in prior years, mainly leasing and facility management of industrial properties, represent non-operating activities that do not qualify as an operating segment and are shown in the consolidated income statement on a net basis as non-operating result.

Transactions between Ascom's operating segments are priced comparable to external customers. Intersegment revenues are eliminated on consolidation.

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

On 13 April 2016, 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 16.1 million.

In the period under review, Ascom disposed of 70,555 registered shares in conjunction with the exercise of options under Ascom Stock Option Plans and the award of matching share under Ascom share matching plans.

During the period under review, 48,000 options related to the Ascom Stock Option Plans were exercised and 50,000 options remain outstanding at 30 June 2016.

6. BORROWINGS

The Group syndicated credit facilities expired on 24 May 2016 and were replaced by total credit facilities of CHF 35.0 million cash lines to fund working capital in the ordinary course of business, as well as uncommited guarantee lines of CHF 10.0 million with financial institutions (31 December 2015: cash lines of CHF 140.0 million and guarantee lines of CHF 46.9 million).

At 30 June 2016, Ascom used the cash credit lines as shown in the following table:

CHFm	30.6.2016	31.12.2015
Current	0.9	20.0
Non-current	25.3	0.1
Total borrowings	**26.2**	**20.1**

The financial covenants contained in these credit facilities are fully complied with. The fair value of the borrowings is equal to their carrying amount.

As the final maturity of the Group's new credit facilities is 24 May 2020, the outstanding borrowings at 30 June 2016 have been classified as non-current.

7. TIME OF RELEASE FOR PUBLICATION

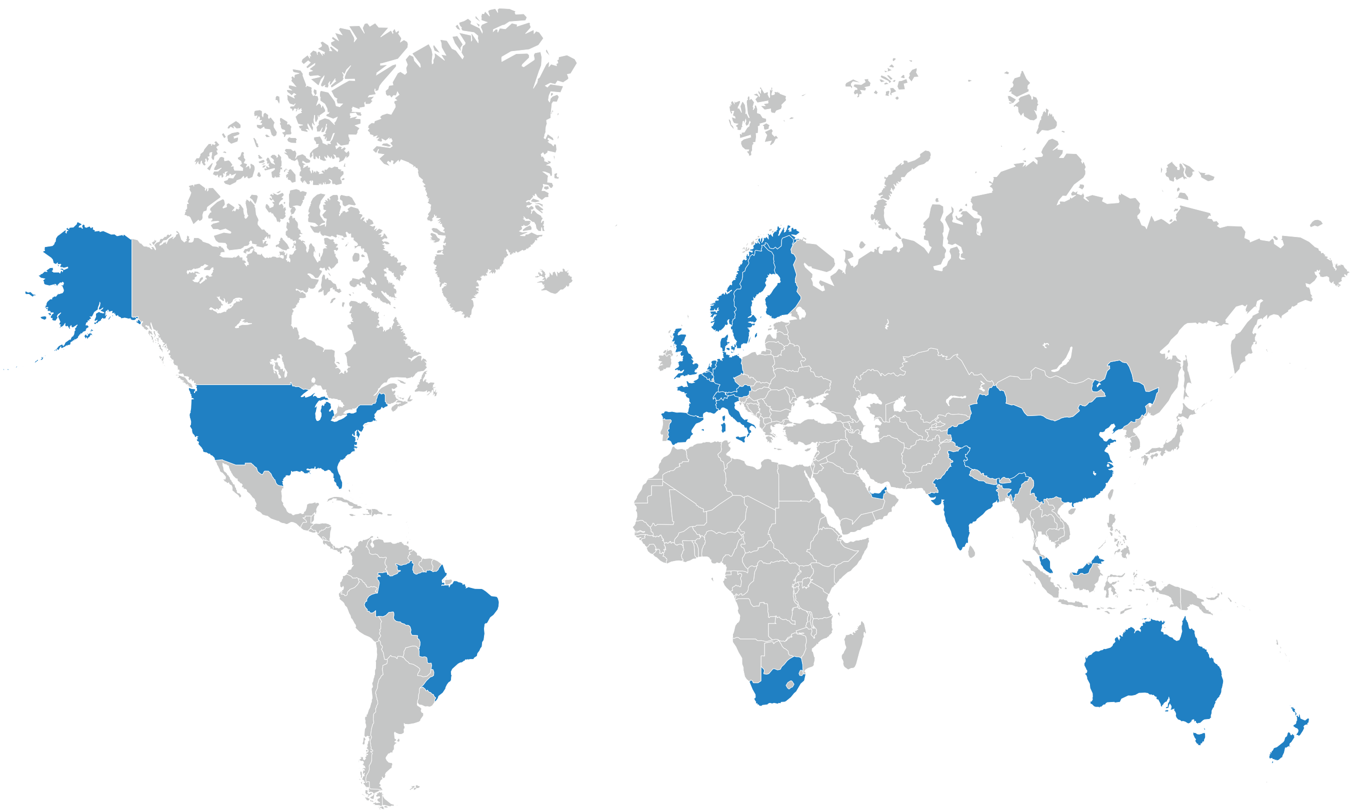
The Board of Directors approved the 2016 consolidated interim financial statements on 12 August 2016 and gave permission for publication at the media conference on 17 August 2016.

8. SHARE INFORMATION

	1st half-year 2016	1st half-year 2015
Number of registered shares nom. CHF 0.50 at the end of the period	36,000,000	36,000,000
Equity ratio at the end of the period[1]	35.5%	40.7%
Share price per registered share in CHF (high/low of the period under review)	18.20/14.35	17.05/12.80
Share price per registered share at the end of the period in CHF	15.50	16.45
Market capitalization at the end of the period in CHFm	558.0	592.2

[1] As of 30.6.2016 and 31.12.2015

Worldwide contacts



Australia/New Zealand, Sydney
Ascom Integrated Wireless Pty. Ltd.
au-sales@ascom.com

Austria, Vienna
Ascom Network Testing AB
Zweigniederlassung Österreich
tems.sales.europe@ascom.com

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

Brazil, São Paulo
Ascom Soluções em Telefonia
Movél Limitada
tems.sales.americas@ascom.com

China, Beijing
Ascom (Beijing) Network
Testing Service Co., Ltd.
tems.sales.amea@ascom.com

Denmark, Glostrup
Ascom Danmark A/S
info.dk@ascom.com

Finland, Turku
Ascom Miratel Oy
myynti@ascom.com

France, Nanterre
Ascom (France) S.A.
fr-info@ascom.com

Germany, Frankfurt a. M.
Ascom Deutschland GmbH
info.ws-de@ascom.com

India, Bangalore
Ascom Network Testing
Private Limited
tems.sales.amea@ascom.com

Italy, San Casciano Val di Pesa
Ascom UMS S.r.l.
info.it@ascom.com

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

Malaysia, Subang Jaya
Ascom Network Testing Sdn Bhd
tems.sales.amea@ascom.com

Netherlands, Utrecht
Ascom (Nederland) B.V.
info.nl@ascom.com

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

South Africa, Johannesburg
Ascom Network Testing (Pty) Ltd.
tems.sales.amea@ascom.com

Spain, Madrid
Ascom Network Testing AB
Sucursal España
tems.sales.europe@ascom.com

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

Sweden, Skellefteå
Ascom Network Testing AB
customercare.tems@ascom.com

Switzerland, Baar
Ascom Holding AG
investor@ascom.com

Switzerland, Baar
Ascom Management AG
info@ascom.com

Switzerland, Mägenwil
Ascom Solutions AG
info.ws-de@ascom.com

Switzerland, Solothurn
Ascom Solutions AG
tems.sales.europe@ascom.com

United Arab Emirates, Dubai
Ascom MEA FZ-LLC
tems.sales.amea@ascom.com

United Arab Emirates, Dubai
Ascom Solutions AG
Branch Dubai
info.mea@ascom.com

United Kingdom, Birmingham
Ascom (UK) Ltd.
uksales@ascom.com

United Kingdom, Elstead
Ascom Network Testing Ltd.
tems.sales.europe@ascom.com

USA, Morrisville NC
Ascom (US) Inc.
info.us@ascom.com

USA, Reston VA
Ascom Network Testing Inc.
tems.sales.americas@ascom.com

Dates and contacts

Important dates

8 March 2017
Annual Media Conference

19 April 2017
Annual General Meeting

Contact addresses

Ascom Group Communications
Ascom Holding AG
Daniel Lack, Company Secretary & CCO
Zugerstrasse 32 | CH-6340 Baar
+41 41 544 78 00 | Fax 41 761 97 25
info@ascom.com

Ascom Investor Relations
Ascom Holding AG
Bianka Wilson, CFO
Zugerstrasse 32 | CH-6340 Baar
+41 41 544 78 00 | Fax 41 761 97 25
investor@ascom.com

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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 2016 Half-year Report of the Ascom Group is available in English only and can be viewed online at: www.ascom.com/hyr2016-en

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