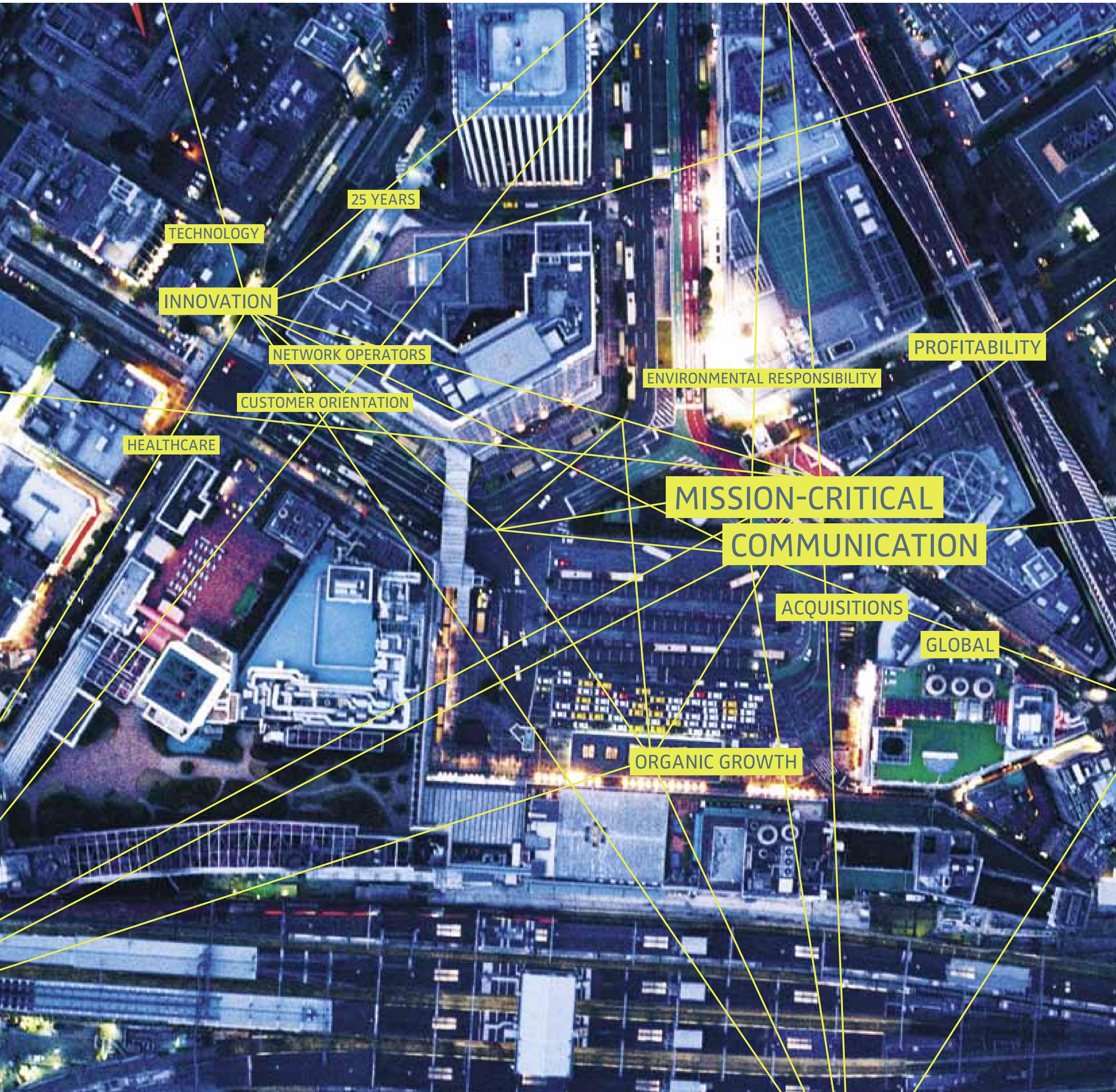
ANNUAL REPORT 2011



25
YEARS

A special year

2012 is a special year for Ascom. We're celebrating 25 years of innovation and the people behind the company who made our success possible. This anniversary is an occasion to look back with pride on past achievements and look ahead to a successful and innovative future.

KEY FIGURES
OF THE ASCOM GROUP

The Mission-Critical Communication Company

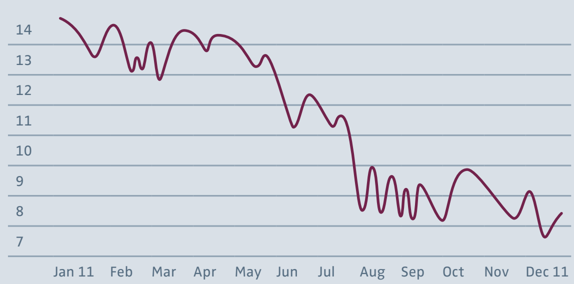
Ascom is an international solution provider with comprehensive technological know-how in Mission-Critical Communication. The innovative company focuses on the areas of Wireless Solutions (high-value, customer-specific on-site communication solutions) and Network Testing (a global market leader in testing and optimization solutions for mobile networks).

Ascom is a strong, competent and reliable partner. Investment in new products, markets, and technologies is aimed at further consolidating and expanding its leading market position in the respective markets. The corporate strategy focuses on creating sustainable values.

Share information

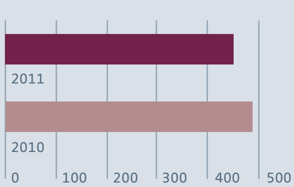
	2011	2010	2009
Share price 31.12. in CHF	**8.40**	14.70	9.75
Market capitalization in CHFm	**302.40**	529.20	351.00
Nominal value per share in CHF	**0.50**	0.50	0.50

Performance in CHF

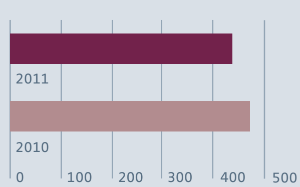


Summary of key figures*

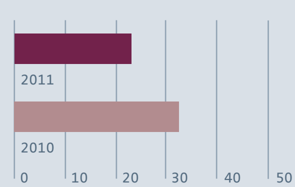
Incoming orders in CHFm



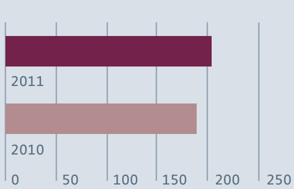
Revenue in CHFm



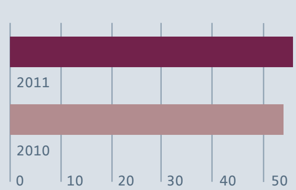
Group profit (incl. discontinued operations) in CHFm



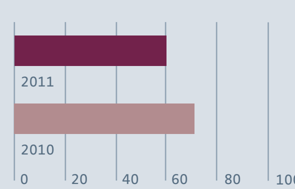
Shareholders' equity in CHFm



Net cash in CHFm



EBITDA in CHFm



* continuing operations

LETTER TO SHAREHOLDERS

Dear Shareholders

Fiscal year 2011 was characterized by the deepening debt crisis on both sides of the Atlantic, general uncertainty about future economic developments, and significant currency turbulences. In this challenging environment, the Ascom Group posted solid results. Revenue from continuing operations amounted to CHF 437.5 million (2010: CHF 472.9 million), corresponding to a growth of 1.1% in local currencies. At 13.7%, the EBITDA margin from continuing operations was within the defined guidance range of 13–14% for the fiscal year 2011.

Wireless Solutions achieved excellent results. The division continued to perform positively, generating revenue growth of 6.8% in local currencies and improving the EBITDA margin by around 2 percentage points to 15.0% despite negative currency effects, what allowed continuing the positive business development. With the successful acquisition of the Finnish healthcare company Miratel in July 2011, the division further boosted its leading market position in the healthcare sector.

In line with the market trend for mobile communication networks, Network Testing experienced weaker than expected demand. In particular, in the fourth quarter the demand declined unexpectedly due to cost-saving programs of mobile network operators for investments and operational expenses. The traditionally strong last two months of the year turned out to be much weaker. In local currencies, revenue was 6.9% lower year-on-year, adjusted for divestments. Lower revenue, coupled with negative currency effects, resulted in a significant decline in profitability with an EBITDA margin of 2.4%. Beside a comprehensive strategic and operative appraisal, the Board of Directors and the Executive Board initiated immediately the necessary measures to align the business in 2012 to the new economic facts to achieve a substantial improvement in profitability before restructuring costs and to enable the division to grow.

As announced at the 2011 Half-Year Media Conference, the Ascom Group plans to focus consistently on the two globally oriented divisions Wireless Solutions and Network Testing. The core business units of the third and smallest division, Security Communication, are to be transferred to new owners. The Czech Ascom business unit was sold already in 2011, and the purchase agreement for the transfer of the largest business unit Defense to Ruag was signed in the first quarter of 2012.

For the 2011 financial year, Ascom posted Group profit (net profit including loss from discontinued operations) of CHF 23.1 million (2010: CHF 32.5 million). With an increased equity ratio of 40.2% (2010: 32.6%) and cash and cash equivalents amounting to CHF 73.3 million at 31 December 2011, Ascom is a sound technology Group. The Board of Directors will therefore propose to the 2012 Annual General Meeting a dividend (in form of a tax free distribution out of the capital contribution reserves) of CHF 0.25 per share, corresponding to a payout ratio of 39.0%.

Fritz Mumenthaler was appointed CEO of the Ascom Group as of 1 April 2011. He handed over management of the Wireless Solutions Division to his successor, Claes Ödman, on 14 June 2011. The management team will continue to pursue the adopted corporate strategy with drive and determination and focus consistently on Mission-Critical Communication in its business-to-business activities. Ascom has set itself the goal of achieving a Group EBITDA margin of 14–15% in 2013. The management strives to improve within short time the profitability of the Network Testing Division substantially to achieve this target already communicated in 2011.

Revenue – slight organic growth

In fiscal 2011, revenue from continuing operations amounted to CHF 437.5 million (2010: CHF 472.9 million). The depreciation of important currencies (mainly US dollar and Euro) compared to the previous year resulted in sizeable negative foreign exchange effects when translating revenue into Swiss francs. In local currencies, Ascom recorded revenue growth from continuing operations of 1.1%. At the end of 2011, incoming orders in continuing operations amounted to CHF 451.4 million (2010: CHF 488.4 million), corresponding to a slight year-on-year increase in local currencies.

Wireless Solutions performed very well in 2011, posting revenue of CHF 276.6 million (2010: CHF 282.9 million) and generating growth of 6.8% in local currencies. Organic growth amounted to 5.1%, with the Finnish healthcare company Miratel, acquired in July 2011, contributing an additional 1.7% to revenue. Revenue increased further across all sales channels and in most regions, with the USA and Germany reporting significant growth.

In line with the market trend for mobile communication networks, Network Testing experienced weaker than expected demand as customers postponed or reduced planned investments, particularly in the fourth quarter. At CHF 138.9 million (2010: CHF 168.5 million), revenue generated by the division in 2011 was 6.9% lower year-on-year in local currencies, adjusted for divestments.

Profitability – EBITDA margin of 13.7%

Profitability remained largely stable and within the defined full-year guidance range for the fiscal year 2011. EBITDA from continuing operations (without core business units of the former division Security Communication) ended the year at CHF 59.8 million (2010: CHF 70.9 million) with an EBITDA margin of 13.7% (2010: 15.0%) despite negative currency effects and investments in new products and sales channels. At EBIT level, the continuing operations recorded a result of CHF 40.6 million (2010: CHF 51.4 million) with an EBIT margin of 9.3% (2010: 10.9%). Investments in research and development amounted to 10.5% of revenue (2010: 10.2%).

Ascom key figures*

CHFm	2011	2010
Incoming orders	451.4	488.4
Revenue	**437.5**	**472.9**
EBITDA	**59.8**	**70.9**
Group profit (incl. loss from discontinued operations)	23.1	32.5
Number of employees (FTE) as of 31.12.	1,801	1,789

* continuing operations

Wireless Solutions posted outstanding results, further increasing profitability despite negative currency effects. With EBITDA of CHF 41.5 million (2010: CHF 37.2 million), the division increased the EBITDA margin by around 2 percentage points to 15.0%.

Lower revenue coupled with negative currency effects resulted in a significant decline in profitability at Network Testing. EBITDA ended the year at CHF 3.4 million (2010: CHF 27.7 million), with an EBITDA margin of 2.4% (2010: 16.4%).

Continuing operations also include the Real Estate segment, which contributed a positive EBITDA of CHF 11.8 million (2010: CHF 6.5 million). This result comprises the book gain from the sale of the Facility Management Services unit to the German RGM Group as of 31 December 2011.

Discontinued operations – divestments according to plan

At the Half-Year Media Conference held on 18 August 2011, Ascom announced that new owners would be sought for the core business units of the third and smallest division, Security Communication, since the Group was aiming to focus consistently on the two globally oriented divisions Wireless Solutions and Network Testing. These business activities have qualified as "discontinued operations" since the intention to divest these activities was announced. Discontinued operations performed in line with expectations in the year under review, recording revenue of CHF 75.5 million (2010: CHF 100.1 million) and a loss at EBITDA level of CHF 5.7 million. The Security Communication Division was dissolved on 31 December 2011 and Dr Fritz Gantert, General Manager of Security Communication, stepped down from the Executive Board as of this date.

As of 10 October 2011, the subsidiary Ascom (CZ) s.r.o. was divested in a management buy-out, and the purchase agreement for the transfer of the largest business unit Defense to Ruag Switzerland Ltd., was signed in the first quarter of 2012. The remaining divestments are expected to be completed swiftly. The interests of customers and employees alike were optimally served by all these transactions.

Group profit and dividend proposal

Group profit (net profit including discontinued operations) increased in the second half of 2011 to end the year at CHF 23.1 million (H1/2011: CHF 9.0 million; full-year 2010: CHF 32.5 million). Discontinued operations contributed a loss of CHF 7.5 million.

The Board of Directors will propose to the 2012 Annual General Meeting the payment of a dividend (in form of a tax free distribution out of the capital contribution reserves) of CHF 0.25 per share, corresponding to a payout ratio of 39.0%.

Equity ratio increased to 40.2%

With cash and cash equivalents of CHF 73.3 million (2010: CHF 129.0 million) and a significantly increased equity ratio of 40.2% (2010: 32.6%) at 31 December 2011, Ascom has a sound balance sheet structure.

Challenges and outlook for 2012

The economic climate will remain challenging in 2012. Nevertheless, we aim to achieve profitable growth and sustainably increase Ascom's corporate value.

After carefully analyzing the results posted by Network Testing, the Executive Board initiated the necessary measures already in the first quarter of 2012 to achieve a substantial improvement in profitability before restructuring costs and to enable the division to grow.

We also intend to examine opportunities for targeted, value-adding acquisitions. For 2013, Ascom has set itself the goal of achieving a Group EBITDA margin of 14–15%.

Changes in the Executive Board

Ascom is lead by a highly experienced and internationally skilled management team. Fritz Mumenthaler was appointed as new CEO of the Ascom Group on 1 April 2011. He has been a member of the Executive Board since 2005 and was very successful in managing the Wireless Solutions Division. On 14 June 2011, the Board of Directors appointed Claes Ödman, a manager with broad international experience and solid knowledge of the telecommunication industry, to succeed Fritz Mumenthaler as General Manager of Wireless Solutions.

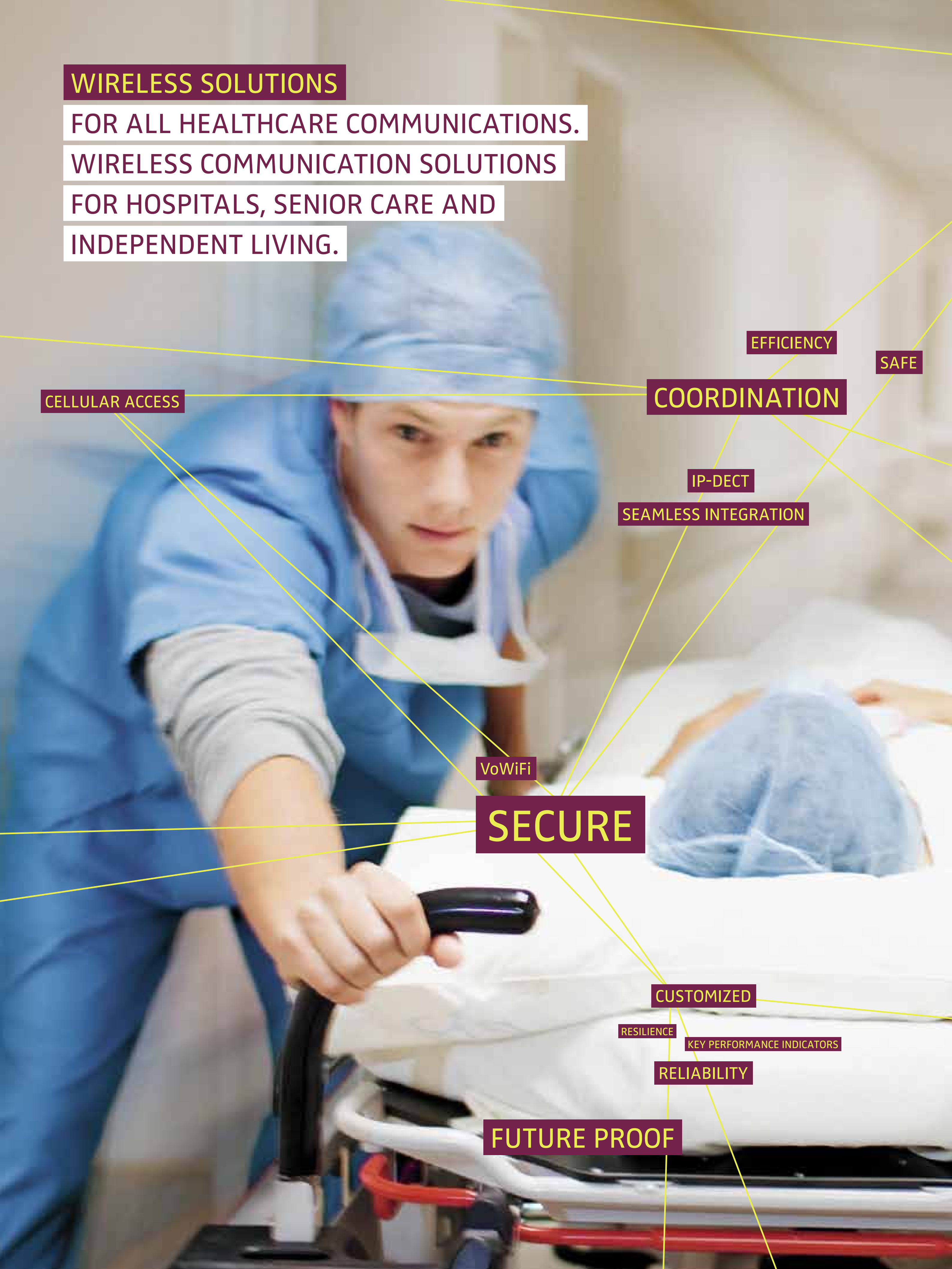
A word of thanks

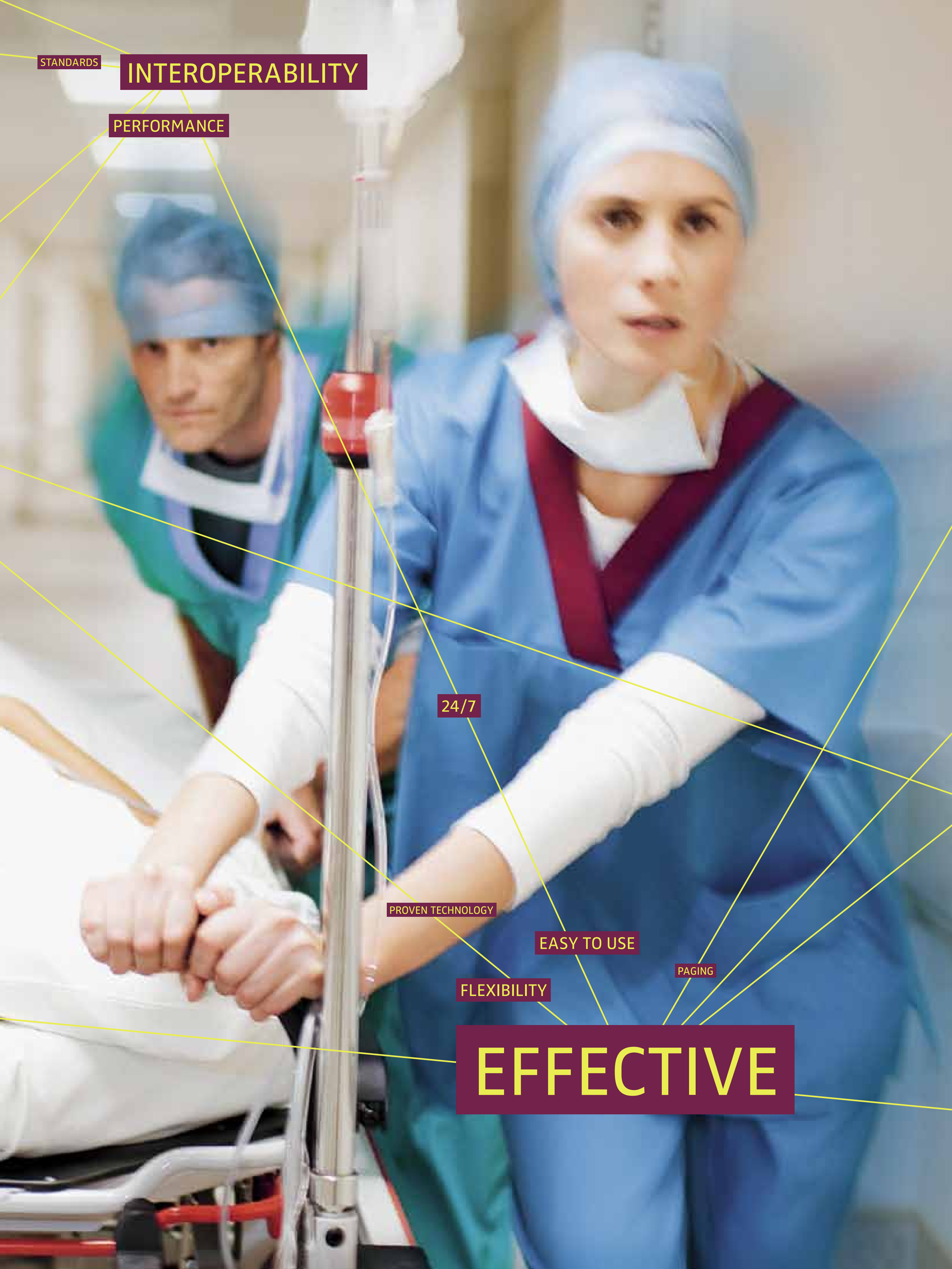
In 2011, the economic climate and internal changes at Ascom called for major commitment, dedication and flexibility on the part of our employees. On behalf of the Board of Directors and the Executive Board, we would like to thank all our employees for their outstanding support. Our thanks go also to our customers for the trust they show in our products and services, the good business relationship and the many ways in which they inspire us. Special thanks also go to you, our valued shareholders, for your loyalty to Ascom, which makes 2012 a very special year for us. We are celebrating 25 years of innovation and the people behind the company. This anniversary is an occasion to look back with pride on past achievements and look ahead to a successful and innovative future.

Juhani Anttila
Chairman

Fritz Mumenthaler
CEO

WIRELESS SOLUTIONS
FOR ALL HEALTHCARE COMMUNICATIONS.
WIRELESS COMMUNICATION SOLUTIONS
FOR HOSPITALS, SENIOR CARE AND
INDEPENDENT LIVING.




STANDARDS
INTEROPERABILITY
PERFORMANCE
24/7
PROVEN TECHNOLOGY
EASY TO USE
PAGING
FLEXIBILITY
EFFECTIVE

WIRELESS SOLUTIONS

Continued expansion of our international leadership position in Mission-Critical Communication for the healthcare segment

Ascom Wireless Solutions reported very good results in fiscal year 2011. The division generated revenue growth of 6.8% (in local currencies); this includes six-month revenues from the Finnish healthcare company Miratel which was acquired as of 1 July 2011. Revenue amounted to CHF 276.6 million (2010: CHF 282.9 million) and was slightly lower compared to the previous year, due solely to negative currency effects. The division delivered a substantial increase in EBITDA with a margin of 15.0% (2010: 13.1%). All three sales channels (direct through own sales entities, OEM, indirect via international sales partners) performed well. Despite economic uncertainties, Wireless Solutions expects to grow its business further in 2012 and the years to come with a focus on the healthcare segment.

Ascom Wireless Solutions is a leading provider of wireless on-site communication solutions for key segments such as healthcare (hospitals, elderly care, forensic and psychiatric clinics and independent living/home care), manufacturing industry, retail, hotels and secure establishments (such as prisons). The division offers a broad range of state-of-the-art mobility solutions, purpose-built handsets, wireless voice- and message transmission systems, and customized alarm and positioning applications, as well as a complete range of services provided by its own service organization. These offerings create value for customers by supporting and optimizing their mission-critical business processes. At the heart of the division's philosophy is a unique ability to integrate its solutions into the customers' existing business systems regardless of the technology platform.

Claes Ödman took over as General Manager of the division on 14 June 2011, after formerly holding international management positions at Ericsson.

Business results 2011

Wireless Solutions achieved strong results despite negative currency effects. Organic growth in local currencies was 5.1% and the Finnish Miratel, which was acquired 1 July 2011 and has been consolidated for six months, contributed an additional 1.7% to the division's total revenue. In 2011, Wireless Solutions recorded revenue of CHF 276.6 million (2010: CHF 282.9 million) despite negative currency effects of 9.0% compared to 2010.

The Wireless Solutions Division delivered a significant increase in EBITDA to CHF 41.5 million (2010: CHF 37.2 million), corresponding to an EBITDA margin of 15.0% (2010: 13.1%). A very good result was consequently reported also at EBIT level with a result of CHF 34.7 million (previous year: CHF 30.5 million) and a corresponding EBIT margin of 12.5% (2010: 10.8%). Wireless Solutions increased operational efficiencies throughout the division and succeeded to improve its gross margin by 2.3 percentage points compared to 2010. The division invested 7.6% of its revenue into R&D (2010: 6.9%), to further broaden its product portfolio and to support the organic growth.

All three sales channels performed well. In the direct channel, sales grew in almost all regions. In particular, sales in Germany and in the US performed very well. In the UK, the division benefited from a new contract with a major retailer. Sales with OEM partners continued to develop well. From a new OEM agreement, which was signed in 2011, Wireless Solutions expects positive impacts on revenues in 2013. The indirect sales channel with international sales partners developed satisfactorily with a good growth in incoming orders. New markets such as Middle East, Russia and Central and Eastern Europe have shown positive trends although the lead times from order intake to delivery are longer than in the traditional markets.

In 2011, incoming orders increased by 7.2% (in local currencies). All three sales channels performed well and experienced an increase in demand. In particular, the German and the US market showed a considerable increase due to a strong demand from hospitals. Incoming orders came to CHF 284.1 million (2010: CHF 289.3 million), and exceeded (adjusted for currency effects) the already strong incoming order situation in 2010.

Further achievements during fiscal year 2011 include FDA clearance in the US for the Ascom Cardiomax Gateway, as well as the release of the Ascom Mobile Monitoring Gateway (MMG) which complies with the EU Medical Device Directive. During the year, Wireless Solutions has also certified its ability to provide medical devices and related services that consistently meet customer requirements and regulatory requirements applicable to medical devices and related services through its achievement of ISO 13485 certification. In December 2011, a new Ascom Wireless Solutions test center was opened in Nizhny Novgorod, Russia. The new facility, an important part of Ascom's long-term R&D strategy, aims to accelerate future market launches of new technologies.

Market trends, innovation, customers

The organic growth indicates that Wireless Solutions has been able to gain market share and has further improved its already excellent market position with regard to IP-DECT solutions and in the DECT market.

The previously observable technology trend towards an increased use of IP standards is continuing. Also smartphone applications are starting to enter the healthcare market, and GSM technology is being increasingly recognized as an enterprise solution, albeit with a still small market share. Wireless Solutions continues to focus on delivering mobility solutions based on IP-DECT and WiFi integrated with its mobility server Unite. Integration with other systems, such as for example GE's healthcare solutions, is driving sales and confirming the need for mobility solutions in healthcare. Nurse call systems are a key application in the integration process and in hospitals in general. Therefore, Wireless Solutions will continue to invest strongly in nurse call systems to complete the offerings.

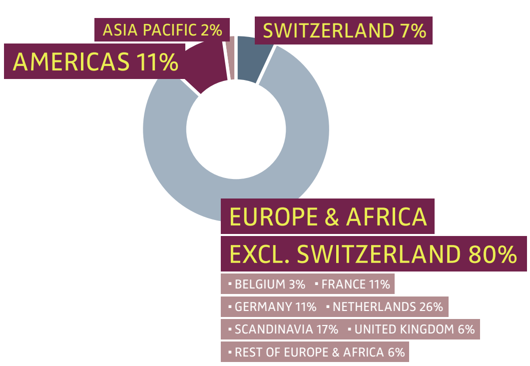
Once a year, Wireless Solutions performs a customer survey in all markets. The results of these surveys are then analyzed in detail and implemented in targeted measures to further improve customer satisfaction.

Strategic priorities

Wireless Solutions' strategy is based on three pillars: aiming for international market leadership in Mission-Critical Communication for healthcare, keeping R&D investments at a competitive level to provide state-of-the-art products and solutions for the benefits of customers, and investing in sales channels to systematically expand geographical reach.

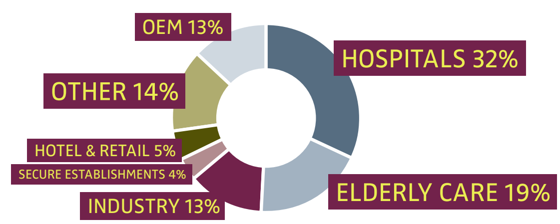
During 2011, Wireless Solutions has further strengthened its market position in the healthcare sector by gaining market share and is in the right position to further exploit the growth potential of this market. The healthcare market is characterized by three important trends, the demographic development, the increasing pressure to improve efficiency in healthcare and a social trend towards home care. The successful acquisition of Miratel, the market leader in nurse call systems in Finland, by mid-year 2011, was an excellent strategic step enabling Ascom to gain a leading market position in the healthcare segment in Finland. Moreover, Wireless Solutions will continue to further develop its business in the other target segments industry, retail, hotels and secure establishments.

Revenue by region



Keeping investment in research and development at a competitive level is key to the division's success in order to maintain its leading market position and its competitive advantages. In 2012, Wireless Solutions will focus its R&D investments to enhance the mobility offerings with new features and to broaden the product range. The division strives for further growth in the direct channel, in particular in North America. Wireless Solutions will also continue to focus on systematically expanding the divisions' indirect sales channels and on gaining market shares in new markets.

Revenue by segment



Key figures Wireless Solutions

CHFm	2011	2010
Incoming orders	284.1	289.3
Revenue	**276.6**	**282.9**
EBITDA	**41.5**	**37.2**
Number of employees (FTE)	1,198	1,148

Outlook

One of the most important challenges in 2012 will be the difficult and unstable economic environment. However, Wireless Solutions is well positioned and has the strategy and products to further grow its business. Wireless Solutions is striving for further organic growth in 2012. In addition, growing the business by acquisitions continues to be a priority for the division.

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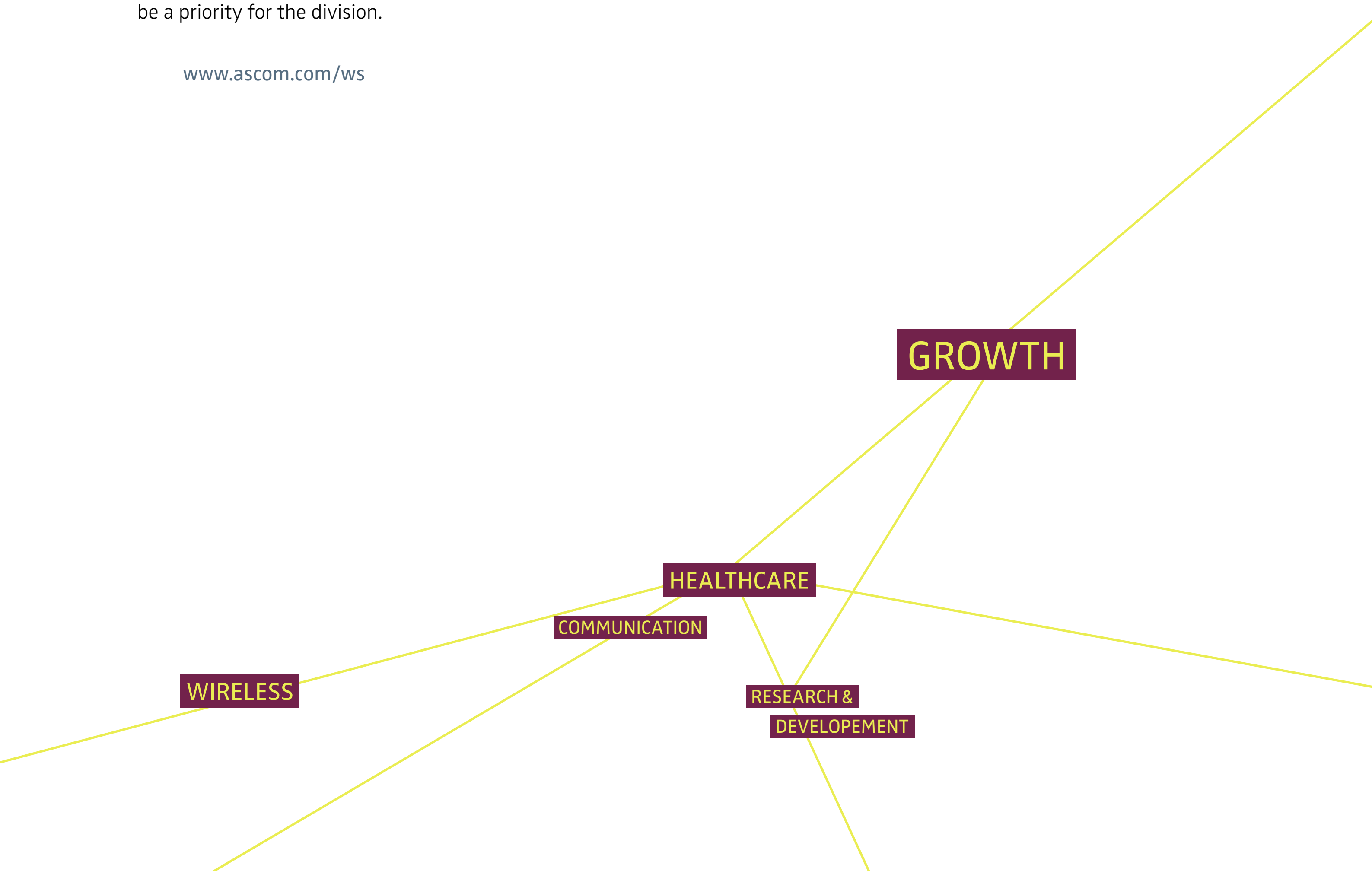
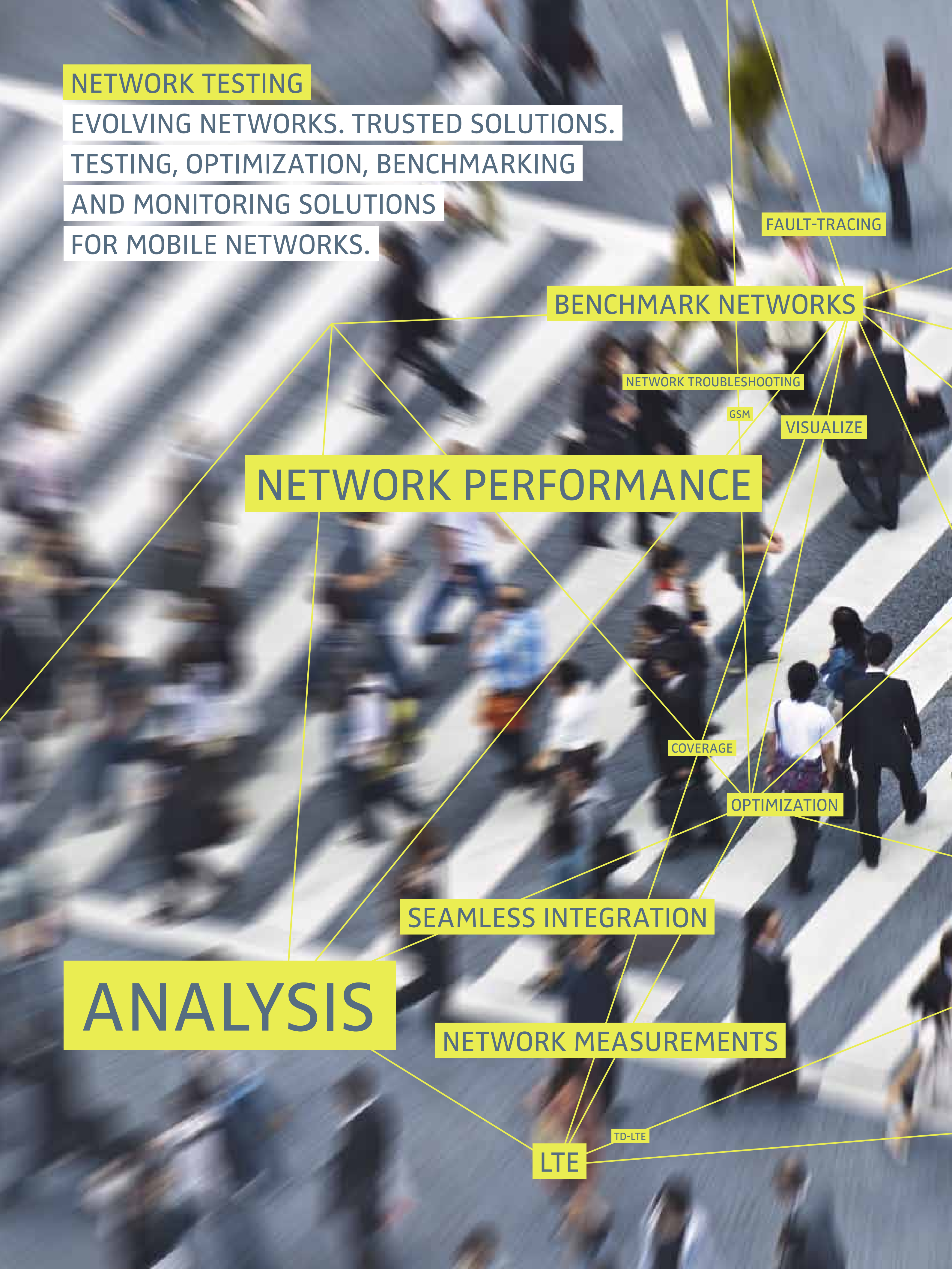


NETWORK TESTING

EVOLVING NETWORKS. TRUSTED SOLUTIONS.
TESTING, OPTIMIZATION, BENCHMARKING
AND MONITORING SOLUTIONS
FOR MOBILE NETWORKS.




RESULTS
WCDMA
CELL COVERAGE
HSPA+
NETWORKING
IN-BUILDING
TRACING
WiMAX
MONITORING

NETWORK TESTING

The strong growth in demand for mobile broadband services increases the need for our leading offering in wireless network testing, monitoring and analysis

In line with the market trend for mobile communication networks, Network Testing experienced weaker than expected demand. In particular, in the fourth quarter the demand declined unexpectedly due to cost saving programs of mobile network operators for investments and operational expenses. The traditionally strong last two months of the year turned out to be much weaker. In local currencies and adjusted for divestments, revenue was 6.9% lower year-on-year. Furthermore, the division suffered from unfavorable foreign currency developments. Network Testing generated revenue of CHF 138.9 million in 2011 (2010: CHF 168.5 million). Mainly due to the decline in revenue and an unfavorable business mix, Network Testing posted a lower result of CHF 3.4 million at EBITDA level (2010: CHF 27.7 million).

The demand for mobile broadband services and subscriptions from smartphone users are further rising. Increased demand for mobile data traffic, triggered by new consumer devices, requires ongoing long-term investments by network operators. Network Testing is well positioned to capture these growth opportunities. Although the short-term business environment is likely to remain unstable, the division is aiming for organic growth and a substantial improvement in profitability.

Network Testing is a global market leader for testing, benchmarking and optimization of mobile networks. The Ascom TEMS portfolio comprises a complete set of trusted solutions for radio access networks, such as drive testing, benchmarking, monitoring, and analysis. These state-of-the-art offerings facilitate the deployment, optimization, and maintenance of mobile networks. As recognized by industry analysts, Network Testing is an industry leader, and its products are supplied to the world's top mobile operators, equipment vendors, and professional service providers. With its technology leadership, experience, and global presence, Network Testing enables operational excellence, cost efficiency, and technology evolution for its customers around the world.

Business results 2011

In line with the market trend for mobile communication networks, the division experienced weaker than expected demand as customer reduced or postponed planned investments, in particular in the fourth quarter. Network Testing experienced a flat to declining market in 2011 and suffered from the substantial weakening of the US dollar and the Euro against the Swiss franc and the Swedish krona (negative currency effects amounted to 9.0%). Overall, the division generated revenue of CHF 138.9 million (2010: CHF 168.5 million). Adjusted for currency effects and divestments, revenue declined by 6.9% compared to 2010.

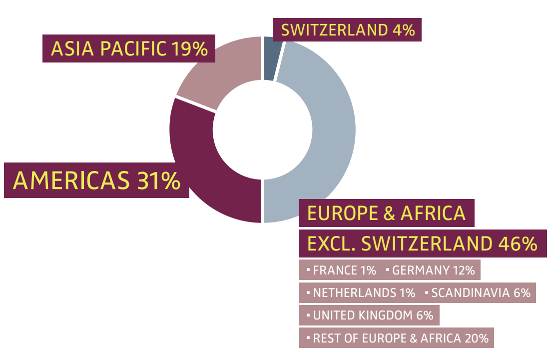
Demand in North America softened significantly during the second half of 2011 from the high growth levels seen in 2010. After a very strong 2010, which was driven by an investment boost to accommodate the increasing demand for mobile data, the North American market saw a considerable decline in demand for mobile network infrastructure and as a consequence for the solutions of Network Testing.

Central and Eastern Europe as well as the Middle East and Africa region experienced a weaker than expected demand as customers reduced or postponed capital expenditure, due among other things to political uncertainties Western Europe showed overall a flat development.

On a positive note, encouraging developments with new technology implementations were observed in some countries of the Pacific region, such as Korea, Japan, Hong Kong, Australia and Thailand, while the markets in China and India softened. Overall, the Asia Pacific region showed moderate growth in local currencies.

One of the division's key operational targets in 2011 was to further develop global market reach by expanding regional coverage. Network Testing successfully expanded its distributor network by adding new channel partners and

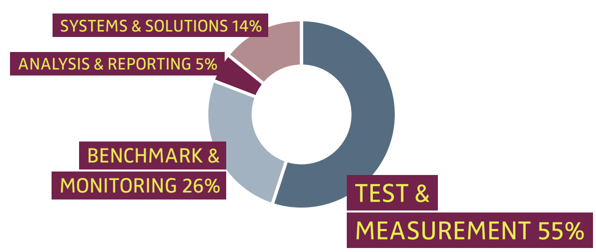
Revenue by region



opening new sales offices in Brazil, Dubai, Russia and South Africa. Furthermore, Network Testing is successfully building up a new R&D center in Malaysia. This will improve efficiencies and lead to faster time-to-market in Asia. Productivity was also increased by establishing a new global supply chain hub in Switzerland.

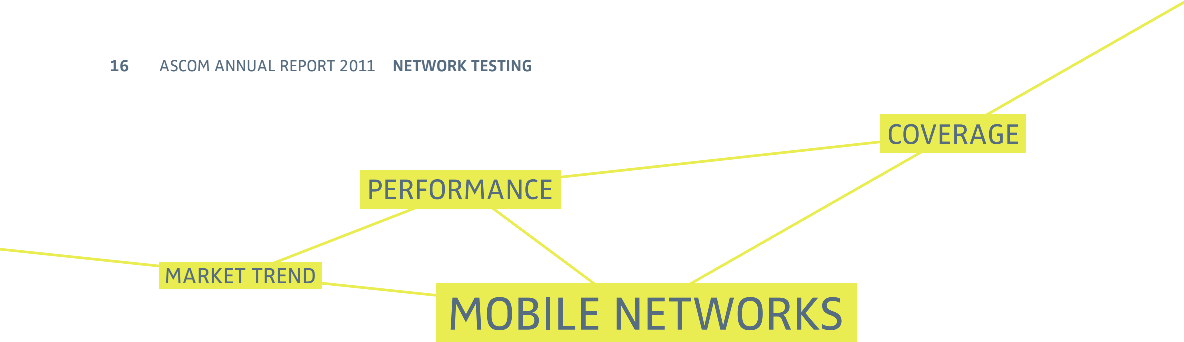
Network Testing suffered not only from lower revenue, but also from an unfavorable business mix. The gross margin declined by 8.2 percentage points compared to 2010. Functional costs decreased overall by 11.9% although the division made some new investments in the sales and distribution structure as well as in R&D. Network Testing closed 2011 with EBITDA of CHF 3.4 million (2010. CHF: 27.7 million),

Revenue by segment



representing an EBITDA margin of 2.4% (2010: 16.4%). At EBIT level, the division reported a loss of CHF 8.3 million.

Network Testing won several important projects during 2011. An Australian telecommunication company chose Network Testing to roll out its next-generation LTE network. In Benchmarking & Monitoring, Network Testing won several key projects. A French operator selected Ascom TEMS Automatic and TEMS Discovery for the autonomous benchmarking of its network. In the UK, a leading operator invested substantially in expanding the Ascom TEMS Symphony and Ascom TEMS Monitor Master platform together with Ascom TEMS Discovery for reporting & analysis. A Scandinavian operator selected Ascom TEMS Monitor Master for the benchmarking of applications. The Systems & Solutions business unit was awarded strategically important contracts in Germany and Switzerland by the leading national telecom carriers.



Incoming orders amounted to CHF 145.3 million (2010: CHF 177.5 million). On a currency and divestment adjusted basis, incoming orders declined by 8.0%.

Market trends, innovation, customers

Network Testing is continuously expanding its LTE capabilities across all product lines. In 2011, R&D investments accounted for 18.0% of revenue (2010: 17.2%). The division broadened its solutions to also cover the TD version of LTE, including new interface agreements with vendors such as Sequans Communications and Altair.

Network Testing further strengthened its current position in its Reporting & Analysis product range by acquiring the assets of the US company Veelong Corp. as of 3 January 2012. Veelong develops discerning solutions for post-processing and analysis of mobile network testing data. The complete integration of Veelong's capabilities with Network Testing is expected to streamline and accelerate development of the division's post-processing solution, TEMS Discovery.

Network Testing received an award from Frost & Sullivan for market leadership in Test & Measurement. Based on its own assessments, the division was able to defend its strong overall market position in Test & Measurement and even to improve it in Reporting & Analysis. Benchmarking & Monitoring experienced a marginal loss of market share, but an improvement in this market position has been seen in the second half year with the introduction of the new Ascom TEMS Symphony platform, a unique state-of-the-art hardware platform that enables reliable and accurate measurement of data throughput in LTE. Overall, Network Testing did not see market share loss according to its own assessments.

Network Testing continues to explore technology trends through involvement in standardization groups, participation in technology seminars, interaction with key vendors and operators as well as its self-directed research efforts. Network Testing places great importance on customer satisfaction, which is measured on a continuous basis by surveys directed at randomly selected customer support callers.

Key figures Network Testing

CHFm	2011	2010
Incoming orders	145.3	177.5
Revenue	**138.9**	**168.5**
EBITDA	**3.4**	**27.7**
Number of employees (FTE)	571	572

Strategic priorities

Network Testing will continue to invest in LTE and smartphone integration as well as in the expansion of capabilities in Reporting & Analysis following the successful acquisition of the assets of Veelong. Further investments to improve Network Testing's position in Benchmarking & Monitoring will be done in 2012. In addition, the division will focus on consolidation of its direct sales capabilities and on expansion of its indirect sales channels.

Outlook

Network Testing has undertaken significant investments to support growth in the years to come. Although the short-term business environment is likely to remain unstable, the division is focusing primarily on a substantial improvement in profitability.

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REAL ESTATE & DISCONTINUED OPERATIONS

At the Half-Year Media Conference held on 18 August 2011, Ascom announced that new owners would be sought for the core business units of the third and smallest division, Security Communication, since the Group was aiming to focus consistently on the two globally oriented divisions Wireless Solutions and Network Testing. The core business units (Defense, Civil Security, Infrastructure Operators, Ascom Austria, Ascom CZ) of the division Security Communication have qualified as "discontinued operations" since the intention to divest was announced on 18 August 2011 while the Real Estate segment was allocated to continuing operations.

On 31 December 2011, the division Security Communication was dissolved and Dr Fritz Gantert stepped down from the Executive Board. The discontinued business units Defense, Civil Security, Infrastructure Operators and Ascom Austria all report directly to the CEO during the transitional phase until sales negotiations are concluded. The Services unit, which primarily consists of the staff functions Finance, Logistics and IT, reports to the CFO, while the vocational training center is managed by the Director of Corporate Human Resources.

Real Estate segment

The Real Estate segment, which had been part of the former division Security Communication, was allocated to continuing operations.

On 31 December 2011, Ascom sold the Facility Management Services unit, a part of the Real Estate segment, to RGM Management Schweiz AG, a subsidiary of the German company RGM Holding GmbH, for a price of CHF 3.9 million. All 39 employees were transferred to RGM Management Schweiz AG.

The Real Estate segment closed financial year 2011 with a positive EBITDA of CHF 11.8 million (2010: CHF 6.5 million).

Discontinued operations

The discontinued business units Defense, Civil Security, Infrastructure Operators, Ascom Austria and Ascom CZ of the former division Security Communication performed in line with expectations in the reporting period, generating a revenue of CHF 75.5 million (2010: CHF 100.1 million) and reporting a loss of CHF 5.7 million on EBITDA level.

The Defense unit concentrated on completing large orders related to earlier armament programs. Thanks to its many years of experience in tactical communication, the Defense unit enjoys the full trust of the Swiss Army, and in the year under review once more won various major orders to improve the military's communications infrastructure. The IP-based Tactical Open Access Node TAN-T233 launched in 2011 received a very good response from the market. Following the successful handover of a large-scale project for alarm transmission systems, the Civil Security unit won important follow-up orders. It also won an order for an IP-based alarm system in Croatia.

In 2011, the Infrastructure Operators unit won, amongst others, three important orders for an emergency telephone system for a Swiss highway section, for an information and emergency call system for the S-Bahn (rapid transit rail network) in Hamburg, and for an enterprise telecommunications system for the rail operator BLS.

Divestment process on track

The divestment process of the discontinued business units of the former division Security Communication continues according to plan.

As of 10 October 2011, the subsidiary Ascom (CZ) s.r.o. was divested to the newly founded COFI s.r.o. in a management buyout.

During the first quarter 2012, the purchase agreement for the transfer of the largest business unit, Defense, to Ruag Switzerland Ltd. was signed. The remaining divestments are expected to be completed swiftly. The interests of customers and employees alike were optimally served by all these transactions.

SUSTAINABILITY

Eco-friendly innovation and continual improvement through talented and motivated employees

Our first year in the UN Global Compact

"In late 2010, Ascom joined the United Nations Global Compact, the only sustainability initiative of a global and cross-sectoral scale. The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. With our membership in this initiative, we acknowledge that our business is one of the drivers of globalization and that it can help to ensure that markets, commerce, tech-

As an international technology leader with operations on four continents, Ascom is committed to live up to its environmental and social responsibilities. By doing so, our company is able to strengthen its competitiveness in the markets and to foster its credibility vis-à-vis different stakeholders. Being a member of the UN Global Compact (www.unglobalcompact.org) underpins our commitment and helps us to focus on our company's key sustainability issues.

In 2011, Ascom put together a sustainability working group led by the General Secretary comprising representatives from divisional as well as Group level. This group held a workshop to discuss the ten principles of the Global Compact and its impact on Ascom's operations. Secondly, it created a materiality matrix of sustainability issues to be addressed by Ascom in a systematic manner.

Compliance is a focus item for Ascom

As a global Group, Ascom is well aware that it is not only accountable to its investors for being as profitable as possible, but also has an environmental and a social responsibility. For us, being sustainable as a company means delivering value-added products and services in an environmentally friendly, secure, reliable and efficient manner. Thus, our company can keep its competitive edge and be regarded as a trustful partner. Apart from maintaining an integrated management system our operations are guided by our Code of Ethical Business Conduct laying down core legal and ethical standards (http://www.ascom.com/en/code-of-business-conduct.pdf).

These directives apply to all Ascom employees throughout the world. Upon entering the company every employee completes a computer-based training (e-learning tool), which is repeated every second year. All managers have to ensure that these directives are implemented, communicated to employees and are practiced as a matter of course. In late 2011, all Ascom senior managers completed a full-fledged compliance and governance training based on all relevant policies, including the Code of Ethical Business Conduct. Further, compliance will be one of Ascom's focus items of 2012.

One of the most pivotal rules for Ascom as a global company is the one that prohibits any form of corruption. Corruption can be detrimental to Ascom's reputation, our most valuable asset. Hence, no employee may offer, grant or accept unjustified advantages linked with the business activity, neither in the form of monetary payments nor in the form of other goods and services. Ascom encourages each and every employee to file personal complaints to his/her supervisor, to the Human Resources Director, or to the Group Compliance Officer in case of reasonable suspicion.

nology and finance advance in ways that benefit not only our company but also our stakeholders. We are proud to be a part of this initiative and to have a stake in a global effort to address sustainability at corporate level.''

FRITZ MUMENTHALER, CEO ASCOM

Success through innovation and quality management

We strive for continuous improvements in our products, solutions and services as they create value for our customers and help to secure our long-term business success as a leading technology Group. Therefore in 2011, Ascom held its investments in R&D at a high rate of 10.5% of total revenue. In order to create and deliver cutting-edge and eco-efficient products, we continually invest in systematic product development processes and our technical skills.

Regarding the environmental impact along the life cycle of its product lines, the Network Testing Division identified three key issue areas: first of all, the use of resources and raw materials during production. Secondly, energy use during the usage phase of the products. And lastly, waste management and the reclaim and disposal of the products. In 2011, actions have been initiated in all three issue areas. Its challenges in the production and usage phases Network Testing addresses through systematic innovation processes together with its suppliers. Waste or recovery issues are regularly discussed with customers' key accounts. Moreover, Network Testing reclaims and recycles all used products that are not disposed of by its customers.

Network Testing launched in the period under review two ground-breaking new products: With TEMS Mobile Insight, telecom companies are able to test and monitor their networks through an application on their clients' smartphones. By means of TEMS Mobile Insight, the telecom provider is able to centrally retrieve all relevant data without the use of travel testing and hardware. The second test offering uses Segway and combines all relevant hard- and software in a two-wheeled self-balancing electric vehicle that easily finds its way through traffic jams, public parks, pedestrian areas and shopping malls. Hence, this product helps telecom providers to reach a higher density in network testing and monitoring alongside a mitigation of its carbon emissions.

At Wireless Solutions Division, focus is put mainly on energy consumption during use of and material used in products, i.e. risks of chemicals, new Restriction of Hazardous Substances (RoHS) directive as well as supplier ISO-14001 certifications. At Wireless Solutions, a large step has been taken to centrally manage and supervise all systems. The implementation of remote management tools in infrastructure products leads to substantially less energy use for travel both for our customers but also for Ascom customer supporting functions.

Besides innovation, quality and environmental management is considered another top priority at Ascom. Both divisions operate a fully-integrated management system that covers environmental management (ISO-14001 certified), quality management (ISO-9001 certified) and an internal control system. To ensure that our products and solutions meet the highest customer requirements concerning functionality, safety, timely availability, and that they comply with the prevailing regulations and standards, all our processes are regularly reviewed and improved. Our management system is constantly audited and adjusted in keeping up with international standards.

Network Testing set environmental goals in five different areas

Areas	Actions	Goals 2011	Goals 2012
Business travel	Boost use of communication tools such as video conferencing; encourage use of public transport.	–	CO_2 reduction of 20% against a 2010 baseline.
Energy efficiency	Negotiation with landlords about cooling and heating of offices.	Heating max. up to 20 °C. Cooling max. up to 22 °C.	Same as in 2011.
Product design	Foster ecological balance along product life cycle; cultivate and support innovative ideas.	–	Development of divisional policy and checklists; new suppliers to be ISO-14001 certified.
Waste/recycling	General principle: all disposable items shall be reduced to a minimum; non-hazardous waste shall be recycled; NT actively offers its customers the recycling of used products.	Implementation of recycling plan at sites with > 10 employees.	Execution of recycling plans.
Paper	Publications to be made available in electronic format; printing only if necessary; internal documents printed double-sided and in black and white.	–	30% reduction of volume against a 2011 baseline.

Systematic approach to environmental responsibility

Ascom's major environmental impacts as a technology company are through its operations and products. This reporting period, Ascom put a lot of effort into determining its direct and indirect environmental footprints. In order to reduce them, both divisions focus on three areas of action: Awareness-building, site management and product life cycle management. In addition, Ascom has implemented a Sustainability Directive as of 1 January 2011, which applies to all employees worldwide and includes company-specific sustainability standards. The directive focuses on energy and resource efficiency, reduction of waste and recycling, and carbon emissions reduction. In 2011, this directive has found its way into divisional policies, goals and action plans.

Both divisional carbon footprints are most affected by energy consumption during use of products and business travel. Network Testing's carbon footprint is dominated by air travel: it accounts for approximately three quarters of the direct annual CO_2 emissions. Followed by electricity and heating energy with more than a fifth of the emissions. Car travel and paper only play a marginal role. In an overall view, the indirect carbon footprint generated during the usage of products is dominating. There are customers of Network Testing which drive around two million kilometers per year to test and monitor their networks. Obviously, Network Testing can play an active part in creating new solutions to reduce this environmental impact. Wireless Solutions' carbon footprint is dominated by the indirect energy consumption during use (full lifecycle) of the products (including OEM products), which account for approximately four fifth of the emissions. The last fifth is due to travel, transport of goods, material in produced products and in-house energy consumption. Paper, again, plays a marginal role.

Commitment to a respected and skilled workforce

Talented and motivated employees are vital for Ascom to reach its growth targets and to deliver pioneering products and services. Maintaining an interesting working environment is core to our recruitment, development, and retention actions. Each year, we invest a great deal in our workforce through individual development plans, division and Group level training initiatives.

Ascom's Talent Development Program (TDP), first launched in 2009, aims at investing in talents that shall one day fill key management positions. Apart from the obvious individual goals of creating an enhanced business understanding and internal networks, TDP also focuses on creating direct added value for Ascom. TDP is structured around two modules of each three and a half days devoted to individual management skills. Furthermore, candidates follow personal actions plans and prepare individual business impact projects focused on current business challenges. The third run of the program has been launched in September 2011. In 2012, Ascom is about to set up a Leadership Program of 3 to 4 days for middle management positions.

Wireless Solutions set environmental goals in four different areas

Areas	Actions	Goals 2011	Goals 2012
Business travel	Boost use of communication tools such as video conferencing.	Implemented video conferencing on all sites, and conference phones in all conference rooms.	Analyze the effect of the recent implementation.
Energy efficiency	Reduction of energy consumption.	Reduction of energy consumption by 50 MWh/month in Sweden.	Same target as in 2011, but for the whole division. Cost-efficiency.
Product design	Better consideration of environmental aspects in the definition of the specifications of product development. Nursing of innovative customer solutions to save energy.	Reduction of the number of risk phases in production with use of chemicals.	Develop energy and carbon footprint evaluation methods for infrastructure and handset equipment to support long term reductions.
Waste/recycling	General principle: all disposable items shall be reduced to a minimum; Wireless Solutions actively offers its customers the recycling of used products.	Documented waste handling instructions for all sites.	Extend waste handling into more sources at further sites.

Creating a workplace culture where talented people feel motivated starts at the top. The management team of Ascom supports employees to deliver their best at their day-to-day work and to achieve the goals set out in our strategy. For that reason most of our employees have a personal development plan, in line with business requirements, that is monitored throughout the year. Another source of motivation is Ascom's Group Award Program comprising different Awards for extraordinary achievements. Initiated in 2008, it grants different bonuses for an individual's outstanding performance, for over-achieving sales managers and for successful and innovative patent applications. Lastly, employees regularly complete specific vocational and product-related trainings through our e-learning tool.

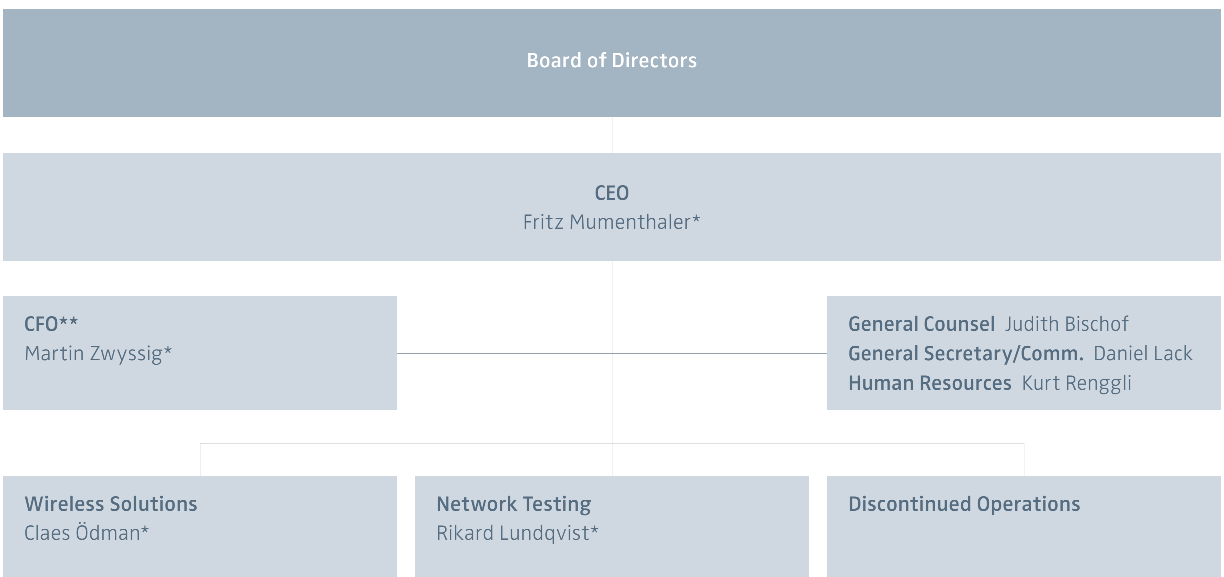
Finally, Ascom is fully committed to a diverse workforce. Our Code of Ethical Business Conduct clearly states that we do not tolerate any form of discrimination. Hence, all our employee-related policies and initiatives acknowledge this principle of non-discrimination. For a global company it is important to encourage its people to learn from the strengths of their colleagues with differing backgrounds, nationalities, upbringings and experiences. The above-mentioned initiatives and programs exactly foster this kind of exchange.

For the third consecutive year, Ascom conducted an employee survey addressing several issue areas with a special focus on commitment and employee satisfaction. Again, our survey showed a very good response rate of 77%, an increase of 4% compared to last year. Overall commitment and satisfaction remains nearly unchanged on a high level. Not surprisingly, we were able to achieve the most improvements in areas where concrete actions have been carried out during 2011. Significantly improved scores were reached in target setting & performance reviews, company's adaptability and perception of company values. This underpins our commitment to continuously identify and address major gaps and define specific action plans to close them.

CORPORATE GOVERNANCE

1. CORPORATE STRUCTURE AND SHAREHOLDERS

Operating corporate structure (as of 1 January 2012)



* Member of the Executive Board

** The CFO is also responsible for Investor Relations and Real Estate.

Listed corporation: Ascom Holding Ltd.

Ascom Holding Ltd. (Ascom Holding SA, Ascom Holding AG) is a joint-stock company headquartered in Berne, Switzerland. It has a share capital of CHF 18,000,000, divided into 36,000,000 registered shares with a par value of CHF 0.50 per share.

The company's registered shares are traded on the SIX Swiss Exchange Main Standard under ISIN CH0011339204, symbol ASCN. Ticker symbols:

- Bloomberg: ASCN SW
- Reuters: ASCN.S

Market capitalization as of 31 December 2011 was CHF 302.4 million.

Unlisted Group companies

The following companies belong to the Ascom Holding Ltd. scope of consolidation (see table on page 23).

Country	Company	Location	Capital		Investment
Austria	Ascom Austria GmbH	Vienna	EUR	3,635,000	Ascom Holding Ltd.: 100%
Belgium	Ascom (Belgium) NV	Brussels	EUR	1,424,181	Ascom Holding Ltd.: 100%
Brazil	Ascom Soluções em Telefonia Móvel Limitada	São Paulo	BRL	1,000	Ascom (Sweden) Holding AB: 100%
China	Ascom (Beijing) Network Testing Service Co., Ltd.	Beijing	CNY	17,000,000	Ascom (Sweden) Holding AB: 100%
Denmark	Ascom Danmark A/S	Brøndby	DKK	1,200,000	Ascom Holding Ltd.: 100%
Finland	Ascom Miratel Oy	Turku	EUR	33,638	Ascom Holding Ltd.: 100%
	Sinop Mocsa Oy	Vantaa	EUR	561,756	Ascom Holding Ltd.: 100%
France	Ascom Holding SA	Annonay	EUR	80,000	Ascom Holding Ltd.: 100%
	Ascom (France) SA	Nanterre	EUR	2,000,000	Ascom (Sweden) AB: 100%
Germany	Ascom Deutschland GmbH	Frankfurt a. M.	EUR	2,137,200	Ascom Unternehmensholding GmbH: 100%
	Technologiepark Teningen GmbH	Emmendingen	EUR	6,136,000	Ascom Unternehmensholding GmbH: 94%, Ascom (Switzerland) Ltd.: 6%
	Ascom Unternehmensholding GmbH	Frankfurt a. M.	EUR	5,113,000	Ascom Holding Ltd.: 100%
India	Ascom Network Testing Pvt. Ltd.	Mumbai	INR	1,000,000	Ascom (Sweden) Holding AB: 100%
Malaysia	Ascom Network Testing Sdn Bhd	Subang Jaya	MYR	500,000	Ascom (Sweden) Holding AB: 100%
Netherlands	Ascom (Nederland) BV	Utrecht	EUR	1,361,000	Ascom (Sweden) AB: 100%
	Mocsa Real Estate BV	Arnhem	EUR	453,780	Ascom (Nederland) BV: 100%
	Ascom Tateco BV	Hoofddorp	EUR	18,151	Ascom (Nederland) BV: 100%
Norway	Ascom (Norway) A/S	Oslo	NOK	1,250,000	Ascom (Sweden) AB: 100%
Poland	Ascom Poland Sp. z o.o.	Warsaw	PLN	2,405,200	Ascom Holding Ltd.: 100%
South Africa	Ascom Network Testing (PTY) Ltd.	Durban	ZAR	1,000	Ascom (Sweden) Holding AB: 100%
Sweden	Ascom (Sweden) AB	Gothenburg	SEK	96,154,000	Ascom (Sweden) Holding AB: 100%
	Ascom (Sweden) Holding AB	Gothenburg	SEK	70,000,000	Ascom (Switzerland) Ltd.: 100%
	Ascom Network Testing AB	Skellefteå	SEK	100,000	Ascom (Sweden) Holding AB: 100%
Switzerland	Ascom (Switzerland) Ltd.	Berne	CHF	28,002,000	Ascom Holding Ltd.: 100%
	Ascom Network Testing Ltd.	Solothurn	CHF	200,000	Ascom Holding Ltd.: 100%
United Kingdom	Ascom Network Testing Ltd.	Elstead	GBP	2	Ascom UK Group Ltd.: 100%
	Ascom (UK) Ltd.	Sevenoaks	GBP	50,000	Ascom (Sweden) AB: 100%
	Ascom UK Group Ltd.	Croydon	GBP	600,000	Ascom Holding Ltd.: 100%
USA	Ascom Holding Inc.	Rockaway NJ	USD	10	Ascom Holding Ltd.: 100%
	Ascom (US) Inc.	Morrisville NC	USD	1	Ascom (Sweden) AB: 100%
	Ascom Network Testing Inc.	Reston VA	USD	1	Ascom Holding Ltd.: 100%

Shareholders

Registered shareholders

As of 31 December 2011, there were 5,952 shareholders registered in the share register of Ascom Holding Ltd.

Share ownership as of 31 December 2011:

Number of shares	Number of shareholders
1 to 100	1,296
101 to 1,000	3,291
1,001 to 5,000	1,094
5,001 to 10,000	121
More than 10,000	150
Total	**5,952**

Changes subject to disclosure requirements during the 2011 financial year

In an announcement dated 12 January 2011, published in compliance with Art. 20 of the Stock Exchange Act (SESTA), Vontobel Fond Services AG, Zurich, disclosed that its share of voting rights in Ascom had fallen to below 3%.

Details of disclosure notices can be viewed on the SIX Swiss Exchange disclosure platform at http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

Significant shareholders

The following significant shareholder as defined by Art. 663c of the Swiss Code of Obligations, holding more than 5% of the share capital and voting rights, was recorded in the share register at 31 December 2011:

Zürcher Kantonalbank: 26.74%

This does not cover shares which are not registered in the share register (dispo shares). Dispo shares amounted to 21.2% as of 31 December 2011.

In accordance with the disclosure announcements made, the following parties are regarded as significant shareholders in Ascom:

- Zürcher Kantonalbank, Zurich: Ascom securities representing 25.89% of voting rights as well as sale positions with voting rights conferred of 2.57% (announcement dated 7 December 2007).
- Bank Julius Bär & Co. Ltd., Zurich: Ascom securities representing 3.74% of voting rights as well as sale positions with voting rights conferred of 4.99% (announcement dated 20 February 2008).

As of the balance sheet date, the company held 1,430,040 treasury shares, representing 3.97% of voting rights.

There are no known shareholders' agreements.

Cross-shareholdings

The Ascom Group has not entered into cross-shareholdings with other companies in terms of capital or voting rights.

2. CAPITAL STRUCTURE

Ordinary share capital

Since 6 April 2006, the share capital has amounted to CHF 18,000,000, divided into 36,000,000 registered shares with a par value of CHF 0.50 per share.

At the Annual General Meeting held on 6 April 2006, the company's share capital was reduced from CHF 198,000,000 to CHF 18,000,000 (par value reduced to CHF 0.50). Par value of CHF 5 per registered share was repaid on 28 June 2006.

At the Extraordinary General Meeting held on 4 December 2003, the share capital was reduced in two stages from CHF 225,000,000 to CHF 123,750,000 (par value reduced to CHF 5.50) and subsequently increased by CHF 74,250,000 to CHF 198,000,000 through the issue of 13,500,000 new shares with a par value of CHF 5.50 per share. In a resolution passed on 22 December 2003, the Board of Directors noted that the capital increase had been implemented.

The share capital is fully paid up. The participation capital in the amount of CHF 38,875,000 in existence at the time was dissolved on the occasion of the Annual General Meeting held on 11 June 1991.

In 2000, uniform registered shares with a par value of CHF 10 were introduced by splitting the existing registered shares with a par value of CHF 100 and bearer shares with a par value of CHF 500. Each share carries one vote and all shares carry the same claim to dividend payments.

Share structure

	31.12.11		31.12.10	
	Number	(CHFm)	Number	(CHFm)
Registered shares par value CHF 0.50	36,000,000	18.0	36,000,000	18.0
Registered shareholders	5,952		6,270	

Ascom Holding Ltd. and its subsidiaries held 1,430,040 treasury shares as of the balance sheet date.

Bonus certificates

Ascom Holding Ltd. has not issued any bonus certificates.

Authorized share capital/conditional share capital

The company has no authorized or conditional share capital.

The Annual General Meeting of Ascom Holding Ltd. held on 15 April 2009 approved the creation of authorized capital and authorized the Board of Directors to raise additional share capital of up to CHF 3,600,000 within two years. This period elapsed on 15 April 2011 without being pursued.

Changes in equity

The equity of Ascom Holding Ltd. has changed as follows:

in CHF	2011	2010	2009	2008
Share capital	18,000,000	18,000,000	18,000,000	18,000,000
Legal reserves	42,719,000	27,276,000	27,276,000	27,276,000
Retained earnings	331,957,000	350,657,000	75,875,000	69,297,000
Total	**392,676,000**	**395,933,000**	**121,151,000**	**115,203,000**

Since 6 April 2006, the share capital has amounted to CHF 18,000,000, divided into 36,000,000 registered shares with a par value of CHF 0.50 per share.

Limitations on transferability and nominee registrations

- In principle, the Articles of Incorporation of Ascom Holding Ltd. contain no limitations on transferability and no statutory privileges.
- The share registration guidelines are published on the company's website (http://www.ascom.com/en/share-registration-guidelines.pdf).
- Every person recorded in the share register is regarded as a shareholder or beneficiary vis-à-vis the company.
- For registered shares, a share register is maintained in which the names and addresses of the owners and beneficiaries are entered. Changes must be reported to the company.
- Entry in the share register requires proof of acquisition of title to the shares or of beneficiary status.
- A purchaser of registered shares is entered in the share register upon request as a voting shareholder if he/she expressly declares that he/she acquired the registered shares in his/her own name and on his/her own account. If the purchaser is not prepared to make such a declaration, the Board of Directors may refuse registration as a voting shareholder.
- After consulting the party involved, the company may delete entries in the share register if such entries occurred in consequence of false statements by the purchaser. The purchaser must be informed immediately of the deletion.
- Admission of nominees is decided by the Board of Directors. No applications in this regard were submitted in 2011.

Options/convertible bonds

Options

Ascom stock option plans are listed in the Remuneration Report on pages 43 to 48.

Convertible bonds

Ascom Holding Ltd. has not issued any convertible bonds.

Management transactions

The listing rules of the SIX Swiss Exchange stipulate a disclosure obligation in respect of management transactions. To ensure compliance with these provisions, the Board of Directors has issued an Annex to the Organization Regulations. Members of the Board of Directors and the Executive Board as well as the General Secretary are required to make a disclosure to the company. In 2011, ten individual disclosures (see table) and two collective disclosures were submitted. Therefore, it cannot be concluded from individual disclosures only, how many shares and derivatives are being held by members of the Board of Directors and Executive Board.

Transaction date	Number of shares	Type of transaction	Amount in CHF
17.1.2011	22,289	Disposal (from stock option plan)	50,150
28.3.2011	10,000	Disposal	138,490
4.4.2011	12,000	Disposal (from stock option plan)	18,000
5.4.2011	20,000	Disposal (from stock option plan)	28,900
6.4.2011	10,251	Disposal (from stock option plan)	18,451
8.4.2011	3,749	Disposal (from stock option plan)	6,748
8.4.2011	15,000	Disposal (from stock option plan)	21,955
14.4.2011	12,000	Acquisition	92,400
4.10.2011	2,000	Acquisition	16,678
12.10.2011	5,000	Acquisition	48,585

MEMBERS OF THE BOARD OF DIRECTORS

JUHANI ANTTILA
CHAIRMAN

Nationality: Finnish | Born 1954 | Place of residence: Baar, Switzerland | Member since 2001 | Chairman since 14 May 2002 | Elected until AGM in 2012

> Studied law at the University of Helsinki, Finland (1976 Bachelor's degree, 1978 Master's degree) > Moved to Switzerland in 1978 > 1981–1985 Managing Partner at CA Corporate Advisers, Zurich > 1985 Appointed Managing Director of Nokia GmbH, Zurich, and responsible for various activities for the Nokia Group > 1990–1995 Chairman of the Executive Board of Nokia (Deutschland) GmbH, Pforzheim > 1996–2002 CEO of the Swisslog Group, Buchs > Since 14 May 2002, Chairman of the Board of Directors of Ascom Holding Ltd. > 1 January 2003–31 May 2004 also CEO of the Ascom Group > Since 2004 Managing Partner of ValCrea AG, Zug

PAUL E. OTTH
VICE-CHAIRMAN

Nationality: Swiss | Born 1943 | Place of residence: Zurich, Switzerland | Member since 2002 | Elected until AGM in 2012

> Certified public accountant > 1974–1988 Various management functions at the Corange Group (Boehringer Mannheim) in Switzerland and abroad > 1988–1989 Partner and member of the Executive Board of Budliger Treuhand AG > From 1989 worked for Landis+Gyr > From 1994 CFO and member of the Group Executive Board of Landis+Gyr > 1996–1998 CFO and member of the Group Executive Board of Elektrowatt, Zurich > 1998–2000 CFO and member of the Group Board of Siemens Building Technologies, Zurich > 2000–2002 CFO and member of the Group Executive Board of Unaxis Holding AG, Zurich > Since 2003 Business Consultant

ANDREAS V. UMBACH

Nationality: German | Born 1963 | Place of residence: Zug, Switzerland | Member since 2010 | Elected until AGM in 2012

> 1989 Masters in Mechanical Engineering, Technische Universität Berlin > 1991 Master of Business Administration (MBA), University of Texas, Austin TX > 1991–1995 Management Audit, Corporate Planning and Developing Department, Siemens AG, Munich > 1995–1999 Commercial Manager, Business Unit Pilot and Sensing Devices, Drives and Automation Group, Siemens AG, Erlangen

> 1999–2002 General Manager, subsequently Division President of Metering, Power Transmission and Distribution Group, Siemens Metering AG, Zug > Since 2002 President & COO/CEO, Landis+Gyr AG, Zug

KENTH-AKE JÖNSSON

Nationality: Swedish | Born 1951 | Place of residence: Växjö, Sweden | Member since 2009 | Elected until AGM in 2012

> 1976 Master of Science in Industrial Economics, Linköping Technical University > 1976–1978 Sales Manager, Lectrostatic AB, Skara
> 1978–1990 Sales Manager/Vice President of Sales and Marketing/CEO Samefa AB, Küngsör > 1990–1995 CEO Telub AB, Växjö
> 1995–2000 Deputy CEO of Enator AB Tietoenator OY, Stockholm
> 2000–2002 Managing Director of Atle IT, 3i Technology, Stockholm
> 2002–2008 Senior Vice President/Executive Vice President of the Group and Chairman of a Group of Business Units Saab AB, Stockholm

DR J.T. BERGQVIST

Nationality: Finnish | Born 1957 | Place of residence: Helsinki, Finland | Member since 2005 | Elected until AGM in 2012

> 1981 Master of Science (Helsinki University of Technology)
> 1987 Doctorate in Computer Science (Helsinki University of Technology) > 1980–1987 Various positions as software specialist, project and export manager at Nokia Group, Helsinki > 1988 Assistant Professor at Helsinki School of Economics > 1988–1995 Area General Manager, Nokia Telecommunications > 1995 Vice President Cellular Transmission Business, Nokia Telecommunications
> 1997 Senior Vice President Radio Access Systems, Nokia Telecommunications > 2000 Senior/Executive Vice President & General Manager Nokia Networks, IP Mobility Networks > 2003–2004 Executive Vice President & General Manager, Nokia Networks, Global Business Units > 2001–2005 Member of the Strategy Panel of the Group Executive Board, Nokia Corporation > 2002–2005 Member of the Group Executive Board, Nokia Corporation > Since 2009, CEO of K. Hartwall Oy Ab in Söderkulla, Finland.

3. BOARD OF DIRECTORS

Primary tasks of the Board of Directors

The Board of Directors holds ultimate decision-making authority and determines the strategic, organizational and financial planning guidelines for the Group as well as the company objectives. The Board of Directors is responsible for the overall direction as well as the supervision and control of the management. It sets guidelines for business policies and ensures that it is regularly informed on the course of business.

The primary tasks of the Board of Directors under the Swiss Code of Obligations and the Articles of Incorporation of Ascom Holding Ltd. are:

- Overall management of the company and the Group, including setting the strategic direction as well as issuing directives as required
- Defining the organization and management structure
- Laying out the forms of accounting and financial control as well as financial planning
- Appointing and discharging persons entrusted with the management and representation of the company and determining who is entitled to sign on behalf of the company
- Ultimate supervision of business activities
- Drawing up the Annual Report as well as preparing the Annual General Meeting and carrying out its resolutions
- Informing the courts in the event of excessive indebtedness
- Passing resolutions on the financing of business, and in particular deciding on capital increases and IPOs and the consequent changes to the Articles of Incorporation
- Passing resolutions on participations of major/strategic significance
- Determining the compensation for members of the Board of Directors and the Executive Board

Composition of the Board of Directors of Ascom Holding Ltd.

In accordance with the Articles of Incorporation, the Board of Directors of Ascom Holding Ltd. consists of one or more members who are elected for a one-year term of office (amendment to the Articles approved by the 2006 Annual General Meeting).

Since the Annual General Meeting (AGM) of Ascom Holding Ltd. held on 13 April 2011, the Board of Directors has consisted of the following members.

	Member since AGM in	Elected until AGM in
Juhani Anttila, Chairman	2001	2012
Paul E. Otth, Vice-Chairman	2002	2012
Dr J.T. Bergqvist	2005	2012
Kenth-Ake Jönsson	2009	2012
Andreas V. Umbach	2010	2012

All members of the Board of Directors are non-executive members. No member of the Board of Directors has any significant business relationship with Ascom Holding Ltd. or its subsidiaries.

Secretary of the Board of Directors

Dr Daniel Lack has served as Secretary of the Board of Directors since May 2001.

Changes to the Board of Directors

None.

Election and terms of office

- Since the 2006 Annual General Meeting, members of the Board of Directors have been appointed by the Annual General Meeting for a term of one year. Prior to this, members of the Board of Directors served for three years. In this context, one year is understood to be the period from one Annual General Meeting to the next. Members may be re-elected.
- Members are elected or re-elected to the Board of Directors individually.
- Members of the Board of Directors leave the Board at the Annual General Meeting held in the year in which they reach their 70^{th} birthday.

Internal organization

- The Board of Directors is self-constituting and designates its own Chairman and Secretary. The latter needs not be a member of the Board.
- The Board of Directors is quorate when the majority of members are present. In the event of capital increases, such a quorum is not required for decisions concerning definition of the capital increase, amendments to the Articles of Incorporation or resolutions regarding the capital increase report.
- The Board of Directors passes its resolutions by a majority of the votes cast. The Chairman holds the casting vote.
- Resolutions may also be adopted by written consent to a proposal circulated by the Chairman among all members and passed by a majority of all members of the Board of Directors.
- Minutes are kept of deliberations and resolutions, and are signed by the Chairman and the Secretary.
- Members of the Board of Directors may exercise a consulting mandate for the Ascom Group alongside their activity on the Board, subject to the unanimous consent of the Board of Directors. There were no such consulting mandates as of the balance sheet date.

Other mandates of members of the Board of Directors

Juhani Anttila also acted as CEO of the Ascom Group concurrently from 1 January 2003 to 31 May 2004. None of the other members of the Board of Directors previously worked for the Ascom Group, nor does any member of the Board of Directors perform any permanent management or consultancy functions for important Swiss or foreign interest groups or hold any official positions or political offices.

The following members of the Board of Directors hold positions on the boards of other exchange-listed companies: Juhani Anttila is a member of the Board of Directors of Actelion Ltd., Allschwil. Paul E. Otth is Vice-Chairman of the Board of Directors of Inficon Holding AG, Bad Ragaz, as well as a member of the Board of Directors of Swissquote Group Holding AG, Gland. Dr J.T. Bergqvist is Chairman of the Board of Norvestia OYJ, Helsinki (Finland). Kenth-Ake Jönsson is a member of the Board of Directors of Generic Sweden AB in Nacka (Sweden).

The following members of the Board of Directors are involved in activities in governing or supervisory bodies of important Swiss and foreign public- and private-law corporations, institutions and foundations: Juhani Anttila is Chairman of the Board of ValCrea AG in Zug and a member of the Board of Directors of ArgYou AG in Baar. Paul E. Otth is Chairman of the Board of Directors of EAO Holding AG, Olten. Dr J.T. Bergqvist is CEO of K. Hartwall Oy Ab in Söderkulla (Finland). Kenth-Ake Jönsson is a member of the Board of Directors of Litorina Kapital 2001 AB, Stockholm (Sweden), as well as Chairman of the Board of Ravnarp Invest AB, Växjö (Sweden), Nordic Heat & Vent AB in Hälleforsnäs (Sweden) and Jacobi Carbons AB, Kalmar (Sweden). Andreas V. Umbach is a member of the Board of Directors of Landis+Gyr AG in Zug as well as President & CEO of the Landis+Gyr Group.

Mode of operation of the Board of Directors

As a rule, the Board of Directors meets on a monthly basis. Additional meetings or conference calls are held as and when necessary. In general, the CEO and CFO attend all ordinary meetings of the Board of Directors. In addition, executive sessions are held. Other members of the Executive Board as well as external experts are invited to attend meetings to address specific topics if necessary.

Fourteen meetings were held in 2011. Board attendance was 97%. The ordinary meetings of the Board of Directors last one full day and strategy meetings last two days.

Self-evaluation of the Board of Directors

Since 2005, the Board of Directors has carried out a self-evaluation at year-end on the basis of a standardized process using a comprehensive questionnaire. The results are discussed at the first meeting in the new year, and any measures necessary for improvements are agreed and implemented as required.

Committees of the Board of Directors

To support the efficient and effective organization of its duties, the Board of Directors of Ascom Holding Ltd. has set up the following committees whose primary role is to prepare materials as a basis for decisions by the Board of Directors in specialized areas. The authority to make decisions lies with the Board of Directors. All members of the Board are entitled to attend any meetings of these committees.

Audit Committee

Members:
Paul E. Otth (Chairman) and Kenth-Ake Jönsson

The Audit Committee is composed of two non-executive members of the Board of Directors and generally meets four times a year, although the Chairman may convene meetings as often as business requires. Four half-day Audit Committee meetings were held in 2011, three of which were attended by the external auditors and two by Internal Audit. The Chairman of the Board of Directors attended all these meetings. The CEO and CFO attended all ordinary meetings of the Audit Committee, and other members of the executive management attended as and when required. The Secretary of the Board of Directors prepares meetings and records minutes. The full Board of Directors is kept informed of the Audit Committee's activities following each meeting, and also receives a copy of the minutes. External experts were invited to attend meetings to address specific topics (corporate governance).

The Audit Committee's main activities are:

- Evaluating processes in the company's risk and control environment
- Ensuring corporate governance
- Supervising financial reporting
- Evaluating internal and external auditing

Compensation & Nomination Committee
Members:
Andreas V. Umbach (Chairman) and Juhani Anttila

The Compensation & Nomination Committee is composed of two non-executive members of the Board of Directors and is convened by the Chairman as often as business requires. Five meetings were held in 2011, generally lasting several hours. The CEO attended four meetings and the Director of Corporate Human Resources attended as and when required. The Secretary of the Board of Directors prepares the meetings and records the minutes. The full Board of Directors is kept informed of the Compensation & Nomination Committee's activities following each meeting, and also receives a copy of the minutes. External experts were invited to attend meetings to address specific topics (incentive compensation).

The main activities performed by the Compensation & Nomination Committee are to formulate proposals to the full Board of Directors with regard to:

- The Ascom Group's salary policy
- Defining compensation models for members of the Board of Directors and the Executive Board
- Implementing and supervising stock option plans
- Selecting candidates for election to the Board of Directors
- Reviewing candidates for appointment to the Executive Board and the Executive Committee
- Annual appraisals of top management

Strategy Committee
Members:
Dr J.T. Bergqvist (Chairman) and Juhani Anttila

The Strategy Committee is composed of two non-executive members of the Board of Directors and is convened by the Chairman as often as business requires. Four meetings were held in 2011, generally lasting several hours. The CEO attended two meetings in 2011. The full Board of Directors is briefed on the Strategy Committee's activities following each meeting. No external consultants were invited to attend meetings in 2011.

The main activities performed by the Strategy Committee are to formulate proposals for the full Board of Directors with regard to:

- Portfolio of business activities, mergers and acquisitions, monitoring of technology trends, structure of the Ascom Group
- Performance planning, in particular cost structure and value-enhancing measures

Areas of responsibility

The Board of Directors has delegated the management of the day-to-day business to the CEO who, together with the Executive Board, is responsible for overall management of the Ascom Group. A detailed definition of areas of responsibility is set down in the Annex to the Organization Regulations.

The Board of Directors explicitly reserves the power to decide on the following matters:

- Authorizing important acquisitions and divestments
- Appointing and discharging members of the Executive Board and the extended Executive Board (Executive Committee)
- Defining compensation models for members of the Board of Directors and the Executive Board
- Approving the budget
- Arranging public bonds and important framework credit agreements
- Substantial investments
- Issuing the Organization Regulations and their Annexes
- Defining the internal audit and submitting the proposal to the Annual General Meeting for election of the auditors
- Submitting proposals on dividends to the Annual General Meeting
- Issuing and implementing stock option plans

Information and control instruments in respect of the Executive Board/management instruments

The Ascom Group's management information system (MIS) consists of management reporting and financial consolidation.

Each month, the balance sheet, income statement, incoming orders, order backlog and employee headcount for the individual companies are entered in the management reporting system. This information is consolidated for the various divisions and for the Group as a whole, and compared against the previous year's figures and the current budget. The Executive Board discusses the results in detail on a monthly basis and decides on actions to be taken.

Financial consolidation in compliance with IFRS is performed on a quarterly basis by all subsidiaries, which are consolidated by segment, region and the Group as a whole.

Financial reports are submitted to the Board of Directors on a monthly basis. Additional management instruments for monitoring management processes include strategic medium-term planning (MTP), annual planning and quarterly forecasts.

A quarterly report on pending law suits is submitted to the Audit Committee. As part of Business Risk and Opportunity Management (BROM), an updated risk map for the Group and the individual divisions is submitted to the Board of Directors on a quarterly basis. The meetings of the Board of Directors and the Audit Committee are attended by the CEO and CFO as well as, whenever necessary, by other members of management.

Organization of the internal audit

Internal auditing is performed on a mandate basis by Ernst & Young in accordance with the instructions of the Audit Committee. The internal audit plan is revised on an annual basis in conjunction with the external auditors and management, and approved by the Audit Committee.

In 2011, a total of six audits were performed, with a key focus on IT security, customer backlog management, purchase-to-pay management, license contract management, the divisional customer management process as well as the regional customer management process in Asia. The respective audit reports were presented to the Audit Committee at two meetings and the necessary corrective measures were defined together with management. No special audits were commissioned in the year under review.

Fees are based on the scope of services rendered. In 2011, Ernst & Young performed various individual audits. Ernst & Young were paid remuneration totaling CHF 312,248 (including expenses) (previous year: CHF 211,600 incl. expenses) for these services.

Risk management

As an internationally active Group, Ascom is exposed to a variety of risks arising from its operating business. Risk management is therefore an integral part of Group management and hence also part of the business processes. Financial risks (liquidity, foreign currency, interest rate, credit risk) are centrally monitored by Group Treasury in accordance with written guidelines. Capital risk is also monitored using defined ranges for the debt service ratio and the equity ratio.

Further information on risk management can be found in note 26 to the financial statements of the Ascom Group on page 94 of this Annual Report.

Internal Control System (ICS)

A Board directive of 11 December 2008 and the ICS manual govern the Internal Control System (ICS). The ICS ensures the implementation of appropriate procedures and measures for the purpose of identifying and monitoring the main financial risks to which the Group is exposed. In particular, the aim of the ICS is to ensure the integrity and completeness of accounting, to provide timely and reliable financial reporting, and to prevent, minimize and identify errors and irregularities in the financial statements.

In order to achieve these targets, Group companies in scope are determined annually. Hereby, it is ensured that at least 80% of revenue and of total assets of the Group are covered. The external audit confirms the existence of the ICS in connection with the year-end audit. Additionally, external audit submits improvement suggestions on a yearly basis which are implemented in the following year.

MEMBERS OF THE EXECUTIVE BOARD

FRITZ MUMENTHALER
CHIEF EXECUTIVE OFFICER (SINCE 1 APRIL 2011)

Nationality: Swiss | Born 1958

> 1985 Degree in business administration from the Universities of Berne and Neuchâtel (lic. rer. pol.) > 1985 Manager Human Resources, Credit Suisse > 1988 MBA from INSEAD, Fontainebleau/Paris > 1989 Assistant Director, Swissphone Telecommunications > 1992 Project Manager Corporate Development, Landis+Gyr > 1994 Head of Marketing Europe, subsequently Head of Global Marketing of Landis+Gyr Building Control, Siemens Building Technologies, Building Automation Division > 2000 Head of Zone Europe, Member of the Division Management Team, Siemens Building Technologies, Building Automation Division > 1 June 2005 General Manager Wireless Solutions and member of the Executive Board of the Ascom Group > From 20 August 2007 also Deputy CEO > Since 1 April 2011 CEO of the Ascom Group

RIKARD LUNDQVIST
GENERAL MANAGER NETWORK TESTING

Nationality: Swedish | Born 1967

> 1991 Master of Science in Computer Science and Engineering (University of Luleå, Sweden) > 1994–1996 Manager Product Market Strategies Ericsson Erisoft AB, Skellefteå (Sweden) > 1996–1999 Regional Sales Manager TEMS, Dallas TX (USA) > 1999–2005 Director Global Product Management TEMS, Reston VA (USA) > 2005–2006 Chief Technology Officer TEMS > 2006–2008 Head of Strategy and Business Development TEMS > 2008–2009 Vice President and General Manager TEMS > Since 1 January 2010 General Manager Network Testing and member of the Executive Board of the Ascom Group

DR MARTIN ZWYSSIG
CHIEF FINANCIAL OFFICER

Nationality: Swiss | Born 1965

> 1992 MBA from the University of St. Gallen (lic. oec. HSG) > 1995 PhD in Economics (Dr oec.) from the University of St. Gallen > 1995–1997 Corporate Controlling, Swiss Bank Corporation, Basel > 1997–2001 Divisional Controller, Sarnatech/Sarnamotive, Sarna Kunststoff Holding AG, Sarnen > 2001–2002 Senior Vice President Finance & Controlling, EMS-TOGO Group, Romanshorn > 2003–2008 CFO, Schaffner Holding AG, Luterbach > Since 1 September 2008 CFO of the Ascom Group and member of the Executive Board

CLAES ÖDMAN
GENERAL MANAGER WIRELESS SOLUTIONS

Nationality: Swedish | Born 1965

> 1990 Master of Science in Engineering Physics and Master of Business Administration (Chalmers University Göteborg) > 1990–1994 Area Manager Saab Marine Electronics AB, Göteborg > 1994–1998 Area Manager Ericsson Radio Systems, Stockholm > 1998–2001 Vice President Ericsson Taiwan Ltd., Taipei (Taiwan) > 2001–2005 President & Country Manager Ericsson Telecom PTE Ltd., Singapore > 2005–2011 Vice President Ericsson AB, Stockholm (2005–2008: Multimedia Solutions; 2008–2009: Head of Sales and Marketing; 2010: Head of Region Project; 2010–2011: Engagement Practices Region Northern Europe and Central Asia) > Since 14 June 2011 General Manager Wireless Solutions and member of the Executive Board of the Ascom Group

4. EXECUTIVE BOARD

The Executive Board of the Ascom Group

The Board of Directors has delegated the management of the day-to-day business to the CEO who, together with the Executive Board, is responsible for overall management of the Ascom Group. The duties are determined in the Organization Regulations and the corresponding Annexes. The competences of the Divisional General Managers are defined in a "Delegation of Authority".

Composition of the Ascom Executive Board

The Ascom Group Executive Board comprised the following members as of 1 January 2012:

		Executive Board member since
Fritz Mumenthaler	CEO	1.6.2005 (CEO since 1.4.2011)
Dr Martin Zwyssig	CFO	1.9.2008
Rikard Lundqvist	General Manager Network Testing	1.1.2010
Claes Ödman	General Manager Wireless Solutions	14.6.2011

Changes in the Executive Board

- Fritz Mumenthaler was appointed by the Board of Directors as the new CEO with effect from 1 April 2011. Riet Cadonau, former CEO, resigned from the Executive Board as of 31 March 2011.
- Claes Ödman succeeded Fritz Mumenthaler as the new General Manager Wireless Solutions and was appointed as member of the Executive Board as of 14 June 2011.
- Dr Fritz Gantert retired from the Executive Board as of 31 December 2011 following the dissolution of the Security Communication Division.

Other mandates of members of the Executive Board

The following members of the Executive Board hold positions on the boards of other exchange-listed companies: Dr Martin Zwyssig is a member of the Board of Directors of Belimo Holding AG, Hinwil, and Claes Ödman is a member of the Board of Directors of Sensys Traffic System AB, Jönköping (Sweden).

The following members of the Executive Board are involved in activities in governing or supervisory bodies of important Swiss and foreign public- and private-law corporations, institutions and foundations: Dr Martin Zwyssig is a member of the Board of Directors of Sputnik Engineering AG in Biel/Bienne.

The members of the Executive Board do not exercise any permanent managerial or consultancy functions for important Swiss or foreign interest groups or hold any official positions or political offices.

Heads of Corporate Functions

The Executive Committee consists of the members of the Executive Board and also of the following Heads of corporate functions:

		In this function since
Dr Daniel Lack	General Secretary & Chief Communications Officer	1.1.2003
Kurt Renggli	Head of Corporate Human Resources	1.8.2008
Dr Judith Bischof	General Counsel	1.9.2011

Mode of operation of the Executive Board

As a rule, a half- or full-day meeting of the Executive Board will be held on a monthly basis. The meeting is subdivided in a general part for all members of the Executive Committee and a closed session for the members of the Executive Board. Additional meetings or conference calls are held as and when necessary. Twelve meetings were held in 2011.

Management contracts

There are no management contracts within the Ascom Group.

Business relationships with closely related companies and persons

No significant business transactions exist with closely related companies or persons.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

All details of compensation, shareholdings and loans are listed in the Remuneration Report on pages 43 to 48 of this Annual Report. This information can also be found in note 9 to the financial statements of Ascom Holding Ltd. (page 113 of this Annual Report).

6. SHAREHOLDERS' PARTICIPATION RIGHTS

Voting rights and protective rights

Shareholders in Swiss joint-stock companies have extensive participation and protective rights governed in principle by the Swiss Code of Obligations (OR) and supplemented by the respective company's Articles of Incorporation. The main rights enjoyed by shareholders of Ascom Holding Ltd. are listed below.

Annual General Meeting

Voting rights and representation

- Each share entitles the holder to one vote represented at the Annual General Meeting. There are no voting right restrictions.
- Each shareholder may be represented by proxy at the Annual General Meeting by another shareholder who holds a power of attorney and is recorded in the share register as a voting shareholder.
- Sole proprietorships, partnerships and legal entities may be represented by authorized signatories, natural persons by their legal representatives, and married persons by their spouses, even if these representatives are not shareholders.
- The Board of Directors makes the requisite arrangements to determine voting rights and to establish the results of votes and elections.

Resolutions and elections

- The Annual General Meeting has a quorum for transaction of business regardless of the number of votes represented.
- Unless otherwise stipulated by law, the Annual General Meeting adopts resolutions and carries out votes by an absolute majority of valid votes cast. Elections are decided by the relative majority of votes in a second ballot.
- The Chairman holds the casting vote.
- The Board of Directors determines the voting procedure. Shareholders representing registered shares with a par value of CHF 100,000 are entitled to demand a written ballot. This threshold corresponds to 0.5% of the vote.

Convocation of the Annual General Meeting

- The Annual General Meeting is convened by the Board of Directors or, if need be, by the auditors.
- Convocation is effected no later than 20 days before the date of the meeting by a single announcement in the company's publication of record (the Swiss Official Gazette of Commerce – SOGC) and by letter to the shareholders.

Agenda

- In accordance with Art. 699 Para. 3 of the Swiss Code of Obligations, requests to place an item on the agenda must be submitted to the Board of Directors no later than 45 days before the date of the Annual General Meeting. The party submitting such request must represent shares of at least CHF 100,000 par value.
- The invitation to submit agenda items is published in a single announcement in the company's publication organ (the SOGC).

Registration in the share register

- All shareholders recorded in the share register as voting shareholders 10 days before the date of the Annual General Meeting are admitted to the meeting and entitled to vote.
- Shareholders who dispose of their shares before the Annual General Meeting are no longer entitled to vote.

7. CHANGE OF CONTROL AND DEFENSIVE MEASURES

Obligation to submit a purchase offer

The Articles of Incorporation of Ascom Holding Ltd. contain neither an opting-out nor an opting-up clause. Any party who acquires one-third (33⅓%) of share capital in Ascom Holding Ltd., is obliged under the Stock Exchange Act (Art. 32, SESTA) to submit a public purchase offer for the remaining shares.

Change of control clauses

No change of control clauses have been agreed in covenants with members of the Board of Directors. The period of notice for members of the Executive Board is 12 months. The serving CEO has a notice period of 12 months as well. In case that a change of control leads directly to a separation from the CEO, the notice period will be extended to 24 months.

In the event of a takeover of the company, all exercise hurdles for existing stock option plans are null and void as of the takeover date and all options granted may be exercised.

8. AUDITORS

Auditors

PricewaterhouseCoopers Ltd, Zurich (formerly STG Coopers & Lybrand Ltd), have acted as auditors since 1987. Stefan Räbsamen has been auditor-in-charge since 2007. The auditors are appointed by the Annual General Meeting for a term of one fiscal year.

Auditing fee

PricewaterhouseCoopers was paid compensation of CHF 915,706 (previous year: CHF 964,275) for services in connection with auditing the annual financial statements of Ascom Holding Ltd. and the Group companies as well as the consolidated statements of the Ascom Group for the year ended 31 December 2011.

Additional fees

PricewaterhouseCoopers was paid the following additional fees in 2011:

Tax consulting	CHF 140,230	(previous year: CHF 341,381)
Divestments	CHF 135,315	(previous year: nil)
Miscellaneous	CHF 97,959	(previous year: CHF 157,372)
Total	CHF 373,504	(previous year: CHF 498,753)

Monitoring and control instruments

As a committee of the Board of Directors, the Audit Committee evaluates the performance, fees and independence of the external auditors each year.

The external auditors prepare a detailed audit report at least once a year and report in detail to the Audit Committee. The main findings and recommendations contained in the audit reports of the external auditors are then discussed in detail with the CFO.

In 2011, the external auditors drew up two detailed management reports (for the Half-Year Report and the Annual Report). The external auditors attended three of the Audit Committee meetings held in 2011.

Each year, the Board of Directors reviews the selection of auditors in order to propose them to shareholders for appointment at the Annual General Meeting. The aim is to ensure the general independence of the auditors as well as the personal independence of the auditor-in-charge and determine their understanding of Ascom's business activities and the specific business risks relevant for Ascom, the nature of collaboration between the external auditors and the Audit Committee, and the manner in which support is provided for implementation of the legal provisions as well as IFRS requirements.

The Audit Committee assesses the effectiveness of the auditors in compliance with the legal provisions in Switzerland. The Board of Directors bases the rotation cycle for the auditor-in-charge on the relevant provisions of the Swiss Code of Obligations, according to which the auditor-in-charge may perform this mandate for no more than seven years.

The Audit Committee also examines the ratio between the fee for the annual audit and fees for additional services performed by the auditors, in order to ensure that the auditors' independence is not impaired. For the 2011 reporting year the Board of Directors concluded that the auditors' independence was fully assured.

9. INFORMATION POLICY

The Board of Directors of Ascom Holding Ltd. and the Executive Board have undertaken to align their organizational structure with the latest corporate governance standards.

Ascom's information policy is based on commitment to a high degree of transparency and equal treatment of all stakeholder groups. Corporate Communications come under the remit of the General Secretary. Ascom Holding Ltd. provides a wide range of communication tools to keep its shareholders, the media, analysts and other stakeholder groups informed:

Publications
- Annual Report
- Half-Year Report
- The official publication organ is the Swiss Official Gazette of Commerce (SOGC)

Events
- Annual Media Conference and Half-Year Media Conference for media representatives and analysts
- Ad-hoc media conferences
- Analyst & Media Day
- Annual General Meeting of Shareholders
- Road shows for institutional investors

Media releases

In accordance with the provisions of the SIX Swiss Exchange, Ascom publishes information on an ad-hoc and regular basis. Furthermore, Ascom releases news on significant business activities and on important product and service innovations.

Sponsorship

The main focus of Group level sponsorship is on UNICEF. In addition, Ascom is sponsoring together with other reputable Swiss companies the project ''venture'' to support young entrepreneurs in founding a company.

Internet

The website www.ascom.com provides a comprehensive overview of the company's structure and activities and the offerings of the individual business units.

All media releases and presentations at media conferences can be downloaded from the website at (www.ascom.com/en/index/news-corporate.htm and http://www.ascom.com/en/index/investor-relations/ir-reports-presentations.htm). Media releases may also be received by e-mail by subscribing to the News Service on the website or via News Feed (www.ascom.com/en/index/news_corporate/news_service/hugin_subscription_form.htm).

The Articles of Incorporation of Ascom Holding Ltd., the Organization Regulations, a current extract from the Commercial Register, the Code of Business Conduct and the share registration guidelines can also be downloaded from the website under ''Corporate Governance'' (http://www.ascom.com/en/index/group/company/corporate-governance.htm). The minutes of past Annual General Meetings are available at www.ascom.com/en/index/investor-relations/annual-general-meeting.

Implementation of publication requirements under stock exchange regulations

The Board of Directors has issued an Annex to the Organization Regulations entitled ''Corporate Policy and Procedure on Insider Trading'', which in particular prohibits Ascom employees and governing bodies of Ascom from engaging in insider trading. An absolute ban on trading applies during a period of four weeks prior to the publication of the annual results and half-year results.

Information on management transactions is published at www.six-swiss-exchange.com/shares/companies/management_transactions_en.html.

Detailed information on disclosure announcements can be viewed at www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html.

Dates and contacts

A list of important dates in 2012 and Corporate Communications and Investor Relations contacts is provided on page 124 of this Annual Report.

REMUNERATION REPORT

This Remuneration Report provides information on remuneration paid by Ascom in fiscal year 2011 and will be presented to the 2012 Annual General Meeting for approval.

1. Content and method of determining remuneration and stock option plans

a) Board of Directors

Members of the Board of Directors receive a fee in accordance with the Remuneration Regulations (Annex to the Organization Regulations [www.ascom.com/en/index/investor-relations/about-the-group/corporate-governance.htm]). The fee is paid in cash. No other remuneration is paid. Members of the Board of Directors receive no severance payment.

The fees for members of the Board of Directors are reviewed on an annual basis and are determined by the full Board of Directors. The assessment of the fees is based on external (e.g. benchmark to other international technology companies) and internal criteria (e.g. workload, request of availability). The members of the Board of Directors receive a fix fee without a variable component. Committee work, additional meetings or special project are not compensated with an additional fee and no attendance fees are paid out either.

After remaining unchanged for a number of years, the fees were adjusted with effect from 1 January 2011. As of this date, an ordinary member of the Board of Directors receives an annual fee of CHF 120,000.

The fees for the Chairman and the Vice-Chairman had not changed since 2004. As of 1 January 2011, the Chairman receives a fee of CHF 300,000 per annum and the Vice-Chairman receives a fee of CHF 180,000 per annum.

b) Executive Board

- **Method of determination**

The remuneration packages for all members of the Executive Board and the Executive Committee are set by the full Board of Directors on the recommendation of the Compensation & Nomination Committee. The Compensation & Nomination Committee is made up exclusively of independent members of the Board of Directors. In 2011, the CEO attended parts of the meetings of the Compensation & Nomination Committee but was not present for the discussion and decision concerning his own remuneration package.

In the course of 2011, six people sat on the Executive Board. Former CEO Riet Cadonau stepped down from the Executive Board on 31 March 2011, and Claes Ödman, General Manager, Wireless Solutions, joined the Executive Board on 14 June 2011. Dr Fritz Gantert stepped down from the Executive Board on 31 December 2011.

Remuneration for members of the Executive Board and the Executive Committee is reviewed on an annual basis and set at the discretion of the full Board of Directors on the basis of the function, responsibility, experience and performance of the individual Executive Board members.

Total remuneration for each member consists of a basic salary and a variable component (performance-related bonus). The basic salary and variable component are paid in cash.

In addition, since 2003 the Board of Directors has approved a stock option program for a selected number of the top management on an annual basis, with a view to rewarding behavior geared towards medium- and long-term success with remuneration elements that are only available at a later point in time.

- **Basic salary**

The basic salaries paid to all six members of the Executive Board in the 2011 financial year totaled CHF 2,041,783 (2010: CHF 2,203,000 for five Executive Board members).

- **Variable salary component (bonus)**

The variable salary component (bonus) is linked solely to the achievement of measurable quantitative targets (incoming orders, net revenue, EBIT, net working capital) which are defined at the beginning of each year. The individual incentive targets used to determine the variable salary component (bonus calculation) for members of the Executive Board are defined annually by the full Board of Directors at the request of the Compensation & Nomination Committee. The potential bonus of the CEO for 2011 was weighted as follows: 25% incoming orders, 25% net revenue, 40% EBIT, 10% net working capital. The potential bonus for the other members of the Executive Board was weighted according to Group targets and targets set within their own area of responsibility.

If all defined targets are achieved in full, the respective member of the Executive Board receives a pre-determined percentage of his basic salary as a variable component (bonus). If the results fall short, no variable salary component is paid. The CEO receives a bonus of 50% of his basic salary on fully achieving all targets. In cases where the targets set are exceeded, the CEO is paid a higher bonus which may be no more than twice the target bonus of 50% of the basic salary. The other members of the Executive Board receive a bonus of 40% of their basic salary on fully achieving all defined targets. If the targets set within the respective member's area of responsibility as well as the Group targets are exceeded, the other members of the Executive Board are paid a higher bonus in line with the individually defined incentive targets but no more than twice the target bonus of 40% of the basic salary.

Due to business performance, the variable salary component was lower year-on-year, amounting to CHF 1,010,608 for all six Executive Board members in 2011 (2010: CHF 1,461,000 for five Executive Board members). Bonuses will be calculated and paid in April 2012 following the approval of the 2011 financial statements.

In 2011, the variable salary component (bonus) corresponded to 59% of the basic salary for the serving CEO (2010: 83% for the former CEO) and 45% of the basic salary in the case of the other four Executive Board members (2010: 58%).

- **Options**

Options are allocated on the basis of stock option plans set up each year and agreed in writing. The conditions for exercising such options are defined when they are allocated, with no subsequent changes being made and in particular no re-pricing. The strike price corresponds at least to the market price on the exercise date or to the average market price over a defined number of trading days prior to this date. Management of the Ascom Stock Option Plans is the responsibility of the Board of Directors.

Under the 2011 Ascom Stock Option Plan and in accordance with the provisions of his contract of employment, the CEO received options worth 20% of the total of basic salary and 100% potential bonus in 2011. At the discretion of the Board of Directors, the other members of the Executive Board received options worth 20% of the total of their basic salaries and target bonuses. The value of the options was determined by an independent third party (fiduciary company).

- **Severance payments**

Contracts of employment with members of the Executive Board provide for no special severance payment. The period of notice for members of the Executive Board is 12 months. The serving CEO has a notice period of 12 months as well. In case that a change of control leads directly to a separation from the CEO the notice period will be extended to 24 months.

In the event of a takeover of the company, all exercise hurdles for existing stock option plans become null and void as of the takeover date and all options granted may be exercised.

If a participant to an Ascom Stock Option Plan terminates his contract of employment, all outstanding options are forfeited upon termination of the contract of employment. Outstanding options may still be exercised within three months of the date on which the contract of employment expires, following which they are forfeited.

2. Remuneration for serving members of governing bodies

The following remuneration was paid in 2011:

a) Board of Directors

Members of the Board of Directors were paid remuneration totaling CHF 840,000 in 2011 (2010: CHF 700,000).

	CHF
Juhani Anttila, Chairman	300,000
Paul E. Otth, Vice-Chairman	180,000
Dr J.T. Bergqvist	120,000
Kenth-Ake Jönsson	120,000
Andreas V. Umbach	120,000

No member of the Board of Directors received any additional payments as defined by Art. 663b^{bis} of the Swiss Code of Obligations, nor were any payments made to parties closely related to the Board of Directors.

No members of the Board of Directors or closely related parties were granted any loans by the company.

b) Executive Board

The total paid to all six members of the Executive Board in 2011 amounted to CHF 4,162,976 (2010: CHF 4,653,990 for five members). The total amount includes employer's contributions of CHF 260,140 to the occupational pension scheme. The variable salary components for serving members of the Executive Board will be calculated and paid following approval of the financial statements in April 2012.

in CHF	Basic salary	Variable salary component	Miscellaneous [1]	Pension contribution	Options [2]	Total
CEO	600,000	355,865	13,168	82,153	293,366	1,344,552
Other members	1,441,783	654,743	66,791	177,987	477,120	2,818,424
Total Executive Board	**2,041,783**	**1,010,608**	**79,959**	**260,140**	**770,486**	**4,162,976**

[1] Contributions to medical benefit plans and special premiums.
[2] Fair value of the options granted in 2011, calculated at the time they were granted using a binomial model.

In addition, members of the Executive Board were allocated a total of 161,000 options under the 2011 Ascom Stock Option Plan, with a strike price of CHF 15.00. These options are valued at a total of CHF 770,486, based on the value at the time they were granted.

The highest total remuneration within the Executive Board was paid to the serving CEO. The total remuneration for the CEO in 2011, consisting of the basic salary and variable salary component, amounted to CHF 955,865 (2010 to the former CEO: CHF 1,318,000). The employer's pension contribution amounted to CHF 82,153. The serving CEO was allocated 65,000 options under the 2011 Ascom Stock Option Plan, with a strike price of CHF 15.00. These options are valued at a total of CHF 293,366, based on the value at the time they were granted.

No members of the Executive Board received any additional payments as defined by Art. 663b^{bis} of the Swiss Code of Obligations, nor were any payments made to parties closely related to the Executive Board.

No members of the Executive Board or closely related parties were granted any loans by the company.

3. Former members of the Executive Board

In 2011, the former CEO Riet Cadonau was paid an amount of CHF 75,000 in compliance with commitments set down in his contract of employment (compensation for previous options), thereby settling all claims.

No other former members of the Executive Board or parties closely related to them received any payments or loans from the company in 2011.

4. Share ownership

Number of shares and options held in Ascom Holding Ltd. as of 31 December 2011:

a) Board of Directors

- All members of the Board of Directors and closely related parties, in toto: 27,000 shares.

	Shares
Juhani Anttila, Chairman	25,000
Paul E. Otth, Vice-Chairman	2,000
Dr J.T. Bergqvist	–
Kenth-Ake Jönsson	–
Andreas V. Umbach	–

- No members of the Board of Directors or closely related parties hold any conversion or option rights.

b) Executive Board

- All members of the Executive Board and closely related parties, in toto: 21,000 shares and 325,000 options (all employee options).

Number	Shares	Options	Employee options (exercis-able)[1]	Employee options (not exer-cisable)[1]
Fritz Mumenthaler, CEO	21,000	–	48,000	94,000
Dr Martin Zwyssig, CFO	–	–	34,000	56,000
Rikard Lundqvist, GM NT	–	–	25,000	53,000
Claes Ödman GM WS	–	–	–	15,000
Total Executive Board	**21,000**	**–**	**107,000**	**218,000**

[1] In accordance with the provisions of Ascom Stock Option Plans 2008, 2009, 2010 and 2011. Ratio 1:1.

c) Share allotment in the year under review

No shares were allotted by Ascom Holding Ltd. in 2011.

5. Options

a) Ascom Stock Option Plan 2008

In accordance with the resolution passed by the Board of Directors on 3 March 2008, a total of 170,400 options were issued to six members of Ascom senior management on 3 March 2008, 28 July 2008 and 4 August 2008 respectively, each option entitling the holder to purchase one share with a par value of CHF 0.50. The strike price is CHF 12.50. The options have a term of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a vesting period (one third of the options can be exercised after one year).

78,946 of the 157,400 options outstanding at the beginning of the year were exercised in 2011, 12,454 were forfeited, and the remaining 66,000 are still outstanding.

b) Ascom Stock Option Plan 2009

In accordance with the resolution passed by the Board of Directors on 2 March 2009, a total of 490,200 options were issued to 33 members of Ascom senior management on 2 March 2009, 1 June 2009, 12 June 2009, 29 June 2009, 3 August 2009 and 12 August 2009 respectively, each option entitling the holder to purchase one share with a par value of CHF 0.50 (cash-settled options allocated to US residents entitle the holder to receive the difference between exercise and strike price in cash). The strike price is CHF 7.70. The options have a term of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a vesting period (one third of the options can be exercised after one year).

60,070 of the 359,300 options outstanding at the beginning of the year were exercised in 2011, 42,900 were forfeited, and the remaining 256,330 are still outstanding.

c) Ascom Stock Option Plan 2010

In accordance with the resolution passed by the Board of Directors on 3 March 2010, a total of 512,000 options were issued to 42 members of Ascom senior management on 12 March 2010 and 10 May 2010 respectively, each option entitling the holder to purchase one share with a par value of CHF 0.50 (cash-settled options allocated to US residents entitle the holder to receive the difference between exercise and strike price in cash). The strike price is CHF 11.40. The options have a term of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a vesting period (one third of the options can be exercised after one year).

40,667 of the 512,000 options outstanding at the beginning of the year were exercised in 2011, 73,333 were forfeited, and the remaining 398,000 are still outstanding.

d) Ascom Stock Option Plan 2011

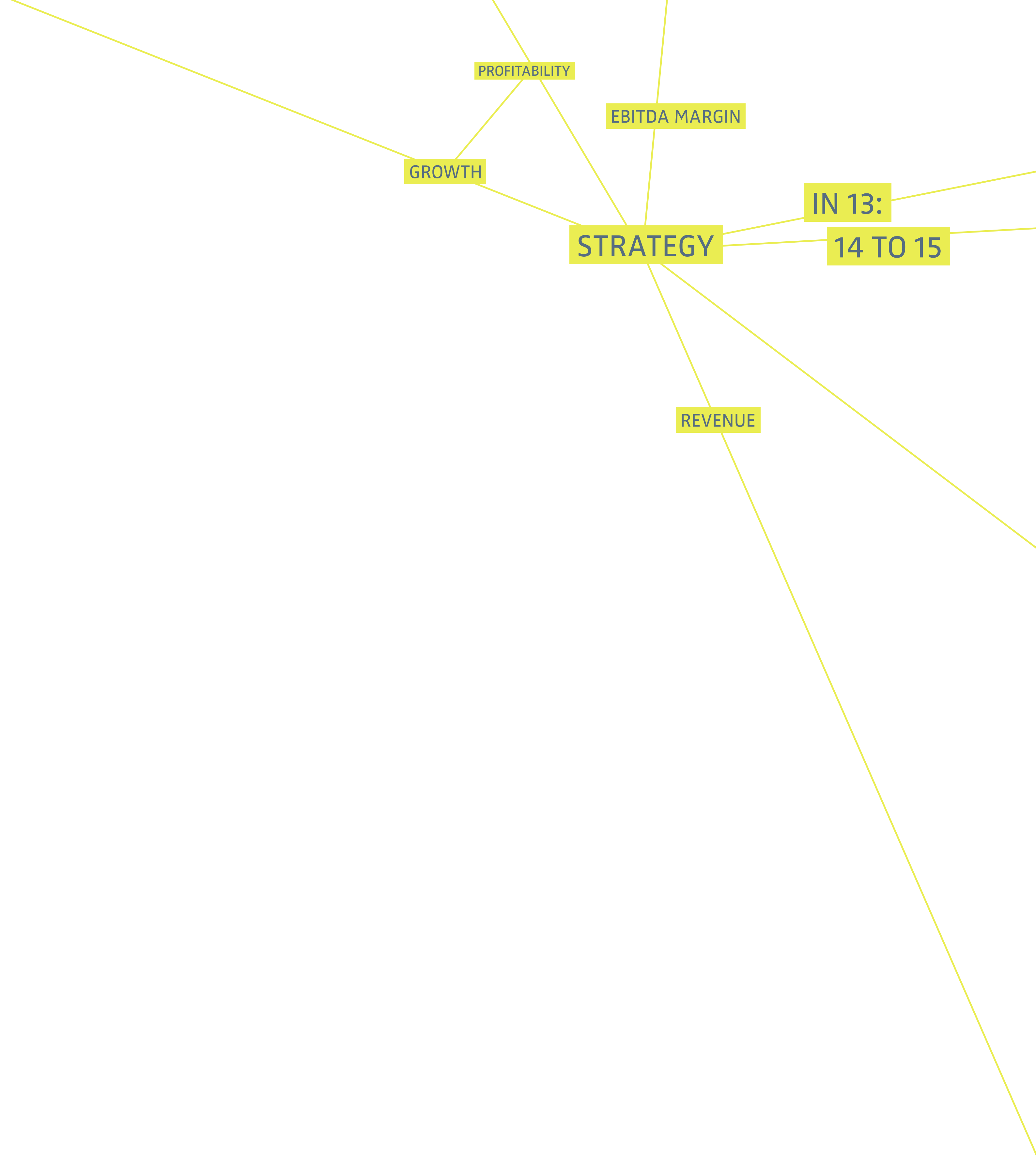
In accordance with the resolution passed by the Board of Directors on 13 April 2011, a total of 491,000 options were issued to 42 members of Ascom senior management on 13 April 2011, each option entitling the holder to purchase one share with a par value of CHF 0.50 (cash-settled options allocated to US residents entitle the holder to receive the difference between exercise and strike price in cash). The strike price is CHF 15.00. The options have a term of five years and are subject to a fixed vesting period of three years (one participant is entitled under the terms of his contract of employment to exercise one third of the options after one year) and an exercise hurdle (the share price must be at least CHF 16.50 at the time of exercising the option, and must have outperformed the SMI index within any given 12-month period).

9000 options were forfeited, and the remaining 482,000 are still outstanding.

e) Options held as of 31 December 2011

SOP	Duration in years	Strike price in CHF	Issued options	Exercised options	Expired options	Retained options
2008	4	12.50	170,400	91,946	12,454	66,000
2009	4	7.70	490,200	186,970	46,900	256,330
2010	4	11.40	512,000	40,667	73,333	398,000
2011	5	15.00	491,000	–	9,000	482,000

The 1,202,330 options issued and not yet exercised or expired as of 31 December 2011 correspond to 3.34% of the total share capital.


PROFITABILITY
EBITDA MARGIN
GROWTH
STRATEGY
IN 13:
14 TO 15
REVENUE


EQUITY RATIO
NET CASH POSITION
CONSOLIDATED BALANCE SHEET
OPERATING CASH FLOW
PAY-OUT RATIO
NET PROFIT
EARNINGS PER SHARE
MARGINS
CONSOLIDATED INCOME STATEMENT
CONTINUING OPERATIONS
EBITDA

FINANCIAL STATEMENTS 2011

CONSOLIDATED BALANCE SHEET

	CHFm	Note	31.12.2011	31.12.2010
ASSETS	Property, plant and equipment	5	20.4	25.3
	Intangible assets	6	215.0	221.5
	Deferred income tax assets	22	5.6	3.9
	Financial assets	7	5.7	7.5
	Other assets	10	9.1	3.2
	Non-current assets		**255.8**	**261.4**
	Inventories and work in progress	8	33.4	42.3
	Trade receivables	9	96.2	103.8
	Income tax receivables		0.2	–
	Other assets	10	33.2	43.0
	Financial assets	7	1.5	0.8
	Cash and cash equivalents	11	73.3	129.0
			237.8	**318.9**
	Assets of disposal group classified as held for sale	23	13.2	–
	Current assets		**251.0**	**318.9**
	Total assets		**506.8**	**580.3**
LIABILITIES AND SHARE-HOLDERS' EQUITY	Equity attributable to owners of the parent		203.8	189.0
	Shareholders' equity		**203.8**	**189.0**
	Borrowings	13	17.5	37.5
	Deferred income tax liabilities	22	13.7	16.7
	Employee benefit obligations	14	16.6	15.9
	Provisions	15	12.1	13.6
	Other liabilities		0.5	0.2
	Non-current liabilities		**60.4**	**83.9**
	Borrowings	13	–	37.6
	Provisions	15	13.9	35.0
	Trade payables		28.4	28.0
	Income tax payables		4.6	7.2
	Other liabilities	16	105.9	199.6
			152.8	**307.4**
	Liabilities of disposal group classified as held for sale	23	89.8	–
	Current liabilities		**242.6**	**307.4**
	Total liabilities		**303.0**	**391.3**
	Total liabilities and shareholders' equity		**506.8**	**580.3**

The notes on pages 56 to 105 are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

CHFm	Note	2011	2010 [1]
Revenue	17	437.5	472.9
Cost of goods sold		(218.6)	(228.1)
Gross profit		**218.9**	**244.8**
Marketing and distribution		(97.1)	(101.7)
Research and development		(45.9)	(48.1)
Administration		(36.3)	(39.3)
Amortization of intangible assets from acquisition [2]	6	(9.4)	(10.5)
Other income/(expenses), net	18	10.4	6.2
Earnings before interest and income tax (EBIT)		**40.6**	**51.4**
Financial income	21	1.4	1.0
Financial expenses	21	(8.0)	(6.8)
Earnings before income tax		**34.0**	**45.6**
Income tax	22	(3.4)	(9.8)
Profit for the period from continuing operations		**30.6**	**35.8**
Loss for the period from discontinued operations	23	(7.5)	(3.3)
Group profit for the period attributable to the owners of the parent		**23.1**	**32.5**

[1] Previous year numbers are re-presented according IFRS 5.38.

[2] This line item exclusively contains amortization of intangible assets initially capitalized due to a purchase price allocation at acquisition date.

Earnings per share in CHF

Group – basic	24	0.67	0.94
Continuing operations – basic	24	0.88	1.04
Group – diluted	24	0.67	0.94
Continuing operations – diluted	24	0.88	1.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHFm	Note	2011	2010
Profit for the period from continuing operations		30.6	35.8
Loss for the period from discontinued operations	23	(7.5)	(3.3)
Currency translation adjustments [1]		(1.3)	(22.0)
Total comprehensive income for the period attributable to the owners of the parent		**21.8**	**10.5**

[1] Thereof a loss of CHF 0.2 million (previous year: CHF 1.3 million) relates to assets and liabilities of disposal group classified as held for sale as disclosed in note 23.

The notes on pages 56 to 105 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHFm	Attributable to owners of the parent						Total shareholders' equity
	Share capital [1]	Own shares [1]	Share premium	Other capital reserves	Currency translation adjustments	Retained earnings	
Balance at 1.1.2010	**18.0**	**(13.9)**	**21.9**	**5.5**	**(19.9)**	**167.7**	**179.3**
Group profit for the period	–	–	–	–	–	32.5	32.5
Other comprehensive income	–	–	–	–	(22.0)	–	(22.0)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(22.0)**	**32.5**	**10.5**
Share-based payments	–	–	–	1.3	–	–	1.3
Purchase of own shares	–	(3.4)	–	–	–	–	(3.4)
Disposal of own shares	–	1.6	–	(0.3)	–	–	1.3
Total transactions with owners	**–**	**(1.8)**	**–**	**1.0**	**–**	**–**	**(0.8)**
Balance at 31.12.2010	**18.0**	**(15.7)**	**21.9**	**6.5**	**(41.9)**	**200.2**	**189.0**
Group profit for the period	–	–	–	–	–	23.1	23.1
Other comprehensive income	–	–	–	–	(1.3)	–	(1.3)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(1.3)**	**23.1**	**21.8**
Share-based payments	–	–	–	1.3	–	–	1.3
Purchase of own shares	–	(2.6)	–	–	–	–	(2.6)
Disposal of own shares	–	2.8	–	0.1	–	–	2.9
Dividends paid	–	–	–	–	–	(8.6)	(8.6)
Total transactions with owners	**–**	**0.2**	**–**	**1.4**	**–**	**(8.6)**	**(7.0)**
Balance at 31.12.2011	**18.0**	**(15.5)**	**21.9**	**7.9**	**(43.2)**	**214.7**	**203.8**

[1] Refer to note 12.

Share premium

The share premium represents the excess of the issued share capital's fair value over its nominal value.

Other capital reserves

For equity-settled employee share-based payment transactions, IFRS requires entities to recognize an increase in equity when services are received. The Group has chosen to recognize an expense with a related credit in other capital reserves. The Group provides own shares to employees exercising stock options and elected to recognize the excess or shortfall of cash received over the acquisition cost of those own shares in other capital reserves.

Currency translation adjustment

Shareholders' equity of Group companies with financial statements in foreign currency is carried at historical exchange rates. The resulting foreign exchange differences are recognized directly in shareholders' equity under currency translation adjustments until the disposal of the corresponding subsidiary.

The notes on pages 56 to 105 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

CHFm	Note	2011	2010
Group profit for the period		23.1	32.5
+ Depreciation and impairment of property, plant and equipment	5	6.0	6.2
+ Amortization and impairment of intangible assets	6	14.2	13.8
+/- (Profit)/loss from disposal of property, plant and equipment	18	(3.9)	(0.1)
+/- (Profit)/loss from divestment of a subsidiary or business	3	(3.0)	(2.9)
+ Share-based payments	19	0.9	1.7
+/- Increase/(release) of provisions and employee benefit obligations		(3.5)	9.9
- Provisions paid	15	(15.4)	(12.6)
+/- Change in inventory and work in progress		4.5	1.5
+/- Change in trade receivables		4.6	(5.2)
+/- Change in trade payables		2.1	1.4
+/- Change in other assets and other liabilities		(8.6)	1.8
- Interest income		(1.5)	(1.0)
+ Interest expenses		2.2	3.1
+ Interest received		1.3	0.8
- Interest paid		(1.4)	(2.2)
+ Income tax expenses	22	3.5	10.0
- Income tax paid		(11.3)	(11.7)
+/- Foreign currency translation differences on intra-group positions		2.6	(0.8)
Net cash flow from operating activities		**16.4**	**46.2**
- Purchase of property, plant and equipment	5	(5.1)	(6.0)
+ Proceeds from disposal of property, plant and equipment		6.9	0.4
- Purchase of intangible assets	6	(3.9)	(8.5)
- Acquisition of a subsidiary or business	3	(6.4)	–
+ Proceeds from divestment of a subsidiary or business	3	3.2	2.1
+/- Change in financial assets and other non-current assets		0.8	0.6
Net cash flow from investing activities		**(4.5)**	**(11.4)**
+ Increase in borrowings		37.5	–
- Repayment of borrowings		(95.9)	(25.1)
+ Proceeds from disposal of own shares		2.9	1.3
- Purchase of own shares	12	(2.6)	(3.4)
- Dividends paid		(8.6)	–
Net cash flow from financing activities		**(66.7)**	**(27.2)**
+/- Foreign currency translation differences on cash and cash equivalents		(0.9)	(6.3)
Net increase/(decrease) in cash and cash equivalents		**(55.7)**	**1.3**
+ Cash and cash equivalents at 1.1.		129.0	127.7
Cash and cash equivalents at 31.12.	**11**	**73.3**	**129.0**

The notes on pages 56 to 105 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ascom is an international solution provider with comprehensive technological know-how in Mission-Critical Communication. The company focuses on the areas of Wireless Solutions (high-value, customer-specific on-site communication solutions) and Network Testing (a global market leader in testing and optimization solutions for mobile networks).

Ascom Holding Ltd., the parent company of the Group, is a public limited company and is domiciled in Berne (Switzerland). Ascom registered shares (symbol ASCN) are listed on the SIX Swiss Exchange in Zurich (Switzerland).

2. SUMMARY OF THE GENERAL GROUP ACCOUNTING POLICIES

2.1 Basis of preparation

The functional and presentation currency of Ascom Holding Ltd. is Swiss francs (CHF). Ascom's consolidated financial statements are prepared based on the individual financial statement of each Group company. These are based on historical costs except for the revaluation of certain financial assets at fair value, and are prepared in accordance with International Financial Reporting Standards (IFRS) including the standards and interpretation guidelines issued by the International Accounting Standards Board as well as the valuation and accounting policies described below. These policies have been consistently applied.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.25.

The closing date for the Group and the individual Group companies is 31 December.

2.2 Changes in accounting policy and disclosures

a) The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2011:

IAS 32 (amendment) "Financial instruments: Presentation – Classification of rights issues", IFRIC 19, "Extinguishing financial liabilities with equity instruments", IFRS 1 (amendment) "First-time adoption of IFRS – Limited exemption from comparative IFRS 7 disclosures for first-time adopters", IAS 24 (revised) – "Related Party Disclosures", IFRIC 14 (amendment) "IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction", as well as annual IFRS Improvements published in May 2010 to various IFRSs. These standards have no effect on the consolidated balance sheet or statement of comprehensive income of Ascom Group, as they are either mostly disclosure regulations or are of little significance to Ascom Group.

b) The following standards and amendments to existing standards have been published but are not yet effective. The Group has not early adopted them.

Standard	Assessment	Effective date	Planned application by Ascom
IFRS 1 (amendment) – "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	*	1.7.2011	2012
IFRS 7 (amendment) – "Disclosures: Transfers of Financial Assets"	**	1.7.2011	2012
IAS 12 (amendment) – "Deferred Tax: Recovery of Underlying Assets"	*	1.1.2012	2012
IFRS 9 – "Financial Instruments"	***	1.1.2013	2013
IFRS 10 – "Consolidated Financial Statements"	*	1.1.2013	2013
IFRS 11 – "Joint Arrangements"	*	1.1.2013	2013
IFRS 12 – "Disclosure of Interests in Other Entities Joint Arrangements"	**	1.1.2013	2013
IFRS 13 – "Fair Value Measurement"	***	1.1.2013	2013
IAS 27 (revised) – "Separate Financial Statements"	*	1.1.2013	2013
IAS 28 (revised) – "Investments in Associates and Joint Ventures"	*	1.1.2013	2013
IAS 19 (amendment) – "Employee Benefits"	***	1.1.2013	2013
IAS 1 (amendment) – "Presentation of Items of Other Comprehensive Income"	**	1.7.2012	2013
IFRIC 20 – "Stripping Costs in the Production Phase of a Surface Mine"	*	1.1.2013	2013
IFRS 7 (amendment) – "Disclosures – Offsetting Financial Assets and Financial Liabilities"	**	1.1.2013	2013

* No impact or no significant impact expected on the consolidated financial statements.

** The impact on the consolidated financial statements is expected to result in additional disclosures or changes in presentations.

*** The impact on the consolidated financial statements cannot yet be determined with sufficient reliability.

IAS 19 – "Employee Benefits" was amended in June 2011. Ascom intends to adopt IAS 19 in the accounting period beginning on 1 January 2013. The Group is yet to assess the full impact of the following amendments:

- Elimination of the corridor approach and recognition of all actuarial gains and losses in other comprehensive income as they occur: At 31 December 2011, the Group's unrecognized actuarial losses amount to CHF 85.7 million. At adoption date of the amendments, this amount will be recognized directly in the reference period's opening balance (1 January 2012) of retained earnings.
- Immediate recognition of all past service costs.
- Net interest amount that is calculated by applying the discount rate to the net defined benefit liability or asset (funded status) replaces interest cost and expected return on plan assets.

2.3 Consolidation

a) Subsidiaries

The consolidated financial statements cover Ascom Holding Ltd. and all companies over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Profits or losses from disposal of subsidiaries are recorded in net profit or loss. The list of the consolidated Group companies is included under note 33. Percentages of the Group's interest in share capital correspond to percentages in voting rights held. Group companies are included in the consolidated financial statements in their entirety.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Associates

Associates are all entities over which Ascom Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Foreign currency translation

The consolidated financial statements are presented in Swiss francs (CHF), which is the Group's presentation currency.

All assets and liabilities of foreign entities are translated into the Group's presentation currency at the exchange rates prevailing on 31 December. Income, expenses and cash flows of foreign entities are translated at average exchange rates for the year where this is considered an appropriate approximation of the applicable period rates. Exchange differences arising from the reconversion of the net investment in subsidiaries or associated undertakings in foreign functional currencies are recorded as currency translation adjustments in other comprehensive income. Also taken to other comprehensive income are differences from the retranslation of borrowings that hedge such investments in foreign Group companies. Upon disposal of a foreign operation, accumulated currency translation adjustments are recognized in profit or loss as part of the profit or loss from divestment of a subsidiary or business.

Foreign currency translation

CHF	ISO-code	Unit	31.12. 2011	Average 2011	31.12. 2010	Average 2010
Euro	EUR	1	1.216	1.232	1.249	1.383
Pound sterling	GBP	1	1.455	1.416	1.448	1.611
Swedish krona	SEK	1	0.136	0.137	0.139	0.144
US dollar	USD	1	0.940	0.886	0.936	1.042

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (''the functional currency''). Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate prevailing on the acquisition date. Transactions in foreign currencies are accounted for at the exchange rates prevailing on the transaction date. Gains and losses resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Such balances are converted into the functional currency of the foreign entity at the exchange rates prevailing on 31 December.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO).

2.6 Property, plant and equipment

Property, plant and equipment are recorded at purchase or manufacturing cost (i.e. historical cost) less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the items acquired. Leases of property, plant and equipment where the Group holds the risks and rewards incident to ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the lease payments (see note 2.19). Property, plant and equipment acquired under finance leases are depreciated over the lease period or, if shorter, the useful life of the asset. Land is valued at cost and is not depreciated. Depreciation on property, plant and equipment is calculated using the straight-line method based on the estimated useful life as shown in the following table:

	Useful life in years
Buildings	20–40
Installations and transport systems	7–10
Production equipment, measuring and test equipment, IT hardware, furniture	3–5
Tools and demo equipment	3

The assets' residual value and useful life are reviewed, and adjusted if appropriate, at the balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Items of property, plant and equipment are eliminated from the balance sheet from their date of disposal, or written off when no further economic benefit can be expected from their use. All gains or losses arising from the disposal of such items are included in profit or loss. Where the carrying amount of property, plant and equipment is higher than the recoverable amount, these assets are impaired to the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.7 Intangible assets

Licenses, patents, trademarks, software and other similar rights are recorded at cost less accumulated amortization. The amortization charge is calculated on a straight-line basis over the period of its estimated useful economic life as shown in the following table:

	Useful life in years
Licenses	3–5
Customer relations	10
Technology	7
Trademarks	5
Internally generated development costs	3
Other	2–5

Purchased goodwill (the excess of the purchase price over the fair value of the acquisition-date fair value of the acquired equity interests) is recorded as an intangible asset with an indefinite useful life that is tested for impairment at least once a year. For the purposes of testing for impairment, the goodwill is allocated to the corresponding cash generating units.

Goodwill is carried at cost less any accumulated impairment losses.

2.8 Research and development costs

All research costs are charged immediately to profit or loss. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale.
- Management intends to complete the intangible asset and use or sell it.
- There is an ability to use or sell the intangible asset.
- It can be demonstrated how the intangible asset will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available.
- The expenditure attributable to the intangible asset during its development can be measured reliably.

The capitalized assets are amortized on a straight-line basis over the estimated useful life of the respective product. Development costs that cannot be capitalized are charged to profit or loss in the period in which they occur. Property, plant and equipment used for research and development activities are capitalized in the same way as property, plant and equipment, and depreciated on a straight-line basis over their useful life.

2.9 Financial assets and liabilities

Financial assets are classified as ''Financial assets at fair value through profit or loss'', ''Loans and receivables'' or ''Financial assets available for sale''. Financial liabilities are classified as ''Financial liabilities at fair value through profit or loss'' or ''Other financial liabilities''.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either held for trading purposes or designated as such. Financial assets held for trading are purchased with the intention of generating a profit from short-term fluctuations in the price. All derivative financial instruments are classified as at fair value through profit or loss. Derivative financial instruments comprise forward exchange contracts.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Financial assets available for sale

Available-for-sale financial assets are non-derivative financial instruments that are either allocated to this category or do not belong to any other category.

d) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are either held for trading purposes or designated as such. Derivatives with a negative replacement value are assigned to the category at fair value through profit or loss.

e) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost particularly include trade payables, borrowings and other liabilities.

All financial assets are recorded initially at fair value including transaction costs, except for financial assets at fair value through profit or loss, for which such costs are immediately expensed. All purchases and sales are recognized on the trade date, i.e. on the day an agreement has been entered.

After initial recognition, financial assets at fair value through profit or loss are recorded at fair value and changes in fair value are charged to financial income or expenses in the appropriate reporting period. No hedge accounting is applied. The fair value of a quoted financial instrument is based on available stock exchange prices. If a financial instrument is not quoted in an active market, alternative valuation methods are used based on recent transactions between willing and independent third parties, discounted cash flow analysis or similar.

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Following initial recognition, available-for-sale financial assets are recognized at fair value and changes in value are charged to other comprehensive income.

Whenever there are indications of a possible impairment, the carrying amount of financial assets that are not measured at fair value through profit or loss are tested for objective substantial indications of impairment to identify concrete need for value reduction. Serious financial difficulties, insolvency proceedings of the debtor or financial reorganization, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the financial asset is impaired.

For available-for-sale assets, material or sustained price reductions are indicators of potential impairment. Price reductions of 20% or more are considered material. Sustained price reductions are price reductions that last for at least six months. If there is objective evidence that such a financial asset is impaired, the cumulative loss – measured as the difference between the cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Received dividends on available-for-sale financial assets are recognized in profit or loss as part of financial income.

Financial assets are derecognized when Ascom gives up its control over them, i.e. when the rights associated with them are sold or expired.

At their initial recognition and subsequently, financial liabilities at fair value through profit or loss are measured at fair value. The transaction costs directly identifiable to the purchase of these liabilities are immediately expensed.

Valuation of the non-current portion of financial liabilities measured at amortized cost is subsequently carried out at amortized cost value using the effective-interest method. In addition to actual interest payments, financial expenses include annual compound interests and pro rata transaction costs.

2.10 Inventories and work in progress

Inventories are stated at the lower of purchase costs/manufacturing costs or net realizable value. Net realizable value is the estimated selling price in the normal course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Manufacturing costs include direct material and production costs as well as material and production overheads. The costs are determined using the weighted average method.

Value adjustments are made for obsolete and slow-moving items. Construction contracts are recognized according to the stage of completion of the contract (percentage-of-completion method), and the respective effect is recognized in profit or loss. Provisions are made to cover all anticipated losses, as soon as these are identified.

2.11 Trade receivables

Trade receivables are carried at the invoiced amount less provision for doubtful debts. A provision for doubtful debts is recognized when it becomes obvious that the originally invoiced amount is not fully realizable. The amount of the provision is determined by reference to the originally invoiced amount less the amount of the expected realization. The carrying amount of the asset is reduced through the use of a provision account and the loss is recorded as marketing and distribution expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against marketing and distribution expenses.

2.12 Other current assets

Prepayments and accrued income are stated at nominal value.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash, which is restricted for at least 12 months, is recognized as a financial asset.

2.14 Equity

Registered shares are classified as equity. Own shares and options to acquire own shares as well as realized gains or losses from disposals and costs relating to capital increases and decreases are recorded in equity. Dividends are charged to equity in the period in which they are approved.

2.15 Borrowings

Liabilities are stated as being current if they are settled within 12 months or if there is no unconditional right to extend the settlement to at least 12 months after the balance sheet date. Initial recognition is at fair value, net of transaction costs incurred. Valuation is subsequently carried out at amortized cost value using the effective-interest method.

2.16 Employee benefit obligations

Various employee benefit plans exist within the Group, which are individually tailored to suit the local conditions in their respective countries. For defined contribution plans, the costs to be recognized for the reporting period are the agreed contributions of the employer. In the case of defined benefit plans, the costs to be recognized for the reporting period are determined by external actuaries using the projected-unit-credit method. The liabilities are backed by assets which are managed separately from the assets of the Group by autonomous employee benefit funds (funded benefit plans). By contrast, plans that do not have their own assets (unfunded benefit plans) are backed by a corresponding employee benefit obligation in the balance sheet.

For defined benefit plans with separate funds, the defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled, together with adjustments for unrecognized past service costs. The amount recognized takes into account any unrecognized actuarial gains or losses or outstanding rights. Any assets resulting from surpluses in defined benefit plans are limited to the value of the maximum future savings from reduced contributions. Liabilities are fully provisioned.

Actuarial gains and losses result mainly from changes in actuarial assumptions, or from differences between actuarial assumptions and actual values. Actuarial adjustments that exceed the so-called corridor of 10% are debited or credited to profit or loss over the average remaining working life of the insured employees (provided that the criteria for capitalization are fulfilled). The effects of amendments to plans are recognized until the benefits become available to the employees.

Other employee benefits (e.g. service anniversary awards) are valued by the method described above and recognized in the balance sheet under employee benefit obligations, with any actuarial gains being recognized immediately.

2.17 Provisions

Provisions are made when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. If an outflow of resources to settle an obligation is not probable, a contingent liability is disclosed. Provisions for product warranties are made to the extent of the outflow of resources that can be expected to meet the obligation in full. For costs that are expected to arise in connection with plant closures, the disposal of companies or business units and restructuring, provisions are made at the time of the approval and announcement of the planned measures. For onerous contracts, provisions are provided if the unavoidable costs of meeting the obligation exceed the economic benefit to be received.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

a) Sales of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is recorded based on the price specified in the sales contracts, net of the estimated volume discounts, sales tax or value-added tax as well as credit notes for goods returned. Accumulated experience is used to estimate and provide for the discounts and returns.

b) Rendering of services

Revenue from fixed-price contracts for delivering of services is generally recognized in the period the services are provided, using a straight-line basis over the term of the contract. Such revenue could also be recognized based on the services performed to date as a percentage of the total services to be performed. If the selling price of a product includes an identifiable amount for subsequent servicing (multi-element transactions), that amount is deferred and recognized as revenue over the period during which the service is performed.

c) Construction contracts

Revenue from construction contracts is determined based on the stage of completion using the percentage-of-completion method (PoC) if the stage of completion and expected outcome can be measured reliably. The respective calculation is based either on the costs incurred compared to the total costs to complete or the units completed compared to the total number of contracted units. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known to management. If it is probable that the contract costs will exceed the economic benefit, the potential loss is recognized in profit or loss regardless of the project progress.

2.19 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

a) Lessee accounting

Leases in which a significant portion of the risks and rewards of ownership are transferred from the lessor to the lessee are classified as finance leases. The leased assets are carried at cost not higher than the minimal lease payments and depreciated along with other property, plant and equipment (see note 2.6). The corresponding leasing obligations are shown as liabilities. Per period leasing installments are distributed accordingly as either capital repayments or interest expenses. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

b) Lessor accounting

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Per period leasing installments are distributed accordingly as either capital repayments or interest income. When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Operating lease income is recognized in profit or loss over the term of the lease on a straight-line basis.

2.20 Share-based payments

Selected members of Ascom's senior management receive remuneration in the form of share-based payment transactions (stock option plans), whereby employees render services as consideration for such equity instruments (equity-settled options). Employees which are residents of the USA are granted share appreciation rights, which can only be settled in cash (cash-settled options).

The costs of options are measured initially at fair value at the grant date using a binomial model, further details of which are given in note 19. For equity-settled options, this fair value is recognized over the vesting period under personnel expenses, together with a corresponding increase in other capital reserves in equity, adjusted to reflect actual versus expected levels of vesting. The dilutive effect of outstanding equity-settled options is reflected as additional share dilution in the computation of diluted earnings per share (see note 24). The fair value of cash-settled options is recognized under personnel expenses over the period until the vesting date with recognition of a corresponding liability included under other provisions. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized as personnel expenses.

2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

2.22 Income tax

Income tax is recorded based on the period to which it properly relates. Deferred income tax is recorded in full using the liability method. Deferred income tax assets and liabilities arise on temporary differences between carrying values of assets and liabilities for Group purposes and their related tax values. These temporary differences arise mainly from depreciation of property, plant and equipment, amortization of intangible assets, revaluation of certain non-current assets, employee benefit obligations and tax loss carry-forwards, and, in the case of acquisitions, the difference between the fair value of the net assets acquired and their tax base. The tax rates and laws enacted or substantially enacted at the balance sheet date are used to determine deferred income tax. Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary deductible differences can be offset.

Deferred income tax is recognized on temporary differences arising from investments in subsidiaries, associates and joint ventures. Exceptions are temporary differences for which the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.23 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as completed sale within one year from the date of classification. The assets must be available for immediate sale in their present condition. Assets held for sale are measured at the lower of their carrying amount at the date of their first recognition as held for sale and fair value less costs to sell. Such assets are no longer depreciated or amortized systematically. A possible impairment is included in profit or loss.

A discontinued operation is a substantial component of the Group that either has been disposed of, or is classified as held for sale.

2.24 Definition of non-GAAP measures

Earnings before interest and income tax (EBIT) as a subtotal includes all operating income and expenses before addition/deduction of financial income and expenses and income tax.

Earnings before interest, income tax, depreciation and amortization (EBITDA) as a subtotal includes earnings before interest and income tax (EBIT) before deduction of depreciation of property, plant and equipment as well as amortization of intangible fixed assets.

2.25 Main sources of uncertainty with regard to estimates

Below we explain important forward-looking assumptions and other main sources of uncertainty with regard to estimates, which could result in significant value adjustments in respect of assets and liabilities carried on the balance sheet in the coming financial year.

Intangible assets from acquisition are initially capitalized at their fair value due to a purchase price allocation at acquisition date. The fair value is determined using the respective methods as disclosed further in note 6. Future assessments of a potential impairment of such intangible assets is dependent on the achievement of the forecasted cash flows as used in the initial business plan.

This ultimately also applies to the goodwill that is recognized, since the purchase price allocation normally consists mainly of the portfolio value and goodwill. Goodwill is regarded as an intangible asset with an indefinite useful life that must be tested for impairment at least once a year. Determining the present value of goodwill requires an estimate of the expected future cash flows from the cash generating unit to which the goodwill is allocated and the setting of an appropriate discount rate for calculation of the present value of these cash flows. The estimates of the cash flows are based on medium-term plans. The discount rate applied reflects the risk arising in connection with the respective business activities. Further information on goodwill can be found in note 6.

For defined benefit plans, the defined benefit obligation is determined using the projected-unit-credit method. Actuarial valuations of significant defined benefit plans are obtained annually. Actuarial assumptions are used in determining the cost of funded and unfunded employee benefits. These actuarial assumptions, such as discount rate, expected return on assets, future salary or pension increases and average life expectancy, are estimates and therefore sources of uncertainty (see note 14).

Ascom management regularly monitors the net future outflow of economic benefits related to onerous lease contracts. In calculating the value of these provisions, net cash flows of forecasts with a time horizon to 2015 are used and the planned costs are amortized with market related discount rates. Management continuously updates the provisions for the likelihood of finding tenants for vacant space in the foreseeable future. Further information on onerous contracts can be found in note 15.

Restructuring provisions are created in connection with the discontinuation or reorganization of a line of business and the closure or relocation of business locations if there is a detailed formal plan and the implications are known and communicated. Significant judgment is required to determine the costs of restructuring plans (see note 15).

In connection with recording revenue from construction contracts it is necessary to reliably determine the project progress and costs. The respective calculation is based either on the costs incurred compared to the total costs to complete or the units completed compared to the total number of contracted units. The contracts are analyzed and reassessed at least at each balance sheet date (see note 16).

Ascom Group is subject to income tax in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. At the balance sheet date, there were non-capitalized tax loss carry-forwards (see note 22). As a result of future positive developments with regard to income, the possibility may arise that deferred income tax assets in connection with these tax loss carry-forwards will be capitalized at least in part.

3. SIGNIFICANT TRANSACTIONS AND OPERATIONAL CHANGES

Acquisition of Miratel Oy

At 1 July 2011, Ascom acquired all shares of Miratel Oy, based in Finland. The purchase price amounted to EUR 5.5 million. Miratel is the market leader in nurse call systems, communication and personal security systems for hospitals and care facilities in Finland. The company has over 40 years' experience in nurse call systems, their deployment and commissioning as well as their maintenance and service. Miratel achieved net revenues of EUR 7.3 million in 2010, and employs 35 people in the Finnish locations of Turku, Helsinki, Oulu and Kuopio. Miratel became part of the Ascom Wireless Solutions Division and forms the core of the Wireless Solutions business in Finland.

CHFm	Book value	Fair value adjustments	Fair value
Property, plant and equipment	0.2	–	0.2
Goodwill	–	5.5	5.5
Intangible assets from acquisition	–	1.8	1.8
Deferred tax assets	0.3	(0.3)	–
Non-current assets	**0.5**	**7.0**	**7.5**
Inventories and work in progress	1.0	–	1.0
Trade receivables and other current assets	1.4	–	1.4
Cash and cash equivalents	0.2	–	0.2
Current assets	**2.6**	**–**	**2.6**
Total assets	**3.1**	**7.0**	**10.1**
Deferred income tax liabilities	–	0.2	0.2
Non-current provisions	0.1	–	0.1
Current borrowings	0.9	–	0.9
Trade payables and other current liabilities	2.3	–	2.3
Total liabilities	**3.3**	**0.2**	**3.5**
Total purchase price			**6.6**
Net cash outflow:			
Cash			6.6
Less cash and cash equivalents acquired			(0.2)
Net cash outflow in the reporting period			**6.4**

The goodwill of CHF 5.5 million arising from the acquisition is attributable to the acquired workforce, additional growth potential in the Finnish market and other synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value and gross contractual amount of the acquired trade receivables was CHF 1.0 million. None of the trade receivables due were expected to be uncollectible.

Acquisition-related costs of CHF 0.2 million were recorded in administration expenses of the reporting period.

Miratel contributed revenue of CHF 4.7 million and a profit of CHF 0.7 million since acquisition date to the Group's performance. If the acquisition date of Miratel Oy had taken place on the first day of the fiscal year, the impact on revenue would have been CHF 7.1 million, on profit nil.

Divestment of Ascom (CZ) s.r.o.

At 10 October 2011, Ascom sold its Security Communication business in Czech Republic which was focused on public security communication and alarming applications. COFI s.r.o. formed by the Czech management acquired the Czech subsidiary Ascom (CZ) s.r.o. in a management buy-out with all rights and obligations. All seven employees were transferred to COFI s.r.o. The purchase price of CHF 0.2 million was paid at closing date of the deal.

CHFm	10.10.2011
Property, plant and equipment	0.1
Inventories and work in progress	0.1
Trade receivables and other current assets	0.5
Income tax receivables	0.1
Cash and cash equivalents	0.1
Total assets	**0.9**
Trade payables and other current liabilities	0.8
Total liabilities	**0.8**
Total net assets	**0.1**
Disposal of net assets	(0.1)
Directly attributable costs	(0.1)
Disposal of currency translation adjustments	(0.2)
Cash payment at divestment date	0.2
Net result included [1]	**(0.2)**
Net cash inflow in the reporting period	**–**

[1] Included in loss for the period from discontinued operations.

Divestment of Facility Management Services unit of Ascom (Switzerland) Ltd.

At 31 December 2011, Ascom (Switzerland) Ltd. sold its Facility Management Services unit. RGM Facility Management Schweiz AG domiciled in Berne, acquired all rights and obligations pertaining to the Facility Management Services unit from Ascom (Switzerland) Ltd. All 39 employees were transferred to RGM Facility Management Schweiz AG. The purchase price of CHF 3.9 million was paid at closing date of the deal.

CHFm	31.12.2011
Disposal of net assets	–
Directly attributable costs	(0.7)
Cash payment at divestment date	3.9
Net result included [1]	**3.2**
Net cash inflow in the reporting period	**3.2**

[1] Refer to note 18.

4. SEGMENT INFORMATION

Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Group's chief operating decision-maker, which is defined as the Chief Executive Officer (CEO). Ascom has two clearly focused divisions as reportable segments: Wireless Solutions and Network Testing being homogenous units under the common umbrella of Mission-Critical Communication. As remaining businesses from the former Security Communication segment Ascom discloses the segment Real Estate for the first time.

Wireless Solutions comprises products and services in connection with client-specific on-site communication solutions. Network Testing offers a complete portfolio of software solutions for testing, benchmarking and optimization of mobile networks. Real Estate comprises leasing of industrial real estate and facility management services. Corporate includes those Group activities that cannot be assigned directly to the operating segments. No operating segments were aggregated.

Key figures by segment

CHFm	Wireless Solutions		Network Testing		Real Estate		Corporate		Consolidation		Total Ascom	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Incoming orders	284.1	289.3	145.3	177.5	22.4	22.4	–	0.3	(0.4)	(1.1)	451.4	488.4
Order backlog	89.4	81.4	46.8	38.8	–	–	–	–	–	–	136.2	120.2
Revenue	**276.6**	**282.9**	**138.9**	**168.5**	**22.4**	**22.4**	**–**	**0.3**	**(0.4)**	**(1.2)**	**437.5**	**472.9**
of which with other segments	0.4	0.7	–	0.2	–	–	–	0.3	(0.4)	(1.2)	–	–
Cost of goods sold	(134.6)	(144.2)	(69.0)	(69.9)	(16.9)	(15.4)	2.5	0.4	(0.6)	1.0	(218.6)	(228.1)
Gross profit/(loss)	**142.0**	**138.7**	**69.9**	**98.6**	**5.5**	**7.0**	**2.5**	**0.7**	**(1.0)**	**(0.2)**	**218.9**	**244.8**
as % of revenue	51.3%	49.0%	50.3%	58.5%	24.6%	31.3%	n/a	n/a	n/a	n/a	50.0%	51.8%
Marketing and distribution	(68.8)	(71.8)	(29.6)	(30.2)	–	–	0.6	0.3	0.7	–	(97.1)	(101.7)
Research and development	(21.1)	(19.6)	(25.0)	(29.0)	–	–	0.2	0.5	–	–	(45.9)	(48.1)
Administration	(10.9)	(10.7)	(9.3)	(13.3)	(1.4)	(0.8)	(15.0)	(14.7)	0.3	0.2	(36.3)	(39.3)
Amortization of intangible assets from acquisition	(0.1)	–	(9.3)	(10.5)	–	–	–	–	–	–	(9.4)	(10.5)
Other income/(expenses), net	(6.4)	(6.1)	(5.0)	0.1	7.2	(0.3)	14.6	12.5	–	–	10.4	6.2
EBIT	**34.7**	**30.5**	**(8.3)**	**15.7**	**11.3**	**5.9**	**2.9**	**(0.7)**	**–**	**–**	**40.6**	**51.4**
as % of revenue	12.5%	10.8%	n/a	9.3%	50.4%	26.3%	n/a	n/a	n/a	n/a	9.3%	10.9%
Financial income/(expenses), net											(6.6)	(5.8)
Earnings before income tax											**34.0**	**45.6**
Income tax											(3.4)	(9.8)
Profit from continuing operations											**30.6**	**35.8**
Loss from discontinued operations											(7.5)	(3.3)
Group profit for the period											**23.1**	**32.5**
EBITDA [1]	**41.5**	**37.2**	**3.4**	**27.7**	**11.8**	**6.5**	**3.1**	**(0.5)**	**–**	**–**	**59.8**	**70.9**
as % of revenue	15.0%	13.1%	2.4%	16.4%	52.7%	29.0%	n/a	n/a	n/a	n/a	13.7%	15.0%
Capital expenditures [1]	5.3	5.6	2.6	8.0	0.2	0.4	0.2	0.2	–	–	8.3	14.2
Employees (FTE) at 31.12. [1]	1,198	1,148	571	572	13	52	19	17	–	–	1,801	1,789

[1] Disclosed numbers relate to continuing operations.

Transfer prices between Ascom's operating segments are on an arm's length basis in a matter similar to transactions with third parties. Inter-segment revenues are eliminated on consolidation.

Reportable segments' assets are reconciled to total assets as follows:

CHFm	Wireless Solutions 2011	Wireless Solutions 2010	Network Testing 2011	Network Testing 2010	Real Estate 2011	Real Estate 2010	Corporate 2011	Corporate 2010	Consolidation 2011	Consolidation 2010	Total Ascom 2011	Total Ascom 2010
Reportable segments' assets	**121.1**	**110.9**	**252.1**	**266.9**	**24.2**	**29.9**	**10.2**	**8.8**	**(0.3)**	**(0.7)**	**407.3**	**415.8**
Deferred income tax assets											5.6	3.9
Financial assets											7.2	8.3
Income tax receivables											0.2	–
Cash and cash equivalents											73.3	129.0
Assets from disposal group classified as held for sale [1]											13.2	23.3
Total assets at 31.12.											**506.8**	**580.3**

[1] Previous year number contains assets of former Security Communication segment which are classified as held for sale at 31.12.2011.

Key figures by region

CHFm	Switzerland 2011	Switzerland 2010	Europe and Africa [1] 2011	Europe and Africa [1] 2010	Americas 2011	Americas 2010	Asia Pacific 2011	Asia Pacific 2010	Total Ascom 2011	Total Ascom 2010
Incoming orders	49.6	48.8	286.6	301.8	80.0	97.3	35.2	40.5	451.4	488.4
Revenue	47.7	47.8	285.9	292.9	73.4	97.7	30.5	34.5	437.5	472.9
Non-current assets at 31.12. [2]	6.4	7.9	207.8	216.5	20.3	20.3	0.9	0.8	235.4	245.5
Employees (FTE) at 31.12.	181	206	1,337	1,341	205	181	78	61	1,801	1,789

[1] Excluding Switzerland.

[2] This line item exclusively contains property, plant and equipment as well as intangible assets relating to continuing operations.

5. PROPERTY, PLANT AND EQUIPMENT

CHFm	Land and buildings	Plant and equipment	Equipment under construction	Total
Cost				
Balance at 1.1.2010	**46.8**	**94.0**	**2.3**	**143.1**
Additions	0.5	4.2	1.3	6.0
Disposals	(1.4)	(6.2)	–	(7.6)
Divestment of a subsidiary or business	–	(0.3)	–	(0.3)
Reclassifications	(0.2)	1.3	(1.1)	–
Currency translation adjustments	(4.3)	(6.2)	(0.1)	(10.6)
Balance at 31.12.2010	**41.4**	**86.8**	**2.4**	**130.6**
Additions	0.3	3.7	1.1	5.1
Disposals	(7.8)	(5.2)	(0.4)	(13.4)
Acquisition of a subsidiary or business	–	0.2	–	0.2
Divestment of a subsidiary or business	–	(0.9)	–	(0.9)
Reclassifications	0.3	1.7	(2.0)	–
Transferred to assets of disposal group classified as held for sale	(0.3)	(8.6)	–	(8.9)
Currency translation adjustments	(0.6)	(1.2)	(0.1)	(1.9)
Balance at 31.12.2011	**33.3**	**76.5**	**1.0**	**110.8**
Accumulated depreciation and impairment				
Balance at 1.1.2010	**31.8**	**82.2**	**–**	**114.0**
Additions	0.8	5.4	–	6.2
Disposals	(1.4)	(5.9)	–	(7.3)
Currency translation adjustments	(2.3)	(5.3)	–	(7.6)
Balance at 31.12.2010	**28.9**	**76.4**	**–**	**105.3**
Additions	0.7	4.6	–	5.3
Impairment[1]	–	0.7	–	0.7
Disposals	(5.5)	(5.0)	–	(10.5)
Divestment of a subsidiary or business	–	(0.8)	–	(0.8)
Transferred to assets of disposal group classified as held for sale	(0.3)	(7.8)	–	(8.1)
Currency translation adjustments	(0.2)	(1.3)	–	(1.5)
Balance at 31.12.2011	**23.6**	**66.8**	**–**	**90.4**
Net carrying amount at 31.12.2010	**12.5**	**10.4**	**2.4**	**25.3**
Net carrying amount at 31.12.2011	**9.7**	**9.7**	**1.0**	**20.4**

[1] Refers to loss recognized on the re-measurement of assets of disposal group (see note 23).

At the balance sheet date, the carrying amount of assets under finance leases included in property, plant and equipment amounts to CHF 0.1 million (previous year: CHF 0.1 million). The fire insurance value of property, plant and equipment at 31 December 2011 amounts to CHF 136.5 million (previous year: CHF 161.6 million). As at 31 December 2011, there were no contractual commitments for acquisition of property, plant and equipment (previous year: CHF 0.3 million).

6. INTANGIBLE ASSETS

CHFm	Goodwill	Licenses	Intangible assets from acquisition	Internally generated development costs	Other	Intangible assets under construction	Total
Cost							
Balance at 1.1.2010	**161.0**	**12.5**	**77.5**	**6.6**	**44.7**	**–**	**302.3**
Additions	–	–	–	1.2	7.3	–	8.5
Disposals	–	–	–	(0.3)	(0.4)	–	(0.7)
Currency translation adjustments	(8.9)	(1.2)	(3.4)	(0.4)	(2.2)	–	(16.1)
Balance at 31.12.2010	**152.1**	**11.3**	**74.1**	**7.1**	**49.4**	**–**	**294.0**
Additions	–	0.6	–	–	0.6	2.7	3.9
Disposals	–	(5.6)	(3.7)	(0.5)	(0.8)	–	(10.6)
Acquisition of a subsidiary or business	5.5	–	1.8	–	–	–	7.3
Divestment of a subsidiary or business	–	–	–	–	(0.2)	–	(0.2)
Reclassifications	–	–	–	–	1.2	(1.2)	–
Transferred to assets of disposal group classified as held for sale	–	(3.5)	–	–	(1.2)	–	(4.7)
Currency translation adjustments	(2.1)	(0.2)	(1.2)	(0.1)	(0.7)	(0.1)	(4.4)
Balance at 31.12.2011	**155.5**	**2.6**	**71.0**	**6.5**	**48.3**	**1.4**	**285.3**
Accumulated amortization and impairment							
Balance at 1.1.2010	**–**	**12.2**	**8.0**	**1.6**	**41.7**	**–**	**63.5**
Additions	–	0.2	10.5	1.6	1.5	–	13.8
Disposals	–	–	–	(0.3)	(0.4)	–	(0.7)
Currency translation adjustments	–	(1.2)	(0.8)	(0.2)	(1.9)	–	(4.1)
Balance at 31.12.2010	**–**	**11.2**	**17.7**	**2.7**	**40.9**	**–**	**72.5**
Additions	–	0.2	9.4	2.2	2.4	–	14.2
Disposals	–	(5.6)	(3.7)	(0.5)	(0.7)	–	(10.5)
Divestment of a subsidiary or business	–	–	–	–	(0.2)	–	(0.2)
Transferred to assets of disposal group classified as held for sale	–	(3.5)	–	–	(1.1)	–	(4.6)
Currency translation adjustments	–	(0.1)	(0.3)	–	(0.7)	–	(1.1)
Balance at 31.12.2011	**–**	**2.2**	**23.1**	**4.4**	**40.6**	**–**	**70.3**
Net carrying amount at 31.12.2010	**152.1**	**0.1**	**56.4**	**4.4**	**8.5**	**–**	**221.5**
Net carrying amount at 31.12.2011	**155.5**	**0.4**	**47.9**	**2.1**	**7.7**	**1.4**	**215.0**

As at 31 December 2011, there were no contractual commitments for acquisition of intangible assets (previous year: CHF 0.3 million).

Goodwill is allocated to the Group's cash-generating units (CGU) as shown in the table below:

CHFm	31.12.2011 [1]	31.12.2010
Wireless Solutions	16.1	8.6
Network Testing	139.4	143.5
Total	**155.5**	**152.1**

[1] In the period under review, Goodwill in the amount of CHF 2.2 million was reclassified from CGU Network Testing to CGU Wireless Solutions.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a four-year period. Cash flows beyond the four-year period are extrapolated using a 1.5% growth rate. The discount rate applied is based on a risk-free 10-year bond adjusted for risk. The following assumptions based on experience are applied:

	2011	2010
Revenue growth rate (CAGR) [1]		
– Wireless Solutions	8.1%	7.9%
– Network Testing	2.4%	6.9%
EBIT margin [1]		
– Wireless Solutions	11%–12%	9%–14%
– Network Testing	0%–14%	6%–16%
Pre-tax discount rate		
– Wireless Solutions	10.4%	10.3%
– Network Testing	10.2%	9.9%

[1] Based on approved four-year financial budgets, excluding foreign exchange impacts.

Based on these calculations there is no need for impairment. Regarding the sensitivity of changes to underlying assumptions used, Ascom Group showed that even a possible change in the discount rate up to 14% (previous year: 17%) would still not result in an impairment of goodwill, neither in Wireless Solutions nor in Network Testing. Also a reduction in EBIT margin assumption of 5 percentage points (previous year: 8 percentage points) would not lead to an impairment of goodwill.

Intangible assets from acquisition consist of customer relations of CHF 26.7 million (previous year: CHF 28.7 million), technology of CHF 17.7 million (previous year: CHF 22.1 million) and trademarks of CHF 3.5 million (previous year: CHF 5.0 million). Customer relations are capitalized using the excess-earning method for valuation of the existing customers at acquisition date. In 2011, customer relations of CHF 1.8 million were capitalized due to the acquisition of Miratel Oy. Customer relations are amortized over their estimated useful life of 10 years, using the straight-line method. Technology and trademarks are capitalized using the royalty rate method for valuation. Technology is amortized over the estimated useful life of 7 years, trademarks are amortized over the estimated useful life of 5 years, using the straight-line method.

Amortization of intangible assets from acquisition of CHF 9.4 million (previous year: CHF 10.5 million) shown as separate line item in the income statement exclusively contains amortization and impairment of intangible assets initially capitalized due to a purchase price allocation at acquisition date. Taking into account the function of expense method this line item could be reassigned as follows:

CHF 5.4 million (previous year: CHF 6.2 million) to marketing and distribution as well as CHF 4.0 million (previous year: CHF 4.3 million) to research and development.

Other intangible assets include mainly software.

Following a reassessment of the remaining expected life and expected future economic benefits to be generated by intangible assets, there was no need to impair intangible assets during the period under review (previous year: nil).

7. FINANCIAL ASSETS

CHFm	31.12.2011	31.12.2010
Investments in third parties	0.9	0.9
Loans and other financial investments	2.0	4.4
Finance leases	2.8	2.2
Total non-current portion	**5.7**	**7.5**
Loans	0.5	–
Finance leases	1.0	0.8
Total current portion	**1.5**	**0.8**

Investments in third parties for which the fair value of the market prices cannot be reliably determined are shown in the balance sheet at cost less any impairment. This refers to the stake in CSEM AG, Neuenburg. Loans and other financial investments primarily comprise loans in connection with the sale of real estate and divestment of a business in previous years. At 31 December 2011, non-current finance lease receivables of CHF 2.8 million are presented under non-current financial assets instead of other non-current assets and current finance lease receivables of CHF 1.0 million are presented under current financial assets instead of other current assets for the first time. Accordingly, previous year numbers are adjusted by CHF 2.2 million respectively CHF 0.8 million each.

Future minimum lease payments under finance leases contracts together with the present value of the net minimum lease payments are as follows:

CHFm	Within 12 months	Between 1 and 5 years	Later	Total 31.12.2011
Gross investment in leases	1.2	2.7	0.6	4.5
Unearned interest income	(0.2)	(0.4)	(0.1)	(0.7)
Present value of the net minimum lease payments	**1.0**	**2.3**	**0.5**	**3.8**

CHFm	Within 12 months	Between 1 and 5 years	Later	Total 31.12.2010
Gross investment in leases	0.9	2.1	0.4	3.4
Unearned interest income	(0.1)	(0.3)	–	(0.4)
Present value of the net minimum lease payments	**0.8**	**1.8**	**0.4**	**3.0**

8. INVENTORIES AND WORK IN PROGRESS

CHFm	31.12.2011	31.12.2010
Raw materials and components	8.9	10.8
Work in progress	10.2	13.1
Finished goods and goods for resale	14.3	18.4
Total	**33.4**	**42.3**

The above figures are after inventory provision amounting to CHF 7.6 million at 31 December 2011 (previous year: CHF 12.2 million).

Movements on the Group's inventory provision are as follows:

CHFm	2011	2010
Balance at 1.1.	**12.2**	**13.7**
Additions	1.6	3.0
Impairment [1]	2.5	–
Amounts used	(2.0)	(3.0)
Release of unused amounts	(0.3)	(0.6)
Transferred to assets of disposal group classified as held for sale	(6.2)	–
Currency translation adjustments	(0.2)	(0.9)
Balance at 31.12.	**7.6**	**12.2**

[1] Refers to loss recognized on the re-measurement of assets of disposal group (see note 23).

9. TRADE RECEIVABLES

CHFm	31.12.2011	31.12.2010
Receivables from third parties	98.3	106.9
Less provision for doubtful debts	(2.1)	(3.1)
Total	**96.2**	**103.8**

The fair value of trade receivables equals the carrying amounts at year-end. The maximum exposure to credit risk at the reporting date is the carrying amount.

Trade receivables that are less than three months past due are not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The age analysis for the trade receivables is as follows:

CHFm	31.12.2011	31.12.2010
Current/past due less than 1 month	86.8	94.8
Past due between 1 and 3 months	5.4	5.8
Past due between 3 and 12 months	4.0	3.2
Past due more than 12 months	–	–
Total	**96.2**	**103.8**

Movements in the Group's provision for doubtful debts are as follows:

CHFm	2011	2010
Balance at 1.1.	**3.1**	**3.8**
Additions	1.4	1.2
Impairment [1]	0.9	–
Receivables written off during the year as uncollectible	(0.8)	(0.4)
Release of unused amounts	(1.4)	(1.1)
Transferred to assets of disposal group classified as held for sale	(1.0)	–
Currency translation adjustments	(0.1)	(0.4)
Balance at 31.12.	**2.1**	**3.1**

[1] Refers to loss recognized on the re-measurement of assets of disposal group (see note 23).

Individually impaired receivables relate to customers which are in unexpectedly difficult economic situations. Derived from valuation adjustments net expenses in the amount of CHF 0.9 million (previous year: CHF 0.1 million) were recorded in profit or loss of the reporting period. Additions and releases of provision for doubtful debts have been included in marketing and distribution expenses. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The Group does not hold any collateral as security for trade receivables.

10. OTHER ASSETS

CHFm	31.12.2011	31.12.2010
Prepayments for employee benefits [1]	7.8	3.2
Other prepaid expenses	1.3	–
Total non-current portion	**9.1**	**3.2**
Other receivables	21.4	20.6
Prepayments for inventories	0.3	0.6
Accrued income	11.5	21.8
Total current portion	**33.2**	**43.0**

[1] Refer to note 14.

Other receivables include recoverable withholding tax and value added tax totaling CHF 4.4 million (previous year: CHF 3.8 million). Beside other items, accrued income includes accrued revenues from construction contracts valued using the PoC method (see note 16). Other assets do not contain any classes of impaired assets. The Group does not hold any collateral as security for other assets.

11. CASH AND CASH EQUIVALENTS

CHFm	31.12.2011	31.12.2010
Available without restrictions	73.3	129.0
Total cash and cash equivalents	**73.3**	**129.0**

The average interest rate on cash and cash equivalents in the year under review was 0.7% (previous year: 0.4%).

12. SHARE CAPITAL AND OWN SHARES

Composition of share capital

CHFm	Number 31.12.2011	Amount 31.12.2011	Number 31.12.2010	Amount 31.12.2010
Registered shares nom. CHF 0.50	36,000,000	18.0	36,000,000	18.0
Number of registered shareholders	5,952		6,270	

The total authorized number of ordinary shares is 36,000,000 of which 34,569,960 (previous year: 34,562,967) are outstanding. Each share grants the owner one vote at the annual general meeting of the shareholders. All shares issued by the company were fully paid in.

Own shares

CHFm	Number 2011	Amount 2011	Number 2010	Amount 2010
Balance at 1.1.	**1,437,033**	**15.7**	**1,283,933**	**13.9**
Additions	250,000	2.6	300,000	3.4
Disposals	(256,993)	(2.8)	(146,900)	(1.6)
Balance at 31.12.	**1,430,040**	**15.5**	**1,437,033**	**15.7**

During 2011, Ascom bought 250,000 registered shares to hedge the issuance of shares in conjunction with the exercise of options under the Ascom Stock Option Plan 2011. In the previous year, Ascom bought 300,000 registered shares to hedge the Ascom Stock Option Plan 2010. The holdings of own shares stated under the changes in equity correspond to these registered shares.

13. BORROWINGS

At 31 December 2011, the Group's total credit facilities comprised cash lines of CHF 123.6 million and guarantee lines of CHF 67.8 million available from financial institutions and banks worldwide (previous year: cash lines of CHF 78.6 million and a guarantee lines of CHF 65.8 million). At 31 December 2011, Ascom did use the cash credit lines as shown in the table below:

CHFm	Current portion		Total	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Non-current loans from financial institutions and banks	–	37.5	17.5	75.0
Current loans from financial institutions and banks	–	0.1	–	0.1
Total	**–**	**37.6**	**17.5**	**75.1**

The total borrowings consist mainly of one revolving multicurrency loan facility in an aggregate amount equal to CHF 120.0 million with a bank consortium at variable interest rates with an option to monthly fix the interest rate for a maximum period of 12 months. This loan facility replaced the former facility at 26 May 2011. The final maturity date of the credit facility is 24 May 2016. The financial covenants contained in this credit facility are fully complied with. The fair value of the borrowings is equal to the carrying amount.

14. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit plans and defined contribution plans exist within the Group. Significant defined benefit plans are subject to annual valuation by qualified actuaries. The latest valuations took place on 31 December 2011. The valuation methods used are described in note 2.16. Unfunded plans exist primarily in the case of the German and Swedish companies.

The amounts recognized in the balance sheet for defined benefit plans are as follows:

CHFm	Plans in Switzerland		Other plans		Total	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Present value of funded plan obligations	(923.1)	(984.2)	(17.2)	(15.0)	(940.3)	(999.2)
Fair value of plan assets	851.5	921.7	14.1	13.6	865.6	935.3
Funded status	**(71.6)**	**(62.5)**	**(3.1)**	**(1.4)**	**(74.7)**	**(63.9)**
Present value of unfunded plan obligations	–	–	(20.0)	(21.2)	(20.0)	(21.2)
Unrecognized actuarial losses/(gains)	79.0	65.5	6.7	6.9	85.7	72.4
Unrecognized plan assets	–	–	(0.2)	(0.1)	(0.2)	(0.1)
Unrecognized past service cost	–	–	–	0.1	–	0.1
Net asset/(liability) in the balance sheet	**7.4**	**3.0**	**(16.6)**	**(15.7)**	**(9.2)**	**(12.7)**
Prepaid asset in the balance sheet	7.4	3.0	0.4	0.2	7.8	3.2
Employee benefit obligations	–	–	17.0	(15.9)	17.0	(15.9)
Transferred to liabilities of disposal group classified as held for sale	–	–	(0.4)	–	(0.4)	–
Employee benefit obligations in the balance sheet	–	–	16.6	(15.9)	16.6	(15.9)

The movement of the year in the defined benefit plan obligations is as follows:

CHFm	Plans in Switzerland		Other plans		Total	
	2011	2010	2011	2010	2011	2010
Balance at 1.1.	**(984.2)**	**(1,001.3)**	**(36.2)**	**(37.0)**	**(1,020.4)**	**(1,038.3)**
Current service cost	(4.3)	(4.6)	(1.0)	(1.1)	(5.3)	(5.7)
Past service cost	–	–	–	(0.1)	–	(0.1)
Interest cost	(26.2)	(29.2)	(1.5)	(1.6)	(27.7)	(30.8)
Contributions by plan participants	(4.0)	(4.0)	–	–	(4.0)	(4.0)
Actuarial (losses)/gains	13.4	(15.5)	–	(0.9)	13.4	(16.4)
Benefits paid	82.2	70.4	1.0	1.2	83.2	71.6
Currency translation adjustments	–	–	0.5	3.3	0.5	3.3
Balance at 31.12.	**(923.1)**	**(984.2)**	**(37.2)**	**(36.2)**	**(960.3)**	**(1,020.4)**

The movement of the year in the fair value of the defined benefit plan assets is as follows:

CHFm	Plans in Switzerland 2011	2010	Other plans 2011	2010	Total 2011	2010
Balance at 1.1.	**921.7**	**916.9**	**13.6**	**14.0**	**935.3**	**930.9**
Expected return on plan assets	30.8	36.4	0.8	0.8	31.6	37.2
Actuarial (losses)/gains	(26.9)	34.8	(0.2)	0.4	(27.1)	35.2
Employer contributions [1]	4.1	–	0.5	0.5	4.6	0.5
Employee contributions	4.0	4.0	–	–	4.0	4.0
Benefits paid	(82.2)	(70.4)	(0.6)	(0.7)	(82.8)	(71.1)
Currency translation adjustments	–	–	–	(1.4)	–	(1.4)
Balance at 31.12.	**851.5**	**921.7**	**14.1**	**13.6**	**865.6**	**935.3**

[1] In 2010, employer contributions related to plans in Switzerland were nil due to the company's use of its contribution reserve.

The defined benefit plan assets are comprised as follows:

CHFm	Plans in Switzerland 31.12.2011	31.12.2010	Other plans 31.12.2011	31.12.2010	Total 31.12.2011	31.12.2010
Cash	74.9	71.9	–	–	74.9	71.9
Shares	179.7	252.5	4.3	4.5	184.0	257.0
Bonds	100.5	71.9	6.3	5.9	106.8	77.8
Mortgages	43.4	48.9	–	–	43.4	48.9
Property	411.3	392.6	–	–	411.3	392.6
Other	41.7	83.9	3.5	3.2	45.2	87.1
Total	**851.5**	**921.7**	**14.1**	**13.6**	**865.6**	**935.3**

Pension plan assets include buildings occupied by the Group with a fair value of CHF 5.8 million at 31 December 2011 (previous year: CHF 5.7 million).

The pension costs recognized for defined benefit plans consist of:

CHFm	Plans in Switzerland 2011	2010	Other plans 2011	2010	Total 2011	2010
Current service cost	(4.3)	(4.6)	(1.0)	(1.1)	(5.3)	(5.7)
Past service cost	–	–	–	(0.1)	–	(0.1)
Interest cost	(26.2)	(29.2)	(1.5)	(1.6)	(27.7)	(30.8)
Expected return on plan assets	30.8	36.4	0.8	0.8	31.6	37.2
Net actuarial gains/(losses) recognized under IAS 19.58	–	–	(0.3)	(0.8)	(0.3)	(0.8)
Change unrecognized plan assets (IAS 19.58b limitation)	–	–	(0.1)	(0.1)	(0.1)	(0.1)
Income/(expenses) recognized	**0.3**	**2.6**	**(2.1)**	**(2.9)**	**(1.8)**	**(0.3)**

Of the total charge of CHF 1.8 million (previous year: CHF 0.3 million), CHF 0.2 million (previous year: CHF 0.7 million income) was included in cost of goods sold, CHF 0.3 million in marketing and distribution (previous year: CHF 0.1 million), CHF 0.5 million in research and development (previous year: CHF 0.1 million income), nil in administration (previous year: CHF 0.1 million), CHF 0.1 million as other expense (previous year: CHF 0.1 million) and CHF 0.7 million as interest expense (previous year: CHF 0.8 million).

The principal actuarial assumptions used in determining the cost of the employee benefit plans vary according to local conditions. The assumptions applied in the valuation of the significant plans in Switzerland and abroad are as follows:

	Plans in Switzerland		Other plans	
	2011	2010	2011	2010
Discount rate in %	2.50	2.75	3.85–5.10	3.50–5.50
Expected return on assets in %	3.50	3.50	4.10–5.21	4.00–5.82
Future salary increases in %	2.00	2.00	2.10–3.50	1.00–4.50
Future pension increases in %	0.10	1.00	0.10–3.70	1.50–3.75
Average life expectancy in years of someone retiring at 62 for Switzerland and 65 for the other plans at the balance sheet date				
– Male	22.2	20.3	17.0–23.0	20.0–22.0
– Female	24.7	23.6	22.0–26.0	24.0

The current return on the pension fund capital was CHF 4.5 million (previous year: CHF 72.4 million). The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return in the respective markets.

The expected contributions to defined benefit plans for the year ending 31 December 2012 are CHF 4.3 million.

For the Swiss pension plan the experience adjustments are as follows:

CHFm	2011	2010	2009	2008	2007
Fair value of plan assets at 31.12.	851.5	921.7	916.9	907.9	1,270.6
Present value of funded plan obligations at 31.12.	(923.1)	(984.2)	(1,001.3)	(973.1)	(1,123.8)
Funded status at 31.12.	**(71.6)**	**(62.5)**	**(84.4)**	**(65.2)**	**146.8**
Experience adjustments on plan obligations	14.7	6.8	(13.0)	(6.7)	13.6
Change in assumption adjustments on plan obligations	(1.3)	(22.3)	(44.3)	(11.5)	29.9
Experience adjustments on plan assets	(26.9)	34.8	37.7	(217.7)	(4.5)
Total actuarial gain/(loss)	**(13.5)**	**19.3**	**(19.6)**	**(235.9)**	**39.0**

The amount recognized as an expense for defined contribution plans was CHF 14.7 million (previous year: CHF 14.6 million).

15. PROVISIONS

CHFm	Restructuring	Onerous contracts	Warranties	Other provisions	Total
Balance at 1.1.2010	**4.3**	**15.0**	**9.8**	**22.4**	**51.5**
Additions	7.7	0.9	3.3	10.3	22.2
Payments	(3.5)	(3.0)	(1.8)	(4.3)	(12.6)
Release of unused amounts	(1.1)	(0.8)	(2.7)	(5.8)	(10.4)
Reclassifications	–	0.3	–	(0.3)	–
Currency translation adjustments	(0.4)	–	(0.6)	(1.1)	(2.1)
Balance at 31.12.2010	**7.0**	**12.4**	**8.0**	**21.2**	**48.6**
Additions	1.7	1.5	2.8	1.7	7.7
Payments	(5.8)	(3.4)	(1.6)	(4.6)	(15.4)
Release of unused amounts	(0.1)	(1.0)	(2.9)	(8.3)	(12.3)
Acquisition of a subsidiary or business	–	–	0.1	–	0.1
Transferred to liabilities of disposal group classified as held for sale	–	–	(1.8)	(0.5)	(2.3)
Currency translation adjustments	(0.1)	–	(0.1)	(0.2)	(0.4)
Balance at 31.12.2011	**2.7**	**9.5**	**4.5**	**9.3**	**26.0**

Expected payment

Within 12 months	6.2	3.5	6.7	18.6	35.0
Later	0.8	8.9	1.3	2.6	13.6
Balance at 31.12.2010	**7.0**	**12.4**	**8.0**	**21.2**	**48.6**
Within 12 months	1.9	3.6	3.9	4.5	13.9
Later	0.8	5.9	0.6	4.8	12.1
Balance at 31.12.2011	**2.7**	**9.5**	**4.5**	**9.3**	**26.0**

At 10 August 2011, the Board of Directors decided to focus the Ascom Group's business consistently on the two divisions Wireless Solutions and Network Testing. In relation to the divestment of the core business units of the former Security Communication Division a new restructuring provision of CHF 1.7 million was recognized mainly related to costs for termination of labor contracts. Expected cash outflows are projected to occur mainly within one year but not later than within five years.

In 2010, Ascom recognized provisions for several restructuring events. Thereof, all provisions were either used or released in the current period.

Provisions include onerous lease contracts for a number of leased properties that are partially vacant. Ascom does not use the vacant space and the Group experiences difficulties to sublet the premises. The value of the provisions is based on net cash flows using forecasts with a time horizon to 2015 and by discounting the costs with a market related discount rate of 6.0% (previous year: 6.5%).

Provisions for warranties are project-related and are based on systematic extrapolation of historical payment patterns, which are verified and adjusted periodically.

Other provisions comprise obligations arising from claims or disputes in connection with the operational business of Ascom companies (CHF 1.5 million), provisions for environmental costs relating to premises (CHF 2.9 million), provisions in relation to termination of labor contracts (CHF 0.7 million), provisions in relation to open income tax cases (CHF 1.8 million) and obligations arising from cash-settled share-based payments (CHF 0.2 million). The residual amount represents an accumulation of several minor events. After taking appropriate legal advice, the outcome of the legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2011. Cash outflows of other provisions are expected within three years.

A reassessment of the most likely outcome of risks in relation to divested activities led to a release of unused other provisions of CHF 3.0 million in the period under review. Additionally, Ascom settled litigations connected to the operational business which led to releases of unused other provisions in the total amount of CHF 2.0 million. The remaining amount consists of several cases individually not exceeding CHF 0.5 million.

16. OTHER LIABILITIES (CURRENT)

CHFm	31.12.2011	31.12.2010
Prepayments from customers	27.5	44.3
VAT and other tax liabilities	8.6	7.7
Personnel related accruals and liabilities	38.4	41.0
Accrued expenses from construction contracts	0.3	71.4
Other accruals and liabilities	31.1	35.2
Total	**105.9**	**199.6**

The key data in connection with construction contracts are as follows (including assets and liabilities of disposal group classified as held for sale):

CHFm	31.12.2011	31.12.2010
Contract revenue recognized in the reporting period	52.4	63.3
Aggregate amount of costs incurred, to date	168.2	142.0
Aggregate amount of recognized profits (less recognized losses), to date	58.8	47.3
Aggregate revenue for contract work, to date	**227.0**	**189.3**
Aggregate progress billings, to date	(285.4)	(244.7)
Currency translation adjustments	(0.1)	–
Net accrual for contract work	**(58.5)**	**(55.4)**
Contract costs recognized as inventory	0.9	–
Trade receivables from construction contracts	5.8	5.2
Accrued revenue from construction contracts	14.3	16.0
Prepayments from customers for contract work	(14.5)	(17.4)
Accrued expenses from construction contracts [1]	(72.8)	(71.4)
Net liability for contract work	**(66.3)**	**(67.6)**
Gross amount due from customers for contract work	3.9	5.4
Gross amount due to customers for contract work	(70.2)	(73.0)

[1] At 31 December 2011, CHF 0.3 million relate to continuing operations and CHF 72.5 million are allocated to liabilities of disposal group.

17. REVENUE

CHFm	2011	2010
Sale of goods	329.2	367.7
Rendering of services	97.5	88.9
Other revenue	10.8	16.3
Total	**437.5**	**472.9**

18. OTHER INCOME/(EXPENSES), NET

CHFm	2011	2010
Net release of provisions	3.3	3.1
Profit from disposal of property, plant and equipment [1]	3.9	0.1
Profit from divestment of a subsidiary or business [2]	3.2	2.9
Other operating income	–	0.1
Total	**10.4**	**6.2**

[1] Current year number relates to the sale of property in Switzerland and the Netherlands.

[2] Refer to note 3.

19. SHARE-BASED PAYMENTS

Ascom Stock Option Plan 2007/I

In accordance with the resolution passed by the Board of Directors on 5 March 2007, a total of 95,400 options were issued to three members of Ascom's senior management on 5 March 2007 and 14 May 2007, each option entitles the holder to purchase one share with a nominal value of CHF 0.50. The strike price is CHF 19.85.

The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a vesting period to 4 March 2009. 77,500 options left of the Option Plan 2007/I expired on 4 March 2011.

Ascom Stock Option Plan 2007/II

In accordance with the resolution passed by the Board of Directors on 25 September 2007, a total of 360,000 options (equity- as well as cash-settled options) were issued to 26 members of Ascom's senior management on 1 October 2007. Each equity-settled option entitles the holder to purchase one share with a nominal value of CHF 0.50. Each cash-settled option entitles the holder to receive the difference between exercise and strike price in cash. The strike price is CHF 13.00.

The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a vesting period (one third of the options can be exercised after one year and another third in each consecutive year; after three years, all granted options can be exercised).

In 2011, 77,310 of the 298,000 options outstanding at the beginning of the year were exercised, 65,000 were forfeited, and the remaining 155,690 expired on 30 September 2011.

Ascom Stock Option Plan 2008

In accordance with the resolution passed by the Board of Directors on 3 March 2008, a total of 170,400 options were issued to six members of Ascom's senior management on 3 March 2008 (I), on 28 July 2008 (II) and 4 August 2008 (III), each option entitles the holder to purchase one share with a nominal value of CHF 0.50. The strike price is CHF 12.50.

The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a vesting period (one third of the options can be exercised after one year and another third in each consecutive year; after three years, all granted options can be exercised).

In 2011, 78,946 of the 157,400 options outstanding at the beginning of the year were exercised, 12,454 were forfeited and the remaining 66,000 are still outstanding at 31 December 2011.

Ascom Stock Option Plan 2009

In accordance with the resolution passed by the Board of Directors on 2 March 2009, a total of 490,200 options (equity- as well as cash-settled options) were issued to 33 members of Ascom's senior management on 2 March 2009 (I), on 1 June 2009 (II), on 12 June 2009 (III), on 29 June 2009 (IV), on 3 August 2009 (V) and 12 August 2009 (VI). Each equity-settled option entitles the holder to purchase one share with a nominal value of CHF 0.50. Each cash-settled option entitles the holder to receive the difference between exercise and strike price in cash. The strike price is CHF 7.70.

The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a vesting period (one third of the options can be exercised after one year and another third in each consecutive year; after three years, all granted options can be exercised).

In 2011, 60,070 of the 359,300 options outstanding at the beginning of the year were exercised, 42,900 were forfeited and the remaining 256,330 are still outstanding at 31 December 2011.

Ascom Stock Option Plan 2010

In accordance with the resolution passed by the Board of Directors on 3 March 2010, a total of 512,000 options (equity- as well as cash-settled options) were issued to 42 members of Ascom's senior management on 12 March 2010 (I) and on 10 May 2010 (II). Each equity-settled option entitles the holder to purchase one share with a nominal value of CHF 0.50. Each cash-settled option entitles the holder to receive the difference between exercise and strike price in cash. The strike price is CHF 11.40.

The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a vesting period (one third of the options can be exercised after one year and another third in each consecutive year; after three years, all granted options can be exercised).

In 2011, 40,667 of the 512,000 options outstanding at the beginning of the year were exercised, 73,333 were forfeited and the remaining 398,000 are still outstanding at 31 December 2011.

Ascom Stock Option Plan 2011

In accordance with the resolution passed by the Board of Directors on 13 April 2011, a total of 491,000 options (equity- as well as cash-settled options) were issued to 42 members of Ascom's senior management on 13 April 2011. Each equity-settled option entitles the holder to purchase one share with a nominal value of CHF 0.50. Each cash-settled option entitles the holder to receive the difference between exercise and strike price in cash. The strike price is CHF 15.00. The options have a life of five years and are subject to two exercise hurdles (outperformance of the SMI index within a period of 12 months and a minimum share price of CHF 16.50 at the date of exercise). The options are subject to a fixed vesting period of three years (one participant is entitled under the terms of his contract of employment to exercise one third of the options after one year and another third in each consecutive year). During the period under review, 9000 options were forfeited and the remaining 482,000 are still outstanding at 31 December 2011.

In the following table the development of outstanding options is presented:

	Number of options 2011	Exercise price (CHF) [1] 2011	Number of options 2010	Exercise price (CHF) [1] 2010
Options outstanding at 1.1.	**1,404,200**	**11.38**	**1,138,900**	**11.29**
Granted	491,000	15.00	512,000	11.40
Exercised	(256,993)	11.35	(152,900)	8.58
Forfeited	(202,687)	11.36	(47,900)	15.12
Expired	(233,190)	15.28	(45,900)	14.75
Options outstanding at 31.12.	**1,202,330**	**12.11**	**1,404,200**	**11.38**
Options exercisable at 31.12.	327,830	10.07	516,600	13.51

	2011	2010
Range of exercise prices of the options outstanding at 31.12. (CHF)	7.70–15.00	7.70–19.85
Remaining contractual life of the options outstanding at 31.12. (years) [1]	2.70	2.02
Fair value of the options granted during the year (CHF) [1]	4.91	4.33
Share price of the options exercised during the year (CHF) [1]	13.87	12.13
Personnel expenses for equity-settled options recognized as other reserves (equity) (CHFm)	(1.28)	(1.28)
Personnel income/(expenses) for cash-settled options recognized as liability (CHFm)	0.43	(0.39)

[1] At weighted average.

At 31 December 2011, the liability recognized for cash-settled options amounts to CHF 0.2 million (previous year: CHF 0.6 million). Thereof CHF 0.1 million (previous year: CHF 0.1 million) represent the total intrinsic value of liabilities for which the employee's right to cash had vested by the end of the period.

The Enhanced American Model (binomial model) was used to determine the fair value of the options. The expected volatility was estimated using the historical long-term volatility, weighted with the implied volatility over a ten-year period to the issue date. The market-related exercise hurdle (market condition) was taken into account in calculating the fair value of the options. The following parameters were applied for the valuation:

Parameters for equity-settled options at grant date

	Exercise price (CHF)	Price at grant date [1] (CHF)	Maximum option life [1] (years)	Expected volatility (%)	Interest rate [1] (%)	Dividend yield (%)	Withdrawal rate (%)	Expected option life [1] (years)
Allocation 2007 / I	19.85	19.85	3.91	60.90	2.72	1.01	8.00	2.91
Allocation 2007 / II	13.00	11.80	4.00	58.50	3.00	1.68	8.00	3.11
Allocation 2008 / I	12.50	12.10	4.00	60.10	2.60	0.90	8.00	3.08
Allocation 2008 / II	12.50	9.20	3.59	57.30	3.19	1.19	8.00	2.85
Allocation 2008 / III	12.50	9.16	3.57	57.80	3.04	1.19	8.00	2.83
Allocation 2009 / I	7.70	6.60	4.00	65.63	1.25	1.21	8.00	3.14
Allocation 2009 / II	7.70	11.90	3.75	69.21	1.06	0.67	8.00	2.56
Allocation 2009 / III	7.70	14.05	3.72	58.55	1.19	0.57	8.00	2.30
Allocation 2009 / IV	7.70	13.55	3.67	60.20	1.08	0.59	8.00	2.29
Allocation 2009 / V	7.70	13.65	3.58	58.50	1.04	0.59	8.00	2.70
Allocation 2009 / VI	7.70	13.50	3.55	58.40	1.05	0.59	8.00	2.68
Allocation 2010 / I	11.40	11.40	4.00	59.30	1.14	0.88	8.00	3.09
Allocation 2010 / II	11.40	10.50	3.84	60.90	0.88	0.95	8.00	2.95
Allocation 2011	15.00	14.40	5.00	53.00	0.38	1.74	8.00	3.58

[1] At arithmetic average.

Parameters for cash-settled options at closing date 2011

	Exercise price (CHF)	Price at closing date (CHF)	Maximum option life [1] (years)	Expected volatility (%)	Interest rate [1] (%)	Dividend yield (%)	Withdrawal rate (%)	Expected option life [1] (years)
Allocation 2009 / I	7.70	8.40	1.17	56.81	0.07	2.98	8.00	0.61
Allocation 2009 / II	7.70	8.40	1.17	56.81	0.07	2.98	8.00	0.61
Allocation 2009 / VI	7.70	8.40	1.17	56.81	0.07	2.98	8.00	0.61
Allocation 2010 / I	11.40	8.40	2.19	56.81	0.06	2.98	8.00	1.33
Allocation 2010 / II	11.40	8.40	2.19	56.81	0.06	2.98	8.00	1.33
Allocation 2011	15.00	8.40	4.28	56.81	0.23	2.98	8.00	3.28

[1] At arithmetic average.

Parameters for cash-settled options at closing date 2010

	Exercise price (CHF)	Price at closing date (CHF)	Maximum option life [1] (years)	Expected volatility (%)	Interest rate [1] (%)	Dividend yield (%)	Withdrawal rate (%)	Expected option life [1] (years)
Allocation 2007 / II	13.00	14.70	0.75	50.5	0.23	1.02	8.00	0.38
Allocation 2009 / I	7.70	14.70	2.17	50.5	0.34	1.02	8.00	1.31
Allocation 2009 / II	7.70	14.70	2.17	50.5	0.34	1.02	8.00	1.31
Allocation 2009 / VI	7.70	14.70	2.17	50.5	0.34	1.02	8.00	1.31
Allocation 2010 / I	11.40	14.70	3.19	50.5	0.57	1.02	8.00	2.20
Allocation 2010 / II	11.40	14.70	3.19	50.5	0.58	1.02	8.00	2.24

[1] At arithmetic average.

20. PERSONNEL EXPENSES

CHFm	2011	2010
Wages and salaries	(156.5)	(156.9)
Social security costs	(22.2)	(23.2)
Pension costs	(13.5)	(11.9)
Share-based payments	(0.9)	(1.7)
Other personnel expenses	(14.3)	(15.5)
Total	**(207.4)**	**(209.2)**

21. FINANCIAL INCOME AND EXPENSES

CHFm	2011	2010
Financial income		
Interest income	1.4	1.0
Total	**1.4**	**1.0**
Financial expenses		
Interest expenses	(2.2)	(3.1)
Net foreign exchange losses	(3.3)	(2.7)
Other financial expenses	(2.5)	(1.0)
Total	**(8.0)**	**(6.8)**
Financial income/(expenses), net	**(6.6)**	**(5.8)**

In 2011, other financial expenses are affected by amortization of capitalized financing costs in the amount of CHF 1.4 million for the early redeemed credit facility due to refinancing (see note 13).

22. INCOME TAX

CHFm	2011	2010
Current income tax charge	(8.8)	(13.8)
Adjustments in respect of current income tax of previous years	0.2	0.4
Deferred income tax	5.1	3.4
Total income tax	**(3.5)**	**(10.0)**
Less income tax from discontinued operations	0.1	0.2
Income tax from continuing operations	**(3.4)**	**(9.8)**

The following elements explain the difference between the expected income tax charge and the actual tax rate.

Analysis of income tax rate

CHFm	2011	2010
Earnings before income tax from continuing operations	34.0	45.6
Earnings before income tax from discontinued operations	(7.4)	(3.1)
Total earnings before income tax	**26.6**	**42.5**
Weighted average expected income tax rate	19.5%	25.4%
Expected income tax	(5.2)	(10.8)
Utilization of non-capitalized tax loss carry-forwards	1.7	2.1
Effect from capitalization of previous years tax losses	1.8	–
Effect of non-capitalized current tax losses	(3.6)	(2.4)
Adjustments in respect of current income tax of previous years	0.2	0.4
Effect of income/(expenses) taxed at lower rate or not taxed	1.6	0.7
Total income tax	**(3.5)**	**(10.0)**
Income tax from discontinued operations	0.1	0.2
Income tax from continuing operations	**(3.4)**	**(9.8)**

The weighted average expected income tax rate of 19.5% (previous year: 25.4%) is calculated using the expected tax rates based on earnings before income tax of the individual Group companies in each jurisdiction. These rates vary significantly. The decrease in the weighted average expected income tax rate is mainly due to the different contribution of individual Group companies to the total earnings before income tax of the Group.

Deferred income tax

CHFm	Deferred income tax assets	Deferred income tax liabilities	Net value
Balance at 1.1.2010	**4.3**	**(20.9)**	**(16.6)**
Additions	3.6	(3.5)	0.1
Reversal	(0.9)	4.2	3.3
Offsetting	(2.7)	2.7	-
Currency translation adjustments	(0.4)	0.8	0.4
Balance at 31.12.2010	**3.9**	**(16.7)**	**(12.8)**
Additions	4.6	(2.4)	2.2
Reversal	(0.5)	3.4	2.9
Acquisition of a subsidiary or business	–	(0.2)	(0.2)
Offsetting	(1.9)	1.9	–
Transferred to assets/liabilities of disposal group classified as held for sale	(0.6)	–	(0.6)
Currency translation adjustments	0.1	0.3	0.4
Balance at 31.12.2011	**5.6**	**(13.7)**	**(8.1)**
Expected reversal within 12 months	1.5	(2.1)	(0.6)
Expected reversal later	4.1	(11.6)	(7.5)

Deferred income tax assets result from tax loss carry-forwards as well as valuation differences of assets and liabilities. They are recognized to the extent that realization through the future taxable profits is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax relates to the same tax authority. In 2011, deferred income tax liabilities in the amount of CHF 1.9 million (previous year: CHF 2.7 million) were offset with deferred income tax assets.

The deferred income tax assets and liabilities pertain to the following line items of the balance sheet:

CHFm	31.12.2011	31.12.2010
Property, plant and equipment	(0.4)	(0.1)
Intangible assets	(13.6)	(17.2)
Other non-current assets	(1.9)	–
Current assets	1.8	(0.3)
Liabilities	2.8	2.4
Tax loss carry-forwards	3.2	2.4
Total	**(8.1)**	**(12.8)**
Recognized as deferred income tax assets	5.6	3.9
Recognized as deferred income tax liabilities	(13.7)	(16.7)

Tax losses amounting to CHF 2.4 million are capitalized for Group companies which incurred losses in 2011 or 2010 supported by increased future profitability and synergies as a result of restructuring (previous year: CHF 0.9 million). Tax loss carry-forwards which are not capitalized amount to CHF 360.3 million (previous year: CHF 395.0 million) and expire in the following years:

CHFm	31.12.2011	31.12.2010
2012 (2011)	0.1	22.6
2013 (2012)	1.0	0.7
2014 (2013)	31.5	0.1
2015 (2014)	3.7	35.2
2016 (2015)	0.3	7.4
2017 (2016)	7.5	3.0
2018 (2017)	0.1	15.8
Later	316.1	310.2

23. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

At 10 August 2011, based on a thorough review of strategic alternatives, the Board of Directors decided to focus the Ascom Group's business consistently on the two homogenous and globally oriented divisions Wireless Solutions and Network Testing. New owners are sought for the core business units of the former Security Communication Division. The transactions are expected to be completed in the third quarter of 2012 at the latest.

Assets of disposal group classified as held for sale

CHFm	31.12.2011
Property, plant and equipment	0.8
Intangible assets	0.1
Deferred income tax assets	0.6
Financial assets	0.4
Non-current assets	**1.9**
Inventories and work in progress	4.6
Trade receivables	2.1
Other assets	4.6
Current assets	**11.3**
Total assets	**13.2**

Liabilities of disposal group classified as held for sale

CHFm	31.12.2011
Retirement benefit obligations	0.4
Provisions	0.3
Non-current liabilities	**0.7**
Provisions	2.0
Trade payables	1.5
Other liabilities	85.6
Current liabilities	**89.1**
Total liabilities	**89.8**

To a certain extent the net liability of CHF 76.6 million resulting from assets and liabilities of disposal group classified as held for sale is expected to be compensated by the Group with cash and cash equivalents at the date of disposal (see note 30).

Cumulative expense recognized directly in equity

CHFm	31.12.2011
Currency translation adjustments [1]	(2.3)
Total cumulative expense recognized directly in equity	**(2.3)**

[1] Relating to assets and liabilities of disposal group classified as held for sale.

Further information on discontinued operations

CHFm	2011	2010
Revenue	75.5	100.1
Cost of goods sold	(53.2)	(74.2)
Gross profit	**22.3**	**25.9**
Marketing and distribution	(11.3)	(14.7)
Research and development	(8.3)	(8.9)
Administration	(4.1)	(6.2)
Loss recognized on the re-measurement of assets of disposal group	(4.1)	–
Other income/(expenses), net	(1.3)	0.9
EBIT	**(6.8)**	**(3.0)**
Financial expenses, net	(0.6)	(0.1)
Earnings before income tax	**(7.4)**	**(3.1)**
Income tax [1]	(0.1)	(0.2)
Loss for the period from discontinued operations	**(7.5)**	**(3.3)**
Currency translation adjustments [2]	(0.2)	(1.3)
Cash flow from operating activities	4.1	(1.8)
Cash flow from investing activities	(0.7)	(0.3)
Cash flow from financing activities	–	–
EBITDA	(5.7)	(2.5)
Capital expenditures	0.7	0.3
Employees (FTE) at 31.12.	249	304

[1] This line item includes income tax income relating to the re-measurement of assets of disposal group of CHF 0.4 million (previous year: nil).
[2] Other comprehensive income/(expenses) relating to assets and liabilities of disposal group classified as held for sale.

24. EARNINGS PER SHARE

Earnings per share are calculated by dividing the Group profit for the period attributable to owners of the parent by the time-weighted number of shares outstanding during the financial year. Own shares are not considered as outstanding shares.

	2011	2010
Profit for the period from continuing operations (CHFm)	30.6	35.8
Loss for the period from discontinued operations (CHFm)	(7.5)	(3.3)
Group profit for the period attributable to owners of the parent (CHFm)	**23.1**	**32.5**
Weighted-average number of outstanding shares	34,646,971	34,554,333
Earnings per share from continuing operations (CHF)	0.88	1.04
Earnings per share from discontinued operations (CHF)	(0.21)	(0.10)
Earnings per share from Group profit (CHF)	**0.67**	**0.94**

For the purpose of calculating diluted earnings per share, the weighted-average number of ordinary shares is adjusted by the weighted-average number of ordinary shares which would be issued on the conversion of all potential dilutive share options into ordinary shares.

	2011	2010
Profit for the period from continuing operations (CHFm)	30.6	35.8
Loss for the period from discontinued operations (CHFm)	(7.5)	(3.3)
Group profit for the period attributable to owners of the parent (CHFm)	**23.1**	**32.5**
Weighted-average number of outstanding shares	34,646,971	34,554,333
Adjustment for the dilutive number of outstanding share options	79,425	93,228
Weighted-average number of diluted shares	**34,726,396**	**34,647,561**
Diluted earnings per share from continuing operations (CHF)	0.88	1.03
Diluted earnings per share from discontinued operations (CHF)	(0.21)	(0.09)
Diluted earnings per share from Group profit (CHF)	**0.67**	**0.94**

25. TRANSACTIONS WITH RELATED PARTIES

The following remuneration was paid to the key management (including the Board of Directors and the Executive Board):

CHFm	2011	2010
Short-term employee benefits	(4.0)	(4.4)
Post-employment benefits	(0.3)	(0.2)
Share-based payments	(0.3)	(0.6)
Total	**(4.6)**	**(5.2)**

No further remuneration was paid to key management during the year. At the balance sheet date, payables due to key management in the amount of CHF 0.9 million (previous year: CHF 1.5 million) existed.

Legally independent funds provide for Swiss pensions (see note 14). In the reporting period lease payments of CHF 0.4 million were disbursed to the Swiss pension fund for buildings occupied by the Group (previous year: CHF 0.4 million). In opposite direction administrative and facility management services in the total amount of CHF 0.6 million (previous year: CHF 0.6 million) were rendered to the Swiss pension fund in the year under review. At the balance sheet date, a current receivable of CHF 6.0 million (previous year: CHF 10.0 million) was outstanding, subject to an interest yield of 2.5% (previous year: 2.5%). The Swiss pension funds have not owned any Ascom shares in 2011 (previous year: nil).

Zürcher Kantonalbank is a significant shareholder of Ascom Holding Ltd. with an interest of 26.74% at 31 December 2011. For its hedging and cash management needs Ascom enters into foreign exchange contracts with Zürcher Kantonalbank. At the balance sheet date, forward contracts with a counter value of CHF 10.2 million (previous year: nil) are open leading to a replacement value at 31 December 2011 of nil (previous year: nil). Throughout the period, foreign exchange deals with net counter value of CHF 24.6 million (previous year: nil) were settled. These transactions were made on terms equivalent to those that prevail in arm's length transactions.

26. RISK MANAGEMENT

As an international company, Ascom is exposed to a variety of financial and non-financial risks that are directly associated with the Group's business operations. The Group's risk exposure is addressed in accordance with the principle of risk limitation. Our overall risk management is an integral part of corporate management and the long-term corporate strategy, and it is correspondingly incorporated in the framework of our business processes and procedures.

Ascom applies clearly defined management information and control systems to measure, monitor and control the risks to which it is exposed. Our management monitors the effectiveness and efficiency of our risk management activities and control systems at regular intervals and proposes adjustments as required.

26.1 Financial risk

Financial risk management is carried out centrally by Group Treasury and is ensured by the relevant written principles and guidelines laid down by the management and approved by the Board of Directors. The Group has revised its treasury policy and treasury strategy in the current period. In the treasury strategy the Group's risk capacity and appetite for the various risk factors are defined. The treasury strategy specifies the limit architecture and thereby defines the extent to which risk exposures will be hedged and the instruments and time-frame for implementation. All strategy proposals in the treasury strategy are reviewed and require annual approval by the Audit Committee.

Group Treasury is in charge of risk quantification and hereby measures financial risks by means of at-risk-methodologies, sensitivity analysis and stress testing. Group companies are responsible for the correct identification of the financial risk positions resulting from their business activities.

Transactions without underlying core business and all forms of speculation are prohibited.

Financial risk comprises liquidity risk, market risk and credit risk:

a) Liquidity risk

The objective of liquidity risk management is to ensure that sufficient financial resources are available at any point in time in order to be able to completely and timely fulfill all payment obligations of the Group. Group companies prepare, on a monthly basis, a rolling liquidity forecast for a 12-month horizon. Based on these figures, Group Treasury centrally monitors the liquidity position of the Group. Group Treasury compares the planned liquidity requirements with the available funds to detect shortages in a timely manner. In addition, a liquidity reserve is held at all times for unplanned occurrences and undrawn credit facilities are available for financial flexibility. The total of committed credit facilities can be found in note 13.

An analysis of the Group's financial liabilities into the relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date, is set out below. Contractual commitments in relation to financial guarantees are further disclosed in note 28.

CHFm	Carrying amount	Cash flow [1]			
		Within 12 months	Between 1 and 5 years	Later	Total
Borrowings	17.5	0.1	18.1	–	18.2
Trade payables	28.4	28.4	–	–	28.4
Foreign exchange derivatives, outflow	(41.0)	(41.0)	–	–	(41.0)
Foreign exchange derivatives, inflow	41.0	41.0	–	–	41.0
Other financial liabilities	1.1	1.1	–	–	1.1
Total at 31.12.2011	**47.0**	**29.6**	**18.1**	**–**	**47.7**

CHFm	Carrying amount	Cash flow [1]			
		Within 12 months	Between 1 and 5 years	Later	Total
Borrowings	75.1	38.5	37.9	–	76.4
Trade payables	28.0	28.0	–	–	28.0
Foreign exchange derivatives, outflow	3.1	3.1	–	–	3.1
Foreign exchange derivatives, inflow	(2.9)	(2.9)	–	–	(2.9)
Other financial liabilities	0.2	0.2	–	–	0.2
Total at 31.12.2010	**103.5**	**66.9**	**37.9**	**–**	**104.8**

[1] Numbers represent contractual undiscounted cash flows.

The cash flows shown above are subject to the following conditions and exceptions:

- All financial instruments are included that were recognized on 31 December 2011 and 2010 respectively, and for which payments were already contractually agreed. Plan figures for future new liabilities are not included.
- Foreign currency amounts are translated at balance sheet rate.
- Variable interest payments for financial instruments are based on the last interest rate fixed on 31 December 2011 and 2010 respectively.
- Derivative financial instruments comprise derivatives with negative as well as positive replacement values. This takes into account that all derivative financial instruments, and not only those with a negative replacement value, could have influence on individual timeframes.

Local regulatory limitations related to the transfer of funds exist in a number of countries where Ascom operates, including Brazil, China, India and South Africa. As a consequence, these funds are not available within Group Treasury operations to meet short-term cash obligations outside the respective country. The above described funds are reported as cash and cash equivalents in the consolidated balance sheet. At 31 December 2011, the balance under such limitations totals CHF 5.6 million (previous year: CHF 0.9 million).

b) Market risk

Market risk includes foreign currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk. Changes in the fair value of financial assets and financial liabilities can affect the Group's asset and income situation. Apart from interest rate and foreign currency risk, the Group is not exposed to any other significant financial market risk.

Foreign currency risk

Due to the global nature of its activities, the Group is exposed to foreign exchange risk. Foreign exchange gains or losses arise from transactions as well as assets and liabilities denominated in foreign currencies (mainly EUR, USD, SEK and GBP) if these are not the entity's functional currency.

Group Treasury is responsible for managing group-wide foreign exchange transaction risk on an ongoing basis. Annual net transaction risk positions of the Group are derived from planned cash flows on a rolling horizon of 12 months. Group Treasury monitors these positions and loss limits which are the basis for hedging transactions. Respective forward contracts are stated at fair value. All hedging activities are carried out centrally by Group Treasury.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. These types of translation risk are currently not hedged.

The currency related sensitivity of the Group at year end is shown in the following table:

CHFm	Reasonable shift 31.12.2011	Impact on net result 31.12.2011	Reasonable shift 31.12.2010	Impact on net result 31.12.2010
EUR/CHF	+/-15%	+/-0.6	+/-10%	+/-0.4
GBP/CHF	+/-15%	+/-0.6	+/-10%	+/-0.5
SEK/CHF	+/-15%	+/-3.5	+/-10%	+/-0.0
USD/CHF	+/-15%	+/-1.8	+/-10%	+/-1.0
EUR/SEK	+/-15%	+/-1.7	+/-10%	+/-1.6
USD/SEK	+/-15%	+/-1.8	+/-10%	+/-2.4

The changes are mainly due to foreign exchange gains and losses on cash and cash equivalents, trade receivables, trade payables and forward contracts.

Interest rate risk

Every interest position is subject to either a cash flow interest risk (associated with floating rate positions) or a market value risk (from fixed interest positions).

The revolving multicurrency loan facility the Group entered into at 26 May 2011 (see note 13) is the main interest rate risk position in the balance sheet of Ascom. This risk is currently offset with cash surpluses. The Group is holding non-current assets and liabilities which are discounted to reflect the time value of money. All these positions are exposed to interest market value risk. However, neither individually nor in total are these positions material.

Based on the interest-bearing assets and liabilities existent at 31 December 2011, a 50 base point higher (lower) level of the market interest rates would lead to a CHF 0.3 million (previous year: CHF 0.3 million) higher (lower) net result on an annual basis.

c) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions. Credit risk may result in a financial loss if one party in a transaction is unable or unwilling to discharge its obligations. It is Ascom's objective to limit the impact of a default. Credit risk of financial counterparties is managed centrally by Group Treasury. For banks and financial institutions, only parties with a minimum Standard & Poor's credit rating of "A" are accepted. Individual risk limits are set by the Board of Directors. The utilization of credit limits and development of credit ratings are regularly monitored. Each Group company is responsible for analyzing the credit risk for each of their new customer and managing the quality of their trade receivables on an ongoing basis.

The table below sets out the Group's six major counterparties at the balance sheet date:

CHFm	Rating [1]	Balance 31.12.2011
Counterparty		
Bank A	A	21.5
Bank B	A+	7.2
Bank C	AA–	6.4
Customer A	BBB+	4.9
Customer B	B–	3.9
Customer C	not rated	3.0

CHFm	Rating [1]	Balance 31.12.2010
Counterparty		
Bank A	A+	35.3
Bank D	A+	35.7
Bank C	AA–	12.3
Customer A	BBB+	8.0
Customer D	A–	3.8
Customer B	B–	3.7

[1] Long-term credit rating Standard & Poor's.

The number of customers and their geographical distribution reduces the risk of concentration. The management does not expect any losses from non-performance by financial institutions where funds have been invested by the Group during the reporting period.

The Group monitors the credit worthiness of its key customers by using independent ratings (if available) and by taking into account their financial position, past experience and other factors at subsidiary level. Each division has its own policy in place to manage the quality of trade receivables.

The credit quality of financial assets that are neither past due nor impaired at the balance sheet date can be assessed by reference to external credit ratings, if available, or to historical information about counterparty default rates:

CHFm	"A" or better rating [1]	Without public rating	Total
Financial assets	–	7.2	7.2
Cash and cash equivalents	71.6	1.7	73.3
Total at 31.12.2011	**71.6**	**8.9**	**80.5**

CHFm	"A" or better rating [1]	Without public rating	Total
Financial assets	0.4	7.9	8.3
Cash and cash equivalents	127.9	1.1	129.0
Total at 31.12.2010	**128.3**	**9.0**	**137.3**

[1] Long-term credit rating Standard & Poor's.

26.2 Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimally leveraged capital structure to reduce the cost of capital. Ascom aims to maintain a stable investment grade rating as perceived by bank partners and debt investors.

For its capital management the Group monitors the following ratios:

CHFm	31.12.2011	31.12.2010
Net debt [1]	(34.3)	(34.5)
EBITDA	54.1	68.4
Debt service ratio	**(0.6)**	**(0.5)**
Total assets	506.8	580.3
Shareholders' equity	203.8	189.0
Equity ratio	**40.2 %**	**32.6 %**

[1] Borrowings and outstanding bank guarantees less cash and cash equivalents.

The Group is targeted on a debt service ratio not exceeding 3.0 and an equity ratio between 30% and 40%.

27. FINANCIAL INSTRUMENTS

27.1 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

CHFm	Note	Assets at fair value through profit or loss	Loans and receivables	Available for sale financial assets	Liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Total
Financial assets	7	–	6.3	0.9	–	–	7.2
Trade receivables	9	–	96.2	–	–	–	96.2
Cash and cash equivalents	11	–	73.3	–	–	–	73.3
Borrowings	13	–	–	–	–	17.5	17.5
Trade payables		–	–	–	–	28.4	28.4
Derivative financial instruments	27.3	–	–	–	–	–	–
Other liabilities		–	–	–	–	1.1	1.1
Balance at 31.12.2011		**–**	**175.8**	**0.9**	**–**	**47.0**	
Interest income/(expenses)		–	1.3	–	–	(0.8)	0.5
Foreign exchange gains/(losses)		–	(0.6)	–	0.2	(0.6)	(1.0)
Net (increase)/release of provision for doubtful debts		–	–	–	–	–	–
Impairment losses		–	(0.3)	–	–	–	(0.3)
Net gain/(loss) in income statement		**–**	**0.4**	**–**	**0.2**	**(1.4)**	**(0.8)**
Foreign exchange gains/(losses) in other comprehensive income		–	(0.3)	–	–	–	(0.3)
Total net gain/(loss)		**–**	**0.1**	**–**	**0.2**	**(1.4)**	**(1.1)**

CHFm	Note	Assets at fair value through profit or loss	Loans and receivables	Available for sale financial assets	Liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Total
Financial assets	7	–	6.9	1.4	–	–	8.3
Trade receivables	9	–	103.8	–	–	–	103.8
Cash and cash equivalents	11	–	129.0	–	–	–	129.0
Borrowings	13	–	–	–	–	75.1	75.1
Trade payables		–	–	–	–	28.0	28.0
Derivative financial instruments	27.3	–	–	–	0.2	–	0.2
Other liabilities		–	–	–	–	0.2	0.2
Balance at 31.12.2010		**–**	**239.7**	**1.4**	**0.2**	**103.3**	
Interest income/(expenses)		–	1.0	–	–	(2.1)	(1.1)
Foreign exchange gains/(losses)		–	(6.7)	–	(0.1)	7.1	0.3
Net (increase)/release of provision for doubtful debts		–	(0.1)	–	–	–	(0.1)
Net gain/(loss) in income statement		**–**	**(5.8)**	**–**	**(0.1)**	**5.0**	**(0.9)**
Foreign exchange gains/(losses) in other comprehensive income		–	(1.8)	–	–	–	(1.8)
Total net gain/(loss)		**–**	**(7.6)**	**–**	**(0.1)**	**5.0**	**(2.7)**

The carrying amount approximates the fair value of all financial assets and liabilities.

27.2 Fair value estimation

For financial instruments that are measured at fair value the following fair value measurement hierarchy has been applied:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The following tables present the Group's assets and liabilities that are measured at fair value at the balance sheet date:

CHFm	Based on quoted prices in active markets (Level 1)	Based on other observable inputs (Level 2)	Based on unobservable inputs (Level 3)	Total
Available for sale financial assets				
Investments in third parties	–	–	0.9	0.9
Balance at 31.12.2011	**–**	**–**	**0.9**	**0.9**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	–	–	–
Balance at 31.12.2011	**–**	**–**	**–**	**–**

CHFm	Based on quoted prices in active markets (Level 1)	Based on other observable inputs (Level 2)	Based on unobservable inputs (Level 3)	Total
Available for sale financial assets				
Investments in third parties	–	–	0.9	0.9
Other financial investments	0.5	–	–	0.5
Balance at 31.12.2010	**0.5**	**–**	**0.9**	**1.4**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	0.2	–	0.2
Balance at 31.12.2010	**–**	**0.2**	**–**	**0.2**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from a stock exchange. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily participations in investment funds available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Forward exchange contracts are allocated to this level.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. These inputs reflect the Group's own assumptions about market pricing using the best internal and external information available. Investments in third parties for which the fair value of the market prices cannot be reliably determined are allocated to this level and measured at cost less any impairment.

27.3 Derivative financial instruments

Foreign currencies are purchased and forward contracts are entered into at Group level as an economic hedge against foreign currency risk. The open contracts comprise the following forward contracts in various currencies:

CHFm	31.12.2011	31.12.2010
Contract volume	41.0	3.1
Positive fair value	0.1	–
Negative fair value	0.1	0.2

Breakdown by currency (CHFm)	31.12.2011	31.12.2010
EUR	11.7	0.4
CZK	0.3	–
GBP	4.0	2.7
SEK	25.0	–
Total	**41.0**	**3.1**

The fair value is included under other current assets or liabilities. The changes in value are recognized in profit or loss under financial income or expenses.

28. COMMITMENTS AND CONTINGENCIES

a) Lease commitments – Group as lessee

The future minimum payments under non-cancellable lease obligations fall due as follows:

CHFm		Finance leases		Operating leases
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Within 12 months	–	0.1	18.6	18.5
Between 1 and 5 years	–	–	31.2	46.0
Later	–	–	3.2	4.4
Total	**–**	**0.1**	**53.0**	**68.9**

Significant leasing agreements exist with regard to the sale and lease back of properties used for operational purposes in Berne and Hombrechtikon (Switzerland).

b) Lease commitments – Group as lessor

The future minimum lease receivables under non-cancellable operating leases are as follows:

CHFm		Operating leases
	31.12.2011	31.12.2010
Within 12 months	4.3	4.6
Between 1 and 5 years	15.8	16.1
Later	3.7	3.7
Total	**23.8**	**24.4**

c) Contingencies

As an internationally active company, Ascom is exposed to a multitude of legal risks. These relate particularly to risks associated with product liability, patent law, tax law, and competition law. Some companies are involved in legal proceedings. The results of currently pending suits cannot be predicted with certainty, which means that decisions of courts or other authorities can cause expenses that have significant consequences for the business and on future results. Wherever a reliable estimate of the financial consequences of a past event is possible, and an independent expert confirms that the outflow of resources is more likely than not, a corresponding provision is made.

At 31 December 2011, contingent liabilities amount to CHF 34.1 million (previous year: CHF 40.3 million). There is no indication that these liabilities will lead to fulfillment payments.

The Company has indemnified certain purchasers of divested businesses for potential claims arising from the operations of the divested businesses. There are currently no proceedings in relation to indemnification ongoing.

29. PLEDGED ASSETS

At 26 May 2011, the Group refinanced its former loan facility which led to a release in pledged assets (previous year: all shares of Ascom Network Testing AB were pledged).

At 31 December 2011, property, plant and equipment with a total carrying amount of CHF 2.6 million (previous year: CHF 2.8 million) and financial assets with a total carrying amount of CHF 0.6 million (previous year: nil) were pledged.

30. EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of technology related assets from Veelong Corp.

At 3 January 2012, the Swiss company Ascom Network Testing Ltd. acquired all relevant assets relating to solutions for post-processing and analysis of mobile network testing data of Veelong Corp. based in Fanwood NJ (USA). This acquisition further strengthens the current position of Ascom Network Testing in the Reporting & Analysis market segment.

The purchase price consists of a fixed part of USD 5.5 million, and a performance related variable part to be paid over the next three years, which is estimated to amount up to USD 8.6 million from today's perspective. Five key employees of Veelong, including the two founders, joined Ascom Network Testing.

CHFm	Book value	Fair value adjustments	Fair value
Intangible assets from acquisition	–	12.4	12.4
Total assets	**–**	**12.4**	**12.4**
Total purchase price			**12.4**
Net cash outflow:			
Cash payment at signing			1.2
Deferred consideration			3.9
Contingent consideration			7.3

The deferred consideration consists of total fixed cash payments of USD 4.3 million due to pay to the former owners of the acquired assets until 31 December 2012. Based on a discount rate of 6% the fair value of the deferred consideration amounts to CHF 3.9 million.

The contingent consideration arrangement requires the Group to pay in cash 35%–45% of the revenue realized in relation to the acquired technology in the years 2012–2014 as well as for a successful development of a specified technology until 2012 up to a maximum undiscounted amount of USD 8.6 million. The total potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between nil and USD 8.6 million. The fair value of the contingent consideration arrangement of CHF 7.3 million is based on a discount rate of 6% and assumed annual revenues related with the acquired technology between USD 11.0 million and USD 13.5 million.

The fair value of the acquired technology of CHF 12.4 million is provisional pending receipt of the final valuation for this asset.

At the date of acquisition the Group owed to Veelong Corp. royalty fees of CHF 0.8 million in relation to revenues realized in the period under review. At 31 December 2011, these CHF 0.8 million are recognized as other current liabilities in the consolidated balance sheet of the Group.

Acquisition-related costs of CHF 0.1 million were recorded in administration expenses of the reporting period under review.

Divestment of Defense business unit of Ascom (Switzerland) Ltd.

At 1 March 2012, Ruag (Switzerland) Ltd. purchased from Ascom (Switzerland) Ltd. all rights and obligations pertaining to the Defense business unit. All 84 employees and 10 apprentices were taken over at their existing locations. The initial purchase price amounted to CHF 17.0 million and was offset with a cash compensation paid by Ascom for the transferred net liability from construction contracts (including customer prepayments) of about CHF 72.7 million at divestment date. In addition, the purchaser has agreed to an earn-out payment up to CHF 8.3 million dependent on future success in the international business.

In August 2011, the Board of Directors and Executive Board decided to seek new owners for the core business units of Security Communication due to strategic considerations. The Defense business unit was the largest and most important business unit within the former Security Communication Division. In accordance with IFRS 5, the Defense business unit has been classified as a discontinued operation in the financial statements 2011. The result of the Defense business unit is included in the loss for the period from discontinued operations. The corresponding asset and liabilities are classified as held for sale in the consolidated balance sheet as disclosed in Note 23.

Although the transaction has not been finally assessed yet, Ascom will report a profit from divestment of the Defense business unit in its financial statements 2012.

Since the balance sheet date, no further events have occurred that have an influence on the 2011 consolidated financial statements.

31. PROPOSAL OF THE BOARD OF DIRECTORS

For the year ended 31 December 2011, the Board of Directors proposes to the Annual General Meeting on 18 April 2012 a distribution of reserves from capital contribution of CHF 0.25 per share entitled to dividends. This represents a total distribution up to CHF 9,000,000. In 2011, a total dividend payment of CHF 8.6 million was made to the shareholders of the Ascom Holding Ltd.

32. TIME OF RELEASE FOR PUBLICATION

The Board of Directors approved the 2011 consolidated financial statements on 8 March 2012 and gave permission for publication at the media conference on 15 March 2012.

33. CONSOLIDATED COMPANIES

Country	Company	Registered office	Share capital		Group's interest
Austria	Ascom Austria GmbH	Vienna	EUR	3,635,000	100%
Belgium	Ascom (Belgium) NV	Brussels	EUR	1,424,181	100%
Brazil	Ascom Soluções em Telefonia Móvel Limitada	São Paulo	BRL	1,000	100%
China	Ascom (Beijing) Network Testing Service Co., Ltd.	Beijing	CNY	17,000,000	100%
Denmark	Ascom Danmark A/S	Brøndby	DKK	1,200,000	100%
Finland	Ascom Miratel Oy	Turku	EUR	33,638	100%
	Sinop Mocsa Oy	Vantaa	EUR	561,756	100%
France	Ascom Holding SA	Annonay	EUR	80,000	100%
	Ascom (France) SA	Nanterre	EUR	2,000,000	100%
Germany	Ascom Deutschland GmbH	Frankfurt a.M.	EUR	2,137,200	100%
	Technologiepark Teningen GmbH	Emmendingen	EUR	6,136,000	100%
	Ascom Unternehmensholding GmbH	Frankfurt a.M.	EUR	5,113,000	100%
India	Ascom Network Testing Pvt. Ltd.	Mumbai	INR	1,000,000	100%
Malaysia	Ascom Network Testing Sdn Bhd	Subang Jaya	MYR	500,000	100%
Netherlands	Ascom (Nederland) BV	Utrecht	EUR	1,361,000	100%
	Mocsa Real Estate BV	Arnhem	EUR	453,780	100%
	Ascom Tateco BV	Hoofddorp	EUR	18,151	100%
Norway	Ascom (Norway) A/S	Oslo	NOK	1,250,000	100%
Poland	Ascom Poland Sp. z o.o.	Warsaw	PLN	2,405,200	100%
South Africa	Ascom Network Testing (PTY) Ltd.	Durban	ZAR	1,000	100%
Sweden	Ascom (Sweden) AB	Gothenburg	SEK	96,154,000	100%
	Ascom (Sweden) Holding AB	Gothenburg	SEK	70,000,000	100%
	Ascom Network Testing AB	Skellefteå	SEK	100,000	100%
Switzerland	Ascom Holding Ltd.	Berne	CHF	18,000,000	100%
	Ascom (Switzerland) Ltd.	Berne	CHF	28,002,000	100%
	Ascom Network Testing Ltd.	Solothurn	CHF	200,000	100%
United Kingdom	Ascom Network Testing Ltd.	Elstead	GBP	2	100%
	Ascom (UK) Ltd.	Sevenoaks	GBP	50,000	100%
	Ascom UK Group Ltd.	Croydon	GBP	600,000	100%
USA	Ascom Holding Inc.	Rockaway NJ	USD	10	100%
	Ascom (US) Inc.	Morrisville NC	USD	1	100%
	Ascom Network Testing Inc.	Reston VA	USD	1	100%

To the general meeting of Ascom Holding Ltd., Berne

Report of the statutory auditors on the consolidated financial statements

As statutory auditors, we have audited the consolidated financial statements of Ascom Holding Ltd., which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes (pages 52 to 105), for the year ended 31 December 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Stefan Räbsamen	Thomas Wallmer
Audit expert	Audit expert
Auditor in charge	

Zurich, 8 March 2012

SUMMARY OF KEY FINANCIAL DATA

CHFm	2011 [1]	2010 [1]	2009	2008	2007
Incoming orders	451.4	488.4	514.4	511.9	545.6
Order backlog [2]	136.2	120.2	241.4	243.1	261.2
Revenue	437.5	472.9	537.2	509.2	490.5
EBITDA	59.8	70.9	49.8	53.3	3.7
Earnings before interest and income tax (EBIT)	40.6	51.4	32.8	44.0	(16.1)
Personnel expenses	(207.4)	(209.2)	(223.6)	(236.7)	(258.3)
Depreciation, amortization and impairment	(19.2)	(19.5)	(17.0)	(9.3)	(23.3)
Profit/(loss) for the period	30.6	35.8	24.4	8.2	(48.1)
Net cash flow from operating activities	12.3	48.0	24.5	(2.3)	65.9
Capital expenditures on property, plant and equipment	4.4	6.8	6.4	6.7	6.7
Capital expenditures on intangible assets	3.9	7.4	3.0	5.0	1.6
Research and development expenses	(45.9)	(48.1)	(47.0)	(32.9)	(33.7)
Balance sheet total [2]	506.8	580.3	609.2	451.2	512.1
Shareholders' equity [2]	203.8	189.0	179.3	148.7	162.5
Shareholders' equity in % of balance sheet total [2]	40.2	32.6	29.4	33.0	31.7
Net cash [2, 3]	55.8	53.9	27.5	182.6	223.0
Gearing [4]	8.6	39.7	55.9	n/a	n/a
Dividends paid	8.6	–	–	–	–
Number of employees (FTE) [2]	1,801	1,789	2,162	1,864	1,813

[1] Key figures based on income, expenses or cash flows are derived from continuing operations.
[2] At 31 December.
[3] Cash and cash equivalents less borrowings.
[4] Borrowings/shareholders' equity.

ASCOM HOLDING LTD. BALANCE SHEET

	CHF 1,000	31.12.2011	31.12.2010
ASSETS	Investments	128,026	276,022
	Loans to Group companies	318,035	107,874
	Capitalized financing costs	1,320	–
	Non-current assets	**447,381**	**383,896**
	Accounts receivables from Group companies	3,800	51,907
	Accounts receivables from third parties	41	68
	Prepaid expenses	35	727
	Own shares	12,012	15,688
	Cash and cash equivalents	5,428	8,513
	Current assets	**21,316**	**76,903**
	Total assets	**468,697**	**460,799**
LIABILITIES AND SHARE-HOLDERS' EQUITY	Share capital	18,000	18,000
	Legal reserves		
	– General reserves		
	– Other general reserves	5,400	5,400
	– General reserves from capital contribution	21,876	6,188
	– Reserves for own shares		
	– Reserves for own shares from retained earnings	15,443	–
	– Reserves for own shares from capital contribution	–	15,688
	Retained earnings	331,957	350,657
	Shareholders' equity	**392,676**	**395,933**
	Loans from Group companies	25,514	21,976
	Bank loan	17,500	–
	Provisions	27,179	31,718
	Other liabilities	–	200
	Non-current liabilities	**70,193**	**53,894**
	Accounts payable to Group companies	5,463	10,676
	Accounts payable to third parties	51	184
	Third-party accruals	82	112
	Provisions	232	–
	Current liabilities	**5,828**	**10,972**
	Total liabilities	**76,021**	**64,866**
	Total liabilities and shareholders' equity	**468,697**	**460,799**

INCOME STATEMENT

CHF 1,000	2011	2010
Investment income	2,778	98,771
Profit from disposal of investments	–	166,024
Financial income	6,689	5,099
Value adjustments on investments and loans	–	7,105
Other income	8,942	5,659
Total income	**18,409**	**282,658**
Financial expenses	(5,788)	(835)
Administration expenses	(7,019)	(7,041)
Earnings before tax	**5,602**	**274,782**
Tax	(296)	–
Profit for the period	**5,306**	**274,782**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. General

Ascom Holding Ltd., Berne, which is listed on the SIX Swiss Exchange in Zurich (Switzerland), is the holding company of the Ascom Group. The accounts are prepared in compliance with Swiss law. In the year under review there were no changes in the basic accounting policies compared to the previous year.

2. Accounting policies

Non-current assets: Investments and loans are recognized at cost less necessary value adjustments. Currency differences resulting from loans in foreign currencies are charged to the income statement. Provisions are recorded for unrealized currency gains.

Current assets are valued at nominal value less necessary value adjustments. Own shares are valued at the lower of cost and fair value.

Liabilities are valued at nominal value. Effects on foreign currencies are charged to the income statement.

3. Contingent liabilities

Guarantees in respect of third parties total CHF 25.8 million (previous year: CHF 31.0 million). No guarantees exist in favor of Group companies.

4. Investments

At balance sheet date, Ascom Holding Ltd. held the following direct investments in Group companies:

Company	Registered office	Business	Share capital		Interest 31.12.2011	Interest 31.12.2010
Ascom Austria GmbH	Vienna, Austria	Sales, installation, maintenance	EUR	3,635,000	100%	100%
Ascom (Belgium) NV	Brussels, Belgium	Sales, installation, maintenance	EUR	1,424,181	100%	100%
Ascom Danmark A/S	Brøndby, Denmark	Sales, installation, maintenance	DKK	1,200,000	100%	100%
Ascom Miratel Oy	Turku, Finland	Sales, installation, maintenance	EUR	33,638	100%	–
Sinop Mocsa Oy	Vantaa, Finland	Sales, installation, maintenance	EUR	561,756	100%	100%
Ascom Holding SA	Annonay, France	Holding company	EUR	80,000	100%	100%
Ascom Unternehmensholding GmbH	Frankfurt a.M., Germany	Holding company	EUR	5,113,000	100%	100%
Ascom Poland Sp. z o.o.	Warsaw, Poland	Sales, installation, maintenance	PLN	2,405,200	100%	100%
Ascom (Switzerland) Ltd.	Berne, Switzerland	Production, sales, installation, maintenance	CHF	28,002,000	100%	100%
Ascom Network Testing Ltd.	Solothurn, Switzerland	Production, sales, installation, maintenance	CHF	200,000	100%	100%
Ascom UK Group Ltd.	Croydon, United Kingdom	Holding company	GBP	600,000	100%	100%
Ascom Holding Inc.	Rockaway NJ, USA	Holding company	USD	10	100%	100%
Ascom Network Testing Inc.	Reston VA, USA	Production, Sales, installation, maintenance	USD	1	100%	100%

Direct and indirect investments are listed in note 33 of the consolidated financial statements.

5. Pledged assets

At 31 December 2011, no directly held assets are pledged (previous year: nil).

6. Own shares

Own shares held by Ascom Holding Ltd. (Swiss Code of Obligations Art. 659) have developed as follows:

CHF 1,000	Number	Carrying amount
Balance at 1.1.2010	**1,283,933**	**12,518**
Additions	300,000	3,388
Disposals	(146,900)	(1,598)
Value adjustments		1,380
Balance at 31.12.2010	**1,437,033**	**15,688**
Additions	250,000	2,560
Disposals	(256,993)	(2,805)
Value adjustments		(3,431)
Balance at 31.12.2011	**1,430,040**	**12,012**

7. Authorized share capital

The company does not have authorized share capital. The Annual General Meeting of Ascom Holding Ltd. held on 15 April 2009 approved the creation of authorized share capital and authorized the Board of Directors to raise additional share capital of up to CHF 3,600,000 within two years. This period elapsed on 15 April 2011 without being pursued.

8. Significant shareholders

8.1 Changes subject to disclosure requirements during the 2011 financial year

In an announcement dated 12 January 2011, published in compliance with Art. 20 of the Stock Exchange Act (SESTA), Vontobel Fonds Services AG, Zurich, disclosed that it holds Ascom securities accounting for less than 3% of voting rights.

8.2 Significant shareholders

The following significant shareholders as defined by Art. 663c of the Swiss Code of Obligations, holding more than 5% of the share capital and voting rights, were recorded in the share register at 31 December 2011:

Zürcher Kantonalbank: 26.74% (previous year: 26.74%).

This does not cover shares, which are not registered in the share register (dispo shares). Total of dispo shares amounted to 21.2% at 31 December 2011 (previous year: 18.6%).

The following parties are regarded as significant shareholders, as defined by Art. 663c Para. 2 of the Swiss Code of Obligations, in accordance with the disclosure announcements made:

- Zürcher Kantonalbank, Zurich: Ascom securities representing 25.89% of voting rights as well as sale positions with voting rights conferred of 2.57% (announcement dated 7 December 2007).
- Bank Julius Bär & Co. Ltd., Zurich: Ascom securities representing 3.74% of voting rights as well as sale positions with voting rights conferred of 4.99% (announcement dated 20 February 2008).

There are no known shareholders’ agreements.

9. Remuneration and participations

Remuneration for the Board of Directors in 2011

Fees for members of the Board of Directors are set down in the Remuneration Regulations (as an appendix to the Organizational Regulations). As of 1 January 2011, the Chairman receives a fee of CHF 300,000 per annum and the Vice-Chairman receives a fee of CHF 180,000 per annum. An ordinary member of the Board of Directors receives an annual fee of CHF 120,000.

Members of the Board of Directors were paid remuneration totaling CHF 840,000 in 2011 (previous year: CHF 700,000), as set out in the below table:

CHF	Base		Variable		Total 2011	Total 2010
	Cash	Number of options	Bonus	Other benefits		
Juhani Anttila, Chairman of the Board of Directors	300,000	–	–	–	300,000	240,000
Paul E. Otth, Vice-Chairman of the Board of Directors	180,000	–	–	–	180,000	160,000
Dr J.T. Bergqvist, Member of the Board of Directors	120,000	–	–	–	120,000	100,000
Kenth-Ake Jönsson, Member of the Board of Directors (since 15 April 2009)	120,000	–	–	–	120,000	100,000
Andreas V. Umbach, Member of the Board of Directors (since 21 April 2010)	120,000	–	–	–	120,000	69,160
Wolfgang Kalsbach, Member of the Board of Directors (until 21 April 2010)	–	–	–	–	–	30,840
Total	**840,000**	**–**	**–**	**–**	**840,000**	**700,000**

Remuneration for the Executive Board in 2011

The remuneration packages for all members of the Executive Board are set by the full Board of Directors based on the recommendation of the Compensation & Nomination Committee. Total remuneration for each member consists of a basic salary and a performance-related bonus as a variable component. The basic salary and variable component are paid in cash. The focus of the performance-related bonus is linked to the attainment of clearly measurable targets set at the beginning of the year. On achieving the defined targets, the respective member of the Executive Board shall receive a predetermined percentage of his basic salary as a bonus. In cases where the targets set in the member's respective area of responsibility are exceeded – and the Group targets are also achieved – a sum up to a maximum of double the target bonus may be paid.

In 2011, the CEO received options under the Ascom Stock Option Plan 2011 worth 20% of the total of basic salary and 100% potential bonus. The other members of the Executive Board received options worth 20% of the total of their basic salaries and target bonuses. The value of the options was determined by an independent third party.

The allocation of options is made on the basis of stock option plans set up each year and agreed in writing. The conditions regarding exercising are defined on allocation of the options, with no subsequent changes being made and in particular no re-pricing. The management of the Ascom Stock Option Plans is the responsibility of the Board of Directors.

CHF	Base			Variable			Total 2011
	Cash	Number of options	Value of options	Bonus provision	Other benefits	Pension contribution	
Fritz Mumenthaler, CEO (highest compensated member of the Executive Board)	600,000	65,000	293,366	355,865	13,168	82,153	1,344,552
Other members	1,441,783	96,000	477,120	654,743	66,791	177,987	2,818,424
Total Executive Board	**2,041,783**	**161,000**	**770,486**	**1,010,608**	**79,959**	**260,140**	**4,162,976**

CHF	Base			Variable			Total 2010
	Cash	Number of options	Value of options	Bonus provision	Other benefits	Pension contribution	
Riet Cadonau, CEO (highest compensated member of the Executive Board)	720,000	65,000	261,950	598,000	–	91,000	1,670,950
Other members	1,483,000	108,000	435,240	863,000	44,800	157,000	2,983,040
Total Executive Board	**2,203,000**	**173,000**	**697,190**	**1,461,000**	**44,800**	**248,000**	**4,653,990**

Explanatory notes

- Cash compensation consists of base salary (gross).
- All options allocated during 2011 were granted on 13 April 2011. Each equity-settled option entitles the holder to purchase one share with a nominal value of CHF 0.50. Each cash-settled option entitles the holder to receive the difference between exercise and strike price in cash. The strike price is CHF 15.00. The options have a life of five years and are subject to two exercise hurdles (outperformance of the SMI index within a period of 12 months and a minimum share price of CHF 16.50 at the date of exercise). The options are subject to a fixed vesting period of three years (one participant is entitled under the terms of his contract of employment to exercise one third of the options after one year and another third in each consecutive year).
- The value of the options has been calculated as grant date fair value (using a binomial model) for options granted in the current year. The average grant date fair value of the options granted in 2011 was CHF 4.91.
- In 2011, total other benefits include contributions to medical benefit plans and special premiums.
- Executive Board members' bonus claims for 2011 will be calculated and paid in 2012 after approval of the annual financial statements. The criteria governing payment of the 2011 bonus are measurable and contractually regulated. The bonus amounts represent the accrued bonuses for services rendered during 2011.
- Pension contribution includes the employer's contribution to the pension funds. Contributions to mandatory social insurances are not included.
- No loans or credits were granted to members of the Board of Directors or Executive Board in 2011.
- For members leaving the Executive Board in the course of the year, the total amount includes remuneration during their term of office including employer's contribution to the occupational pension scheme.

Participations at 31 December 2011

The following table sets out the number of participations which were held by members of the Board of Directors and the Executive Board, including parties closely related to them:

Name	Number of shares	Number of options exercisable [1]	Number of options not exercisable [1]
Board of Directors			
Juhani Anttila, Chairman of the Board of Directors	25,000	–	–
Paul E. Otth, Vice-Chairman of the Board of Directors	2,000	–	–
Dr J.T. Bergqvist, Member of the Board of Directors	–	–	–
Kenth-Ake Jönsson, Member of the Board of Directors	–	–	–
Andreas V. Umbach, Member of the Board of Directors	–	–	–
Executive Board			
Fritz Mumenthaler, CEO	21,000	48,000	94,000
Dr Martin Zwyssig, CFO	–	34,000	56,000
Rikard Lundqvist, General Manager Network Testing	–	25,000	53,000
Claes Ödman, General Manager Wireless Solutions	–	–	15,000
Total Board of Directors and Executive Board	**48,000**	**107,000**	**218,000**

[1] In accordance with the conditions of Ascom Stock Option Plans 2008, 2009, 2010 and 2011.

10. Risk management in compliance with Art. 663b of the Swiss Code of Obligations

Ascom Holding Ltd. is fully integrated into the group-wide risk and control process of Ascom Group (see note 26 of the consolidated financial statements).

COMMENTS ON THE FINANCIAL STATEMENTS

Assets

Investments include shares in Group companies amounting to CHF 127.2 million (previous year: CHF 275.2 million). The decrease in investments is mainly attributable to a distribution of capital contribution reserves from a Group company in the amount of CHF 150.0 million (recognized as capital repayment). The remaining net increase in investments of CHF 2.0 million results from an acquisition, a capital increase and a capital reduction in relation to Group companies.

In the year under review, loans to Group companies increased by CHF 210.2 million. This increase is mainly related to a financing of a distribution of capital contribution reserves in the amount of CHF 150.0 million from a Group company. Additionally, the Group refinanced its activities in 2011. Respective loan facility was transferred from a Group company to Ascom Holding Ltd. leading to an additional financing of the Group company which formerly held the loan in its balance sheet. The loans are mainly denominated in CHF, EUR, USD and SEK.

Capitalized financing costs relate to the refinancing of the Group in 2011.

Accounts receivables from Group companies consist mainly of short-term receivables denominated in CHF, EUR and USD.

Liabilities and equity

At 31 December 2010, reserves from capital contribution in the total amount of CHF 21.9 million were split into general reserves from capital contribution (CHF 6.2 million) and reserves for own shares from capital contribution (CHF 15.7 million). In line with the resolution of the annual general meeting, reserves for own shares were directly allocated from retained earnings in 2011 leading to a consolidation of reserves from capital contribution in the amount of CHF 21.9 million at 31 December 2011.

Due to the net decrease of own shares, an amount of CHF 0.2 million was released from reserves from own shares to retained earnings.

Bank loan consists of a revolving multicurrency loan facility in an aggregate amount of CHF 120.0 million. The final maturity date of the loan facility is 24 May 2016.

Provisions primarily cover general valuation risks, receivable risks as well as unrealized foreign exchange differences.

Income statement

Investment income represents ordinary dividend payments from Group companies.

The increase in financial income results mainly from foreign exchange gains on Group loans and accounts receivables.

Other income comprises trademark fees charged to Group companies and a release of provisions.

Financial expenses mainly increased due to a fair value adjustment on own shares of CHF 3.4 million.

Administration expenses include CHF 1.0 million (previous year: CHF 1.0 million) of personnel related costs.

Profit for the period

In 2011, Ascom Holding Ltd. records a net profit of CHF 5.3 million (previous year: CHF 274.8 million), while Ascom Group records a consolidated net profit of CHF 23.1 million (previous year: CHF 32.5 million).

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS 2011

CHF	2011
Retained earnings from previous year	350,657,046
Distribution of dividend	(8,563,571)
Allocation to reserves for own shares	(15,442,651)
Profit for the period	5,306,304
Retained earnings at 31.12.2011	**331,957,128**
Balance to be carried forward	331,957,128

PROPOSAL FOR THE APPROPRIATION OF RESERVES FROM CAPITAL CONTRIBUTION 2011

CHF	2011
Distributable reserves from capital contribution at 31.12.2011	**21,876,217**
Distribution of CHF 0.25 per share entitled to dividends	(9,000,000)
Balance to be carried forward	12,876,217

To the general meeting of Ascom Holding Ltd., Berne

Report of the statutory auditors on the financial statements

As statutory auditors, we have audited the financial statements of Ascom Holding Ltd., which comprise the balance sheet, income statement and notes (pages 109 to 116), for the year ended 31 December 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Stefan Räbsamen	Thomas Wallmer
Audit expert	Audit expert
Auditor in charge	

Zurich, 8 March 2012

KEY FINANCIAL DATA ON THE SHARE CAPITAL

CHF		2011	2010	2009	2008	2007
Dividend per share						
Registered shares	CHF 0.50	0.25	–	–	–	–
Equity per share [1, 2]						
Registered shares	CHF 0.50	5.90	5.47	5.16	4.23	4.79
Earnings per share [2]						
Registered shares	CHF 0.50	0.67	0.94	0.70	0.23	(1.35)
Share price (high/low of the period under review)						
Registered shares	CHF 0.50	15.10/7.67	14.70/9.50	14.05/6.60	12.90/5.94	28.40/10.75
Taxable values [1]						
Registered shares	CHF 0.50	8.40	14.70	9.75	8.19	12.35
Number of shares [1]						
Registered shares	CHF 0.50	36,000,000	36,000,000	36,000,000	36,000,000	36,000,000
Of which own shares [1]						
Registered shares	CHF 0.50	1,430,040	1,437,033	1,283,933	1,209,589	580,800

[1] At 31 December.

[2] Based on the consolidated financial statements (excluding own shares).

IMPORTANT GROUP COMPANIES

AUSTRIA		
Ascom Austria GmbH	P. Bernhofer	Lemböckgasse 49/2/D, 1230 Wien +43 1 811 77 0 | Fax 1 811 77 10 info@ascom.at
BELGIUM		
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BRAZIL		
Ascom Soluções em Telefonia Movél Limitada	L. Lanfranchi	Edificio Tríanon Corporate, Alameda Santos, 700, 3° andar – Jardim Paulista, 01418-100 Sâo Paulo, SP +55 11 3572 9004 | Fax 11 3572 9012 tems.sales.americas@ascom.com
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DATES AND CONTACTS

Important dates

18 April 2012
Annual General Meeting
BERNEXPO AG, Berne

22 August 2012
Presentation of half-year results 2012
SIX Swiss Exchange, Zurich

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25
YEARS

Declaration of forward-looking statements

This Annual 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 the Annual Report.

This Annual Report is also available in German. For the general part and Corporate Governance, the German version is binding. The full Annual Report of the Ascom Group can be viewed online at:

http://www.ascom.com/report-en

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IP-DECT

RELIABILITY

25 YEARS

WIRELESS SOLUTIONS

EFFICIENCY

WWW.ASCOM.COM

LTE

INNOVATION

MONITORING

WIRELESS

NETWORK TESTING

OPTIMIZATION