ANNUAL REPORT 2012

KEY FIGURES
ASCOM GROUP

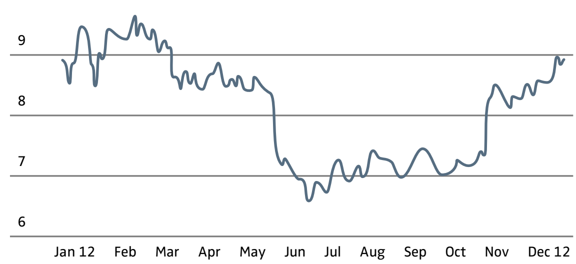
Ascom specializes in [MISSION-CRITICAL COMMUNICATION] solutions: equipment and systems to test and run networks and to ensure the integrity of communications in situations where security is paramount and every second counts.

We focus on the areas of Wireless Solutions, an international leader in on-site communication for enterprise mobility in healthcare and other markets, and Network Testing, a global market leader trusted by operators worldwide to validate mobile network performance.

Share information

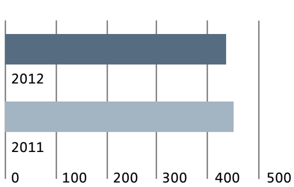
	2012	2011	2010
Share price 31.12. in CHF	8.86	8.40	14.70
Market capitalization in CHFm	318.96	302.40	529.20
Nominal value per share in CHF	0.50	0.50	0.50

Performance in CHF

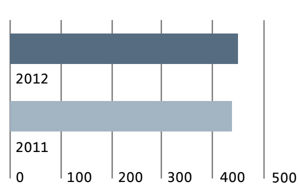


Summary of key figures*

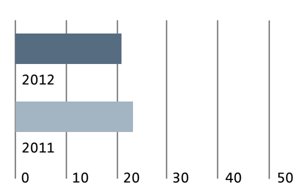
Incoming orders in CHFm



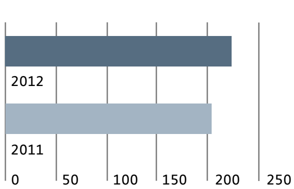
Revenue in CHFm



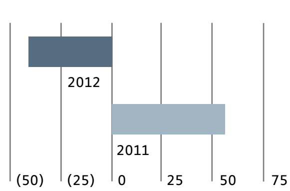
Group profit in CHFm**



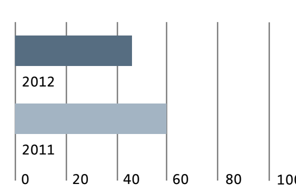
Shareholders' equity in CHFm



Net cash/(net debt) in CHFm



EBITDA in CHFm



* Continuing operations.
** Including discontinued operations.

LETTER TO SHAREHOLDERS

Dear Shareholders

The year 2012 began very difficult as restructuring measures in Network Testing became necessary due to telecom operators starting to reduce their operating costs and their investments end of 2011. Thus, the year 2012 was very challenging for Ascom. However, we succeeded in achieving our ambitious targets, and are pleased to report solid results for fiscal year 2012. Wireless Solutions increased its already high profitability and was able to further strengthen its leading market position. Network Testing achieved a successful turnaround during the second half of 2012. In addition, Ascom concluded successfully the divestment process of the core business units of the former Security Communication Division in July 2012.

Given a substantial improvement during the second half-year, Ascom Group generated revenue in a total amount of CHF 449.8 million, representing a growth rate of 2.8%, and closed the full-year 2012 with an EBITDA margin of 10.2%, taking into account a weak first half-year (EBITDA margin of 5.0%). At CHF 20.9 million, Group profit was in line with the previous year. The Board of Directors is confident about the future development of Ascom and will propose to the shareholders an increased dividend (in form of a tax free distribution of capital contribution reserves) of CHF 0.35 per share.

Ascom Wireless Solutions – strong market position further expanded

In 2012, Wireless Solutions has set itself the targets to gain additional market share and to strengthen its leadership position in the healthcare segment. These targets were well achieved and Wireless Solutions showed again an excellent performance in 2012. The division grew organically and through successful acquisitions, it further improved its already high profitability and was able to gain additional market share. Today, Wireless Solutions is – at par with Siemens – the world's largest manufacturer of professional cordless phones. In addition, with the successful acquisition of the GE Nurse Call business in June 2012, the division has also become one of the biggest nurse call providers worldwide, with strong direct presence in the US and in Europe. The division markets its offerings in three sales channels. During the year under review, the direct sales channel showed good growth particularly in the UK and in the US, and sales with OEM partners performed well.

Ascom key figures

CHFm	2012	2011
Incoming orders	436.4	451.4
Revenue	**449.8**	**437.5**
EBITDA	**45.9**	**59.8**
Group profit	20.9	23.1
Number of employees (FTE) as of 31.12.	1,771	1,801

Ascom Network Testing – successful turnaround during the second half-year

In 2012, the main priority for the Network Testing Division was to achieve a substantial improvement in profitability. This goal was reached, and Network Testing achieved a successful turnaround in the second half-year. Restructuring measures were quickly implemented in response to difficult market conditions caused by weak demand from telecom operators. Measures taken to reduce the cost base by CHF 20 million were completely implemented by the end of the year. Network Testing successfully implemented a significant initiative that consisted of three parts: reorganization, restructuring and growth investments. In addition, three experienced international managers have been appointed with a view to strengthening the division's management.

Today, Network Testing has a stronger and more focused organizational structure, with its three regional business areas, Americas, EMEA and Asia Pacific, and its three global product units Test & Measurement, Benchmarking & Monitoring, and Reporting & Analysis. In addition, substantial cost reductions have been made as well as growth investments. The full benefit of these cost savings will materialize in 2013. As a result of the restructuring, Network Testing would have reached an EBITDA margin of 14.3% on a pro-forma basis (excluding restructuring expenses and including the full annualized cost savings), in 2012. Based on positive effects of the reorganization and supported by a market recovery, in particular in the US, revenue increased substantially in the second half of 2012, compared to the first six months of the year.

Divestment of Security Communication – successfully concluded

On 31 July 2012, Ascom successfully concluded the divestment process of the core business units of the former Security Communication Division. In the course of the first seven months of 2012, Ascom transferred Defense, Infrastructure Operators, Ascom Austria and the Civil Security business to new owners. The entire divestment process was executed in less than 12 months with a positive impact on the income statement. The interests of customers and employees alike were served preferentially by all transactions.

Strategic focus – two globally oriented divisions in Mission-Critical Communication

Ascom focuses on its two globally oriented divisions, Wireless Solutions and Network Testing. Both divisions are strongly innovation-driven global businesses, with demand stemming from strong underlying megatrends such as the aging population and the data explosion in mobile networks. Wireless Solutions has the vision to become the global leader in Mission-Critical Communication in the healthcare segment. With its leading market position, most comprehensive product portfolio and excellent knowledge of customer needs, the division is best positioned to capitalize on the growth opportunities in its addressed markets. Network Testing has the vision and the ambition to become the mobile industry's independent authority for validating network performance. With its market leadership position, its new organizational structure and a significantly reduced divisional cost basis, the division is well prepared for profitable growth in the future.

Key figures Wireless Solutions

CHFm	2012	2011
Incoming orders	296.1	284.1
Revenue	**297.7**	**276.6**
EBITDA	**48.1**	**41.5**
Number of employees (FTE)	1,247	1,198

Key figures Network Testing

CHFm	2012	2011
Incoming orders	118.6	145.3
Revenue	**130.4**	**138.9**
EBITDA	**(4.6)***	**3.4**
Number of employees (FTE)	507	571

* Including restructuring expenses of CHF 11.6 million.

Strong second half-year 2012

The economic environment as well as market conditions were challenging in the year under review. Ascom has responded rapidly to the significant changes in the business environment and has taken necessary restructuring measures. As a consequence, Ascom experienced a strong improvement in the results during the second half-year of 2012.

Ascom recorded an increase in revenue of about 11% in the second half of 2012 compared to the first six months. For the full-year 2012, Ascom generated revenue of CHF 449.8 million (2011: CHF 437.5 million), representing a growth rate of 2.8%. Ascom closed the second half-year 2012 with an EBITDA margin of around 15%. For the full-year 2012, the EBITDA margin was at 10.2%, taking into account a weak first half-year (EBITDA margin of 5.0%). However, profitability was burdened with restructuring expenses of CHF 11.6 million in 2012. Excluding these expenses, Group EBITDA margin would have been at 12.8%.

Despite a difficult economic environment, we continue to substantially invest in R&D to maintain and further expand our technology market leadership. The expenses for R&D in 2012 amounted to CHF 49.9 million corresponding to a portion of revenue of 11.1% what is clearly above market level. Only an amount of CHF 0.7 million out of the R&D costs has been capitalized.

Ascom Wireless Solutions achieves an EBITDA margin of 16.2%

Wireless Solutions contributed about two thirds to total Group revenue and recorded an increase in sales of 7.6% year-on-year, including positive effects of about 5 percentage points through the GE Nurse Call business and Miratel acquisitions. For the full-year 2012, Wireless Solutions generated revenue of CHF 297.7 million (2011: CHF 276.6 million).

In terms of profitability, Wireless Solutions further improved its margins and achieved excellent results. For fiscal year 2012, Wireless Solutions recorded an EBITDA of CHF 48.1 million (2011: CHF 41.5 million) and a higher EBITDA margin of 16.2% compared to the previous year (2011: 15.0%). For the second half-year, the division even posted an EBITDA margin of around 17%.

Ascom Network Testing shows good second half-year

Network Testing achieved a successful turnaround during the second half-year due to quickly implemented restructuring measures and first signs of improved market conditions. For the second half-year, the division recorded substantial increase in both, revenue and incoming orders compared to the first six months of 2012. Revenue grew by about 15% compared to the first six months of 2012 totaling CHF 130.4 million for the full-year (2011: CHF 138.9 million).

Due to the successful restructuring, Network Testing showed a significant improvement in profitability in the second half-year with an EBITDA margin before restructuring expenses of 14.4% (10.3% including restructuring expenses). For the full-year, the division achieved an EBITDA of CHF 7.0 million before restructuring expenses, representing an EBITDA margin of 5.4% (2011: 2.4%). Including these expenses, a loss of CHF 4.6 million was reported at EBITDA level. Restructuring measures implemented and executed during fiscal year 2012 reduced the overall divisional cost base by around CHF 20 million. The full benefit of the cost savings will materialize in 2013.

Group profit in line with the previous year

Group profit increased substantially in the second half to end the year 2012 at CHF 20.9 million, which is in line with the previous year (H1/2012: CHF 2.6 million; full-year 2011: CHF 23.1 million).

As of 31 December 2012, the Ascom Group recorded cash and cash equivalents of CHF 63.1 million (2011: CHF 73.3 million), and a strong equity ratio of 43.1% (2011: 40.2%).

Dividend payment – Board of Directors will propose higher dividend payment

The Board of Directors is confident about the future development of the Ascom Group and thus will propose to the 2013 Annual General Meeting a dividend payment (in form of a tax free distribution of capital contribution reserves) of CHF 0.35 per share, corresponding to an increase of 40% year-on-year and to a payout ratio of 60.3% (2011: 39.0%).

EBITDA margin target for 2013 increased to 15–16%

The economic environment will remain challenging in 2013, although there are some promising sights of a market recovery. With the successful turnaround of the Network Testing Division during the second half of 2012, and taking into account that Wireless Solutions has achieved an EBITDA margin of 16% already in 2012, we are convinced that Ascom may even exceed its communicated targets. Therefore, we plan to reach an EBITDA margin of 15–16% at Group level in 2013 while achieving growth of 5%. In addition, we have set ourselves the goal of achieving average growth of 5–10% in 2014 and 2015. At a Group level, Ascom is aiming for an EBITDA margin of 17–18% in 2015.

A word of thanks

In 2012, we achieved our ambitious goals, which reflect the dedication and great efforts by our employees. On behalf of the entire Board of Directors and the Executive Board, we would like to take the opportunity to thank all our employees for their hard work. We also extend a special thanks to all our customers for their confidence in our products, solutions and services. And, our thanks also go to you, our valued shareholders, for your trust and interest in Ascom.

Both divisions, Wireless Solutions and Network Testing, are well positioned to capitalize on their leading position in their addressed markets. We have established the necessary requirements for achieving our profitability targets that we have set for 2013.

Juhani Anttila
Chairman

Fritz Mumenthaler
CEO


ASCOM WIRELESS SOLUTIONS
INTERNATIONAL LEADER IN ON-SITE COMMUNICATION
FOR HEALTHCARE
EFFICIENCY
NURSE CALL
INTEGRATION
ALARM
FUTURE PROOF
MESSAGING
INTEROPERABILITY
PATIENT SAFETY


PURPOSE-BUILT HANDSETS
DISTRIBUTING ALARMS
MEDICAL DEVICE

ASCOM WIRELESS SOLUTIONS

Wireless Solutions continued to grow its business while further improving its profitability, achieving an EBITDA margin of 16.2%

Ascom Wireless Solutions closed fiscal year 2012 with an excellent operational performance and continued to improve its EBITDA margin. The division increased revenue organically and through acquisitions by 7.6% to CHF 297.7 million (2011: CHF 276.6 million), gaining market share in its addressed markets. The positive revenue development was mainly driven by strong performance in the UK and the US. Wireless Solutions continued to improve its profitability and achieved an EBITDA margin of 16.2%, representing an increase of 1.2 percentage points compared to the previous year (2011: 15.0%). These good results confirm the division's position as a market leader in mobile phones for professional enterprise use and its world leading position in nurse call systems (healthcare segment).

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), retail, manufacturing industry, 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. With its tailor-made applications, Wireless Solutions creates extra value for customers and differentiates itself by providing purpose-built handsets and seamless integration with existing systems.

Strong performance and excellent business results in 2012

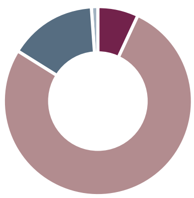
In fiscal year 2012, Wireless Solutions exceeded its financial targets. The division grew organically and through acquisitions, further improved its already high profitability, and was able to gain additional market share. Today, Wireless Solutions is – at par with Siemens – the world's largest manufacturer of professional cordless phones, and with the successful acquisition of the GE Nurse Call business it has also become one of the biggest nurse call providers worldwide, with a strong direct presence in Europe and the US.

In 2012, the division recorded revenue growth of 7.6% to CHF 297.7 million (2011: CHF 276.6 million), including positive acquisition effects of about five percentage points through the GE Nurse Call business and Miratel acquisitions. Despite the persisting financial difficulties in particular in Europe, Wireless Solutions showed an increase in incoming orders of 4.2%, to CHF 296.1 million (2011: CHF 284.1 million).

The direct sales channel showed particularly good growth in the UK and US. Wireless Solutions succeeded in significantly strengthening its position in the retail segment in the UK. The division continued to win market shares in the US in mobility and further strengthened its position with the acquisition of the GE Nurse Call business. Important customer wins included Orlando Regional Health Systems, Orlando, FL; Washington Hospital Center, Washington, DC; SSM Health Care, St. Mary's Good Samaritan, St. Louis, MO; and Vestre Fængsel, Denmark's largest prison.

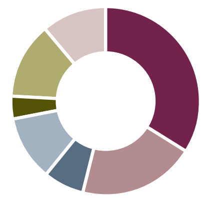
Sales with OEM partners performed well while the indirect sales channel with international partners was below expectations, mainly due to the difficult economical situa-

Revenue by region



Switzerland	7%
EMEA excl. Switzerland	77%
Belgium	3%
France	9%
Germany	11%
Netherlands	23%
Scandinavia	21%
United Kingdom	9%
Rest of EMEA	1%
Americas	15%
Asia Pacific	1%

Revenue by segment



Hospitals	34%
Elderly care	20%
Hotel & Retail	7%
Industry	11%
Secure establishments	4%
OEM	13%
Other	11%

tion in southern Europe. As a consequence, the division will refocus its indirect sales channel during 2013.

In terms of profitability, Wireless Solutions further improved its margins and closed fiscal year 2012 once again with excellent results. EBITDA rose to CHF 48.1 million (2011: CHF 41.5 million), representing an increase of the EBITDA margin by 1.2 percentage points to 16.2% compared with 15.0% in 2011. Wireless Solutions continued to actively manage its cost base during the entire year. Investments in R&D were continued at similar levels as last year and reached 7.8% of revenue (2011: 7.6%).

Market trends, innovation, customers

The most important growth drivers in Wireless Solutions addressed markets are provided by worldwide demographic trends resulting in higher demand for care coupled with an increasing demand for healthcare communication, by an increasing focus on efficiency due to cost pressure in healthcare, by higher regulatory requirements and by an increasing demand for security. With its leading market position, comprehensive product portfolio and excellent knowledge of customer needs, Wireless Solutions has the ability to further exploit these growth opportunities. Ascom also aims to leverage its position as a medical device company thanks to the achieved FDA approval for Cardiomax and MDD clearance for Mobile Monitoring Gateway.

Wireless Solutions targets to further increase its market share in established markets such as the US, the UK and Germany, to leverage its leading market position in nurse call and to further increase its service and solution capabilities in national sales units with a focus on healthcare. In addition, Wireless Solutions aims to increase its geographical footprint through value adding resellers and to extend its offering of integrated solutions around mobility.

Wireless Solutions has established itself – at par with Siemens – as the leading specialist for workplace mobility. In the first-half of 2012, the division increased its share of the total global market for professional PBX connected cordless phones to 17%. In the DECT handset market, Wireless Solutions held 21% of the global market, and in the VoWiFi market, the division's market share reached 17%.

To further strengthen its leading market position, Wireless Solutions continues to focus its research and development activities on three product portfolio areas: mobility solutions, patient systems (nurse call and independent living) and Unite software, which comprises messaging, middleware and workflow software.

Strategic priorities

The vision of Ascom Wireless Solutions is to become the global leader in Mission-Critical Communication in the healthcare segment.

Wireless Solutions offers a unique value proposition in a mission-critical (and often life-critical) environment. The increasing demand for customized solutions drives the software content of the value proposition (in particular Unite middleware and applications). The service part of the business is growing and Ascom is well positioned as a medical device company thanks to the FDA and MDD certifications.

In 2012, Wireless Solutions has clearly gained market share in the healthcare sector. Supported by the two acquisitions, Miratel in 2011 and GE Nurse Call business in 2012, the division is in an excellent position to further exploit the growth potential in the healthcare market. In addition, Wireless Solutions will further strengthen its market position in other target market segments such as industry, retail, hotels and secure establishments.

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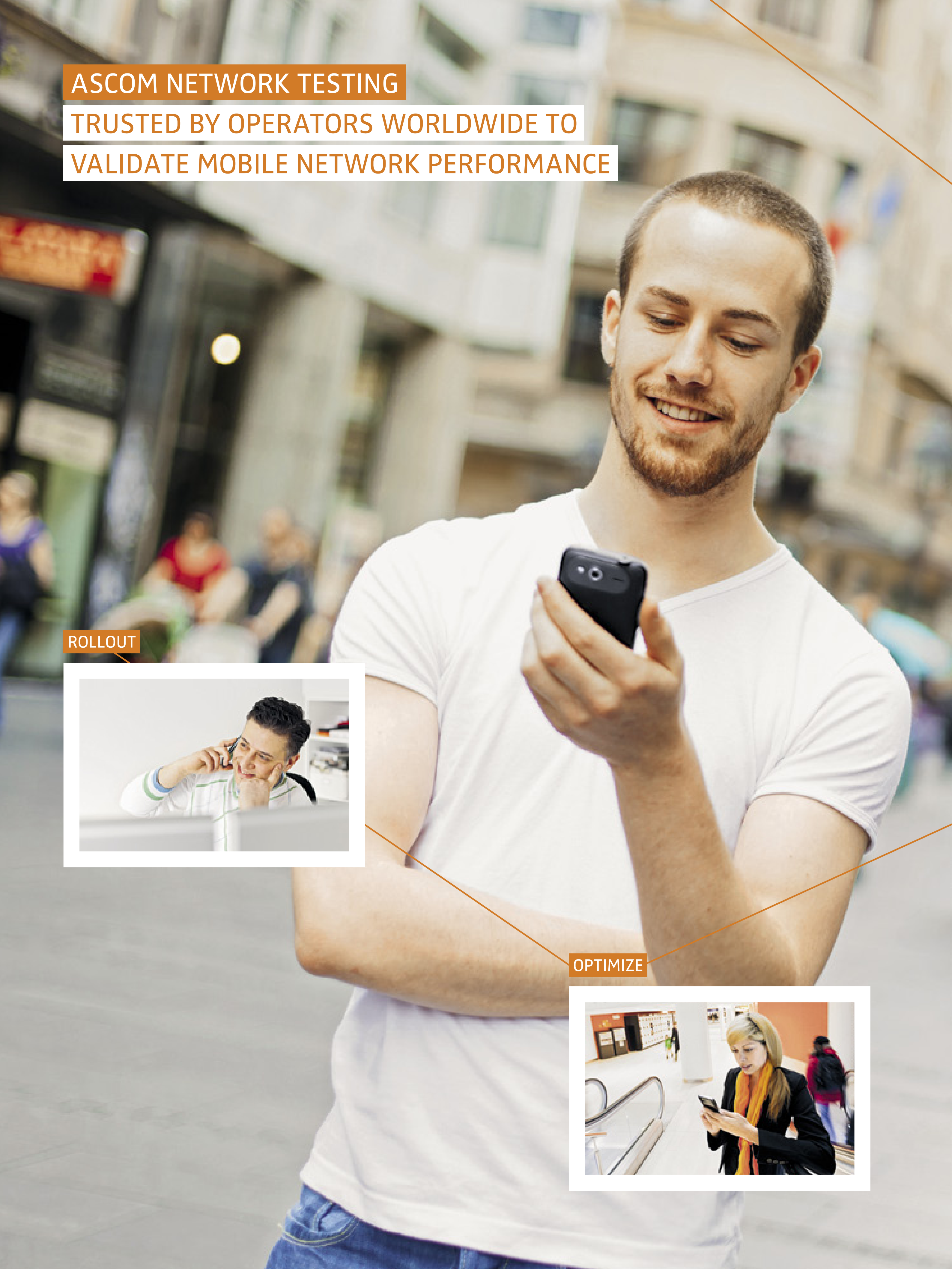
ASCOM NETWORK TESTING
TRUSTED BY OPERATORS WORLDWIDE TO VALIDATE MOBILE NETWORK PERFORMANCE




4G
TABLETS
VIDEO
SMARTPHONES
LTE
VOICE OVER IP
IN-BUILDING
BROADBAND MOBILE
SOCIAL MEDIA
TROUBLESHOOT
BENCHMARK

ASCOM NETWORK TESTING

Successful turnaround for Network Testing, recording a significant improvement in results in the second half-year

Ascom Network Testing achieved a successful turnaround in the second half-year of 2012. Restructuring measures were quickly implemented in response to market conditions in the first half-year caused by weak demand from telecom operators. Measures taken to reduce the cost base by CHF 20 million were completely implemented by end of year. Full year results include a one-off charge of CHF 11.6 million for restructuring costs. The benefits of the cost savings of CHF 20 million will fully materialize in 2013 and hence form a good basis for further business development. Excluding restructuring costs but including full annualized savings, the pro-forma EBITDA margin for Network Testing for 2012 would have reached to 14.3%. With today's new organizational structure, the division is well positioned to capitalize on the expected recovery in its addressed markets.

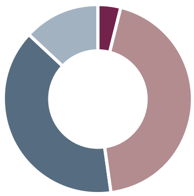
Despite the continued slow market development in 2012, both the exponentially growing demand for mobile broadband and the importance of customer experience provide a major challenge for the competitive positioning of mobile operators, creating growth opportunities in the coming years. Network Testing is well positioned to benefit from a market up-swing as a recognized global industry leader providing excellent solutions to measure, analyze and optimize mobile networks. The Ascom TEMS portfolio offers a complete set of trusted solutions for drive testing, benchmarking, monitoring and analyzing network performance. These state-of-the-art offerings facilitate the deployment, optimization and maintenance of mobile networks. Network Testing supplies its products to the world's top mobile operators, equipment vendors and professional service providers. With its significant experience, the division enables operational excellence, cost efficiency and user satisfaction, which helps customers to navigate the constant evolution of technology and thrive in the continuously evolving telecommunications environment.

Enterprise program successfully completed

Network Testing experienced a challenging market environment in 2012 as telecom operators continued to reduce their operating costs and investments and delayed the rollout of next-generation networks in 4G technologies such as LTE. In response, Network Testing successfully implemented a significant initiative that consisted of three parts: reorganization, restructuring and growth investments. As a result of the new organization, the marketing/sales part of the division has been split into three regional business areas, Americas, EMEA and Asia Pacific, and product development has been consolidated in three global product units, Test & Measurement, Benchmarking & Monitoring and Reporting & Analysis. Due to a stronger and more focused organizational structure, Network Testing achieved a closer proximity to its customers in all regions, which enabled it to better serve them while also increasing the division's responsiveness to changes in market demand.

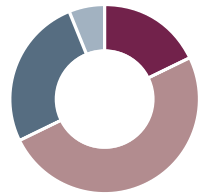
Restructuring measures implemented and executed during fiscal year 2012 reduced the overall divisional cost base by around CHF 20 million. The full benefit of the cost savings will materialize in 2013. The associated restructuring expenses totaled to CHF 11.6 million in 2012.

Revenue by region



Switzerland	4%
EMEA excl. Switzerland	44%
Germany	15%
Scandinavia	4%
United Kingdom	3%
Rest of EMEA	22%
Americas	39%
Asia Pacific	13%

Revenue by segment



Systems & Solutions	18%
Test & Measurement	50%
Benchmarking & Monitoring	26%
Reporting & Analysis	6%

Business results 2012

Network Testing achieved good results in the second half-year but struggled with a difficult first half. Revenue in the second half-year 2012 increased by around 15% compared to the first six months of the year. This was mainly based on positive effects of the reorganization and on the market recovery, in particular in North America. In total, the division generated revenue of CHF 130.4 million for fiscal year 2012 (2011: CHF 138.9 million). Incoming orders rose by more than 22% during the second half-year compared to the first half of 2012, totaling CHF 118.6 million for the full-year 2012 (2011: CHF 145.3 million).

Despite a difficult first half, growth was achieved during the second half as a result of the stronger and more focused organizational structure and due to increased network infrastructure spending mainly in North America. As a major success, the long-term relationship with a flagship benchmarking customer in the US has been successfully extended. Network Testing further strengthened its market position in Middle East and Africa while it was faced with a decline in customer demand in Europe. Reporting & Analysis and Systems & Solutions showed growth while the Test & Measurement and Benchmarking & Monitoring product units were stabilized in the second half-year.

Although important improvements have been achieved during the second half of 2012, Network Testing's full year operational results were affected by the overall lower revenue and restructuring expenses of CHF 11.6 million. At the EBITDA level, the division ended 2012 with a loss of CHF 4.6 million, compared to a profit of CHF 3.4 million in 2011. However, excluding restructuring expenses, EBITDA was at a profit of CHF 7.0 million, representing an EBITDA margin of 5.4%. In the second half-year Network Testing achieved an EBITDA margin of 10.3% (14.4% excluding restructuring expenses).

Market trends, innovation, customers

Network Testing is a market leader with global sales presence and an innovative, integrated product portfolio strategically positioned to benefit from renewed growth in the telecom sector. The Test & Measurement product unit continues to enjoy market leadership.

The overall addressable market is driven by the exponentially growing demand for mobile broadband and the customer experience as a major challenge for the competitive positioning of operators. Telecom operators are faced with the increasing demand for capacity and the increasing complexity of the networks while at the same time average revenues per user are declining. The push for the required capacity expansion is leading to the implementation of new technologies such as LTE. Network Testing is well positioned in this increasingly complex and demanding environment thanks to its in-depth knowledge and its more than 20 years of experience.

Network Testing continued to invest in strategic R&D activities in 2012 with a spending of CHF 24.9 million (excl. restructuring expenses). One of the key initiatives is to align several legacy platforms. In Reporting & Analysis, TEMS Discovery Enterprise has been successfully introduced to the market, and a new product offering in Benchmarking & Monitoring to be launched in 2013 will provide innovative alternatives to operators regarding drive testing. Network Testing expects a continuing growth trend in its Benchmarking & Monitoring products.

Strategic priorities

Network Testing has the vision and the ambition to become the mobile industry's independent authority for validating network performance and customer experience across disparate network infrastructures, technologies and devices. Ascom is the industry leader with the largest installed base and is positioned to meet the new demand with the industry's most integrated and broad portfolio targeting the network, service, application and device dimension of the wireless industry.

www.ascom.com/nt

SUSTAINABILITY

Innovative products and socially and environmentally conscious behavior

STRONG VALUES, SUSTAINABLE VALUE

"In 2012, the difficult market environment in our Network Testing Division left an obvious mark on our business. We focused on our restructuring efforts in order to secure our favorable market position and significantly reduce the divisional cost base. However, despite this rigid turnaround, we did not neglect our continued investment in innovative products in both divisions.

This contribution on sustainability reaffirms our commitment to aligning our operations and strategies with the ten principles of the UN Global Compact and to announce that 2013 will see further efforts to put

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

In 2012, Ascom set up a new sustainability working group led by the newly appointed Head of Corporate Development. This group held a workshop to pick up the internal discussion about the UN Global Compact and to revise Ascom's matrix of material sustainability issues and their impact on Ascom's operations. Ascom's sustainability vision and a revised mission statement were then discussed and adopted at a gathering of all senior managers. In 2013, Ascom will continue its efforts and also develop a sustainability roadmap addressing identified material issues such as energy-efficient and safe products, employee involvement and responsible sourcing. This process will not only help our company find an efficient and credible way of dealing with future opportunities and challenges, but will also enable us to meet emerging customer requirements and responsibilities assigned to us.

Compliance: a continuous priority

As a global group, our operations are guided by our Code of Ethical Business Conduct, which lays down core legal and ethical standards. These guidelines apply to all Ascom employees throughout the world. All managers have to ensure that these guidelines are implemented, are communicated to employees and are practiced as a matter of course. In 2013, specialized management trainings related to Corporate Governance (including compliance) will be held as a matter of priority.

One of the most pivotal rules for Ascom as a global company is to prohibit any form of corruption. Corruption can be detrimental to Ascom's reputation, our most valuable asset. Ascom asks employees to advise their supervisor of any suspected infringement of this policy, or alternatively they may contact Human Resources or the Group Compliance Officer in case of reasonable suspicion.

Innovation, quality and environmental responsibility: pillars of success

Regardless of the difficult market environment and necessary restructuring in the Network Testing Division, Ascom invested heavily in the continuous improvement of its products, solutions and services, as they create value for customers and help secure long-term business success as a leading technology group. In 2012, we increased our investments in R&D to a rate of 11.1% of total revenue.

In order to create and deliver products that are not only cutting-edge, but also resource and energy-efficient, Ascom continually invests in its technical skills and systematic product development processes together with suppliers and customers. Along the life cycle of products and services, Ascom identified three key issue areas in terms of environmental impact:

sustainability high on the agenda of both of our divisions. As a leading technology company we want to build long-term partnerships with our customers through innovative products and socially and environmentally conscious behavior along the entire product life cycle."

Fritz Mumenthaler, CEO Ascom

1. Use of chemicals in production:

Wireless Solutions is closely monitoring and gradually reducing the number of risk phrases used in chemicals in production. Additionally, the division has decided to prematurely follow the new RoHS directive of the European Union (restriction of the use of certain hazardous substances).

2. Energy-efficiency of products and services:

In 2012, Wireless Solutions created an internal guideline to measure and benchmark the energy consumption of its handset products. The division aims to reduce energy consumption during use of its IP DECT infrastructure products by 20% by 2016 (baseline: 2012). For a long time, Network Testing has focused on efficiency as a key area in product development. Consequently, the division has offered products that help reduce the amount of energy consumed by customers during use. TEMS Automatic, for example (a tool to collect drive test data from cars that are already on the road, e.g. taxis) offers obvious benefits compared to using dedicated vehicles for drive testing purposes.

3. Waste management, reclaim and disposal of products:

Both divisions regularly discuss these issues with customers' key accounts. Moreover, we reclaim and recycle all used products that are not disposed of by our customers.

In general, quality and environmental management is considered to be very important 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. Additionally, Wireless Solutions' operations are also ISO 13485 certified (quality management for medical devices).

In 2012, Ascom was in line with the environmental targets set. All major locations of Network Testing met the requirements for heating (≤ 20°C) and cooling (≥ 22°C) in buildings. Moreover, business travel was reduced in both divisions, not least to the more intensive use of video conferencing.

Talented and motivated employees: a prerequisite

Our employee survey from 2011 emphasized the importance of stimulating job content. With this in mind, Ascom is committed to putting job content and the working environment at the core of its recruitment, development and retention activities. Talented and motivated employees are vital if Ascom is to secure the leading position in its markets by delivering pioneering products and services.

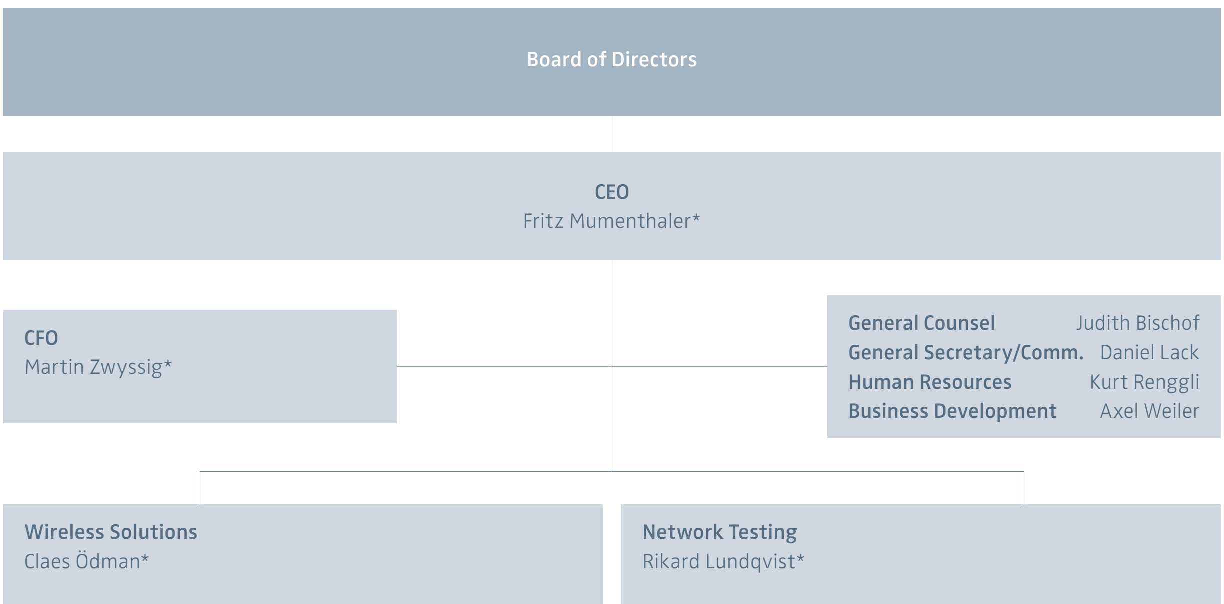
The majority of our employees have personal development plans, in line with business requirements, that are monitored throughout the year. Also, employees regularly complete specific vocational, product-related and language trainings through our e-learning platform in line with their personal development plans. Moreover, it is important for Ascom to maintain a good working relationship with employee representative groups in the different countries in which we operate. Wherever possible, we seek to involve these groups and collaborate on appropriate decision-making. Germany, Sweden and Switzerland are countries where long-term relationships are well established.

www.ascom.com/sustainability

CORPORATE GOVERNANCE

1. CORPORATE STRUCTURE AND SHAREHOLDERS

Operating corporate structure (as of 1 January 2013)



* Member of the Executive Board.

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 2012 was CHF 318.96 million.

Unlisted Group companies: Ascom Holding Ltd.

The following companies belong to the Ascom Holding Ltd. scope of consolidation (see table on page 17).

Country	Company	Location	Capital		Investment
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%
	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 Management Ltd.	Berne	CHF	200,000	Ascom Holding Ltd.: 100%
	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 2012, there were 5,720 shareholders registered in the share register of Ascom Holding Ltd.

Share ownership as of 31 December 2012:

Number of shares	Number of shareholders
1 to 100	1,183
101 to 1,000	3,125
1,001 to 5,000	1,122
5,001 to 10,000	139
More than 10,000	151
Total	**5,720**

Changes subject to disclosure requirements during the 2012 financial year

In an announcement dated 3 February 2012, published in compliance with Art. 20 of the Stock Exchange Act (SESTA), UBS Fund Management (Switzerland) AG, Basel, disclosed that it held Ascom securities representing 3.02% of the voting rights.

In an announcement dated 7 June 2012, published in compliance with Art. 20 of the Stock Exchange Act (SESTA), UBS Fund Management (Switzerland) AG, Basel, 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 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 2012:

Zürcher Kantonalbank: 26.74%

This does not cover shares which are not registered in the share register (dispo shares). Dispo shares amounted to 23.0% as of 31 December 2012.

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 1,568,202 treasury shares, representing 4.36% 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

	31.12.12 Number	31.12.12 (CHFm)	31.12.11 Number	31.12.11 (CHFm)
Registered shares par value CHF 0.50	36,000,000	18.0	36,000,000	18.0
Registered shareholders	5,720		5,952	

Ascom Holding Ltd. and its subsidiaries held 1,568,202 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	2012	2011	2010	2009
Share capital	18,000,000	18,000,000	18,000,000	18,000,000
Legal reserves	34,477,000	42,719,000	27,276,000	27,276,000
Retained earnings	354,770,000	331,957,000	350,657,000	75,875,000
Total	**407,247,000**	**392,676,000**	**395,933,000**	**121,151,000**

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 (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 2012.

Options/convertible bonds

Options

Ascom stock option plans are listed in the Remuneration Report on pages 37 to 42.

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 2012, four individual disclosures (see table) were submitted.

Transaction date	Number of shares	Type of transaction	Amount in CHF
2.4.2012	25,000	Acquisition	215,000
20.4.2012	10,000	Acquisition	86,809
20.4.2012	20,000	Acquisition	174,786
18.10.2012	20,000	Acquisition	144,000

MEMBERS OF THE BOARD OF DIRECTORS

JUHANI ANTTILA
CHAIRMAN

Nationality: Finnish | Born 1954 | Place of residence: Zug, Switzerland | Member since 2001 | Chairman since 14 May 2002 | Elected until AGM in 2013

> 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 > 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 2013

> 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 Division 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 2013

> 1989 Master 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 Group, Zug

KENTH-AKE JÖNSSON

Nationality: Swedish | Born 1951 | Place of residence: Växjö, Sweden | Member since 2009 | Elected until AGM in 2013

> 1976 Master of Science in Industrial Economics > 1976–1990 Sales Manager, Lectrostatic AB, Skara, Sweden > 1978–1990 Sales Manager/Vice President of Sales and Marketing/CEO Sarnefa AB, Küngsör, Sweden > 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 2013

> 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 Senior/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
> 2009–2012 CEO and since 2013 Chairman of K. Hartwall Oy AB, 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 of Ascom Holding Ltd. held on 18 April 2012, the Board of Directors has consisted of the following members:

	Member since AGM in	Elected until AGM in
Juhani Anttila, Chairman	2001	2013
Paul E. Otth, Vice-Chairman	2002	2013
Dr J.T. Bergqvist	2005	2013
Kenth-Ake Jönsson	2009	2013
Andreas V. Umbach	2010	2013

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 a member of the Board of Directors of Swissquote Group Holding AG, Gland. Dr J.T. Bergqvist is Chairman of the Board of Directors of Norvestia Oyj, Helsinki. Kenth-Ake Jönsson is a member of the Board of Directors of Generic Sweden AB, 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 Chairman of the Board 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, 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 Umbach is President & CEO of the Landis+Gyr Group, Zug, as well as a member of the Supervisory Board of Lichtblick AG, Hamburg.

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 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.

Sixteen meetings (including both physical meetings and conference calls) were held in 2012. Board attendance was 93%. The ordinary physical 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 (at least one meeting per quarter), although the Chairman may convene meetings as often as business requires. Four half-day Audit Committee meetings were held in 2012, two of which were attended by the external auditors. The Chairman of the Board of Directors as well as the CEO and CFO attended all meetings of the Audit Committee. 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 (tax, pension fund).

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 2012, generally lasting several hours. The CEO attended two 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 (compensation plans including long-term incentive).

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 and the Executive Committee
- 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. Five meetings were held in 2012, generally lasting several hours. The CEO attended two meetings in 2012. The full Board of Directors is briefed on the Strategy Committee's activities following each meeting. External experts were invited to attend meetings to address specific topics (divisional growth strategies).

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/Executive Committee
- 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 long-term incentives such as 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 the 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 2012, a total of five audits were performed, with a key focus on IT security, customer backlog management, compliance and indirect sales partners. The respective Audit Reports were presented to the Audit Committee 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 2012, Ernst & Young performed various individual audits. Ernst & Young were paid remuneration totaling CHF 160,266 (including expenses) (previous year: CHF 312,248 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 risks) are centrally monitored by Group Treasury in accordance with written guidelines. Capital risk is also monitored using defined ranges for the debt 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 91 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 company 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 the 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

Nationality: Swiss | Born 1958

> 1985 Master of Economics (major) & Law (minor) from the University of Berne, Switzerland (lic. rer. pol.) > 1985 Manager HR, Credit Suisse, Zurich, Switzerland > 1989 MBA from INSEAD, Fontainebleau, France > 1989 Assistant Director, Swissphone Telecommunications, Samstagern, Switzerland > 1992 Project Manager Corporate Development, Landis+Gyr, Zug, Switzerland > 1994 Marketing Manager, subsequently Head of Marketing Europe Landis & Gyr Building Controls/Landis & Staefa, Zug, Switzerland > 2000 Executive VP, Head of Global Marketing, member of the Executive Board of Siemens Building Technologies, Building Automation Division, Zug, Switzerland > 2002 Executive VP, Head of Zone Europe, member of the Executive Board, Siemens Building Technologies, Building Automation Division, Zug, Switzerland > 1 June 2005 General Manager Wireless Solutions & member of the Executive Board of the Ascom Group, Gothenburg, Sweden > From 20 August 2007 also Deputy CEO > Since 1 April 2011 CEO & member of the Executive Board of the Ascom Group, Dübendorf, Switzerland

DR MARTIN ZWYSSIG
CHIEF FINANCIAL OFFICER

Nationality: Swiss | Born 1965

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

CLAES ÖDMAN

GENERAL MANAGER WIRELESS SOLUTIONS

Nationality: Swedish | Born 1965

> 1990 Master of Science in Engineering Physics and MBA from the Chalmers University, Gothenburg, Sweden > 1990–1994 Area Manager Saab Marine Electronics AB, Gothenburg, Sweden > 1994–1998 Area Manager Ericsson Radio Systems, Stockholm, Sweden > 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, Sweden (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 & member of the Executive Board of the Ascom Group, Gothenburg, Sweden

RIKARD LUNDQVIST

GENERAL MANAGER NETWORK TESTING

Nationality: Swedish | Born 1967

> 1991 Master of Science in Computer Science and Engineering from the 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, Reston VA, USA > 2006–2008 Head of Strategy and Business Development TEMS, Reston VA, USA > 2008–2009 General Manager & Vice President TEMS, Reston VA, USA > Since 1 January 2010 General Manager Network Testing & member of the Executive Board of the Ascom Group, Reston VA, USA

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 2013:

		Executive Board member since
Fritz Mumenthaler	CEO	1.6.2005
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

None.

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 (Switzerland), 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 (Switzerland).

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 of the 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
Dr Axel Weiler	Head of Corporate Business Development	1.4.2012

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 2012.

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 37 to 42 of this Annual Report. This information can also be found in note 9 to the financial statements of Ascom Holding Ltd. (pages 109 to 111 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 votes.

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

Contracts of employment with members of the Executive Board, members of the Executive Committee or other members of the senior management provide for no special severance payment.

The period of notice for members of the Executive Board is 12 months. The 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.

Except for one person, the notice period for the members of the Executive Committee or other members of the senior management does not exceed 12 months.

In the event of a takeover of the company, all exercise hurdles for existing 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 809,532 (previous year: CHF 915,706) 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 2012.

Additional fees

PricewaterhouseCoopers was paid the following additional fees in 2012:

Tax consulting	CHF 306,451	(previous year: CHF 140,230)
Divestments	Nil	(previous year: CHF 135,315)
Miscellaneous	CHF 134,350	(previous year: CHF 97,959)
Total	CHF 440,801	(previous year: CHF 373,504)

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 2012, the external auditors drew up two detailed management reports (for the Half-Year Report and the Annual Report). The external auditors attended two of the Audit Committee meetings held in 2012.

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 2012 reporting year, the Board of Directors concluded that the auditors' independence was fully assured.

9. INFORMATION POLICY

The Board of Directors 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 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 & Investor 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 publishes Ascom media releases 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 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'' (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.

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 2013 and Corporate Communications and Investor Relations contacts is provided on page 120 of this Annual Report.

REMUNERATION REPORT

This Remuneration Report provides information on remuneration paid by Ascom in fiscal year 2012 and will be presented to the 2013 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 set at the discretion of 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 fixed fee without a variable component. Committee work, additional meetings or special projects are not compensated with an additional fee and no attendance fees are paid out either.

The fees have remained unchanged since 1 January 2011. An ordinary member of the Board of Directors receives an annual fee of CHF 120,000. The Chairman receives an annual fee of CHF 300,000 while the Vice-Chairman is compensated with 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 2012, 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 2012, four people sat on the Executive Board. 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 executives.

Total remuneration for each member consists of a basic salary and a variable component (performance-related part). 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 four members of the Executive Board in the 2012 financial year totaled CHF 1,721,784 (2011: CHF 2,041,783 for in average five Executive Board members).

- **Variable salary component (performance-related part)**

The variable salary component (performance-related part) 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 (calculation of the performance-related part) 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 variable salary component of the CEO for 2012 was weighted as follows: 25% incoming orders, 25% net revenue, 40% EBIT, 10% net working capital. The potential variable salary component 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 (performance-related part). If the results fall short, a lower or no variable salary component is paid.

The CEO receives a variable salary component 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 variable salary component which may be no more than twice the target variable compensation of 50% of the basic salary. Thus the maximum variable compensation achievable for the CEO amounts to one-time of the basic salary.

The other members of the Executive Board receive a variable salary component 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 variable salary component in line with the individually defined incentive targets but no more than twice the target variable salary component of 40% of the basic salary. Thus the maximum variable compensation achievable for the other members of the Executive Board amounts to 80% of the basic salary.

According to the rules of the remuneration system, the variable salary component in 2012 was significantly lower year-on-year mainly due to the weaker business performance of Network Testing. The total variable salary component amounted to CHF 374,617 for all four Executive Board members in 2012 (2011: CHF 1,010,608 for in average five Executive Board members). The variable salary component will be paid in April 2013 following the approval of the 2012 financial statements.

In 2012, the variable salary component (performance-related part) corresponded to 19% of the basic salary for the CEO (2011: 59%) and to 23% (in average) of the basic salary in the case of the other Executive Board members (2011: 45%).

- **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 grant 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 2012 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% variable salary component. At the discretion of the Board of Directors, the other members of the Executive Board received options worth about CHF 70,000 per person. 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, members of the Executive Committee or other members of the senior management provide for no special severance payment.

The period of notice for members of the Executive Board is 12 months. The 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.

Except for one person, the notice period for the members of the Executive Committee or other members of the senior management does not exceed 12 months.

In the event of a takeover of the company, all exercise hurdles for existing 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 2012:

a) Board of Directors

Members of the Board of Directors were paid remuneration totaling CHF 840,000 in 2012 (2011: CHF 840,000).

	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 overall compensation for the Executive Board declined by about 30% mainly due to the weaker business performance of Network Testing. The total paid to all four members of the Executive Board in 2012 amounted to CHF 2,836,826 (2011: CHF 4,162,976 for in average five members). The total amount includes employer's contributions of CHF 274,982 to the occupational pension scheme. The variable salary components for serving members of the Executive Board will be paid following approval of the financial statements in April 2013.

in CHF	Basic salary	Variable salary component	Miscellaneous [1]	Pension contribution	Options [2]	Total
CEO	650,000	122,883	–	90,106	215,180	1,078,169
Other members	1,071,784	251,734	35,613	184,876	214,650	1,758,657
Total Executive Board	**1,721,784**	**374,617**	**35,613**	**274,982**	**429,830**	**2,836,826**

[1] Contributions to medical benefit plans and special premiums.
[2] Fair value of the options granted in 2012, calculated at the time they were granted using a binomial model.

In addition, members of the Executive Board were allocated a total of 168,000 options under the 2012 Ascom Stock Option Plan, with a strike price of CHF 9.00. These options are valued at a total of CHF 429,830, based on the value at the time they were granted.

The highest total remuneration within the Executive Board was paid to the CEO. The total remuneration for the CEO in 2012, consisting of the basic salary and variable salary component, amounted to CHF 772,883 (2011: CHF 955,865). The employer's pension contributions amounted to CHF 90,106. The CEO was allocated 87,000 options under the 2012 Ascom Stock Option Plan, with a strike price of CHF 9.00. These options are valued at a total of CHF 215,180, based on the value at the time they were granted. Thus the total expenses for the CEO remuneration declined by about 20% in 2012 due to the weaker business performance of Network Testing and amounted to CHF 1,078,169 (2011: CHF 1,344,552).

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 2012, Dr Fritz Gantert was paid an amount of CHF 180,152 in compliance with commitments set down in his contract of employment, 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 2012.

4. Share ownership

Number of shares and options held in Ascom Holding Ltd. as of 31 December 2012:

a) Board of Directors

- All members of the Board of Directors and closely related parties, in toto: 102,000 shares.

	Shares
Juhani Anttila, Chairman	80,000
Paul E. Otth, Vice-Chairman	2,000
Dr J.T. Bergqvist	–
Kenth-Ake Jönsson	–
Andreas V. Umbach	20,000

- 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 451,000 options (all employee options).

Number	Shares	Options	Employee options (exercis-able) [1]	Employee options (not exer-cisable) [1]
Fritz Mumenthaler, CEO	21,000	–	61,667	139,333
Dr Martin Zwyssig, CFO	–	–	40,000	63,000
Rikard Lundqvist, GM NT	–	–	42,000	63,000
Claes Ödman, GM WS	–	–	–	42,000
Total Executive Board	**21,000**	**–**	**143,667**	**307,333**

[1] In accordance with the provisions of Ascom Stock Option Plans 2009, 2010, 2011 and 2012. Ratio 1:1.

c) Share allotment in the year under review

No shares were allotted by Ascom Holding Ltd. in 2012.

5. Options

a) 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).

46,830 of the 256,330 options outstanding at the beginning of the year were exercised in 2012, 17,000 were forfeited, and the remaining 192,500 are still outstanding.

b) 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).

None of the 398,000 options outstanding at the beginning of the year was exercised in 2012, 83,000 were forfeited, and the remaining 315,000 are still outstanding.

c) 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).

None of the 482,000 options outstanding at the beginning of the year was exercised in 2012, 6,000 were forfeited, and the remaining 476,000 are still outstanding.

d) Ascom Stock Option Plan 2012

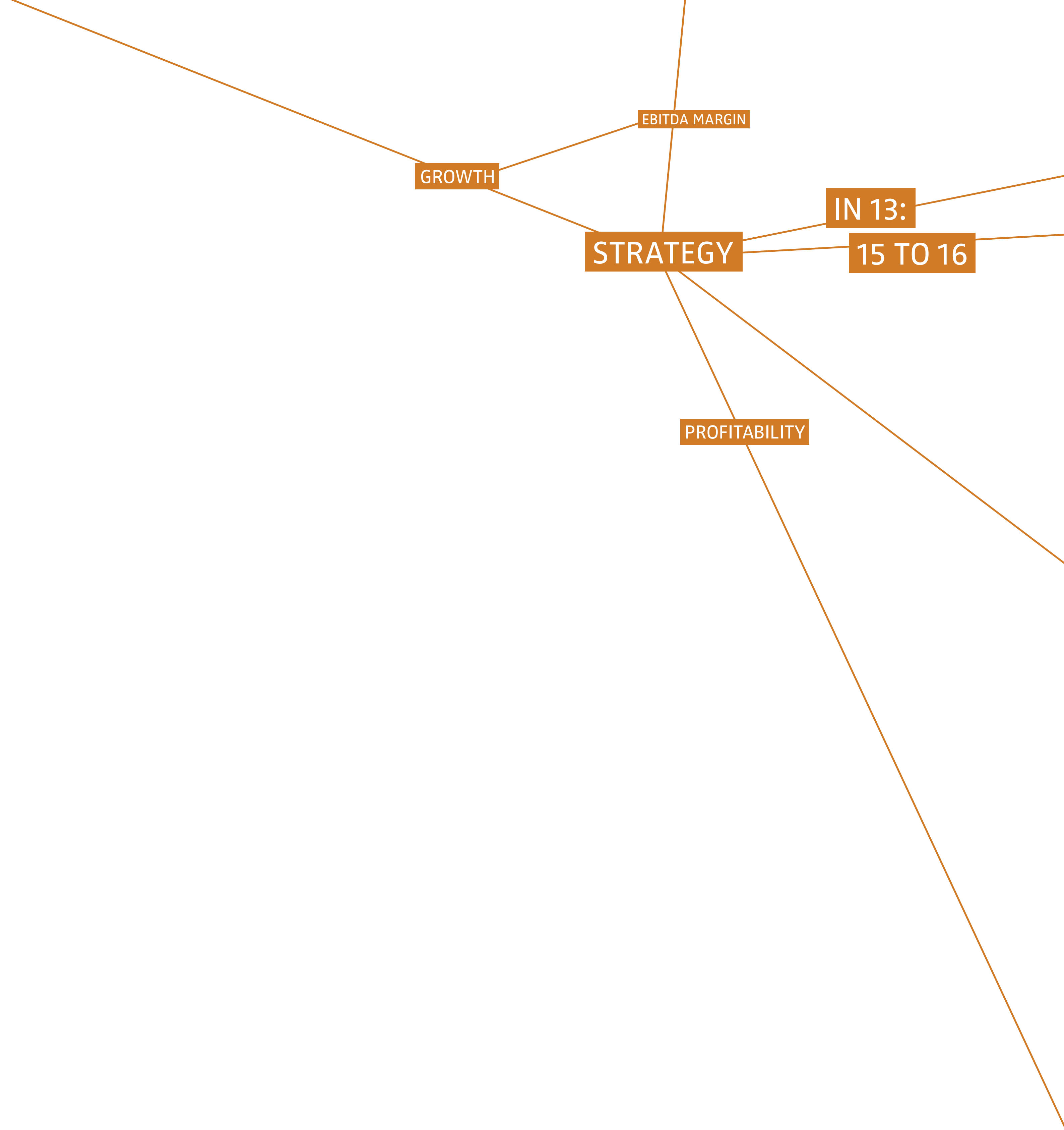
In accordance with the resolution passed by the Board of Directors on 18 April 2012, a total of 486,000 options were issued to 36 members of Ascom senior management on 18 April 2012, each option entitling the holder to purchase one share with a par value of CHF 0.50 (cash-settled options allocated to US residents entitle the holder to receive the difference between exercise and strike price in cash). The strike price is CHF 9.00. 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 have outperformed the SMI index within any given 12-month period).

6,000 options were forfeited, and the remaining 480,000 are still outstanding.

e) Options held as of 31 December 2012

SOP	Duration in years	Strike price in CHF	Issued options	Exercised options	Expired options	Retained options
2009	4	7.70	490,200	233,800	63,900	192,500
2010	4	11.40	512,000	40,667	156,333	315,000
2011	5	15.00	491,000	–	15,000	476,000
2012	5	9.00	486,000	–	6,000	480,000

The 1,463,500 options issued and not yet exercised or expired as of 31 December 2012 correspond to 4.07% of the total share capital.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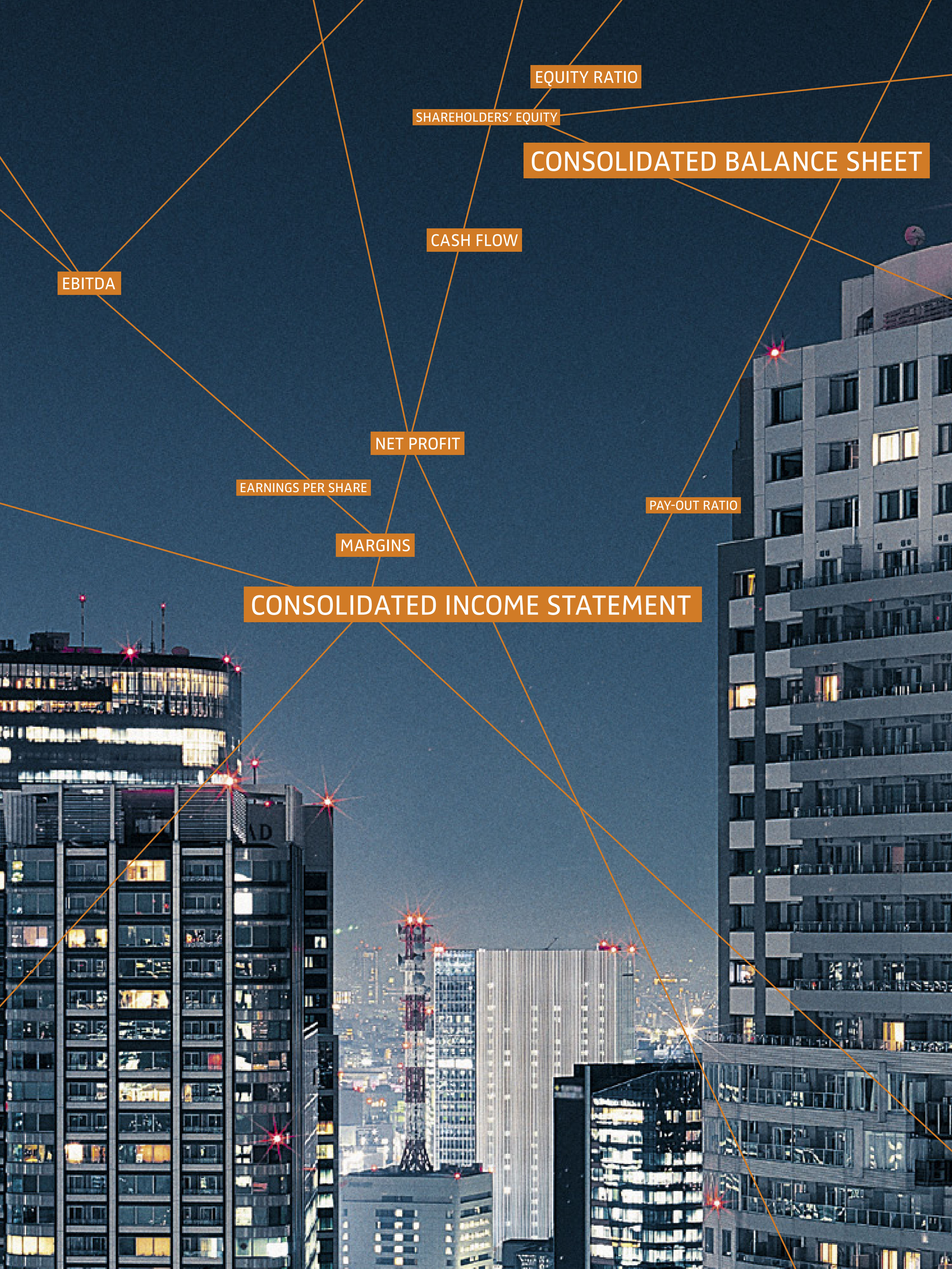
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SHAREHOLDERS' EQUITY
CONSOLIDATED BALANCE SHEET
CASH FLOW
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EARNINGS PER SHARE
PAY-OUT RATIO
MARGINS
CONSOLIDATED INCOME STATEMENT

FINANCIAL STATEMENTS 2012

CONSOLIDATED BALANCE SHEET

	CHFm	Note	31.12.2012	31.12.2011
ASSETS	Property, plant and equipment	5	18.2	20.4
	Intangible assets	6	235.5	215.0
	Deferred income tax assets	22	7.2	5.6
	Financial assets	7	4.8	5.7
	Other assets	10	14.4	9.1
	Non-current assets		**280.1**	**255.8**
	Inventories and work in progress	8	30.7	33.4
	Trade receivables	9	114.5	96.2
	Income tax receivables		1.0	0.2
	Other assets	10	27.9	33.2
	Financial assets	7	1.8	1.5
	Cash and cash equivalents	11	63.1	73.3
			239.0	**237.8**
	Assets of disposal group classified as held for sale	23	–	13.2
	Current assets		**239.0**	**251.0**
	Total assets		**519.1**	**506.8**
LIABILITIES AND SHARE-HOLDERS' EQUITY	Equity attributable to owners of the parent		223.7	203.8
	Shareholders' equity		**223.7**	**203.8**
	Borrowings	13	103.5	17.5
	Deferred income tax liabilities	22	11.5	13.7
	Employee benefit obligations	14	18.7	16.6
	Provisions	15	10.9	12.1
	Other liabilities		1.8	0.5
	Non-current liabilities		**146.4**	**60.4**
	Borrowings	13	0.9	–
	Provisions	15	19.4	13.9
	Trade payables		23.0	28.4
	Income tax payables		2.2	4.6
	Other liabilities	16	103.5	105.9
			149.0	**152.8**
	Liabilities of disposal group classified as held for sale	23	–	89.8
	Current liabilities		**149.0**	**242.6**
	Total liabilities		**295.4**	**303.0**
	Total liabilities and shareholders' equity		**519.1**	**506.8**

The notes on pages 50 to 101 are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

CHFm	Note	2012	2011
Revenue	17	449.8	437.5
Cost of goods sold		(230.0)	(218.6)
Gross profit		**219.8**	**218.9**
Marketing and distribution		(101.8)	(97.1)
Research and development		(49.9)	(45.9)
Administration		(35.4)	(36.3)
Amortization of intangible assets from acquisition [1]	6	(11.3)	(9.4)
Other income/(expenses), net	18	2.0	10.4
Earnings before interest and income tax (EBIT)		**23.4**	**40.6**
Financial income	21	0.9	1.4
Financial expenses	21	(5.6)	(8.0)
Earnings before income tax		**18.7**	**34.0**
Income tax	22	(1.1)	(3.4)
Profit for the period from continuing operations		**17.6**	**30.6**
Profit/(loss) for the period from discontinued operations	23	3.3	(7.5)
Group profit for the period attributable to the owners of the parent		**20.9**	**23.1**

[1] 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	0.61	0.67
Continuing operations – basic	24	0.51	0.88
Group – diluted	24	0.61	0.67
Continuing operations – diluted	24	0.51	0.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHFm	Note	2012	2011
Profit for the period from continuing operations		17.6	30.6
Profit/(loss) for the period from discontinued operations	23	3.3	(7.5)
Currency translation adjustments [1]		7.4	(1.3)
Total comprehensive income for the period attributable to the owners of the parent		**28.3**	**21.8**

[1] Thereof a gain of CHF 1.9 million (previous year: loss of CHF 0.2 million) relates to assets and liabilities of disposal group classified as held for sale as disclosed in note 23.

The notes on pages 50 to 101 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent						
CHFm	Share capital [1]	Own shares [1]	Share premium	Other capital reserves	Currency translation adjustments	Retained earnings	Total shareholders' equity
Balance at 1.1.2011	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
Group profit for the period	–	–	–	–	–	20.9	20.9
Other comprehensive income	–	–	–	–	7.4	–	7.4
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**7.4**	**20.9**	**28.3**
Share-based payments	–	–	–	1.1	–	–	1.1
Purchase of own shares	–	(2.1)	–	–	–	–	(2.1)
Disposal of own shares	–	1.7	–	(0.5)	–	–	1.2
Distribution of share premium	–	–	(8.6)	–	–	–	(8.6)
Total transactions with owners	**–**	**(0.4)**	**(8.6)**	**0.6**	**–**	**–**	**(8.4)**
Balance at 31.12.2012	18.0	(15.9)	13.3	8.5	(35.8)	235.6	223.7

[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 foreign operation.

The notes on pages 50 to 101 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

CHFm	Note	2012	2011
Group profit for the period		20.9	23.1
+ Depreciation and impairment of property, plant and equipment	5	5.4	6.0
+ Amortization and impairment of intangible assets	6	17.1	14.2
+/- (Profit)/loss from disposal of property, plant and equipment	18	(0.3)	(3.9)
+/- (Profit)/loss from divestment of a subsidiary or business	18, 23	(13.5)	(3.0)
+ Share-based payments	19	1.2	0.9
+/- Addition/(release) of provisions		22.4	(4.9)
- Provisions paid		(19.2)	(15.4)
+/- Change in employee benefit obligations and assets		(3.6)	(3.2)
+/- Change in inventory and work in progress		5.5	4.5
+/- Change in trade receivables		(14.8)	4.6
+/- Change in trade payables		(8.0)	2.1
+/- Change in other assets and other liabilities		(1.7)	(4.0)
- Interest income	21	(0.9)	(1.5)
+ Interest expenses	21	2.9	2.2
+ Interest received		1.0	1.3
- Interest paid		(1.8)	(1.4)
+ Income tax expenses	22	1.6	3.5
- Income tax paid		(8.9)	(11.3)
+/- Foreign currency translation differences on intra-group positions		0.1	2.6
Net cash flow from operating activities		**5.4**	**16.4**
- Purchase of property, plant and equipment	5	(3.2)	(5.1)
+ Proceeds from disposal of property, plant and equipment		0.5	6.9
- Purchase of intangible assets	6	(3.4)	(3.9)
- Acquisition of a subsidiary or business	3	(24.9)	(6.4)
+/- Proceeds/(outflows) from divestment of a subsidiary or business	23	(64.1)	3.2
+/- Change in financial assets and other non-current assets		1.1	0.8
Net cash flow from investing activities		**(94.0)**	**(4.5)**
+ Proceeds from borrowings		109.1	37.5
- Repayment of borrowings		(21.2)	(95.9)
+ Proceeds from disposal of own shares		1.2	2.9
- Purchase of own shares	12	(2.1)	(2.6)
- Distribution of share premium/dividends paid		(8.6)	(8.6)
Net cash flow from financing activities		**78.4**	**(66.7)**
+/- Foreign currency translation differences on cash and cash equivalents		–	(0.9)
Net increase/(decrease) in cash and cash equivalents		**(10.2)**	**(55.7)**
+ Cash and cash equivalents at 1.1.		73.3	129.0
Cash and cash equivalents at 31.12.	**11**	**63.1**	**73.3**

The notes on pages 50 to 101 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, wireless and customer-specific on-site communication solutions) and Network Testing (a global leader in mobile network testing, monitoring and post-processing solutions).

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 2012:

IFRS 1 (amendment) – ''Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters'', IFRS 7 (amendment) – ''Disclosures: Transfers of Financial Assets'', as well as IAS 12 (amendment) – ''Deferred Tax: Recovery of Underlying Assets''. 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 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 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
IFRS 1 (amendment) – "Government Loans"	*	1.1.2013	2013
Annual Improvements to IFRSs 2009–2011 Cycle	**	1.1.2013	2013
IAS 32 (amendment) – "Offsetting Financial Assets and Financial Liabilities"	**	1.1.2014	2014
IFRS 10, IFRS 12 and IAS 27 (amendments) – "Investment Entities"	*	1.1.2014	2014
IFRS 9 – "Financial Instruments"	***	1.1.2015	2015

* 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.
**** The impact on the consolidated financial statements is described below.

IAS 19 – "Employee Benefits" was amended in June 2011. Ascom adopts the amended IAS 19 standard in the accounting period beginning on 1 January 2013 with the following major effects on the consolidated financial statements 2012:

- At 31 December 2012, shareholders' equity would be lower by CHF 57.0 million (previous year: CHF 61.1 million) after consideration of deferred income tax.
- Net defined benefit liability recognized in the balance sheet would be higher by CHF 75.7 million (previous year: CHF 81.6 million).
- Deferred income tax assets (before offsetting) would be higher by CHF 18.7 million (previous year: CHF 20.5 million).
- Total comprehensive income of the period would be higher by CHF 4.1 million.

The effects on the consolidated financial statements are mainly based on the following amendments of IAS 19:

- Elimination of the corridor approach and recognition of all actuarial gains and losses in other comprehensive income as they occur. At 31 December 2012, the Group's unrecognized actuarial losses amount to CHF 75.8 million (previous year: CHF 85.7 million).
- 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

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 profit or loss. The list of the consolidated Group companies is included in 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 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.

Intercompany 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.

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 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.

Foreign currency translation

CHF	ISO code	Unit	31.12. 2012	Average 2012	31.12. 2011	Average 2011
Euro	EUR	1	1.207	1.205	1.216	1.232
Pound sterling	GBP	1	1.479	1.482	1.455	1.416
Swedish krona	SEK	1	0.141	0.139	0.136	0.137
US dollar	USD	1	0.915	0.933	0.940	0.886

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. 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

Intangible assets other than goodwill 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 at amortized cost''.

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. Derivative financial instruments with positive replacement value are classified as at fair value through profit or loss.

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. Derivative financial instruments with a negative replacement value are assigned to the category at fair value through profit or loss.

e) Other financial liabilities at amortized cost

Other 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.

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 in 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 employee benefit plans). By contrast, plans that do not have their own assets (unfunded employee 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 effective 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 the 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 net minimum lease payments is recognized as a receivable under financial assets. The difference between the gross receivable (gross investment in leases) and the present value of the net minimum lease payments is recognized as unearned interest income. Each lease installment is allocated between the receivable and 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 amounts 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. 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 and impairment of property, plant and equipment as well as amortization and impairment 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 benefit plans. 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 technology-related business from Veelong Corp.

At 3 January 2012, the Swiss company Ascom Network Testing Ltd. acquired all relevant assets relating to the analysis, post-processing and visualization of mobile network testing data of Veelong Corp. based in Fanwood, NJ (USA). Five key employees of Veelong, including the two founders, joined Ascom Network Testing Division. With this acquisition, Ascom secured the integration of Veelong technology into the strategic growth area of Reporting & Analysis and reduced its third-party dependencies.

The purchase price consists of a fixed part of USD 5.6 million, and a performance-related variable part (contingent consideration) to be paid over the next three years. USD 4.3 million of the fixed part were due until 31 December 2012 (deferred consideration). Based on a discount rate of 6%, the fair value of this deferred consideration amounted to CHF 3.9 million at acquisition date. The unlimited contingent consideration arrangement requires the Group to pay in cash between 35% and 45% of the revenue realized in relation to the acquired technology in the years 2012 till 2014 as well as for a successful development of a specified technology until 2012. At acquisition date, the fair value of the contingent consideration arrangement of CHF 6.7 million is based on a discount rate of 6% and assumed annual revenues related with the acquired technology between USD 10.9 million and USD 13.7 million.

CHFm	Book value	Fair value adjustments	Fair value
Intangible assets from acquisition	–	11.8	11.8
Total assets	**–**	**11.8**	**11.8**
Total purchase price			**11.8**
Offset by			
Cash			1.2
Deferred consideration (fully paid in the year under review)			3.9
Contingent consideration (thereof CHF 1.8 million were paid and CHF 1.2 million were released in the period under review)			6.7

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 previous period. These CHF 0.8 million were recognized as other current liabilities at acquisition date. Acquisition-related costs of CHF 0.1 million were recorded in administration expenses of the previous reporting period.

The acquisition of the technology-related assets of Veelong Corp. has no direct impact on revenue of the Group.

Acquisition of GE Healthcare's Nurse Call business

At 18 June 2012, Ascom acquired all assets and assumed all liabilities pertaining to the Nurse Call business of GE Healthcare (the healthcare division of General Electric Company). GE Healthcare is one of the three leading vendors of nurse call solutions throughout North America. This acquisition gives Ascom access to the North American nurse call market and creates opportunities to combine GE nurse call systems with Ascom's existing mobility offering. The acquired business has its main office in Bradenton, FL (USA), and became part of the Ascom Wireless Solutions Division. All 34 employees were taken over at their existing US locations.

The initial purchase price amounted to USD 19.4 million. In addition, Ascom agreed to an earn-out payment (contingent consideration) which is based on the revenue exceeding the business plan in the period of one year, beginning on 1 April 2012. The total potential amount of all future payments that the Group could be required to make under this contingent consideration arrangement is between nil and USD 6.0 million, whereas the fair value of the contingent consideration amounts to CHF 1.3 million, based on assumed revenue for the earn-out period.

CHFm	Book value	Fair value adjustments	Fair value
Property, plant and equipment	0.1	–	0.1
Goodwill	–	12.3	12.3
Intangible assets from acquisition	–	5.4	5.4
Non-current assets	**0.1**	**17.7**	**17.8**
Inventories and work in progress	1.8	–	1.8
Trade receivables	2.4	–	2.4
Current assets	**4.2**	**–**	**4.2**
Total assets	**4.3**	**17.7**	**22.0**
Current provisions	0.3	–	0.3
Trade payables and other current liabilities	2.4	–	2.4
Total liabilities	**2.7**	**–**	**2.7**
Total purchase price			**19.3**
Offset by			
Cash			18.0
Contingent consideration			1.3

The goodwill of CHF 12.3 million arising from the acquisition is attributable to the acquired workforce, additional growth potential in the US market and other synergies. The goodwill recognized is expected to be deductible for income tax purposes. The gross contractual amount of the acquired trade receivables amounted to CHF 2.7 million of which CHF 0.3 million were not expected to be collectible. Therefore, these trade receivables were recorded with a fair value of CHF 2.4 million. Acquisition-related costs of CHF 0.5 million were recorded in administration expenses of the current reporting period.

Since the acquisition date, the acquired business has generated revenue of CHF 9.6 million. Due to amortization of intangible assets from acquisition (CHF 0.4 million) and integration expenses the business has contributed a negative result of CHF 0.4 million to the Group's performance. Based on GE Healthcare's structure and information, the impact on revenue would have been CHF 18.2 million if the acquisition date of the business had taken place on the first day of the fiscal year. As the business was integrated into GE, an accurate derivation of the profit prior to the acquisition date is impracticable.

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.

Wireless Solutions is a provider of wireless and customer-specific communication solutions for key areas such as healthcare, retail, manufacturing industry, hotels and secure establishments. Network Testing offers expertise and solutions that enable wireless operators to expand network capacity by testing, benchmarking and optimizing mobile networks. All other activities, such as leasing of industrial real estate and facility management services, are summarized in "Other". Corporate includes those Group activities that cannot be assigned directly to the operating segments, primarily corporate headquarters activities. No operating segments were aggregated.

Key figures by segment

CHFm	Wireless Solutions		Network Testing		Other		Corporate		Consolidation		Total Ascom	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Incoming orders	296.1	284.1	118.6	145.3	22.1	22.4	–	–	(0.4)	(0.4)	436.4	451.4
Order backlog	89.7	89.4	32.3	46.8	–	–	–	–	–	–	122.0	136.2
Revenue	**297.7**	**276.6**	**130.4**	**138.9**	**22.0**	**22.4**	**–**	**–**	**(0.3)**	**(0.4)**	**449.8**	**437.5**
of which with other segments	0.2	0.4	–	–	0.1	–	–	–	(0.3)	(0.4)	–	–
Cost of goods sold	(142.6)	(134.6)	(68.8)	(69.0)	(20.8)	(16.9)	2.5	2.5	(0.3)	(0.6)	(230.0)	(218.6)
Gross profit/(loss)	**155.1**	**142.0**	**61.6**	**69.9**	**1.2**	**5.5**	**2.5**	**2.5**	**(0.6)**	**(1.0)**	**219.8**	**218.9**
as % of revenue	52.1%	51.3%	47.2%	50.3%	5.5%	24.6%	n/a	n/a	n/a	n/a	48.9%	50.0%
Marketing and distribution	(73.2)	(68.8)	(29.7)	(29.6)	–	–	1.1	0.6	–	0.7	(101.8)	(97.1)
Research and development	(23.2)	(21.1)	(27.0)	(25.0)	–	–	0.3	0.2	–	–	(49.9)	(45.9)
Administration	(12.0)	(10.9)	(9.3)	(9.3)	(1.0)	(1.4)	(13.7)	(15.0)	0.6	0.3	(35.4)	(36.3)
Amortization of intangible assets from acquisition	(0.6)	(0.1)	(10.7)	(9.3)	–	–	–	–	–	–	(11.3)	(9.4)
Other income/(expenses), net	(6.5)	(6.4)	(2.9)	(5.0)	0.1	7.2	11.3	14.6	–	–	2.0	10.4
EBIT	**39.6**	**34.7**	**(18.0)**	**(8.3)**	**0.3**	**11.3**	**1.5**	**2.9**	**–**	**–**	**23.4**	**40.6**
as % of revenue	13.3%	12.5%	n/a	n/a	1.4%	50.4%	n/a	n/a	n/a	n/a	5.2%	9.3%
Financial income/(expenses), net											(4.7)	(6.6)
Earnings before income tax											**18.7**	**34.0**
Income tax											(1.1)	(3.4)
Profit from continuing operations											**17.6**	**30.6**
Profit/(loss) from discontinued operations											3.3	(7.5)
Group profit for the period											**20.9**	**23.1**
EBITDA [1]	**48.1**	**41.5**	**(4.6)**	**3.4**	**0.7**	**11.8**	**1.7**	**3.1**	**–**	**–**	**45.9**	**59.8**
as % of revenue	16.2%	15.0%	n/a	2.4%	3.2%	52.7%	n/a	n/a	n/a	n/a	10.2%	13.7%
Capital expenditures [1]	5.1	5.3	1.0	2.6	0.5	0.2	–	0.2	–	–	6.6	8.3
Employees (FTE) at 31.12. [1]	1,247	1,198	507	571	–	13	17	19	–	–	1,771	1,801

[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		Network Testing		Other		Corporate		Consolidation		Total Ascom	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Reportable segments' assets	**149.2**	**121.1**	**258.5**	**252.1**	**18.1**	**24.2**	**17.0**	**10.2**	**(1.6)**	**(0.3)**	**441.2**	**407.3**
Deferred income tax assets											7.2	5.6
Financial assets											6.6	7.2
Income tax receivables											1.0	0.2
Cash and cash equivalents											63.1	73.3
Assets of disposal group classified as held for sale											–	13.2
Total assets at 31.12.											**519.1**	**506.8**

Key figures by region

CHFm	Switzerland		Europe, Middle East and Africa [1]		Americas		Asia Pacific		Total Ascom	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Incoming orders	47.4	49.6	280.9	286.6	91.2	80.0	16.9	35.2	436.4	451.4
Revenue	47.4	47.7	288.4	285.9	94.7	73.4	19.3	30.5	449.8	437.5
Non-current assets at 31.12. [2]	15.6	6.4	203.9	207.8	33.6	20.3	0.6	0.9	253.7	235.4
Employees (FTE) at 31.12.	156	181	1,279	1,337	248	205	88	78	1,771	1,801

[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 1.1.2011	**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**
Additions	0.5	2.1	0.6	3.2
Disposals	–	(6.0)	–	(6.0)
Acquisition of a subsidiary or business	–	0.1	–	0.1
Reclassifications	–	0.7	(0.7)	–
Currency translation adjustments	–	1.0	–	1.0
Balance at 31.12.2012	**33.8**	**74.4**	**0.9**	**109.1**
Accumulated depreciation and impairment				
Balance at 1.1.2011	**28.9**	**76.4**	**–**	**105.3**
Additions	0.7	4.6	–	5.3
Impairment	–	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**
Additions	0.6	4.3	–	4.9
Impairment	–	–	0.5	0.5
Disposals	–	(5.8)	–	(5.8)
Currency translation adjustments	0.1	0.8	–	0.9
Balance at 31.12.2012	**24.3**	**66.1**	**0.5**	**90.9**
Net carrying amount at 31.12.2011	**9.7**	**9.7**	**1.0**	**20.4**
Net carrying amount at 31.12.2012	**9.5**	**8.3**	**0.4**	**18.2**

At the balance sheet date, there were no assets under finance leases included in property, plant and equipment (previous year: CHF 0.1 million). The fire insurance value of property, plant and equipment at 31 December 2012 amounts to CHF 124.5 million (previous year: CHF 136.5 million). As at 31 December 2012, there were no contractual commitments for acquisition of property, plant and equipment (previous year: nil).

In the period under review, following a reassessment of the expected future economic benefits to be generated by equipment under construction, an impairment loss of CHF 0.5 million was recognized in line item cost of goods sold of the reportable segment Wireless Solutions (previous year: nil).

6. INTANGIBLE ASSETS

CHFm	Goodwill	Licenses	Intangible assets from acquisition	Internally generated development costs	Other	Intangible assets under construction	Total
Cost							
Balance at 1.1.2011	**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**
Additions	–	–	–	0.7	1.0	1.7	3.4
Disposals	–	–	–	–	(3.6)	(1.4)	(5.0)
Acquisition of a subsidiary or business	12.3	–	17.2	–	–	–	29.5
Reclassifications	–	–	–	–	0.1	(0.1)	–
Currency translation adjustments	3.1	0.1	1.9	0.3	1.2	0.1	6.7
Balance at 31.12.2012	**170.9**	**2.7**	**90.1**	**7.5**	**47.0**	**1.7**	**319.9**
Accumulated amortization and impairment							
Balance at 1.1.2011	**–**	**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**
Additions	–	0.2	11.3	1.5	2.7	–	15.7
Impairment	–	–	–	–	–	1.4	1.4
Disposals	–	–	–	–	(3.5)	(1.4)	(4.9)
Currency translation adjustments	–	–	0.7	0.2	1.0	–	1.9
Balance at 31.12.2012	**–**	**2.4**	**35.1**	**6.1**	**40.8**	**–**	**84.4**
Net carrying amount at 31.12.2011	155.5	0.4	47.9	2.1	7.7	1.4	215.0
Net carrying amount at 31.12.2012	170.9	0.3	55.0	1.4	6.2	1.7	235.5

As at 31 December 2012, there were no contractual commitments for acquisition of intangible assets (previous year: nil).

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

CHFm	31.12.2012	31.12.2011
Wireless Solutions	28.4	16.1
Network Testing	142.5	139.4
Total	**170.9**	**155.5**

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 0.6% 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:

	2012	2011
Revenue growth rate (CAGR) [1]		
– Wireless Solutions	6.1%	8.1%
– Network Testing	4.0%	2.4%
EBIT margin [1]		
– Wireless Solutions	13%–15%	11%–12%
– Network Testing	4%–19%	0%–14%
Pre-tax discount rate		
– Wireless Solutions	11.7%	10.4%
– Network Testing	11.1%	10.2%

[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 pre-tax discount rate up to 16.5% (previous year: 14.0%) 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 8 percentage points (previous year: 5 percentage points) would not lead to an impairment of goodwill.

Intangible assets from acquisition consist of customer relations of CHF 25.7 million (previous year: CHF 26.7 million), technology of CHF 26.6 million (previous year: CHF 17.7 million) and trademarks of CHF 2.7 million (previous year: CHF 3.5 million). Customer relations are capitalized using the excess-earning method for valuation of the existing customers at acquisition date. 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. In 2012, customer relations of CHF 2.2 million, technology of CHF 14.4 million and trademarks of CHF 0.6 million were capitalized due to the acquisition of the technology-related business from Veelong and GE Healthcare's Nurse Call business.

Amortization of intangible assets from acquisition of CHF 11.3 million (previous year: CHF 9.4 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 5.3 million (previous year: CHF 5.4 million) to marketing and distribution as well as CHF 6.0 million (previous year: CHF 4.0 million) to research and development.

In the period under review, development costs in the amount of CHF 0.7 million (previous year: nil) were capitalized as intangible assets, and research and development expenses in the amount of CHF 49.9 million (previous year: CHF 45.9 million) were charged to profit or loss.

Other intangible assets include mainly software.

Following the decision to not fully implement an ERP system under development, an impairment of CHF 1.4 million was recognized in the period under review in profit or loss of the reportable segment Wireless Solutions to completely write off related elements. The following line items are affected by this impairment: cost of goods sold (CHF 0.8 million), marketing and distribution (CHF 0.2 million), research and development (CHF 0.4 million). A reassessment of the remaining expected life and expected future economic benefits to be generated for all other classes of intangible assets did not lead to an impairment charge during the period under review (previous year: nil).

7. FINANCIAL ASSETS

CHFm	31.12.2012	31.12.2011
Investments in third parties	0.9	0.9
Loans	1.5	2.0
Finance leases	2.4	2.8
Total non-current portion	**4.8**	**5.7**
Loans	0.5	0.5
Finance leases	0.9	1.0
Derivative financial instruments	0.4	–
Total current portion	**1.8**	**1.5**

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 comprise of a loan in connection with the sale of real estate in previous years in Switzerland and one interest-free loan granted to a state-approved organization in France.

Future minimum lease payments under finance lease 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 31.12.2012
Gross investment in leases	1.0	2.4	0.4	3.8
Unearned interest income	(0.1)	(0.3)	(0.1)	(0.5)
Present value of the net minimum lease payments	**0.9**	**2.1**	**0.3**	**3.3**

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**

8. INVENTORIES AND WORK IN PROGRESS

CHFm	31.12.2012	31.12.2011
Raw materials and components	7.3	8.9
Work in progress	7.6	10.2
Finished goods and goods for resale	15.8	14.3
Total	**30.7**	**33.4**

The above figures are after inventory provision amounting to CHF 9.3 million at 31 December 2012 (previous year: CHF 7.6 million).

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

CHFm	2012	2011
Balance at 1.1.	**7.6**	**12.2**
Additions	3.2	1.6
Impairment [1]	–	2.5
Amounts used	(1.4)	(2.0)
Release of unused amounts	(0.2)	(0.3)
Transferred to assets of disposal group classified as held for sale	–	(6.2)
Currency translation adjustments	0.1	(0.2)
Balance at 31.12.	**9.3**	**7.6**

[1] Previous year number refers to loss recognized on the remeasurement of assets of disposal group (see note 23).

9. TRADE RECEIVABLES

CHFm	31.12.2012	31.12.2011
Receivables from third parties	117.2	98.3
Less provision for doubtful debts	(2.7)	(2.1)
Total	**114.5**	**96.2**

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	31.12.2012	31.12.2011
Current/past due less than 1 month	101.2	86.8
Past due between 1 and 3 months	6.2	5.4
Past due between 3 and 12 months	7.1	4.0
Past due more than 12 months	–	–
Total	**114.5**	**96.2**

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

CHFm	2012	2011
Balance at 1.1.	**2.1**	**3.1**
Additions	2.0	1.4
Impairment [1]	–	0.9
Receivables written off during the year as uncollectible	(0.8)	(0.8)
Release of unused amounts	(0.6)	(1.4)
Transferred to assets of disposal group classified as held for sale	–	(1.0)
Currency translation adjustments	–	(0.1)
Balance at 31.12.	**2.7**	**2.1**

[1] Previous year number refers to loss recognized on the remeasurement 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 1.4 million (previous year: CHF 0.9 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	31.12.2012	31.12.2011
Prepaid asset from employee benefits [1]	13.1	7.8
Other prepaid expenses	1.3	1.3
Total non-current portion	**14.4**	**9.1**
Other receivables	17.5	21.4
Prepayments for inventories	–	0.3
Accrued income	10.4	11.5
Total current portion	**27.9**	**33.2**

[1] Refer to note 14.

Other receivables include recoverable withholding tax and value added tax totaling CHF 2.2 million (previous year: CHF 4.4 million). Beside other items, accrued income includes accrued revenue 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	31.12.2012	31.12.2011
Available without restrictions	63.1	73.3
Total cash and cash equivalents	**63.1**	**73.3**

The average interest rate on cash and cash equivalents in the year under review was 0.5% (previous year: 0.7%).

12. SHARE CAPITAL AND OWN SHARES

Composition of share capital

CHFm	Number 31.12.2012	Amount 31.12.2012	Number 31.12.2011	Amount 31.12.2011
Registered shares nom. CHF 0.50	36,000,000	18.0	36,000,000	18.0
Number of registered shareholders	5,720		5,952	

The total authorized number of ordinary shares is 36,000,000 of which 34,431,798 (previous year: 34,569,960) 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 2012	Amount 2012	Number 2011	Amount 2011
Balance at 1.1.	**1,430,040**	**15.5**	**1,437,033**	**15.7**
Additions	304,981	2.1	250,000	2.6
Disposals	(166,819)	(1.7)	(256,993)	(2.8)
Balance at 31.12.	**1,568,202**	**15.9**	**1,430,040**	**15.5**

During 2012, Ascom bought 304,981 registered shares to hedge the issuance of shares in conjunction with the exercise of options under the Ascom Stock Option Plan 2012. In the previous year, Ascom bought 250,000 registered shares to hedge the Ascom Stock Option Plan 2011. The holdings of own shares stated under the changes in equity correspond to these registered shares.

13. BORROWINGS

At 31 December 2012, the Group's total credit facilities comprised cash lines of CHF 143.5 million and guarantee lines of CHF 47.1 million available from financial institutions and banks worldwide (previous year: cash lines of CHF 123.6 million and a guarantee lines of CHF 67.8 million). At 31 December 2012, Ascom did use the cash credit lines as shown in the table below:

CHFm	Current portion		Total	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Non-current loans from financial institutions and banks	–	–	103.5	17.5
Current loans from financial institutions and banks	0.9	–	0.9	–
Total	**0.9**	**–**	**104.4**	**17.5**

The total borrowings consist mainly of one revolving multicurrency credit facility in an aggregate amount equal to CHF 140.0 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. Effective on 28 September 2012, upon request of Ascom the bank consortium shifted CHF 20.0 million from the guarantee to the cash line. The final maturity date of the credit facility remains on 24 May 2016. The credit facility includes financial covenants such as debt service ratio (calculated as the ratio of net debt and outstanding bank guarantees to EBITDA), net interest coverage (calculated as the ratio of interest expenses to EBITDA) and equity ratio (calculated as ratio of shareholders' equity to total assets). The financial covenants 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 2012. 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	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Present value of funded plan obligations	(847.2)	(923.1)	(20.6)	(17.2)	(867.8)	(940.3)
Fair value of plan assets	792.6	851.5	16.3	14.1	808.9	865.6
Funded status	**(54.6)**	**(71.6)**	**(4.3)**	**(3.1)**	**(58.9)**	**(74.7)**
Present value of unfunded plan obligations	–	–	(22.3)	(20.0)	(22.3)	(20.0)
Unrecognized actuarial losses/(gains)	67.6	79.0	8.2	6.7	75.8	85.7
Unrecognized plan assets	–	–	(0.2)	(0.2)	(0.2)	(0.2)
Net asset/(liability) in the balance sheet	**13.0**	**7.4**	**(18.6)**	**(16.6)**	**(5.6)**	**(9.2)**
Prepaid asset in the balance sheet	13.1	7.4	–	0.4	13.1	7.8
Employee benefit obligations	(0.1)	–	(18.6)	(17.0)	(18.7)	(17.0)
Transferred to liabilities of disposal group classified as held for sale	–	–	–	0.4	–	0.4
Employee benefit obligations in the balance sheet	(0.1)	–	(18.6)	(16.6)	(18.7)	(16.6)

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

CHFm	Plans in Switzerland		Other plans		Total	
	2012	2011	2012	2011	2012	2011
Balance at 1.1.	**(923.1)**	**(984.2)**	**(37.2)**	**(36.2)**	**(960.3)**	**(1,020.4)**
Current service cost	(2.7)	(4.3)	(0.9)	(1.0)	(3.6)	(5.3)
Interest cost	(21.6)	(26.2)	(1.6)	(1.5)	(23.2)	(27.7)
Contributions by plan participants	(2.1)	(4.0)	–	–	(2.1)	(4.0)
Actuarial gains/(losses)	(27.8)	13.4	(3.9)	–	(31.7)	13.4
Benefits paid	129.9	82.2	1.2	1.0	131.1	83.2
Plan amendment	1.0	–	–	–	1.0	–
Curtailment	(0.8)	–	–	–	(0.8)	–
Change in consolidation scope	–	–	0.4	–	0.4	–
Currency translation adjustments	–	–	(0.9)	0.5	(0.9)	0.5
Balance at 31.12.	**(847.2)**	**(923.1)**	**(42.9)**	**(37.2)**	**(890.1)**	**(960.3)**

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

CHFm	Plans in Switzerland 2012	2011	Other plans 2012	2011	Total 2012	2011
Balance at 1.1.	**851.5**	**921.7**	**14.1**	**13.6**	**865.6**	**935.3**
Expected return on plan assets	27.5	30.8	0.7	0.8	28.2	31.6
Actuarial gains/(losses)	39.2	(26.9)	0.5	(0.2)	39.7	(27.1)
Employer contributions	2.2	4.1	1.3	0.5	3.5	4.6
Employee contributions	2.1	4.0	–	–	2.1	4.0
Benefits paid	(129.9)	(82.2)	(0.7)	(0.6)	(130.6)	(82.8)
Currency translation adjustments	–	–	0.4	–	0.4	–
Balance at 31.12.	**792.6**	**851.5**	**16.3**	**14.1**	**808.9**	**865.6**

The defined benefit plan assets are comprised as follows:

CHFm	Plans in Switzerland 31.12.2012	31.12.2011	Other plans 31.12.2012	31.12.2011	Total 31.12.2012	31.12.2011
Cash	65.8	74.9	0.3	–	66.1	74.9
Shares	193.4	179.7	5.3	4.3	198.7	184.0
Bonds	92.7	100.5	6.9	6.3	99.6	106.8
Mortgages	32.5	43.4	–	–	32.5	43.4
Property	339.2	411.3	0.2	–	339.4	411.3
Other	69.0	41.7	3.6	3.5	72.6	45.2
Total	**792.6**	**851.5**	**16.3**	**14.1**	**808.9**	**865.6**

At 31 December 2012, pension plan assets include buildings occupied by the Group with a fair value of CHF 2.9 million (previous year: CHF 5.8 million).

The pension costs recognized for defined benefit plans consist of:

CHFm	Plans in Switzerland 2012	2011	Other plans 2012	2011	Total 2012	2011
Current service cost	(2.7)	(4.3)	(0.9)	(1.0)	(3.6)	(5.3)
Interest cost	(21.6)	(26.2)	(1.6)	(1.5)	(23.2)	(27.7)
Expected return on plan assets	27.5	30.8	0.7	0.8	28.2	31.6
Plan amendment	1.0	–	–	–	1.0	–
Curtailment	(0.8)	–	–	–	(0.8)	–
Net actuarial gains/(losses) recognized under IAS 19.58	–	–	(2.0)	(0.3)	(2.0)	(0.3)
Change unrecognized plan assets (IAS 19.58b limitation)	–	–	–	(0.1)	–	(0.1)
Income/(expenses) recognized	**3.4**	**0.3**	**(3.8)**	**(2.1)**	**(0.4)**	**(1.8)**

The income statement reflects the total charge of CHF 0.4 million as follows:

CHFm	2012	2011
Cost of goods sold	0.9	(0.2)
Marketing and distribution	0.3	(0.3)
Research and development	(0.2)	(0.5)
Administration	(0.6)	–
Other expenses	–	(0.1)
Interest expenses	(0.8)	(0.7)
Income/(expenses) recognized	**(0.4)**	**(1.8)**

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	
	2012	2011	2012	2011
Discount rate in %	1.75	2.50	2.75–4.05	3.85–5.10
Expected return on assets in %	3.50	3.50	4.00–5.00	4.10–5.21
Future salary increases in %	2.00	2.00	1.50–3.50	2.10–3.50
Future pension increases in %	0.10	0.10	0.20–3.50	0.10–3.70
Average life expectancy in years of someone retiring at 62 for Switzerland and 65 for the other plans at the balance sheet date				
– Male	24.0	23.9	18.4–23.0	17.0–23.0
– Female	26.7	26.6	22.6–25.6	22.0–25.5

The current return on defined benefit plan assets was CHF 68.2 million (previous year: CHF 4.5 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 employer contributions to defined benefit plans for the year ending 31 December 2013 are CHF 2.2 million.

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

CHFm	2012	2011	2010	2009	2008
Fair value of plan assets at 31.12.	792.6	851.5	921.7	916.9	907.9
Present value of funded plan obligations at 31.12.	(847.2)	(923.1)	(984.2)	(1,001.3)	(973.1)
Funded status at 31.12.	**(54.6)**	**(71.6)**	**(62.5)**	**(84.4)**	**(65.2)**
Experience adjustments on plan obligations	30.2	14.7	6.8	(13.0)	(6.7)
Change in assumption adjustments on plan obligations	(58.0)	(1.3)	(22.3)	(44.3)	(11.5)
Experience adjustments on plan assets	39.2	(26.9)	34.8	37.7	(217.7)
Total actuarial gains/(losses)	**11.4**	**(13.5)**	**19.3**	**(19.6)**	**(235.9)**

In the period under review, CHF 17.6 million are recognized as an expense for defined contribution plans (previous year: CHF 14.7 million).

15. PROVISIONS

CHFm	Restructuring	Onerous contracts	Warranties	Other provisions	Total
Balance at 1.1.2011	**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**
Additions	12.7	5.7	3.6	3.0	25.0
Payments	(8.9)	(4.6)	(3.2)	(2.1)	(18.8)
Release of unused amounts	(0.9)	–	(0.9)	(0.5)	(2.3)
Acquisition of a subsidiary or business	–	–	0.3	–	0.3
Currency translation adjustments	0.1	–	–	–	0.1
Balance at 31.12.2012	**5.7**	**10.6**	**4.3**	**9.7**	**30.3**

Expected payment

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**
Within 12 months	5.0	6.0	3.3	5.1	19.4
Later	0.7	4.6	1.0	4.6	10.9
Balance at 31.12.2012	**5.7**	**10.6**	**4.3**	**9.7**	**30.3**

In 2012, Ascom launched a restructuring program for its Network Testing Division due the decline in revenue. The main goals were reducing the fixed cost base and enhancing customer focus by implementing a regional structure for the market-facing part of the division. A provision of CHF 12.4 million was initially recognized mainly covering costs related to termination of labor contracts across all functions and onerous license fee contracts. CHF 7.0 million were consumed and CHF 0.8 million released in 2012. The remaining cash outflows are expected to occur within one year. The total charge of CHF 11.6 million was assigned to the following line items of the income statement: CHF 5.7 million to cost of goods sold, CHF 2.3 million to marketing and distribution, CHF 2.1 million to research and development as well as CHF 1.5 million to administration.

In 2011, Ascom recognized provisions for restructuring its former Security Communications Division. In the current period, additional CHF 0.3 million were added and CHF 1.7 million paid out. Remaining provisions are expected to be used within five years.

Remaining payments of CHF 0.2 million and releases of CHF 0.1 million are in connection with restructuring events recognized before 2010.

Provisions for onerous contracts mainly include onerous lease contracts for a number of leased properties that are partially vacant with a time horizon to 2015. 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 and by discounting the costs with a market-related discount rate of 6.0% (previous year: 6.0%). Due to the divestment of the main parts of the former Security Communication Division additional lease and other contracts were classified as onerous. Based on current assessment of the management, CHF 4.6 million were additionally provided for such onerous contracts in 2012 and are included in the profit for the period from discontinued operations. Respective cash outflows will occur until 2015.

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 2.3 million), provisions for environmental costs relating to premises (CHF 2.5 million), provisions in relation to termination of labor contracts (CHF 0.5 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. In 2012, the addition of CHF 3.0 million is related to many cases individually not material. 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 2012. In February 2012, Ascom reached an out-of-court settlement of a formerly provisioned litigation in Austria in connection with divested activities. The settlement led to a cash outflow of CHF 0.8 million and a release of unused provision of CHF 0.3 million.

16. OTHER LIABILITIES (CURRENT)

CHFm	31.12.2012	31.12.2011
Prepayments from customers	30.1	27.5
VAT and other tax liabilities	11.1	8.6
Personnel related accruals and liabilities	31.6	38.4
Derivative financial instruments	0.1	–
Deferred income	8.5	8.0
Other accruals and liabilities	22.1	23.4
Total	**103.5**	**105.9**

Besides other items, deferred income includes deferred revenue from construction contracts valued using the PoC method. The key data in connection with construction contracts are as follows (including assets and liabilities of disposal group classified as held for sale):

CHFm	31.12.2012	31.12.2011
Contract revenue recognized in the reporting period	28.8	52.4
Aggregate amount of costs incurred, to date	13.9	168.2
Aggregate amount of recognized profits (less recognized losses), to date	2.3	58.8
Aggregate revenue for contract work, to date	**16.2**	**227.0**
Aggregate progress billings, to date	(7.0)	(285.4)
Currency translation adjustments	(0.1)	(0.1)
Net accrual for contract work	**9.1**	**(58.5)**
Contract costs recognized as inventory	0.8	0.9
Trade receivables from construction contracts	1.3	5.8
Accrued revenue from construction contracts	9.4	14.3
Prepayments from customers for contract work	(9.3)	(14.5)
Deferred revenue from construction contracts [1]	(0.3)	(72.8)
Net liability for contract work	**1.9**	**(66.3)**
Gross amount due from customers for contract work	2.9	3.9
Gross amount due to customers for contract work	(1.0)	(70.2)

[1] Previous year: CHF 0.3 million related to continuing operations and CHF 72.5 million were allocated to liabilities of disposal group.

17. REVENUE

CHFm	2012	2011
Sale of goods	334.8	329.2
Rendering of services	96.5	97.5
Other revenue	18.5	10.8
Total	**449.8**	**437.5**

18. OTHER INCOME/(EXPENSES), NET

CHFm	2012	2011
Net release of provisions	0.3	3.3
Profit from disposal of property, plant and equipment [1]	0.3	3.9
Profit from divestment of a subsidiary or business	0.1	3.2
Release of acquisition-related contingent considerations [2]	1.2	–
Other operating income	0.1	–
Total	**2.0**	**10.4**

[1] Current year number relates to the sale of property in Germany (previous year: sale of property in Switzerland and the Netherlands).

[2] Refer to the acquisition of technology-related business from Veelong Corp. (see note 3).

19. SHARE-BASED PAYMENTS

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 2012, the remaining 66,000 options expired on 2 March 2012.

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 2012, 46,830 of the 256,330 options outstanding at the beginning of the year were exercised, 17,000 were forfeited and the remaining 192,500 are still outstanding at 31 December 2012.

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 2012, 83,000 of the 398,000 options outstanding at the beginning of the year were forfeited and the remaining 315,000 are still outstanding at 31 December 2012.

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). In 2012, 6,000 of the 482,000 options outstanding at the beginning of the year were forfeited and the remaining 476,000 are still outstanding at 31 December 2012.

Ascom Stock Option Plan 2012

In accordance with the resolution passed by the Board of Directors on 18 April 2012, a total of 486,000 options (equity- as well as cash-settled options) were issued to 36 members of Ascom's senior management on 18 April 2012. 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 9.00. The options have a life of five years and are subject to an exercise hurdle (outperformance of the SMI index within a period of 12 months). 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, 6,000 options were forfeited and the remaining 480,000 are still outstanding at 31 December 2012.

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

	Number of options 2012	Exercise price (CHF) [1] 2012	Number of options 2011	Exercise price (CHF) [1] 2011
Options outstanding at 1.1.	**1,202,330**	**12.11**	**1,404,200**	**11.38**
Granted	486,000	9.00	491,000	15.00
Exercised	(46,830)	7.70	(256,993)	11.35
Forfeited	(112,000)	10.90	(202,687)	11.36
Expired	(66,000)	12.50	(233,190)	15.28
Options outstanding at 31.12.	**1,463,500**	**11.30**	**1,202,330**	**12.11**
Options exercisable at 31.12.	425,167	9.91	327,830	10.07

	2012	2011
Range of exercise prices of the options outstanding at 31.12. (CHF)	7.70–15.00	7.70–15.00
Remaining contractual life of the options outstanding at 31.12. (years) [1]	2.76	2.70
Fair value of the options granted during the year (CHF) [1]	2.62	4.91
Share price of the options exercised during the year (CHF) [1]	8.61	13.87
Personnel expenses for equity-settled options recognized as other reserves (equity) (CHFm)	(1.14)	(1.28)
Personnel income/(expenses) for cash-settled options recognized as liability (CHFm)	(0.02)	0.43

[1] At weighted average.

At 31 December 2012, the liability recognized for cash-settled options amounts to CHF 0.2 million (previous year: CHF 0.2 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 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
Allocation 2012	9.00	8.79	5.00	51.80	0.26	2.84	8.00	3.60

[1] At arithmetic average.

Parameters for cash-settled options at closing date 2012

	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 / II	7.70	8.86	0.16	45.64	–	2.82	8.00	0.08
Allocation 2010 / I	11.40	8.86	1.19	45.64	0.05	2.82	8.00	0.63
Allocation 2010 / II	11.40	8.86	1.19	45.64	0.05	2.82	8.00	0.63
Allocation 2011	15.00	8.86	3.28	45.64	0.08	2.82	8.00	2.28
Allocation 2012	9.00	8.86	4.30	45.64	0.13	2.82	8.00	3.30

[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.

20. PERSONNEL EXPENSES

CHFm	2012	2011
Wages and salaries	(151.1)	(156.5)
Social security costs	(16.5)	(22.2)
Pension costs	(16.8)	(13.5)
Share-based payments	(1.2)	(0.9)
Other personnel expenses	(12.9)	(14.3)
Total	**(198.5)**	**(207.4)**

21. FINANCIAL INCOME AND EXPENSES

CHFm	2012	2011
Financial income		
Interest income	0.9	1.4
Total	**0.9**	**1.4**
Financial expenses		
Interest expenses	(2.9)	(2.2)
Net foreign exchange losses	(1.8)	(3.3)
Other financial expenses	(0.9)	(2.5)
Total	**(5.6)**	**(8.0)**
Financial income/(expenses), net	**(4.7)**	**(6.6)**

Due to the liquidation of Mocsa Real Estate BV, Netherlands, current year financial expenses include a foreign exchange loss of CHF 1.0 million formerly recognized in equity under currency translation adjustments. In 2011, other financial expenses were affected by amortization of capitalized financing costs in the amount of CHF 1.4 million for the early redeemed credit facility due to refinancing.

22. INCOME TAX

CHFm	2012	2011
Current income tax charge	(6.0)	(8.8)
Adjustments in respect of current income tax of previous years	0.3	0.2
Deferred income tax	4.1	5.1
Total income tax	**(1.6)**	**(3.5)**
Less income tax from discontinued operations	0.5	0.1
Income tax from continuing operations	**(1.1)**	**(3.4)**

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

Analysis of income tax rate

CHFm	2012	2011
Earnings before income tax from continuing operations	18.7	34.0
Earnings before income tax from discontinued operations	3.8	(7.4)
Total earnings before income tax	**22.5**	**26.6**
Weighted average expected income tax rate	23.1%	19.5%
Expected income tax	(5.2)	(5.2)
Utilization of non-capitalized tax loss carry-forwards	8.2	1.7
Effect from capitalization of previous years tax losses	1.4	1.8
Effect from first time recognition of previous years temporary differences	0.8	–
Effect of non-capitalization of current year tax losses	(4.7)	(3.6)
Effect of change in applicable income tax rate on temporary differences	1.3	–
Adjustments in respect of current income tax of previous years	0.3	0.2
Effect of income/(expenses) taxed with a different rate or not taxed	(3.7)	1.6
Total income tax	**(1.6)**	**(3.5)**
Less income tax from discontinued operations	0.5	0.1
Income tax from continuing operations	**(1.1)**	**(3.4)**

The weighted average expected income tax rate of 23.1% (previous year: 19.5%) 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 increase 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 1.1.2011	**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)**
Additions	6.5	(5.0)	1.5
Reversal	(1.5)	4.1	2.6
Offsetting	(3.4)	3.4	–
Currency translation adjustments	–	(0.3)	(0.3)
Balance at 31.12.2012	**7.2**	**(11.5)**	**(4.3)**
Expected reversal within 12 months	3.8	(10.4)	(6.6)
Expected reversal later	3.4	(1.1)	2.3

Deferred income tax assets result from tax loss carry-forwards, tax credits as well as temporary 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.

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

CHFm	31.12.2012	31.12.2011
Property, plant and equipment	0.3	(0.4)
Intangible assets	(10.2)	(13.6)
Other non-current assets	(3.2)	(1.9)
Current assets	1.3	1.8
Non-current liabilities	0.9	1.1
Current liabilities	1.5	1.7
Tax loss carry-forwards and tax credits	5.1	3.2
Total	**(4.3)**	**(8.1)**
Recognized as deferred income tax assets	7.2	5.6
Recognized as deferred income tax liabilities	(11.5)	(13.7)

Tax losses amounting to CHF 1.6 million are capitalized for Group companies which incurred losses in 2012 or 2011 supported by increased future profitability and synergies as a result of restructuring (previous year: CHF 2.4 million). Tax loss carry-forwards which are not capitalized amount to CHF 422.1 million (previous year: CHF 376.5 million) and expire in the following years:

CHFm	31.12.2012	31.12.2011
2013 (2012)	0.8	0.1
2014 (2013)	11.5	1.1
2015 (2014)	7.7	31.9
2016 (2015)	2.9	7.1
2017 (2016)	2.9	3.3
2018 (2017)	1.6	10.0
Later	394.7	323.0

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 were sought for the core business units of the former Security Communication Division. At 31 July 2012, the divestment project was completed with the sale of the Civil Security business. The results of the divested business units are included in the profit or loss for the period from discontinued operations. In the period under review, the Group divested the following subsidiaries or businesses:

Divestment of Defense business

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. Ascom paid a total cash compensation of CHF 55.8 million for the transferred net liabilities of CHF 73.8 million. In addition, the purchaser has agreed to an earn-out payment dependent on future success in the international business during the years 2012 till 2014, capped at an amount of CHF 8.3 million. At closing date, no receivable is recognized for this contingent consideration.

Divestment of Infrastructure Operators business

At 1 April 2012, Trans Data Management AG (TDM) took over from Ascom (Switzerland) Ltd. all rights and obligations pertaining to the Infrastructure Operators business. All 39 employees were transferred at their existing locations. TDM had already distributed Ascom Infrastructure Operators products in the United Kingdom. For the transferred net assets of CHF 1.3 million, the purchase price amounted to CHF 1.9 million of which CHF 1.5 million were deferred at divestment date and payable to Ascom in installments until 31 March 2013.

Divestment of Ascom Austria GmbH

At 1 April 2012, Ascom divested its subsidiary Ascom Austria GmbH in a management buy-out to the local Managing Director. Ascom Austria GmbH was focused on public safety (public security communication and alarming applications), cash solutions (cash handling, ATM), and traffic solutions (passenger information systems in public transport) in Austria and Eastern Europe. All related 38 employees were transferred. The agreed purchase price equal the carrying amount of total net assets disposed which was nil.

Divestment of Civil Security business

At 31 July 2012, SITASYS AG took over from Ascom (Switzerland) Ltd. all rights and obligations pertaining to the Civil Security business. All 37 employees were transferred at their existing location in Berne. Ascom paid a total cash compensation of CHF 3.1 million for the transferred net liabilities of CHF 2.8 million.

Details on divestments in the reporting period

CHFm	Defense business 1.3.2012	Infrastructure Operators business 1.4.2012	Ascom Austria GmbH 1.4.2012	Civil Security business 31.7.2012	Total
Intangible assets and property, plant and equipment	0.8	–	–	–	0.8
Deferred income tax assets	–	–	0.6	–	0.6
Non-current financial assets	–	–	0.4	–	0.4
Inventories and work in progress	2.9	0.9	–	–	3.8
Trade receivables and other current assets	1.0	2.2	–	0.4	3.6
Cash and cash equivalents	–	–	4.7	–	4.7
Total assets	**4.7**	**3.1**	**5.7**	**0.4**	**13.9**
Retirement benefit obligations	–	–	0.4	–	0.4
Non-current and current provisions	0.4	0.3	0.6	0.3	1.6
Trade payables and other current liabilities	78.1	1.5	4.7	2.9	87.2
Total liabilities	**78.5**	**1.8**	**5.7**	**3.2**	**89.2**
Total net assets/(net liabilities)	**(73.8)**	**1.3**	**–**	**(2.8)**	**(75.3)**
Disposal of (net assets)/net liabilities	73.8	(1.3)	–	2.8	75.3
Disposal of currency translation adjustments	–	–	(2.3)	–	(2.3)
Directly attributable costs	(1.0)	(0.2)	(0.2)	(0.3)	(1.7)
Cash payment	(55.8)	0.4	–	(3.1)	(58.5)
Deferred consideration (thereof CHF 0.8 million were received in the period under review)	–	1.5	–	–	1.5
Transition services at the expense of Ascom	–	(0.7)	–	(0.2)	(0.9)
Profit/(loss) from divestment of a subsidiary or business	**17.0**	**(0.3)**	**(2.5)**	**(0.8)**	**13.4**
Cash proceeds/(outflow) in the reporting period	**(56.8)**	**1.0**	**(4.9)**	**(3.4)**	**(64.1)**

The net profit of CHF 13.4 million from divestments is included in the profit for the period from discontinued operations of CHF 3.3 million as disclosed on page 89.

In accordance with IFRS 5, all divested business units described above have been classified as discontinued operations in the financial statements.

Assets of disposal group classified as held for sale

CHFm	31.12.2012	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	31.12.2012	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**

Cumulative expense recognized directly in equity

CHFm	31.12.2012	31.12.2011
Currency translation adjustments [1]	–	(1.9)
Total cumulative expense recognized directly in equity	**–**	**(1.9)**

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

Further information on discontinued operations

CHFm	2012	2011
Revenue	16.9	75.5
Cost of goods sold	(15.4)	(53.2)
Gross profit	**1.5**	**22.3**
Marketing and distribution	(2.6)	(11.3)
Research and development	(1.8)	(8.3)
Administration [1]	(4.7)	(4.1)
Loss recognized on the remeasurement of assets of disposal group	(1.1)	(4.1)
Profit/(loss) from divestment of a subsidiary or business, net	13.4	–
Other income/(expenses), net	(1.0)	(1.3)
EBIT	**3.7**	**(6.8)**
Financial income/(expenses), net	0.1	(0.6)
Earnings before income tax	**3.8**	**(7.4)**
Income tax	(0.5)	(0.1)
Profit/(loss) for the period from discontinued operations	**3.3**	**(7.5)**
Currency translation adjustments [2]	1.9	(0.2)
Cash flow from operating activities	3.0	4.1
Cash flow from investing activities	(64.1)	(0.7)
Cash flow from financing activities	–	–
EBITDA	3.7	(5.7)
Capital expenditures	–	0.7
Employees (FTE) at 31.12.	7	249

[1] Current year number contains expenses of CHF 4.6 million related to provisions for onerous contracts (see note 15).
[2] Other comprehensive income relating to assets and liabilities of disposal group classified as held for sale.

Current year income tax number includes income tax expenses of CHF 0.4 million due to the consumption of deferred tax assets relating to the remeasurement of assets of disposal group capitalized in previous year.

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.

	2012	2011
Profit for the period from continuing operations (CHFm)	17.6	30.6
Profit/(loss) for the period from discontinued operations (CHFm)	3.3	(7.5)
Group profit for the period attributable to owners of the parent (CHFm)	**20.9**	**23.1**
Weighted-average number of outstanding shares	34,485,827	34,646,971
Earnings per share from continuing operations (CHF)	0.51	0.88
Earnings per share from discontinued operations (CHF)	0.10	(0.21)
Earnings per share from Group profit (CHF)	**0.61**	**0.67**

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.

	2012	2011
Profit for the period from continuing operations (CHFm)	17.6	30.6
Profit/(loss) for the period from discontinued operations (CHFm)	3.3	(7.5)
Group profit for the period attributable to owners of the parent (CHFm)	**20.9**	**23.1**
Weighted-average number of outstanding shares	34,485,827	34,646,971
Adjustment for the dilutive number of outstanding share options	4,939	79,425
Weighted-average number of diluted shares	**34,490,766**	**34,726,396**
Diluted earnings per share from continuing operations (CHF)	0.51	0.88
Diluted earnings per share from discontinued operations (CHF)	0.10	(0.21)
Diluted earnings per share from Group profit (CHF)	**0.61**	**0.67**

25. TRANSACTIONS WITH RELATED PARTIES

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

CHFm	2012	2011
Short-term employee benefits	(3.0)	(4.0)
Post-employment benefits	(0.3)	(0.3)
Share-based payments	(0.3)	(0.3)
Total	**(3.6)**	**(4.6)**

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 0.4 million (previous year: CHF 0.9 million) existed.

Legally independent funds provide for Swiss pensions (see note 14). In the reporting period lease payments of CHF 0.2 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 amount of CHF 0.6 million (previous year: CHF 0.6 million) were rendered to the Swiss pension funds in the year under review. At the balance sheet date, a current receivable of CHF 5.1 million (previous year: CHF 6.0 million) was outstanding, subject to an interest yield of 1.5% (previous year: 2.5%). The Swiss pension funds have not owned any Ascom shares in 2012 (previous year: nil).

Zürcher Kantonalbank is a significant shareholder of Ascom Holding Ltd. with an interest of 26.74% at 31 December 2012 (previous year: 26.74%). 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 13.0 million (previous year: CHF 10.2 million) are open leading to a positive replacement value at 31 December 2012 of CHF 0.1 million (previous year: nil). Throughout the period, foreign exchange deals with net counter value of CHF 92.5 million (previous year: CHF 24.6 million) 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. 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	104.4	2.7	107.8	–	110.5
Trade payables	23.0	23.0	–	–	23.0
Foreign exchange derivatives, outflow	(20.8)	(20.8)	–	–	(20.8)
Foreign exchange derivatives, inflow	21.1	21.1	–	–	21.1
Other financial liabilities	6.4	5.0	1.4	–	6.4
Total at 31.12.2012	**134.1**	**31.0**	**109.2**	**–**	**140.2**

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**

[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 for which payments were already contractually agreed on 31 December 2012 and 2011, respectively. Plan figures for future new liabilities are not included.
- Foreign currency amounts are translated at the exchange rates prevailing on 31 December.
- Variable interest payments for financial instruments are based on the last interest rate fixed on 31 December 2012 and 2011, 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.

In 2012, Ascom granted a credit line of CHF 2.0 million to a buyer of a divested business (refer to note 28). Earliest possible pay-outs would result in cash outflows of CHF 1.5 million within 12 months and another CHF 0.5 million in 1 to 3 years.

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 2012, the balance under such limitations totals CHF 4.6 million (previous year: CHF 5.6 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 31.12.2012	Impact on net result 31.12.2012	Reasonable shift 31.12.2011	Impact on net result 31.12.2011
EUR/CHF	+/-15%	+/-0.1	+/-15%	+/-0.6
GBP/CHF	+/-15%	+/-0.6	+/-15%	+/-0.6
SEK/CHF	+/-15%	+/-1.7	+/-15%	+/-3.5
USD/CHF	+/-15%	+/-1.0	+/-15%	+/-1.8
EUR/SEK	+/-15%	+/-1.2	+/-15%	+/-1.7
USD/SEK	+/-15%	+/-2.5	+/-15%	+/-1.8

The changes are mainly due to foreign exchange gains and losses on cash and cash equivalents, trade receivables, trade payables, loans 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 2012, 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 meet 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 31.12.2012
Counterparty		
Bank A	A	19.9
Bank B	A	11.2
Bank C	AA–	5.1
Customer A	B–	5.3
Customer B	not rated	5.0
Customer C	A–	4.9

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

[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	0.4	6.2	6.6
Cash and cash equivalents	62.1	1.0	63.1
Total at 31.12.2012	**62.5**	**7.2**	**69.7**

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**

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

In 2012, Ascom granted a credit line of CHF 2.0 million to a buyer of a divested business (refer to note 28). No public rating is available of the borrower.

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	31.12.2012	31.12.2011
Net debt including outstanding bank guarantees [1]	58.2	(34.3)
EBITDA	49.6	54.1
Debt service ratio	**1.2**	**(0.6)**
Total assets	519.1	506.8
Shareholders' equity	223.7	203.8
Equity ratio	**43.1%**	**40.2 %**

[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	–	5.3	0.9	–	–	6.2
Trade receivables	9	–	114.5	–	–	–	114.5
Cash and cash equivalents	11	–	63.1	–	–	–	63.1
Borrowings	13	–	–	–	–	(104.4)	(104.4)
Trade payables		–	–	–	–	(23.0)	(23.0)
Derivative financial instruments	27.3	0.4	–	–	(0.1)	–	0.3
Other liabilities		–	–	–	–	(6.4)	(6.4)
Balance at 31.12.2012		**0.4**	**182.9**	**0.9**	**(0.1)**	**(133.8)**	**50.3**
Interest income/(expenses)		–	0.5	–	–	(1.8)	(1.3)
Foreign exchange gains/(losses)		0.4	(0.7)	–	(0.1)	(0.1)	(0.5)
Net (increase)/release of provision for doubtful debts		–	(1.4)	–	–	–	(1.4)
Impairment losses		–	–	–	–	–	–
Net gains/(losses) in income statement		**0.4**	**(1.6)**	**–**	**(0.1)**	**(1.9)**	**(3.2)**
Foreign exchange gains/(losses) in other comprehensive income		–	–	–	–	–	–
Total net gains/(losses) 2012		**0.4**	**(1.6)**	**–**	**(0.1)**	**(1.9)**	**(3.2)**

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)**	**129.7**
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 gains/(losses) 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 gains/(losses) 2011		**–**	**0.1**	**–**	**0.2**	**(1.4)**	**(1.1)**

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 31.12.2012	**–**	**–**	**0.9**	**0.9**
Financial assets and liabilities at fair value through profit or loss				
Derivative financial instruments, net	–	0.3	–	0.3
Balance at 31.12.2012	**–**	**0.3**	**–**	**0.3**

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**

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.

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	31.12.2012	31.12.2011
Contract volume	20.8	41.0
Positive fair value	0.4	0.1
Negative fair value	0.1	0.1

Breakdown by currency (CHFm)	31.12.2012	31.12.2011
CZK	–	0.3
EUR	8.5	11.7
GBP	–	4.0
SEK	6.1	25.0
USD	6.2	–
Total	**20.8**	**41.0**

The fair value of derivative financial instruments is included under current financial assets or other current 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	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Within 12 months	–	–	17.7	18.6
Between 1 and 5 years	–	–	21.1	31.2
Later	–	–	2.6	3.2
Total	**–**	**–**	**41.4**	**53.0**

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
	31.12.2012	31.12.2011
Within 12 months	8.6	4.3
Between 1 and 5 years	5.7	15.8
Later	–	3.7
Total	**14.3**	**23.8**

c) Loan commitments

In connection with discontinued operations, Ascom granted a credit line in the amount of CHF 2.0 million to a buyer of a business unit of the former Security Communication Division. Under this commitment portions of CHF 0.5 million can be drawn quarterly. The full amount is due for repayment until 31 July 2016.

d) 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 law 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 that the outflow of resources is more likely than not, a corresponding provision is made.

At 31 December 2012, contingent liabilities amount to CHF 56.4 million (previous year: CHF 34.1 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 ongoing proceedings in relation to indemnification.

29. PLEDGED ASSETS

At 31 December 2012, property, plant and equipment with a total carrying amount of CHF 0.6 million (previous year: CHF 0.6 million) and financial assets with a total carrying amount of CHF 0.2 million (previous year: CHF 0.6 million) were pledged.

30. EVENTS AFTER THE BALANCE SHEET DATE

Since the balance sheet date, no events have occurred that have an influence on the 2012 consolidated financial statements.

31. PROPOSAL OF THE BOARD OF DIRECTORS

For the year ended 31 December 2012, the Board of Directors proposes to the Annual General Meeting on 10 April 2013, a distribution of share premium of CHF 0.35 per share entitled to dividends. This represents a total distribution up to CHF 12.6 million. In 2012, a total distribution of share premium of CHF 8.6 million was made to the shareholders of Ascom Holding Ltd.

32. TIME OF RELEASE FOR PUBLICATION

The Board of Directors approved the 2012 consolidated financial statements on 7 March 2013 and gave permission for publication at the media conference on 20 March 2013.

33. CONSOLIDATED COMPANIES

Country	Company	Registered office	Share capital		Group's interest
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%
	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 Management Ltd.	Berne	CHF	200,000	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 46 to 101), for the year ended 31 December 2012.

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 2012 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

St Räbsamen

Stefan Räbsamen	Thomas Wallmer
Audit expert	Audit expert
Auditor in charge	

Zurich, 7 March 2013

SUMMARY OF KEY FINANCIAL DATA

CHFm	2012 [1]	2011 [1]	2010 [1]	2009	2008
Incoming orders	436.4	451.4	488.4	514.4	511.9
Order backlog [2]	122.0	136.2	120.2	241.4	243.1
Revenue	449.8	437.5	472.9	537.2	509.2
EBITDA	45.9	59.8	70.9	49.8	53.3
Earnings before interest and income tax (EBIT)	23.4	40.6	51.4	32.8	44.0
Personnel expenses	(198.5)	(207.4)	(209.2)	(223.6)	(236.7)
Depreciation, amortization and impairment	(22.5)	(19.2)	(19.5)	(17.0)	(9.3)
Profit/(loss) for the period	17.6	30.6	35.8	24.4	8.2
Net cash flow from operating activities	5.4	12.3	48.0	24.5	(2.3)
Capital expenditures on property, plant and equipment	3.2	4.4	6.8	6.4	6.7
Capital expenditures on intangible assets	3.4	3.9	7.4	3.0	5.0
Research and development expenses	(49.9)	(45.9)	(48.1)	(47.0)	(32.9)
Balance sheet total [2]	519.1	506.8	580.3	609.2	451.2
Shareholders' equity [2]	223.7	203.8	189.0	179.3	148.7
Shareholders' equity in % of balance sheet total [2]	43.1	40.2	32.6	29.4	33.0
Net debt/(net cash) [2, 3]	41.3	(55.8)	(53.9)	(27.5)	(182.6)
Gearing in % [4]	46.7	8.6	39.7	55.9	n/a
Distribution of share premium/dividends paid	8.6	8.6	–	–	–
Number of employees (FTE) [2]	1,771	1,801	1,789	2,162	1,864

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

ASCOM HOLDING LTD. BALANCE SHEET

	CHF 1,000	31.12.2012	31.12.2011
ASSETS	Investments	126,855	128,026
	Loans to Group companies	368,000	318,035
	Capitalized financing costs	1,180	1,320
	Non-current assets	**496,035**	**447,381**
	Accounts receivables from Group companies	3,720	3,800
	Accounts receivables from third parties	400	41
	Prepaid expenses	15	35
	Own shares	13,894	12,012
	Cash and cash equivalents	8,056	5,428
	Current assets	**26,085**	**21,316**
	Total assets	**522,120**	**468,697**
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	13,231	21,876
	– Reserves for own shares	15,846	15,443
	Retained earnings	354,770	331,957
	Shareholders' equity	**407,247**	**392,676**
	Loans from Group companies	10,929	25,514
	Bank loan	103,470	17,500
	Provisions	56	27,179
	Non-current liabilities	**114,455**	**70,193**
	Accounts payable to Group companies	25	5,463
	Accounts payable to third parties	20	51
	Third-party accruals	68	82
	Provisions	305	232
	Current liabilities	**418**	**5,828**
	Total liabilities	**114,873**	**76,021**
	Total liabilities and shareholders' equity	**522,120**	**468,697**

INCOME STATEMENT

CHF 1,000	2012	2011
Investment income	10,547	2,778
Financial income	12,564	6,689
Other income	35,700	8,942
Total income	**58,811**	**18,409**
Financial expenses	(2,311)	(5,788)
Administration expenses	(6,554)	(7,019)
Value adjustments on investments and loans	(26,155)	–
Loss from disposal of investments	(172)	–
Other expenses	(205)	–
Earnings before tax	**23,414**	**5,602**
Tax	(198)	(296)
Profit for the period	**23,216**	**5,306**

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 from foreign currencies are charged to the income statement.

3. Contingent liabilities

Parent guarantees in respect of third parties total CHF 48.0 million (previous year: CHF 25.8 million).

4. Investments

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

Company	Registered office	Business	Share capital		Interest 31.12.2012	Interest 31.12.2011
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%	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 Management Ltd.	Berne, Switzerland	Management services for Group companies	CHF	200,000	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 2012, 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 1.1.2011	**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**
Additions	304,981	2,112
Disposals	(166,819)	(1,709)
Value adjustments		1,479
Balance at 31.12.2012	**1,568,202**	**13,894**

7. Authorized share capital

The company does not have authorized share capital.

8. Significant shareholders

8.1 Changes subject to disclosure requirements during the 2012 financial year

In an announcement dated 3 February 2012, published in compliance with Art. 20 of the Stock Exchange Act (SESTA), UBS Fund Management (Switzerland) AG, Basel, disclosed that it held Ascom securities representing 3.02% of the voting rights.

In an announcement dated 7 June 2012, published in compliance with Art. 20 of the Stock Exchange Act (SESTA), UBS Fund Management (Switzerland) AG, Basel, disclosed that its share of voting rights in Ascom had fallen to below 3%.

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 2012:

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 23.0% at 31 December 2012 (previous year: 21.2%).

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

9.1 Remuneration for the Board of Directors in 2012

Members of the Board of Directors receive a fee in accordance with the Remuneration Regulations (Annex to the Organization Regulations). The fees have remained unchanged since 1 January 2011. An ordinary member of the Board of Directors receives an annual fee of CHF 120,000. The Chairman receives an annual fee of CHF 300,000 while the Vice-Chairman is compensated with a fee of CHF 180,000 per annum.

Members of the Board of Directors were paid remuneration totaling CHF 840,000 in 2012 (previous year: CHF 840,000), as set out in the below table:

CHF	Cash fee	Number of options	Variable component	Other benefits	Total 2012	Total 2011
Juhani Anttila, Chairman of the Board of Directors	300,000	–	–	–	300,000	300,000
Paul E. Otth, Vice-Chairman of the Board of Directors	180,000	–	–	–	180,000	180,000
Dr J.T. Bergqvist, Member of the Board of Directors	120,000	–	–	–	120,000	120,000
Kenth-Ake Jönsson, Member of the Board of Directors	120,000	–	–	–	120,000	120,000
Andreas V. Umbach, Member of the Board of Directors	120,000	–	–	–	120,000	120,000
Total	840,000	–	–	–	840,000	840,000

9.2 Remuneration for the Executive Board in 2012

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 variable component (performance-related part). The basic salary and variable component are paid in cash. The variable salary component (performance-related part) 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 CEO receives a variable salary component of 50% of his basic salary on fully achieving all targets. The other members of the Executive Board receive a variable salary component 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 a sum no more than twice the target variable salary component may be paid.

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 repricing. The strike price corresponds at least to the market price on the grant 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.

In 2012, the CEO received options under the Ascom Stock Option Plan 2012 worth 20% of the total of basic salary and 100% variable salary component. The other members of the Executive Board received options worth CHF 71,550 per person. The value of the options was determined by an independent third party.

CHF	Basic salary	Number of options	Value of options	Variable salary component	Other benefits	Pension contribution	Total 2012
Fritz Mumenthaler, CEO (highest compensated member of the Executive Board)	650,000	87,000	215,180	122,883	–	90,106	1,078,169
Other members	1,071,784	81,000	214,650	251,734	35,613	184,876	1,758,657
Total Executive Board	1,721,784	168,000	429,830	374,617	35,613	274,982	2,836,826

CHF	Basic salary	Number of options	Value of options	Variable salary component	Other benefits	Pension contribution	Total 2011
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

Explanatory notes

- All options allocated during 2012 were granted on 18 April 2012. 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 9.00. The options have a life of five years and are subject to an exercise hurdle (outperformance of the SMI index within a period of 12 months). 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 2012 was CHF 2.62.
- In 2012, total other benefits include contributions to medical benefit plans and special premiums.
- Executive Board members' variable salary component for 2012 will be calculated and paid in 2013 after approval of the annual financial statements. The criteria governing payment of the 2012 variable salary component are measurable and contractually regulated. The variable salary component represents the accrued amount for services rendered during 2012.
- Pension contribution includes the employer's contribution to the pension funds. Contributions to mandatory social insurances are not included.
- No loans were granted to members of the Board of Directors or Executive Board in 2012.
- 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.

9.3 Participations at 31 December 2012

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	80,000	–	–
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	20,000	–	–
Executive Board			
Fritz Mumenthaler, CEO	21,000	61,667	139,333
Dr Martin Zwyssig, CFO	–	40,000	63,000
Rikard Lundqvist, General Manager Network Testing	–	42,000	63,000
Claes Ödman, General Manager Wireless Solutions	–	–	42,000
Total Board of Directors and Executive Board	123,000	143,667	307,333

[1] In accordance with the conditions of Ascom Stock Option Plans 2009, 2010, 2011 and 2012.

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 126.0 million (previous year: CHF 127.2 million). The net decrease in investments is mainly attributable to an impairment recognized in the amount of CHF 1.2 million.

In the year under review, loans to Group companies increased by CHF 50.0 million. This net increase is mainly related to M&A activities but also includes a value adjustment in the amount of CHF 25.0 million. A subordination agreement in favor of a Group company in the amount of CHF 25.0 million was signed on 31 December 2012. The loans are mainly denominated in CHF, EUR, USD and SEK.

Other non-current assets consists of capitalized financing costs in relation to the refinancing of the Group in 2011.

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

Liabilities and equity

Due to the net increase of own shares, an amount of CHF 0.4 million was allocated from retained earnings to reserves for own shares.

Bank loan consists of a revolving multicurrency loan facility in an aggregate amount of CHF 140.0 million. The final maturity date of the loan facility is 24 May 2016.

The reduction in provisions is mainly due to releases of provisions for general valuation risks.

Income statement

Investment income mainly represents ordinary dividend payments from Group companies. In the period under review, investment income includes additionally a capital repayment in the amount of CHF 2.3 million in connection with the divestment of Ascom Austria GmbH.

Financial income mainly consists of interest income from loans to Group companies. The increase in financial income derives from increased outstanding loan amounts and foreign exchange gains on Group loans and accounts receivables. Additionally, gains from value adjustments on own shares of CHF 1.5 million are recognized as financial income (previous year: revaluation losses of CHF 3.4 million).

Other income comprises trademark fees charged to Group companies of CHF 4.7 million (previous year: CHF 5.0 million), releases of provisions amounting to CHF 27.0 million (previous year: CHF 3.9 million) and a release of a valuation adjustment of CHF 4.0 million due to the full repayment of a Group loan formerly reduced in value (previous year: nil).

Financial expenses mainly consist of interests paid to banks and Group companies and bank charges.

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

Value adjustments on investments and loans represent a value adjustment on Group loans in the amount of CHF 25.0 million and an impairment on investments in the amount of CHF 1.2 million (previous year: nil).

Profit for the period

In 2012, Ascom Holding Ltd. records a net profit of CHF 23.2 million (previous year: CHF 5.3 million), while Ascom Group records a consolidated net profit of CHF 20.9 million (previous year: CHF 23.1 million).

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS 2012

CHF	2012
Retained earnings from previous year	331,957,128
Allocation to reserves for own shares	(402,810)
Profit for the period	23,215,834
Retained earnings at 31.12.2012	**354,770,152**
Balance to be carried forward	354,770,152

PROPOSAL FOR THE APPROPRIATION OF RESERVES FROM CAPITAL CONTRIBUTION 2012

CHF	2012
Distributable reserves from capital contribution from previous year	21,876,217
Distribution of reserves from capital contribution	(8,645,161)
Distributable reserves from capital contribution at 31.12.2012	**13,231,056**
Distribution of CHF 0.35 per share entitled to dividends	(12,600,000)
Balance to be carried forward	631,056

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 105 to 112), for the year ended 31 December 2012.

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 2012 comply with Swiss law and the company's articles of incorporation.

pwc

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, 7 March 2013

KEY FINANCIAL DATA ON THE SHARE CAPITAL

CHF		2012	2011	2010	2009	2008
Dividend/distribution per share						
Registered shares	CHF 0.50	0.25	0.25	–	–	–
Equity per share [1, 2]						
Registered shares	CHF 0.50	6.50	5.90	5.47	5.16	4.23
Earnings per share [2]						
Registered shares	CHF 0.50	0.61	0.67	0.94	0.70	0.23
Share price (high/low of the period under review)						
Registered shares	CHF 0.50	9.60/6.60	15.10/7.67	14.70/9.50	14.05/6.60	12.90/5.94
Taxable values [1]						
Registered shares	CHF 0.50	8.86	8.40	14.70	9.75	8.19
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	1,568,202	1,430,040	1,437,033	1,283,933	1,209,589

[1] At 31 December.

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

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DATES AND CONTACTS

Important dates

10 April 2013
Annual General Meeting
BERNEXPO, Berne

22 August 2013
Presentation of half-year results 2013
SIX Swiss Exchange, Zurich

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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.

The complete 2012 Annual Report of the Ascom Group is available in English only and can be viewed online at:

www.ascom.com/report-en

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