Annual Report 2017

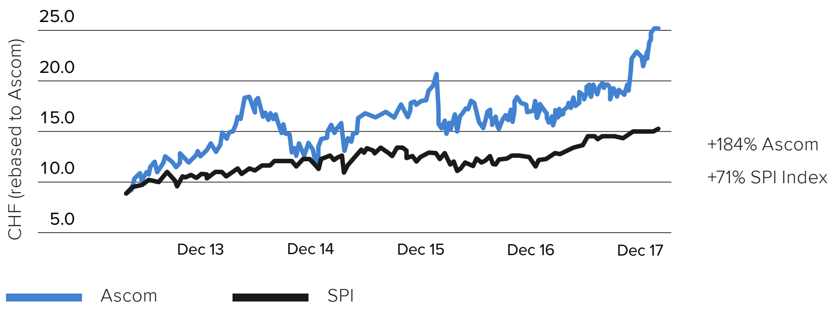
Ascom is a global solutions provider focused on healthcare ICT and mobile workflow solutions. The vision of Ascom is to close digital information gaps allowing for the best possible decisions – anytime and anywhere. Ascom's mission is to provide mission-critical, real-time solutions for highly mobile, ad hoc, and time-sensitive environments. Ascom uses its unique products and solutions and software architecture capabilities to devise integration and mobilization solutions to improve workflows for healthcare, industry and retail sectors.

Shareholder return

Share information

	2017	2016
Share price at 31.12. in CHF	25.20	16.00
Market capitalization at 31.12. in CHFm	907.20	576.00
Nominal value per share in CHF	0.50	0.50

Share price performance 2013 to 2017



	2017[1]	2016	2015	2014	2013
Dividend (CHF per share)	0.45	0.80	0.45	0.45	0.40
Average annual share price (CHF)	19.6	16.7	16.8	15.3	12.2
Dividend yield (%)	2.3%	4.8%	2.7%	2.9%	3.3%

[1] Proposal to the Annual General Meeting.

Ascom continues to expand its range of innovative products and solutions to set new industry standards. For 2018, we have a strong pipeline of innovative products and solutions including:

- Ascom Myco 2 (DECT)
- Ascom Myco 3 (including a larger display)
- CDAS
- Unite analyze
- Digistat ICU/Surgery
- Elderly Care Platform

Annual Report 2017

Letter to Shareholders

Andreas Umbach, Chairman (l.), Holger Cordes, CEO (r.)

Dear Shareholders

Ascom is a global solutions provider focused on healthcare ICT and mobile workflow solutions. It is our vision to close digital information gaps allowing for the best possible decisions – anytime and anywhere. In 2017, we made significant steps forward towards that vision in executing our strategy, and finished an active and eventful year with solid results. We have set ourselves ambitious operational and strategic objectives, which we largely met. As predicted, we have seen a strong revenue growth in the second half of 2017. We achieved a significant increase in incoming orders, and we succeeded in securing flagship wins in both the healthcare and the enterprise sector. In terms of profitability, we met our targets with an EBITDA margin of 14.1%.

Strategically, Ascom completed the implementation of the OneCompany organization. We built a stronger organization through the recruitment of industry-leading talents in the different areas and the appointment of Anette Weber as our new CFO, who came into office on 1 August 2017. In addition, we further strengthened our sales force with experienced solutions sales resources.

Solid financial results achieved in 2017

Incoming orders increased significantly and came to CHF 324.8 million (2016: CHF 302.9 million [2016 numbers are pro forma numbers and equal to the Group results adjusted for the former division Network Testing divested in September 2016]). In terms of revenue, the second half-year 2017 was much stronger than the first six months. Overall, consolidated net revenue increased to CHF 309.7 million, representing a growth rate of 3.1% (2.3% at constant currencies).

EBITDA significantly improved in the second half of 2017. For the full-year, EBITDA margin came to 14.1% compared to 9.5% in 2016. Ascom closed fiscal year 2017 with a Group profit of CHF 25.9 million. The Company has a solid balance sheet with an equity ratio of 36.2% and a net cash position of CHF 12.3 million as of 31 December 2017.

While business activities in Europe showed good growth and the OEM business bounced back, our operations in North America did not meet our expectations. Therefore, we initiated targeted measures to significantly strengthen our market position in this attractive region. Moreover, we signed in 2017 important strategic partnerships with strong players such as GE Healthcare and Dräger.

Dividend of CHF 0.45 per share

The Board of Director is proposing a dividend of CHF 0.45 per share to the Annual General Meeting, representing a payout ratio of 62.5% of the Group profit. The higher dividend payment for fiscal year 2016 was an exception due to the pay out of the major part of the proceeds from the divestment of the former division Network Testing.

Ascom has a solid equity story focusing on long-term profitable growth and cash generation to create value for all stakeholders. The share price development in 2017 was very positive, reaching a maximum of CHF 25.40 and a market capitalization of CHF 907.2 million as of 31 December 2017 compared to CHF 576.0 million by the end of 2016.

Successful launch of pioneering products

Innovation is an important success driver for our growth strategy. We set new industry standards and increase workflow productivity in the healthcare sector as well as in the enterprise sector. Therefore, we launched several products and solutions during 2017, e.g. expanding the Ascom Myco portfolio, the new Ascom Telligence Patient Response System and the Unite Integration Platform. Going forward, we have a strong pipeline of innovative products and solutions including two new versions of our smart device Ascom Myco as well as new software solutions. We target to increase the share of software and professional services in our total revenue.

Looking forward

With the solid results in 2017 and achievement of our strategic milestones, we have set a good basis to continue executing our clear strategy to become a best-in-class healthcare ICT and mobile workflow solutions provider. In 2018, we strive to accelerate the strategy execution and we see strategic growth opportunities with new solutions, new services, new partners, and new markets. North America is a focus topic in 2018. A new leadership and strong and evolving strategic partnerships will support a positive development. In addition, we will further strengthen our strong market position in Europe and continue to grow our business in Asia Pacific.

Ascom targets to achieve 3–6% revenue growth for the full year 2018. The EBITDA margin for 2018 is expected to be in line with prior year, up to around 15%. Moreover, Ascom confirms its mid-term targets for 2020: Ascom strives to achieve 7–10% revenue growth in 2020 and has the ambition to reach an EBITDA margin of 20%.

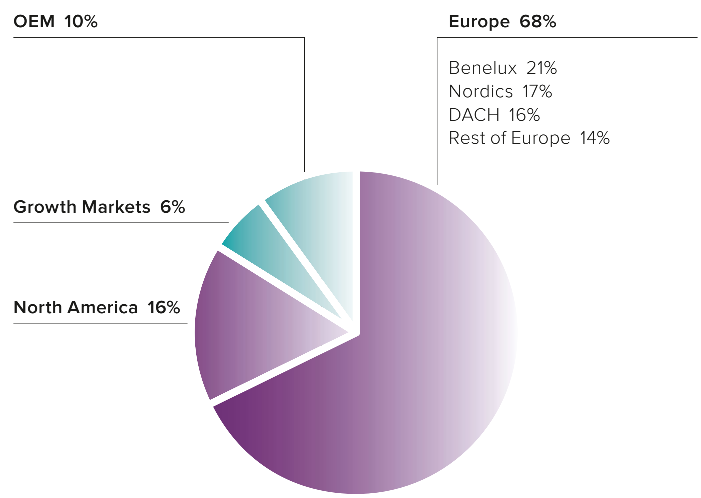
Note of thanks

The 2017 business year was exciting and intensive. The entire Board of Directors and the Executive Committee would like to thank our shareholders, customers and business partners for their confidence in Ascom. A special thank goes to our employees for their extraordinary work and dedication to support our vision to become a best-in class healthcare ICT and mobile workflow solutions provider.

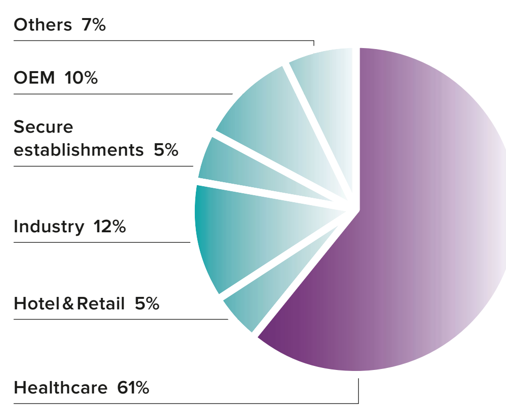
Andreas Umbach
Chairman of the Board

Holger Cordes
CEO

Revenue by region



Revenue by segment



Performance report 2017

2017 is Ascom's first full financial year as a one-business company after successfully converting from a divisional and regional set-up to a OneCompany functional organization with one business, one mission, and one culture. Ascom is actively addressing its markets as a global solutions provider focused on healthcare ICT and mobile workflow solutions. We use our unique products and solution portfolios, and intelligent software architecture to devise integration and mobilization solutions that provide efficient workflow both for the healthcare and enterprise sectors. In 2017, we have put our emphasis on completing the set-up of the OneCompany functional organization with a lower cost base compared to the previous year. Although 2017 was still impacted by some transformation including the finalization of the OneCompany restructuring, and the recruiting of new talents mainly in sales and software development, the execution of the new strategy gained traction and solid results were achieved.

In 2017, Ascom was able to show profitable growth and to strengthen its market position. The Company reported an increase of 7.2% in incoming orders and of 3.1% in net revenue compared to 2016. As expected, a strong second half-year supported the achievement of our targets. Ascom increased the profitability with an EBITDA margin of 14.1% compared to 9.5% for 2016, and closed the financial year 2017 with a Group profit of CHF 25.9 million.

2016 numbers are pro-forma numbers and equal to the Group results adjusted for the former division Network Testing divested as of 30 September 2016.

Net Revenue – Strong growth during the second half-year
In 2017, Ascom generated net revenue of CHF 309.7 million, representing a growth rate of 3.1% (2.3% at constant currencies) compared to the previous year. As expected, the Company experienced a strong second half-year 2017 with net revenue of CHF 166.5 million, representing a significant increase of 7.8% compared to the second half-year of 2016.

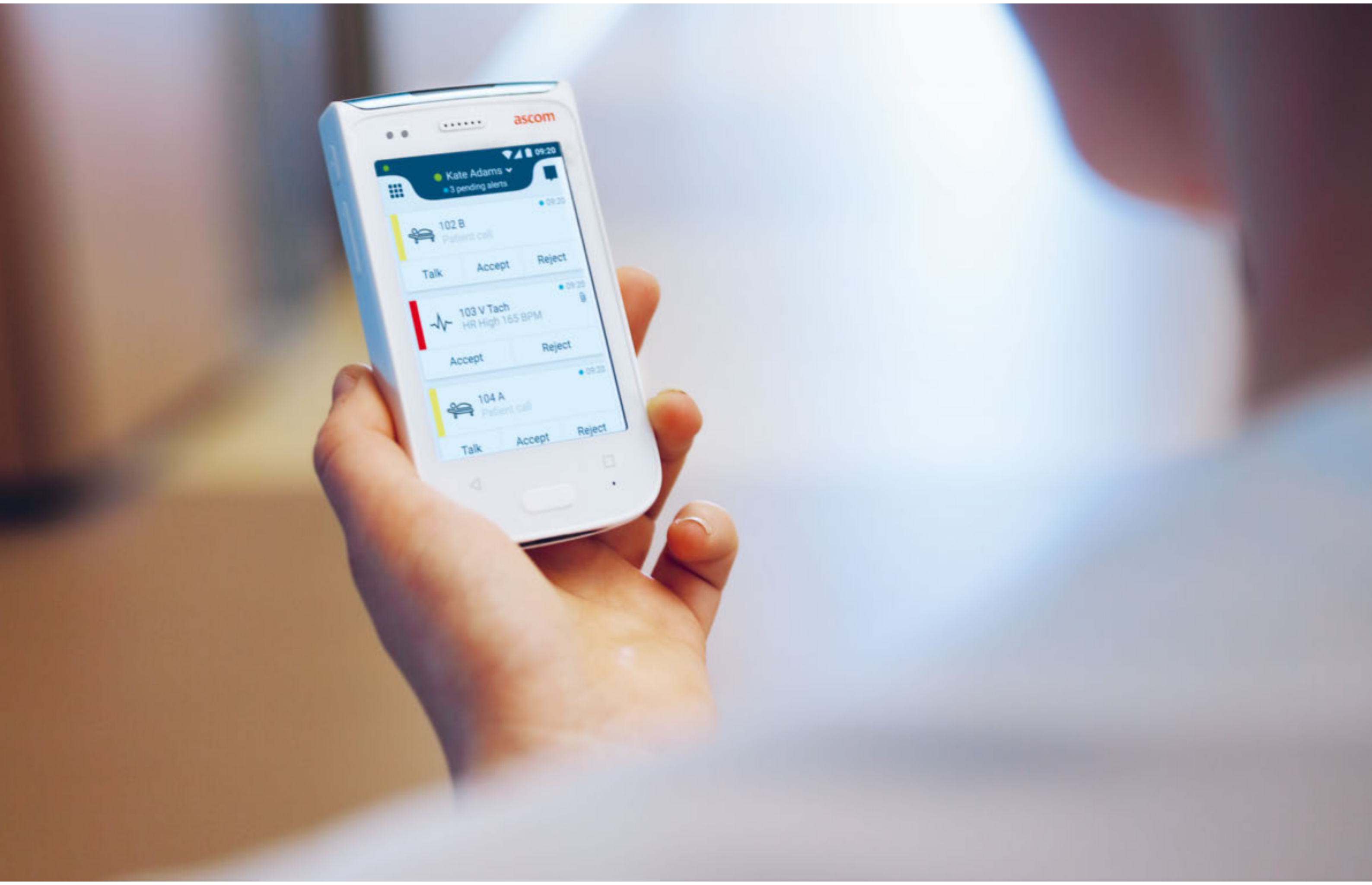
Ascom performed well in Europe with an overall growth of 5% compared to 2016. Solid revenue growth was generated in all European regions (Benelux, DACH, Nordic, Southern Europe, UK, CEE).

The development of our operations in North America was disappointing. Key reasons were challenges in channel management and slow-paced transformation from product to solution business. Targeted measures have been implemented to strengthen our market position and to bounce back rapidly. Tim Whelehan was replaced by Rob Goldman as Managing Director North America in January 2018. Rob Goldman and his new team are committed to strengthen the organization and to achieve a better customer proximity. Strategic partnerships shall be revitalized and key customer projects with Integrated Delivery Networks (IDN) further promoted.

Growth Markets (Middle East, Asia, and Australia) showed moderate growth. The result was impacted by political uncertainties and social unrest in some regions such as the Middle East. On the other hand, first revenues in Central and Eastern Europe were generated. The OEM business bounced back and showed strong growth in 2017.

Significant increase of incoming orders
In 2017, incoming orders increased by 7.2% and came to CHF 324.8 million (2016: CHF 302.9 millon). Order backlog amounted to CHF 143.3 million at the end of 2017, representing an increase of 17.7%.

Ascom was able to secure significant orders in its addressed markets. Important flagship wins in the healthcare sector include:
- Erasmus Medical Center, Rotterdam (Netherlands): Ascom Myco units and Ascom Unite software
- Sant Joan de Déu, Barcelona (Spain): Entire Ascom Healthcare Platform
- Rijnstate Hospital, Arnhem (Netherlands): Nurse Call Systems
- Hospital District of Helsinki and Uusimaa (Finland): Major Nurse Call service contract
- St Olavs Hospital Trondheim (Norway): Delivery of 4,000 Ascom Myco units



- IDN Munson Healthcare, Michigan (USA): Entire Ascom Healthcare Platform
- Drammen Municipality (Norway): Elderly care solutions
- Koutio Médipôle Hospital, Nouméa (New Caledonia): Ascom Myco and IP-DECT solutions
- Royal Free, London (UK): Ascom Myco and Ascom Telligence patient systems

The enterprise sector showed a good performance and significant orders could be secured:

- Major Dutch University (Netherlands): Nationwide service contract
- CSL Behring, Lengnau (Switzerland): Alarm management solutions
- Swyx (Germany): IP-DECT solutions
- Marks & Spencer (UK): Retail solutions
- Avaya (US): OEM
- Aastra Mitel (Canada): OEM

Moreover, important partnership agreements were signed in 2017 such as:

- Partnership agreement with Dräger to deliver clinical alarm management solutions to healthcare providers
- Strategic distribution partnership in Europe with GE Healthcare for Digistat Patient Watch solutions

These important orders and agreements confirm that Ascom is the preferred partner of choice for complex and secure communication solutions that can be lifesaving in the attractive healthcare market and are also viable for the enterprise sector.

Cost base significantly reduced

During 2017, Ascom has focused intensively on the setup of the OneCompany functional organization to reduce its cost base compared to the previous year. As a result, on a comparable basis administration expenses were lowered by about 36% to CHF 20.3 million in 2017 (2016: CHF 31.5 million). Moreover, despite strengthening the management team with the appointment of new industry leading experts, substantially improving the sales force and marketing teams with well experienced sales people and the set-up of a sales academy, our marketing and sales expenses rose only slightly by 1.9% to CHF 76.3 million (2016: CHF 74.9 million). In 2017, Ascom has increased its innovation rate and therefore R&D expenses went up by about 8% to CHF 29.1 million (2016: CHF 26.9 million).

Profitability targets achieved

Ascom's OneCompany strategy is proving to be successful. For the full-year 2017, EBITDA rose to CHF 43.6 million (2016: CHF 28.6 million) representing an EBITDA margin of 14.1% (2016: 9.5%). With this result, Ascom met its profitability target 2017 as communicated. The operating result also increased and EBIT came to CHF 33.2 million (2016: CHF 21.3 million) with a double-digit EBIT margin of 10.7% compared to 7.1% for 2016.

Ascom experienced a very strong second half-year 2017 with an EBITDA margin of 17.8% compared to 9.7% for the first half-year.

Ascom closed the financial year 2017 with a Group profit of CHF 25.9 million compared to a Group loss of CHF 145.7 million for financial year 2016 (which was impacted by a one-time effect in connection with the divestment of Network Testing as of 30 September 2016). In financial year 2017, earnings per share was CHF 0.72 (2016: negative earnings per share of CHF –4.07).

Strong balance sheet

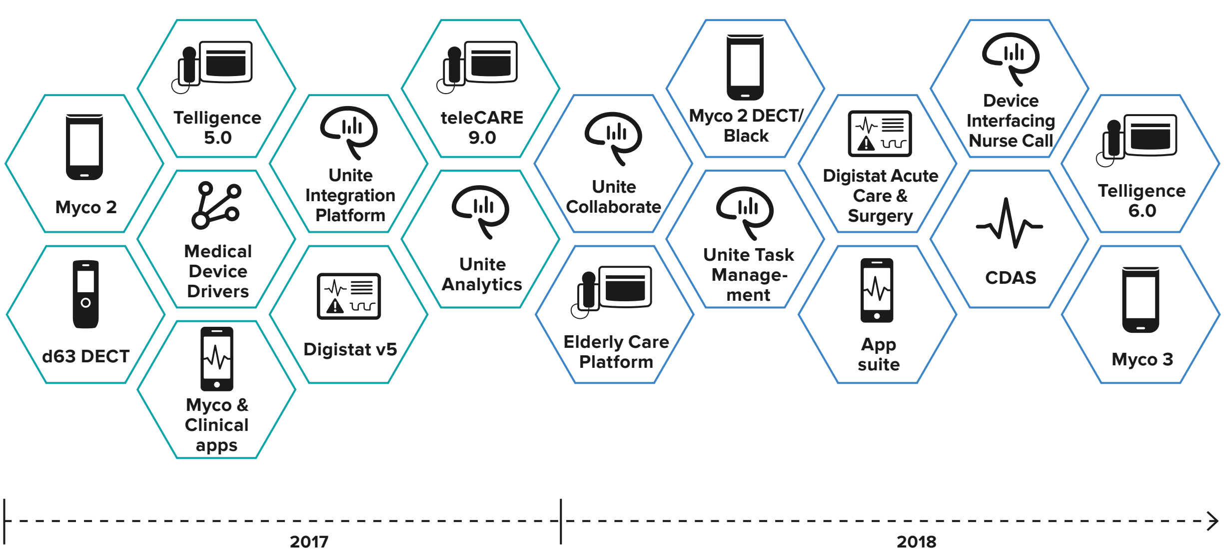
Ascom is a financially sound company. Based on the improved results in 2017, the Company showed a higher positive cash flow from operating activities of CHF 16.2 million (2016: CHF 6.0 million). Cash flow from investing activities amounted to CHF –0.7 million while cash flow from financing activities was CHF –20.7 million, particularly due to the high dividend payment of CHF 28.8 million in April 2017.

Total assets include cash and cash equivalents of CHF 30.3 million. The shareholders' equity amounts to CHF 83.1 million resulting in an equity ratio of 36.2% as at 31 December 2017. The net cash position amounted to CHF 12.3 million.

Leaner Board of Directors

The Board of Directors has been reduced from seven to five members as of the Annual General Meeting 2017. Taking into account the lower Board fees, the overall compensation for the entire Board of Directors declined by 42% for the period 2017/18 compared to the period 2016/17.

We have a strong pipeline of innovative products to set new industry standards



Changes in the Executive Management

- Anette Weber joined Ascom as new CFO as of 1 August 2017 replacing Bianka Wilson.
- Judith Bischof, General Counsel, decided to leave the Company by end of October 2017 to pursue a new career opportunity. Her tasks were assigned to Daniel Lack, Company Secretary and Senior VP Legal & Communications / IR.
- Rolf Veldman, Vice President Human Resources, joined the Executive Committee in July 2017.

The Board of Directors and the Executive Committee thank Bianka Wilson and Judith Bischof for their many years of successful service for Ascom.

Significant pipeline of new products and solutions

Innovation is an important success driver for Ascom's growth strategy. In 2017, new solutions with game-changing impact on Healthcare and Enterprise were presented:

- Ascom Myco 2 smart device
- Ascom Telligence Patient Response System
- Ascom Unite Integration Platform
- Digistat Medical Device Connectivity
- Ascom Myco and clinical apps
- Medical Device Drivers

Ascom continues to expand its range of innovative products and solutions to set new industry standards. For 2018, we have a strong pipeline of innovative products and solutions including:

- Ascom Myco 2 (DECT)
- Ascom Myco 3 (expanding the platform including a larger display)
- CDAS
- Unite analyze
- Digistat ICU / Surgery
- Elderly Care Platform

We target to further improve our service business. The reorganization of services further strengthens our expertise in project execution and up-selling potential. Ascom strives to improve its position in workflow consulting and technology consulting to advise and optimize solution added value. Moreover, Ascom support its customers in project planning and project execution as well as in change management and user adoption.

A platform of unique and unmatched workflow solutions, designed to harness the power of digital clinical information for the benefit of patients and their care teams

Clinical care around the world continues to grow evermore more complicated and complex:

- **33% – The percentage of intensive care unit (ICU) nurses that suffer from burnout syndrome[1]**
- **2,000 – The number of data points a single ICU patient can generate in a single day[2]**
- **1.2 million – The number of alarms recorded in 30 days at one major US hospital[3]**

This complicated and complex environment is made more difficult due to the vast amount of critical patient and care treatment information held in siloed repositories across different hospital information systems, medical devices, laboratory systems and even physically held across different clinicians themselves. Ascom calls this unconnected, unintegrated workflow environment the "digital information gap".

When information is held in silos, clinicians are unable to access critical data in a timely, relevant and actionable fashion. In other words, the digital information gaps in a hospital can slow, or prevent, informed decision making on clinical and workflow basis across care teams. As such, clinical decisions, coordination and patient care workflow can suffer as evidenced by industry research.

- **80% of serious medical errors are caused by miscommunication[4]**
- **36% – The amount of nurses in one UK study that "had to leave necessary tasks undone" because of workloads[5]**
- **15% – The error rates of patient vital signs recording due to manual double documentation processes[6]**

[1] Poncet MC. Am. J. Respir. Crit. Care Med. 2007.
[2] McFarling, Usha Lee. Raising an alarm, doctors fight to yank hospital ICUs into the modern era. Stat, 7 September 2016.
[3] Colliver, Victoria; Kaul, Greta; Allday, Erin. Medical equipment generates millions of alerts, "alarm fatigue". SFGate, 12 November 2014.

Ascom's healthcare mission is to solve these challenges faced by hospitals and clinicians on a global basis.

The Ascom Healthcare Platform closes digital information and communication gaps across points of care to enable the best possible clinical decisions. Ascom executes its mission through the Ascom Healthcare Platform, a platform of unique and unmatched solutions, designed to harness the power of digital clinical information for the benefit of patients and their care teams.

The Ascom Healthcare Platform

- Streamlines digital flow of clinical insight
- Turning fragmented data into actionable, context-rich insight through data analytics and filtering
- Connects siloed hospital information systems to make critical care information more accessible
- Extends the reach of information across points of care to anywhere
- Improves efficiency of mobile clinical care team coordination and care management

The Ascom Healthcare Platform is based upon the three pillars:

Workflow Digitalization is how Ascom consults with healthcare facilities to review their existing clinical workflows and to identify targeted areas of enhancement such as turning manual and or disconnected processes into digital and integrated workflows. Ascom consults across general ward, operating Rooms, ICUs as well as in Elderly Care and Institutional Care facilities.

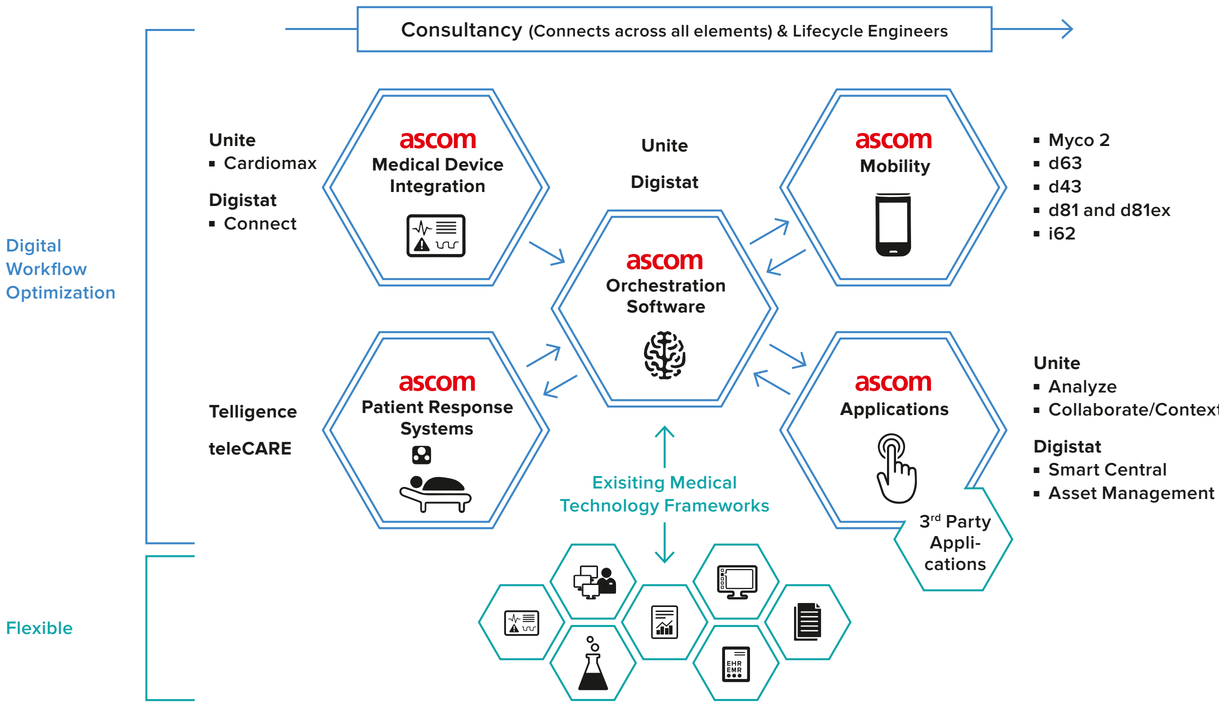
Workflow Optimization is the implementation of the Ascom Healthcare Platform on a workflow solutions basis, providing a multitude of valuable use cases for clinicians such as Alerts & Critical Events Management, Care Team Coordination and Communication and Care Protocol alignment.

Analytics & Smart Data capture data from medical devices, clinical labs and EMRs; filters and analyzes the data to help clinicians calculate Early Warning Scores indicating the potential degradation of a patient's condition.

The three pillars of the Ascom Healthcare Platform are implemented through the combination of Ascom's leading products and software such as the clinical orchestration software solutions of Digistat and Unite which support clinical workflows across general ward, operating room and ICUs; the groundbreaking Telli-

[4] Joint Commission Center for Transforming Healthcare Releases Targeted Solutions Tool for Hand-Off Communications. Joint Commission Perspectives. August 2012, Volume 32, Issue 8.
[5] Campbell, Denis. NHS nurses are too busy to care for patients properly, research shows. The Guardian, 29 September 2017.
[6] Wagner KA, Schaffner MJ, Foulois B, Kazley AS, Parker C, Walo H. Comparison of the quality and timeliness of vital signs data using three different data-entry devices. Comput Inform Nurs. 2010;28(4): 205–212.

Actionable, Context Rich, Clinical Insight



gence series of Nurse Call system; as well as the Ascom Myco smart device portfolio.

The platform, unmatched in the industry by any single competitor, is flexible, scalable and interoperable with existing hospital information systems and medical devices. Configurable and customizable, the Ascom Healthcare Platform meets both the current and expanding demands of clinical care. Together, Ascom's products, systems and software create a modular, yet comprehensive healthcare solution which grows with the hospitals requirements.

Together with Ascom's Professional Consulting teams, hospital customers can implement any number of critical care solutions including

- Care team coordination and collaboration
- Vital signs registration
- Early warning scores
- Hand hygiene
- Medical Asset management
- Rounding/charting
- Medical device monitoring
- ICU central monitoring
- Operating Room patient management systems

The value in the Ascom Healthcare Platform is clear. Through the implementation of individual modules or the complete platform, hospitals and patients benefit from faster, more targeted treatments; accelerated diagnosis; reduced miscommunication between care teams; improved patient response time and decrease staff "alarm fatigue" and burnout among other critical benefits.

These benefits are why hospitals around the world including Royal Free Hospital, UK; Erasmus MC, Netherlands; Hospital Sant Joan de Déu, Spain; Trinity Health, USA; Munson Healthcare IDN, USA; and St. Vincents Private Health, Australia, have implemented the Ascom Healthcare platform in 2017.

The Ascom Healthcare Platform enhances the value proposition of global healthcare partners

The importance of the Ascom Healthcare Platform is recognized not only by our direct healthcare customers, but by global healthcare giants such as GE Healthcare, Dräger Healthcare and BD Carefusion, and many others. These leading healthcare players partner with Ascom to complement their own value propositions with the unique value of the Ascom Healthcare Platform.

As an example, in 2017, Ascom and GE Healthcare announced a European strategic partnership with an innovative and unique ICU solution called GE Digistat Patient Watch. Based on Ascom's connectivity, clinical workflow and mobility expertise, the GE Digistat Patient Watch solution provides clinicians throughout Europe with an innovative solution to address the alarm management and communication needs of Intensive Care Units (ICUs). This partnership expanded further the long standing global relationship between GE Healthcare and Ascom.

Together, Ascom and our global partners have implemented new general ward and ICU solutions across hospitals in North America, Europe, the Middle-East, and Asia.

An American health system demonstrates how the Ascom Healthcare Platform significantly improved its unit communications, nurse satisfaction and patient care.

Information gaps obstruct workflows, frustrate caregivers and create barriers to successful patient care. For a health system's flagship hospital, information gaps were an ongoing challenge. Nurses were dissatisfied with the time it took to locate and contact other caregivers, perceived their unit's communications systems to be slow and unreliable, and a significant majority believed that communications were a barrier to successful patient care.

Management acted to close these gaps by implementing Ascom Myco smart devices paired with Unite Context software. A unique healthcare solution, the Ascom Myco with Unite Context solution enables voice calls and are Health Insurance Portability and Accountability Act compliant, secure text messaging to support clinician communication and tele-tech workflows with their health unit coordinator.

The impact at this hospital was significant and immediate. A comparison of pre and post implementation surveys found dramatic increases in nurse satisfaction, significantly more positive perceptions of communications systems and the overall care environment, and a substantial decrease in the number of nurses who felt that communications were a barrier to providing effective care.

Clinical mobile device pilot

The 60-day pilot was conducted in two care areas of the 700+ bed acute-care flagship hospital. A total of 159 staff received training including registered nurses, certified nursing assistants, float staff, health unit coordinators and technicians. A brief survey was administered during training for the implementation of Ascom Myco smart devices with Unite Context software. The survey included questions regarding the care areas' communications environments, nurses' satisfaction with current communications, and the impact of communications on patient care.

Once the pilot launched, usage metrics were captured on an ongoing basis to track adoption and the rate of usage for the text, broadcast, message and call features. At the pilot's end, the hospital administered a follow-up survey. The survey included the same questions from the pre-implementation survey, as well as additional questions that addressed nurses' perceptions of the phones, software and their impact on the caregiving environment.

Usage metrics and reporting

Over the 60-day pilot, the Ascom Myco and Context solution was used more than 75,000 times. This activity level corresponds to 471 communications per trained caregiver during the pilot. Texting was a brand-new way of communicating on the nursing floor and quickly became the favored mode of communication, accounting for over 90% of Ascom Myco and Context activity.

Immediately after launch there were 14 texts for every call. Within two weeks, the ratio had climbed to 22 texts per call, and has stayed at about that level ever since. Unite Context can record and extract data for analytics reporting and metrics, which is valuable for healthcare informatics teams.

Closing the digital information gap for caregivers

The vision of Ascom is to close digital information gaps, allowing for the best possible decisions anytime and anywhere – and to facilitate workflow collaboration that enable clinicians to spend more time at the bedside actually caring for patients instead of chasing down colleagues and information. In 60 days, that vision became reality for this hospital's units.

Comparing the pre- and post- pilot clinician surveys:

- The hospital experienced a doubling of caregivers who agree that their unit has a rapid, reliable means of communication, from 37% to 77%.
- The increase in caregivers who agree that the communication environment allows for timely communication of codes increased from 61% to 74%.
- The amount of nurses who believe communication is a barrier to successful patient care decreased from 66% to 46%.

Positively impacting caregivers and their patients

Caregiver satisfaction also increased substantially since the Ascom Myco and Context pilot launched.

- Satisfaction tripled by reducing the time it takes to page and get a call back from a doctor, as has satisfaction with the time it takes to locate and speak to a certified nursing assistant.
- Satisfaction more than doubled with the time it takes to locate and speak to a registered nurse.
- Satisfaction with the time it takes to locate and speak to security or a health unit coordinator increased substantially.

63% of respondents agreed that the Ascom solution helped them reduce the number of steps they take in a day, and 43% say that overhead paging is drastically reduced, creating a quieter environment for both patients and caregivers.

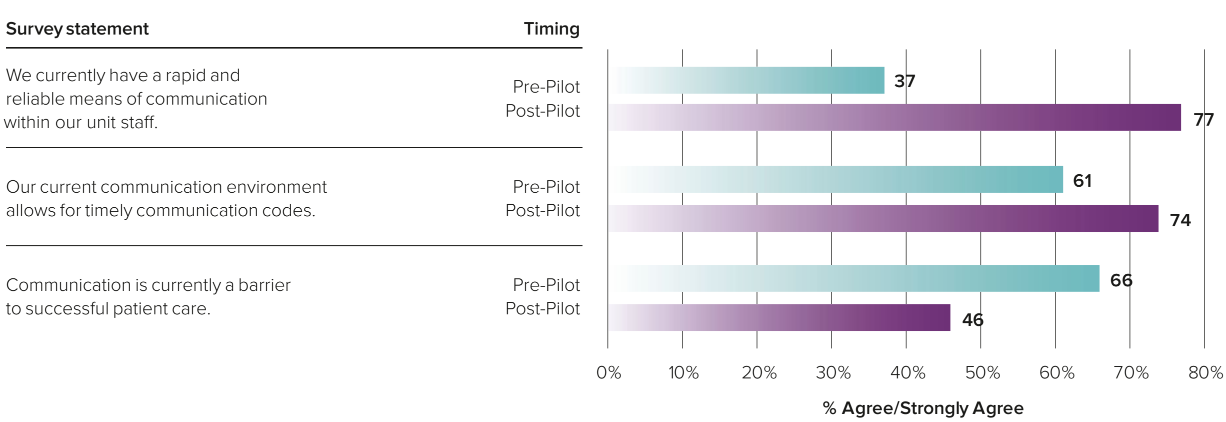
Due to the pilot's successful metrics and the support and training provided, management of the non-profit system plans to deploy 5,000 Ascom Myco 2 smart devices with Unite Context in 2018 across all seven of their regional hospitals and 70 remote clinics, making this the largest Ascom Myco implementation to date for Ascom.

60 days to impact

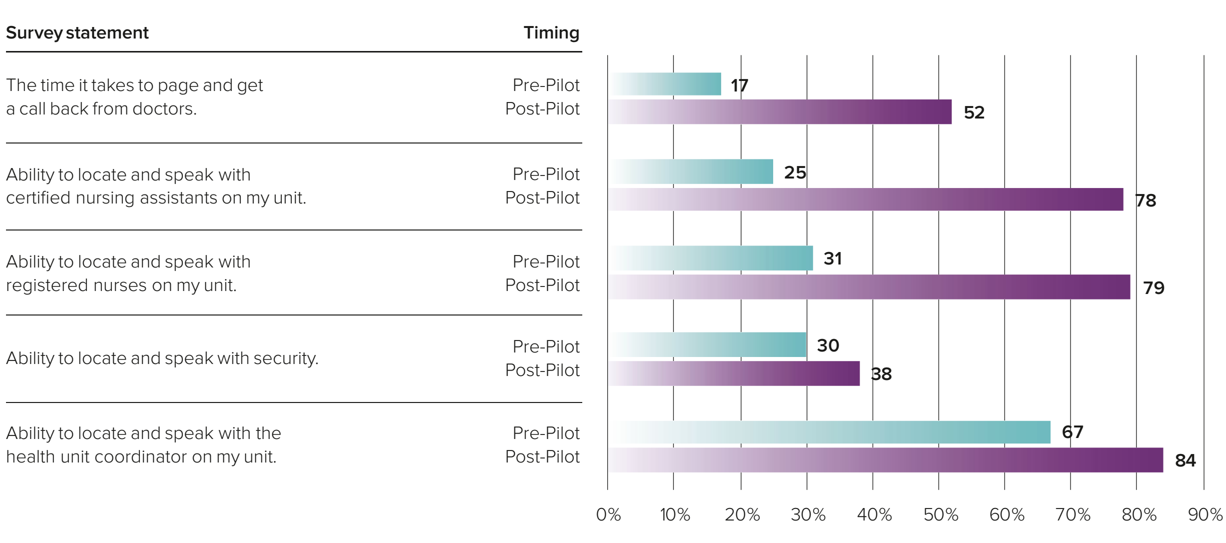
Today, hospitals are under tremendous pressure as they strive to provide the best possible patient care, increase patient satisfaction, support and retain their caregivers and generate quick returns on investment. As demonstrated at this health system, the combination of the Ascom Myco with Unite Context software has the potential to meet all of these requirements in as little as 60 days.

Closing the information gap is essential for hospitals that want to thrive in our rapidly changing healthcare environment. Caregivers not only need accurate, timely patient information, but the solution that supports them must deliver the right information to the right person at the right time. The Ascom Myco smart device with Unite Context closes the loop on the clinical information gap and the front-end workflow, making it an innovative advancement in the acute-care setting.

Caregiver perspectives on communication



Caregiver satisfaction



Innovative products, together with socially and environmentally conscious behavior, for the benefit of all our stakeholders

Ascom focuses on sustainable growth and value creation based on innovation and quality management in its business activities. From the responsible sourcing of raw materials to energy-efficient offices, from rigorous compliance standards to lower travel activities, Ascom constantly fosters sustainable behavior.

Underpinning all our activities is the continuous improvement of our products and their impact on the environment throughout their life cycle. We place great emphasis on economical usage of (raw) materials and energy, increased awareness of environmental aspects among all employees, and the involvement of our suppliers in implementing consistent environmental requirements.

Ascom has been a signatory of the United Nations Global Compact (UNGC) since 2010 and is committed to respecting the ten principles of human rights, labor rights, the environment and anti-corruption. The Ascom Code of Ethical Business Conduct and several Corporate Directives form the basis of our corporate culture. The Code of Ethical Business Conduct contains binding principles regarding anti-corruption, labor, human rights and the environment. It applies to every Ascom employee.

In addition, Ascom established new corporate values under the name of the Ascom Way in 2017, which encompasses six principles: Customer Focus, Accountability&Commitment, Growth, Innovation, Leadership, and We are Ascom. A strong culture of ethics and compliance is the foundation of a robust risk management program. Ascom has implemented a risk scheme across our global processes during 2017, which identifies key issues in a dialogue with internal and external stakeholders.

Energy and material efficiency improved in 2017

The annual review of our environmental impacts shows that the three main elements at Ascom are power consumption of products during use, materials used in its products and solutions, and business travel of employees. They amount to a carbon footprint of 87%. Ascom defines strategic actions on products/solutions and services by adopting a customer perspective on the most relevant issues. Therefore, our activities are focused on product development, life cycle support and service activities.

On the product side, the new version of the smart device Ascom Myco (Ascom Myco 2) has lowered power consumption by around 57% during use compared to the previous version. In addition, the new Telecare IP repeater shows a power reduction which is three times lower compared to the previous version.

Reduce fleet emissions

Since business travel in the service organization is our third largest generator of carbon emissions, reducing emissions and continuing to decrease onsite maintenance is highly strategic for the service organization. In 2017, we continued the focused efforts to decrease onsite maintenance and increase remote service. Surveillance enables us to take preventive actions and plan our on-site visits more efficiently, thereby saving both time and unnecessary travel. We implemented several measures in 2017:

- In the Netherlands, we improved our service desk: 8,546 hours of a total of 16,197 service hours were worked without travelling.
- In Finland, the target of the car fleet was to lower emissions to an average of 130 g CO_2/km (2016: 140 g CO_2/km). The result achieved in 2017 was 118 g CO_2/km.
- In Denmark, we increased the number of sites that were monitored 24/7 from 60 to approximately 100.

Ascom UK has implemented remote access points via the Service Desk and achieved incident support in 72% of service cases raised (target 2017: handle 50% of service issues via remote access support and resolution). This success in remote access and customer support, as well as improving response and fix times, has reduced the number of kilometers travelled by field-based staff by an average of 10% (travel distance avoided of 4,968 km).

Monitoring of first-tier contract manufacturers, which represent approximately 90% of our purchase value, occurs quarterly with regard to environmental issues. The reports include CO_2 emissions, energy consumption, water and waste. In 2017, almost all of our first-tier contract manufacturers were ISO 14001 certified, whereas the figure in 2016 amounted to only slightly more than half.

Strong culture of compliance

Ascom has a strong compliance culture throughout the entire organization. Every Ascom employee is responsible for fully complying with the company's compliance principles. Medical Compliance Culture Training continued according to plan for both current and new employees, with training sessions conducted for 130 people during 2017.

Since 2013, Ascom has had an active and anonymous whistleblowing procedure in place for anti-competitive practices, corruption and bribery issues, including a compliance hotline for inquiries related to compliance matters and a whistleblower channel. These channels are important components of our corporate compliance and are accessible to all employees. No incidents were reported through our whistleblower channel during 2017.

The new EU Medical Device Regulation (MDR) has been published and entered into force on 26 May 2017 with a three-year transition period. Our preparations for this are ongoing, and we have been extremely busy establishing gap analysis and action plans. Implementation of the General Data Protection Regulation, which represents a significant change in data privacy regulation, also has high priority. Ascom appointed a Data Protection Officer to ensure rigorous compliance.

Wide diversity of employees

Ascom is strongly committed to a diverse workforce. Any discrimination of employees based on their sex, race, physical impairments, origins, sexual preferences, political opinion, religion or any other characteristics protected by local law is prohibited. All these principles of non-discrimination are laid down in the Ascom Code of Ethical Business Conduct.

We are convinced that diversity strengthens our innovative capacity and contributes directly to our business success. Equality and diversity plans are in place where required by law. Ascom has signed collective agreements on working conditions where applicable, including agreements on remuneration and company-specific pension plans for employees.

The Performance Appraisal is one of the core elements of talent development. Regular assessments of individual performance are conducted on a yearly basis. We aim to create a continuous dialog between employee and manager about expectations regarding individual contributions and behavior, as well as feedback on actual impact and how the Ascom Way behavior is demonstrated. Current competence and competence improvement are evaluated every year.

Ascom is committed to ensuring that the working conditions in its companies throughout the world are safe and do not harm the health of employees. During 2017, Ascom had one minor occupational accident.

Gold recognition level from EcoVadis

In May 2017, for the second time running, Ascom was awarded a Gold rating by EcoVadis, a rating company in Corporate Social Responsibility (CSR). Valid for one year,

"In 2017, we established our corporate values encompassing six principles: Customer Focus, Accountability & Commitment, Growth, Innovation, Leadership and We are Ascom."
Holger Cordes, CEO Ascom

the Gold rating is the highest recognition for Supplier Sustainability across global supply chains and is awarded to the top 3% of suppliers assessed by EcoVadis in all categories. The EcoVadis CSR analysis system assesses 21 criteria across four categories: Environment, Fair Labor, Ethics/Fair Business, and Supply Chain.

Receiving the highest recognition from EcoVadis proves that sustainability policy and practice are firmly established priorities for Ascom. Ascom continuously improves its sustainability efforts, implementing additional measures like online training on business ethics and structured mechanisms to quickly address any policy violations. The company also received endorsement for work involving ISO 14001 certification and being a Global Compact Signatory.

Ascom has developed a "Conflict Minerals Policy" and integrated it into procurement to ensure that a global process is in place within the supply chain.

Our approach is informed by the risk-based requirements of the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas". Responsibility for adherence and related activities lies with the Supply Chain Management organization. In order to establish transparency on the use, sources and origins of conflict minerals in our supply chain, we work to identify the smelters involved. This year, we added smelter data on 500 components. In 2017, the number of non-responding suppliers was unchanged at 4%.

For more information visit www.ascom.com/corp/corporate-governance/sustainability.html

Corporate Governance

1. CORPORATE STRUCTURE AND SHAREHOLDERS

Ascom is fully committed to good Corporate Governance. The information published in the Corporate Governance report follows the SIX Swiss Exchange directives on standards relating to Corporate Governance. All information within this Corporate Governance report refers to rules and regulations that were in effect as of 31 December 2017.

Operating corporate structure (January 2018)

The Group is organized by functions as Ascom has become a one-business company and has no divisions anymore.

Listed corporation: Ascom Holding AG

Ascom Holding AG (Ascom Holding SA, Ascom Holding Ltd.) is a publicly listed company headquartered in Baar, 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.

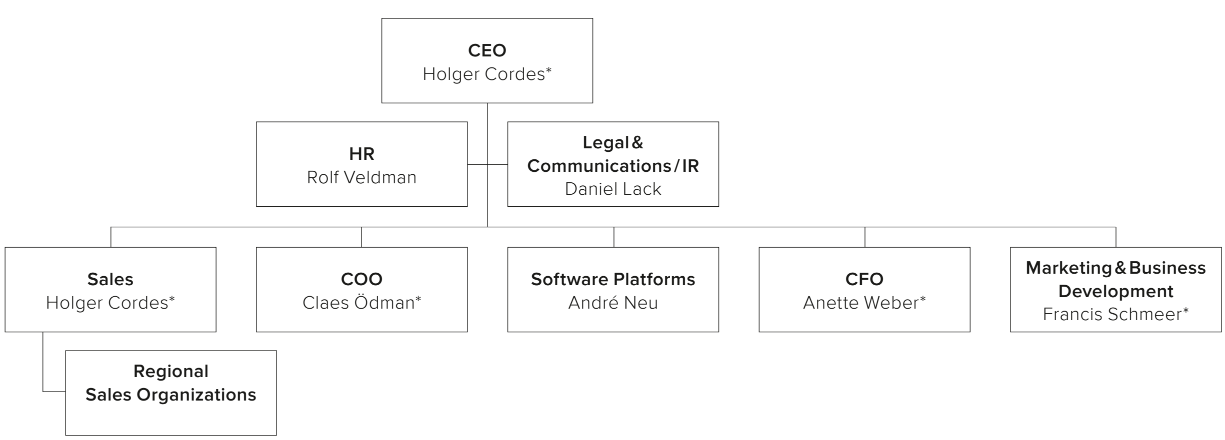
The Company's registered shares are traded on the SIX Swiss Exchange Swiss Reporting Standard under ISIN CH0011339204, symbol ascn. Ticker symbols:

- Bloomberg; ASCN.SW
- Reuters: ASCN.S

Market capitalization as of 31 December 2017 was CHF 907.2 million.

Unlisted Group companies

The following companies belong to the Ascom Holding AG scope of consolidation (see table on page 16).



* Also member of the Executive Board.

The Ascom Top Management

LTR: Francis Schmeer, Daniel Lack, Anette Weber, Holger Cordes, Claes Ödman, Rolf Veldman, André Neu.

Unlisted Group Companies: Ascom Holding AG (as of 31 December 2017)

Country	Company	Registered Office		Share Capital	Parent Company	Group's Interest
Australia	GTM Resources Pty. Ltd.	Chippendale	AUD	3	Ascom Holding AG	100%
	Ascom Integrated Wireless Pty. Ltd.	Alexandria NSW	AUD	3,000,000	GTM Resources Pty. Ltd.	100%
Belgium	Ascom (Belgium) NV	Brussels	EUR	1,424,181	Ascom Holding AG	100%
Denmark	Ascom Danmark A/S	Glostrup	DKK	1,200,000	Ascom Holding AG	100%
Finland	Ascom Miratel Oy	Turku	EUR	33,638	Ascom Holding AG	100%
France	Ascom (France) SA	Nanterre	EUR	2,000,000	Ascom Holding AG	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 Ascom Solutions Ltd.	94% 6%
	Ascom Unternehmensholding GmbH	Frankfurt a. M.	EUR	5,113,000	Ascom Holding AG	100%
Italy	Ascom UMS S.r.l.	Scandicci	EUR	100,000	Ascom Solutions Ltd.	100%
Malaysia	Ascom (Malaysia) Sdn Bhd	Petaling Jaya	MYR	1,000,000	Ascom Holding AG	100%
Netherlands	Ascom (Nederland) BV	Utrecht	EUR	1,361,000	Ascom Solutions Ltd.	100%
Norway	Ascom (Norway) A/S	Oslo	NOK	1,250,000	Ascom Solutions Ltd.	100%
Singapore	Ascom Solutions (Singapore) Pte Ltd	Singapore	SGD	50,000	Ascom Solutions Ltd.	100%
Sweden	Ascom (Sweden) AB	Gothenburg	SEK	96,154,000	Ascom Holding AG	100%
Switzerland	Mocsa AG in Liquidation	Berne	CHF	100,000	Ascom Holding AG	100%
	Ascom Solutions Ltd.	Mägenwil	CHF	10,000,000	Ascom Holding AG	100%
United Kingdom	Ascom (UK) Ltd.	Birmingham	GBP	50,000	Ascom Solutions Ltd.	100%
USA	Ascom (US) Inc.	Morrisville NC	USD	1	Ascom Solutions Ltd.	100%

Shareholders

Registered shareholders

As of 31 December 2017, there were 4,247 shareholders registered in the share register of Ascom Holding AG.

Share ownership as of 31 December 2017

Number of shares	Number of shareholders
1 to 100	835
101 to 1,000	2,247
1,001 to 5,000	906
5,001 to 10,000	119
More than 10,000	140
Total	**4,247**

Significant shareholders

The following significant shareholders exceeding a threshold of 3% of voting rights were recorded in the share register as of 31 December 2017:

- Veraison SICAV, Zurich: 7.62%
- UBS Fund Management (Switzerland) AG, Basel: 5.41%

This does not cover shares, which are not registered in the share register (dispo shares). Dispo shares amounted to 39.12% as of 31 December 2017.

In accordance with the disclosure announcements made according to Article 120 of the Financial Market Infrastructure Act (FMIA), the following parties with voting rights exceeding a threshold of 3% are regarded as significant shareholders in Ascom as of 31 December 2017:

- UBS Fund Management (Switzerland) AG, Basel: Ascom securities representing 5.13% of the voting rights (announcement dated 24 January 2017)
- Schroders plc, London, UK: Ascom securities representing 4.962% of the voting rights (announcement dated 24 May 2017)
- Veraison SICAV, Zurich: Ascom securities representing 5.0176% of the voting rights (announcement dated 4 March 2016)
- Credit Suisse Funds AG, Zurich: Ascom securities representing 3.30% of the voting rights (announcement dated 13 September 2016)
- BlackRock Inc., New York, USA: Ascom securities representing 2.69% of the voting rights and sale positions of 0.96% (announcement dated 24 September 2016)
- Cologny Advisors LLP, London, UK: Ascom securities representing 3.07% of the voting rights (announcement dated 24 August 2017)
- Norges Bank, Oslo, Norway: Ascom securities representing 3.11% of the voting rights (announcement dated 13 May 2017)

- Patrik Schmitz-Morkramer/Patrick Bierbaum (PSquared Master SICAV), Zurich: Ascom securities representing 3.04% of the voting rights (announcement dated 10 November 2017)

Subsequent events:
The following changes in the shareholder base were notified after 1 January 2018:
- The Capital Group Companies Inc., Los Angeles CA (USA): Ascom securities representing 5.132% of the voting rights (announcement dated 19 January 2018)
- Kempen Capital Management N.V., Amsterdam (Netherlands): Ascom securities representing 3.05% of the voting rights (announcement dated 17 January 2018)

Further details regarding these shareholders as well as additional information regarding the individual disclosure notices in 2017 are available on the disclosure platform of the SIX Swiss Exchange at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=ASCOM.

The free float of the shares of Ascom Holding AG is 100% since 1 November 2013.

As of the balance sheet date, the Company held 44,547 treasury shares, representing 0.12% of voting rights. The Company only held own shares to back the ongoing long-term incentive plans (share matching plans).

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 the Annual General Meeting held on 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. The share capital is fully paid up.

Share structure

	Number	31.12.17 (CHFm)	Number	31.12.16 (CHFm)
Registered shares par value CHF 0.50	36,000,000	18.0	36,000,000	18.0
Registered shareholders	4,247		4,630	

Bonus certificates
Ascom Holding AG has not issued any bonus certificates.

Authorized share capital/conditional share capital
The Company has no authorized or conditional share capital.

Changes in equity
The equity of Ascom Holding AG has changed as follows:

CHF 1,000	2017	2016	2015	2014 [1]
Share capital	18,000	18,000	18,000	18,000
Legal reserves	6,523	6,523	6,523	6,523
Retained earnings	374,802	395,203	469,538	432,053
Treasury shares	(475)	(1,046)	(2,345)	(9,206)
Total	**398,850**	**418,680**	**491,716**	**447,370**

[1] The figures have been adjusted to the new Swiss accounting legislation of the Swiss Code of Obligations.

Limitations on transferability and nominee registrations
- In principle, the Articles of Association of Ascom Holding AG contain no limitations on transferability and no statutory privileges (www.ascom.com/content/dam/ascom/ws/ready-for-use/global/corporate/documents/corporate-governance/ascom-articles-association-en.pdf).
- The share registration guidelines are published on the Company's website (www.ascom.com/content/dam/ascom/ws/ready-for-use/global/corporate/documents/corporate-governance/ascom-share-registration-guidelines-2017-en.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 2017.

Options/convertible bonds

Options/share matching plans

All Ascom option plans are expired. Ascom share matching plans are listed in the Remuneration Report on pages 42 to 44.

Convertible bonds

Ascom Holding AG 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, including exercise of options, acquisitions and sales of Ascom shares. To ensure compliance with these provisions, the Board of Directors has issued an Annex to the Organization Regulations. Details can be found on the disclosure platform of the SIX Swiss Exchange at www.six-exchange-regulation.com/en/home/publications/management-transactions.html?companyId=ASCOM.

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 Association of Ascom Holding AG 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 and the Remuneration 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 Association
- Passing resolutions on participations of major/strategic significance
- Determining the compensation for members of the Board of Directors and the Executive Board subject to the approval of the Annual General Meeting

Election and composition of the Board of Directors of Ascom Holding AG

The Articles of Association define the election of the Board of Directors of Ascom Holding AG as follows:

- The Board of Directors consists of at least three and not more than seven members.
- The General Meeting elects the members and the Chairman of the Board of Directors individually.
- The terms of office of the members of the Board of Directors as well as the term of office of the Chairman of the Board of Directors shall end no later than at the closing of the ordinary General Meeting following their election. Re-election is permitted.
- The majority of the members of the Board of Directors shall be independent members.
- In the event that the position of the Chairman is vacant, the Board of Directors appoints a new Chairman for the remaining term of office.
- Members of the Board of Directors retire from the Board of Directors at the Annual General Meeting of the respective year when they complete their 70th year of age.

Ascom's Articles of Association are available on the Company website: www.ascom.com/content/dam/ascom/ws/ready-for-use/global/corporate/documents/corporate-governance/ascom-articles-association-en.pdf.

At the Annual General Meeting of Ascom Holding AG held on 19 April 2017, the shareholders elected the following members of the Board of Directors individually and for a term of one year until the Annual General Meeting 2018:

	Member since	Elected until AGM
Andreas Umbach, Chairman	2010 (Chairman since 2017)	2018
Dr Valentin Chapero Rueda	2016	2018
Dr Harald Deutsch	2014	2018
Jürg Fedier	2017	2018
Christina Stercken	2014	2018

The Board of Directors aims for a balanced professional expertise and diversity of its members when proposing them for election to the Annual General Meeting. The selection process is regardless of origin, nationality, culture, religion, or gender.

The shareholders elected Andreas Umbach as Chairman of the Board of Directors as successor of Juhani Anttila. Moreover, the Annual General Meeting elected Dr Harald Deutsch and Dr Valentin Chapero Rueda as members of the Compensation Committee, all for a term of one year.

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 AG 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

Juhani Anttila (former Chairman of the Board of Directors), Dr J.T. Bergqvist and Urs Leinhäuser decided not to stand for re-election and stepped down from the Board of Directors at the Annual General Meeting 2017.

Jürg Fedier was elected as new member to the Board of Directors at the Annual General Meeting 2017.

Andreas Umbach was elected as new Chairman of the Board of Directors at the Annual General Meeting 2017.

Internal organization

- Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee, the Board of Directors is self-constituting and designates its other committees and the Secretary. The latter needs not be a member of the Board of Directors.
- 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 Association 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 of Directors, subject to the unanimous consent of the Board of Directors. There were no such consulting mandates as of the balance sheet date.

Mandates outside the Ascom Group of members of the Board of Directors

	Mandates outside the Ascom Group (profit-oriented)	Mandates outside the Ascom Group (non-profit-oriented)
Andreas Umbach (Chairman)	Landis+Gyr Group AG, Zug (Chairman) [1] WWZ AG, Zug [1]	Wirtschaftskammer, Zug (President)
Dr Valentin Chapero Rueda	Calida Holding AG, Sursee [1] Goldbach Group AG, Küsnacht ZH [1] Quo AG, Opfikon ZH Valamero Holding AG, Willen b. Wollerau (including 2 mandates in affiliated Group companies)	None
Dr Harald Deutsch	None	None
Jürg Fedier	Dätwyler AG, Altdorf [1] 3 mandates in affiliated Group companies of OC Oerlikon AG, Pfäffikon SZ	None
Christina Stercken	Ansell Ltd., Melbourne (AUS) [1] Landis+Gyr Group AG, Zug [1]	Myanmar Foundation, Munich (Vice Chairperson)

[1] Publicly listed companies.

Andreas Umbach and Christina Stercken are also both Members of the Board of Directors of Landis+Gyr Group AG, Zug. Landis+Gyr Group AG and Ascom Holding AG participate in different industries.

Article 20d of the Articles of Association defines the mandates outside the Ascom Group:

- Members of the Board of Directors may occupy or exercise four additional positions against compensation in the highest managing or supervising body of other entities that are obliged to be entered into the commercial register or a comparable foreign register that are neither controlled by nor that control the Company.

Members of the Board of Directors

Andreas Umbach (Chairman)

Nationality: Switzerland/Germany | Born 1963 | Place of residence: Zug, Switzerland | Member since 2010 | Chairman since 2017 | Elected until AGM in 2018

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, Germany; **1999–2002** General Manager, subsequently division President of Metering, Power Transmission and Distribution Group, Siemens Metering AG, Zug; **2002–2017** President & CEO, Landis+Gyr Group, Zug, **Since 2017** Chairman of the Board of Directors of Ascom Holding AG and Chairman of Landis+Gyr Group AG, Zug

Dr Valentin Chapero

Nationality: Spain/Switzerland | Born 1956 | Place of residence: Wilen bei Wollerau, Switzerland | Member since 2016 | Elected until AGM in 2018

1986/1988 Master and PhD (Dr rer.nat.) in Physics, University of Heidelberg, Germany; **1988–1992** Director of Systems Integration for Mainframe Unix Systems, Siemens Nixdorf Informations Systems AG, Paderborn, Germany; **1992–1994** Vice President Professional Services, Siemens Nixdorf Spain, Madrid; **1994–1996** Vice President Network Systems, Siemens AG Spain, Madrid; **1996–1999** CEO Siemens Audiologische Technik GmbH, Erlangen, Germany; **2000–2002** President Mobile Network, Siemens AG, Munich; **2002–2011** CEO Sonova Holding AG, Stäfa; **Since 2011** Business Angel & Investor Valamero Holding AG, Wilen b. Wollerau; **Since 2015** Co-founder and Partner Veraison Capital AG, Zurich

Dr Harald Deutsch

Nationality: Germany | Born 1962 | Place of residence: Schwalbach am Taunus, Germany | Member since 2014 | Elected until AGM in 2018

1987 Graduation as physician. Medical exam, University of Cologne; **1988** Approbation, and member of German Medical Association; **1988** Graduation as Master of Science (MSc) in Physics, University of Cologne; **1989** Promotion to Medical Doctor (MD), University of Cologne; **1988–1989** Bundeswehr (Germany Armed Forces): Military Surgeon; **1990–1998** Behringwerke AG, Marburg, Germany: Software Director; **1998–2003** Booz Allen & Hamilton, Frankfurt/M.: Principal and Member of the German Board; **2003–2008** Accenture, Kronberg, Germany: Executive Partner and Managing Director; **2008–2012** CSC Computer Sciences Corporation, Aldershot, UK, and Wiesbaden, Germany: Vice President healthcare EMEA; **2012–2015** BearingPoint GmbH, Frankfurt/M. and Amsterdam: Partner and Industry Lead healthcare; **Since 2015** Independent Consultant

Jürg Fedier

Nationality: Switzerland | Born 1955 | Place of residence: Richterswil, Switzerland | Member since 2017 | Elected until AGM in 2018

1978 Commercial Diploma Business Administration, Dr Raebers Höhere Handelsschule, Zürich; **1978–2000** Various management positions at Dow Chemical in the USA, Europe and Asia; **1990–2002** Various executive management programs at IMD Lausanne and University of Michigan, Ann Arbor MI (USA); **2000–2003** Global Business Finance Director, Dow Chemical Thermosets, Midland MI (USA); **2004–2006** Vice President Finance, Dow Chemical Performance Chemicals and Thermosets, Midland MI (USA); **2006–2007** CFO and Member of the European Executive Team, Dow Europe; **2007–2008** CFO and Member of the Executive Team; CIBA Specialty Chemicals, Basel; **Since 2009** CFO OC Oerlikon, Pfäffikon SZ (Switzerland)

Christina Stercken

Nationality: Germany | Born 1958 | Place of residence: Munich, Germany | Member since 2014 | Elected until AGM in 2018

1982 Master in Economics, University of Bonn; **1983–1984** BMW Pty Ltd., Isando, South Africa: Marketing Consultant; **1985–1987** Siemens AG, Munich: Consultant Strategic Planning and Marketing for Communication and Information Technology Group; **1988–1989** Siemens AG, Munich: Consultant Management Tools and Training, Corporate Development & Strategy; **1989–1994** Siemens AG, Munich: Senior Consultant Corporate Projects (Inhouse Consulting) Corporate Development & Strategy; **1994–1995** Siemens AG, Munich: Head of Regional Strategy, Corporate Development & Strategy; **1995–1997** Siemens Ltd. China, Beijing: Head of Task Force China; **1998–2000** Siemens Business Services GmbH & OHG, Munich: Head of Business Unit Public Sector; **2000–2006** Siemens AG, Munich: Managing Director Corporate Finance, Mergers & Acquisitions; **2006–2017** EAC–Euro Asia Consulting PartG, Munich, Shanghai, Mumbai, and Moscow: Partner; **Since 2018** Non-Executive Director

Board attendance in 2017

	24.1.	22.2.	19.4. (I)	19.4. (II)	12.5.	23.5.	2.6.	24.7.	21.8.	21./22.9.	9./10.11.	18.12.
Andreas Umbach	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr Valentin Chapero Rueda	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr Harald Deutsch	✓	✓	✓	✓	✓	✓	o	✓	✓	✓	✓	✓
Jürg Fedier [1]	n/a	n/a	n/a	✓	✓	o	✓	✓	✓	✓	✓	✓
Christina Stercken	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Juhani Anttila [2]	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dr J.T. Bergqvist [3]	✓	✓	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Urs Leinhäuser [4]	✓	✓	o	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1 Jürg Fedier has been a member of the Board of Directors since 19 April 2017.
2 Juhani Anttila was a member of the Board of Directors until 19 April 2017.
3 Dr J.T. Bergqvist was a member of the Board of Directors until 19 April 2017.
4 Urs Leinhäuser was a member of the Board of Directors until 19 April 2017.

- In addition, members of the Board of Directors may occupy or exercise five uncompensated positions in the highest managing or supervising body of such entities, whereby expense recovery is no compensation.
- The Chairman of the Board of Directors may exercise a total of up to three positions in other publicly traded companies.
- In addition to these mandates, members of the Board of Directors may occupy or exercise not more than five positions in several different companies that form the same group of companies or positions that are held based on the Instructions of the Company.

None of the 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.

Mode of operation of the Board of Directors

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

12 meetings (including both physical meetings and conference calls) were held in 2017. Board attendance was 95.5%. The ordinary meetings of the Board of Directors last one full day and strategy meetings last two days.

Self-evaluation of the Board of Directors

Since 2005, the Board of Directors has carried out a self-evaluation at year-end on the basis of a standardized process using a comprehensive questionnaire. The results are discussed in the first quarter in the next 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 has set up a structure with two permanent committees whose primary role is to prepare materials as a basis for decisions by the Board of Directors in specialized areas. The two permanent committees are the Audit Committee and the Compensation Committee. 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.

The nomination of candidates for election to the Board of Directors and the selection of candidates for appointment to the Executive Board and as Head of Corporate Functions are done by the entire Board.

Audit Committee
Members: Jürg Fedier (Chairperson) and Christina Stercken

The Board of Directors elects the members and the chairperson of the Audit Committee for a term of office of one year until the closing of the ordinary General Meeting following the election.

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 Chairperson may convene meetings as often as business requires. Six Audit Committee meetings were held in 2017, generally lasting several hours, whereof the external auditors attended five. Committee attendance was 100%. The Chairman of the Board of Directors as well as the CFO attended all meetings. The CEO was present in five meetings of the Audit Committee. The Secretary of the Board of Directors prepares the meetings and records the minutes. The full Board of Directors is kept informed of the Audit

Committee's activities following each meeting, and receives a copy of the minutes.

The Audit Committee's main activities are:
- Internal control
- Financial reporting
- Finance management
- Risk management
- Tax management
- External auditing
- Compliance
- Litigation matters

Compensation Committee
Members: Dr Valentin Chapero Rueda (Chairperson) and Dr Harald Deutsch
According to the Articles of Association, the General Meeting elects the members of the Compensation Committee individually for a term of office of one year until the closing of the ordinary General Meeting following the election. The Compensation Committee consists of at least two and not more than three members of the Board of Directors. The Chairperson of the Compensation Committee has to be independent. He is elected by the Board of Directors. In the event that the Compensation Committee has fewer members than the number of members elected by the last General Meeting and is therefore not fully staffed, the Board of Directors elects the missing members for the remaining term.

The Compensation Committee is composed of two non-executive members of the Board of Directors and is convened by the Chairperson as often as business requires. Seven meetings were held in 2017. Committee attendance was 100%. The Chairman of the Board of Directors attended four meetings in 2017. The CEO attended the meetings 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 Committee's activities following each meeting, and receives a copy of the minutes.

A major task of the Compensation Committee is to prepare the resolution of the Board of Directors concerning the compensation of the members of the Board of Directors and the members of the Executive Board to be approved by the Annual General Meeting. To fulfill its duties, the Compensation Committee may consult other persons and external consultants for support.

Other main fields of work of the Compensation Committee shall consist of making recommendations to the Board of Directors in relation to:
- Ascom Group remuneration policies
- Fixing compensation models for the Board of Directors and the Top Management
- Implementation and monitoring of long-term incentive plans

Areas of responsibility
The Board of Directors has delegated the operational management of the Company and the entire Ascom Group to the CEO unless otherwise required by the law, the Articles of Association or the Organization Regulations. The CEO, together with the Executive Board, is responsible for the overall management of the Ascom Group.

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 Top Management
- Defining compensation models for members of the Board of Directors and the Executive Board (subject to the approval of the Annual General Meeting), and the Top Management
- 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 incentive 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 based on the regulation and accounting standards and consolidated for the various group companies 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.

Full financial consolidation (including cash flow statement) in compliance with the regulation and accounting standards is performed on a quarterly basis.

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 is submitted to the Board of Directors on a semi-annual basis. The meetings of the Board of Directors and the Audit Committee are attended by the CEO and CFO as well as, whenever necessary, by other members of Management.

Internal audit

The Group does not have an in-house internal audit function. The Board of Directors empowered the Audit Committee to mandate an external audit firm to carry out special focus audits, as needed. Accordingly, such internal audits are conducted from time to time as mandated by the Audit Committee. During 2017, no special focus audits have been commissioned. Internal audit fees are based on the scope of services rendered. Fees incurred in 2017 were nil (2016: nil).

Risk management

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

Further information on risk management can be found in note 27 to the financial statements of the Ascom Group on page 73 of this Annual Report.

Internal Control System (ICS)

A Board directive of 21 August 2017 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.

4. EXECUTIVE BOARD

The Executive Board of the Ascom Group

The Board of Directors has delegated the operational management of the Company and the entire Ascom Group to the CEO unless otherwise required by the law, the Articles of Association or the Organization Regulations. As members of the Executive Board are considered the CEO and each further person who is explicitly appointed as such by the Board of Directors. As a rule, members of the Board of Directors shall not be on the Executive Board.

Composition of the Ascom Executive Board

The Ascom Group Executive Board comprised the following members as of 1 January 2018:

		Executive Board member since
Holger Cordes	CEO	01.06.2016
Anette Weber	CFO	01.08.2017
Claes Ödman	COO (former General Manager Wireless Solutions)	14.06.2011 (COO since 01.10.2016)
Francis Schmeer	EVP Marketing & Business Development (former EVP Strategy & Business Development)	01.09.2014 (EVP Marketing & Business Dev. since 01.10.2016)

Changes in the Executive Board

Anette Weber replaced Bianka Wilson as CFO of the Ascom Group as of 1 August 2017.

Mandates outside the Ascom Group of members of the Executive Board

Article 20d of the Articles of Association defines the mandates outside the Ascom Group:

- Members of the Executive Board may occupy or exercise – subject to the approval of the Board of Directors – one additional position against compensation in the highest managing or supervising body of other entities that are obliged to be entered into the commercial register or a comparable foreign register and that are neither controlled by nor that control the Company.
- In addition, members of the Executive Board may occupy or exercise three uncompensated positions in the highest managing or supervising body of such entities, whereby expense recovery is no compensation.
- In addition to these mandates, members of the Executive Board may occupy or exercise not more than five positions in several different companies that form the same group of companies or positions that are held based on the instructions of the Company.

Members of the Executive Board

Holger Cordes
Chief Executive Officer

Nationality: Germany | Born 1969

1995 Master of Economics from Université de Poitiers (France); **1997** Diplom – Volkswirt (Diploma of Economics) from University of Marburg (Germany); **1997–2000** Project Leader SAP/Senior FP&A Analyst Paulaner Brauerei KG, Munich; **2000–2002** Manager Controlling and Process Organization, European Telecommunications Holding AG, Frankfurt/M.; **2002–2006** Regional Controller Mainland Europe/Director International Financial Planning and Analysis, Aspect Software, London; **2007–2010** Finance Director EMEA, Cerner Group, London; **2010–2014** General Manager Central Europe, Cerner Group, Frankfurt/M.; **2014–2016** COO Europe and Latin America, Cerner Group, Frankfurt/M.; **Since 1 June 2016** CEO and member of the Executive Board of the Ascom Group

Anette Weber
Chief Financial Officer

Nationality: Germany | Born 1971

1997 Lic.oec. HSG in Business Administration from University of St.Gallen; **1997–1999** International Controller Novartis Animal Health Inc., Basel; **1999–2005** Head of Finance and IT/then Country Head Japan Novartis Animal Health K.K., Tokyo; **2005** CFO (kfm. Geschäftsführerin) Sandoz Pharma GmbH, Munich; **2006–2009** CFO Lek.d.d. Ljubljana (Slovenia); **2009–2014** CFO Biopharma and Oncology, Sandoz International GmbH, Holzkirchen (Germany); **2014–2016** Global Head Finance Pharma Development, Novartis Pharma, Basel; **2016–2017** Global Lead Development Transformation, Novartis AG, Basel; **Since 1 August 2017** CFO and member of the Executive Board of the Ascom Group

Claes Ödman
COO

Nationality: Sweden | Born 1965

1990 Master of Science in Engineering Physics and Master of Business Administration (Chalmers University Gothenburg); **1990–1994** Area Manager Saab Marine Electronics AB, Gothenburg; **1994–1998** Area Manager Ericsson Radio Systems, Stockholm; **1998–2001** Vice President Ericsson Taiwan Ltd., Taipei (Taiwan); **2001–2005** President& Country Manager Ericsson Telecom PTE Ltd., Singapore; **2005–2011** Vice President Ericsson AB, Stockholm, **2005–2008** Multimedia Solutions; **2008–2009** Head of Sales and Marketing; **2010** Head of Region Project; **2010–2011** Engagement Practices Region Northern Europe and Central Asia); **2011–2016** General Manager Wireless Solutions and member of the Executive Board of the Ascom Group; **Since 1 October 2016** COO and member of the Executive Board of the Ascom Group

Francis Schmeer
EVP Marketing & Business Development

Nationality: USA | Born 1972

1994 Bachelor of Marketing Georgetown University, Washington DC (USA); **1994–1999** Goldman Sachs, Associate New York/London; **2001** Master of Business Administration, London Business School; **2001–2003** Samsung Group, Global Strategist, Seoul; **2003–2005** T-Mobile International, International Marketing Head of SMS and IP Messaging London/Bonn; **2005–2006** Empower Interactive, Chief Marketing Officer, London/Singapore; **2006–2009** Sony Ericsson Mobile Communications, Vice President&Global Head of Strategy and Corporate Development, London/Lund (Sweden); **2010–2013** OC Oerlikon Group Executive Vice President&Head of Group Business Development, Member of Executive Leadership Team, Pfäffikon (Switzerland); **2014–2016** EVP Strategy& Business Development and member of the Executive Board of the Ascom Group; **Since 1 October 2016** EVP Marketing&Business Development and member of the Executive Board of the Ascom Group

	Mandates outside the Ascom Group against compensation	Mandates outside the Ascom Group without compensation
Holger Cordes	None	None
Anette Weber	Xing SE, Hamburg (Germany) [1]	None
Claes Ödman	Sensys Gatso Group AB, Stockholm (Sweden) [1]	None
Francis Schmeer	None	None

[1] Publicly listed company.

Executive Committee

The Executive Committee is an extended panel, which supports the Executive Board. In addition to the members of the Executive Board, it consists of the following further members as of 1 January 2018:

Dr Daniel Lack	Company Secretary/ Senior VP Legal & Communications/IR
André Neu	Senior VP Platform Solutions
Rolf Veldman	VP Human Resources
Tim Whelehan (until 16 January 2018)	Managing Director North America

Dr Judith Bischof, General Counsel, left the Company as of the end of October 2017. Her tasks were assigned to Dr Daniel Lack.

Rolf Veldman, Vice President HR, joined the Executive Committee in July 2017 while Tim Whelehan, Managing Director North America, resigned in January 2018.

Mode of operation of the Executive Board

As a rule, a half- or full-day meeting of the Executive Board is held on a monthly basis. Additional meetings or conference calls are held as and when necessary. 14 meetings were held in 2017.

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 30 to 44 to this Annual Report.

Statutory rules regarding the principles of compensation, participation plans, loans, credits and pension benefits are set in Articles 20b and 20c of the Articles of Association. The rules regarding the approval of the remuneration by the Annual General Meeting are set in Article 20e. The Articles of Association are available under www.ascom.com/content/dam/ascom/ws/ready-for-use/global/corporate/documents/corporate-governance/ascom-articles-association-en.pdf

6. SHAREHOLDERS' PARTICIPATION RIGHTS

Voting rights and protective rights

Shareholders in Swiss public listed 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 Association.

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 at the Annual General Meeting by a third person who is authorized as proxy in writing or by the Independent Representative.
- Sole proprietor companies, partnerships and legal entities may be represented persons with written authorization to act on their behalf.
- The Board of Directors makes the requisite arrangements to determine voting rights and to establish the results of votes and elections.

Independent Representative

According to the Articles of Association, the General Meeting elects an Independent Representative. The term of office of the Independent Representative ends with the closing of the ordinary General Meeting following the election of the Independent Representative. Re-election is admissible. If the Company has no Independent Representative, the Board of Directors designates an Independent Representative for the next General Meeting.

The Independent Representative is obliged to vote the shares for which he or she received proxies in accordance with the instructions given. If he or she has not received any instructions with respect to votes, he or she abstains from voting the respective shares. The general instruction for motions contained and/or not contained in the invitation to vote in line with the motion of the Board of Directors qualifies as a valid instruction for the exercise of the voting right.

The shareholders elected at the Annual General Meeting held on 19 April 2017 Franz Müller, Berne, as Independent Representative for a term of one year until the completion of the Annual General Meeting 2018, and Dr Alexander Kernen, Berne, as his representative. Franz Müller and Dr Alexander Kernen are independent and have no further mandates for the Ascom Group.

All shareholders have the possibility to register on the Sherpany platform and to give online instructions to the Independent Representative (www.ascom.com/Investor-Relations/Financial-information/Annual-General-Meeting.html). Details of the electronic proxies and voting instructions to the Independent Representative are explained in the invitation to the Annual General Meeting.

Resolutions and elections

The General Meeting is capable of passing resolutions regardless of the number of shares represented.

Unless the law or the Articles of Association require otherwise, the General Meeting shall pass resolutions and elections with an absolute majority of the votes validly cast, whereby abstentions, blank votes and invalid votes shall not count as votes cast.

The Board of Directors shall define the voting procedure. Shareholders representing registered shares with a nominal value of CHF 100,000 may request a secret ballot. This threshold corresponds to 0.5% of the votes.

According to Article 704 of the Swiss Code of Obligations, the following resolutions of the General Meeting require at least two thirds of the votes represented and the absolute majority of the nominal value of shares represented to be passed: changing the Company's purpose; creating voting shares; changing limitations on transferability of registered shares; an authorized or conditional capital increase; a capital increase out of equity, against asset contribution or for the purpose of asset takeover and the granting of special benefits; limiting or revoking of subscription rights; relocation of the Company's registered office; dissolution of the Company.

Convocation of the General Meeting

The General Meeting is convened by the Board of Directors or, if needed, by the auditors.

Convocation is effected no later than 30 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 registered shareholders.

Agenda

In accordance with Article 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 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 General Meeting are admitted to the meeting and entitled to vote.

The Board of Directors is empowered to strike entries from the share register with retroactive effect to the registration date if, after consulting the parties involved, it determines that such entries have been made based on false information on the part of the acquirer.

Shareholders who dispose of their shares before the General Meeting are no longer entitled to vote.

Annual General Meeting 2017

18,711,231 votes or about 52% of the share capital were represented at the Annual General Meeting 2017, which was held on 19 April 2017 in Cham, Switzerland. The shareholders voted in favor of all proposals of the Board of Directors by a clear majority.

Most resolutions including the election of the members of the Board and the dividend proposal were approved with majorities of over 93%. The Remuneration Report was approved with a majority of around 68.5% as some shareholders criticized the practice to grant to new members of the Executive Board (joining during the year) a guaranteed variable compensation. The Board of Directors informed the shareholders that this practice was changed in the beginning of 2017.

7. CHANGE OF CONTROL AND DEFENSIVE MEASURES

Obligation to submit a purchase offer

The Articles of Association of Ascom Holding AG contain neither an opting-out nor an opting-up clause (Article 125 Financial Market Infrastructure Act (FMIA)). Any party who acquires one-third ($33\frac{1}{3}$%) of share capital in Ascom Holding AG is obliged under Article 135 FMIA to submit a public purchase offer for the remaining shares.

Change of control clauses

Contracts of employment with members of the Executive Board, other 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 maximal 12 months.

In the event of a takeover and a delisting of the Company, the participants of the Ascom share matching plans shall receive the same number of matching shares as they hold investment shares at the date of the publication of the delisting.

8. AUDITORS

Auditors

The auditors are appointed by the Annual General Meeting for a term of one year. PricewaterhouseCoopers AG, Zurich (formerly STG-Coopers & Lybrand Ltd), have acted as auditors since 1987. According to the Swiss Code of Obligations, the lead auditor has to be rotated at least every seven years. Thomas Wallmer is auditor-in-charge since 2015.

Auditing fee

PricewaterhouseCoopers AG was paid compensation of CHF 451,600 (previous year: CHF 549,700) for services in connection with auditing the annual financial statements of Ascom Holding AG and the Group companies as well as the consolidated statements of the Ascom Group for the year ended 31 December 2017.

Additional fees

PricewaterhouseCoopers AG was paid the following additional fees in 2017:

Tax consulting	CHF 15,100 (previous year: CHF 21,000)
Miscellaneous	CHF 5,000 (previous year: CHF 119,900)
Total	CHF 20,100 (previous year: CHF 140,900)

The level of the non-audit fees of PricewaterhouseCoopers AG amounting to CHF 20,100 corresponds to 4.5% of the total audit fees of CHF 451,600.

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 2017, the external auditors drew up one detailed management report in relation to the Annual Report. The external auditors attended two of the Audit Committee meetings held in 2017.

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 requirements from regulation and accounting standards (Swiss GAAP FER).

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 2017 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 measures 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/IR come under the remit of the Company 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) (www.shab.ch)

Events

- Annual Media Conference and Half-Year Media Conference for media representatives and analysts
- Ad hoc media conferences and analyst calls
- 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.

Online communication

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/news-and-events/financial-news and www.ascom.com/news-and-events/Ascom-business-news.html and www.ascom.com/Investor-Relations/Financial-information/Reports-and-presentations.html. Media releases may also be received by e-mail by subscribing to the News Service on the website.

The Articles of Association of Ascom Holding AG, 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/Investor-Relations/Financial-information/Annual-General-Meeting.html). The minutes of past Annual General Meetings are available at www.ascom.com/content/dam/ascom/ws/ready-for-use/global/corporate/documents/annual-general-meeting/agm-2017/ascom-agm-minutes-2017.pdf.

Implementation of publication requirements under stock exchange regulations

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

Information on management transactions is published at https://www.six-exchange-regulation.com/en/home/publications/management-transactions.html. Detailed information on disclosure announcements can be viewed at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Dates and contacts

A list of important dates in 2018 and Corporate Communications and Investor Relations contacts is provided on page 95 of this Annual Report.

10. CORPORATE GOVERNANCE RATING

Ascom is ranked number one in corporate governance among 168 publicly listed Swiss companies according to the Corporate Governance study 2017 of zRating (www.zrating.ch). The study covered the following topics:

- Shareholder base and capital structure
- Shareholder's participation rights
- Composition of the board and the executive management/information policy
- Remuneration and participation model for the members of the board and the executive management

Remuneration Report

Note
PricewaterhouseCoopers AG as statutory auditors have audited the Remuneration Report according to Clause 17 of the Ordinance against Excessive Compensation ("OaEC"). The audit was limited to the information contained in the sections II/1 lit.a, II/2 (Table "Compensation Executive Board 2017"), II/2 lit.g, II/2 lit.h and II /3 all marked as "audited information".

I. ASCOM REMUNERATION POLICY

1. Corporate Governance as basis of the remuneration policy

Remuneration is a part of Corporate Governance (see also p. 14 to 29 of the Annual Report) and Corporate Governance is a key topic for Ascom. Both the Board of Directors and Management are committed to good Corporate Governance in order to ensure sustainable development of the Company. According to the Articles of Association, it is a major task of the Compensation Committee to prepare the resolution of the Board of Directors concerning the compensation of the members of the Board of Directors and the members of the Executive Board to be approved by the Annual General Meeting.

Basic rules and regulations to be followed are set out in:
- Swiss Code of Obligations
- Ordinance against Excessive Compensation with respect to stock exchange listed companies ("OaEC")
- Listing Rules of SIX Swiss Exchange (LR)
- Articles of Association of Ascom Holding AG (dated 15 April 2015)
- Organizational Regulations of Ascom Holding AG (dated 21 August 2017)
- Share Registration Guidelines (dated 21 August 2017)
- Ascom Code of Ethical Business Conduct (dated 15 February 2012)
- Swiss Code of Best Practice for Corporate Governance

The Articles of Association and the Organizational Regulations of Ascom Holding AG are available on the Company website: www.ascom.com/corp/corporate-governance/directives-and-guidelines.html

2. Remuneration principles for the Board of Directors

a) Legal background
According to Article 20b of the Articles of Association, the compensation of the members of the Board of Directors shall be adequate, competitive and performance-oriented and shall be set in line with the operative and strategic goals, the success of the Company, as well as the long-term interests of the shareholders.

b) Compensation structure
Members of the Board of Directors receive a fee in accordance with the Remuneration Regulations (Annex to the Organization Regulations). The members of the Board of Directors receive a fixed fee without a variable component, and this 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 by the full Board of Directors subject to the approval of the Annual General Meeting. The assessment of the fees is based on external (e.g. benchmark to other international stock-listed technology companies with similar market capitalization) and internal criteria (e.g. workload, request of availability). Committee work, additional meetings or special projects are not compensated with an additional fee and no attendance fees are paid out either.

According to Article 20e of the Articles of Association, expense recovery is no compensation. The Company reimburses the members of the Board of Directors for all necessary expense, also in form of lump sum expense recoveries within the amount accepted by the tax authorities.

c) Board fees

The Board of Directors decided to reduce the Board fees as of the Annual General Meeting 2017:

- Chairman of the Board: Annual gross remuneration of CHF 200,000 (before: CHF 300,000)
- Member of the Board: Annual gross remuneration of CHF 100,000 (before: CHF 120,000)

Taking into account the reduction of the Board of Directors from seven to five members, the overall compensation for the Board members will decrease from CHF 1,020,000 (period 2016/17) to CHF 600,000 (period 2017/18), i.e. by about 42%.

In addition, all Board members are encouraged to build up an investment over time of Ascom shares in the value of an annual Board compensation.

d) Mandates outside the Ascom Group

Article 20d of the Articles of Association defines the mandates outside the Ascom Group:

- Members of the Board of Directors may occupy or exercise four additional positions against compensation in the highest managing or supervising body of other entities that are obliged to be entered into the commercial register or a comparable foreign register and that are neither controlled by nor that control the Company.
- In addition, members of the Board of Directors may occupy or exercise five uncompensated positions in the highest managing or supervising body of such entities, whereby expense recovery is no compensation.
- The Chairman of the Board of Directors may exercise a total of up to three positions in other publicly traded companies.
- In addition to these mandates, members of the Board of Directors may occupy or exercise not more than five positions in several different companies that form the same group of companies or positions that are held based on the instructions of the Company.

The members of the Board of Directors comply with this regulation. The mandates outside the Ascom Group are listed in the Corporate Governance part (p. 19).

3. Remuneration principles for the Executive Board

a) Legal background

According to Article 20b of the Articles of Association, the compensation of the members of the Executive Board shall be adequate, competitive and performance-oriented and shall be set in line with the operative and strategic goals, the success of the Company, as well as the long-term interests of the shareholders.

The Company may pay to the members of the Executive Board in addition to a fixed compensation a performance-related compensation in cash. The amount of such compensation is dependent on the qualitative and quantitative goals and parameters determined by the Board of Directors, in particular the overall result of the Company and the individual contribution of the respective member.

The amount of the performance-related compensation of a member of the Executive Board (excluding any possible allocation of equity securities, conversion rights, option rights or other rights with equity securities as underlying) cannot exceed the fixed compensation of such member.

According to Article 20b Section 3 of the Articles of Association, the Company may also allocate, beside a cash compensation, equity securities, conversion rights, option rights or other rights with equity securities as underlying to the members of the Executive Board as part of their total compensation (“long-term incentive”). In case of an allocation of equity securities, conversion rights, option rights or other rights with equity securities as underlying, the amount of the compensation is equal to the value of the securities or, respectively, the rights allocated, determined as at the time of the allocation (grant) in accordance with the accounting standards applied by the Company for its consolidated accounts. The total value of the long-term incentive for a member of the Executive Board cannot exceed 50% of the fixed compensation.

b) Appointment of members of the Executive Board

As members of the Executive Board are considered the CEO and each further person who is explicitly appointed as such by the Board of Directors.

As of 31 December 2017, the Executive Board consisted of four members: CEO, CFO (change as of 1 August 2017), COO and Executive Vice President Marketing & Business Development. The former CFO left the Company as of 31 July 2017.

c) Determination of the remuneration of the Executive Board members

The remuneration package of the members of the Executive Board consists of three parts:

- **Base salary** (fixed compensation in cash) including social benefits: according to market benchmarks of the peer group (other international stock-listed technology companies with similar market capitalization)
- **Performance-related variable compensation** (in cash): dependent on the quantitative goals and parameters such as net revenue and EBITDA as determined by the Board of Directors. The goals shall be in line with the yearly budgets of the Company. Performance-related variable compensation (excluding any possible allocation of equity securities, conversion rights, option rights or other rights with equity securities as underlying) cannot exceed the fixed compensation.
- **Long-term incentive (share matching plan):** The Board of Directors decided to introduce a share matching plan as a long-term incentive instead of options. The long-term incentive consists of a performance-related and a retention part. During a defined subscription period, the members of the Executive Board as beneficiaries have the opportunity to buy Company shares at market price as investment shares up to a certain number of shares as determined by the Board of Directors. The Company will match the investment shares with additional shares based on the fulfillment of defined employment-based and performance-based criteria. Beneficiaries have to keep the investment shares for a period of three years in order to benefit from the plan. The beneficiaries may get – up to 65% of the number of their investment shares – matching shares in addition, provided that defined mid-term profitability targets are achieved ("performance-related part"). In any case, the beneficiaries receive 35% of the number of their investment shares as matching shares after a three-year vesting period for free ("retention part"), if their employment contract with Ascom has not been terminated at this point of time.
  - As communicated at the Annual General Meeting 2017, the Board of Directors decided to add growth targets to the share matching plans. Beneficiaries may get up to 50% of the number of their investment shares as matching shares in addition, provided that defined mid-term growth targets (CAGR over a certain period) are achieved. This new regulation was introduced with the Share Matching Plan 2017 (for members of the Executive Board to be introduced with the Share Matching Plan 2018).
  - As a maximum, the Company will honor each investment share with 1.5 matching shares. The total value of the long-term incentive for a member of the Executive Board cannot exceed 50% of the fixed compensation. The introduction of the additional growth target does not increase the total costs for the Company as the number of potential investment shares will be adapted accordingly.

According to Article 20e of the Articles of Association, expense recovery is no compensation. The Company reimburses the members of the Executive Board for all necessary expense, also in form of car allowances and other lump sum expense recoveries within the amount accepted by the tax authorities.

d) System of CEO Compensation

Salary part	Target salary CEO
Long-term incentive (share matching plan)	Opportunity to invest investment shares up to a maximum of CHF 325,000
Variable compensation (performance-related)	Minimal variable salary: CHF 0 Target variable salary: CHF 325,000 Maximal variable salary: CHF 650,000
Fixed compensation (base salary)	CHF 650,000

e) Number of external mandates and functions

Article 20d of the Articles of Association define the mandates outside the Ascom Group:

- Members of the Executive Board may occupy or exercise – subject to the approval of the Board of Directors – one additional position against compensation in the highest managing or supervising body of other entities that are obliged to be entered into the commercial register or a comparable foreign register and that are neither controlled by nor that control the Company.
- In addition, members of the Executive Board may occupy or exercise three uncompensated positions in the highest managing or supervising body of such entities, whereby expense recovery is no compensation.
- In addition to these mandates, members of the Executive Board may occupy or exercise not more than five positions in several different companies that form the same group of companies or positions that are held based on the instructions of the Company.

The members of the Executive Board comply with this regulation. The mandates outside the Ascom Group are listed in the Corporate Governance part (p. 26).

f) Employment agreements with members of the Executive Board

According to Article 20c of the Articles of Association, employment agreements with members of the Executive Board that form the basis of the compensation for the respective members are entered into for a fixed term of not more than one year or an indefinite term with a termination period of not more than twelve months as per the end of each calendar month.

All members of the Executive Board comply with this regulation.

g) Pension payments

According to Article 20c of the Articles of Association, the members of the Executive Board receive pension payments from the occupational pension scheme in accordance with the domestic or foreign occupational welfare law or pension regulations applicable to them, including possible supplementary benefits.

Pension payments outside the occupational pension scheme to a member of the Executive Board by the Company, an affiliate of the Company or any third party are admissible to the extent of not more than 25% of the annual total compensation of the person concerned, as far as the respective person is not affiliated to a Swiss or foreign benefit institution.

4. Approval Mechanism

a) Statutory approval mechanism

According to Article 20e of the Articles of Association, the General Meeting votes annually, separately and in a binding manner on the maximum total amounts proposed by the Board of Directors for:

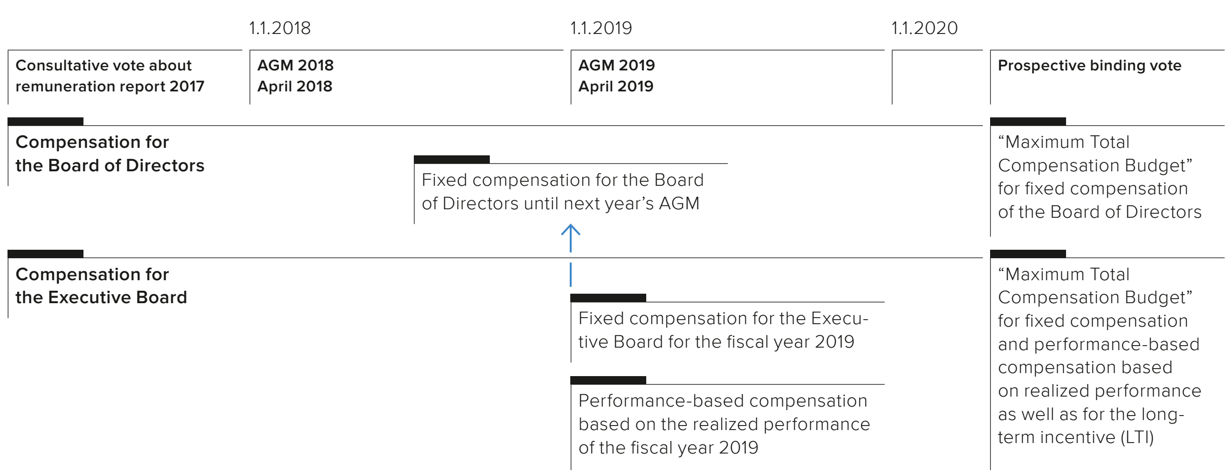
- The compensation of the Board of Directors for the year of office following the ordinary General Meeting until the next ordinary General Meeting
- The fixed compensation of the Executive Board for the next fiscal year (1 January–31 December) following the ordinary General Meeting
- The variable and other compensation of the Executive Board (including the allocation of equity securities, conversion rights, option rights or other rights with equity securities as underlying) for the same approval period

In addition, the Board of Directors submits the remuneration report for the business year prior to the Annual General Meeting for a consultative vote. The Annual General Meeting 2017 approved in a consultative non-binding vote the Remuneration Report 2016 with a majority of 68.5%.

As far as a total amount approved for the compensation of the Executive Board is insufficient to compensate members of the Executive Board appointed or promoted within the Executive Board after the respective resolution of the General Meeting until the beginning of the following Approval Period, the Company may use an additional amount pursuant to Article 19 OaEC in addition to the previously approved total compensation for the Executive Board for the respective Approval Period. Such an additional amount is only available within the following limits: for the CEO an amount which is not more than 20% higher than the compensation of its predecessor and for a member of the Executive Board an amount which is not more than 20% higher than the amount available on average for members of the Executive Board (excluding the CEO) for the Approval Period. The General Meeting does not vote on the used additional amount.

According to Article 20e of the Articles of Association, the Company is entitled to compensate recoverable claims, which a newly appointed member of the Board of Directors or member of the Executive Board would have had towards his or her previous employer or principal, if this member had not changed the company. The recoverability of the claims has to be examined by an independent expert.

Ascom Compensation Approval Mechanism



b) Level of decision authority

Type of compensation	Compensation Committee	Full Board of Directors	Annual General Meeting
Compensation Board of Directors			
Maximum compensation for the Board of Directors for the period until the next Annual General Meeting	Recommendation	Proposal to the Annual General Meeting [1]	Approval
Individual compensation for the members of the Board of Directors in the reporting year	Proposal	Approval [1]	–
Compensation Executive Board			
Maximum compensation for the members of the Executive Board (fixed compensation, variable compensation, long-term incentive) for the fiscal year following the Annual General Meeting	Recommendation	Proposal to the Annual General Meeting	Approval
Individual compensation for the CEO (fixed compensation, variable compensation, long-term incentive) in the reporting year	Review, recommendation	Approval	–
Individual compensation (fixed compensation, variable compensation, long-term incentive) for the members of the Executive Board (without CEO) in the reporting year	Review of the CEO recommendation	Approval	–

[1] In any case of potential conflict of interest the respective member of the Board of Directors shall abstain from voting.

c) Approvals of the Annual General Meeting 2017

The shareholders approved the following maximum amounts for future compensations at the Annual General Meeting 2017:

- Board of Directors: maximal amount of CHF 600,000 (for five members) for the period from the Annual General Meeting 2017 until the Annual General Meeting 2018 (subject to additional employer contributions to governmental social insurances to the extent they constitute or increase pension benefits for the beneficiaries); approved with a majority of 97.3%.
- Executive Board (for four members) for the business year 2018:
  - Maximal amount of CHF 2,100,000 as fixed compensation (including contributions to pension funds and other social benefits and subject to additional employer contributions to governmental social insurances to the extent they constitute or increase pension benefits for the beneficiaries); approved with a majority of 96.9%.
  - Maximal amount of CHF 1,700,000 as variable compensation; approved with a majority of 96.7%.
  - Maximal amount of CHF 850,000 as long-term incentive; approved with a majority of 93.2%.

II. REMUNERATION IN FISCAL YEAR 2017

1. Board of Directors

a) Remuneration in fiscal year 2017 (audited information)
Members of the Board of Directors were paid a gross remuneration totaling CHF 722,500 in fiscal year 2017 (2016: CHF 985,000).

	2017[1] Gross remuneration including employee contributions to the Swiss social insurances	2017 Employer contributions to the Swiss social insurances (AHV/IV/ALV)	2016[1] Gross remuneration including employee contributions to the Swiss social insurances	2016 Employer contributions to the Swiss social insurances (AHV/IV/ALV)
Andreas Umbach (Chairman since 19 April 2017)	176,667	10,827	120,000	7,470
Dr Valentin Chapero Rueda[2]	105,833	6,588	85,000	5,291
Dr Harald Deutsch	105,833		120,000	–
Jürg Fedier[3]	70,833	4,409	–	–
Christina Stercken	105,833	–	120,000	–
Juhani Anttila[4] (Chairman until 19 April 2017)	87,500	5,194	300,000	17,764
Dr J.T. Bergqvist[4]	35,000	2,179	120,000	7,470
Urs Leinhäuser[4]	35,000	2,179	120,000	7,470
Total	722,500	31,376	985,000	45,465

1 Including employee contributions to the Swiss social insurances (AHV/IV/ALV).
2 Since Annual General Meeting 2016.
3 Since Annual General Meeting 2017.
4 Until Annual General Meeting 2017.

The remuneration difference compared to the previous year is due to a reduction of the Board fees as of the Annual General Meeting 2017. The annual gross remuneration was reduced from CHF 120,000 to CHF 100,000 for a regular Board member, while the annual gross remuneration for the Chairman was reduced from CHF 300,000 to CHF 200,000. Moreover, the number of Board members decreased from seven to five as of the Annual General Meeting 2017.

- According to Swiss law, the Company paid Swiss social insurance (AHV/IV/ALV) employer contributions for the members of the Board. These payments do not represent an additional remuneration for the members of the Board as they do neither constitute nor increase Swiss social insurance pension benefits due to the actuarial cap.
- No member of the Board of Directors received any additional remuneration as defined by Art. 663b^{bis} of the Swiss Code of Obligations.
- No remuneration was 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 nor do such loans exist.

According to Article 20e of the Articles of Association, expense recovery is no compensation. The Company reimburses the members of the Board of Directors for all necessary expenses, also in form of lump sum expense recoveries within the amount accepted by the tax authorities. According to the Remuneration Regulations for Members of the Board (Annex 1 to the Organization Regulations), the annual lump sum expense recovery amounts to CHF 20,000 for the Chairman and to CHF 5,000 for a regular Board member.

b) Compliance with the decisions of the Annual General Meeting 2016

According to the Articles of Association, the shareholders approved the following maximum amounts for future compensations at the Annual General Meeting 2016: CHF 1,020,000 for the Board of Directors (seven members) for the period from the Annual General Meeting 2016 until the Annual General Meeting 2017.

The remuneration amounting to CHF 1,020,000 paid to the seven members of the Board of Directors in the period between the Annual General Meeting 2016 and the Annual General Meeting 2017 is in line with the approval of the Annual General Meeting 2016.

2. Executive Board

a) Members of the Executive Board

In 2017, the Executive Board consisted of the following members:

- Holger Cordes, CEO
- Anette Weber, CFO (since 1 August 2017)
- Claes Ödman, COO
- Francis Schmeer, Executive Vice President Marketing & Business Development
- Bianka Wilson, former CFO (until 31 July 2017)

Compensation Executive Board 2017 (audited information)

in CHF	Basic salary	Variable salary component	Miscellaneous	Pension contributions	LTI [5]	Total
CEO	650,000 [1]	29,250 [1]	62,097 [4]	74,199	299,648	1,115,194
CFO (since 1 August 2017)	135,420 [1]	26,135 [1]	4,963 [4]	11,666	93,730	271,914
COO	284,760 [2]	10,251	1,096 [3]	84,572	–	380,679
EVP Marketing & Business Development	320,000 [1]	13,320 [1]	–	33,061	9,013	375,394
Former CFO						
– in charge (until 31.7.2017)	189,583 [1]	37,917 [1]	–	21,757	–	249,257
– period after resignation (1.8.–31.12.2017)	135,417 [1,6]	27,083 [1,6]	–	15,540	–	178,040
Total Executive Board in 2017	**1,715,180**	**143,956**	**68,156**	**240,795**	**402,391**	**2,570,478**

[1] Including the statutory employee contributions paid to the Swiss social insurance.
[2] = SEK 2,520,000.
[3] Contributions to medical benefit plans.
[4] Accommodation allowance.
[5] Weighted average fair value of the matching shares at grant (1 investment share = CHF 18.025) assuming full achievement of all performance-related targets.
[6] Compensation according to employment contract.

Compensation Executive Board 2016 (audited information)

in CHF	Basic salary	Variable salary component	Miscellaneous	Pension contributions	LTI [6]	Total
CEO (since 1.6.2016)	379,169 [1]	189,583 [1]	31,045 [5]	36,608	293,551	929,956
CFO	325,000 [1]	63,180 [1]	–	36,882	72,860	497,922
COO (former GM Wireless Solutions)	290,808 [2]	19,542	1,119 [4]	86,582	–	398,051
EVP Marketing & Business Development	320,000 [1]	62,208 [1]	–	32,653	–	414,861
Former CEO						
– in charge (until 31.5.2016)	270,833 [1]	67,708 [1]	–	37,529	–	376,070
– period after resignation (1.6.–31.12.2016)	379,169 [1]	94,792 [1]	–	52,539	53,715 [7]	580,215
Former GM Network Testing (until 30.9.2016)	277,877 [3]	62,556	15,230 [4]	10,491	–	366,154
Total Executive Board in 2016	**2,242,856**	**559,569**	**47,394**	**293,284**	**420,126**	**3,563,229**

[1] Including the statutory employee contributions paid to the Swiss social insurance.
[2] = SEK 2,520,000.
[3] = USD 280,769.
[4] Contributions to medical benefit plans.
[5] Accommodation allowance.
[6] Weighted average fair value of the matching shares at grant (1 investment share = CHF 16.123) assuming full achievement of all performance-related targets.
[7] Compensation according to employment contract.

According to Swiss law, the Company paid the following Swiss social insurance (AHV/IV/ALV) employer contributions for the members of the Executive Board:

in CHF	Employer contributions to the Swiss social insurances (AHV/IV/ALV)	
	2017	**2016**
CEO (since 1 June 2016)	51,609	23,594
CFO (since 1 August 2017)	8,450	–
COO	–	–
EVP Marketing & Business Development	22,389	22,526
Former CEO	–	
– in charge (until 31.5.2016)		24,839
– period after resignation (1.6.–31.12.2016)		35,533
Former CFO		24,084
– in charge (until 31.7.2017)	13,371	
– period after resignation (1.8.–31.12.2017)	9,550	
Total	105,369	130,576

These Swiss social insurance employer contributions do not represent an additional remuneration for the members of the Executive Board as they do neither constitute nor increase Swiss social insurance pension benefits due to the actuarial cap.

The Company paid for the COO employer contributions of CHF 39,892 (2016: CHF 39,799) to the Swedish social insurances. These contributions do neither constitute nor increase the pension benefits of the employee.

According to Article 20e of the Articles of Association, expense recovery is no compensation. The Company reimburses the members of the Executive Board for all necessary expenses, also in form of car allowances and other lump sum expense recoveries within the amount accepted by the tax authorities.

b) Fixed compensation

The basic salaries (including social benefits) paid to the members of the Executive Board (including the former CFO) in the 2017 financial year totaled CHF 1,715,180. Adjusted for the amount paid to the former CFO after the resignation from the Executive Board as of 31 July 2017, the total amount related to the fixed compensation paid to the active members of the Executive Board in 2017 is CHF 1,579,763.

In 2016, the basic salaries for the members of the Executive Board (including the former CEO and the former General Manager Network Testing) totaled CHF 2,242,856 (adjusted for the amount paid to the former CEO after his resignation: CHF 1,863,687).

c) Performance-related variable compensation

- **Principles**

Targets are defined at the beginning of each year in alignment with the budget targets by the Board of Directors. If all defined targets are achieved in full, the respective member of the Executive Board receives a predetermined percentage of the basic salary as a variable component (performance-related part). If the results fall short, no variable salary component is paid. In cases where the targets set are exceeded, the member of the Executive Board is paid a higher variable salary component (up to a maximum that is in line with the fixed compensation).

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 (performance-related part) up to 100% of the basic salary.

The other members of the Executive Board receive a variable salary component of 40–50% of their basic salary on fully achieving all targets. In cases where the targets set are exceeded, they are paid a variable salary component (performance-related part) up to a maximum of 80% of their basic salaries.

Performance-related variable compensation (excluding any possible allocation of equity securities, conversion rights, option rights or other rights with equity securities as underlying) cannot exceed the fixed compensation of a member of the Executive Board.

- **Performance-related targets 2017**

The Board of Directors set the performance targets for 2017 with the aim to incentivize profitable growth of the Group.

The performance-related variable compensation for the members of the Executive Board in 2017 was linked to the achievement of the following measurable quantitative targets (incl. weighting):

- Net revenue: 55%
- EBITDA: 45%

The three members of the Executive Board acting for the entire year 2017 received a variable compensation according to the achievement of the quantitative targets as described.

The new CFO starting at 1 August 2017 received for 2017 a short-term incentive of CHF 26,135 according to the achievement of a mix of individual and quantitative targets set in August 2017.

The variable salary component for the whole Executive Board amounts to CHF 143,956 in 2017. Adjusted for the amount paid to the former CFO after her resignation from the Executive Board, the total amount related to the variable compensation paid to the active members of the Executive Board in 2017 is CHF 116,873. In 2016, the variable salary component for the members of the Executive Board (including the former CEO and the former General Manager Network Testing) totaled CHF 559,569 (adjusted for the amount paid to the former CEO after his resignation: CHF 464,777).

The variable salary component will be paid in April 2018, following the approval of the 2017 financial statements at the Annual General Meeting.

d) Long-term incentive

The Board of Directors decided to introduce the Ascom share matching plan 2017. The members of the Executive Board may get up to 65% of the number of their investment shares as matching shares, provided that defined mid-term profitability targets are achieved ("performance-related part"). In addition, they get 35% of the number of their investment shares as matching shares after a three-year vesting period for free ("retention part"), if their employment contract with Ascom has not been terminated at that point in time.

The Board of Directors linked the mid-term profitability targets to the EBITDA margin of Ascom achieved in fiscal year 2019. In order to receive additional matching shares, Ascom must achieve at least the pre-defined EBITDA margin target at the lower end in 2019. Every participant will receive the maximum of 65% of additional investment shares in case that the EBITDA margin of Ascom in 2019 reaches the upper level of the pre-defined EBITDA margin target or higher. As a maximum, the Company will honor each investment share with one matching share for the members of the Executive Board.

In 2017, the CEO purchased 16,624 investment shares and the other members of the Executive Board in total purchased 5,700 investment shares. The fair value of a matching share at grant amounts to CHF 18.025 (weighted average fair value). Thus, the fair value of all matching shares allocated to the Executive Board amounts to CHF 402,391 whereof an amount of CHF 299,648 for the matching shares is allocated to the CEO, assuming full achievement of all performance targets.

e) Total compensation of the members of the Executive Board
The total compensation in 2017 for all members of the Executive Board amounted to CHF 2,570,478. Adjusted for the amount paid to the former CFO after her resignation from the Executive Board, the total compensation paid to the active members of the Executive Board in 2017 is CHF 2,431,181.

In 2016, the total compensation for the members of the Executive Board (including the former CEO and the former General Manager Network Testing) totaled CHF 3,563,229 (adjusted for the amount paid to the former CEO after his resignation: CHF 2,983,014).

f) Highest compensation
The highest total remuneration within the Ascom Group was paid to the CEO. The remuneration for the CEO in 2017, consisting of the basic salary and the variable salary component, amounted to CHF 741,347 (including miscellaneous). The employers' pension contributions amounted to CHF 74,199. The value of the Matching Shares allocated to the CEO are valued at a total of CHF 299,648 based on the value at the time they were granted and assuming all performance targets will be achieved.

The total remuneration paid to the CEO in 2017 amounted to CHF 1,115,194 (2016: CHF 956,285 for his predecessor).

g) Additional payments (audited information)
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.

The Company granted no members of the Executive Board or closely related parties any loans nor do such loans exist.

h) Severance payments (audited information)
Contracts of employment with members of the Executive Board provide for no special severance payment. The period of notice for members of the Executive Board is maximal 12 months.

In the event of a takeover and a delisting of the Company, the participants of the Ascom share matching plans shall receive the same number of matching shares as they hold investment shares at the date of the publication of the delisting.

i) Compliance with the decisions of the Annual General Meeting 2016
The shareholders approved the following maximum amounts for future compensations at the Annual General Meeting 2016 for the then five members of the Executive Board for fiscal year 2017:

- CHF 2,500,000 as fixed compensation (including contributions to pension funds and other social benefits)
- CHF 1,900,000 as variable compensation
- CHF 900,000 as long-term incentive

The Annual General Meeting 2016 approved a total amount of CHF 5,300,000 for the compensation of the Executive Board in 2017. In spite of the appointment of a new CFO, no additional amount according to the Articles of Association has to be decided as the total compensation paid to the Executive Board in 2017 of CHF 2,570,478 (including an amount of CHF 178,040 paid to the former CFO after his resignation) is in line with the approved amount of CHF 5,300,000 by the Annual General Meeting 2016.

Reported compensation of the Executive Board during fiscal year 2017 compared to the amount approved by shareholders at the Annual General Meeting 2016

In CHF	Executive Board compensation earned during FY 2017 (5 members)	Maximum amount approved by shareholders at the 2016 AGM (5 members)	Amount within the amount approved by shareholders at the 2016 AGM and compensation ratio
Fixed compensation (including contribution to pension funds and other social benefits)	1,715,180 [1]	2,500,000	Yes 68.6%
Variable compensation (STI)	143,956 [1]	1,900,000	Yes 7.6%
Long-term incentive (LTI)	402,391 [1]	900,000	Yes 44.7%
Total compensation Executive Board [2]	**2,570,478**	**5,300,000**	**Yes** **47.5%**

[1] Including the payments made to the former CFO after her resignation.
[2] Including miscellaneous and pension contributions.

The corresponding reporting of the Executive Board compensation 2018 approved by the Annual General Meeting 2017 as well as the reporting of the compensation ratio will be disclosed in the Remuneration Report 2018.

3. Former members of the Executive Board (audited information)

In 2017, Fritz Mumenthaler (former CEO until 31 May 2016) was paid an amount of CHF 408,129 (including CHF 50,884 for pension contributions) in compliance with commitments set down in his contract of employment.

III. SHARE OWNERSHIP

Number of shares and options held in Ascom Holding AG as of 31 December 2017:

1. Board of Directors

All members of the Board of Directors and closely related parties, in total: 44,750 shares.

	Shares [1]
Andreas Umbach	41,750
Dr Valentin Chapero Rueda	–
Dr Harald Deutsch	2,000
Jürg Fedier	–
Christina Sterckin	1,000
Total Board of Directors	**44,750**

[1] Acquired by the Board members from the market.

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

2. Executive Board

All members of the Executive Board and closely related parties, in total: 41,950 shares.

	Shares [1]
Holger Cordes, CEO	35,700
Anette Weber, CFO	5,200
Claes Ödman, COO	-
Francis Schmeer, EVP of Marketing & Business Development	1,050
Total Executive Board	**41,950**

[1] Acquired by the members of the Executive Board from the market.

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

3. Share allotment in 2017

According to the provisions of the Ascom share matching plan 2014, Ascom Holding AG allotted in 2017 5,324 shares to 17 remaining participants of the Ascom share matching plan 2014.

Ascom Holding AG allotted no further shares in 2017.

IV. LONG-TERM INCENTIVE PLANS

1. Ascom share matching plan 2015

The Board of Directors decided in its Board Meeting of 21 August 2015 to introduce a share matching plan 2015 for the Ascom senior management as a long-term incentive. The beneficiaries had the opportunity to buy Company shares during a defined subscription period at market price as investment shares up to a certain number of shares as determined by the Board of Directors. The Company will match the investment shares with additional shares based on the fulfillment of defined employment-based and performance-based criteria. Beneficiaries have to keep the investment shares for a period of three years in order to benefit from the plan. The beneficiaries may get up to 65% of the number of their investment shares as matching shares in addition, provided that defined mid-term profitability targets are achieved. In addition, they get 35% of the number of their investment shares as matching shares after a three-years vesting period for free, if their employment contract with Ascom has not been terminated at this point in time. The Board of Directors linked the mid-term profitability targets to the EBITDA margin of the Ascom core business achieved in fiscal year 2017. In order to distribute additional matching shares to the beneficiaries, the Ascom core business must achieve at least an EBITDA margin of 14.0% in 2017. Every participant will receive the maximum of 65% of additional investment shares in case the EBITDA margin of the Ascom core business in 2017 amounts to 18.0% or higher. As a maximum, the Company will honor each investment share with one matching share.

42 members of the Ascom senior management decided to participate and they purchased in total 60,550 investment shares. 13 participants with 18,150 investment shares in total left the plan due to the divestment of the Network Testing Division. 300 investment shares were exercised or forfeited in 2016 and 27,560 in 2017. Thus, 14,540 investment shares still may qualify for matching shares.

2. Ascom share matching plan 2016

The Board of Directors decided in its Board Meeting of 19 August 2016 to introduce a share matching plan 2016 for the Ascom senior management as a long-term incentive. The beneficiaries had the opportunity to buy Company shares during a defined subscription period at market price as investment shares up to a certain number of shares as determined by the Board of Directors. The Company will match the investment shares with additional shares based on the fulfillment of defined employment-based and performance-based criteria. Beneficiaries have to keep the investment shares for a period of three years in order to benefit from the plan.

Beneficiaries may get up to 65% of the number of their investment shares as matching shares, provided that defined mid-term profitability targets are achieved. In addition, they get 35% of the number of their investment shares as matching shares after a three-years vesting period for free, if their employment contract with Ascom has not been terminated at this point in time.

The Board of Directors linked the mid-term profitability targets to the EBITDA margin of the Ascom core business achieved in fiscal year 2018. In order to distribute additional matching shares to the beneficiaries, Ascom must achieve at least the lower end of the pre-defined EBITDA margin target 2018. Every participant will receive the maximum of 65% of additional investment shares in case the EBITDA margin of Ascom in 2018 reaches the upper end of the pre-defined EBITDA margin target or higher. As a maximum, the Company will honor each investment share with one matching share.

19 members of the Ascom senior management decided to participate and they purchased in total 42,630 investment shares. 1,400 investment shares were exercised or forfeited in 2016 and 6,589 in 2017. Thus, 34,651 investment shares still may qualify for matching shares.

3. Ascom share matching plan 2017

The Board of Directors decided in its Board Meeting of 21 August 2017 to introduce a share matching plan 2017 for the Ascom senior management as a long-term incentive. The beneficiaries had the opportunity to buy Company shares during a defined subscription period at market price as investment shares up to a certain number of shares as determined by the Board of Directors. The Company will match the investment shares with additional shares based on the fulfillment of defined employment-based and performance-based criteria. Beneficiaries have to keep the investment shares for a period of three years in order to benefit from the plan.

Beneficiaries may get up to 65% of the number of their investment shares as matching shares, provided that defined mid-term profitability targets are achieved. In addition, they get 35% of the number of their investment shares as matching shares after a three-years vesting period for free, if their employment contract with Ascom has not been terminated at this point in time.

The Board of Directors linked the mid-term profitability targets to the EBITDA margin of Ascom achieved in fiscal year 2019. In order to distribute additional performance-related matching shares to the beneficiaries, Ascom must achieve at least the lower end of the pre-defined EBITDA margin target 2019. Every participant will receive the maximum of 65% of additional investment shares in case the EBITDA margin of Ascom in 2019 reaches the upper end of the pre-defined EBITDA margin target or higher.

In addition, the beneficiaries (excluding members of the Executive Board) may get up to 50% of the number of their investment shares as growth-related matching shares provided that defined mid-term growth targets are achieved. In order to receive additional matching shares, the growth performance (CAGR 2019 over 2016) must achieve a certain range. Every participant will receive the maximum of 50% of additional investment shares in case the growth performance as defined reaches the upper end of this range.

As a maximum, the Company will honor each investment share with 1.5 matching shares (Members of the Executive Board: 1.0 matching share).

19 members of the Ascom senior management decided to participate and they purchased in total 32,956 investment shares.

4. Investment shares held of 31 December 2017

Share matching plan	Matching date	Underlying yearly result	Number of outstanding investment shares
2015	30.06.2018	2017	14,540
2016	30.06.2019	2018	34,651
2017	30.06.2020	2019	32,956

As of 31 December 2017, 82,147 investment shares were purchased as investments in share matching plans. These investment shares may entitle the holder to a maximum of one matching share (1.5 matching shares for non-members of the Executive Board) for the Ascom share matching plan 2017. The outstanding 87,463 contingent matching shares, correspond in total to 0.25 % of the total share capital of the Company.

To the General Meeting of Ascom Holding AG, Baar

Report of the statutory auditor to the General Meeting

We have audited the information marked as "Audited information" in the accompanying remuneration report of Ascom Holding AG for the year ended 31 December 2017.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conduct-ed our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of Ascom Holding AG for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Wallmer Audit expert Auditor in charge	Daniel Wyss Audit expert

Zurich, 23 February 2018

Financial statements 2017

Ascom Group

Ascom Holding AG

Consolidated balance sheet

Assets

CHFm	Note	31.12.2017	31.12.2016
Cash and cash equivalents		30.3	34.3
Trade receivables	5	73.0	65.9
Other short-term receivables	6	7.6	12.0
Inventories and work in progress	7	25.2	18.5
Prepayments and accrued income		16.0	14.1
Current assets		**152.1**	**144.8**
Property, plant and equipment	8	11.9	11.3
Intangible assets	9	40.3	38.5
Financial assets	10	25.3	30.5
Non-current assets		**77.5**	**80.3**
Total assets		**229.6**	**225.1**

Liabilities and shareholders' equity

CHFm	Note	31.12.2017	31.12.2016
Trade payables		21.3	20.5
Other liabilities	12	16.3	14.7
Provisions	13	9.7	16.2
Customer prepayments and deferred revenue	15	20.5	21.2
Accrued liabilities	16	24.1	25.1
Current liabilities		**91.9**	**97.7**
Borrowings	11	18.0	10.2
Other liabilities		3.0	3.0
Provisions	13, 14	33.6	33.3
Non-current liabilities		**54.6**	**46.5**
Total liabilities		**146.5**	**144.2**
Share capital	17	18.0	18.0
Capital reserves		15.0	15.0
Own shares	17	(0.5)	(1.0)
Retained earnings		50.6	48.9
Shareholders' equity		**83.1**	**80.9**
Total liabilities and shareholders' equity		**229.6**	**225.1**

The notes on pages 52 to 77 are an integral part of the consolidated financial statements.

Consolidated income statement

CHFm	Note	2017	2016
Net revenue	18	309.7	354.3
Cost of sales	19	(149.2)	(176.8)
Gross profit		**160.5**	**177.5**
Marketing and sales	19	(76.3)	(92.7)
Research and development	19	(29.1)	(40.2)
Administration	19	(20.3)	(37.2)
Other operating income	20	0.1	0.3
Other operating expenses	20	(1.7)	(6.4)
Operating result (EBIT)		**33.2**	**1.3**
Financial income	21	1.3	0.7
Financial expenses	21	(2.2)	(3.6)
Ordinary result		**32.3**	**(1.6)**
Non-operating result	22	0.5	(0.6)
Extraordinary result		0.4	(145.1)
Profit/(loss) before income tax		**33.2**	**(147.3)**
Income tax	23	(7.3)	1.6
Group profit/(loss) for the period [1]		**25.9**	**(145.7)**

[1] Attributable to the owners of the parent.

Earnings per share in CHF

CHFm	Note	2017	2016
Basic	24	0.72	(4.07)
Diluted	24	0.72	(4.06)

Additional information – non-GAAP measures

CHFm	Note	2017	2016
EBITDA	4	43.6	16.9

The notes on pages 52 to 77 are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to owners of the parent							
			Capital reserves		Retained earnings			
CHFm	Share capital [1]	Own shares [1]	Share premium	Other capital reserves	Currency translation adjustments	Goodwill offset	Other retained earnings	Total shareholders' equity
Balance at 1.1.2016	**18.0**	**(2.3)**	**1.1**	**13.5**	**(11.7)**	**(175.6)**	**273.7**	**116.7**
Group profit/(loss) for the period	–	–	–	–	–	–	(145.7)	(145.7)
Currency translation adjustments	–	–	–	–	3.7	–	–	3.7
Goodwill offset with equity [2]	–	–	–	–	–	120.6	–	120.6
Share-based payments	–	–	–	0.8	–	–	–	0.8
Purchase of own shares	–	–	–	–	–	–	–	–
Disposal of own shares	–	1.3	–	(0.4)	–	–	–	0.9
Dividend paid	–	–	–	–	–	–	(16.1)	(16.1)
Balance at 31.12.2016	**18.0**	**(1.0)**	**1.1**	**13.9**	**(8.0)**	**(55.0)**	**111.9**	**80.9**
Group profit/(loss) for the period	–	–	–	–	–	–	25.9	25.9
Currency translation adjustments	–	–	–	–	4.5	–	–	4.5
Goodwill offset with equity [2]	–	–	–	–	–	0.1	–	0.1
Share-based payments	–	–	–	0.3	–	–	–	0.3
Purchase of own shares	–	–	–	–	–	–	–	–
Disposal of own shares	–	0.5	–	(0.3)	–	–	–	0.2
Dividends paid	–	–	–	–	–	–	(28.8)	(28.8)
Balance at 31.12.2017	**18.0**	**(0.5)**	**1.1**	**13.9**	**(3.5)**	**(54.9)**	**109.0**	**83.1**

[1] Refer to note 17.
[2] Refer to note 9.

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

Consolidated statement of cash flows

CHFm	Note	2017	2016
Group profit/(loss) for the period		25.9	(145.7)
+ Depreciation of property, plant and equipment	8	2.4	3.3
+ Amortization of intangible assets	9	8.3	12.3
+/– (Profit)/loss from impairment/reversal of impairment	8, 9	–	0.3
+/– (Profit)/loss from disposal of property, plant and equipment	8	(0.9)	–
+/– (Profit)/loss from divestment of a subsidiary or business		–	139.8
+ Share-based payments		0.3	0.8
+/– Addition/(release) of provisions	13	(2.6)	19.0
+/– Adjustment for other non-cash items		0.9	(5.8)
+/– Change in inventory and work in progress		(5.4)	(1.7)
+/– Change in trade receivables		(5.3)	2.6
+/– Change in trade payables		0.8	(3.2)
+/– Change in other receivables and prepayments		(1.4)	(2.9)
+/– Change in accrued and other short-term liabilities and deferred income		(9.3)	(9.4)
– Interest income	21	(1.3)	(0.7)
+ Interest expenses	21	0.8	0.9
+ Interest received		0.8	0.7
– Interest paid		(0.2)	(0.2)
+ Income tax expenses	23	7.3	(1.6)
– Income tax paid		(5.5)	(3.5)
+/– Foreign currency translation differences on intra-group positions		0.6	1.0
Cash flow from operating activities		**16.2**	**6.0**
– Purchase of property, plant and equipment	8	(2.5)	(4.0)
+ Proceeds from disposal of property, plant and equipment	8	1.1	0.6
– Purchase of intangible assets	9	(7.8)	(14.4)
– Acquisition of a subsidiary or business	3	–	(5.8)
+ Proceeds from divestment of a subsidiary or business		7.8	21.1
+/– Change in financial assets and other non-current assets		0.7	–
Cash flow from investing activities		**(0.7)**	**(2.5)**
+/– Proceeds from/(repayment of) short-term borrowings		–	(20.2)
+/– Proceeds from/(repayment of) long-term borrowings		7.9	9.8
+ Proceeds from disposal of own shares		0.2	0.9
– Dividends paid		(28.8)	(16.1)
Cash flow from financing activities		**(20.7)**	**(25.6)**
+/– Foreign currency translation differences on cash and cash equivalents		1.2	(1.0)
Increase/(decrease) in cash and cash equivalents		**(4.0)**	**(23.1)**
+ Cash and cash equivalents at 1.1.		34.3	57.4
Cash and cash equivalents at 31.12.		**30.3**	**34.3**

The notes on pages 52 to 77 are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Ascom is a global solutions provider focused on healthcare ICT and mobile workflow solutions. The vision of Ascom is to close digital information gaps allowing for the best possible decisions – anytime and anywhere. Ascom's mission is to provide mission-critical, real-time solutions for highly mobile, ad hoc, and time-sensitive environments. Ascom uses its unique product and solutions portfolio and software architecture capabilities to devise integration and mobilization solutions that provide truly smooth, complete and efficient workflows for healthcare as well as for industry, security and retail sectors.

Until 30 September 2016, the Group was active in two businesses operated within two divisions, Wireless Solutions and Network Testing. Effective 30 September 2016, Ascom divested the Network Testing Division, exiting the mobile network testing business. The continuing business comprises the business unit previously referred to as the Wireless Solutions Division.

Ascom is headquartered in Baar (Switzerland), has operating businesses in 18 countries and employs around 1,300 people worldwide. Ascom Holding AG, the parent company of the Group, is a public limited company and its 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 consolidated financial statements of Ascom Holding AG comply with Swiss law and have been prepared based on the individual financial statements of each Group company. These are based on historical cost, except as disclosed in the accounting policies below, and in accordance with the entire existing guidelines of Swiss GAAP FER (Generally Accepted Accounting Principles FER/FER = Fachempfehlung zur Rechnungslegung = Accounting and reporting recommendations). Furthermore, the consolidated financial statements comply with the provisions of the listing rules of the SIX Swiss Exchange and are presented in Swiss francs (CHF). The accounting policies have been applied consistently by all Group companies. A summary of the significant accounting policies is provided below. The closing date for the Group and the individual Group companies is 31 December.

2.2 Changes in accounting policy and disclosures

There were no changes in 2017.

2.3 Use of judgments and estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgments made in applying accounting policies, that have the most significant effects on the consolidated financial statements and information about uncertainties related to assumptions and estimates, that have the potential risk of resulting in a significant adjustment, are included in the following notes:

- Note 9 – recognition of internally generated intangible assets: whether the Group has met the criteria for capitalization of internally generated development costs relating to the design and testing of new or improved products.
- Note 9 – measurement of intangibles: key assumptions and estimates underlying valuation and recoverability of intangible assets from acquisitions and capitalized internally generated intangible assets, including related forecasted cash flows.
- Note 14 – measurement of pension liabilities related to certain pension plans: key actuarial assumptions, including discount rate, future salary or pension increases and average life expectancy, as well as plan assets performance and funded status.
- Notes 13 and 29 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of net future outflow of cash, including discount rates.
- Note 23 – recognition and measurement of the provision for income tax and recognition of deferred income tax assets: availability of qualified future taxable profit against which tax loss carry-forwards can be used.

2.4 Consolidation

The consolidated financial statements cover Ascom Holding AG and all subsidiaries over which the Group has control. Ascom controls a subsidiary when Ascom is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. 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, including the effect of recycling of any goodwill previously offset against equity. The list of the consolidated Group companies is included in note 34. Percentages of the Group's interest in share capital correspond to percentages in voting rights held.

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 assets transferred, liabilities assumed and equity interests issued by the Group, including the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are capitalized and allocated to goodwill. Pursuant to a purchase price allocation, identifiable assets acquired, liabilities assumed as well as any contingent assets and liabilities are measured initially at their fair value at the acquisition date.

Intercompany transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated.

2.5 Foreign currency translation

All assets and liabilities of foreign entities are translated into Swiss francs (CHF), the Group's reporting 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. Exchange differences arising from the reconversion of the net investment in subsidiaries in foreign functional currencies are recorded as currency translation adjustments in equity. Upon disposal of a foreign operation, accumulated currency translation adjustments are recognized in the income statement.

Applicable exchange rates for Ascom's major foreign currencies are as follow:

Foreign currency translation

CHFm	ISO code	Unit	31.12.2017	Average 2017	31.12.2016	Average 2016
Euro	EUR	1	1.170	1.113	1.074	1.090
US dollar	USD	1	0.976	0.985	1.019	0.990
Swedish krona	SEK	1	0.119	0.116	0.112	0.115
Pound sterling	GBP	1	1.319	1.273	1.254	1.341

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 from 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 average exchange rates of the prior month, as an approximation of the exchange rate at 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.

2.6 Revenue recognition

Net revenue include all sales of goods and services after deduction of any sales reductions including discounts, rebates, returns and value-added tax.

Revenue from sale of goods and services is recognized on delivery to and acceptance by the customer, when significant risks and rewards of ownership of the goods have passed to the buyer, and it is probable that future economic benefits will flow to Ascom. Goods sold to customers include hardware and software.

Services rendered to customers include consulting, commissioning and installation services as well as after-sales support, repair and maintenance services. Revenue from long-term maintenance agreements is recognized straight-line over the contract term. Revenue from fixed-price, multi-element contracts including goods and services is allocated to the separable components based on the value of the separable components.

Revenue from significant customer projects is recognized 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 units completed compared to the total number of contracted units, or if this approach is not applicable, on the costs incurred compared to the total costs to complete.

2.7 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.

2.8 Trade receivables

Trade receivables are recognized at their nominal value less any provision for doubtful debts, which is recognized when it becomes probable that the receivable is not fully realizable. The amount of the provision is the receivable at nominal value less the amount of the expected realization. The valuation effect is recorded in marketing and sales expenses.

2.9 Other current assets

Other short-term receivables, prepayments and accrued income are stated at nominal value less impairment, if any.

2.10 Inventories and work in progress

Inventories are stated at the lower of purchase or manufacturing cost or net realizable value. Net realizable value is the estimated selling price in the normal course of business, less estimated cost of completion and estimated selling cost. Manufacturing cost includes direct material and production costs as well as material and production overheads. The inventory cost is determined using the weighted-average cost method. Purchase discounts are treated as a purchase price reduction. Value adjustments are made for obsolete and slow-moving items. Work in progress on long-term contracts is recognized according to the stage of completion of the contract (percentage-of-completion method). Provisions are made to cover anticipated losses as soon as these are identified.

2.11 Property, plant and equipment

Property, plant and equipment are recorded at acquisition or production cost (i.e. historical cost) less accumulated depreciation. 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	7–10
Production equipment, measuring and test equipment, IT hardware, furniture	3–5
Tools and demo equipment	3

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when they can be measured reliably and it is probable that future economic benefits associated with such costs will flow to the Group. 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 incur. All gains or losses arising from the disposal of property, plant and equipment are included in the income statement.

2.12 Intangible assets

Intangible assets other than goodwill are recorded at acquisition or production cost less accumulated amortization. Customer relations are capitalized using the excess-earning method for valuation of the existing customers at acquisition date. Technology and trademarks are capitalized using the relief from royalty method for valuation. 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
Customer relations	10
Technology	5–7
Internally generated intangibles	3–5
Other (trademarks, licenses and software)	3–5

Intangible assets not ready for use are carried at cost less any accumulated impairment losses.

Goodwill resulting from acquisitions (the excess of the purchase price over the net fair value of the acquired assets, liabilities and equity interests) is offset in equity against retained earnings at the date of acquisition. The consequences of a theoretical capitalization and amortization of goodwill are explained in note 9. If the purchase price contains contingent elements that are dependent on future results (e.g. earn-out), a liability is recognized in the balance sheet at the date of acquisition based on an estimate of the earn-out payment expected to be paid at the agreed future date. Changes in this estimate during the earn-out period or differences between the recorded liability and the final settlement are recorded in equity.

All research costs are charged to profit or loss as incurred. Costs incurred on development projects (relating to the design, development and testing of major new products, major product improvements or software platforms and significant applications) are recognized as intangible assets, when specific criteria are fulfilled regarding technical feasibility, commitment of resources and recoverability through future economic benefits. Development costs that cannot be capitalized are charged to profit or loss in the period in which they occur.

2.13 Financial assets

Financial assets mainly comprise of loans to third parties, deferred tax assets and pension assets. Loans and pension assets are initially recorded at actual value and subsequently measured at amortized cost less valuation adjustments. Information related to deferred tax assets is presented in note 2.22.

2.14 Impairment of assets

All non-current assets are tested for impairment when indicators exist that the carrying amount of the asset might exceed its recoverable amount. Where the carrying amount of an asset is higher than the recoverable amount, the asset is impaired to its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal cost and value in use. Intangible assets not yet available for use are not subject to amortization and are therefore tested for impairment at least once a year. As goodwill is fully offset against equity at the date of acquisition, an impairment of goodwill will not affect income, but will only be disclosed in the notes to the consolidated financial statements (refer to note 9). Impairment tests are performed based on discounted cash flows at the level of the corresponding cash-generating units, representing the lowest level at which such assets are evaluated for recoverability.

2.15 Derivative financial instruments

Due to the global nature of its activities, the Group is exposed to foreign exchange risk. The related risk management is described in note 27. The Group may hedge expected future foreign currency cash flows by executing forward contracts. These derivative financial instruments are recognized at fair value at the trade date. Where such forward contracts are linked to specific projected transactions and cash flows, the hedging is deemed to be effective and documented accordingly, with changes in the fair value of the cash flow hedges recognized in equity. The gain or loss relating to fair value changes of other forward contracts is recognized immediately in the income statement as part of the financial result, as these contracts are deemed ineffective hedges. Where these cash flow hedges related to flow of goods, the gains or losses are recorded as part of cost of sales. Gains and losses related to fair value changes of foreign currency forward contracts, which have been recognized in equity, are recycled in the income statement in the periods in which the hedged item affects gain or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement.

2.16 Equity

Registered shares are classified as equity. Own shares, expenses for equity-settled share-based payments, realized gains or losses from disposals of own shares as well as costs relating to capital increases and decreases are recorded in equity. Dividends are charged to equity in the period in which they are approved. The share premium represents the excess of the issued share capital over its nominal value.

2.17 Borrowings and borrowing costs

Borrowings are initially recorded at actual value, net of transaction costs incurred and subsequently measured at amortized cost. They include mainly bank loans and are classified as current if they are settled within 12 months, and there is no unconditional right to extend the settlement to at least 12 months after the balance sheet date. Borrowing costs directly attributable to a material acquisition, development or production of an internally generated asset, that necessarily takes a substantial period of time to get ready for its intended use or sale (i.e. qualifying asset), are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

2.18 Pension benefit obligations

There are various pension plans in existence within the Group which are individually aligned with local conditions in their respective countries. They are financed either by means of contributions to legally independent pension or insurance funds, or by recognition as liabilities in the balance sheet of the respective Group companies. An economic obligation is recognized as a liability if the requirements for the recognition of a provision are met under Swiss GAAP FER. An economic benefit is capitalized provided that the Company is entitled to such benefit in the future, for example, to offset future Group pension expenses. Freely available employer contribution reserves are capitalized.

Employees of Swiss Group companies are insured as part of a multi-employer pension fund, an independent separate legal entity under Swiss Law ("Gemeinschaftsstiftung") financed by contributions from participating employers and employees. An economical obligation or a benefit from the Swiss pension scheme is determined from the pension fund financial statements prepared on the basis of Swiss GAAP FER 26 "Accounting of Pension Plans" and recognized in the balance sheet accordingly. The provision for pension plans of foreign subsidiaries, which are not organized as independent legal entities, is determined based on the local valuation methods in effect.

2.19 Provisions and contingent liabilities

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 a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation in the future. The increase in the provision due to passage of time is recognized as interest expense. For costs that are expected to arise in connection with site closures, the disposal of companies or business units and restructuring, provisions are made at the time of the decision of approved measures. For onerous contracts, provisions are provided if the unavoidable costs of meeting the obligation exceed the economic benefit to be received. If an outflow of resources to settle an obligation is not probable, a contingent liability is disclosed. Contingent liabilities and other off-balance sheet commitments are evaluated at each reporting date, taking into account also any guaranteed considerations from other parties (e.g. insurance coverage).

2.20 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 2.11). The corresponding leasing obligations are shown as liabilities. Leasing payments are allocated 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.

2.21 Share-based payments

Selected members of Ascom's senior management receive remuneration in the form of share-based remunerations pursuant to share matching plans (from 2013 onwards) and stock option plans (until 2012). The beneficiaries of share matching plans get the opportunity to buy company shares (or phantom shares in the case of residents of the USA) at market price as investment shares up to a certain amount. They have to keep the investment shares over a defined period in order to benefit from the plan. Beneficiaries receive 35% of the number of their investment shares as matching shares after a three-year vesting period for free if they are still employed with Ascom at this point of time. As an additional performance-related part, beneficiaries may receive up to 115% of the number of their investment shares as matching shares, provided that defined mid-term profitability targets are achieved. As a maximum, the company will honor each investment share with one matching share.

The cost of matching shares is measured initially at fair value at grant date, taking into consideration a deduction for the dividend yield as well as expected fluctuation of the plan participants. The initial fair value is recognized as expense over the vesting period, together with a corresponding increase in other capital reserves in equity (for equity-settled instruments) or in other provisions (for cash-settled instruments). Ascom revises its estimates of the number of instruments expected to vest, based on the best available estimate of the outcome of the non-market-vesting conditions (the Group EBITDA margin and the cumulated average growth rate of the net revenue) at the end of each reporting period, with changes recognized in personnel expenses.

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. The tax rates and laws enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. 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 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.

2.23 Definition of non-GAAP measures

Earnings before interest and income tax (EBIT) correspond to the operating result. Earnings before interest, income tax, depreciation and amortization (EBITDA) as a subtotal includes EBIT before deduction of depreciation and impairment of property, plant and equipment as well as amortization and impairment of intangible assets. As defined, EBIT and EBITDA do not include the impact of non-operating or extraordinary results.

3. SIGNIFICANT TRANSACTIONS AND CHANGES IN THE SCOPE OF CONSOLIDATION

Disposal of the Network Testing Division (2016)

On 19 August 2016, Ascom Holding AG and InfoVista signed a binding share and asset purchase agreement under which InfoVista acquired the Network Testing Division (TEMS), a U.S.-based global provider of mobile network testing optimization, benchmarking and monitoring solutions for mobile network operators with around 400 employees worldwide. The transaction closed on 30 September 2016 and was based on a cash-free/debt-free enterprise value of USD 45 million. Ascom received USD 30 million in cash at closing and the remainder of the consideration in the form of a subordinated vendor loan with a nominal value of USD 15 million, a 7-year maturity and a stated interest rate of 4% p.a.

As a result of the disposal, Ascom recognized an extraordinary loss. Net of the effect from the recycling of the TEMS-related goodwill and currency translation adjustments, total equity was reduced by CHF 17.3 million at disposal date. Further information regarding these discontinued operations are presented in note 4.

Acquisition of UMS (2016)

On 12 January 2016, Ascom acquired all the shares of the privately held, Florence-, Italy, based software company UMS (United Medical Software), which provides integrations for medical devices and supplies digital medical records software solutions for life-critical patient care. With this acquisition, Ascom gained access to new software and competencies for integrated workflow solutions in healthcare ICT and also significantly improved its market position in Southern Europe.

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

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

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

4. SEGMENT INFORMATION

Key figures by segment

CHFm	Ascom continuing business		Network Testing[1]	Consoli-dation	Total Ascom	
	2017	2016	2016	2016	2017	2016
Incoming orders	324.8	303.3	57.5	(0.4)	324.8	360.4
Order backlog at 31.12.	143.3	121.8	–	–	143.3	121.8
Net revenue	**309.7**	**300.8**	**53.8**	**(0.3)**	**309.7**	**354.3**
of which with other segments	–	*0.3*	–	*(0.3)*	–	–
Cost of sales	(149.2)	(148.0)	(28.3)	(0.5)	(149.2)	(176.8)
Gross profit/(loss)	**160.5**	**152.8**	**25.5**	**(0.8)**	**160.5**	**177.5**
as % of revenue	51.8%	50.8%	47.4%	n/a	51.8%	50.1%
Marketing and sales	(76.3)	(75.3)	(17.8)	0.4	(76.3)	(92.7)
Research and development	(29.1)	(26.9)	(13.3)	–	(29.1)	(40.2)
Administration	(20.3)	(31.8)	(5.7)	0.3	(20.3)	(37.2)
Other operating income	0.1	4.3	–	(4.0)	0.1	0.3
Other operating expenses	(1.7)	(1.7)	(8.7)	4.0	(1.7)	(6.4)
Operating result (EBIT)	**33.2**	**21.4**	**(20.0)**	**(0.1)**	**33.2**	**1.3**
as % of revenue	10.7%	7.1%	n/a	n/a	10.7%	0.4%
Financial income/(expenses), net					(0.9)	(2.9)
Non-operating result					0.5	(0.6)
Extraordinary result					0.4	(145.1)
Profit/(loss) before income tax					**33.2**	**(147.3)**
Income tax					(7.3)	1.6
Group profit/(loss) for the period					**25.9**	**(145.7)**

Additional information

	Ascom continuing business 2017	Ascom continuing business 2016	Network Testing 2016	Consolidation 2016	Total Ascom 2017	Total Ascom 2016
EBITDA	**43.6**	**28.7**	**(11.7)**	**(0.1)**	**43.6**	**16.9**
as % of revenue	14.1%	9.5%	n/a	n/a	14.1%	4.8%
Capital expenditures	10.3	15.2	7.2	–	10.3	22.4
Employees (FTE) at 31.12.	1,223	1,188	–	–	1,223	1,188
Reportable segments' assets	**171.6**	**161.9**	**–**	**–**	**171.6**	**161.9**
Deferred income tax assets					7.7	12.3
Financial assets					15.5	14.4
Income tax receivables					4.5	2.2
Cash and cash equivalents					30.3	34.3
Total assets at 31.12.					**229.6**	**225.1**

[1] Discontinued operations as of 30 September 2016 (refer to note 3).

Since the disposal of the Network Testing Division on 30 September 2016 (refer to note 3), Ascom Group consists of one single business unit, the purpose of which is to use its unique product and solutions portfolio and software architecture capabilities to devise integration and mobilization solutions that provide digitalized, complete and efficient workflows for healthcare as well as for industry, security and retail sectors.

In connection with this strategic development, Ascom reorganized the Group to increase agility and alignment with customer needs and to allow economies of scale, especially in functional and global platform areas. The new organization structure announced on 3 October 2016 was put in place in the fourth quarter of 2016. As a consequence, the previously separated Group and Wireless Solutions Division management and headquarter functions were merged and the combined results shown as Ascom continuing business.

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

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

Allocation of incoming orders and net revenue of Ascom continuing business

CHFm	Incoming orders		Net revenue	
	2017	2016	2017	2016
BeNeLux	64.1	63.9	64.0	61.0
Nordics	58.0	53.8	51.8	49.6
DACH	54.2	47.0	49.0	47.5
Rest of Europe	43.6	36.0	45.1	42.1
Total Europe	**219.9**	**200.7**	**209.9**	**200.2**
North America	53.9	56.5	50.2	55.8
Growth Markets	19.3	19.6	17.7	17.4
OEM (Original Equipment Manufacturer)	31.7	26.5	31.9	27.1
Total excluding intersegmental business	**324.8**	**303.3**	**309.7**	**300.5**
Intersegmental business	–	0.4	–	0.3
Total	**324.8**	**303.7**	**309.7**	**300.8**

5. TRADE RECEIVABLES

CHFm	31.12.2017	31.12.2016
Receivables from third parties [1]	74.2	66.8
Less provision for doubtful debts	(1.2)	(0.9)
Total	**73.0**	**65.9**

[1] This line item includes CHF 2.2 million (previous year: CHF 1.1 million) of trade receivables arising from customer projects using the percentage-of-completion method.

The Group does not hold any collateral as security for trade receivables.

6. OTHER SHORT-TERM RECEIVABLES

CHFm	31.12.2017	31.12.2016
Income tax and other tax receivables	5.0	2.8
Other receivables	1.3	8.5
Finance leases	0.6	0.6
Derivative financial instruments	0.7	0.1
Total other short-term receivables	**7.6**	**12.0**

Other receivables as of 31 December 2016 comprised mainly amounts due, based on final purchase price adjustments related to the disposal of the Network Testing Division, according to the share and asset purchase agreement.

7. INVENTORIES AND WORK IN PROGRESS

CHFm	31.12.2017	31.12.2016
Raw materials and components	1.9	1.3
Work in progress [1]	4.7	4.8
Finished goods and goods for resale	22.2	16.0
Inventory provision	(3.6)	(3.6)
Total	**25.2**	**18.5**

[1] This line item includes CHF 0.4 million (previous year: CHF 0.5 million) of work in progress arising from customer projects using the percentage-of-completion method.

8. PROPERTY, PLANT AND EQUIPMENT

CHFm	Land and buildings	Machines, installations and equipment	Equipment under construction	Other	Total
Cost					
Balance at 1.1.2016	**18.8**	**26.8**	**0.8**	**17.7**	**64.1**
Additions	0.3	0.9	2.2	0.6	4.0
Disposals	(0.8)	(3.3)	–	(0.7)	(4.8)
Acquisition of a subsidiary or business	–	–	–	0.1	0.1
Disposal of a subsidiary or business	(0.2)	(5.9)	(0.5)	(2.9)	(9.5)
Reclassifications	–	0.4	(0.4)	–	–
Currency translation adjustments	(0.4)	(0.8)	–	(0.6)	(1.8)
Balance at 31.12.2016	**17.7**	**18.1**	**2.1**	**14.2**	**52.1**
Additions	0.6	0.6	1.1	0.2	2.5
Disposals	(1.8)	(0.7)	–	(0.2)	(2.7)
Reclassifications	0.5	0.8	(2.9)	1.6	–
Currency translation adjustments	1.5	1.5	0.1	0.8	3.9
Balance at 31.12.2017	**18.5**	**20.3**	**0.4**	**16.6**	**55.8**
Accumulated depreciation and impairment					
Balance at 1.1.2016	**(12.0)**	**(22.9)**	**–**	**(14.8)**	**(49.7)**
Depreciation charge	(0.5)	(1.6)	–	(1.2)	(3.3)
Impairment	(0.3)	–	–	–	(0.3)
Disposals	0.5	3.2	–	0.5	4.2
Disposal of a subsidiary or business	0.1	4.7	–	2.1	6.9
Currency translation adjustments	0.2	0.7	–	0.5	1.4
Balance at 31.12.2016	**(12.0)**	**(15.9)**	–	**(12.9)**	**(40.8)**
Depreciation charge	(0.5)	(1.1)	–	(0.8)	(2.4)
Disposals	1.6	0.7	–	0.2	2.5
Currency translation adjustments	(1.0)	(1.3)	–	(0.9)	(3.2)
Balance at 31.12.2017	**(11.9)**	**(17.6)**	**–**	**(14.4)**	**(43.9)**
Net carrying amount at 31.12.2016	**5.7**	**2.2**	**2.1**	**1.3**	**11.3**
Thereof non-operating [1]	**4.3**	**–**	**–**	**–**	**4.3**
Net carrying amount at 31.12.2017	**6.6**	**2.6**	**0.4**	**2.3**	**11.9**
Thereof non-operating [1]	**4.6**	**–**	**–**	**–**	**4.6**

[1] Held exclusively for investment purposes (not for use)

9. INTANGIBLE ASSETS

CHFm	Customer relations	Acquired technology	Internally generated intangibles	Acquired software	Other	Total
Cost						
Balance at 1.1.2016	**35.5**	**37.2**	**22.4**	**16.1**	**14.1**	**125.3**
Additions	–	–	6.2	0.4	11.8	18.4
Disposals	–	–	–	(0.2)	(0.6)	(0.8)
Acquisition of a subsidiary or business	1.8	3.0	–	–	3.2	8.0
Disposal of a subsidiary or business	(28.2)	(33.4)	–	(4.6)	(12.5)	(78.7)
Reclassification	–	–	–	7.3	(7.3)	–
Currency translation adjustments	(1.1)	(1.5)	(1.3)	(0.8)	(2.3)	(5.4)
Balance at 31.12.2016	**8.0**	**5.3**	**27.3**	**18.1**	**8.1**	**66.8**
Additions	–	–	5.5	–	2.3	7.8
Reclassification	–	–	–	1.8	(1.8)	–
Currency translation adjustments	0.3	0.4	1.7	1.1	0.6	4.1
Balance at 31.12.2017	**8.3**	**5.7**	**34.5**	**21.0**	**9.2**	**78.7**
Accumulated amortization and impairment						
Balance at 1.1.2016	**(21.4)**	**(30.2)**	**(8.5)**	**(14.9)**	**(9.6)**	**(84.6)**
Amortization charge	(3.0)	(3.2)	(2.4)	(0.9)	(2.8)	(12.3)
Disposals	–	–	–	0.2	0.6	0.8
Disposal of a subsidiary or business	20.7	30.3	–	4.6	8.5	64.1
Currency translation adjustments	0.9	1.2	0.5	0.7	0.4	3.7
Balance at 31.12.2016	**(2.8)**	**(1.9)**	**(10.4)**	**(10.3)**	**(2.9)**	**(28.3)**
Amortization charge	(0.8)	(0.8)	(4.2)	(2.0)	(0.5)	(8.3)
Currency translation adjustments	(0.1)	(0.2)	(0.7)	(0.6)	(0.2)	(1.8)
Balance at 31.12.2017	**(3.7)**	**(2.9)**	**(15.3)**	**(12.9)**	**(3.6)**	**(38.4)**
Net carrying amount at 31.12.2016	**5.2**	**3.4**	**16.9**	**7.8**	**5.2**	**38.5**
Thereof acquired	**5.2**	**3.4**	**–**	**7.8**	**5.2**	**21.6**
Thereof generated internally	**–**	**–**	**16.9**	**–**	**–**	**16.9**
Net carrying amount at 31.12.2017	**4.6**	**2.8**	**19.2**	**8.1**	**5.6**	**40.3**
Thereof acquired	**4.6**	**2.8**	**–**	**8.1**	**5.6**	**21.1**
Thereof generated internally	**–**	**–**	**19.2**	**–**	**–**	**19.2**

Other intangibles comprise aquired trademarks and licences.

Goodwill from acquisitions is offset against the Company's equity at the acquisition date. The theoretical amortization is based on the straight-line method over a useful life of five years. The theoretical capitalization of the goodwill would affect the result of the consolidated financial statements as follows:

CHFm	2017	2016
Acquisition cost		
As of 1 January	36.5	159.3
Additions from acquisitions	–	2.2
Liquidation of a subsidiary or business	–	(0.6)
Disposal of a subsidiary or business	–	(122.8)
Reversal of earn-out	(0.1)	–
Translation adjustment	0.7	(1.6)
As of 31 December	**37.1**	**36.5**
Accumulated amortization		
As of 1 January	(30.8)	(151.0)
Additions	(2.9)	(4.9)
Liquidation of a subsidiary or business	–	0.6
Disposal of a subsidiary or business	–	122.8
Translation adjustment	(0.6)	1.5
As of 31 December	**(34.3)**	**(30.8)**
Theoretical book values, net		
As of 1 January	5.7	8.3
As of 31 December	**2.8**	**5.7**

Theorical effect on income statement

CHFm	2017	2016
Operating result	33.2	1.3
Theoretical amortization goodwill	(2.9)	(4.9)
Theoretical operating result incl. amortization goodwill	30.3	(3.6)
Group profit/(loss) for the period	25.9	(145.7)
Reversal of recycling of goodwill	–	122.8
Theoretical amortization goodwill	(2.9)	(4.9)
Theoretical Group profit/(loss) for the period incl. amortization goodwill	23.0	(27.8)

Theorical effect on balance sheet

CHFm	2017	2016
Equity according to balance sheet	83.1	80.9
Theoretical capitalization net book value goodwill	2.8	5.7
Theoretical equity incl. net book value goodwill	85.9	86.6
Equity as % of balance sheet total	36.2%	35.9%
Theoretical equity incl. net book value goodwill as % of balance sheet total (incl. goodwill)	37.0%	37.5%

10. FINANCIAL ASSETS

CHFm	31.12.2017	31.12.2016
Deferred income tax assets	7.7	12.3
Pension-related assets	3.4	4.4
Finance leases	1.6	1.8
Other financial assets	12.6	12.0
Total non-current portion	**25.3**	**30.5**

Detailed information related to deferred income tax assets and pension-related assets are provided in notes 23 and 14, respectively. Other financial assets mainly comprise the subordinated vendor loan amounting to CHF 12.2 million (previous year: CHF 11.6 million) at actual value (having a nominal value of USD 15 million, a seven-year maturity and a stated interest rate of 4% p.a.) granted in connection with the disposal of the Network Testing Division (refer to note 3).

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 31.12.2017
Gross investment in leases	0.7	1.7	0.1	2.5
Unearned interest income	(0.1)	(0.2)	–	(0.3)
Present value of the net minimum lease payments	**0.6**	**1.5**	**0.1**	**2.2**

CHFm	Within 12 months	Between 1 and 5 years	Later	Total 31.12.2016
Gross investment in leases	0.7	1.6	0.3	2.6
Unearned interest income	(0.1)	(0.2)	–	(0.3)
Present value of the net minimum lease payments	**0.6**	**1.4**	**0.3**	**2.3**

11. BORROWINGS

The Group syndicated credit facilities expired on 24 May 2016 and were replaced by revolving multi-currency credit facilities in an aggregate amount equal to CHF 35.0 million with two banks to fund working capital in the ordinary course of business, at variable interest rates (LIBOR + 0.8%), with an option to fix the interest rate monthly for a maximum period of 12 months. In addition, the Group has an uncommitted guarantee line of CHF 10.0 million with a Swiss bank. At 31 December 2017, Ascom used the cash lines as shown in the table below (borrowings denominated in CHF):

CHFm	31.12.2017	31.12.2016
Non-current	18.0	10.2
Total borrowings	**18.0**	**10.2**

As the final maturity of the Group's credit facilities is 24 May 2020, the outstanding borrowings at 31 December 2017 are classified as non-current. The credit facility includes two financial covenants: a debt service ratio (calculated as the ratio of net debt and outstanding bank guarantees to EBITDA) and an equity ratio (calculated as the ratio of shareholders' equity to total assets). The financial covenants are fully complied with.

12. OTHER LIABILITIES (CURRENT)

CHFm	31.12.2017	31.12.2016
Income tax liabilities	1.8	1.6
VAT and other tax liabilities	5.8	5.1
Personnel-related liabilities	7.8	7.2
Derivative financial instruments	0.8	0.4
Other liabilities	0.1	0.4
Total	**16.3**	**14.7**

13. PROVISIONS

CHFm	Restructuring	Deferred tax provisions	Employee benefit obligation	Other provisions	Total
Balance at 1.1.2016	**3.0**	**5.0**	**18.7**	**9.6**	**36.3**
Additions	10.6	2.2	3.4	6.6	22.8
Increase in present value	–	–	0.7	–	0.7
Payments	(2.9)	–	(1.4)	(2.1)	(6.4)
Release of unused amounts	(0.2)	(2.0)	(0.2)	(1.4)	(3.8)
Acquisition of a subsidiary or business	–	1.6	0.4	–	2.0
Disposal of a subsidiary or business	(0.5)	–	(0.1)	–	(0.6)
Currency translation adjustments	(0.1)	(0.2)	(1.1)	(0.1)	(1.5)
Balance at 31.12.2016	**9.9**	**6.6**	**20.4**	**12.6**	**49.5**
Additions	0.1	0.6	1.0	0.8	2.5
Increase in present value	–	–	0.6	–	0.6
Payments	(4.6)	–	(0.6)	(1.2)	(6.4)
Release of unused amounts	(1.4)	(1.4)	(1.6)	(0.7)	(5.1)
Currency translation adjustments	0.4	0.4	1.3	0.1	2.2
Balance at 31.12.2017	**4.4**	**6.2**	**21.1**	**11.6**	**43.3**

Expected payment

CHFm	Restructuring	Deferred tax provisions	Employee benefit obligation	Other provisions	Total
Within 12 months	9.8	–	–	6.4	16.2
Later	0.1	6.6	20.4	6.2	33.3
Balance at 31.12.2016	**9.9**	**6.6**	**20.4**	**12.6**	**49.5**
Within 12 months	4.4	–	–	5.3	9.7
Later	–	6.2	21.1	6.3	33.6
Balance at 31.12.2017	**4.4**	**6.2**	**21.1**	**11.6**	**43.3**

For detailed descriptions related to deferred taxes, refer to note 23.

On 17 August 2016, the Board of Directors of Ascom Holding AG approved the OneCompany program which comprised mainly personnel-related restructuring charges, impacted all functions within the organization and carried a cost of CHF 10.6 million.

Provisions for employee benefit obligation include the economical pension obligation (refer to note 14) as well as provisions for other long-term employee benefits. The discount rate used in the calculation for certain foreign pension plans is the most important parameter and any changes can strongly impact the valuation of the pension liability. In 2017, the range of the applied discount rate varies between 1.3% and 2.5% (previous year: 1.4%–2.6%), which corresponds to local market conditions.

Other provisions comprise mainly obligations arising from asserted and unasserted claims or disputes in the normal course of Ascom's business operations, provisions for warranties, obligations arising from cash-settled share-based payments and provisions for environmental costs relating to non-operating premises.

14. PENSION BENEFIT OBLIGATIONS

Employer contribution reserves (ECR)

CHFm							Result from ECR in personnel expense		Result from ECR in interests expense	
	Nominal value 31.12.2017	Renounced use 31.12.2017	Balance sheet 31.12.2017	Accumu-lation/(usage) 2017	CTA 2017	Balance sheet 31.12.2016	2017	2016	2017	2016
Pension plans	3.4	–	3.4	(1.0)	–	4.4	–	(0.1)	–	(0.1)
Total	**3.4**	**–**	**3.4**	**(1.0)**	**–**	**4.4**	**–**	**(0.1)**	**–**	**(0.1)**

Economical benefit/economical obligation and pension benefit expenses

CHFm		Economical part of the organization					Pension benefit expenses within personnel expenses		Pension benefit expenses within interests expenses	
	(Surplus)/deficit 31.12.2017	31.12.2017	31.12.2016	Change to prior-year period or recognized in the current result of the period	CTA 2017	Contri-butions concerning the business period	2017	2016	2017	2016
Pension plans without surplus/deficit	n/a	n/a	n/a	n/a	n/a	(9.6)	9.6	13.7	–	–
Pension plans with deficit	2.3	2.3	4.4	(2.3)	0.2	(0.4)	(2.0)	2.4	0.1	0.1
Pension plans without own assets	17.3	17.3	14.7	1.6	1.0	(0.2)	1.2	0.8	0.6	0.6
Total	**19.6**	**19.6**	**19.1**	**(0.7)**	**1.2**	**(10.2)**	**8.8**	**16.9**	**0.7**	**0.7**

15. CUSTOMER PREPAYMENTS AND DEFERRED REVENUE

CHFm	31.12.2017	31.12.2016
Customer prepayments [1]	20.1	18.8
Deferred revenue	0.4	2.4
Total	**20.5**	**21.2**

[1] This line item includes CHF 1.1 million (previous year: CHF 2.0 million) of customer prepayments arising from customer projects using the percentage-of-completion method.

16. ACCRUED LIABILITIES

CHFm	31.12.2017	31.12.2016
Personnel-related accruals	15.9	13.9
Accrued liabilities arising from long-term contracts (PoC)	–	0.5
Other accrued expenses	8.2	10.7
Total	**24.1**	**25.1**

17. SHARE CAPITAL AND OWN SHARES

Composition of share capital

CHFm	Number 31.12.2017	Amount 31.12.2017	Number 31.12.2016	Amount 31.12.2016
Registered shares nom. CHF 0.50	36,000,000	18.0	36,000,000	18.0
Number of registered shareholders	4,247		4,630	

The total authorized number of ordinary shares is 36,000,000 of which 35,955,453 are outstanding at 31 December 2017 (previous year: 35,901,925). Each outstanding 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 2017	Amount 2017	Average transaction price	Number 2016	Amount 2016	Average transaction price
Balance at 1.1.	**98,075**	**1.0**	**10.66**	**220,894**	**2.3**	**10.62**
Additions	–	–	–	975	–	17.92
Disposals	(53,528)	(0.5)	10.66	(123,794)	(1.3)	10.64
Balance at 31.12.	**44,547**	**0.5**	**10.66**	**98,075**	**1.0**	**10.66**

18. NET REVENUE

Sale of goods comprises sale of hardware and software. Rendering of services comprises professional services delivered in connection with customer projects as well as after-sale support, repair and maintenance services. The table below provides additional information for long-term contracts applying the percentage-of-completion method:

CHFm	31.12.2017	31.12.2016
Contract revenue recognized in the reporting period	26.7	22.9

19. PERSONNEL EXPENSES

The following personnel expenses are included in cost of sales, marketing and sales, research and development as well as administration expenses:

CHFm	2017	2016
Wages and salaries	(96.4)	(98.6)
Social security and pension costs	(24.9)	(27.8)
Other personnel expenses	(7.0)	(15.5)
Total (continuing business)	**(128.3)**	**(141.9)**
Personnel expenses from discontinued business	–	(30.6)
Total [1]	**(128.3)**	**(172.5)**

[1] Own employees

20. OTHER OPERATING INCOME AND EXPENSES

CHFm	2017	2016
Amortization of intangible assets from acquisition [1]	(1.7)	(6.4)
Total other operating expenses	**(1.7)**	**(6.4)**
Gain related to disposal of a business unit	–	0.1
Other operating income	0.1	0.2
Total other operating income	**0.1**	**0.3**

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

21. FINANCIAL INCOME AND EXPENSES

CHFm	2017	2016
Financial income		
Interest income	1.3	0.7
Total	**1.3**	**0.7**
Financial expenses		
Interest expenses	(0.8)	(0.9)
Net foreign exchange losses	(1.1)	(2.0)
Other financial expenses	(0.3)	(0.7)
Total	**(2.2)**	**(3.6)**
Financial income/(expenses), net	**(0.9)**	**(2.9)**

22. NON-OPERATING RESULT

CHFm	2017	2016
Non-operating income	2.2	1.4
Non-operating expenses	(1.7)	(2.0)
Total	**0.5**	**(0.6)**

Non-operating income and expenses relate exclusively to non-core legacy real estate activities.

23. INCOME TAX

CHFm	2017	2016
Current income tax charge	(3.4)	(4.3)
Adjustments in respect of current income tax of previous years	–	0.4
Deferred income tax	(3.9)	5.5
Total income tax	**(7.3)**	**1.6**

The following reconciliation explains the difference between the expected and the actual income tax charge:

Analysis of income tax rate

CHFm	2017	2016
Ordinary result	32.3	(1.6)
Weighted average expected income tax rate	22.6%	(14.0%)
Non-operating and extraordinary result	0.9	(145.7)
Weighted average expected income tax rate	21.8%	22.5%
Profit/(loss) before income tax	**33.2**	**(147.3)**
Weighted average expected income tax rate	22.6%	22.1%
Expected income tax	(7.5)	32.6
Utilization of previously unrecognized tax loss carry-forwards	1.0	0.3
Effect from recognition of previous years' tax losses	–	0.5
Effect from first-time recognition of previous years' temporary differences	1.7	0.2
Effect of non-recognized current-year tax losses	(0.3)	(1.8)
Effect of change in applicable tax rate	(1.7)	0.4
Adjustments in respect of current income tax of previous years	–	0.4
Effect of income/(expenses) taxed with a different rate or not taxed	–	(31.0)
Effect of expiry/impairment of capitalized tax losses/tax credits	(0.5)	–
Total income tax	**(7.3)**	**1.6**

The total weighted average expected income tax rate of 22.6% (previous year: 22.1%) 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 and accordingly, changes in the relative contribution of individual Group companies to total Group earnings before income tax may impact the weighted average expected income tax rate. In 2016, the significant effect of income (expense) taxed with a different rate or not taxed relates mainly to the tax effect of the divestment (or disposal) of the Network Testing Division.

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

CHFm	31.12.2017	31.12.2016
Intangible assets	(2.3)	(2.0)
Inventories and work in progress	0.7	0.9
Tax loss carry-forwards and tax credits	1.9	2.6
Other assets and liabilites	1.2	4.2
Total	**1.5**	**5.7**
Recognized as deferred income tax assets	7.7	12.3
Recognized as deferred income tax liabilities	(6.2)	(6.6)

Tax losses amounting to CHF 2.3 million (previous year: CHF 4.5 million) are recognized for Group companies which incurred losses and where future tax benefits are expected and supported by increased future profitability and synergies as a result of restructuring.

Tax loss carry-forwards which are not recognized amount to CHF 339.9 million (previous year: CHF 324.0 million) and expire in the following years:

CHFm	31.12.2017	31.12.2016
Within 12 months	–	–
Between 1 and 5 years	0.1	1.6
Later	339.8	322.4

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.

	2017	2016
Group profit for the period attributable to owners of the parent (CHFm)	**25.9**	**(145.7)**
Weighted-average number of outstanding shares	35,943,735	35,838,486
Earnings per share from Group profit (CHF)	**0.72**	**(4.07)**

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.

	2017	2016
Group profit for the period attributable to owners of the parent (CHFm)	**25.9**	**(145.7)**
Weighted-average number of outstanding shares	35,943,735	35,838,486
Adjustment for the dilutive number of outstanding share options	59,208	63,417
Weighted-average number of diluted shares	**36,002,943**	**35,901,903**
Diluted earnings per share from Group profit (CHF)	**0.72**	**(4.06)**

25. SHARE-BASED PAYMENTS

Ascom Share Matching Plans 2015, 2016 and 2017

In 2013, the Board of Directors decided to introduce a share matching plan for Ascom senior management as a long-term incentive instead of options plans. The following table shows the development of outstanding investment shares:

	Number of investment shares 2017	Number of investment shares 2016	Number of investment shares 2015
Investment shares outstanding at 1.1.	**108,555**	**154,572**	**97,147**
Granted	32,956	42,630	60,550
Exercised	(49,354)	(87,247)	–
Forfeited	(10,010)	(1,400)	(3,125)
Investment shares outstanding at 31.12.	**82,147**	**108,555**	**154,572**

	2017	2016	2015
Resolution passed by the Board of Directors on	21.08.	19.08	21.08.
Number of Ascom senior management members who decided to participate	19	19	42
Vesting period (years)	2.76	2.78	2.79
Remaining contractual life of the matching shares outstanding at 31.12. (years)[1]	1.72	1.65	1.00
Fair value of the matching shares granted during the year (CHF)[1]	18.03	16.12	15.36
Personnel expenses for equity-settled matching shares recognized as other reserves (equity) (CHFm)	(0.1)	(0.4)	(0.2)

[1] At weighted average.

Ascom Stock Option Plan 2012

At 31 December 2017, there are no options outstanding. In the following table, the development of the options is presented:

	Number of options 2017	Exercise price (CHF)[1] 2017	Number of options 2016	Exercise price (CHF)[1] 2016
Options outstanding at 1.1.	**39,768**	**9.00**	**98,000**	**11.39**
Exercised	(39,768)	9.00	(58,232)	13.02
Forfeited	–	–	–	–
Options outstanding at 31.12.	**–**	**–**	**39,768**	**9.00**
Options exercisable at 31.12.	n/a	n/a	39,768	9.00

[1] At weighted average.

26. TRANSACTIONS WITH RELATED PARTIES

A legally independent fund provides for Swiss pensions (see note 2.18). In 2017 and 2016, no lease payments were disbursed to the Swiss pension fund for premises occupied by the Group and no administrative and facility management services (previous year: nil) were charged to the Swiss pension fund in the year under review. The Swiss pension fund did not own any Ascom shares in 2017 (previous year: nil).

In 2017, there was no other transaction with related parties (previous year: nil).

27. 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 overall risk management is an integral part of corporate management and the long-term corporate strategy, and is correspondingly incorporated in the overall risk and control framework of our business processes and procedures. The Board of Directors of Ascom reviews the Group-wide risk assessment annually and determines suitable measures to address the risks.

Financial risk management is carried out centrally by Group Treasury and is ensured by the relevant written principles and guidelines laid down by management and approved by the Board of Directors. The Group's financial risk capacity and appetite for the various financial risk factors are defined in the treasury strategy. 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. The treasury strategy is reviewed annually and revised, as appropriate, by the Audit Committee. Transactions without underlying core business and all forms of speculation are prohibited with rare exceptions approved by the Group CFO and by the Audit Committee where required by local circumstances. Risk management also involves centrally securing comprehensive and efficient insurance protection for the Group.

27.1 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 and to secure working capital financing in the ordinary course of business. As part of its integral budgeting and forecasting process, Group Treasury monitors the planned liquidity position and centrally manages the procurement of loans for the Group. A description of available credit facilities and outstanding borrowings can be found in note 11.

27.2 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 from 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. Analyses of past and expected future cash flows in foreign currencies are regularly carried out which is 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 periodically reassesses its net foreign currency risk, evaluating the extent of natural foreign currency hedging achieved through ongoing development of Ascom's businesses. Accordingly, Group Treasury may propose to adapt the Group's hedging approach. 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 31.12.2017	Impact on net result 31.12.2017	Impact on equity 31.12.2017	Reasonable shift 31.12.2016	Impact on net result 31.12.2016	Impact on equity 31.12.2016
EUR/CHF	+/− 15%	−/+ 3.3	−/+ 8.9	+/− 15%	−/+ 1.9	−/+ 5.9
USD/CHF	+/− 15%	+/− 2.3	+/− 3.1	+/− 15%	+/− 2.0	+/− 2.7
SEK/CHF	+/− 15%	−/+ 0.2	+/− 8.7	+/− 15%	−/+ 1.5	+/− 1.8
GBP/CHF	+/− 15%	+/− 0.0	−/+ 0.1	+/− 15%	+/− 0.0	+/− 0.2
EUR/SEK	+/− 15%	+/− 0.1	+/− 0.1	+/− 15%	+/− 0.1	+/− 0.1
USD/SEK	+/− 15%	+/− 0.1	+/− 0.1	+/− 15%	+/− 0.1	+/− 0.1

27.3 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 multi-currency loan facility of the Group (see note 11) is the main interest rate risk position in the balance sheet of Ascom. This risk is currently offset with cash surpluses. Accordingly, interest rate risk is currently not hedged. Financing and related interest are managed centrally by Group Treasury.

27.4 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. Each Group company is responsible for analyzing the credit risk for each of their new customers and managing the quality of their trade receivables on an ongoing basis.

27.5 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 level as perceived by bank partners and debt investors.

For its capital management, the Group monitors the following ratios:

CHFm	31.12.2017	31.12.2016
Net debt/(cash) including outstanding bank guarantees[1]	(8.2)	(18.5)
EBITDA	43.6	16.9
Debt service ratio	**(0.2)**	**(1.1)**
Total assets	229.6	225.1
Shareholders' equity	83.1	80.9
Equity ratio	**36.2%**	**35.9%**

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

28. 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	31.12.2017	31.12.2016
Contract volume	31.2	16.8
Positive fair value [1]	0.7	0.1
Negative fair value [2]	0.8	0.4

[1] Refer to note 6.
[2] Refer to note 12.

Breakdown by currency (CHFm)	31.12.2017	31.12.2016
EUR/CHF	13.3	7.4
SEK/CHF	17.9	9.4
Total	**31.2**	**16.8**

29. COMMITMENTS AND CONTINGENCIES

a) Lease commitments – Group as lessee
The future minimum payments under non-cancellable lease obligations fall due as follows:

CHFm	Operating leases	
	31.12.2017	31.12.2016
Within 12 months	5.9	5.9
Between 1 and 5 years	9.4	9.8
Later	0.3	0.7
Total	**15.6**	**16.4**

b) Lease commitments – Group as lessor
The future minimum lease receivables under non-cancellable operating leases are as follows:

CHFm	Operating leases	
	31.12.2017	31.12.2016
Within 12 months	1.2	1.0
Between 1 and 5 years	0.7	0.5
Later	–	–
Total	**1.9**	**1.5**

c) Contingencies
Ascom is exposed to a multitude of legal risks internationally in the normal course of business. These relate particularly to risks associated with product liability, patent law, tax law, competition law and executed business acquisitions and disposal. 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 such indemnification. Some Group companies are involved in legal proceedings. The results of currently pending and threatened 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 an outflow of resources is more likely than not, a corresponding provision is made. At 31 December 2017, contingent liabilities amount to CHF 3.2 million (previous year: CHF 4.7 million). There is no indication that these liabilities will lead to fulfillment payments.

30. PLEDGED ASSETS

At 31 December 2017, property, plant and equipment with a total carrying amount of CHF 2.4 million (previous year: CHF 2.2 million), and cash and cash equivalents with a total carrying amount of CHF 0.2 million (previous year: CHF 0.2 million) were pledged.

31. EVENTS AFTER THE BALANCE SHEET DATE

Since the balance sheet date, no other subsequent adjusting events have occurred that impact the 2017 consolidated financial statements.

32. PROPOSAL OF THE BOARD OF DIRECTORS

For the year ended 31 December 2017, the Board of Directors proposes to the Annual General Meeting on 11 April 2018 a dividend of CHF 0.45 per share entitled to dividends. This represents a total distribution up to CHF 16.2 million. In 2017, a total dividend of CHF 28.8 million was distributed to the shareholders of Ascom Holding AG.

33. TIME OF RELEASE FOR PUBLICATION

The Board of Directors approved the 2017 consolidated financial statements on 23 February 2018 and authorized them for publication at the media conference on 1 March 2018.

34. CONSOLIDATED COMPANIES

Country	Company	Registered office	Business activities		Share capital	Parent company	Group's interest
Australia	GTM Resources Pty. Ltd.	Chippendale	●	AUD	3	Ascom Holding AG	100%
	Ascom Integrated Wireless Pty. Ltd.	Alexandria NSW	■	AUD	3,000,000	GTM Resources Pty. Ltd.	100%
Belgium	Ascom (Belgium) NV	Zaventem	■	EUR	1,424,181	Ascom Holding AG	100%
Brazil	Ascom Soluções em Telefonia Móvel Limitada [2]	São Paulo	■	BRL	1,000	Ascom (Sweden) Holding AB [2]	100%
China	Ascom (Beijing) Network Testing Service Co., Ltd. [2]	Beijing	■★	CNY	17,000,000	Ascom (Sweden) Holding AB [2]	100%
Denmark	Ascom Danmark A/S	Glostrup	■	DKK	1,200,000	Ascom Holding AG	100%
Finland	Ascom Miratel Oy	Turku	■	EUR	33,638	Ascom Holding AG	100%
France	Ascom Holding SA [3]	Nanterre	–	EUR	80,000	Ascom Holding AG	100%
	Ascom (France) SA	Nanterre	■	EUR	2,000,000	Ascom Holding AG	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 Solutions Ltd.	6%
	Ascom Unternehmensholding GmbH	Frankfurt a.M.	●	EUR	5,113,000	Ascom Holding AG	100%
India	Ascom Network Testing Private Limited [2]	Mumbai	■	INR	64,929,938	Ascom (Sweden) Holding AB [2]	100%
Italy	Ascom UMS S.r.l.	Scandicci	■	EUR	100,000	Ascom Solutions Ltd.	100%
Malaysia	Ascom Network Testing Sdn Bhd [2]	Subang Jaya	■★	MYR	500,000	Ascom (Sweden) Holding AB [2]	100%
	Ascom (Malaysia) Sdn Bhd	Petaling Jaya	■	MYR	1,000,000	Ascom Holding AG	100%
Netherlands	Ascom (Nederland) BV [4]	Utrecht	■	EUR	1,361,000	Ascom Solutions Ltd.	100%
Norway	Ascom (Norway) A/S	Oslo	■	NOK	1,250,000	Ascom Solutions Ltd.	100%
Poland	Ascom Poland Sp. z o.o. [3]	Warsaw	–	PLN	2,405,200	Ascom Holding AG	100%
Singapore	Ascom Solutions (Singapore) Pte Ltd	Singapore	■	SGD	50,000	Ascom Solutions Ltd.	100%
South Africa	Ascom Network Testing (PTY) Ltd. [2]	Durban	■	ZAR	1,000	Ascom (Sweden) Holding AB [2]	100%
Sweden	Ascom (Sweden) AB	Gothenburg	■★	SEK	96,154,000	Ascom Holding AG	100%
	Ascom (Sweden) Holding AB [2]	Gothenburg	●	SEK	70,000,000	Ascom Holding AG	100%
	Ascom Network Testing AB [2]	Skellefteå	◆■★	SEK	100,000	Ascom (Sweden) Holding AB [2]	100%
Switzerland	Ascom Holding AG	Baar	●	CHF	18,000,000	n/a	100%
	Ascom Management Ltd. [1]	Baar	●	CHF	200,000	Ascom Holding AG	100%
	Mocsa AG in Liquidation	Berne	–	CHF	100,000	Ascom Holding AG	100%
	Ascom Solutions Ltd.	Mägenwil	■	CHF	10,000,000	Ascom Holding AG	100%
United Kingdom	Ascom Network Testing Ltd. [2]	Elstead	■★	GBP	2	Ascom UK Group Ltd. [3]	100%
	Ascom (UK) Ltd.	Lichfield	■	GBP	50,000	Ascom Solutions Ltd.	100%
	Ascom UK Group Ltd. [3]	Birmingham	●	GBP	600,000	Ascom Holding AG	100%
UAE	Ascom MEA FZ-LLC [2]	Dubai	■	AED	50,000	Ascom (Sweden) Holding AB [2]	100%
	Ascom MEA FZE [2]	Dubai	■	AED	50,000	Ascom (Sweden) Holding AB [2]	100%
USA	Ascom Holding Inc. [3]	Rockaway NJ	–	USD	10	Ascom Holding AG	100%
	Ascom (US) Inc.	Morrisville NC	■★	USD	1	Ascom Solutions Ltd.	100%
	Ascom Network Testing Inc. [2]	Reston VA	◆■★	USD	1	Ascom Holding AG	100%

[1] Ascom Management Ltd. was merged into Ascom Holding AG in January 2017.
[2] This company was sold in September 2016 (refer to note 3).
[3] This company was liquidated in 2016.
[4] Ascom Tateco BV was merged into Ascom (Nederland) BV in January 2016.

The following describe the various types of entities within the Group:

● Holding/Finance: This entity is a holding company and/or performs finance functions and provides management services.

■ Sales: This entity performs sales, installation, maintenance and marketing activities.

◆ Production: This entity performs manufacturing and/or production activities.

★ Research and Development: This entity performs research and development activities.

□ Real estate: This entity performs real estate activities.

– Other: This entity is dormant or in liquidation.

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Report of the statutory auditor to the General Meeting of Ascom Holding AG, Baar

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Ascom Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements pages 48 to 77 give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

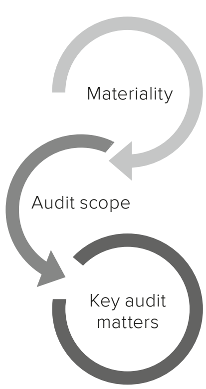
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



- Overall Group materiality: CHF 1,660,000
- We concluded full scope audit work at 5 reporting units in 5 countries. Our audit scope addressed over 58% of the Group's revenue.
- In addition, specified procedures were performed on a further 2 reporting units in 2 countries representing a further 20% of the Group's revenue.

As key audit matter sales and revenue recognition (multi-element contracts) has been identified as an area of focus.

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Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

In 2017, the Group was structured as a “one company” functional organization. The Group financial statements are a consolidation of over 20 reporting entities. We identified 5 reporting entities that, in our view, required an audit of complete financial information. To obtain appropriate coverage over all material financial statement line items, we identified 2 additional reporting units that, in our view, required specified audit procedures over significant balances and transactions including revenue.

For the remaining components, we performed other procedures to test or assess that there were no significant risks of material misstatement in these components in relation to the Group financial statements.

To ensure sufficient and appropriate involvement of the Group team, we held conference calls with selected component teams responsible for full scope audits during the different phases of the audit. We discussed the risks identified and challenged the audit approach in significant risk areas relevant to those components. Furthermore, we obtained a memorandum of examination from all full scope component teams and assessed the results and impact on the Group financial statements and challenged their conclusions.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

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Overall Group materiality	CHF 1,660,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 166,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sales and Revenue recognition (multi-element contracts)

Key audit matter	How our audit addressed the key audit matter
As described in note 2.6 "revenue recognition" the consolidated financial statements include revenues from multi-element contracts including goods and services. Those revenues are allocated to the separable components based on the relative fair value of the separable components. Service revenue is then accrued over the service period outlined in the contract. We focused on this area due to the size of revenues earned from multi-element contracts, and the fact that contract accounting involves assessing and allocating the separable components based on the underlying terms of individual contract. As part of our work we focused on management's processes in applying the methodology. Risks mainly include: ▪ Improper allocation of service revenues and revenues from components. ▪ Incorrect recognition of revenues of service components (cutoff and matching of revenues and efforts).	We obtained an understanding of processes and internal controls around revenue recognition of multi-element contracts and tested key controls in place to assess the appropriate application of the group accounting policies. We challenged management's assessments around multi-element contracts and the allocation of revenues of goods and services, particularly where judgement is involved. We also assessed whether management's policies and processes for making these estimates continue to be appropriate and are applied consistently to the contracts of a similar nature. Furthermore we performed a comparison of this year's data with the previous year's data. We selected a sample of contracts (or revenue transactions) to test the appropriateness of the separation of revenue of goods and services and to assess whether the revenue on service contracts for multi-element contracts was recorded in the correct period. The combination of the procedures carried out above gave us sufficient evidence to address the risk identified around revenue recognition on multi-element contracts and had no significant findings as a result of our work.

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Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

Thomas Wallmer	Daniel Wyss
Audit expert	Audit expert
Auditor in charge	

Zurich, 23 February 2018

Summary of key financial data

CHFm	2017	2016	2015	2014	2013[1]
Incoming orders	324.8	360.4	412.5	450.4	478.0
Order backlog[2]	143.3	121.8	135.2	150.4	137.3
Net revenue	309.7	354.3	410.8	437.7	459.7
EBITDA	43.6	16.9	43.8	64.8	67.6
Earnings before interest and income tax (EBIT)	33.2	1.3	27.3	47.6	47.6
Personnel expenses	(128.3)	(172.5)	(178.9)	(183.1)	(190.0)
Depreciation, amortization and impairment[6]	(10.4)	(15.6)	(16.5)	(17.2)	(20.0)
Group profit/(loss) for the period	25.9	(145.7)	24.3	37.5	36.9
Net cash flow from operating activities	16.2	6.0	33.3	46.5	63.3
Capital expenditures on property, plant and equipment	2.5	4.1	4.2	4.4	2.8
Capital expenditures on intangible assets	7.8	18.3	9.0	9.2	5.8
Research and development expenditures[3]	(34.5)	(46.4)	(47.8)	(48.7)	(46.4)
Balance sheet total[2]	229.6	225.1	286.4	313.4	477.8
Shareholders' equity[2]	83.1	80.9	116.7	107.9	246.4
Shareholders' equity in % of balance sheet total[2]	36.2	35.9	40.7	34.4	51.6
Net cash or (net debt)[2,4]	12.3	24.1	37.3	27.1	(2.9)
Gearing in %[5]	21.7	12.6	17.2	21.4	24.8
Dividends paid/distribution of share premium	28.8	16.1	15.8	14.0	12.2
Number of employees (FTE)[2]	1,223	1,188	1,658	1,696	1,586

[1] Key figures according IFRS based on income, expenses or cash flows are derived from continuing operations.
[2] At 31 December.
[3] Contains research and development expenditures either charged to profit or loss or recognized as intangible assets.
[4] Cash and cash equivalents less borrowings.
[5] Borrowings/shareholders' equity.
[6] Excludes depreciation, amortization and impairment from non-operating result.

Balance sheet

Assets

CHF 1,000	31.12.2017	31.12.2016
Cash and cash equivalents	7,196	6,319
Other current receivables		
Group companies	5,595	1,319
Third parties	26	7,929
Prepaid expenses	86	–
Total current assets	**12,903**	**15,567**
Financial assets		
Group companies	19,830	22,922
Third parties	12,211	11,758
Investments in Group companies	424,693	424,846
Total non-current assets	**456,734**	**459,526**
Total assets	**469,637**	**475,093**

Liabilities and shareholders’ equity

CHF 1,000	31.12.2017	31.12.2016
Other current liabilities		
Group companies	14	1,231
Third parties	391	2,080
Accrued expenses	1,532	397
Total current liabilities	**1,937**	**3,708**
Non-current interest-bearing liabilities		
Group companies	46,552	38,407
Third parties	18,000	10,000
Non-current provisions	4,298	4,298
Total non-current liabilities	**68,850**	**52,705**
Share capital	18,000	18,000
Legal reserve from capital contribution	1,123	1,123
Other legal reserve	5,400	5,400
Retained earnings available for distribution at the end of the year		
Retained earnings	367,584	453,417
Profit/(loss) of the period	7,218	(58,214)
Treasury shares held by Ascom Holding AG	(475)	(1,046)
Total shareholders’ equity	**398,850**	**418,680**
Total liabilities and shareholders’ equity	**469,637**	**475,093**

Income statement

CHF 1,000	2017	2016
Investment income from Group companies	–	6,346
Other income	16,568	3,505
Total ordinary income	**16,568**	**9,851**
Administration expenses	(9,401)	(6,547)
Value adjustments on investments and loans	–	(4,131)
Total operating income	**7,167**	**(827)**
Financial expenses	(1,712)	(4,142)
Financial income	1,743	1,898
Loss from disposal of business	–	(55,039)
Profit/(loss) before tax	**7,198**	**(58,110)**
Income taxes	20	(104)
Profit/(loss) for the period	**7,218**	**(58,214)**

Notes to the annual financial statements

1. General

Ascom Holding AG, Baar, which is listed on the SIX Swiss Exchange in Zurich (Switzerland), is the holding company of the Ascom Group. The financial statements comply with the requirements of the Swiss accounting legislation of the Swiss Code of Obligations (SCO). Ascom Holding AG is presenting consolidated financial statements according to Swiss GAAP FER. As a result, these financial statements and notes do not include additional disclosures and cash flow statement.

2. Accounting policies

Non-current assets, namely investments and financial assets, are recognized at cost less necessary value adjustments. Currency differences resulting from the revaluation of loans in foreign currencies are charged to the income statement. Provisions are recorded for unrealized net currency gains. The valuation of investments in Group companies is performed according a group assessment as opposed to at individual Group company level. Current assets are valued at nominal value less necessary value adjustments. Liabilities are valued at nominal value. Effects from foreign currencies are charged to the income statement. Provisions are made to cover general business risks of the Group. Derivative financial instruments are used for hedging purposes. These instruments are valued at fair value.

Treasury shares are initially recognized at cost, deducted from equity and are valued at historical acquisition value without subsequent valuation adjustment. Gains or losses related the disposal of treasury shares are recorded in the income statement.

Investment income consists mainly of dividend paid by Group companies and is recognized on approval's date of the Annual General Meeting.

3. Contingent liabilities

Outstanding parent guarantees in respect of third parties total CHF 26.0 million (previous year: CHF 47.8 million).

4. Investments

Direct and indirect investments are listed in note 34 of the consolidated financial statements.

5. Pledged assets

At 31 December 2017, no directly held assets are pledged (previous year: nil).

6. Foreign currencies

The exchange rates used for balance sheet items are the rates prevailing on 31 December; the exchange rates used for transactions conducted during the course of the year and for items in the profit and loss statement are closing rates of the previous corresponding month.

7. Number of full-time equivalents

The number of full-time equivalents exceeded 10, but did not exceed 250 on an annual average basis.

8. Treasury shares

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

CHFm	Number 2017	Amount 2017	Average transaction price	Number 2016	Amount 2016	Average transaction price
Balance at 1.1.	**98,075**	**1.0**	**10.66**	**220,894**	**2.3**	**10.62**
Additions	–	–	–	975	–	17.92
Disposals	(53,528)	(0.5)	10.66	(123,794)	(1.3)	10.64
Balance at 31.12.	**44,547**	**0.5**	**10.66**	**98,075**	**1.0**	**10.66**

9. Significant shareholders

The following significant shareholder (holding 5% or more of voting rights, as defined by Art. 663c of the Swiss Code of Obligations) was recorded in the share register at 31 December 2017:

- Veraison SICAV, Zurich, Switzerland (7.62%).
- UBS Fund Management (Switzerland) AG, Basel, Switzerland (5.41%).

This does not cover shares, which are not registered in the share register (dispo shares). Dispo shares amounted to 39.12% as of 31 December 2017 (previous year: 35.23%).

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

Announcement date	Shareholder	% of voting rights held in Ascom securities
04.03.2016	Veraison SICAV, Zurich	5.0176%
13.09.2016	Credit Suisse Funds AG, Zurich, Switzerland	3.30%
24.09.2016	BlackRock Inc., New York, USA	2.69%
24.01.2017	UBS Fund Management (Switzerland) AG, Basel, Switzerland	5.13%
13.05.2017	Norges Bank, Oslo, Norway	3.11%
24.05.2017	Schroders plc, London, UK	4.962%
24.08.2017	Cologny Advisors LLP, London, UK	3.07%
10.11.2017	Patrik Schmitz-Morkramer/Patrick Bierbaum (PSquared Master SICAV), Zurich	3.04%

There are no known shareholders' agreements. Additional details are disclosed in the first chapter of the Corporate Governance Report (refer to page 16).

10. Participations

Number of participations which were held by members of the Board of Directors	Shares [1]	
	2017	**2016**
Andreas Umbach, Chairman	41,750	41,750
Christina Stercken	1,000	–
Dr Harald Deutsch	2,000	2,000
Juhani Anttila, former Chairman	n/a	80,000
Dr J.T. Bergqvist, former member	n/a	20,000
Total Board of Directors	**44,750**	**143,750**

[1] Acquired by the Board members from the market.

Number of participations which were held by members of the Executive Board	Shares [1]	Shares [1]
	2017	**2016**
Holger Cordes, CEO	35,700	18,500
Anette Weber, CFO	5,200	n/a
Claes Ödman, COO	–	595
Francis Schmeer, EVP of Marketing&Business Development	1,050	550
Bianka Wilson, former CFO	n/a	5,870
Total Executive Board	**41,950**	**25,515**

[1] Acquired by the members of the Executive Board from the market.

No members of the Executive Board and no members of the Board of Directors or closely related parties hold any conversion or option rights. Additional details are disclosed in in section III of the Remuneration Report (refer to pages 41 to 42).

Shares or options on shares for members of the Board of Directors and employees

In 2017, no options on shares were allocated to members of the Board of Directors or to employees (previous year: nil). The following information relates to the allocation of shares):

	Quantity	Value	Quantity	Value
CHF 1,000		**Shares 2017**		**Shares 2016**
Allocated to members of the Board	–	–	–	–
Allocated to employees	8,733	168	n/a	n/a
Total	**8,733**	**168**	**0**	**0**

11. Events after the balance sheet date

Since the balance sheet date, no subsequent adjusting events have occurred that impact the 2017 financial statements.

12. Time of release for publication

The Board of Directors approved the 2017 statutory financial statements on 23 February 2018 and authorized them for publication at the media conference on 1 March 2018.

Comments on the financial statements

Assets

Investments include shares in Group companies amounting to CHF 424.7 million (previous year: CHF 424.8 million). In 2016, value adjustments on investments and Group loans in the amount of CHF 4.1 million were performed.

In the year under review, the loans to Group companies are mainly denominated in CHF, EUR, and USD. Financial assets from third parties comprise mainly the subordinated vendor loan amounting to CHF 12.2 million at actual value (having a nominal value of USD 15 million, a 7-year maturity and a stated interest rate of 4% p.a.) granted in connection with the disposal of the Network Testing Division.

Other current receivables from Group companies consist mainly of short-term receivables denominated in CHF, EUR, USD and SEK. In 2016, other current receivables from third parties comprised mainly the final purchase adjustments (denominated in USD) related to the disposal of the Network Testing Division, in accordance with the share and purchase agreement, and was settled in 2017.

Liabilities and equity

In the year under review, total loans from Group companies increased by CHF 8.1 million.

Bank loans comprise amounts drawn under available revolving multicurrency loan facilities in an aggregate amount of CHF 35.0 million denominated in CHF. The final maturity date of the loan facilities is 24 May 2020.

Accrued expenses are mainly related to derivative financial instruments and personnel related accruals.

Income statement

Other income comprises trademark and management fees charged to Group companies of CHF 16.6 million (previous year: CHF 3.5 million).

Administration expenses include CHF 7.2 million (previous year: CHF 1.8 million) of personnel-related costs.

The increase of other income and administration expenses is mainly due to the merger with Ascom Management AG.

In the year under review, there were no value adjustments on investments and loans in Group companies (previous year: CHF 4.1 million).

Financial expenses consist mainly of interest of CHF 0.2 million paid to banks (previous year: CHF 0.2 million) and Group companies, as well as bank charges of CHF 0.2 million (previous year: CHF 0.5 million) and foreign exchange losses on Group loans and other current receivables of CHF 1.3 million (previous year: CHF 3.4 million).

Financial income consists mainly of interest income from loans to Group companies of CHF 0.4 million (previous years: CHF 1.2 million) and from the subordinated vendor loan of CHF 1.1 million (previous year: CHF 0.3 million).

Profit for the period

In 2017, Ascom Holding AG records a net profit of CHF 7.2 million (previous year: net loss of CHF 58.2 million), while Ascom Group records a consolidated net profit of CHF 25.9 million (previous year: consolidated net loss of CHF 145.7 million).

Proposal for the appropriation of retained earnings 2017

CHF	2017
Retained earnings from previous year	395,202,758
Merger gain	1,132,170
Distribution of dividends	(28,751,070)
Result for the period	7,218,103
Retained earnings at 31.12.2017	**374,801,961**
Distribution of CHF 0.45 per share entitled to dividends	(16,200,000)
Balance to be carried forward	358,601,961

Proposal for the appropriation of reserves from capital contribution 2017

CHF	2017
Distributable reserves from capital contribution from previous year	1,123,243
Distribution of reserves from capital contribution	–
Distributable reserves from capital contribution at 31.12.2017	**1,123,243**
Balance to be carried forward	1,123,243

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Report of the statutory auditor to the General Meeting of Ascom Holding AG, Baar

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ascom Holding AG, which comprise the balance sheet as at 31 December 2017, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 83 to 89) as at 31 December 2017 comply with Swiss law and the company's articles of incorporation.

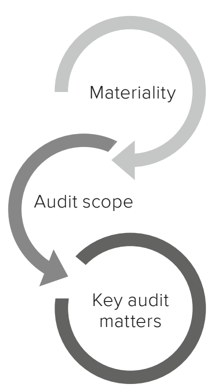
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



- Overall materiality: CHF 1,995,000
- We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the valuation of investments in Group companies has been identified as an area of focus.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 1,995,000
How we determined it	0.5% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the entity is most commonly measured, and is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 100,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in Group companies

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2017, investments in Group companies of Ascom Holding AG amounted to CHF 425m. These are directly held investments, which may hold other subsidiaries of the group. Due to the strong vertical integration of Ascom's business, the valuation of investments in Group companies is performed according a group assessment as opposed to individual Group com-pany level. This accounting policy is referenced in note 2. Accounting Policies. We consider the impairment assessment, in particularly the divisional grouping as a key audit matter, due to the significance of the investments position on the balance sheet of Ascom Holding AG and because of the level of judgement involved in concluding on the single divisional grouping for valuation purposes.	We performed the following audit procedures: ▪ We assessed the appropriateness of the grouping of the investments as one segment based on their level of vertical integration. We did this by critically reviewing the different elements of Management's assessment and validating them with evidence and our understanding of the economic links amongst the Ascom Group companies. ▪ We then verified the valuation of the group of investments based on a discounted cash-flow model performed by management. Due to the large headroom the results from model were not sensitive to any changes in assumptions and hence our work was limited. Additional comfort was provided by the market capitalisation of the Group. On the basis of the audit procedures above, we have gained sufficient evidence to address the risk of material misstatements in valuation of investments in subsidiaries. We have no findings to report.

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Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

Thomas Wallmer Audit expert Auditor in charge	Daniel Wyss Audit expert

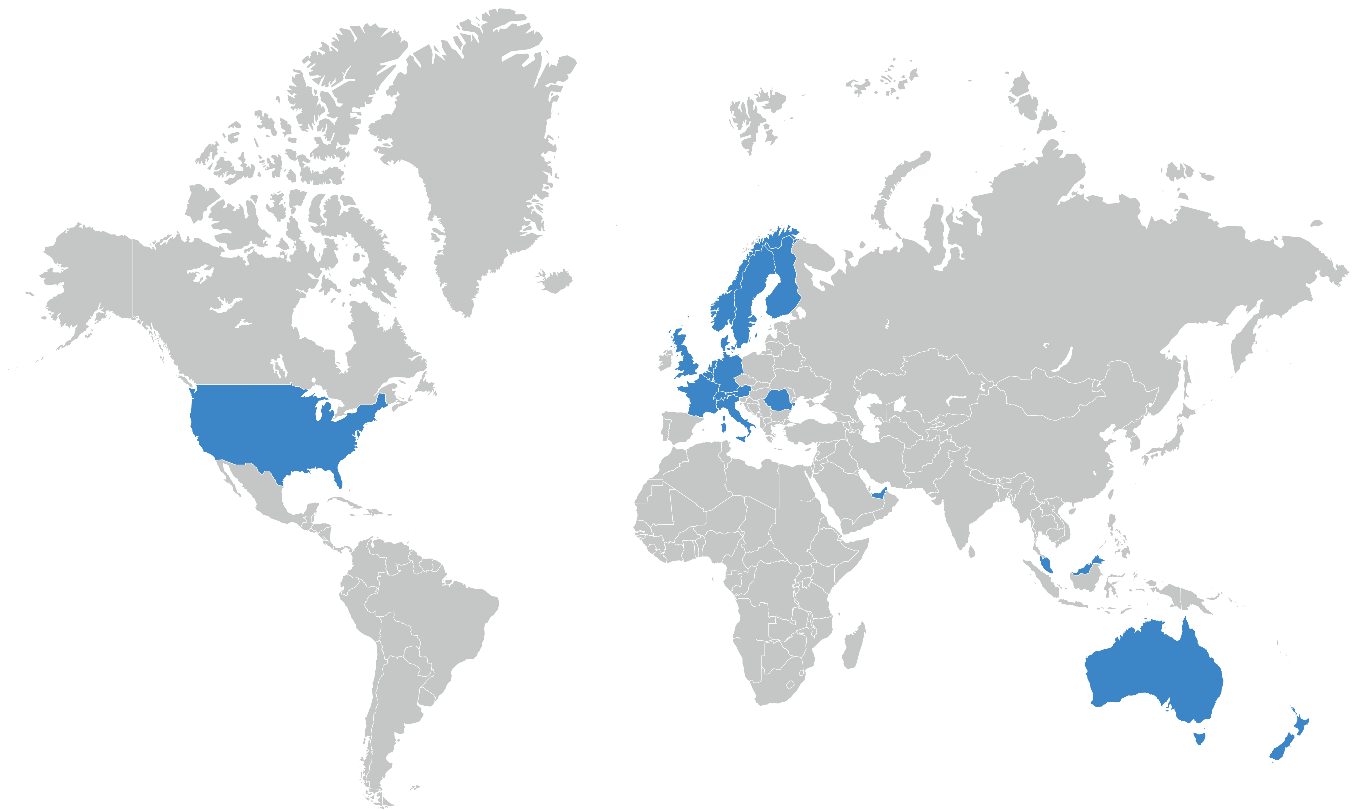
Zurich, 23 February 2018

Key financial data on the share capital

CHF		2017	2016	2015	2014	2013
Dividend/distribution per share						
Registered shares	CHF 0.50	0.80	0.45	0.45	0.40	0.35
Equity per share [1, 2]						
Registered shares	CHF 0.50	2.31	2.25	3.24	2.96	7.12 [3]
Earnings per share [1, 2]						
Registered shares	CHF 0.50	0.72	(4.07)	0.69	1.07	1.07 [3]
Share price (high/low of the period under review)						
Registered shares	CHF 0.50	25.40/15.45	18.30/14.36	20.75/12.80	18.29/11.85	15.00/8.60
Taxable values [1]						
Registered shares	CHF 0.50	25.20	16.00	15.90	15.25	15.00
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	44,547	98,075	220,894	890,894	1,073,169

[1] At 31 December.
[2] Based on the consolidated financial statements.
[3] Based on the consolidated financial statements according to IFRS.

Worldwide contacts



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

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

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

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

Finland, Turku
Ascom Miratel Oy
myynti@ascom.com

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

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

Italy, Florence
Ascom UMS S.r.l.
it.info@ascom.com

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

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

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

Romania, Cluj-Napoca
Ascom Mobile Solutions Romania SRL
info.ro@ascom.com

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

Switzerland, Baar
Ascom Holding AG
investor@ascom.com

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

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

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

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

Dates and contacts

Important dates

11 April 2018
Annual General Meeting
Theater Casino, Zug

16 August 2018
2018 Half-Year Results Conference
Restaurant Metropol, Zurich

Contact address

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

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 2017 Annual Report of the Ascom Group is available in English only and can be viewed online at: https://www.ascom.com/Investor-Relations/Financial-information/Reports-and-presentations.html

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