ascom

Annual Report 2019

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

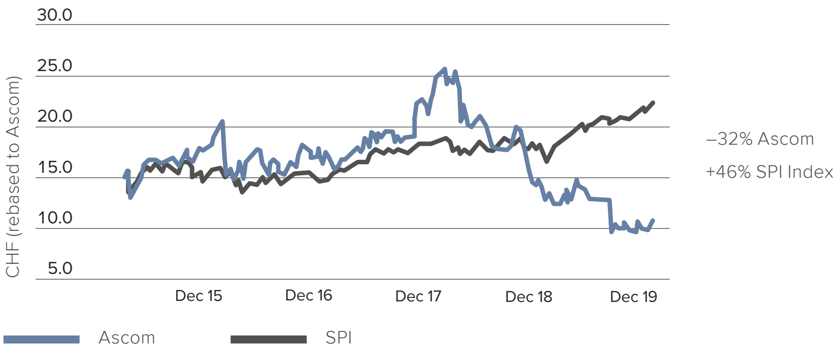
	2019[1]	2018	2017	2016	2015
Dividend (CHF per share)	0	0.45	0.45	0.80	0.45
Average annual share price (CHF)	11.9	19.2	19.6	16.7	16.8
Dividend yield (%)	N/A	2.3%	2.3%	4.8%	2.7%

[1] Proposal to the Annual General Meeting.

Share information

	2019	2018
Share price at 31.12. in CHF	10.52	13.58
Market capitalization at 31.12. in CHFm	378.72	488.88
Nominal value per share in CHF	0.50	0.50

Share price performance 2015 to 2019



315.

Incoming orders

282.9m

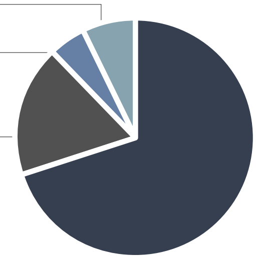
Net revenue

Revenue by region

OEM 7%

Asia, Australia, Africa (AAA) 5%

Americas 18%

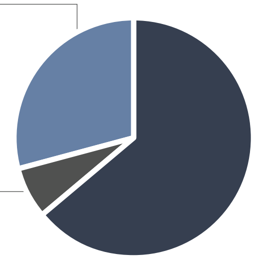


Europe 70%
Benelux 21%
Nordics 17%
DACH 18%
Rest of Europe 14%

Revenue by segment

Enterprise 29%

OEM 7%



Healthcare 64%

5m

Annual Report 2019

Dr Valentin Chapero Rueda, Chairman; Jeannine Pilloud, CEO

Letter to Shareholders

Dear Shareholders,

We look back on a very challenging year for Ascom with disappointing results. The business year 2019 headed into the wrong direction as costs went up and revenue decreased. Despite this, Ascom is well positioned in a very promising market both in the Healthcare and the Enterprise sector. However, faced with delivery issues, a high cost base and organizational complexity, we experienced a drop in financial performance and had to respond fast and decidedly.

In August 2019, the Board of Directors decided to launch a restart at Ascom with a new leadership. Jeannine Pilloud took over the double mandate as Chairperson & CEO as of 2 August 2019. In order to lead Ascom back on the path of profitable growth, Jeannine Pilloud assumed the operational management of the Company completely a few months later. Effective as of 7 November 2019, she took over as Ascom's CEO, supported by Dominik Maurer as the new CFO, who joined the Company in October 2019.

Dr Valentin Chapero Rueda, member of the Board of Directors since 2016, was elected Chairman of the Board of Directors as of 7 November 2019. This was followed by the announcement in January 2020 of four new members for the Board of Directors who will be proposed for election at the Annual General Meeting 2020.

Leaner organization with strong customer proximity

In addition to the new leadership, the Board of Directors decided to implement a new Group structure as of 1 February 2020. Going forward, Ascom will focus on a lean and simple organization and strong customer proximity. A group-wide transformation project has been initiated to achieve this and is well on track.

The Managing Directors of the major markets now have end-to-end responsibility for their business and report directly to the CEO. In addition, a Clinical Solutions Team has been set up on Group level in order to address and support complex clinical solutions in all relevant markets with the best-in-class experts of Ascom.

Cost base to be lowered by CHF 10 to 15 million

In 2019, Ascom generated net revenue of CHF 282.9 million, including a negative currency impact of about CHF 8.5 million. At constant currencies, net revenue declined by 8.5% year-over-year. Incoming orders showed a slight decline of 1.4%, while the order backlog increased by 22%, both at constant currencies. The EBITDA decreased in 2019 to CHF 0.8 million, mainly due to the decline in revenue, the high cost base and one-off effects including restructuring costs of CHF 6.1 million. Ascom closed the financial year 2019 with a positive Group profit of CHF 0.5 million, also due to positive one-off effects such as the sale of the Technologiepark Teningen.

Given the disappointing 2019 financial results, Ascom plans to lower its annual cost base by about CHF 10 to 15 million. With this structural program already under way and additional optimization efforts, Ascom has laid the foundations to achieve improvements already in 2020.

Board of Directors strengthened with experienced leaders

Four new Board members are proposed by the Board of Directors for election at the upcoming Annual General Meeting:

- Nicole Burth Tschudi, CEO Adecco Group Switzerland
- Laurent Dubois, former CEO GE Healthcare Partners
- Michael Reitermann, former member of Managing Board Siemens Healthineers
- Dr Andreas Schönenberger, CEO of Sanitas Krankenversicherung

The proposed new Board members are all experienced leadership personalities with a strong international background and offer a broad mix of expertise in professional services, healthcare and management of transformation processes.

Following the election of the proposed new members, the Board of Directors will consist of six members including Dr Valentin Chapero Rueda, Chairman of the Board, and Jürg Fedier, Chairman of the Audit Committee. The new composition of the Board of Directors further enhances the industrial competence of the Board and reflects the Company's orientation as a global solutions provider focused on healthcare ICT and mobile workflow solutions.

The current members Dr Harald Deutsch, Christina Sterckn and Andreas Umbach will not stand for re-election at the upcoming Annual General Meeting. The Board of Directors thanks the resigning members for their valuable contribution.

Dividend payment

Ascom has paid a dividend in previous years in line with the achieved Group profit. Due to the very low Group profit this year, the Board of Directors proposes not to pay out a dividend for 2019 accordingly.

Outlook

Ascom expects 2020 to become a challenging year of transition. We have laid the foundations to achieve improvements already in 2020. We are confident that we have taken the necessary steps to allow Ascom to return to profitable growth.

Note of thanks

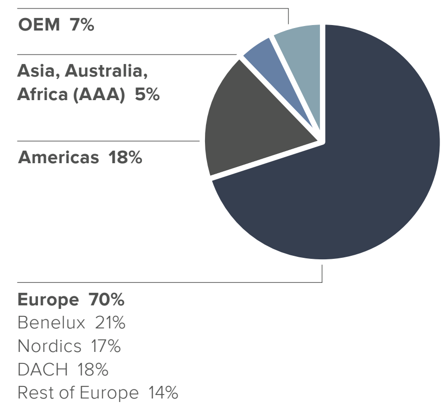
2019 has been a very challenging year for all of us. On behalf of the entire Board of Directors and the Executive Committee, we would like to thank all employees for their hard work and strong commitment. We also thank our customers, suppliers and business partners for their support. Finally, we would like to thank you, our valued shareholders, for your loyalty to Ascom.

Sincerely,

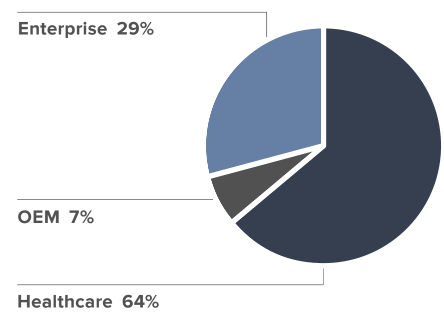
Dr Valentin Chapero Rueda
Chairman of the Board

Jeannine Pilloud
CEO

Revenue by region

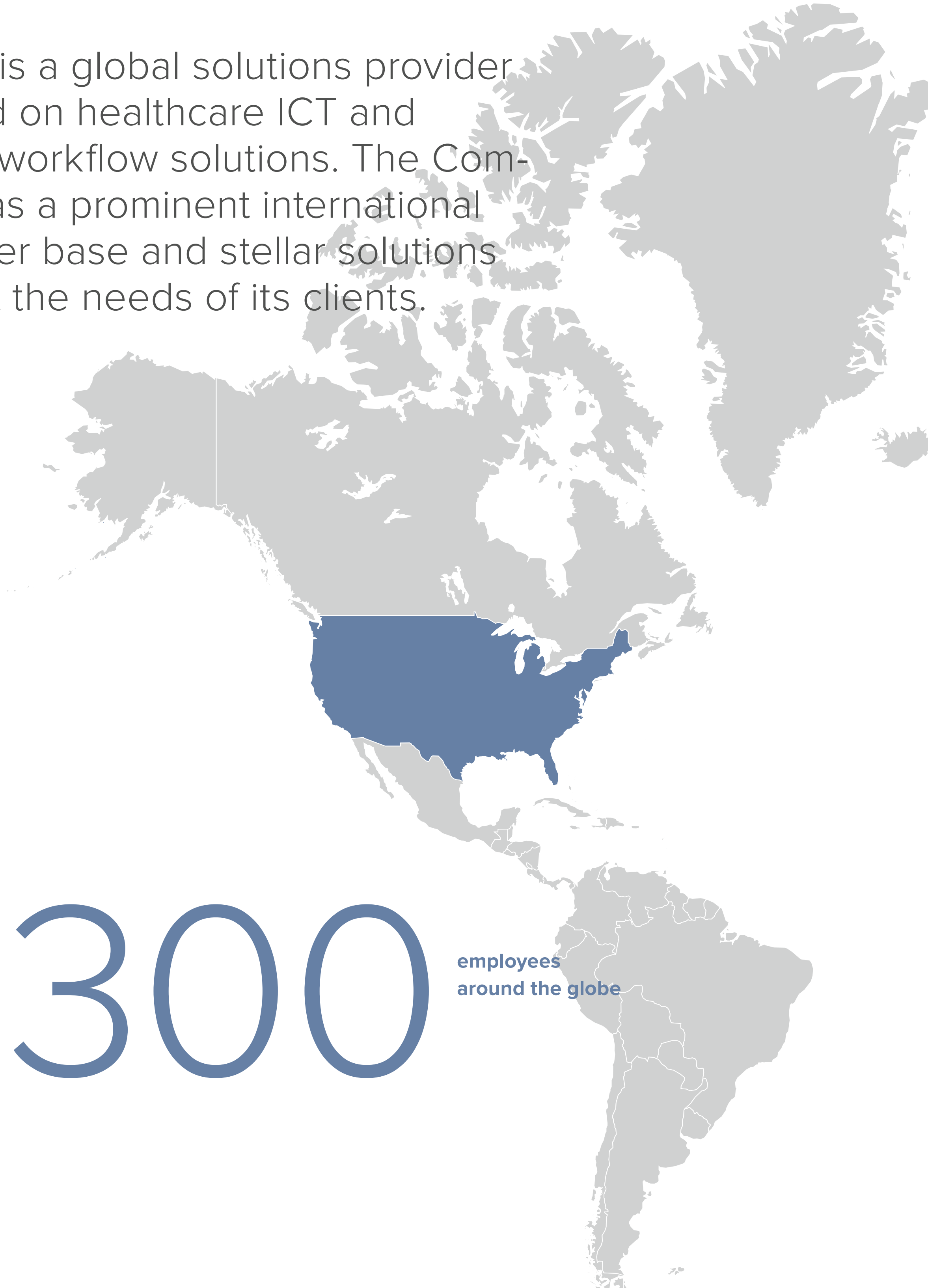


Revenue by segment



A technology company operating worldwide

Ascom is a global solutions provider focused on healthcare ICT and mobile workflow solutions. The Company has a prominent international customer base and stellar solutions to meet the needs of its clients.



1,300 employees around the globe

18 **operating businesses worldwide**

Performance Report 2019

Ascom faced a very challenging year and delivered disappointing results in 2019. Therefore, the Board of Directors decided to launch a restart with a new leadership team and to focus on a lean and simple organization with stronger customer proximity.

Review of 2019 results

Ascom generated for full financial year 2019 net revenues of CHF 282.9 million, representing a decline of 8.5% at constant currencies[1] (2018: CHF 318.5 million). The Company suffered from a weak demand in the OEM business (which is accounting for 7% of the total revenue), which declined by 35%. The various regions performed differently. While UK and the DACH region showed a positive development, performance in North America as well as in most of the other regions was unsatisfactory. The Healthcare sector accounted for 64% of the revenue in 2019 (2018: 63%), while the Enterprise sector was at 29% (2018: 28%) and the OEM business at 7% (2018: 9%). Recurring revenue increased to 24% compared to 21% in financial year 2018.

Lower profitability

Profitability was hit by the decline in revenue, the high cost base and one-off effects including restructuring costs of CHF 6.1 million in the second half of 2019. Overall, EBITDA[2] was slightly positive and amounted to CHF 0.8 million (2018: CHF 39.0 million), while EBIT was negative at CHF –13.4 million (2018: CHF 26.6 million). The normalized EBITDA, adjusted for one-off effects, amounts to CHF 11.0 million with an EBITDA margin of 3.9%.

Due to a positive net financial result, a positive one-off effect in particular from the divestment of the non-operating property Technologiepark Teningen (Germany) in the first half-year 2019 and a positive effect in income taxes, Ascom closed financial year 2019 with a Group profit of CHF 0.5 million (2018: CHF 21.4 million).

Strong order backlog

During 2019, Ascom was able to win important orders in the healthcare sector such as a large contract with a leading hospital in Singapore, an important contract with the renowned Italian Campus Bio-Medico University Hospital and a large order for Ascom Myco 3 smartphones in the UK. The Ascom Myco 3 smartphone was also listed in 2019 on the target platform for the healthcare application Epic Rover – an important strategic step.

[1] Constant currencies are calculated by converting current numbers using the prior year's average exchange rate.

[2] Definition of EBITDA, see consolidated income statement on page 63 of this Annual Report.

In the Enterprise sector Ascom was able to secure important contracts for a power plant and a large prison in Germany.

Overall, in 2019 incoming orders came to CHF 315.5 million (–1.4% at constant currencies) while the order backlog grew by 22% at constant currencies and increased to CHF 177.5 million, which represents a good basis for revenue growth in the first half of 2020.

Cash flow and balance sheet

During financial year 2019, Ascom generated a positive cash flow of CHF 2.9 million from operating activities (2018: CHF 20.0 million). The lower operating cash flow resulted primarily from the significant lower operating result and higher inventories and work in progress due to delivery issues. Cash flow from investing activities amounted to CHF 9.4 million, including CHF 16.4 million for capital expenditure, and CHF 6.9 million proceeds from disposal of property, plant and equipment. Cash flow from financing activities in the amount of CHF 3.9 million included mainly the dividend payment of CHF 16.2 million in April 2019 and proceeds from short-term borrowings of CHF 13.0 million.

At balance sheet date of 31 December 2019, total assets amounted to CHF 214.2 million (2018: CHF 218.4 million). Cash and cash equivalents stood at CHF 18.2 million (2018: CHF 21.2 million), and inventories and work in progress increased to CHF 26.9 million (2018: CHF 19.8 million). Shareholder's equity was at CHF 63.2 million (2018: CHF 83.2 million), and the equity ratio amounted to 29.5% (2018: 35.2%).

New Group structure implemented as of 1 February 2020

The Board of Directors decided to implement a new Group structure as of 1 February 2020. Going forward, Ascom will focus on a lean and simple organization and strong customer proximity. A group-wide transformation project has been initiated to achieve this and is well on track.

Already in the second half of 2019, a comprehensive cost-saving program has been initiated in order to reduce Ascom's annual cost base by CHF 10 to 15 million. Besides targeted measures to reduce costs, various activities have been undertaken to better exploit Ascom's market potential and increase efficiency. Ascom is confident that the necessary steps have been taken to allow the Company to return to profitable growth.

Fire safety solutions are a part of the Ascom Enterprise platform offering. These solutions can be integrated with other Ascom offerings like the smartphone Ascom Myco 3 and third-party solutions.

Simplifying complexity

The Ascom Healthcare Platform at work at Singapore's Sengkang Hospitals

How Ascom solutions are enabling smooth, efficient communications and workflows at 1,200-bed state-of-the-art Sengkang Hospitals.

It's one of the latest developments in Singapore's already impressive catalogue of healthcare achievements: a healthcare campus featuring the 800-bed Sengkang General Hospital and the neighboring 400-bed Sengkang Community Hospital for rehabilitative care.

Officially opened in March 2019, the two hospitals are designed to meet the complex care needs of the city-state's ageing population. As such, a key goal of the initiative is to simplify communications across care providers particularly in the age of team-based care.

Moving beyond nurse call

A major challenge facing the hospitals' designers was the sheer number of individual components needed for true patient-centric communications. Different systems for patient alerts, nurse call, workflow stations, Electronic Medical Records (EMR) integration, and so on would pose serious technical, interoperability, and administrative problems. As for ongoing support and maintenance, multiple vendors and systems mean multiple contracts – hardly a foundation for simplicity.

Through Ascom's partnership, the Sengkang facilities were able to select various interoperable elements from the Ascom Healthcare Platform – software, services, hardware, handsets – and integrate them into cohesive solutions. For instance, both hospitals are equipped with Ascom Telligence, a solution that goes beyond traditional nurse call systems. Conventional nurse call systems are reactive and time-consuming. A patient triggers a buzzer or light that summons a member of staff, who then walks to the patient to see what he or she requires. It's a slow, clumsy method that can contribute to staff frustration, patient dissatisfaction, and inefficient workflows.

Ascom Telligence, in contrast, is a Patient Response System that can send alerts and requests directly to individual nurses' handsets and/or nursing stations. Nurses and nursing aides can speak to patients before walking to them and can receive specific requests – for water, pain medication, an extra blanket, etc. – directly to their handsets. For Lee Puay Chuan, Deputy Director Strategic Projects at Sengkang General Hospital, having such seamless information flows is helping the hospital achieve "greater workflow coordination and staff productivity, particularly in these current times of manpower constraints".

"We are pleased to be working with the Ascom Telligence nurse call system… Its integration with various enterprise applications is helping us achieve greater workflow coordination and staff productivity."

Lee Puay Chuan
Deputy Director Strategic Projects,
Sengkang General Hospital

Moreover, the interoperability of Ascom Telligence with other systems – both native and third-party – is for Francis Schmeer, Chief Sales Officer of Ascom, a great illustration of the Ascom Healthcare Platform in action. "The Sengkang Hospitals have Ascom Telligence and Ascom Myco smartphones working together to provide wireless nurse call functionality. Ascom Telligence workflow stations are also deployed to streamline tasks such as patient rounding, admissions and discharging, housekeeping, and bed scheduling," says Francis Schmeer.

Proven third-party interoperability

One key reason why Sengkang Hospitals selected Ascom was the company's track record in devising solutions with proven interoperability with third-party devices and systems. Various elements from the Ascom Unite Messaging Suite have for example been combined to produce a coordinated message handling platform. The result is a single view and assignment engine for a multitude of bedside alerts and enterprise systems such as EMR and the Building Management System.

Francis Schmeer, however, is keen to stress that many of the most important components from the Ascom Healthcare Platform were intangible. "We provided a full range of consulting, installation, training, project, and support services… And of course we continue to provide ongoing maintenance services. After all, it is only by working and cooperating closely with customers that makes it possible for us to devise the best possible solutions. The success of the Sengkang Hospitals project testifies to that."

Turning “zero risk” from aspiration to reality

How an Ascom Enterprise solution is helping the Guerbet Group satisfy stringent safety standards at two French production facilities

The Guerbet Group is a world-leading manufacturer of contrast agents and devices for diagnostic and interventional imaging and Magnetic Resonance Imaging (MRI). Two of its facilities in France are active-ingredient manufacturing plants, and are certified as satisfying the rigorous safety standards of the EU’s Seveso Directive.

To help meet those standards, Guerbet has since 2003 employed an Ascom communications and alarm notification solution for the two facilities. Prior to that date, Guerbet had used a solution from NIRA, a communications systems company acquired by Ascom. Patrick Conq, IT Project Manager at Guerbet, says: “When we were choosing a new, upgraded solution in 2003, we opted to go with Ascom, as we were reassured by their extensive experience with manufacturing industry. Moreover, Ascom could provide their ATEX-certified hardware – approved for use in explosive environments – something which is essential for our business. Ascom’s DECT devices met this criterion, and also delivered improved reliability and ease of use.”

A defining feature of the Ascom solution for Guerbet over the years has been its "intelligence". This refers to the solution's ability to orchestrate data flows; to manage in real-time the distribution of a wide variety of technical, safety, and personal alarms. Patrick Conq adds: "Our priority is the protection of isolated workers. With the Ascom solution, such users only need to use their mobile devices to send alerts in real-time to pre-defined recipients. Unanswered or unacknowledged alerts are automatically passed to colleagues until a satisfactory response is logged – something that gives us a sense of security."

Always ready, always operational

The solution also features "man-down" and "no-movement" alert functions. Alarms are automatically sent should a lone worker's handset remain stationary for too long, or if the handset senses a sudden drop. Patrick Conq explains: "It is critical, that our workers' handsets can still raise the alarm, even when the workers themselves are physically unable, such as might happen in a fall or loss of consciousness." Another feature of the Ascom solution is accurate locating, a function that prevents responders wasting valuable time as they react to alarms.

Intelligent alarm management is also critical to equipment uptime and technical efficiency. Patrick Conq says: "One of the key benefits of the Ascom solution at our Seveso Directive-certified plants is the deep integration with equipment and process alarm systems. In fact, the Ascom solution covers 100 such alarms at the facilities, sending context-rich alerts to targeted recipients in the event of a wide range of anomalies or deviations. And as alarms and actions are logged, we also gain a basis for identifying improvement areas."

Philippe Billet, Managing Director France & Spain, says: "This sophisticated solution we've delivered to Guerbet Group demonstrates Ascom's expertise to provide solutions for enterprises in critical and complex environments. Our Enterprise solutions are an important pillar for our region and the whole company and offer many opportunities in our markets."

Preparing for Industry 4.0, preparing for zero risk

Guerbet and Ascom continue to cooperate closely in order to meet the former's evolving safety needs. This evolution is currently influenced by the impact of the Industry 4.0 revolution – the industrial communications transformation being brought about by extreme and ubiquitous connectivity between equipment, people, and devices.

Patrick Conq says: "DECT technology remains a strategic element for our factories. But the industry is in the midst of change. In the very near future, it will be necessary for DECT to evolve; to integrate all the features of smartphones into our workday, in terms of both ergonomics (screen size, etc.) and features (camera, video, etc.) – all while retaining the ability to protect isolated workers. The Group's employees expect it and we expect it to be the next step in our relationship with Ascom in moving towards a truly zero risk environment."

"Our priority is the protection of isolated workers. With the Ascom solution, such users only need to use their mobile devices to send alerts in real-time to pre-defined recipients."

Patrick Conq
IT Project Manager at Guerbet

Sustainability Report 2019

Ascom is committed to contributing to a better world, be it through our products or how we conduct our business

Sustainability is something we fully embrace, as not only does it benefit the wider society, but it is also a driver for innovation and growth, core values to Ascom.

Our Code of Ethical Business Conduct contains binding and worldwide principles covering all business activities in the area of anti-corruption, labor, human rights and the environment. As a member of the UN Global Compact (Signatory Level) since 2010, which includes the protection of human rights and the elimination of forced labor, child labor and discrimination, Ascom is highly committed to responsible business conduct.

We are also committed to supporting the UN Sustainable Development Goals (SDGs). This report shows where Ascom contributes to achieving these objectives. Following SDGs are primarily concerned by Ascom's business conduct: Good Health and Well-Being (SDG No 3), Quality Education (SDG No 4), Gender Equality (SDG No 5), Decent Work and Economic Growth (SDG No 8), Industry Innovation and Infrastructure (SDG No 9), Reduced Inequalities (SDG No 10), Responsible Consumption and Production (SDG No 12) and Climate Action (SDG No 13).

"We believe corporate citizenship and environmental stewardship make for good business, therefore sustainability is an integral part of our strategy."

Jeannine Pilloud, CEO Ascom

Employee surveys and enhanced feedback culture

As a global company, Ascom supports diversity and works to further engage groups which are traditionally underrepresented in the engineering and technology field. With the first female Chief Executive Officer of the company in place, who took office in mid-2019, Ascom contributes to diversity in a sector which is still poor in women on executive level.

In March 2019, a Female Talent Network was created in the Nordic Region with the purpose of the individual's personal development, creating a space for skills improvement and an opportunity to build a network in which sharing ideas and knowledge is key. More experienced female colleagues use the network to exchange their experiences and work to engage in lifting female talent within Ascom.

A key focus of the Executive Committee in 2019 was to improve internal communications after previous poll votes showed a demand for internal information sharing. Therefore, a direct communication channel (e-mail box) to the Executive Committee for questions and suggestions of employees, periodically conducted poll votes and newly initiated online pulse surveys for quick feedback to the management were introduced.

Furthermore, a new global On-Boarding Bootcamp was rolled out in 2019, where new personnel gather together for three days to get to know more about Ascom and its values and to increase engagement of new employees. It has been very successful and will continue to run once every quarter.

For the first time, Ascom has been appointed as a Career Company "Karriärföretag" in Sweden for 2020. Every year, the top 100 Swedish employers are recognized in order to assist students and young professionals in finding a successful and reputable employer. The panel noted that Ascom gained this award through our "great commitment to and development of employees".

Group wide General Data Protection Regulation (GDPR) training

Since 2013, Ascom has an active whistle-blowing reporting system in place, where all Ascom employees have access to an anonymous reporting forum as well as a compliance hotline for any instances of suspected or actual misconduct. Twelve reports were made in 2019. Appropriate actions have been taken, and the root causes have been addressed. All employees are encouraged to draw attention to any bribery, corruption or illegal activity they encounter. All reported violations are taken with the highest level of seriousness by the Executive Committee.

Since the European General Data Protection Regulation (GDPR) came into force in 2018, Ascom has done a lot to meet the comprehensive requirements of the regulation. We have evaluated our products by means of technical reports, reviewed the data processing activities to create data processing directories and drafted new data protection contracts. In addition to this, we have amended our Privacy Policy and conducted further internal group-wide trainings on how to handle data privacy issues at Ascom.

Increased renewable energy consumption

Ascom's Environmental Policy outlines our ambition to minimize our environmental impact, protect the environment and prevent pollution. Our global targets focus on our efforts and allow us to follow through with the commitments made in the policy. In addition to this, Ascom also has regional targets for the locations which are ISO 14001-certified. These targets complement and work towards our overall global targets.

One target fulfilled in 2019 was to increase the share of renewable energy usage in our operations. Since early 2019, one of Ascom's biggest offices by square meters, our Gothenburg site, has procured 100% renewable energy for its operation. Despite the energy now in use coming from cleaner sources, we still look to minimize our usage by retrofitting and promoting energy efficiency. The Gothenburg office also implemented a target on waste to landfill. This was achieved as now only 0.4% of waste generated in 2019 went to landfill, and the rest was recovered or recycled.

In 2019 our Gothenburg site procured 100% renewable energy for its operation.

Other highlights of 2019 achievements include no longer procuring single-use plastic in our Utrecht site, our largest office by number of employees, as well as seeing a 30% reduction in waste volumes. Our Employee Travel Survey shows that now a large share of employees in our Gothenburg office travelled to work by public transport. In the Nordic region, environmentally friendly freight services are selected where available, and there has been work to increase the scope of our emissions calculation in order to give a more accurate overview of our environmental impact.

Furthermore, our Electronic Manufacturing Services (EMS) suppliers report environmental KPIs to us on a quarterly basis. In addition to this, we perform on-site and desktop audits on our key supplier to ensure standards are consistently upheld.

Progress (our environmental targets)

Our carbon footprint for 2019 has been calculated and is laid out below. The lion's share of the CO_2 emissions of Ascom is related to materials used in our products:

CO_2 per unit net revenue

Year	Net revenue (CHFm)	CO_2e kg	CO_2e kg per CHF	% Change CO_2e kg
2015 [1]	304.2	93,656,270	0.31	
2016 [1]	300.8	70,583,102	0.23	–25.8%
2017	309.7	69,427,651	0.22	–4.0%
2018	318.5	74,534,127 [2]	0.23	+7.4%
2019	282.9	67,712,161	0.24	–9.2%

[1] Net revenue figures only for continuing business (former Division Wireless Solutions); CO_2e is calculated according to recognized standard (ISO 14064), but has not been externally verified.
[2] CO_2e emissions of 2018 were adjusted due to a thoroughly review conducted every 5 years.

This information helps us to understand our most significant environmental aspects and subsequently where to focus reduction efforts for 2020. We have identified these three focus areas:

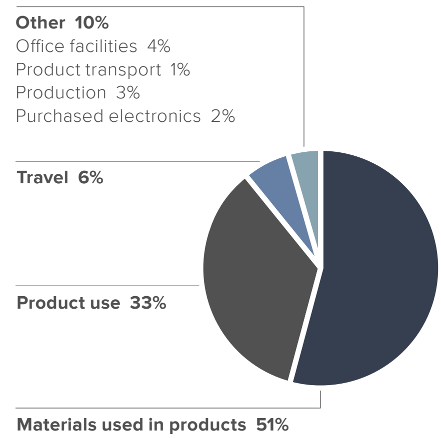
1. Energy efficiency of products

Most of Ascom's environmental impact is derived from our products, particularly in the use phase, so in 2020 we seek to further increase the energy efficiency of our products. All new generations of products must be as energy efficient or more energy efficient than the current generation of similar devices.

2. Material efficiency

We look to improve the efficiency of materials used in our products and packaging by increasing the share of recycled content and making substitutions for materials which are more environmentally friendly.

Carbon footprint of Ascom



3. Business travel

In our increasingly globalized world, travel has in some cases become an integral part of business. At Ascom, we recognize our environmental impact and try to reduce our air traveling. In previous years, we greatly reduced our fleet emissions by increasing the use of remote support. In Finland, for example, 93% of customer issues are now solved remotely, eliminating the need for an engineer to be sent out to the site. In 2020, we will continue to monitor this to ensure rates stay within their target percentage.

Ascom's performance is often subject to external assessment through mandatory audits and voluntary assessments. In May 2019, Ascom was awarded a Gold rating by EcoVadis, who assess companies on their Corporate Social Responsibility in global supply chains. More than 30,000 companies are assessed through EcoVadis, and Ascom was ranked in the top 5% of suppliers. This is a testament to our established sustainability practices and well-rooted ethical framework within which we conduct our business.

For more information about Ascom's sustainability efforts, please visit https://www.ascom.com/Investor-Relations/Governance/sustainability.html

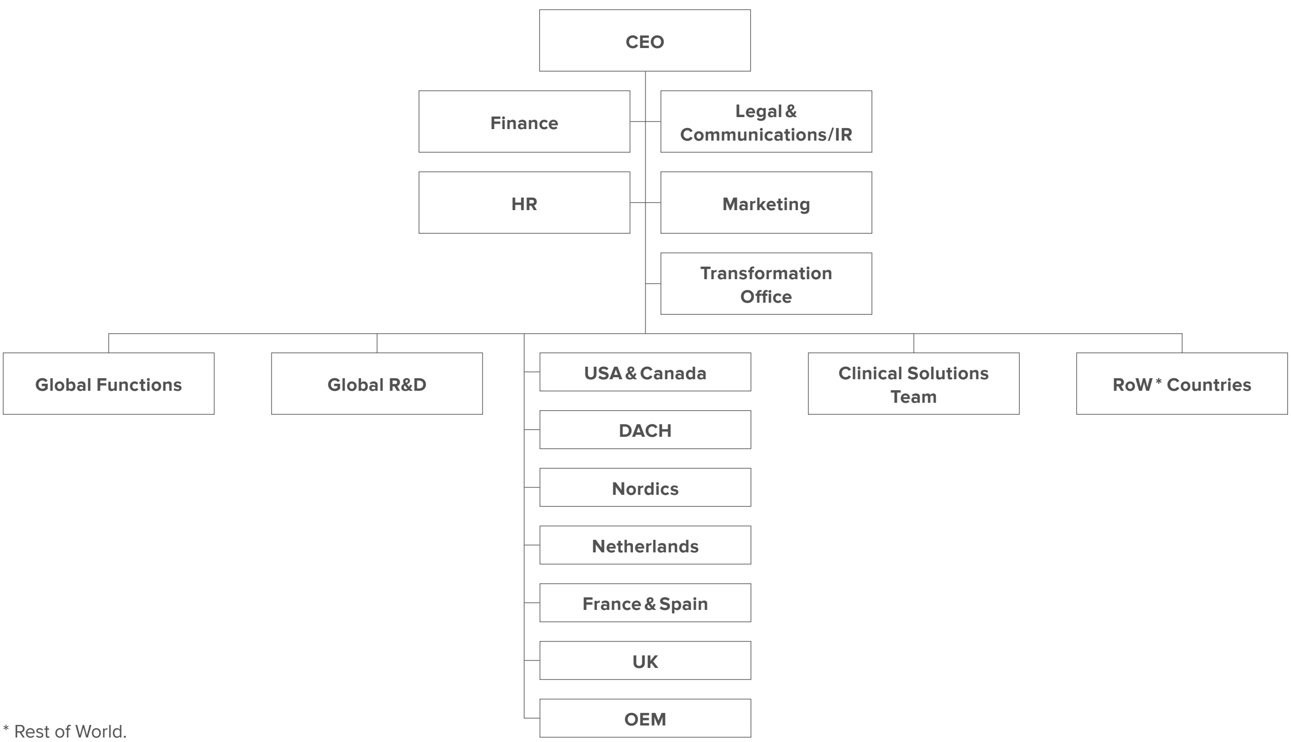
In May 2019, Ascom was awarded a Gold rating by EcoVadis.

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 2019.

Operating corporate structure (as of 1 February 2020)



* Rest of World.

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 2019 was CHF 378.7 million.

Extended Leadership Team

LTR: Claes Ödman, Francis Schmeer, André Neu, Jeannine Pilloud, Dominik Maurer, Daniel Lack.

Unlisted Group companies

The following companies belong to the Ascom Holding AG scope of consolidation. (see table on page 91).

Unlisted Group companies: Ascom Holding AG (as of 31 December 2019)

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	Zaventem	EUR	1,424,181	Ascom Holding AG	100%
Denmark	Ascom Danmark A/S	Glostrup	DKK	1,200,000	Ascom Holding AG	100%
Finland	Ascom Oy	Turku	EUR	33,638	Ascom Holding AG	100%
France	Ascom (France) SA	Suresnes	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%
Romania	Ascom Mobile Solutions Romania S.R.L.	Cluj-Napoca	RON	45,000	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.	Lichfield	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 2019, there were 4,294 shareholders registered in the share register of Ascom Holding AG.

Share ownership as of 31 December 2019

Number of shares	Number of shareholders
1 to 100	778
101 to 1,000	2,208
1,001 to 5,000	1,045
5,001 to 10,000	118
More than 10,000	145
Total	**4,294**

Significant shareholders

The following significant shareholders exceeding a threshold of 3% of voting rights were recorded in the share register as of 31 December 2019:

- Veraison SICAV, Zurich: 8.09%
- UBS Fund Management (Switzerland) AG, Basel: 6.99%
- Pictet Asset Management SA, Geneva: 6.23%

This does not cover shares, which are not registered in the share register (dispo shares). Dispo shares amounted to 31.39% as of 31 December 2019.

In accordance with the disclosure announcements made according to Article 120 ff 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 2019:

- Veraison SICAV, Zurich; Loys Investment S.A., Munsbach (Luxemburg); and Luxempart PIPE SARL, Leudelange (Luxemburg) (controlled by Luxunion S.A., Leudelange (Luxemburg); forming a group representing 15.9% (announcement dated 5 October 2019)
- UBS Fund Management (Switzerland) AG, Basel: Ascom securities representing 7.34% of the voting rights, including RoPAS (CH) Institutional Fund Equities Switzerland (3.78%) (announcement dated 20 August 2019)
- Pictet Asset Management SA, Geneva: Ascom securities representing 5.67% of the voting rights (announcement dated 7 August 2019)
- Credit Suisse Funds AG, Zurich: Ascom securities representing 3.02% of the voting rights (announcement dated 9 November 2018)

Further details regarding these shareholders as well as additional information regarding the individual disclosure notices 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 21,723 treasury shares, representing 0.06% of voting rights. The Company only held own shares to back the ongoing long-term incentive 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	31.12.19 (CHFm)	Number	31.12.18 (CHFm)
Registered shares par value CHF 0.50	36,000,000	18.0	36,000,000	18.0
Registered shareholders	4,294		4,234	

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	2019	2018	2017	2016
Share capital	18,000	18,000	18,000	18,000
Legal reserves	6,523	6,523	6,523	6,523
Retained earnings	338,531	353,775	374,802	395,203
Treasury shares	(232)	(406)	(475)	(1,046)
Total	**362,822**	**377,892**	**398,850**	**418,680**

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 (current version dated 1 September 2017) 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 2019.

Options/convertible bonds

Options/share matching plans/PSU plans

All Ascom option plans are expired. Ascom share matching plans and Performance Stock Units (PSU) Plans are listed in the Remuneration Report on pages 57 to 59.

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 Chairperson 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 Chairperson 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 Chairperson is vacant, the Board of Directors appoints a new Chairperson 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 10 April 2019, the shareholders elected the following members of the Board of Directors individually and for a term of one year until the Annual General Meeting 2020:

	Member since	Elected until AGM
Jeannine Pilloud, Chairperson[1]	2019	2020
Dr Valentin Chapero Rueda (Chairman since 7 November 2019)	2016	2020
Dr Harald Deutsch	2014	2020
Jürg Fedier	2017	2020
Christina Stercken	2014	2020
Andreas Umbach	2010 (Chairman 2017–2019)	2020

[1] Until 7 November 2019.

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.

At the Annual General Meeting 2019, the shareholders elected Jeannine Pilloud as Chairperson and member of the Board of Directors. Dr Harald Deutsch as well as Dr Valentin Chapero Rueda were elected as members of the Compensation Committee in individual elections.

All members of the Board of Directors are non-executive members as of 31 December 2019. No member of the Board of Directors has any significant business relationship with Ascom Holding AG or its subsidiaries.

Jeannine Pilloud stepped down as Chairperson and member of the Board of Directors of Ascom Holding AG as of 7 November 2019 after her appointment as CEO of the Ascom Group. The Board of Directors of Ascom Holding AG elected Dr Valentin Chapero Rueda as new Chairman of the Board of Directors for the remaining term of office until the Annual General Meeting 2020 according to the Articles of Association of Ascom Holding AG.

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
Jeannine Pilloud was elected as a new member and Chairperson of the Board of Directors at the Annual General Meeting 2019 for a term of one year. Due to her appointment as CEO of the Ascom Group, she stepped down as Chairperson and member of the Board of Directors as of 7 November 2019.

At the Annual General Meeting 2020, Dr Harald Deutsch, Christina Stercken and Andreas Umbach will not stand for re-election. The Board of Directors is proposing Nicole Burth Tschudi, Laurent Dubois, Michael Reitermann, and Dr Andreas Schönenberger for election as new members of the Board of Directors at the Annual General Meeting 2020.

Internal organization
- Except for the election of the Chairperson 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 Chairperson holds the casting vote.
- Resolutions may also be adopted by written consent to a proposal circulated by the Chairperson 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 Chairperson 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.

Members of the Board of Directors

Dr Valentin Chapero Rueda, Chairman
Nationality: Spain/Switzerland | Born 1956 | Place of residence: Wilen bei Wollerau, Switzerland | Member since 2016 | Chairman since 7 November 2019 | Elected until AGM in 2020

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; 2015–2019 Co-founder and Partner Veraison Capital AG, Zurich

Dr Harald Deutsch
Nationality: Germany | Born 1962 | Place of residence: Ladenburg, Germany | Member since 2014 | Elected until AGM in 2020

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 a.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 a.M. and Amsterdam: Partner and Industry Lead healthcare; Since 2015 Independent Consultant

Jürg Fedier
Nationality: Switzerland | Born 1955 | Place of residence: Schindellegi, Switzerland | Member since 2017 | Elected until AGM in 2020

1978 Commercial Diploma Business Administration, Dr Raebers Höhere Handelsschule, Zurich; 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; 2009–2019 CFO OC Oerlikon, Pfäffikon SZ (Switzerland)

Christina Stercken

Nationality: Germany | Born 1958 | Place of residence: Munich, Germany | Member since 2014 | Elected until AGM in 2020

1982 Master in Economics, University of Bonn, and 1992 Executive MBA, Duke University, Durham, North Carolina; 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

Andreas Umbach

Nationality: Switzerland/Germany | Born 1963 | Place of residence: Zug, Switzerland | Member since 2010 | Chairman of the Board 2017–2019 | Elected until AGM in 2020

1989 Master of Science in Mechanical Engineering, Technical University Berlin; 1991 Master of Business Administration (MBA), University of Texas, Austin TX; 1991–2002 Various management positions within Siemens AG; 2002–2017 President and CEO, Landis+Gyr AG, Zug; Since 2013 Board member of WWZ AG; Since 2016 President of the Zug Chamber of Commerce; Since 2017 Chairman of Landis+Gyr Group AG; Since 2018 Chairman of the Supervisory Board of Techem Energy Services GmbH; Since 2018 Chairman of the Board of SIG Combibloc Group AG

Board attendance in 2019

	9.1.	23.1.	26.2.	2.4.	10.4.	3./4.6.	14.6.	21.6.	8.7.	18.7.	2.8.	12.8.	13.8.	16.8.	29.8.	3./4.10.	6.11.	16.12.
Dr Valentin Chapero Rueda	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr Harald Deutsch	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jürg Fedier	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	o	✓
Jeannine Pilloud [1]	–	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	–
Christina Stercken	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Andreas Umbach	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

[1] Member of the Board until 7 November 2019.

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)
Dr Valentin Chapero Rueda (Chairman)	Calida Holding AG, Sursee LU [1] TRI Dental Implants Int. AG, Hünenberg ZG Valamero Holding AG, Wilen b. Wollerau SZ (incl. 1 mandate in affiliated Group company)	None
Dr Harald Deutsch	None	None
Jürg Fedier	Dätwyler AG, Altdorf UR [1] 3 mandates in affiliated Group companies of OC Oerlikon AG, Pfäffikon SZ	None
Christina Stercken	Ansell Ltd., Melbourne (Australia) [1] Landis+Gyr Group AG, Zug [1]	Myanmar Foundation, Munich (Vice Chairperson)
Andreas Umbach	Landis+Gyr Group AG, Zug (Chairman) [1] SIG Combibloc Group AG, Neuhausen SH (Chairman) [1] Techem Energy Services GmbH, Eschborn (Germany) WWZ AG, Zug	Zug Chamber of Commerce (President)

[1] Publicly listed company.

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.
- 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 Chairperson 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.

18 meetings (including both physical meetings and conference calls) were held in 2019. Board attendance was 99%. The ordinary meetings of the Board of Directors last one full day and strategy meetings last two days.

The Chairperson of the Board acts as a liaison with the Executive Board and has regular interactions with the CEO and other members of the Executive Board.

Management provides monthly reports to the Board covering the financial and operating performance of the Company.

Self-evaluation of the Board of Directors

Since 2005, the Board of Directors has carried out a self-evaluation at year-end based on 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 Executive Committee 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. Four Audit Committee meetings were held in 2019, generally lasting several hours, whereof the external auditors attended two. Committee attendance was 100%. The CEO was present in all meetings while the CFO attended three 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. Five meetings were held in 2019. Committee attendance was 100%. 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 2019, no special focus audits have been commissioned. Internal audit fees are based on the scope of services rendered. Fees incurred in 2019 were nil (2018: 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 86 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 (Article 8 of the Articles of Association). As a rule, members of the Board of Directors shall not be on the Executive Board.

Composition of the Ascom Executive Board

		Executive Board member since
Jeannine Pilloud	CEO	02.08.2019 (Chairperson & CEO from 2 August to 7 November 2019)
Dominik Maurer	CFO	10.10.2019
Claes Ödman	COO	14.06.2011 (since 1 February 2020: COO / Head of Global Functions)
Francis Schmeer	Chief Sales & Marketing Officer	01.09.2014 (since 1 February 2020: Chief Sales Officer / Head of Rest of World)

Changes in the Executive Board

Holger Cordes stepped down as CEO of the Ascom Group as of 2 August 2019. Jeannine Pilloud acted as Chairperson and CEO from 2 August 2019 until 7 November 2019. She was appointed CEO of the Ascom Group as of 7 November 2019 and resigned simultaneously as Chairperson and member of the Board of Directors of Ascom Holding AG.

Dominik Maurer replaced Anette Weber as CFO of the Ascom Group. He took over as CFO of the Ascom Group as of 10 October 2019.

Further information on the curricula vitae of Holger Cordes and Anette Weber are available on page 34 in the Corporate Governance section of the Annual Report 2018, which can be downloaded from the following link: https://www.ascom.com/Investor-Relations/Financial-information/Reports-and-presentations.html

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.

	Mandates outside the Ascom Group against compensation	Mandates outside the Ascom Group without compensation
Jeannine Pilloud	Schaltbau Holding AG, Munich[1]	Salt Mobile SA, Renens (Switzerland) Innovation Process Technology AG (ipt), Zug Fehr Advice & Partners AG, Zurich Schweiz Tourismus; Zurich
Dominik Maurer	None	SpreadYourWingZ GmbH; Teltow (Germany)
Claes Ödman	Sensys Gatso Group AB, Stockholm (Sweden)[1]	None
Francis Schmeer	None	None

[1] Publicly listed company.

Members of the Executive Board

Jeannine Pilloud, Chief Executive Officer
Nationality: Switzerland | Born 1964

1990 Diploma ETH Zurich (Masters); 1991–1994 Suter & Suter Architects, Basel and Zurich; 1994–2001 Head of Systems Integration IBM Switzerland; 2001 MBA (INSEAD / Henley); 2001–2003: CIO / Head of e-Commerce / Member of the Board Bon appétit Group, Volketswil (Switzerland); 2003–2011 Senior Vice President ICTO Western Europe T-Systems International, Frankfurt a.M.; 2011–2017 Head of Passenger Services and Member of the Board Swiss Railways (SBB AG), Berne; 2018–2019 President of the Strategic Board Public Transport and ch-Direct, Berne; 10 April 2019–7 November 2019 Chairperson of the Board of Directors of Ascom Holding AG (Chairperson & CEO as from 2 August 2019); Since 7 November 2019 CEO and member of the Executive Board of the Ascom Group

Dominik Maurer, Chief Financial Officer
Nationality: Switzerland | Born 1968

1997 Master of Business Administration, University of Berne; 1994–1998 Corporate Finance Manager Swisscom AG, Berne; 1998–2001 CFO Tesion GmbH, Stuttgart; 2001–2004 CFO T-Systems Schweiz AG, Zollikofen (Switzerland); 2003–2012 CFO (until 2008), then CEO (after 2008) T-Systems Do Brasil, São Paulo; 2012–2016 Vice President / Head Europe & Germany and Product Head Workplace T-Systems International AG, Frankfurt a.M.; 2017–2018 Partner & Managing Director SpreadYourWingZ GmbH, Teltow (Germany); 2018–2019 CFO Unitechnologies AG, Gals (Switzerland); Since 10 October 2019 CFO and member of the Executive Board of the Ascom Group

Claes Ödman, COO / Head of Global Functions
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 (COO / Head of Global Functions since 1 February 2020)

Francis Schmeer, Chief Sales Officer / Head of Rest of World

Nationality: USA | Born 1972

1994 Bachelor of Marketing from 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 (later EVP Marketing & Business Development) and member of the Executive Board of the Ascom Group; Since 1 October 2018 Chief Sales and Marketing Officer and member of the Executive Board of the Ascom Group (Chief Sales Officer / Head of Rest of World since 1 February 2020)

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 2020:

Dr Daniel Lack	Company Secretary and Senior VP Legal & Communications/IR
André Neu	CTO (since 1 February 2020: CTO / Head of Clinical Solutions Team)

The Extended Executive Committee (as set up as of 1 February 2020) also includes the Managing Directors of the major countries and the Head of Marketing:

- USA & Canada: Francis Schmeer a.i.
- DACH: Valerio Signorelli
- France & Spain: Philippe Billet
- Netherlands: Olaf Hendriks
- Nordics: Jens Sand Andersen
- UK: Paul Lawrence
- Marketing: Patrik Hartvig

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. 13 meetings were held in 2019.

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 42 to 59 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 publicly 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 10 April 2019 Franz Müller, Berne, as Independent Representative for a term of one year until the completion of the Annual General Meeting 2020, and Dr Alexander Kernen, Berne, as his deputy. 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 Nimbus platform and to give online instructions to the Independent Representative. Details of the electronic proxies and voting instructions to the Independent Representative are explained in the invitation to the Annual General Meeting (www.ascom.com/Investor-Relations/Financial-information/Annual-General-Meeting.html).

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 ten 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 2019

21,488,286 votes or about 59.7% of the share capital were represented at the Annual General Meeting 2019, which was held on 10 April 2019 in Zug, Switzerland. The shareholders voted in favor of all proposals of the Board of Directors by a clear majority.

All resolutions including the election of the members of the Board and the dividend proposal were approved with majorities of over 93%.

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 (33⅓%) 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. The auditor was re-elected by the Annual General Meeting held on 10 April 2019 for a term of one year until the completion of the Annual General Meeting 2020. 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 441,000 (previous year: CHF 451,400) 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 2019.

Additional fees

PricewaterhouseCoopers AG was paid additional non-audit-related fees of CHF 35,000 (2018: nil).

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 2019, 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 2019.

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 2019 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 https://www.ascom.com/Investor-Relations/Financial-information/Annual-General-Meeting.html

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 2020 and Corporate Communications and Investor Relations contacts is provided on page 109 of this Annual Report.

10. CORPORATE GOVERNANCE RATING

The Ascom Board of Directors and Executive Committee are committed to the highest standards of good corporate governance and transparency.

Ascom is ranked number 20 (2018: number 7; 2017: number 1) in corporate governance among 174 publicly listed Swiss companies according to the Corporate Governance study 2019 of zRating (www.inrate.com). The study covered the following topics:

- Shareholder base and capital structure
- Shareholders' 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 2019”), 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 pages 18 to 41 of the Annual Report) and Corporate Governance is a key topic for Ascom. Both the Board of Directors and the 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 18 February 2020)
- 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/Investor-Relations/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. Committee work, additional meetings or special projects are not compensated with an additional fee and no attendance fees are paid out either.

The fees for members of the Board of Directors are periodically reviewed as necessary 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 and internal criteria (e.g. workload, request of availability). An external expert did a comprehensive benchmark study in 2017 based on the SPI Top 100 companies, based on a size- and industry-adjusted subgroup of 22 SPI companies, and based on an individual comparison of five companies (Kudelski, Siegfried, Huber+Suhner, Ypsomed, U-Blox). The Board fees were adjusted in 2017 on the basis of this study.

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 fees for the members of the Board of Directors remained unchanged since the Annual General Meeting 2017:

- Chairperson of the Board: Annual gross remuneration of CHF 200,000
- Member of the Board: Annual gross remuneration of CHF 100,000

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 Chairperson 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 Company requires that each member of the Board discloses all activities. Based on this, all members of the Board of Directors comply with this regulation. The mandates outside the Ascom Group are listed in the Corporate Governance part (p. 28).

As the provisions of the Articles of Association of Ascom are very restrictive, the Board of Directors recommends revising them and is proposing an amendment to be decided at the Annual General Meeting 2020. According to the benchmark with other publicly listed Swiss companies (such as Bossard, Bucher, Burckhardt Compression, Huber+Suhner, Landis+Gyr, Schaffner, Siegfried, SIG Combibloc, Tecan, Temenos, and U-Blox), it is proposed that every Board member may occupy or exercise at most four additional positions in publicly listed companies, five additional positions in non-listed companies, and ten additional positions associations and foundations including pension funds.

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 compensation of the members of the Executive Board consists of three elements:

- Fixed compensation in cash
- Performance-related compensation as short-term incentive in cash
- Long-term incentive (allocation of equity securities, conversion rights or option rights)

According to the Articles of Association, the Company may pay to the members of the Executive Board in addition to a fixed compensation a performance-related compensation ("short-term incentive") in cash. The amount of such variable 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 fixed compensation and the short-term incentive form together the target cash compensation (TCC).

As a third compensation element, according to Article 20b Section 3 of the Articles of Association, the Company may also allocate, beside cash compensation, equity securities, conversion rights, option rights or other rights with equity securities as underlying to the members of the Executive Board ("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.

b) Current regulations

According to the current statutory regulations, the amount of the performance-related compensation (short-term incentive) of a member of the Executive Board cannot exceed his fixed compensation.

According to the current statutory regulations, the total value of the long-term incentive for a member of the Executive Board cannot exceed 50% of his fixed compensation.

c) New approach as from 2020

The Board of Directors targets to increase the performance-related part of the compensation of the Top Management. Thus, the Board of Directors decided to decrease for the new CEO the fixed compensation in cash while increasing the short-term incentive and the potential of the long-term incentive part effective from 2020. Moreover, the Board of Directors proposes to amend the Articles of Association and to increase the corresponding caps in Article 20b: It is proposed that the short-term incentive shall not exceed 200% of the fixed compensation and that the long-term incentive shall not exceed the fixed compensation.

d) 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 according to Article 8 of the Articles of Association.

As of 31 December 2019, the Executive Board consisted of four members:

- Jeannine Pilloud, CEO (since 2 August 2019 [double mandate as Chairperson & CEO from 2 August 2019 to 7 November 2019])
- Dominik Maurer, CFO (in charge since 10 October 2019)
- Claes Ödman, COO (as of 1 February 2020: COO/Head of Global Functions)
- Francis Schmeer, Chief Sales & Marketing Officer (as of 1 February 2020: Chief Sales Officer/Head of Rest of World).

e) 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 (SPI companies such as Bossard, Bucher, Burckhardt Compression, Huber+Suhner, Landis+Gyr, Schaffner, Siegfried, SIG Combibloc, Tecan, Temenos, and U-Blox).

- **Short-term incentive (performance-related variable compensation)**
  Cash payment dependent on the quantitative goals and parameters such as net revenue and EBITDA margin as determined by the Board of Directors. The goals shall be in line with the yearly budgets of the Company. In addition, individual qualitative targets may be set.

- **Long-term incentive (Performance Stock Units Plan)**
  The PSU Plan foresees annual issuance of Performance Stock Units (“PSUs”) with the first allocation in 2019. One PSU represents the conditional right to receive a fraction between 0% and 200% of an Ascom share subject to the fulfillment of certain vesting conditions. Vesting of the PSUs occurs on the third anniversary of the respective date of grant. Vesting conditions are, both, the achievement of performance targets as well as an unterminated contractual relationship with the company. Performance targets are represented by equally weighted three-year net income fully diluted Earnings per Share (“EPS”) and three-year relative Total Shareholder Return (“TSR”) measured against the Swiss Performance Index Extra (“SPI EXTRA”) and expressed as a percentage points difference. The award forfeits fully or partly if employment ceased before the vesting date. Furthermore, the PSU plan is subject to malus and clawback provisions. The respective plan rules provide the Board of Directors with absolute discretion to recoup (or cause the forfeiture if not yet vested or awarded) fully or partly any award under the restated financial result and/or for reasons linked to an individual’s behavior.

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.

f) System of CEO Compensation as of 1 January 2020[1]

Salary part	Target salary CEO
Long-term incentive Performance Stock Units	Performance Stock Units as defined by the Board of Directors and in line with the Articles of Association (achievement of performance targets as vesting condition)
Variable compensation (performance-related) (as of 1 January 2020)	Minimal variable salary: CHF 0 Target variable salary: CHF 425,000 Maximal variable salary: CHF 850,000
Fixed compensation (base salary) (as of 1 January 2020)	CHF 550,000

[1] The system of CEO compensation as of 1 January 2019 is set out on page 46 of the Annual Report 2018.

g) Number of external mandates and functions

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.

The mandates outside the Ascom Group of the members of the Executive Board are listed in the Corporate Governance Report (p. 33).

The Board of Directors recommends revising also these provisions of the Articles of Association and is proposing to the Annual General Meeting 2020 a more flexible solution: According to the benchmark with other publicly listed Swiss companies (such as Bossard, Bucher, Burckhardt Compression, Huber+Suhner, Landis+Gyr, Schaffner, Siegfried, SIG Combibloc, Tecan, Temenos, and U-Blox), it is proposed that every member of the Executive Board may occupy or exercise at most – and subject to approval of the Board of Directors – one additional position in publicly listed companies, two additional positions in non-listed companies, and five additional positions in associations and foundations including pension funds.

h) 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 12 months as per the end of each calendar month.

All members of the Executive Board comply with this regulation.

i) 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:

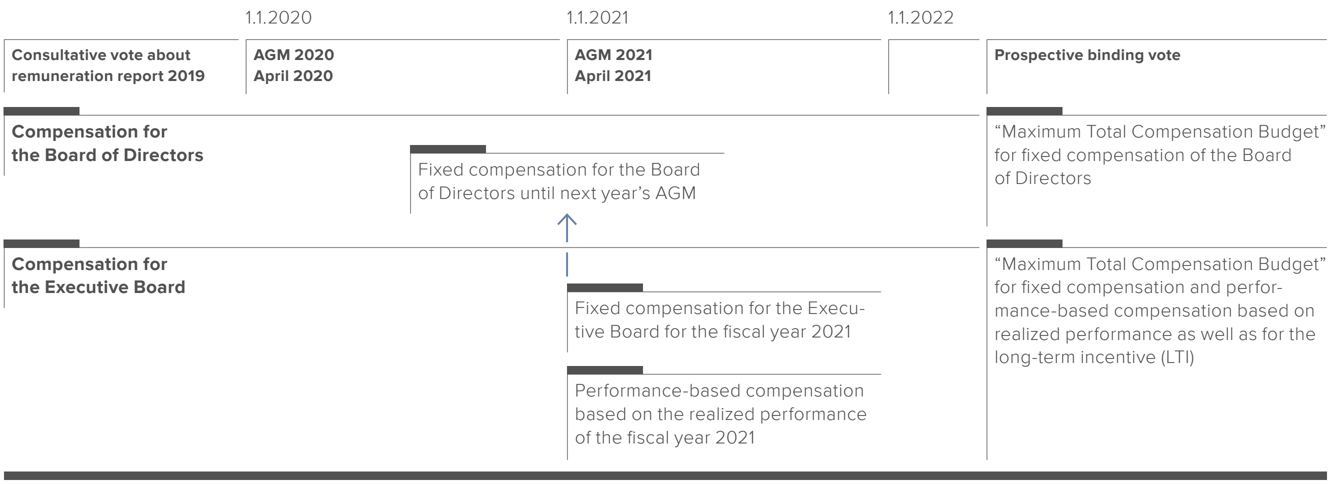
- The compensation of the Board of Directors for the year of office following the ordinary General Meeting until the next ordinary General Meeting
- The fixed compensation of the Executive Board for the next fiscal year (1 January to 31 December) following the ordinary General Meeting
- The variable 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 2019 approved in a consultative non-binding vote the Remuneration Report 2018 with a majority of 96.9%.

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 2019

The shareholders approved the following maximum amounts for future compensations at the Annual General Meeting 2019:

- Board of Directors: maximal amount of CHF 700,000 (for six members) for the period from the Annual General Meeting 2019 until the Annual General Meeting 2020 (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 99.2%
- Executive Board (for four members) for the business year 2020:
  – 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 98.9%.
  – Maximal amount of CHF 1,700,000 as variable compensation; approved with a majority of 98.7%.
  – Maximal amount of CHF 850,000 as long-term incentive; approved with a majority of 96.6%.

II. REMUNERATION IN FISCAL YEAR 2019

1. Board of Directors

a) Remuneration in fiscal year 2019 (audited information)

Members of the Board of Directors were paid a gross remuneration totaling CHF 604,169 in fiscal year 2019 (2018: CHF 600,000).

	2019 Gross remuneration including employee contributions to the Swiss social insurances	2019 Employer contributions to the Swiss social insurances (AHV/IV/ALV)	2018 Gross remuneration including employee contributions to the Swiss social insurances	2018 Employer contributions to the Swiss social insurances (AHV/IV/ALV)
Dr Valentin Chapero Rueda (Chairman since 7 November 2019)	116,667	7,263	100,000	6,225
Dr Harald Deutsch	100,000	–	100,000	–
Jürg Fedier	100,000	6,225	100,000	6,225
Jeannine Pilloud, Chairperson [1, 2] (Double mandate as Chairperson & CEO from 2 August to 7 November 2019)	58,335 [3]	3,533	–	–
Christina Stercken	100,000	–	100,000	–
Andreas Umbach [4]	129,167	8,041	200,000	12,139
Total	604,169	25,062	600,000	24,589

[1] Since Annual General Meeting of 10 April 2019.
[2] Board Member until 7 November 2019.
[3] For the period from 10 April 2019 until 2 August 2019.
[4] Chairman until 10 April 2019.

Jeannine Pilloud was elected as Chairperson of the Board of Directors at the Annual General Meeting of 10 April 2019. As of 2 August 2019, she took over the position as Chairperson and CEO of the Ascom Group as a double mandate. It was agreed, that Jeannine Pilloud only receives the remuneration as a CEO for the period having a double mandate as Chairperson & CEO (from 2 August until 7 November 2019). Following her appointment as CEO of the Ascom Group as of 7 November 2019, she resigned as Chairperson and Member of the Board of Directors.

- 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 Chairperson and to CHF 4,000 for a regular Board member.

b) Compliance with the decisions of the Annual General Meeting 2018

According to the Articles of Association, the shareholders approved the following maximum amounts for future compensations at the Annual General Meeting 2018: CHF 600,000 for the Board of Directors (five members) for the period from the Annual General Meeting 2018 until the Annual General Meeting 2019.

The remuneration amounting to CHF 600,000 paid to the five members of the Board of Directors in the period between the Annual General Meeting 2018 and the Annual General Meeting 2019 is in line with the approval of the Annual General Meeting 2018.

2. Executive Board

a) Members of the Executive Board in 2019

In 2019, the Executive Board consisted of the following members:

- Jeannine Pilloud, CEO (as of 2 August 2019 [double mandate as Chairperson & CEO from 2 August 2019 to 7 November 2019])
- Dominik Maurer, CFO (in charge as of 10 October 2019)
- Claes Ödman, COO
- Francis Schmeer, Chief Sales & Marketing Officer

- Holger Cordes, former CEO (in charge until 2 August 2019)
- Anette Weber, former CFO (in charge until 13 August 2019)

b) Compensation Executive Board 2019 (audited information)

in CHF	Basic salary	Variable salary component	Miscellaneous	Pension contributions	LTI [5]	Total
CEO (since 2 August 2019)	270,835 [1]	200,000 [6]	0	31,399	0	502,234
CFO (since 10 October 2019)	68,837 [1]	16,579 [1]	0	7,328	0	92,744
COO	267,400 [2]	0	1,054 [3]	79,269	120,000	467,723
Chief Sales & Marketing Officer	345,000 [1]	0	0	35,746	120,000	500,746
Former CEO (in charge until 2 August 2019)	382,690 [1]	94,792 [1]	36,592 [4]	49,476	325,000 [7]	888,550
– period after resignation (3 August to 31 December 2019)	267,314 [1]	67,708 [1]	25,526 [4]	27,728	0	388,276
Former CFO (in charge until 13 August 2019)	201,296 [1]	41,406 [1]	0	22,202	0	264,904
– period after resignation (14 August to 31 December 2019)	125,704 [1]	24,844 [1]	0	11,410	0	161,958
Total Executive Board in 2019	**1,929,076**	**445,329**	**63,172**	**264,558**	**565,000**	**3,267,135 [8]**

[1] Including the statutory employee contributions paid to the Swiss social insurance.
[2] = SEK 2,537,000.
[3] Contributions to medical benefit plans.
[4] Accommodation allowance.
[5] Weighted average fair value of the PSU units at grant (1 PSU = CHF 9.71) assuming full achievement of all performance-related targets.
[6] Corresponding to 15,973 Ascom shares (fair value at grant), blocked for three years after grant.
[7] The amount disclosed corresponds to the fair value at grant date for the whole vesting period (until 31 May 2022). However, the effective remuneration will correspond in maximum to the adjusted vesting period (pro rata temporis until the end of the working contract).
[8] Adjusted for the payments made to the former CEO and the former CFO after their resignation from the Executive Board, the total amount for the active members of the Executive Board is CHF 2,716,901.

Compensation Executive Board 2018 (audited information)

in CHF	Basic salary	Variable salary component	Miscellaneous	Pension contributions	LTI [5]	Total
CEO	650,000 [1]	97,794 [1]	62,087 [4]	68,917	211,885	1,090,683
CFO	326,500 [1]	39,298 [1]	–	31,439	60,697	457,934
COO	285,413 [2]	34,295	1,091 [3]	84,750	–	405,549
Chief Sales & Marketing Officer	327,255 [1]	48,510 [1]	–	28,818	26,028	430,611
Total Executive Board in 2018	**1,589,168**	**219,897**	**63,178**	**213,924**	**298,610**	**2,384,777**

[1] Including the statutory employee contributions paid to the Swiss social insurance.
[2] = SEK 2,537,000.
[3] Contributions to medical benefit plans.
[4] Accommodation allowance.
[5] Weighted average fair value of the matching shares at grant (1 investment share = CHF 17.852) assuming full achievement of all performance-related targets.

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) 2019	2018
CEO (since 2 August 2019)	19,357	–
CFO (since 10 October 2019)	4,072	–
COO	–	–
Chief Sales & Marketing Officer	23,024	20,275
Former CEO		
– in charge (until 2 August 2019)	34,800	42,584
– period after resignation (3 August to 31 December 2019)	16,837	–
Former CFO		
– in charge (until 13 August 2019)	14,081	20,725
– period after resignation (14 August to 31 December 2019)	7,412	–
Total	**119,583**	83,584

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 34,003 (2018: CHF 32,958) 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.

c) Fixed compensation

The basic salaries (including social benefits) paid to the members of the Executive Board in the 2019 financial year totaled CHF 1,929,076 (2018: CHF 1,589,168). Adjusted for the amount paid to the former CEO and former CFO after their resignation from the Executive Board, the total amount related to the fixed compensation for the active members of the Executive Board in 2019 is CHF 1,536,058.

d) Short-term incentive (performance-related variable compensation)

- **Current regulations as of 2019**
  - 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 to 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 100% 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 2019**

The Board of Directors sets the performance targets for 2019 with the aim to incentivize profitable growth of the Group.

The performance-related variable compensation for the members of the Executive Board in 2019 was linked to the achievement of the following measurable quantitative targets (incl. weighting):

- Net revenue: 55%
- EBITDA: 45%

The defined targets were missed. Thus, two of the full-year active members of the Executive Board (COO and Chief Sales & Marketing Officer) did not receive a performance-related variable compensation.

The new CEO starting on 2 August 2019 (double mandate as Chairperson & CEO until 7 November 2019) receives as a short-term incentive 15,973 Ascom shares with a value of CHF 200,000 at grant date. The shares are blocked for a period of three years after grant.

The new CFO starting on 10 October 2019 receives a short-term incentive of CHF 16,579 based on the achievement of individual targets given by the Board of Directors.

The variable salary component for the active members of the Executive Board as of 31 December 2019 amounted to CHF 216,579 (excluding payments according to employment contracts for two former members of the Executive Board). In 2018, variable salary for the active members of the Executive Board was CHF 219,897.

The former CEO (leaving as of 2 August 2019) received a variable payment of CHF 94,792 for the first seven months as active CEO and another payment of CHF 67,708 for the time after his resignation, both according to his employment contract.

The former CFO (leaving as of 13 August 2019) received a variable payment of CHF 41,406 for the first 7.5 months as active CFO and another payment of CHF 24,844 for the time after her resignation, both according to her employment contract.

e) Long-term incentive (Performance Stock Units Plan)

The PSU Plan foresees annual issuance of Performance Stock Units ("PSUs") with the first allocation in 2019. One PSU represents the conditional right to receive a fraction between 0% and 200% of an Ascom share subject to the fulfillment of certain vesting conditions. Vesting of the PSUs occurs on the third anniversary of the respective date of grant. Vesting conditions are, both, the achievement of performance targets as well as an unterminated contractual relationship with the Company. Performance targets are represented by equally weighted three-year net income fully diluted Earnings per Share ("EPS") and three-year relative Total Shareholder Return ("TSR") measured against the Swiss Performance Index Extra ("SPI EXTRA") and expressed as a percentage points difference. The award forfeits fully or partly if employment ceased before the vesting date. Furthermore, the PSU plan is subject to malus and clawback provisions. The respective plan rules provide the Board of Directors with absolute discretion to recoup (or cause the forfeiture if not yet vested or awarded) fully or partly any award under the restated financial result and/or for reasons linked to an individual's behavior.

The Ascom PSU Plan 2019 is running for a period of three years with a vesting date defined at 31 May 2022. The target achievement is based on two performance indicators:

- Three-year fully diluted weighted cumulative Earnings per Share (EPS)
- Ascom's three-year Total Shareholders Return (TSR) measured relative to the SPI EXTRA Index

The fair value of a PSU (based on the PSU Plan 2019) was calculated by an external expert and set at CHF 9.71 at grant date.

On 18 June 2019, the then CEO received 33,471 PSUs with a fair value of CHF 325,000 at grant. This amount corresponds to the fair value at grant date for the whole vesting period (until 31 May 2022). However, the effective remuneration will correspond in maximum to the adjusted vesting period (pro rata temporis until the end of the working contract).

The COO and the Chief Sales & Marketing Officer each received 12,358 PSUs with a fair value of CHF 120,000 at grant. No PSUs were awarded to the then CFO.

f) Total compensation of the members of the Executive Board

The total compensation in 2019 for all members of the Executive Board amounted to CHF 3,267,135 (2018: CHF 2,384,777). Adjusted for the amount paid to the former CEO and former CFO after their resignation from the Executive Board, the total compensation for the active members of the Executive Board in 2019 is CHF 2,716,901.

g) Highest compensation

The highest total remuneration within the Ascom Group was paid to the former CEO (in charge until 2 August 2019). The total remuneration paid to the former CEO in 2019 consisted of an amount of CHF 888,550 for the period as acting CEO and of an amount of CHF 388,276 paid for the period after his resignation (3 August–31 December 2019) according to his employment contract.

The total remuneration paid to the former CEO in 2019 amounted to CHF 1,276,826 (2018: CHF 1,090,683).

h) 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.

i) 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.

k) Compliance with the decisions of the Annual General Meeting 2018

The shareholders approved the following maximum amounts for future compensations at the Annual General Meeting 2018 for the then five members of the Executive Board for fiscal year 2019:

- CHF 2,100,000 as fixed compensation (including contributions to pension funds and other social benefits)
- CHF 1,700,000 as variable compensation
- CHF 850,000 as long-term incentive

According to Article 20e Section 3 of the Articles of Association, the Company may use an additional amount pursuant to Article 19 OaEC as far as the total amount approved for the compensation of the Executive Board is insufficient to compensate members of the Executive Board appointed after the resolution of the General Meeting until the beginning of the following Approval Period.

The new CEO was appointed as of 2 August 2019. According to Article 20e Section 3 of the Articles of Association, an additional amount, which is not more than 20% higher than the compensation of its predecessor, would be available for such a case. In line with the contractual compensation of the former CEO, this additional amount would be CHF 1,950,000 in maximum.

The new CFO was appointed as of 10 October 2019. According to Article 20e Section 3 of the Articles of Association, an additional amount, which is not more than 20% higher than the compensation of its predecessor, would be available for such a case. In line with the contractual compensation of the former CFO, this additional amount would be CHF 850,000 in maximum.

The Annual General Meeting 2018 approved a total amount of CHF 4,650,000 for the compensation of the Executive Board in 2019. In spite of the appointment of both a new CEO and a new CFO, no additional amount according to the Articles of Association has to be decided. The total compensation paid to the Executive Board in 2019 of CHF 3,267,135 (including payments of CHF 550,234 in total made to the former CEO and to the former CFO after their resignation) is in line with the amount of CHF 4,650,000 as approved by the Annual General Meeting 2018.

Reported compensation of the Executive Board during fiscal year 2019 compared to the amount approved by shareholders at the Annual General Meeting 2018

In CHF	Executive Board compensation earned during FY 2018 (6 members [1])	Maximum amount approved by shareholders at the 2018 AGM (4 members)	Amount within the amount approved by shareholders at the 2018 AGM and compensation ratio
Fixed compensation (including contribution to pension funds and other social benefits) [2]	2,256,806	2,100,000	Yes (according to Art. 20e of the Articles of Association)
Variable compensation (STI)	445,329	1,700,000	Yes 26.2%
Long-term incentive (LTI)	565,000	850,000	Yes 66.5%
Total compensation Executive Board [1]	**3,267,135**	**4,650,000**	**Yes 70.3%**

[1] Including payments to the former CEO and former CFO after their resignations.
[2] Including miscellaneous and pension contributions.

The corresponding reporting of the Executive Board compensation 2020 approved by the Annual General Meeting 2019 as well as the reporting of the compensation ratio will be disclosed in the Remuneration Report 2020.

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

No former members of the Executive Board or parties closely related to them received any payments of loans from the Company in 2019.

III. SHARE OWNERSHIP

Number of shares and options held in Ascom Holding AG as of 31 December 2019:

1. Board of Directors

All members of the Board of Directors and closely related parties, in total: 71,144 shares.

	Shares[1]
Andreas Umbach	48,750
Dr Valentin Chapero Rueda	9,994
Dr Harald Deutsch	4,000
Jürg Fedier	4,400
Christina Stercken	4,000
Total Board of Directors	**71,144**

[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: 17,931 shares.

	Shares
Jeannine Pilloud, CEO	15,973
Dominik Maurer, CFO	–
Claes Ödman, COO	–
Francis Schmeer, Chief Sales & Marketing Officer	1,958
Total Executive Board	**17,931**

The members of the Executive Board hold the following conversion rights based on the provisions of the Performance Stock Units (PSU) plan 2019:

	PSU
Jeannine Pilloud, CEO	–
Dominik Maurer, CFO	–
Claes Ödman, COO	12,358
Francis Schmeer, Chief Sales & Marketing Officer	12,358
Total Executive Board	**24,716**

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

3. Share allotment in 2019

According to the provisions of the Ascom share matching plan 2016, Ascom Holding AG allotted 28,722 shares in 2019 to ten remaining participants of the Ascom share matching plan 2016.

According to her employment agreement, Jeannine Pilloud received 15,973 shares as a short-term incentive for the period acting as a CEO in the year 2019. These shares are blocked for period of three years after grant date.

Ascom Holding AG allotted no further shares in 2019.

IV. LONG-TERM INCENTIVE PLANS

1. 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-year 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. 1,808 investment shares were exercised or forfeited in 2018. Out of the remainder of 31,148 investment shares, 1,205 investment shares were exercised or forfeited in 2019. Thus, 29,943 investment shares still may qualify for matching shares.

2. Ascom share matching plan 2018

The Board of Directors decided in its Board Meeting of 28 August 2018 to introduce a share matching plan 2018 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-year 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 2020. 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 2020. Every participant will receive the maximum of 65% of additional investment shares in case the EBITDA margin of Ascom in 2020 reaches the upper end of the pre-defined EBITDA margin target or higher.

In addition, the beneficiaries 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 2020 over 2017) 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.

15 members of the Ascom senior management decided to participate and they purchased in total 24,057 investment shares. 1,464 investment shares were exercised or forfeited in 2019. Thus, 22,593 investment shares still may qualify for matching shares.

3. Performance Stock Units (PSU) Plan 2019

The Board of Directors decided to introduce a different version of a long-term incentive as of 2019. To further recognize and reward members of the Executive Board (and selected senior managers) for sustainable value creation for the company and its shareholders, a new long-term incentive was developed and approved by the Board of Directors. The PSU Plan foresees annual issuance of Performance Stock Units ("PSUs") with the first allocation in 2019. The total value of the long-term incentive for a member of the Executive Board cannot exceed 50% of the fixed compensation. One PSU represents the conditional right to receive a fraction between 0% and 200% of an Ascom share subject to the fulfillment of certain vesting conditions. Vesting of the PSUs occurs on the third anniversary of the respective date of grant. Vesting conditions are, both, the achievement of performance targets as well as an unterminated contractual relationship with the company. Performance targets are represented by equally weighted three-year net income fully diluted Earnings per Share ("EPS") and three-year relative Total Shareholder Return ("TSR") measured against the Swiss Performance Index Extra ("SPI EXTRA") and expressed as a percentage points difference. The award forfeits fully or partly if employment ceased before the vesting date. Furthermore, the PSU plan is subject to malus and clawback provisions. The respective plan rules provide the Board of Directors with absolute discretion to recoup (or cause the forfeiture if not yet vested or awarded) fully or partly any award under the restated financial result and/or for reasons linked to an individual's behavior.

The Ascom long-term incentive 2019 (PSU Plan 2019) is running for a period of three years with a vesting date defined at 31 May 2022. The target achievement is based on two performance indicators:

- Three-year fully diluted weighted cumulative Earnings per Share (EPS)
- Ascom's three-year Total Shareholders Return (TSR) measured relative to the SPI EXTRA Index

The fair value of a PSU (based on the PSU Plan 2019) was calculated by an external expert and set at CHF 9.71 at grant date.

On 18 June 2019, the Board of Directors awarded to 51 members of the Senior Management 153,562 PSUs. Out of this number, 5,150 PSUs were forfeited during 2019. Thus, 148,412 PSUs may qualify for share conversion.

4. Investment shares held of 31 December 2019

Share matching plan	Matching date	Underlying yearly result	Number of outstanding investment shares	Maximum of matching shares
2017	30.06.2020	2019	29,943	33,364
2018	30.06.2021	2020	22,593	33,889

PSU plan	Vesting date	Performance indicators	Number of outstanding PSUs	Maximum of conversion shares
2019	31.05.2022	EPS/TSR	148,412	296,824

As of 31 December 2019, 52,536 investment shares were purchased as investments in share matching plans. These investment shares may entitle the holder to a maximum of 67,253 matching shares according to the regulations of the share matching plans.

Moreover, there are 148,412 outstanding PSUs which may be converted into maximal 296,824 shares.

The total of the outstanding contingent matching shares and the outstanding contingent conversion shares corresponds to 1.01% of the total share capital of the Company.

Report of the statutory auditor

to the General Meeting of Ascom Holding AG

Baar

We have audited the remuneration report of Ascom Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables / information labeled “audited information”.

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 conducted 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 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Wallmer	Daniel Wyss
Audit expert Auditor in charge	Audit expert

Zürich, 27 February 2020

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

Financial statements 2019

Consolidated balance sheet

Assets

CHFm	Note	31.12.2019	%	31.12.2018	%
Cash and cash equivalents		18.2		21.2	
Trade receivables	4	70.3		79.7	
Other short-term receivables	5	8.7		6.3	
Inventories and work in progress	6	26.9		19.8	
Prepayments and accrued income	7	17.8		18.5	
Current assets		**141.9**	*66.2*	**145.5**	*66.6*
Property, plant and equipment	8	6.7		11.2	
Intangible assets	9	37.1		36.1	
Financial assets	10	28.5		25.6	
Non-current assets		**72.3**	*33.8*	**72.9**	*33.4*
Total assets		**214.2**	*100.0*	**218.4**	*100.0*

Liabilities and shareholders' equity

CHFm	Note	31.12.2019	%	31.12.2018	%
Borrowings	11	40.0		–	
Trade payables		21.1		18.0	
Other liabilities	12	13.5		15.6	
Provisions	13	8.2		5.9	
Customer prepayments and deferred revenue	15	21.5		19.9	
Accrued liabilities	16	21.9		24.5	
Current liabilities		**126.2**	*58.9*	**83.9**	*38.4*
Borrowings	11	–		20.0	
Provisions	13	24.8		31.3	
Non-current liabilities		**24.8**	*11.6*	**51.3**	*23.5*
Total liabilities		**151.0**	*70.5*	**135.2**	*61.9*
Share capital	17	18.0		18.0	
Capital reserves		15.6		15.1	
Own shares	17	(0.2)		(0.4)	
Retained earnings		29.8		50.5	
Shareholders' equity		**63.2**	*29.5*	**83.2**	*38.1*
Total liabilities and shareholders' equity		**214.2**	*100.0*	**218.4**	*100.0*

The notes on pages 66 to 91 are an integral part of the consolidated financial statements.

Consolidated income statement

CHFm	Note	2019	%	2018	%
Net revenue	18	282.9	*100.0*	318.5	*100.0*
Cost of sales	13, 19	(159.2)		(160.1)	
Gross profit		**123.7**	*43.7*	**158.4**	*49.7*
Marketing and sales	13, 19	(80.9)		(77.9)	
Research and development	13, 19	(33.2)		(32.4)	
Administration	13, 19	(21.5)		(19.9)	
Other operating expenses	20	(1.5)		(1.6)	
Operating result (EBIT)		**(13.4)**	*(4.7)*	**26.6**	*8.4*
Financial income	21	2.4		1.3	
Financial expenses	21	(1.1)		(1.3)	
Ordinary result		**(12.1)**	*(4.3)*	**26.6**	*8.4*
Non-operating result	22	8.4		(0.4)	
Extraordinary result		1.1		1.1	
Profit/(loss) before income tax		**(2.6)**	*(0.9)*	**27.3**	*8.6*
Income tax	23	3.1		(5.9)	
Group profit for the period[1]		**0.5**	*0.2*	**21.4**	*6.7*

[1] Attributable to the owners of the parent.

Earnings per share in CHF

	Note	2019	2018
Basic	24	0.01	0.59
Diluted	24	0.01	0.59

Additional information – non-GAAP measures

CHFm	2019	%	2018	%
EBITDA[1]	0.8	*0.3*	39.0	*12.2*

[1] Earnings before interest, income tax, depreciation and amortization (EBITDA) as a subtotal includes the operating result (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. In 2019, operating depreciation and amortization amounted to CHF 14.2 million (previous year: CHF 12.4 million).

The notes on pages 66 to 91 are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

CHFm	Share capital [1]	Own shares [1]	Share premium	Other capital reserves	Currency translation adjustments	Goodwill offset	Other retained earnings	Total shareholders' equity
	Attributable to owners of the parent							
			Capital reserves		Retained earnings			
Balance at 1.1.2018	**18.0**	**(0.5)**	**1.1**	**13.9**	**(3.5)**	**(54.9)**	**109.0**	**83.1**
Group profit for the period	–	–	–	–	–	–	21.4	21.4
Currency translation adjustments	–	–	–	–	(5.3)	–	–	(5.3)
Goodwill offset with equity [2]	–	–	–	–	–	–	–	–
Share-based payments [3]	–	–	–	0.2	–	–	–	0.2
Purchase of own shares	–	–	–	–	–	–	–	–
Disposal of own shares	–	0.1	–	(0.1)	–	–	–	–
Dividend paid	–	–	–	–	–	–	(16.2)	(16.2)
Balance at 31.12.2018	**18.0**	**(0.4)**	**1.1**	**14.0**	**(8.8)**	**(54.9)**	**114.2**	**83.2**
Group profit for the period	–	–	–	–	–	–	0.5	0.5
Currency translation adjustments	–	–	–	–	(5.0)	–	–	(5.0)
Goodwill offset with equity [2]	–	–	–	–	–	–	–	–
Share-based payments [3]	–	–	–	0.6	–	–	–	0.6
Purchase of own shares	–	–	–	–	–	–	–	–
Disposal of own shares	–	0.2	–	(0.1)	–	–	–	0.1
Dividends paid	–	–	–	–	–	–	(16.2)	(16.2)
Balance at 31.12.2019	**18.0**	**(0.2)**	**1.1**	**14.5**	**(13.8)**	**(54.9)**	**98.5**	**63.2**

[1] Refer to note 17.
[2] Refer to note 9.
[3] Refer to note 25.

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

The notes on pages 66 to 91 are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

CHFm	Note	2019	2018
Group profit for the period		0.5	21.4
+ Depreciation of property, plant and equipment	8	2.5	2.7
+ Amortization of intangible assets	9	11.9	10.1
+/– (Profit)/loss from disposal of property, plant and equipment	8	(3.4)	–
+ Share-based payments	25	0.6	0.2
+/– Addition/(release) of provisions	13	(1.0)	1.3
+/– Adjustment for other non-cash items		4.4	0.1
+/– Change in inventory and work in progress		(9.4)	4.1
+/– Change in trade receivables		5.0	(9.8)
+/– Change in trade payables		4.0	(2.1)
+/– Change in other receivables and prepayments		–	(2.8)
+/– Change in accrued and other short-term liabilities and deferred income		(3.6)	(4.4)
– Interest income	21	(1.3)	(1.3)
+ Interest expenses	21	0.8	0.9
+ Interest received		0.1	0.8
– Interest paid		(0.2)	(0.3)
+/– Income tax (benefits)/expenses	23	(3.1)	5.9
– Income tax paid		(3.5)	(5.6)
+/– Foreign currency translation differences on intra-group positions		(1.4)	(1.2)
Cash flow from operating activities		**2.9**	**20.0**
– Purchase of property, plant and equipment	8	(1.7)	(2.8)
+ Proceeds from disposal of property, plant and equipment	22	6.9	–
– Purchase of intangible assets	9	(14.7)	(8.6)
– Acquisition of a subsidiary or business [1]		–	(3.0)
+/– Change in financial assets and other non-current assets		0.1	0.3
Cash flow from investing activities		**(9.4)**	**(14.1)**
+/– Proceeds from/(repayment of) short-term borrowings		13.0	–
+/– Proceeds from/(repayment of) long-term borrowings		7.0	2.0
+ Proceeds from disposal of own shares		0.1	–
– Dividends paid		(16.2)	(16.2)
Cash flow from financing activities		**3.9**	**(14.2)**
+/– Foreign currency translation differences on cash and cash equivalents		(0.4)	(0.8)
Increase/(decrease) in cash and cash equivalents		**(3.0)**	**(9.1)**
+ Cash and cash equivalents at 1.1.		21.2	30.3
Cash and cash equivalents at 31.12.		**18.2**	**21.2**

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

The notes on pages 66 to 91 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.

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

During 2019, management decided to change the inventory cost method from weighted-average to FIFO (First In – First Out) cost method (see note 2.10). The aim was to simplify the internal procedures and to seek a closing value which approximates the current market value. The financial impact is not material in 2019 and 2018.

There were no other changes in 2019.

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	31.12.2019	Average 2019	31.12.2018	Average 2018
Euro	EUR	1	1.085	1.112	1.127	1.153
US dollar	USD	1	0.966	0.992	0.984	0.977
Swedish krona	SEK	1	0.104	0.105	0.110	0.113
Pound sterling	GBP	1	1.276	1.269	1.260	1.301

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 includes 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 FIFO (First In – First Out) 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 and Performance Stock Unit (“PSU”) plans.

a) Share matching plans

The beneficiaries of share matching plans get the opportunity to buy company shares 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.

b) Performance Stock Unit ("PSU") plans
The PSU plan foresees annual issuance of Performance Stock Units ("PSUs"). One PSU represents the conditional right to receive a fraction between 0% and 200% of an Ascom share subject to the fulfillment of certain vesting conditions. Vesting of the PSUs occurs on the third anniversary of the respective date of grant. Vesting conditions are, both, the achievement of performance targets as well as an unterminated contractual relationship with the company. Performance targets are represented by equally weighted three-year net income fully diluted Earnings per Share ("EPS") and three-year relative Total Shareholder Return ("TSR") measured against the Swiss Performance Index Extra ("SPI EXTRA") and expressed as a percentage point difference. The award forfeits fully or partly if employment ceased before the vesting date.

The cost of PSU is measured initially at fair value at grant date and recognized as expense over the vesting period, together with a corresponding increase in other capital reserves in equity. As no cash settlement is foreseen, no subsequent measurement takes place.

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. SEGMENT INFORMATION

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.

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

CHFm	Incoming orders		Net revenue	
	2019	2018	2019	2018
Benelux	70.0	72.3	59.4	68.6
Nordics	52.9	52.6	47.0	52.4
DACH	56.1	56.7	51.1	51.4
Rest of Europe	47.3	48.8	43.2	45.7
Total Europe	**226.3**	**230.4**	**200.7**	**218.1**
Americas	51.5	54.9	50.0	55.3
Asia, Australia, Africa	17.9	15.8	13.4	16.1
OEM (Original Equipment Manufacturer)	19.8	28.5	18.8	29.0
Total	**315.5**	**329.6**	**282.9**	**318.5**

4. TRADE RECEIVABLES

CHFm	31.12.2019	31.12.2018
Receivables from third parties [1]	73.7	81.2
Less provision for doubtful debts	(3.4)	(1.5)
Total	**70.3**	**79.7**

[1] This line item includes CHF 4.2 million (previous year: CHF 5.6 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.

5. OTHER SHORT-TERM RECEIVABLES

CHFm	31.12.2019	31.12.2018
Income tax and other tax receivables	7.4	4.3
Other receivables	0.4	0.8
Finance leases	0.7	0.7
Derivative financial instruments	0.2	0.5
Total other short-term receivables	**8.7**	**6.3**

6. INVENTORIES AND WORK IN PROGRESS

CHFm	31.12.2019	31.12.2018
Raw materials and components	4.0	3.4
Work in progress [1]	7.2	3.6
Finished goods and goods for resale	20.1	16.0
Inventory provision	(4.4)	(3.2)
Total	**26.9**	**19.8**

[1] This line item includes CHF 1.0 million (previous year: CHF 0.1 million) of work in progress arising from customer projects using the percentage-of-completion method.

7. PREPAYMENTS AND ACCRUED INCOME

CHFm	31.12.2019	31.12.2018
Prepayments	4.1	4.7
Accrued income [1]	13.7	13.8
Total	**17.8**	**18.5**

[1] This line item includes CHF 12.2 million (previous year: CHF 9.4 million) of accrued income 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 1.1.2018	**18.5**	**20.3**	**0.4**	**16.6**	**55.8**
Additions	0.1	0.7	1.7	0.3	2.8
Disposals	–	(0.4)	–	–	(0.4)
Reclassifications	–	(0.5)	(0.5)	(0.5)	(1.5)
Currency translation adjustments	(0.8)	(1.1)	(0.1)	(1.1)	(3.1)
Balance at 31.12.2018	**17.8**	**19.0**	**1.5**	**15.3**	**53.6**
Additions	–	0.4	1.2	0.1	1.7
Disposals	(13.8)	(1.6)	–	(0.3)	(15.7)
Reclassifications	–	0.2	(1.9)	1.7	–
Currency translation adjustments	(0.2)	(0.8)	(0.1)	(0.8)	(1.9)
Balance at 31.12.2019	**3.8**	**17.2**	**0.7**	**16.0**	**37.7**
Accumulated depreciation and impairment					
Balance at 1.1.2018	**(11.9)**	**(17.6)**	**–**	**(14.4)**	**(43.9)**
Depreciation charge	(0.6)	(1.1)	–	(1.0)	(2.7)
Disposals	–	0.3	–	0.1	0.4
Reclassifications	–	1.0	–	0.5	1.5
Currency translation adjustments	0.5	0.8	–	1.0	2.3
Balance at 31.12.2018	**(12.0)**	**(16.6)**	**–**	**(13.8)**	**(42.4)**
Depreciation charge	(0.4)	(1.1)	–	(1.0)	(2.5)
Disposals	10.4	1.6	–	0.3	12.3
Reclassifications	–	0.2	–	(0.2)	–
Currency translation adjustments	0.2	0.7	–	0.7	1.6
Balance at 31.12.2019	**(1.8)**	**(15.2)**	**–**	**(14.0)**	**(31.0)**
Net carrying amount at 31.12.2018	**5.8**	**2.4**	**1.5**	**1.5**	**11.2**
Thereof non-operating [1]	**4.2**	**–**	**–**	**–**	**4.2**
Net carrying amount at 31.12.2019	**2.0**	**2.0**	**0.7**	**2.0**	**6.7**
Thereof non-operating [1]	**–**	**–**	**–**	**–**	**–**

[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 1.1.2018	**8.3**	**5.7**	**34.5**	**21.0**	**9.2**	**78.7**
Additions	–	–	7.4	–	1.2	8.6
Reclassification	–	–	–	3.6	(3.6)	–
Currency translation adjustments	(0.4)	(0.3)	(2.8)	(1.5)	(0.4)	(5.4)
Balance at 31.12.2018	**7.9**	**5.4**	**39.1**	**23.1**	**6.4**	**81.9**
Additions	–	–	9.4	0.1	5.2	14.7
Disposals	–	–	–	(0.4)	(0.1)	(0.5)
Reclassification	–	–	–	1.7	(1.7)	–
Currency translation adjustments	(0.2)	(0.2)	(2.3)	(1.2)	(0.4)	(4.3)
Balance at 31.12.2019	**7.7**	**5.2**	**46.2**	**23.3**	**9.4**	**91.8**
Accumulated amortization and impairment						
Balance at 1.1.2018	**(3.7)**	**(2.9)**	**(15.3)**	**(12.9)**	**(3.6)**	**(38.4)**
Amortization charge	(0.8)	(0.8)	(5.9)	(2.1)	(0.5)	(10.1)
Currency translation adjustments	0.2	0.2	1.3	0.9	0.1	2.7
Balance at 31.12.2018	**(4.3)**	**(3.5)**	**(19.9)**	**(14.1)**	**(4.0)**	**(45.8)**
Amortization charge	(0.8)	(0.6)	(7.3)	(2.7)	(0.5)	(11.9)
Disposals	–	–	–	0.4	0.1	0.5
Currency translation adjustments	0.1	0.2	1.2	0.7	0.3	2.5
Balance at 31.12.2019	**(5.0)**	**(3.9)**	**(26.0)**	**(15.7)**	**(4.1)**	**(54.7)**
Net carrying amount at 31.12.2018	**3.6**	**1.9**	**19.2**	**9.0**	**2.4**	**36.1**
Thereof acquired	**3.6**	**1.9**	**–**	**9.0**	**2.4**	**16.9**
Thereof generated internally	**–**	**–**	**19.2**	**–**	**–**	**19.2**
Net carrying amount at 31.12.2019	**2.7**	**1.3**	**20.2**	**7.6**	**5.3**	**37.1**
Thereof acquired	**2.7**	**1.3**	**–**	**7.6**	**5.3**	**16.9**
Thereof generated internally	**–**	**–**	**20.2**	**–**	**–**	**20.2**

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	2019	2018
Acquisition cost		
As of 1 January	35.9	37.1
Additions from acquisitions	–	–
Liquidation of a subsidiary or business	–	–
Disposal of a subsidiary or business	–	–
Reversal of earn-out	–	–
Translation adjustment	(0.9)	(1.2)
As of 31 December	**35.0**	**35.9**
Accumulated amortization		
As of 1 January	(35.0)	(34.3)
Additions	(0.5)	(1.7)
Liquidation of a subsidiary or business	–	–
Disposal of a subsidiary or business	–	–
Translation adjustment	1.0	1.1
As of 31 December	**(34.5)**	**(35.0)**
Theoretical book values, net		
As of 1 January	0.9	2.8
As of 31 December	**0.5**	**0.9**

Theorical effect on income statement

CHFm	2019	2018
Operating result	(13.4)	26.6
Theoretical amortization goodwill	(0.5)	(1.7)
Theoretical operating result incl. amortization goodwill	(13.9)	24.9
Group profit for the period	0.5	21.4
Theoretical amortization goodwill	(0.5)	(1.7)
Theoretical Group profit for the period incl. amortization goodwill	–	19.7

Theorical effect on balance sheet

CHFm	2019	2018
Equity according to balance sheet	63.2	83.2
Theoretical capitalization net book value goodwill	0.5	0.9
Theoretical equity incl. net book value goodwill	63.7	84.1
Equity as % of balance sheet total	29.5%	38.1%
Theoretical equity incl. net book value goodwill as % of balance sheet total (incl. goodwill)	29.7%	38.3%

10. FINANCIAL ASSETS

CHFm	31.12.2019	31.12.2018
Deferred income tax assets	9.9	7.7
Pension-related assets	1.9	2.6
Finance leases	1.6	1.5
Other financial assets	15.1	13.8
Total non-current portion	**28.5**	**25.6**

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 14.3 million (previous year: CHF 13.4 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.

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 31.12.2019
Gross investment in leases	0.8	1.7	–	2.5
Unearned interest income	(0.1)	(0.1)	–	(0.2)
Present value of the net minimum lease payments	**0.7**	**1.6**	**–**	**2.3**

CHFm	Within 12 months	Between 1 and 5 years	Later	Total 31.12.2018
Gross investment in leases	0.8	1.6	–	2.4
Unearned interest income	(0.1)	(0.1)	–	(0.2)
Present value of the net minimum lease payments	**0.7**	**1.5**	**–**	**2.2**

11. BORROWINGS

The Group has revolving multi-currency credit facilities in an aggregate amount equal to CHF 40.0 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 also has an uncommitted guarantee line of CHF 5.0 million with a Swiss bank. At 31 December 2019, Ascom used the cash lines as shown in the table below (borrowings denominated in CHF):

CHFm	31.12.2019	31.12.2018
Current	40.0	–
Non-current	–	20.0
Total borrowings	**40.0**	**20.0**

As the final maturity of the Group's credit facilities is 24 May 2020, the outstanding borrowings at 31 December 2019 are classified as 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 disclosed in note 27.5.

12. OTHER LIABILITIES (CURRENT)

CHFm	31.12.2019	31.12.2018
Income tax liabilities	1.4	1.4
VAT and other tax liabilities	5.8	6.7
Personnel-related liabilities	6.1	6.9
Derivative financial instruments	0.1	0.4
Other liabilities	0.1	0.2
Total	**13.5**	**15.6**

13. PROVISIONS

CHFm	Restructuring	Deferred tax provisions	Employee benefit obligation	Other provisions	Total
Balance at 1.1.2018	**4.4**	**6.2**	**21.1**	**11.6**	**43.3**
Additions	–	0.8	0.8	2.2	3.8
Increase in present value	–	–	0.8	–	0.8
Payments	(3.6)	–	(1.2)	(1.2)	(6.0)
Release of unused amounts	–	(0.7)	(0.5)	(1.3)	(2.5)
Currency translation adjustments	(0.2)	(0.5)	(1.3)	(0.2)	(2.2)
Balance at 31.12.2018	**0.6**	**5.8**	**19.7**	**11.1**	**37.2**
Additions	4.8	0.5	1.6	2.5	9.4
Increase in present value	–	–	0.6	–	0.6
Payments	(0.4)	–	(0.8)	(1.4)	(2.6)
Release of unused amounts	(0.2)	(1.9)	–	(8.3)	(10.4)
Currency translation adjustments	0.1	(0.2)	(1.0)	(0.1)	(1.2)
Balance at 31.12.2019	**4.9**	**4.2**	**20.1**	**3.8**	**33.0**

Expected payment

CHFm	Restructuring	Deferred tax provisions	Employee benefit obligation	Other provisions	Total
Within 12 months	0.6	–	–	5.3	5.9
Later	–	5.8	19.7	5.8	31.3
Balance at 31.12.2018	**0.6**	**5.8**	**19.7**	**11.1**	**37.2**
Within 12 months	4.9	–	0.1	3.2	8.2
Later	–	4.2	20.0	0.6	24.8
Balance at 31.12.2019	**4.9**	**4.2**	**20.1**	**3.8**	**33.0**

On 16 December 2019, the Board of Directors of Ascom Holding AG approved the restructuring program. This program comprises mainly personnel-related restructuring charges, impacts all functions within the organization and carried a cost of CHF 4.8 million, which was charged to the 2019 operating result, as included in the following table.

CHFm	2019	2018
Restructuring included in cost of sales	(2.2)	–
Restructuring included in marketing and sales	(1.9)	–
Restructuring included in research and development	(0.2)	–
Restructuring included in administration	(0.5)	–
Total	**(4.8)**	**–**

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

Provisions for employee benefit obligations include the economical pension obligations (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 2019, the range of the applied discount rate varies between 0.7% and 1.9% (previous year: 1.6%–2.8%), 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 interest expense	
	Nominal value 31.12.2019	Renounced use 31.12.2019	Balance sheet 31.12.2019	Accumulation/ (usage) 2019	CTA 2019	Balance sheet 31.12.2018	2019	2018	2019	2018
Pension plans	1.9	–	1.9	(0.7)	–	2.6	(0.1)	–	–	–
Total	**1.9**	**–**	**1.9**	**(0.7)**	**–**	**2.6**	**(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 interest expenses	
	(Surplus) / deficit 31.12.2019	31.12.2019	31.12.2018	Change to prior-year period or recognized in the current result of the period	CTA 2019	Contributions concerning the business period	2019	2018	2019	2018
Pension plans without surplus/deficit	–	–	–	–	–	(9.1)	9.1	9.8	–	–
Pension plans with deficit	1.0	1.0	1.3	(0.3)	–	(0.5)	0.2	(0.3)	–	0.2
Pension plans without own assets	17.4	17.4	16.8	1.5	(0.9)	(0.2)	1.1	0.3	0.6	0.6
Total	**18.4**	**18.4**	**18.1**	**1.2**	**(0.9)**	**(9.8)**	**10.4**	**9.8**	**0.6**	**0.8**

15. CUSTOMER PREPAYMENTS AND DEFERRED REVENUE

CHFm	31.12.2019	31.12.2018
Customer prepayments [1]	21.5	19.6
Deferred revenue	–	0.3
Total	**21.5**	**19.9**

[1] This line item includes CHF 2.7 million (previous year: CHF 1.3 million) of customer prepayments arising from customer projects using the percentage-of-completion method.

16. ACCRUED LIABILITIES

CHFm	31.12.2019	31.12.2018
Personnel-related accruals	14.1	15.9
Accrued liabilities arising from long-term contracts (PoC)	0.2	1.0
Other accrued expenses	7.6	7.6
Total	**21.9**	**24.5**

17. SHARE CAPITAL AND OWN SHARES

Composition of share capital

CHFm	Number 31.12.2019	Amount 31.12.2019	Number 31.12.2018	Amount 31.12.2018
Registered shares nom. CHF 0.50	36,000,000	18.0	36,000,000	18.0
Number of registered shareholders	4,294		4,234	

The total authorized number of ordinary shares is 36,000,000 of which 35,978,277 are outstanding at 31 December 2019 (previous year: 35,961,890). 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 2019	Amount 2019	Average transaction price	Number 2018	Amount 2018	Average transaction price
Balance at 1.1.	**38,110**	**0.4**	**10.66**	**44,547**	**0.5**	**10.66**
Additions	–	–	–	–	–	–
Disposals	(16,387)	(0.2)	10.66	(6,437)	(0.1)	10.66
Balance at 31.12.	**21,723**	**0.2**	**10.66**	**38,110**	**0.4**	**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	2019	2018
Contract revenue recognized in the reporting period	26.3	26.0

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	2019	2018
Wages and salaries	(108.8)	(102.6)
Social security and pension costs	(26.4)	(26.5)
Other personnel expenses	(9.5)	(7.8)
Total [1]	**(144.7)**	**(136.9)**

[1] Own employees. This line item includes restructuring costs of CHF 4.8 million (see note 13).

20. OTHER OPERATING INCOME AND EXPENSES

CHFm	2019	2018
Amortization of intangible assets from acquisition [1]	(1.5)	(1.6)
Total other operating expenses	**(1.5)**	**(1.6)**

[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	2019	2018
Financial income		
Interest income	1.3	1.3
Net foreign exchange gains	1.0	–
Other financial income	0.1	–
Total	**2.4**	**1.3**
Financial expenses		
Interest expenses	(0.8)	(0.9)
Net foreign exchange losses	–	(0.1)
Other financial expenses	(0.3)	(0.3)
Total	**(1.1)**	**(1.3)**
Financial income/(expenses), net	**1.3**	**–**

22. NON-OPERATING RESULT

CHFm	2019	2018
Non-operating income	8.9	1.4
Non-operating expenses	(0.5)	(1.8)
Total	**8.4**	**(0.4)**

Non-operating result relates exclusively to non-core legacy real estate activities.

In May 2019, Ascom divested for CHF 6.9 million (EUR 6.1 million) the Technologiepark Teningen which is located north of Freiburg in Breisgau (Germany). It was a non-operating property for Ascom and let to third parties since the divestment of the former division Energy Systems in 2003.

The non-operating income of CHF 8.9 million is mainly due to the profit from disposal (CHF 3.5 million) and the release of provisions for environmental costs.

23. INCOME TAX

CHFm	2019	2018
Current income tax charge	(0.7)	(6.8)
Adjustments in respect of current income tax of previous years	0.2	0.8
Deferred income tax	3.6	0.1
Total income tax	**3.1**	**(5.9)**

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

Analysis of income tax rate

CHFm	2019	2018
Ordinary result	(12.1)	26.6
Weighted average expected income tax rate	27.2%	24.9%
Non-operating and extraordinary result	9.5	0.7
Weighted-average expected income tax rate	25.2%	9.1%
Profit/(loss) before income tax	**(2.6)**	**27.3**
Weighted-average expected income tax rate	34.6%	24.5%
Expected income tax	0.9	(6.7)
Utilization of previously unrecognized tax loss carry-forwards	1.2	1.0
Effect from recognition of previous years' tax losses	0.5	1.1
Effect from first-time recognition of previous years' temporary differences	0.1	0.1
Effect of non-recognized current-year tax losses	(1.3)	(1.1)
Effect of change in applicable tax rate	0.1	–
Adjustments in respect of current income tax of previous years	–	0.8
Effect of income/(expenses) taxed with a different rate or not taxed	1.6	(1.1)
Effect of expiry/impairment of capitalized tax losses/tax credits	–	–
Total income tax	**3.1**	**(5.9)**

The total weighted-average expected income tax rate of 34.6% (previous year: 24.5%) is calculated using the expected tax rates, based on earnings before income tax of the individual Group companies in each jurisdiction. These rates vary significantly 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.

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

CHFm	31.12.2019	31.12.2018
Intangible assets	(2.4)	(2.4)
Inventories and work in progress	0.6	0.5
Tax loss carry-forwards and tax credits	5.2	2.8
Other assets and liabilites	2.3	0.9
Total	**5.7**	**1.8**
Recognized as deferred income tax assets	9.9	7.6
Recognized as deferred income tax liabilities	(4.2)	(5.8)

Tax losses amounting to CHF 22.8 million (previous year: CHF 1.7 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 313.1 million (previous year: CHF 327.3 million) and expire in the following years:

CHFm	31.12.2019	31.12.2018
Within 12 months	–	–
Between 1 and 5 years	54.0	61.5
Later	259.1	265.8

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.

	2019	2018
Group profit for the period attributable to owners of the parent (CHFm)	**0.5**	**21.4**
Weighted-average number of outstanding shares	35,968,534	35,959,356
Earnings per share from Group profit (CHF)	**0.01**	**0.59**

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.

	2019	2018
Group profit for the period attributable to owners of the parent (CHFm)	**0.5**	**21.4**
Weighted-average number of outstanding shares	35,968,534	35,959,356
Adjustment for the dilutive number of outstanding share options	107,073	17,664
Weighted-average number of diluted shares	**36,075,607**	**35,977,020**
Diluted earnings per share from Group profit (CHF)	**0.01**	**0.59**

25. SHARE-BASED PAYMENTS

Ascom Share Matching Plans 2017 and 2018

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 2019	Number of investment shares 2018	Number of investment shares 2017
Investment shares outstanding at 1.1.	**83,927**	**82,147**	**108,555**
Granted	–	24,057	32,956
Exercised	(29,927)	(21,777)	(49,354)
Forfeited	(1,464)	(500)	(10,010)
Investment shares outstanding at 31.12.	**52,536**	**83,927**	**82,147**

	2019	2018	2017
Resolution passed by the Board of Directors on	–	28.08.	21.08.
Number of Ascom senior management members who decided to participate	–	15	19
Vesting period (years)	–	2.79	2.76
Fair value of the matching shares granted during the year (CHF)[1]	–	17.85	18.03
Personnel expenses for equity-settled matching shares recognized as other reserves (equity) (CHFm)	(0.2)	(0.2)	(0.1)

[1] At weighted average.

Ascom Performance Stock Unit plan (PSU) 2019

In 2019, the Board of Directors decided to introduce a Performance Stock Unit ("PSU") plan for Ascom senior management as a long-term incentive instead of share matching plans. The following table shows the development of outstanding PSUs:

	Number of PSUs 2019
PSU outstanding at 1.1.	**–**
Granted	153,562
Exercised	–
Forfeited	(5,150)
Investment shares outstanding at 31.12.	**148,412**

	2019
Resolution passed by the Board of Directors on	03.06.
Number of Ascom senior management members who decided to participate	51
Vesting period (years)	3.00
Fair value of the matching shares granted during the year (CHF)	9.71
Personnel expenses for equity-settled PSUs recognized as other reserves (equity) (CHFm)	(0.4)

26. TRANSACTIONS WITH RELATED PARTIES

A legally independent fund provides for Swiss pensions (see note 2.18). In 2019 and 2018, 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 2019 (previous year: nil).

In 2019, 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 31.12.2019	Impact on net result 31.12.2019	Impact on equity 31.12.2019	Reasonable shift 31.12.2018	Impact on net result 31.12.2018	Impact on equity 31.12.2018
EUR/CHF	+/– 15%	–/+ 1.6	–/+ 9.4	+/– 15%	–/+ 3.8	–/+ 9.8
USD/CHF	+/– 15%	+/– 2.4	+/– 3.4	+/– 15%	+/– 1.3	+/– 0.5
SEK/CHF	+/– 15%	+/– 0.4	+/– 9.6	+/– 15%	–/+ 0.3	+/– 8.3
GBP/CHF	+/– 15%	+/– 0.2	+/– 0.3	+/– 15%	+/– 0.0	+/– 0.1
EUR/SEK	+/– 15%	+/– 0.1	+/– 0.1	+/– 15%	+/– 0.0	+/– 0.0
USD/SEK	+/– 15%	+/– 0.0	+/– 0.0	+/– 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	31.12.2019	31.12.2018
Net debt/(cash) including outstanding bank guarantees [1]	26.1	3.4
EBITDA	0.8	39.0
Debt service ratio	**32.6**	**0.1**
Total assets	214.2	218.4
Shareholders' equity	63.2	83.2
Equity ratio	**29.5%**	**38.1%**

[1] Borrowings and outstanding bank guarantees less cash and cash equivalents. At 31 December 2019, outstanding bank guarantees amounted to CHF 4.3 million (previous year: CHF 4.6 million).

Due to non-recurring costs, mainly driven by the restructuring costs for the implementation of a new Group structure for Ascom as of 1 February 2020, the financial covenants were missed as of 31 December 2019. However, the two lending banks have provided a waiver to remedy the situation and the facility will continue to run as contracted (see note 31).

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	31.12.2019	31.12.2018
Contract volume	16.1	34.1
Positive fair value [1]	0.2	0.5
Negative fair value [2]	0.1	0.4

[1] Refer to note 5.
[2] Refer to note 12.

Breakdown by currency (CHFm)	31.12.2019	31.12.2018
EUR/CHF	8.0	16.6
SEK/CHF	8.1	17.5
Total	**16.1**	**34.1**

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	
	31.12.2019	31.12.2018
Within 12 months	5.5	5.6
Between 1 and 5 years	5.4	8.2
Later	–	–
Total	**10.9**	**13.8**

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

CHFm	Operating leases	
	31.12.2019	31.12.2018
Within 12 months	–	0.9
Between 1 and 5 years	–	0.4
Later	–	–
Total	**–**	**1.3**

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 2019, contingent liabilities amount to CHF 3.8 million (previous year: CHF 4.0 million). There is no indication that these liabilities will lead to fulfillment payments.

30. PLEDGED ASSETS

At 31 December 2019, property, plant and equipment with a total carrying amount of CHF 2.1 million (previous year: CHF 2.2 million), financial assets of CHF 0.1 million (previous year: nil), 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

Group refinancing

The Group is in the process of finalizing suitable refinancing and expects to execute new cash and guarantee lines in advance of the expiration date of the existing credit facilities.

Since the balance sheet date, no other subsequent adjusting events have occurred that impact the 2019 consolidated financial statements.

32. PROPOSAL OF THE BOARD OF DIRECTORS

For the year ended 31 December 2019, the Board of Directors proposes to the Annual General Meeting on 15 April 2020 no distribution of dividends. In 2019, a total dividend of CHF 16.2 million was distributed to the shareholders of Ascom Holding AG.

33. TIME OF RELEASE FOR PUBLICATION

The Board of Directors approved the 2019 consolidated financial statements on 27 February 2020 and authorized them for publication at the media conference on 5 March 2020.

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%
Denmark	Ascom Danmark A/S	Glostrup	■	DKK	1,200,000	Ascom Holding AG	100%
Finland	Ascom Oy	Turku	■	EUR	33,638	Ascom Holding AG	100%
France	Ascom (France) SA	Suresnes	■	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%
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%
Romania	Ascom Mobile Solutions Romania S.R.L.	Cluj-Napoca	★	RON	45,000	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	Ascom Holding AG	Baar	●	CHF	18,000,000	n/a	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 (UK) Ltd.	Lichfield	■	GBP	50,000	Ascom Solutions Ltd.	100%
USA	Ascom (US) Inc.	Morrisville NC	■ ★	USD	1	Ascom Solutions Ltd.	100%

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.
★ Research and Development: This entity performs research and development activities.
□ Real estate: This entity performed real estate activities.
– Other: This entity is dormant or in liquidation.

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 2019 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 62 to 91) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 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.

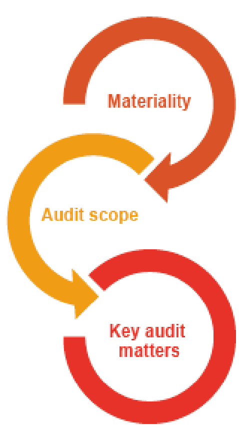
Basis for opinion

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 1'120'000

We concluded full scope audit work at 5 reporting units in 5 countries. Our audit scope addressed 60% of the Group's revenue. In addition, specified procedures were performed on a further 2 reporting units in 2 countries representing a further 15% of the Group's revenue.

The following area of focus has been identified as a key audit matter:

Sales and Revenue recognition (multi-element contracts)

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

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.

Overall Group materiality	CHF 1'120'000
How we determined it	5% of adjusted 3 year average profit / loss before tax
Rationale for the materiality benchmark applied	We chose adjusted 3 year average profit / loss 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. The average of 3 years reflects the volatility of the results in the past years. The benchmark average profit / loss before taxes, is adjusted for one-off items.

We agreed with the Audit Committee that we would report to them misstatements above CHF 110'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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.

The Group is structured as a "one company" functional organization. The Group financial statements are a consolidation of over 20 reporting units. We identified 5 reporting units that, in our view, required an audit of their 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 reporting units, we performed other procedures to test or assess that there were no significant risks of material misstatement in these reporting units 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 work. We discussed the risks identified and challenged the audit approach in significant risk areas relevant to those reporting units. 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.

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. This matter was 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 this matter.

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 the sale of goods and the rendering of services. Those revenues are allocated to the separable components based on the relative fair value of the separable components. Service revenues are 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 an 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 (cut-off and matching of revenues and efforts).	We obtained an understanding of the processes and internal controls around revenue recognition for 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 assessed whether management's policies and processes for making these estimates continue to be appropriate and are applied consistently to 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 revenues from the sale of goods and revenues from the rendering of services and to assess whether the revenues for service contracts for multi-element contracts were 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 for multi-element contracts, and there were no significant findings as a result of our work.

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 Auditor in charge	Audit expert

Zurich, 27 February 2020

Summary of key financial data

CHFm	2019	2018	2017	2016 [6]	2015 [6]
Incoming orders	315.5	329.6	324.8	360.4	412.5
Order backlog [1]	177.5	149.6	143.3	121.8	135.2
Net revenue	282.9	318.5	309.7	354.3	410.8
EBITDA	0.8	39.0	43.6	16.9	43.8
EBITDA in % of net revenue	0.3	12.2	14.1	4.8	10.7
Earnings before interest and income tax (EBIT)	(13.4)	26.6	33.2	1.3	27.3
EBIT in % of net revenue	(4.7)	8.4	10.7	0.4	6.6
Personnel expenses	(144.7)	(136.9)	(128.3)	(172.5)	(178.9)
Depreciation, amortization and impairment [5]	(14.2)	(12.4)	(10.4)	(15.6)	(16.5)
Group profit/(loss) for the period	0.5	21.4	25.9	(145.7)	24.3
Net cash flow from operating activities	2.9	20.0	16.2	6.0	33.3
Capital expenditures on property, plant and equipment	1.7	2.8	2.5	4.1	4.2
Capital expenditures on intangible assets	14.7	8.6	7.8	18.3	9.0
Research and development expenditures [2]	(34.7)	(33.2)	(29.7)	(42.9)	(43.7)
Balance sheet total [1]	214.2	218.4	229.6	225.1	286.4
Shareholders' equity [1]	63.2	83.2	83.1	80.9	116.7
Shareholders' equity in % of balance sheet total [1]	29.5	38.1	36.2	35.9	40.7
Net cash or (net debt) [1,3]	(21.8)	1.2	12.3	24.1	37.3
Gearing in % [4]	63.3	24.0	21.7	12.6	17.2
Dividends paid/distribution of share premium	16.2	16.2	28.8	16.1	15.8
Number of employees (FTE) [1]	1,292	1,246	1,223	1,188	1,658

[1] At 31 December.
[2] Research and development costs excluding depreciations, amortization, impairment and capitalized costs.
[3] Cash and cash equivalents less borrowings.
[4] Borrowings/shareholders' equity.
[5] Excludes depreciation, amortization and impairment from non-operating result.
[6] Incuding the former Network Testing Division which was divested as of 30 September 2016.

Balance sheet

Assets

CHF 1,000	31.12.2019	31.12.2018
Cash and cash equivalents	6,352	795
Other current receivables		
Group companies	6,250	3,038
Third parties	155	324
Prepaid expenses	73	133
Total current assets	**12,830**	**4,290**
Financial assets		
Group companies	10,756	14,163
Third parties	14,339	13,439
Investments in Group companies	403,913	424,693
Total non-current assets	**429,008**	**452,295**
Total assets	**441,838**	**456,585**

Liabilities and shareholders' equity

CHF 1,000	31.12.2019	31.12.2018
Current interest-bearing liabilities – third parties	40,000	–
Other current liabilities		
Group companies	3,888	189
Third parties	498	519
Accrued expenses	5,905	3,424
Total current liabilities	**50,291**	**4,132**
Non-current interest-bearing liabilities		
Group companies	27,062	50,847
Third parties	–	20,000
Non-current provisions	1,663	3,714
Total non-current liabilities	**28,725**	**74,561**
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	337,593	358,622
Profit/(loss) of the period	938	(4,847)
Treasury shares held by Ascom Holding AG	(232)	(406)
Total shareholders' equity	**362,822**	**377,892**
Total liabilities and shareholders' equity	**441,838**	**456,585**

Income statement

CHF 1,000	2019	2018
Investment income	20,780	–
Other income	12,046	7,699
Total ordinary income	**32,826**	**7,699**
Administration expenses	(10,331)	(11,263)
Value adjustments on loans	(22,055)	(1,670)
Total operating income	**440**	**(5,234)**
Financial expenses	(1,279)	(1,159)
Financial income	1,755	1,551
Profit/(loss) before tax	**916**	**(4,842)**
Income taxes	22	(5)
Profit/(loss) for the period	**938**	**(4,847)**

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 to 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 to 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 25.9 million (previous year: CHF 25.6 million).

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

5. Pledged assets
At 31 December 2019, 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 2019	Amount 2019	Average transaction price	Number 2018	Amount 2018	Average transaction price
Balance at 1.1.	**38,110**	**0.4**	**10.66**	**44,547**	**0.5**	**10.66**
Additions	–	–	–	–	–	–
Disposals	(16,387)	(0.2)	10.66	(6,437)	(0.1)	10.66
Balance at 31.12.	**21,723**	**0.2**	**10.66**	**38,110**	**0.4**	**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 2019:

- Veraison SICAV, Zurich, Switzerland (8.09%).
- UBS Fund Management (Switzerland) AG, Basel, Switzerland (6.99%).
- Pictet Asset Management SA, Geneva, Switzerland (6.23%).

This does not cover shares, which are not registered in the share register (dispo shares). Dispo shares amounted to 31.39% as of 31 December 2019 (previous year: 32.85%).

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
05.10.2019	Veraison SICAV, Zurich, Switzerland Loys Investment S.A., Munsbach, Luxembourg Luxunion S.A., Leudelange, Luxembourg	15.9%
20.08.2019	UBS Fund Management (Switzerland) AG, Basel, Switzerland	7.34%
07.08.2019	Pictet Asset Management SA, Geneva, Switzerland	5.67%
09.11.2018	Credit Suisse Funds AG, Zurich, Switzerland	3.02%

There are no known shareholders' agreements. Additional details are disclosed in the first chapter of the Corporate Governance Report (refer to page 21).

10. Participations

Number of participations which were held by members of the Board of Directors	Shares[1]	Shares[1]
	2019	2018
Dr Valentin Chapero Rueda, Chairman	9,994	–
Andreas Umbach, former Chairman	48,750	48,750
Christina Stercken	4,000	4,000
Dr Harald Deutsch	4,000	2,000
Jürg Fedier	4,400	4,400
Total Board of Directors	**71,144**	**59,150**

[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]
	2019	2018
Jeannine Pilloud, CEO	15,973	–
Dominik Maurer, CFO	–	–
Francis Schmeer, Chief Sales & Marketing Officer	1,958	1,958
Holger Cordes, former CEO	–	46,900
Anette Weber, former CFO	–	8,600
Total Executive Board	**17,931**	**57,458**

[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 section III of the Remuneration Report (refer to pages 56 to 57).

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

In 2019, 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 2019		Shares 2018
Allocated to members of the Board	6,321	66	–	–
Allocated to employees	7,947	102	2,215	42
Total	**14,268**	**168**	**2,215**	**42**

11. Events after the balance sheet date

Since the balance sheet date, no subsequent adjusting events have occurred that impact the 2019 financial statements.

12. Time of release for publication

The Board of Directors approved the 2019 statutory financial statements on 27 February 2020 and authorized them for publication at the media conference on 5 March 2020.

Comments on the financial statements

Assets

Investments include shares in Group companies amounting to CHF 403.9 million (previous year: CHF 424.7 million).

In the year under review, the loans to Group companies are mainly denominated in USD, DKK, SGD and GBP. Financial assets from third parties comprise mainly the subordinated vendor loan amounting to CHF 14.3 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, GBP, USD and NOK.

Liabilities and equity

In the year under review, total loans from Group companies decreased by CHF 23.8 million.

Bank loans comprise amounts drawn under available revolving multicurrency loan facilities in an aggregate amount of CHF 40.0 million denominated in CHF. The final maturity date of the loan facilities is 24 May 2020.

Accrued expenses are mainly related to net unrealized foreign exchange gains.

Income statement

Investment income represents ordinary dividend payments from Group companies. Other income comprises mainly trademark and management fees charged to Group companies of CHF 12.0 million (previous year: CHF 7.7 million).

Administration expenses include mainly personnel-related costs in amount of CHF 9.0 million (previous year: CHF 7.0 million) and external consulting services.

Financial expenses consist mainly of interest of CHF 0.7 million paid to banks and Group companies (previous year: CHF 0.2 million), as well as bank charges of CHF 0.1 million (previous year: CHF 0.1 million) and foreign exchange losses on Group loans and other current receivables of CHF 0.5 million (previous year: CHF 0.9 million).

Financial income consists mainly of interest income from loans to Group companies of CHF 0.5 million (previous years: CHF 0.4 million) and from the subordinated vendor loan of CHF 1.2 million (previous year: CHF 1.1 million).

Profit for the period

In 2019, Ascom Holding AG records a net profit of CHF 0.9 million (previous year: net loss of CHF 4.8 million), while Ascom Group records a consolidated net profit of CHF 0.5 million (previous year: consolidated net profit of CHF 21.4 million).

Proposal for the appropriation of retained earnings 2019

CHF	2019
Retained earnings from previous year	353,775,147
Distribution of dividends	(16,181,649)
Result for the period	937,847
Retained earnings at 31.12.2019	**338,531,345**
No distribution of dividends in 2020	–
Balance to be carried forward	338,531,345

Proposal for the appropriation of reserves from capital contribution 2019

CHF	2019
Distributable reserves from capital contribution from previous year	1,123,343
Distribution of reserves from capital contribution	–
Distributable reserves from capital contribution at 31.12.2019	**1,123,343**
Balance to be carried forward	1,123,343

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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 2019, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 97 to 103) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

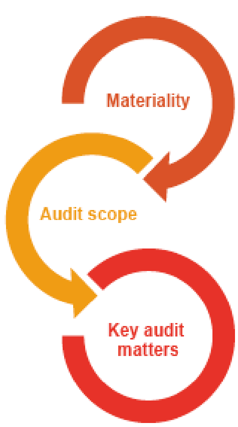
Basis for opinion

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 1'800'000

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.

The following area of focus has been identified as a key audit matter:

Valuation of investments in Group companies

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

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 1'800'000
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 CHF180'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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.

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. This matter was 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 this matter.

Valuation of investments in Group companies

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2019, investments in Group companies of Ascom Holding AG amounted to CHF 404m. 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 to a group assessment as opposed to individual subsidiary level. This accounting policy is referenced in note 2. Accounting Policies. We consider the impairment assessment, in particularly the single grouping of investments as a key audit matter, due to the significance of the investments value on the balance sheet of Ascom Holding AG and because of the level of judgement involved in concluding on the single 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 cashflow model performed by management. Due to the headroom the results from the model were not sensitive to any changes in assumptions and hence we did not extend our work. 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 the valuation of investments in subsidiaries. We have no findings to report.

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	Daniel Wyss
Audit expert Auditor in charge	Audit expert

Zurich, 27 February 2020

Key financial data on the share capital

CHF		2019	2018	2017	2016	2015
Dividend/distribution per share						
Registered shares	CHF 0.50	0.45	0.45	0.80	0.45	0.45
Equity per share [1,2]						
Registered shares	CHF 0.50	1.76	2.31	2.31	2.25	3.24
Earnings per share [1,2]						
Registered shares	CHF 0.50	0.01	0.60	0.72	(4.07)	0.69
Share price (high/low of the period under review)						
Registered shares	CHF 0.50	14.94/9.56	25.70/12.42	25.40/15.45	18.30/14.36	20.75/12.80
Taxable values [1]						
Registered shares	CHF 0.50	10.52	13.58	25.20	16.00	15.90
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	21,723	38,110	44,547	98,075	220,894

[1] At 31 December.
[2] Based on the consolidated financial statements.

Dates and contacts

Important dates

15 April 2020
Annual General Meeting
Theater Casino, Zug

13 August 2020
2020 Half-Year Results Conference
Restaurant Metropol, Zurich

Contact address

Ascom Group Communications & IR
Ascom Holding AG
Daniel Lack
Senior VP 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

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 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 S.R.L.
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

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 2019 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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