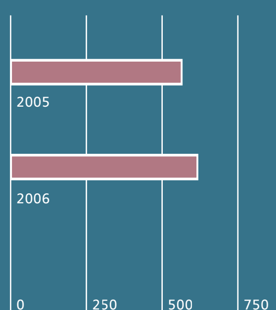
ascom

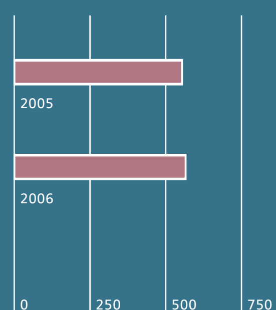
ANNUAL REPORT 2006

SUMMARY OF KEY FIGURES

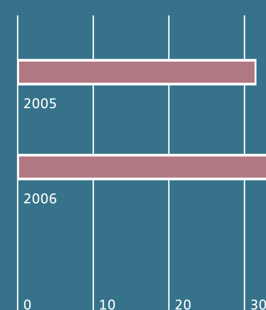
Incoming orders in CHFm



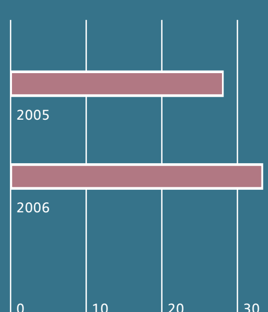
Revenue in CHFm



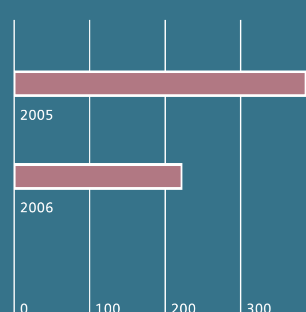
EBIT in CHFm



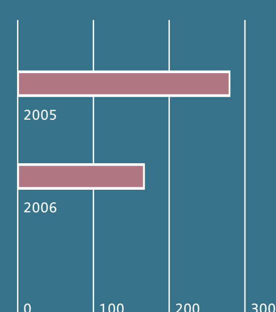
Profit from continuing operations



Equity in CHFm



Net liquidity in CHFm



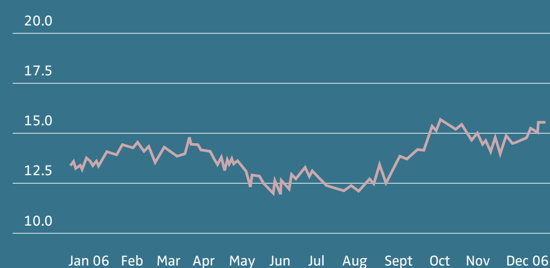
Ascom is an international provider of tailor-made ‘‘mission-critical’’ communication solutions. To us, mission-critical communication means development, sales and realisation of products and solutions, which optimally address time-critical needs and operate speedily, reliably and seamlessly even under extreme conditions.

Ascom is headquartered in Berne (Switzerland). Worldwide, more than 2,000 employees are working for the group. Registered shares in Ascom Holding Ltd. are traded on the SWX Swiss Exchange in Zurich (symbol ASCN).

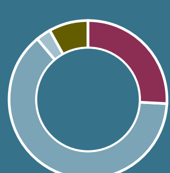
Share information

	2006	2005	2004
Share price at 31.12. in CHF	15.35	18.65	19.00
Market capitalisation in CHF 1,000	552,600	671,400	684,000
Nominal value per share in CHF	0.50	5.50	5.50

Performance in CHF

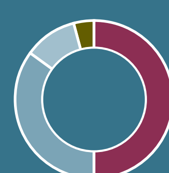


Revenue by region



Switzerland	26 %
Europe excl. Switzerland	63 %
Germany	8 %
France	8 %
UK	7 %
Netherlands	14 %
Sweden	9 %
Other European countries	17 %
USA/Canada	3 %
RoW	8 %

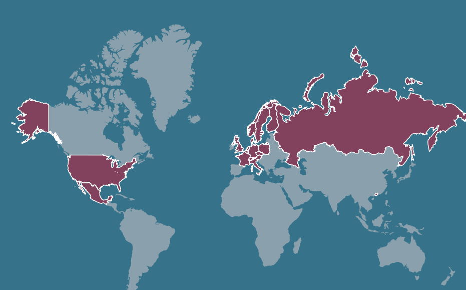
Revenue by division



Wireless Solutions	50 %
Security Solutions	35 %
Special Products	11%
Corporate	4 %

Close to the customer

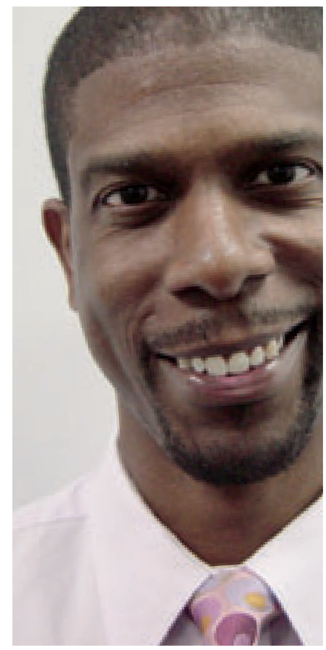
With our own subsidiaries and local sales partners, we make sure that we are able to address your needs quickly and competently at all times.

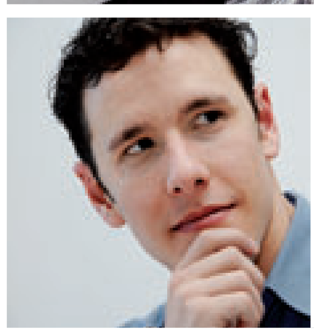
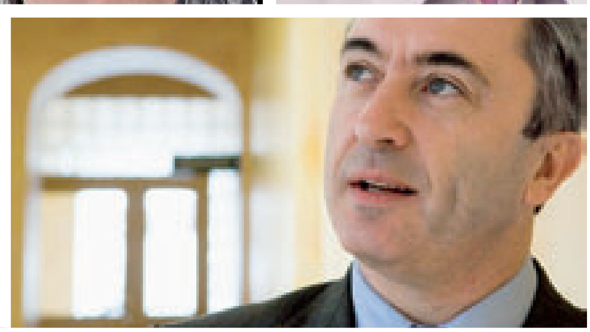


Subsidiaries in 17 countries all over the world.

COMMON VALUES





Responsible, competent, talented, ambitious

Values that our people live by every day – for our customers. Combined with innovative products and reliable solutions that offer our customers new prospects.

MESSAGE FROM THE CHAIRMAN OF THE BOARD

Dear Shareholders

Ascom continued to consistently implement its defined strategy during fiscal year 2006. Let me summarise the most important results of our Group:

- Incoming orders were up 9.1 % at CHF 614.8 million.
- Order backlog rose by 24.6 % to CHF 244.4 million.
- Altogether the two core divisions Wireless Solutions and Security Solutions recorded an increase of 9.5 % in incoming orders and of 36.5 % in order backlog.
- Group revenue improved slightly to CHF 564.9 million, up 2.1 % year-on-year.
- EBIT rose to CHF 33.0 million from CHF 31.4 million in 2005.
- Continuing operations posted a profit of CHF 33.2 million compared with CHF 28.0 million in 2005.
- Ascom recorded a Group profit of CHF 17.1 million for 2006.

These results, backed by strong incoming orders and a robust order backlog, are proof that Ascom achieved important successes with many customers, based on the innovative products and solutions that it offers through its two core divisions, Wireless Solutions and Security Solutions. For the Group, there is potential for profitable growth over the next few years. Continuing operations posted a profit of CHF 33.2 million, corresponding to an increase year-on-year of CHF 5.2 million. Discontinued operations posted a loss of CHF (16.1) million in 2006 due to the book loss from the sale of Network Integration Italy and losses posted by the Toll Systems unit, which is held for sale. Ascom reached a Group profit of CHF 17.1 million for fiscal year 2006.

Looking back into 2001, Ascom recorded high loss and a net debt position that prompted a radical realignment of the Group at that time. The Board of Directors decided to systematically streamline the Group structure and to divest non-core business activities. In a further refinement of this strategy, the Board of Directors decided in autumn 2004 that Ascom should put a clear focus on mission-critical communication, concentrating on its two divisions Wireless Solutions and Security Solutions. As a consequence of this strategy, Ascom already achieved positive results again in fiscal year 2004. The divestments of non-core business activities, coupled with the sale of various properties in Switzerland, resulted in non-recurring profits from divestment in an amount of CHF 103.7 million for fiscal 2005. The divestment programme was largely completed during 2006, although with a book loss.

Today's streamlined organisational structure and the sound financial base allow Ascom to grow organically as well as through acquisitions, and to achieve a sustainable increase in the Group's profitability in future.

Board of Directors and Executive Board

At the General Meeting of Shareholders on 6 April 2006, shareholders voted in favour of a par value repayment amounting to CHF 180 million and a dividend payment of CHF 10.1 million. The share capital was subsequently reduced by way of a reduction in par value per share from CHF 5.50 to CHF 0.50. In keeping with the principles of modern corporate governance, it was also decided to shorten the term of office of members of the Board of Directors from three years to one. Pierre Roy and Adrian Schmassmann were elected to the Board of Directors for the first time. On expiry of his term of office Beat Näf, who joined the Board of Directors in 2003, decided to resign and did not stand for re-election as a member of the Board of Directors.

With effect from 15 February 2007, the Ascom Board of Directors appointed Fritz Mumenthaler, Head of Wireless Solutions, as Chief Executive Officer ad interim and Head of Security Solutions. In December 2006 Alberto Romaneschi, who was appointed Chief Financial Officer on 1 September 2006, took over additional responsibilities for the Payphones and Toll units, including the divestment process for these two units.

The future of Ascom

In recent years Ascom has proven that its brand is strongly associated with innovation and superior quality. The Ascom brand is widely known and enjoys an excellent reputation among our customers. The strategic focus is now on ensuring the sustainable further development of the Wireless Solutions and Security Solutions divisions, enhancing its commercialisation capabilities and accelerating growth. Ascom is aiming to expand its position as a technology leader in both areas through innovative products and solutions, and to strengthen its market position in selected countries and regions. The Company aims to achieve higher profitability and cash flows through growth in revenue and disciplined cost management.

A word of thanks

Ascom's success is based on good relationships with business partners, customers, employees and shareholders. I would like to take this opportunity to thank my colleagues on the Board of Directors and the members of the Ascom Executive Board for their strong commitment. Special thanks go also to our employees for their splendid efforts and wholehearted dedication. I would also like to express my thanks to our customers for their loyalty and to you, our valued shareholders, for the confidence you continue to show in Ascom.

With our clear strategy focused on mission-critical communication, we are well positioned to exploit opportunities in our markets and to leverage Ascom's value-adding potential.

Juhani Anttila
Chairman

REPORT OF THE EXECUTIVE BOARD

In 2006 Ascom reached important milestones on its path to sustainable and profitable growth. With the aim to accelerate growth in the Wireless Solutions division, the Company formulated three principal measures: promote innovation, reinforce the sales force and strengthen the management team. On all three levels, we made significant progress in the course of 2006, which resulted in a substantial year-on-year rise in incoming orders and order backlog as well as a further increase in profitability.

The priority for the Security Solutions division was on intensifying business activities and returning to profitable results at EBIT level. These goals were also reached with a strong increase in incoming orders and order backlog, and an EBIT of CHF 2.2 million.

Divestments were consistently and intensively pursued. In the course of the year under review, Ascom divested the business activities Network Integration Italy, Network Integration Germany, Powerline Communications, Manufacturing France (Ascodi Industries SA), as well as non-operational properties in Switzerland. As a result, the efforts to streamline the business portfolio are now largely completed, and the focus of Ascom on mission-critical communications with its two divisions Wireless Solutions and Security Solutions has become evident now.

Wireless Solutions and Security Solutions

Wireless Solutions posted an increase in incoming orders by 6.2 % to CHF 297.2 million compared with CHF 279.8 million for the previous year. Order backlog rose by 21.3 % to CHF 70.7 million. Revenue growth was below expectations due to a decline of revenue in the OEM business as a result of price reductions and postponement of several large customer projects whose implementations have been rescheduled for 2007. Revenue increased overall by 2.5 % to CHF 285.9 million compared with CHF 279.0 million in 2005. For the year under review the operating result improved to CHF 32.4 million, corresponding to an operating margin of 11.3 %. By comparison, the division recorded an operating result of CHF 29.9 million in 2005 with an operating margin of 10.7 %. At EBIT level the division posted a profit of CHF 27.6 million compared with CHF 21.3 million in 2005, raising the EBIT margin to 9.7 % compared with 7.6 % for the previous year.

Ascom key figures

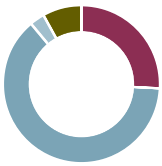
CHFm	2006	2005
Incoming orders	614.8	563.3
Order backlog	244.4	196.2
Revenue	**564.9**	**553.3**
Operating result	33.0	17.1
EBIT	**33.0**	**31.4**
Profit continuing operations	**33.2**	**28.0**
Profit discontinued operations	(16.1)	116.8
Group profit	**17.1**	**144.8**
Number of employees	2,082	2,386

Security Solutions closed fiscal year 2006 with a healthy situation in incoming orders and order backlog. Incoming orders rose substantially by 13.8 % to CHF 243.1 million compared with CHF 213.6 million in 2005. The order backlog increased even more rapidly at a rate of 44.5 % to CHF 161.5 million. While revenue at CHF 195.0 million was some CHF 10.7 million lower than in the previous year, the result at EBIT level showed significant improvement. Several projects, particularly in Central and Eastern Europe, were postponed and were therefore not recognised as revenue in 2006. Systematic, tight cost management in areas such as IT and personnel, coupled with efficiency enhancement measures mainly in Traffic Security and TelcoNet Services, resulted in a sizeable reduction of operating costs. This enabled Security Solutions to achieve its targeted positive result and close 2006 with an EBIT of CHF 2.2 million at an EBIT margin of 1.1 %, compared with the previous year's operating loss of CHF (2.1) million and an EBIT margin of (1.0) %.

Special Products

Results for Special Products included the activities of Payphones, Manufacturing France and Real estate by year end of 2006. With the divestment of Manufacturing France in September 2006 and various non-operational properties in June/July 2006, revenue in Special Products declined to CHF 69.2 million from CHF 76.2 million for the previous year. Revenue in Payphones rose by 25.5 % to CHF 35.0 million while EBIT in this business unit remained unchanged at CHF 2.2 million. Altogether, the Special Products segment recorded a loss at EBIT level of CHF (3.0) million for 2006, compared with EBIT of CHF 6.2 million in 2005. It should however be noted that EBIT in 2005 included a non-recurring profit of CHF 6.2 million from the sale of non-operational property. Ascom will continue to seek new owners for the remaining business activities in Special Products.

Revenue by region



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Europe excl. Switzerland	63 %
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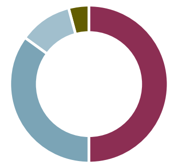
Revenue by division



Wireless Solutions	50 %
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Group

At Group level Ascom recorded positive results due to good incoming orders and order backlog at Wireless Solutions and Security Solutions, and as a result of enhanced cost management. For fiscal 2006 the Ascom Group reported incoming orders of CHF 614.8 million, order backlog of CHF 244.4 million, and revenue of CHF 564.9 million. This represents increases of 9.1 % in incoming orders, 24.6 % in order backlog and 2.1 % in revenue. The operating result virtually doubled in 2006 to CHF 33.0 million from CHF 17.1 million in 2005. EBIT for 2006 amounted to CHF 33.0 million. Previous year's EBIT of CHF 31.4 million included higher special effects in an amount of CHF 7.0 million from divestments of previous years, as well as CHF 5.0 million of higher profits from the sale of property.

Group profit includes the results of discontinued operations (Network Integration Italy, Switzerland, Belgium and Germany, Transport Revenue, Powerline Communications, Toll France and Hong Kong). In 2005 these activities contributed CHF 116.8 million to Group profit, primarily due to non-recurring profits in an amount of CHF 97.5 million from the sale of large parts of these operations. For fiscal year 2006, these discontinued operations had a negative impact of CHF (16.1) million on Group profit. Ascom closed fiscal year 2006 with Group profit of CHF 17.1 million.

The ASCOM brand

In addition to the operating targets that we set ourselves for 2006, we also introduced initiatives to enhance the Ascom brand. In a dynamic process, which involved Ascom employees internationally and across all business units, we developed the brand values that Ascom represents. The new brand strategy is now implemented step by step. Ascom stands for a dynamic and highly innovative company that offers its customers solutions from a single source – from analysis, planning and integration right through to operation of products and solutions and associated comprehensive services. Moreover, Ascom fosters a corporate culture that embodies the values of responsibility, competence, talent and ambition. Ascom is a reliable partner for all of its customers.

Challenges ahead in 2007

2006 was a year of transformation for Ascom. The strategic divestment process is largely completed, and we can now concentrate our efforts on the ongoing development of the Wireless Solutions and Security Solutions divisions.

In Wireless Solutions, we are aiming for growth primarily in North America and Europe. The US market offers the highest potential, and we are focussing our offer of VoWiFi, DECT and IP-DECT solutions exclusively on workplace telephony applications, with particular emphasis on the healthcare sector with its rapid growth in infrastructure investments. We have further optimised our sales channels in order to improve our market position, and to this end have forged sales partnerships with Hill-Rom (a member of Hillenbrand Industries Inc., Indiana), Infologix Inc. of California, and the Presidio Corporation of Maryland. In view of our clear focus, we are confident that we can steadily gain market share in the US.

Wireless Solutions is well positioned in Europe. We see in Germany, Italy, Spain and central Europe further potential. In both the healthcare and industrial sector, the trend in Europe will either be towards DECT standard or towards VoWiFi. The market opportunities for us in both technologies are very good, and we are ideally positioned to exploit the potential offered by the expected migration from existing DECT installations to VoIP (IP-DECT) installations over the next few years. With its range of new products and solutions, Wireless Solutions is highly competitive and, with its three sales channels, well-positioned to take advantage of market opportunities. In addition to direct sales via our own local country organisations and sales via OEM partners, Wireless Solutions intends to strengthen its indirect sales channel through Value Adding Resellers (VARs).

In Security Solutions we focus on specialised security systems for European customers. In addition to the strong market position we have held in Switzerland for many years, we have succeeded in gaining a foothold in markets in Northern, Central and Eastern Europe, where we intend to reinforce and sustainably expand our market position. Since these markets are expected to boost Ascom's business significantly, we have enlarged our sales organisations and have trained our employees intensively. It is our goal to improve sales volumes substantially and, as a result, also raise our profitability. We have been working on the Russian market for some time, and expect to see a positive development of our business activities in this market during 2007. For Mobile Test Solutions we have entered into a strategic alliance with Comarco Inc. of California, which will provide us with sales access to the US market and allow us to benefit from technology know-how in the area of CDMA. This alliance will also support the global expansion of our services offered by Mobile Test Solutions.

In addition to the organic growth we will also consider acquisitions and strategic alliances during 2007. Any planned acquisition will be subject to clearly defined criteria. We are looking for healthy enterprises with an innovative technology base and good management. Any candidate considered must also strengthen our strategic focus on mission-critical communication. Acquisitions must provide us with access either to new markets, new technologies or new key customers. It is our aim to grow profitably in our focussed niche markets. In geographical terms our interest is primarily focused on Europe and North America.

Further development

Assuming the economy continues to flourish, we view Ascom's growth prospects for the upcoming years as favourable. In the medium term our aim is to maintain customer satisfaction and achieve sustainable growth, attractive profitability and good cash flows.

Fritz Mumenthaler
Chief Executive Officer a. i.

Alberto Romaneschi
Chief Financial Officer

CORPORATE STRATEGY
THE MISSION-CRITICAL COMMUNICATION COMPANY

Ascom's corporate strategy is based on four pillars and focuses on creating sustainable values.

Mission-critical communication

Our business is to deliver solutions tailored to meet communication requirements in particularly challenging environments. Ascom products and solutions are deployed wherever permanent, comprehensive monitoring, rapid reaction times, the highest security standards and reliable, error-free data transmission are essential. Our customers must be able to identify critical situations at an early stage so that they can respond immediately with the appropriate steps. Our solutions also help companies to reduce costs by ensuring optimal communications.

Organic growth

Sophisticated, innovative products and solutions coupled with geographical expansion are key to our company's growth and sustainable development. We view North America, Europe and selected East European countries as the regions offering the best potential for stepping up our global activities. In a consistent pursuit of innovation we offer our customers state-of-the-art communication solutions tailored to their individual applications and requirements, and integrated rapidly and cost-efficiently in their existing system environments by our teams of experts. Backed by motivated, creative employees and high-tech solutions, we enhance our competitive position.

Targeted acquisition policy

To ensure sustainable corporate success, we focus our acquisition policy on technology resources and distribution channels. Ascom is active in attractive niche markets that – in view of the rapid trend towards mobility and the growing need for greater safety and security – offer good potential for growth. With the aim of further boosting the competitive position of Wireless Solutions and Security Solutions, Ascom aims to accelerate organic growth through targeted, strategically appropriate acquisitions, while at the same time further enhancing the Group's profitability.

Increased operational efficiency and consistent cost management

Ascom's lean organisational structure benefits our customers and is being further optimised at Group and divisional levels. Short, efficient information channels allow us to react quickly and flexibly to changes in the market environment and to the different client needs.

BRAND VALUES

The Ascom brand stands for innovative communications solutions and a corporate culture founded on clearly formulated values. We impress our customers with our superior quality, speed, security and reliability. We want our customers to be successful. Our products, solutions and services help them to sustainably enhance their competitiveness, productivity and efficiency. We are fully committed to customer satisfaction. To achieve our objectives, all Ascom units and employees act in accordance with the four brand values that form the foundation of Ascom's corporate culture. Responsibility, competence, talent and ambition are the values we strive for in all our actions.

Responsibility

We honour our responsibility. Reliability, integrity and trustworthiness are the cornerstones of our business and our actions. As an internationally active Group, we take our economic, ecological and social responsibilities seriously. We consider it important to achieve full client satisfactions, secure the corporate future of our Group, ensure the safety of our employees and use natural resources sparingly.

Competence

Clear customer focus, superior quality and first-class performance are the yardsticks by which we measure our competence. The close working relationship that our customer account managers and engineering specialists enjoy with our clients builds up trust. We firmly believe that mutual trust forms the basis of all successful relationship with a client. So, we make sure that we deliver what we promise.

Talent

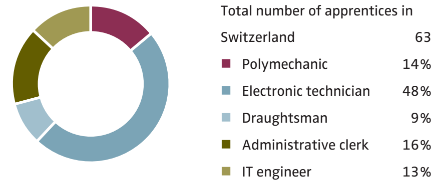
The talent inherent in our employees is invaluable. With their individual skills and expertise, they play a central role in Ascom's success. Innovative solutions and products are created by talented people. At the same time, dealing with individual clients, requires also the talent to provide individual advice and support. Our specialists incorporate state-of-the art communication technologies in their developments, designing special functionalities that meet customer requirements and are tailored precisely to individual customer environments.

Ambition

We are ambitious. Our primary goal is to provide maximum customer satisfaction. Terms of business that are attractive not only to us at Ascom but also to our clients form the basis for developing a healthy and lasting relationship. We will continue to invest heavily in order to enhance our technological advantage, expand our competitive position and strengthen the Ascom brand.

SUSTAINABILITY

Ascom Switzerland apprentices by trade 2006



Responsible actions

Responsibility is one of the four values behind the Ascom brand. As an internationally active Group, Ascom takes its economic, ecological and social responsibilities seriously. For us, responsible actions mean that we provide our offerings with due consideration to the environment and safety issues. Training opportunities for apprentices, our employee's safety and the protection of natural resources are as important to us as Ascom's corporate future.

Social responsibility

Ascom's success is determined considerably by its employees. Day after day their skills, motivation and team spirit ensure that our customers are satisfied with our technologies, products and solutions. We offer our employees interesting tasks, opportunities for targeted further training, fair compensation structures and good social benefits. Added to this, we are committed to non-discrimination and equal treatment of all employees. We view the individual contributions of employees in their own function and within the team as a pivotal element of our corporate culture. To ensure a high level of transparency and an understanding of Ascom's corporate goals, we foster a culture of open communication with employees, social partners, customers and suppliers.

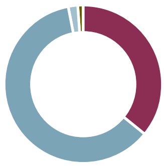
Professional training

Ascom has long viewed the professional training of young people as one of its most valuable success factors. As a technology and industrial enterprise, we believe it is essential to employ people with outstanding skills and qualifications across the entire job spectrum (trained professionals and graduates from universities, colleges and management schools). In Switzerland, companies are largely responsible for the organisation and cost of vocational training. In view of the importance attached to this task, Ascom has defined vocational training as part of its strategic human resources policy and personnel marketing. For us and the economy as a whole, providing young people with a basic vocational training (apprenticeship) is a long-term investment and a systematic means of promoting and fostering young talents.

Ascom, Swiss Post and login Berufsbildung jointly operate a vocational training centre in Berne, where instruction is given to apprentices from these and approx. 40 other partner companies. In recent years, the training centre has evolved to become a regional ''centre of competence for technical professions''. In 2006 Ascom Switzerland provided training for 63 apprentices in the fields of electronics, design, IT, polymechanics and office administration. This corresponds to 9 % of our entire workforce in Switzerland.

One key element of our training concept is the early integration of apprentices in practical work. By introducing them to existing structures at an early stage, they can rapidly contribute to productive work and enjoy a broad, comprehensive and practical basic training alongside their theoretical studies. Every year our apprenticeship plans and training modules are adapted to changing market require-

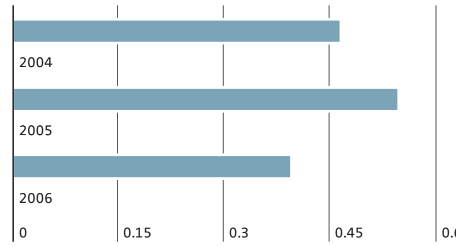
Employees by region



Total number of employees	2,082
Switzerland	36 %
Europe excl. Switzerland	61 %
Germany	5 %
France	8 %
UK	4 %
Netherlands	14 %
Sweden	20 %
Other European countries	10 %
USA/Canada	2 %
RoW	1 %

Absence rate due to accidents in % of total working time

Ascom Switzerland



ments and the latest economic trends. Ascom Switzerland's vocational training scheme is ISO 9001:2000 certified as a comprehensive apprenticeship system: clear evidence of Ascom's strong commitment to guaranteeing a high quality of training in office administration, electronics, polymechanics and IT.

Health and safety

Safety is a key element of Ascom's products and solutions. At the same time, the safety and health of our employees is a major priority to us. We raise staff awareness of health protection and accident prevention through training and regular information. Working processes are continually reviewed in order to rapidly eliminate any potential risks.

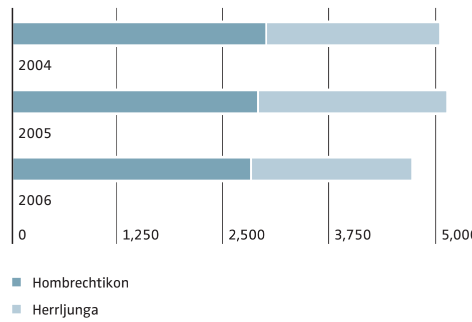
Ascom Switzerland regularly analyses employee accidents and compares the data with the Swissmem (the leading representative body of the Swiss mechanical and electrical engineering industries) sector index in an annual benchmarking process. For years the results have shown that the number of accidents at Ascom Switzerland is below the industry average. In 2006 the absence rate of 0.39% of total working time due to work-related and non-work-related accidents was once more well below industry average.

The importance attached by Ascom to workplace safety and health is also exemplified by Ascom Switzerland's conversion of a former galvanizing facility at the Bodenweid factory to create a warehouse and assembly hall during summer of 2006. This involved partial renovations and sealing. The project was approved by the relevant cantonal authorities and carried out on schedule by a company specialising in environmentally friendly renovations. Workplace safety, health protection and environmental conservation were important criteria, and great care was taken to comply with all the valid guidelines and regulations. Wherever necessary, waste was recycled or disposed of in an environmentally friendly manner. The completed work received the official seal of approval at the beginning of October 2006.

Quality management

Quality management is a top priority at Ascom. Because our customers expect our products and system solutions to deliver superior functionality, reliability and availability, we regularly review and improve all our processes. We also continually adapt our management systems to meet international standards. Ascom's quality management system is ISO 9001 certified in most Group companies.

Energy consumption in MWh



Environmental management

One of the ongoing challenges facing technical progress and the company's operational management is to find ways of protecting and conserving natural habitats. Ascom currently engages in business activities that have a relatively low impact on the environment. We have pledged to comply with the following:

- We take account of the various aspects of environmental protection.
- The processes we use in developing and manufacturing our products and services are as environmentally friendly as possible.
- We consistently strive to optimise our environmental management measures.
- We encourage and motivate our employees to perform their tasks as responsibly and ecologically as possible.

In line with our clear focus on mission-critical communication, Ascom production facilities are mainly concentrated in two locations: Herrljunga in Sweden (Wireless Solutions Division) and Hombrechtikon in Switzerland (Security Solutions Division). For many years both locations have been implementing targeted energy-saving measures in order to control energy consumption effectively. During the financial year 2006, energy consumption in Hombrechtikon could be held on constant level. Owing to continuous energetic and structural measures the energy efficiency at this production location was increased since the year 2000 by approximately 20 %.

At the location in Herrljunga the energy consumption was lowered in the financial year 2006 by approximately 15 % to 1900 MWh, although the production volume of finished elements increased from 70 million (year 2005) to 73 million in the year under review.

Ascom has guidelines for waste recycling which stipulate clear separation of any waste materials. When it comes to processing electronic waste our production facilities work with specialised companies that use recycling processes to convert waste material into reusable products. In 2006 the recycling ratio at our Hombrechtikon site was once more at the high level of previous years. Some 57 % of the waste material was returned to the material flow and 43 % was disposed of using the environmentally friendly thermal recycling process.

Lead-free soldering processes

Since the RoHS (Restriction of the use of Hazardous Substances) guidelines came into force on 1 July 2006, products containing materials hazardous to the environment may no longer be sold. At the same time, strict regulations govern the disposal of electronic and electrical equipment. Ascom's production facilities in Herrljunga and Hombrechtikon are fully compliant with the RoHS guidelines. All Wireless Solutions products contain neither lead, cadmium, chrome-6, PBB, PBDE nor mercury, and soldering processes are also completely lead-free. Security Solutions also develops and manufactures products that contain no hazardous substances and are suitable for recycling. Various production and logistics processes at Hombrechtikon were modified back in 2005, and soldering at this site, too, has been completely lead-free since January 2006.

An example of energy-saving measures

Ascom's Hombrechtikon site has been a member of the Zurich Energy Model since 1998. The aim of this association is to achieve a 13 % increase in energy efficiency by 2010 (with the year 2000 as the starting point) vis-à-vis the canton of Zurich and the Confederation, and to reduce CO_2 emissions by 36 % (with 1990 as the starting point). Thanks to various investments and improvements made by Ascom in recent years, the company is on track to meet these targets. One example of how targeted investment in energy-saving measures also offers practical advantages is our new pressurised air system.

Industrial production facilities operated by Ascom Switzerland and by tenant companies at our Hombrechtikon site use two main sources of energy: electricity and compressed air. At a cost of CHF 0.03 – 0.04 per cubic meter, compressed air is a relatively expensive energy. Three compressors feed the compressed air network so as to ensure a continual supply of compressed air and guarantee uninterrupted production even if one compressor unit fails. During a routine overhaul of the compressed air system in November 2003, a potential defect was identified in one of the compressors. Rather than engaging in costly repairs a decision was made to purchase a new screw compressor with a master controller. The new compressor was installed in 2004 and offers the following benefits:

- Quiet operation, long life and lower maintenance costs.
- Flexible production volumes due to automatic rpm (revs per minute) regulation. This reduces the number of switch-off cycles, thereby decreasing energy costs.
- Thanks to optimised controls, all compressors can be operated interchangeably and at lower pressure, which again results in energy savings.
- The rejected heat is recovered and fed back into the heating system, thereby saving additional energy costs.
- The controls enable automatic activation and deactivation of the compressors at weekends and on holidays, once more helping to save on energy costs.

Thanks to installation of the screw compressor, formerly theoretical calculations for energy savings are now more than fulfilled. Combined with other economising measures such as automatic light regulators and low-energy lighting, the new system has had a positive impact on energy consumption in the year 2006.

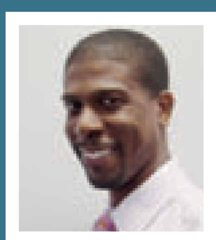
A SOLUTION FOR FUTURE GROWTH

At the Sentara hospitals in Virginia, USA, nurses praise the Ascom i75 handset functionality and ease of use while the IT staff endorses the solution because of the 802.11b/g handset and the fact that it's the only VoWiFi system that is completely standards-based.

SAFETY FOR HOSPITAL STAFF

Location – Centre Hospitalier Spécialisé du Gers in Auch, France. The hospital chose an IP-DECT solution for three reasons: It fulfilled the loneworker protection needs (following several attacks on psychiatric sites), was in phase with the deployment of a new network infrastructure, and the security of DECT technology.

WIRELESS SOLUTIONS



"The significant investment in training that I received from Ascom in Solution Selling made a major difference when competing for the Sentara Healthcare business. The quality of our Freeset telephony system in one of their hospitals gave Sentara the confidence to try our new FreeNET VoWiFi platform. In the end, the robustness of our i75 handset gave Ascom its first FreeNET VoWiFi win. I am very proud to have been a part of such a huge accomplishment in Ascom's history."

Chris Morant, Director, Hospital Solutions

"It has been quite an experience to be responsible for the installation of the IP-DECT platform. Together with a team of talented engineers who devoted themselves to the assignment we managed to meet the expectations of the customer and made this new technology solution work."

Cyril Dufresne, Pre-sales engineer and project manager

Key figures Wireless Solutions

CHFm	2006	2005	2004
Incoming orders	297.2	279.8	283.8
Order backlog	70.7	58.3	57.8
Revenue	**285.9**	**279.0**	**273.8**
Operating result	32.4	29.9	38.8
EBIT	**27.6**	**21.3**	**22.6**
EBITDA	35.9	34.1	42.4
Number of employees	1,156	1,194	1,140

An Overview on Wireless Solutions

Ascom Wireless Solutions is the leading specialist in wireless on-site communication solutions in commercially used buildings and on industrial sites.

We fulfil a clear mission: "To create value for our customers by providing them with competitive solutions for on-site wireless communication – voice and professional messaging – to support and optimize their mission-critical processes."

As a leader in enterprise mobility, we offer the most comprehensive portfolio of products, systems, solutions and services for mission-critical wireless communication in enterprises:

- Wireless communication systems for voice and professional messaging
- Specific applications, customized to the customers' needs
- Integration of our systems into the customers' (system-) environments

We also have a clear and distinct positioning:

- Ascom Wireless Solutions concentrates on selective market segments, mainly hospitals, elderly care, industry, retail, secure establishments and hotels
- We are an integral supplier of work place telephony, paging and nurse call
- We are a global player in mobility for work place telephony, making use of different technologies such as DECT, IP-DECT and VoWiFi. We provide "best-fit-technology", i.e. we work closely together with our clients to evaluate which technology offers the best means of covering the specific user requirements.

Ascom Wireless Solutions markets its offering in three distinct channels

Direct Channel (Systems, Solutions and Services)

Products, Systems, Customized Solutions (e.g. Integrations, Applications), Project management, Commissioning and Services

- managed by the local Country Organizations

Indirect Channel (Products and Standard Systems)

Products and Standard Systems through local Value Adding Resellers (VARs)

- managed out of the Headquarters of the Division

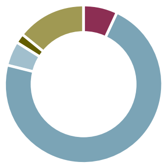
OEM Channel (Terminals)

DECT Terminals, IP-DECT (incl. fixed radio equipment), VoWiFi Terminals for work place telephony ("Enterprise")

- managed out of the Headquarters of the Division

During 2006, we made substantial progress in the implementation of our strategy. We introduced new products, refreshed part of our existing product offering, and enhanced operational efficiency by applying rigorous financial discipline. At the same time, we continued to build a strong management team to position our division for the next phase of innovation, growth and profitability.

Revenue by region



Switzerland	7 %
Europe excl. Switzerland	72 %
Belgium	4 %
Germany	4 %
France	11 %
UK	10 %
Netherlands	26 %
Scandinavia	14 %
Other European countries	3 %
USA/Canada	5 %
RoW	2 %
OEM	14 %

Revenue by segment

Hospitals	24 %
Elderly care	20 %
Industry	18 %
Secure establishments	3 %
Hotel and Retail	8 %
Other	13 %
OEM	14 %

Business results 2006

For fiscal year 2006, Ascom Wireless Solutions' incoming orders increased by 6.2 % compared to the previous year and reached CHF 297.2 million. The major contributors to this growth were the US, the Netherlands, Switzerland, Belgium, Belgium, Sweden and Italy as well as with international salespartners. The US grew its orders by 30 %, the European countries combined grew incoming orders by 7 %.

In 2006, we generated revenue of CHF 285.9 million, compared with CHF 279.0 million in 2005. Sales from the direct channel, managed by our wholly owned subsidiaries rose by more than 5 %. This sales channel contributed over 85 % of total revenue of our division. Overall growth was impacted by a decline in the OEM business, which was mainly due to price decreases at more or less stable volume of devices sold. As a result, our overall revenue growth was lower than expected at around 2.5 %.

In view of the high pace of technological innovation, the expenses for research and development could be even lowered a little for the year at CHF 20.1 million. To improve our productivity, we streamlined the existing product range and reduced the number of variants by half. With disciplined cost management and productivity improvements throughout all operations in the different countries, our functional costs remained at the level of the previous year. EBIT in 2006 amounted to CHF 27.6 million representing an EBIT margin of 9.7 %, compared with CHF 21.3 million and margin of 7.6 % in 2005.

Outlook

Wireless Solutions has made further steps to strengthen its position in the global market of enterprise mobility. By successfully deploying our VoWiFi solution and our DECT offering in North America, we have made important steps towards our goal to establish Wireless Solutions as a world leader in on-site, mission-critical communication. Our range of products, solutions and services is new and very competitive and this should result in further growth and profitability. Ascom Wireless Solutions is well positioned in all the three of its sales channels – direct sales channel, indirect sales channel and OEM sales channel. The management teams in the countries as well as the one at our divisional headquarter were strengthened.

So far all the improvements seen during the previous year were achieved by organic growth. To further gain market share and speed, carefully selected acquisitions shall accelerate the process of successful business development for the division. For 2007, our financial objectives are revenue growth of around 5 % and EBIT margin of between 8 – 10 %. Our mid to long-term targets, excluding any impact from potential acquisitions, are an annual revenue growth rate of 5 – 10 % and EBIT margin of between 9 – 11 %.

INNOVATION

Ascom Wireless Solutions made substantial steps with regard to innovation during 2006. Bringing an IP-DECT solution to the market and SIP enabling our VoWiFi offering, reflects the trends of enterprise telephony systems moving towards VoIP and the rapidly increasing WLAN penetration of enterprises across the world. As a matter of fact, in 2006 for the first time ever, more IP-PBX were sold and installed globally than traditional circuit switched PBX.

Ascom Wireless Solutions has a large installed base of worldwide more than 70,000 installed systems. IP-DECT offers excellent opportunities to migrate legacy mobility communication systems towards the new technology and thereby protecting the customer's former investments.

In December 2006, Ascom Wireless Solutions' VoWiFi handset Ascom i75 was certified by Cisco for SIP interoperability. This opens a whole new field for us and positions us for even further reaching partnerships as our VoWiFi mobility solution will now help driving sales for any kind of SIP enabled IP-PBX.

Our core offering of Professional Messaging will be a natural part of converged applications – our Unite platform will become a professional complement to Microsoft's ''MSN'' and the introduction of ''Collaborative IT systems'' fits very well with our Professional Messaging concept.

Enhancing our Professional Messaging Platform ''Unite'', we also provided our customers in industry, healthcare and in correctional institutions with the latest broadcast and multicast messaging capabilities through our Group Enhanced Messaging (GEM) feature package. This new and improved functionality ensures that messages are distributed and received far quicker and it guarantees that vital communications – ''mission-critical communication'' – are maintained, particularly during emergencies. GEM ensures that messages or alarms can be received by groups of individuals, such as trauma teams, prison guards or security personnel, simultaneously, without delay and without confusion – absolutely crucial in a life threatening situation like a fire, a prison disturbance or when a patient needs resuscitation.

Given its strong position in healthcare and in elderly care, and given the need to economically manage funds in these segments, Narrow Band Paging and Personal Alarming is still a very much appreciated and proven ''lower cost'' solution to wireless communication. Ascom Wireless Solution continued to refresh and renew part of its very successful product offering by bringing a new personal alarm device, the a51 to the market and thereby proving its commitment to its existing customers.

As a world premiere, Ascom Wireless Solutions launched a Bluetooth module which is integrated in our OfficeM handset. It thereby brought Bluetooth technology for the first time to professional DECT users. The module allows the use of several different headsets for different environments and its installation can easily be made by the user.

MARKET SUCCESS

North America

There are a number of reasons, why we believe that our biggest potential for growth is in the North American Market.

- Penetration for on-site wireless voice solutions in enterprises in North America is far lower than in Europe.
- The widespread deployment of Wireless LAN technology has helped to kick-start penetration of VoWiFi in the US much faster than in Europe.
- About one year ago the FCC endorsed the DECT standard (slightly different frequency than EU).
- Last, but not least, Ascom Wireless Solutions (US) currently has a relatively low market share due to its late entry into the on-site wireless market in North America.

Our focus in North America is work place telephony only. Our offerings include VoWiFi (''FreeNET''), DECT (Freeset DECT 1900) as well as IP-DECT. We currently have the strongest target market in the healthcare industry which sees high growth in infrastructure expenditures.

In April 2006, we launched our FreeNET offering - the Ascom i75 VoWiFi handset in combination with our Unite Messaging Suite and our Portable Device Manager – and this was undisputedly a success. In order to ramp-up the distribution of our VoWiFi offering in an optimal way, Ascom (US) Inc. managed to sign up more than 20 new distributors across the US and Canada under a new partnership program for system integrators. Before year end, numerous systems have been installed and often won in head-to-head field trials against competition from the more established players. Most of those systems were deployed on access points from Cisco/Airespace, but successful field tests have proven that Ascom's offering is interoperable with the infrastructures from Meru, Trapeze, Symbol and Aruba.

Ascom Wireless Solutions won a major VoWiFi deployment at Baptist Health South Florida (BHSF) in Miami. The first system has been deployed in the Doctors Hospital, which is a 281 bed hospital with over 18,000 emergency room visits each year. BHSF chose the Ascom i75 VoWiFi handset based on its robust design, extensive feature set and integration capability. BHSF plans to replace three thousand 900 MHz wireless phones across their six hospital campus with the Ascom FreeNET i75 standards based device during 2007. Once installed over the six hospital organization, the BHSF VoWiFi system will be one of the largest VoWiFi deployments in the US.

In parallel Ascom Wireless Solutions also introduced its Freeset DECT 1900 offering in the US and enjoyed very fast success mainly in the healthcare industry, but also in the manufacturing industry. Especially the proven rugged Ascom 9d24 handset has enjoyed great enthusiasm with American users. Migrations from PWT were also discussed and quoted and will for sure help to build future business in the US. With two completely new product lines, FreeNET and Freeset DECT 1900, Ascom is optimally positioned to quickly capture market share in its target segments. This was underlined by the recent acceptance of Ascom (US) Inc. into the AVAYA DevConnect Program on the Gold Partner Level.

Europe

Europe is clearly the stronghold of Ascom Wireless Solutions. Our undisputed leading market position as a supplier in DECT Enterprise mobility, our strong relations with a few selected OEMs as well as our strong distribution arm through the fully owned subsidiaries make us a major player in this challenging market.

In Europe, the penetration for wireless communication is high. On-site paging is still commonly in use – in healthcare as well as in other segments. For work place telephony, the dominant standard is clearly DECT. High functionality is requested. The acceptance of VoWiFi in Europe was during 2006 rather slow.

As it is expected that either VoWiFi or DECT will serve the majority of the enterprise users (healthcare and industry), we see very good opportunities for our DECT offering and an excellent potential for our IP-DECT solutions. Given the large installed base of DECT and given the current replacement of traditional PABX by IP-PBX (VoIP in the fixed net) a substantial migration potential is expected to materialize in the coming 2 to 3 years for which Ascom is optimally positioned also due to its integration capabilities with legacy PBXs.

The market share of Ascom Wireless Solutions in Europe is currently estimated at over 20 % and improved compared to fiscal year 2005. In 2006 Ascom Wireless Solutions' strong field organizations in the Netherlands, Sweden, France, Norway and in Belgium all gained market share while the business in the other countries grew in line with the market. In Germany first successes in accelerating the growth pattern were seen. For our field organizations the key competitive advantage is the ability to integrate with existing IT and communication infrastructure as well as with other systems and applications. Differentiating with dedicated solutions and services for clearly defined customer segments, such as healthcare, elderly care, industry, retail and secure establishments continues to be an important success factor. Ascom Wireless Solutions' offering in Nurse Call clearly underlines that.

Indirect sales channel

Ascom Wireless Solutions was successful in 2006 again in expanding its business through independent distributors all across the world. With the concept of multichannel distribution in selected markets as well as with a new concept for Ascom Certified Sales Partners, the penetration of new markets gained momentum. Especially in Australia and in Southern Europe progress was made.

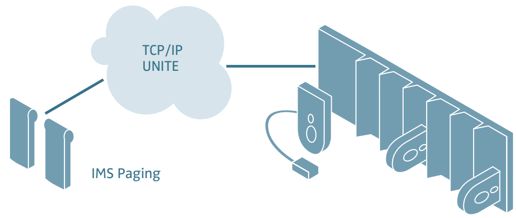
OEM sales channel

Our OEM business is primarily based on the longstanding strong relationship with Ericsson. In 2006, the enterprise business has regained strategic importance within Ericsson and due to the launch of new IP-based enterprise switches, the volume development of DECT products has been above expectations. As a consequence of this, the order intake particularly during the last quarter of 2006 has become stronger again.

Having introduced new products in Ericsson, including Protector and ATEX versions of the 9d24 handset as well as a handset portfolio for the US market, Ascom Wireless Solutions is confident about the business development for the coming 12 months.

The sales of rugged DECT handsets to our second largest OEM customer Aastra have also developed according to plan. On the basis of new product introductions at the end of 2006 Ascom Wireless Solutions expects the business to show a positive development during the next 12 month period.

Ascom a51: two alarm buttons, no-movement and man-down alarm, IR- and LF localisation



IP Paging concept

We were very pleased to add two new OEM customers during 2006. With our German partner Innovaphone, Ascom Wireless Solutions agreed to engage in a OEM relationship for the VoWiFi portfolio. The second new OEM customer, also based in Germany, is Swyx, a company specialized in the development and sales of a pure IP-PBX (SwyxWare). Ascom Wireless Solutions and Swyx have reached an agreement on the distribution of IP-DECT infrastructure and handsets.

Furthermore, we are also testing our VoWiFi offering with a number of other potential OEM partners.

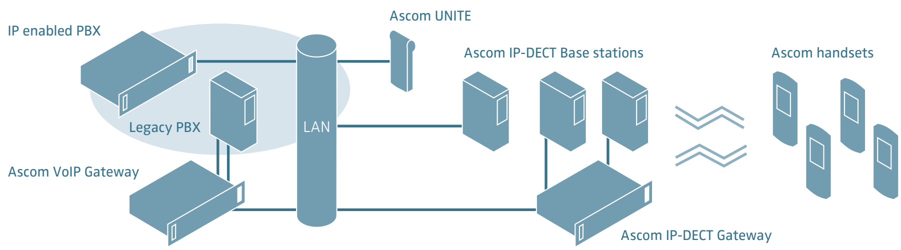
Other market success

In June 2006, the VoWiFi handset Ascom i75 successfully passed the Cisco certification test and became the first VoWiFi handset with Cisco Compatible Extension (CCX) test approval. By this CCX certification the handset is available for the Cisco channels and is displayed on Cisco's website. In October 2006, Wireless Solutions had its Unite messaging platform tested and certified according to Cisco's CTDP certification (Cisco Technology Development Program) for interoperability with the Cisco Call Manager and Cisco IP phones. And in December 2006, the Ascom i75 was verified for SIP compatibility towards Cisco's Call Manager.

Products, Systems & Solutions

Our newly introduced Ascom a51 is a unique product with dual mode positioning as well as several alarm options (push button, man down, no movement and pull-cord). This is also the first product in a range that will be fully linked to the new IP Paging infrastructure that is under development. Ascom Wireless Solutions is determined to rejuvenate the paging and personal alarm industry with IP technology in the same manner as the telecom business is seeing the VoIP solutions coming into the traditional PBX world. The Ascom a51 is the first product in a complete new range of portables and fixed equipment that will be the most modern and up to date narrow band paging portfolio.

The IP paging concept brings the internet to the pagers, each unit can be assigned a unique IP identity and even an email address. The fixed paging infrastructure is migrated to a TCP/IP backbone and is fully integrated into Ascom Wireless Solutions' UNITE professional messaging platform. This ensures a constant accessible from any IP connected device or system and, at the same time, more than doubles the data rate and capacity. A well designed transition path exists for the large installed base to ensure a smooth transition.



UNITE Messaging Suite – messaging flow

IP-DECT

During 2006, Ascom Wireless Solutions launched the first products in its new IP-DECT product family. IP-DECT combines the proven DECT radio standard with the new VoIP technology. This enables our customers to migrate over to VoIP and still keep the installed DECT mobility system. The IP-DECT system has a unique topology that is highly scalable from small single cell to very large multi site systems with up to 10,000 users. By using both a central and as well as a decentralized approach, both legacy DECT as well as new installations can be cost effectively designed. On the fixed side both legacy TDMA as well as SIP and H323 PBX's are supported.

As with all other products from Ascom Wireless solutions the complete UNITE suite for professional messaging is fully supported.

Ascom Wireless Solutions is also very active on upgrading and refreshing the existing product range. The DECT work horse for demanding environments, the Ascom 9d24 was released in its Mk2 version during 2006 with enhanced user interface and a new display technology. The 9d24 Mk2 also passed the very stringent test and certifications for use in explosive environments and is one of very few DECT portables to meet the IEC EX requirements.

The topic of managing and supporting communication systems is constantly increasing in importance as the systems become more complex and central to the daily operations. Ascom Wireless Solutions introduced in 2006 a unique product range, the PDM (Portable Device Manager) that completely changes the way the management of wireless systems is performed.

The Portable Device Manager, which comes as an embedded appliance or a windows based version, gives a complete control of all wireless devices for SW download or user configuration. The appliance version also gives the unique "virtual SIM" and "shared phone" concept to the users. Any user can take any phone and by means of a pin code transform it to his or her personal or assigned task device, complete with all settings without the need of any support personnel. This concept will change the whole maintenance set-up and reduce cost and down time. The first version of the PDM is targeting the VoWiFi product range.

The new VoWiFi portable i75 was successfully launched and is being deployed in increasing numbers. The challenge to have good interoperability with the major WLAN infrastructure vendors has been a focus area for the R&D labs during the year. The WLAN industry has undergone a dramatic change and matured during the last year. Many new features have been incorporated that enhance security, QoS and Voice. Today the i75 is certified towards the Cisco, Aruba and Meru infrastructures. Extensive testing and fine tuning is currently done to include more vendors to this list.


QVoice
QVoice
683

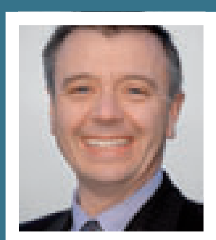
QUALITY BUILDS CUSTOMER CONFIDENCE

Customers of Orange France trust in having optimal connectivity in Orange's mobile network at any time – even in cases of an emergency. Orange service technicians use Ascom's QVoice® Symphony solution to perform measurements with regards to quality of service and network availability on various routes within the city of Nantes and in the Loire-Atlantique region.

INFORMATION RECEIVED, INSTUCTION UNDERSTOOD

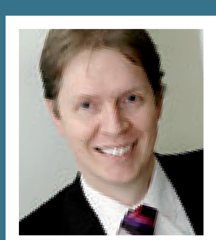
Thanks to openAccess® technology from Ascom, units of the Finnish Army enjoy first-class links with the command centre at all times and from any location. The communication systems provide support for officers when planning and deploying resources. Reliable information links between command centre and troops ensure that the right decisions can be made and carried out at the right time.

SECURITY SOLUTIONS



"An order such as the one from Orange France shows that our new QVoice® product family is proving highly successful. A motivation for the entire Mobile Test Solutions team! Implementing an innovative solution to the utmost satisfaction of a long-established customer is a highly rewarding task and proves that we are moving on track."

Jean-Christophe Voegtlin, Head of Mobile Test Solutions France



"Right from the beginning, the Ascom goal was to develop a technology platform using commercially available proven technology that is used in millions of systems throughout the Internet. Our solution adapts that technology to the demanding needs of the Finnish Defence Forces and I am very proud that we are able to satisfy and support our customer in such a way."

Olavi Keränen, Head of R&D and Engineering, Ascom Finland

Key figures Security Solutions

CHFm	2006	2005	2004
Incoming orders	243.1	213.6	223.8
Order backlog	161.5	111.8	107.8
Revenue	**195.0**	**205.7**	**257.8**
Operating result	7.3	3.1	19.1
EBIT	**2.2**	**(2.1)**	**12.8**
EBITDA	5.2	(0.1)	15.6
Number of employees	771	844	833

Overview of Security Solutions

Ascom Security Solutions is a leading provider of products and solutions serving the market segments Defence, Public Safety, Traffic Security and Telecom Operations. Wherever there is a need for systems and equipment to function reliably and securely, Ascom is the right partner for mission-critical communication solutions.

In the Defence sector Ascom acts as a competent partner for armed forces and security organisations, delivering customised solutions for Command, Control, Communication, Computing & Information (C4I).

In the Public Safety segment, the main sources of revenue are alarm and mobilisation systems as well as emergency call dispatching systems for police and rescue organisations.

In Traffic Security Ascom delivers passenger information, emergency call and tunnel radio communication systems that make rail and road travel safer and more pleasant, and help transport operators to manage their business processes efficiently.

In the Telecommunications segment Ascom delivers systems to optimise and measure the quality of mobile networks. The product portfolio also includes software solutions for network operators and service providers, to enhance their internal processes related to the planning and implementation of telecom networks.

Ascom Security Solutions products are sold in the domestic market of Switzerland as well as through Ascom's own subsidiaries in Austria, Germany, Finland, the Czech Republic and Poland. Other European markets (in certain segments also global markets) are served via strategic partnerships.

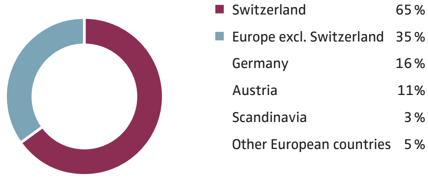
Strategic focus

Ascom Security Solutions focuses on three strategic key areas:

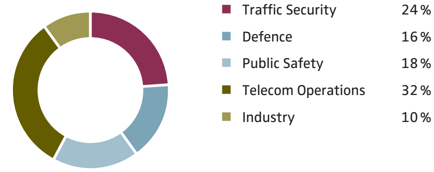
- Consistent monitoring of structural costs and internal processes in order to achieve operational improvements and hence reach the main objective of increasing profitability. Expansion and extension of international distribution channels in order to boost market activities.
- Clear focus on innovation, with special emphasis on solutions based on the openAccess®, openTAS® and QVoice® platforms developed in-house.
- Internationalisation of business activities, coupled with the set-up and development of strategic partnerships with a view to generate organic growth. Targeted acquisitions in order to effectively boost market position in the individual segments.

Security Solutions has set ambitious goals. We will achieve growth and higher profitability thanks to our talented, highly skilled workforce. Their responsible and conscientious attitude helps Ascom Security Solutions to produce innovative products and solutions, thereby justifying the trust placed in us by our customers.

Revenue by region



Revenue by segment



Business results 2006

In 2006 Ascom Security Solutions recorded a substantial increase in incoming orders and order backlog, winning important contracts in all the segments in which we operate. Details are provided on pages 35 to 38 of this Annual Report. Incoming orders and order backlog were boosted in particular by the major contract awarded to Defence by the Swiss Army, as well as several orders won from the Finnish Army.

In the year under review, Security Solutions posted an increase of 13.8 % in incoming orders to CHF 243.1 million, compared with CHF 213.6 million in 2005, and order backlog increased by 44,5 % to CHF 161.5 million.

In 2006 the Division intended to achieve revenue at a similar amount of that posted during previous year. However, several projects – primarily in Central and Eastern Europe – were postponed and have not therefore impacted revenue in the year under review. As a result, revenue posted by Security Solutions was lower than previous year, and came to CHF 195.0 million. At EBIT level we have achieved our target and recorded a positive result. Thanks to specific and rigorous cost management measures related to IT and personnel expenses, coupled with additional efficiency enhancement measures (above all in Traffic Security and TelcoNet Services), we have achieved a sizeable reduction in operating costs. At EBIT level, the Division reached a profit of CHF 2.2 million for 2006 compared to a previous-year loss of CHF (2.1) million.

To enhance our competitiveness and maintain innovative impetus, we also made substantial investments in new product and solution development in the year under review. Illustrated examples of our development activities and their implementation for our customers are given on pages 28 to 31 and in the ''Applied Innovation'' section on page 40.

Outlook

Ascom Security Solutions' favourable order backlog at the end of 2006 provides a solid basis for revenue in 2007. Growth, coupled with process-enhancing and cost-saving measures, will bring about further improvements in profitability. Concentrated efforts to boost international sales are gradually generating higher business volumes outside Switzerland. For 2007 we are targeting revenue growth of more than 5 % with an EBIT margin between 1 – 3 %. In the medium to longer term, excluding acquisitions, we plan to achieve annual revenue growth of around 5 % and an EBIT margin between 5 – 7 %.

TRAFFIC SECURITY

Market

While the need for mobility is growing, transport infrastructures, roads and rail networks are limited and can only be expanded at great expense. Moreover, as rail operators face growing competition in their domestic markets and abroad, the pressure to reduce costs is rising. Passengers want access to information and safe travelling throughout their journey. These trends and requirements are forcing rail and road transport infrastructure operators to seek technologies that allow them to optimise costs and automate procedures. In the wake of these developments, the segment is expected to grow by about 5% per year.

Ascom's market offerings

Ascom customers in the Traffic Security segment include rail operators, suburban and long-distance transport organisations, rolling stock manufacturers, motorway authorities and general contractors for large-scale infrastructure projects. Ascom's activities in this area cover several product groups:

For rolling stock manufacturers, Ascom's RAILVOX® passenger information system and FZPL management system cater to a full range of on-board communication and information needs. At railway stations, bus or tram stops the DISPRAS® system provides passengers with important information via a range of displays supported by a variety of technologies.

Ascom's NIS RAIL is a comprehensive communication and management platform that covers all the requirements of rail operators for their day-to-day operations. The IP-based NIS RAIL system is also used as the basis for implementing emergency call and information systems for rail passengers.

Ascom also builds emergency call systems for motorways. The latest system generation, NIS ROAD, developed along the same lines as NIS RAIL, was successfully launched on the market in 2006. Our TIC radio communication systems for rail and road tunnels provide a communication platform for police and rescue services and enable network connectivity for mobile phones in tunnels. A comprehensive package of auxiliary services, covering system expansion, software upgrades and round-the-clock maintenance, supports these mission-critical systems throughout their lifecycle.

Ascom caters to the transport sector with a full range of products and services that incorporate the latest technologies and can be combined as required. Our solutions provide rail and road users with the information they need and also help to make rail and road travel safer and more reliable. At the same time, Ascom systems allow rail and road operators to rationalise their operations and cut costs. Ascom's favourable market position in Switzerland and Austria provides a basis for intensive marketing activities aimed at generating additional business volume and boosting the company's international market presence.

Significant business successes

Ascom won important contracts in 2006. The Matterhorn-Gotthard railway placed an order for passenger information systems; the Swiss Federal Railways awarded several contracts for passenger information, operational telecom and tunnel communication systems; and the canton of Zurich placed on order for a motorway tunnel communication system. In Austria, Wiener Linien, the Vienna Transport Authority, ordered display systems for the city's underground railway. Orders were also received for displays regarding a rail project in Syria and equipment for a motorway test section. Ascom also equipped a major rail operator in the UK with the first interactive help points.

DEFENCE

Market

The Defence segment has changed significantly in recent years. The armed forces' mandate has become much broader and more challenging, covering not only defence of the country but also including protection of borders, embassy security, military aid for disaster relief, crisis management and, above all, deployment in international peace missions.

New equipment and systems are required to tackle these challenging new tasks. While virtually all the armed forces have reduced troop numbers significantly, there is a sharp rise in demand for command, control and communication systems, since no modern army can operate without such tools. Moreover, the new EU/NATO members in Eastern Europe urgently need to catch up by procuring C4I systems, particularly for international assignments where modern, interoperable communications equipment is essential. The market in this segment is growing at an annual rate of 2 – 3 %, while growth in Eastern Europe is estimated at 4 – 5 % per year.

Ascom's market offerings

Ascom has positioned itself primarily as a provider of C4I (Command, Control, Communication, Computing & Information) solutions for selected armed forces and security organisations in Europe.

The core of these solutions is Ascom's proprietary openAccess® Node, a multifunctional IP-based product that was designed specifically with military communications in mind and can be used in mobile as well as stationary applications.

As a local system integrator, Ascom implements integrated C4I solutions customised to meet country-specific requirements, thereby featuring proprietary and third-party products. Comprehensive services support the systems throughout their life cycles (from solution design to system upgrades, servicing and maintenance). In addition, Ascom specialises in the provision of interactive documentation and training courses for complex technical systems.

The major challenge facing most armed forces is to integrate different systems from different vendors to create a unified management and communications platform. With its expertise, independent status and the flexible, customisable openAccess® platform, Ascom is the communications specialist of choice for complex, mission-critical applications and offers the ideal qualifications for successful implementation of such projects.

With this in mind, Ascom intends to focus in future on acquiring and implementing such integration projects and on international distribution of its openAccess® product family.

Significant business successes

In 2006 the division won several important orders: in autumn the Finnish Army announced a strategic partnership with Ascom for the delivery of openAccess® communication systems (a proprietary Ascom development) between 2007 and 2011. Orders for the first instalment were received in November 2006.

The Swiss Army has commissioned Ascom to install and expand the military telecommunications infrastructure. The "TK Mobile Management" project, worth approximately CHF 60 million, also incorporates state-of-the-art IP technology and will create a platform for networked operations management. Following expansion activities in Poland, an initial pilot order was received during 2006.

PUBLIC SAFETY

Market

Public Safety is a growing business field. The main drivers behind this trend are the major social changes that have characterised the past 15 years. Rising crime, terror threats and attacks are driving up demand for greater security and protection. The requirements imposed on public and private security and rescue organisations have risen accordingly. This in turn has increased their need for technical equipment in order to carry out their mandate effectively. Other business opportunities are emerging in the wake of EU expansion to the east, where major investments are being made in a bid to protect the EU's outer borders and provide local police and rescue services with better equipment. The need for modernisation in this area is high, and this market segment is growing at an annual rate of roughly 5–7%.

Ascom's market offerings

Ascom is a leading provider of IP-based alarm and mobilisation systems, primarily for emergency organisations such as police, fire and other rescue services as well as security operators. AlarmLink and EmergencyLink, both based on the openTAS® system platform, are used for alarm and mobilisation applications. Remote siren controls in the same product family complete the portfolio. Ascom's ECS Safety is an emergency dispatching system based on the openAccess® platform, for processing incoming emergency calls. Ascom also acts as a system integrator in the Public Safety segment, implementing video and campus surveillance systems, integrated communication solutions, fingerprint identification systems and rescue service control centres in close collaboration with partner companies. System upgrades and regular maintenance ensure that such systems function efficiently and retain value throughout their life cycle. Cost considerations and technological change are forcing security organisations and telecom operators to gradually replace their existing proprietary security networks with new IP/web-based solutions. Ascom's large installed base in various European countries, coupled with its ultra-modern openTAS® product range make the company an ideal partner for security and rescue services seeking to modernise or migrate to sophisticated alarm, mobilisation and dispatching solutions. Moreover, the newly developed applications based on the openTAS® and openAccess® basic platforms provide an excellent springboard from which to push ahead with internationalisation.

Significant business successes

Highlights in fiscal year 2006 included the implementation and commissioning of the communications platform for the Canton of Geneva's police command centres, mobilisation systems for the Canton of Schaffhausen police and fire services, and the first ECS Safety emergency call dispatching centre in the Canton of Uri. Orders were received for various remote siren control systems in Switzerland and for the integration of various fire brigades in Austria's existing network. Ascom also received an order from Slovenia for a country-wide security network and for expansion of the city of Prague's radio communication system, as well as orders for first pilot projects in Finland and Poland.

TELECOM OPERATIONS

Market

Competition among the many global telcos is becoming increasingly fierce, forcing network operators to optimise their internal processes and reduce costs on an ongoing basis. Non-core business activities are increasingly being outsourced to external companies. The annual market growth of 2 – 5 %, depending on the application used, offers Ascom the corresponding business potential.

Ascom's market offerings

Ascom has three business areas in the Telecom Operations segment: Mobile Test Solutions, TelcoNet Services and Systems & Solutions. The products, solutions and services delivered by all three units help to improve the performance and service quality of globally operating telecom companies.

Thanks to its QVoice® measurement system, the Mobile Test Solutions business unit is considered global market leader in equipment testing, evaluating and optimising of mobile networks. The newly developed Symphony, Companion and Smart product generation meets all the requirements for assessing the quality of multimedia (3G) networks. These measuring systems are supported by a comprehensive range of expert tools for the systematic analysis and evaluation of measurements. Ascom acts as an outsourcing partner, offering a comprehensive drive/walk test service (including measurement evaluation). In autumn of 2006 Mobile Test Solutions entered into a strategic alliance with Comarco, a US enterprise. This joint venture offers customers of both companies significant benefits: in future, the QVoice® product platform can be used to measure mobile networks based on both the European (GSM/UMTS) standard and the US (CDMA) standard. With its new partner, Mobile Test Solutions is now aiming for strong growth in global marketing activities, particularly in countries where mobile networks use both technologies.

TelcoNet Services acts as a general contractor, delivering a full range of services for the planning, implementation and maintenance of telecommunications equipment for network operators. The focus continues to be on targeted expansion of the customer base and service offerings.

Systems & Solutions specialises in customised software applications that enable network operators to streamline and enhance their internal processes. Typical applications include workflow solutions for fault notification and processing, and rota systems for customer service staff. Systems & Solutions is gradually extending its geographical market reach through globally active key account customers.

Significant business successes

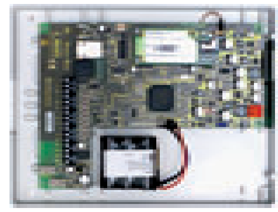
The successful rollout of the latest-generation QVoice® generation – Symphony, Companion and Smart – accompanied by the first order from Orange France, were the main highlights of fiscal 2006 for Mobile Test Solutions. Thanks to a number of orders, among others from the Kenyan regulatory authority CCK and from Mobilkom Austria, as well as orders from Taiwan and Egypt, the business unit succeeded in further expanding its market position.

TelcoNet Services won new customers and expanded the existing customer base.

Systems & Solutions received large orders from Vodafone Germany and Swisscom, as well as a major contract from a Japanese operator.

INNOVATION

Emergency call system NIS RAIL platform



ipTNA end-user terminal

In 2006 Ascom Security Solutions invested substantially in development of its solutions. To retain the requisite expertise in-house, the division boasts a core team of engineers who conduct research and development in specific areas. Most of the employees in this unit work on concrete product and application developments geared towards our customer and market segments. The main focus is on the three basic platforms – openAccess®, openTAS® and QVoice® – which will continue to form the basis of the majority of Ascom products and solutions within the Security Solutions Division.

openAccess®

openAccess® is a flexible, scaleable, modular IP communication platform for complex applications. The following products and solutions were developed and tested on this platform in 2006:

ALVI INT is a multifunctional communication node for deployment with international troops. The first units were successfully field-tested in the course of 2006. This ALVI node is being further developed for mobile applications in conjunction with the Finnish Army, and is scheduled to be ready in 2007.

openAccess® also provides the platform for NIS RAIL and NIS ROAD, the new generation of emergency call systems for railway stations and motorways. The market launch and pilot installations were successfully implemented in 2006. Another feature of NIS RAIL is the interactive Help Point, installed for the first time by a British rail operator.

2006 also saw the first installation of ECS Safety, an openAccess® application for emergency call dispatching for police forces.

openTAS®

openTAS®, a web-based service platform for use by police, rescue services and private security organisations, enables the secure use of low-cost networks (Internet/IP) for security applications.

Development of the openTAS® AlarmLink, a special application for transmitting and processing alarms, was completed in 2006 and a pilot project was successfully launched.

Key functionalities were developed for the openTAS® EmergencyLink, a web-based mobilisation system for emergency services, and the system was also integrated in pilot installations.

QVoice®

The project, launched in 2005, to further develop the QVoice® platform was continued in 2006, with three new QVoice® products – Symphony, Companion and Smart – being readied for serial production. The test phase proved highly successful, providing proof that the new QVoice® family meets all the test requirements of (3G) multimedia networks. Thanks to the open system architecture, future requirements are built in and customers can be assured of a sustained return on investment.

Other innovation projects

Various advanced functions were implemented in RAILVOX®, DISPRAS® and the FZPL vehicle platform. In joint collaboration with Mammut, Ascom developed PULSE Barryvox®, a new device for locating avalanche victims, marking a technological milestone for the fast, effective rescue of avalanche victims.

APPLIED INNOVATION

Finnish Army project

Following a strategic analysis, the Finnish Army determined that communication played a key role in the management of any modern army.

Col. Kyösti Halonen came to the following conclusion: ''Communication systems help us to deploy our resources systematically and efficiently, and play an important role in joint operations within the Finnish armed forces as well as in combined operations with other partners.''

The Finnish Army's requirements for a modern communication system are: modular design based on standard components, equipped with a variety of exchangeable interfaces, easy adoption to changing deployment conditions, and suitable for use in fixed as well as mobile equipment and networks.

Based on these specifications Ascom developed the openAccess® Node, a flexible communication platform capable of combining different types of wireless and fixed networks and therefore ensuring connectivity with all available networks.

The ALVI version of this openAccess® platform has since passed the army's rigorous tests and is in daily use. The openAccess® Node acts as the communication interface between the different systems used by the Army, Navy and Air Force, and as a connecting link to command headquarters.

A new project has now been launched in conjunction with the Finnish Army, with the aim of adapting the openAccess® concept for integration in vehicles or for use in harsh environments. This system will be tested and introduced to troops in the course of 2007.

Orange France project

With the launch of the new QVoice® family, Ascom has marked a milestone in network measurement technology. The new products Symphony, Companion and Smart are capable of testing all mobile multimedia network applications. Orange France was the first customer to order the new QVoice® generation. Orange, the mobile brand of the France Telecom group – one of the world's largest communication companies – has 23 mobile networks around the globe with about 90 million registered subscribers. Orange is seen throughout the industry as an early adopter of technology and an innovator in marketing emerging mobile services.

The use of forward-looking technologies and services is driving the demand for increasingly higher quality standards in order to satisfy subscribers. To meet this demand, Orange France decided to purchase QVoice® Symphony, the new leading-edge quality of service measurement and optimisation system from Ascom, so as to perform complex test procedures within its mobile networks in the simplest, most flexible and efficient way.

Orange France, has been a satisfied QVoice® user for over eight years. Thierry Kuhn, Head of the Performance and Investigation Tools Department at Orange France, commented: ''Because of the system's ability to simultaneously measure multi-operators, multi-technologies (2G/3G) or multi-services in only one drive-pass, ''France Telecom/Orange'' chose to deploy Symphony throughout its regional operational units to assess network QOS KPI and the QOS perceived by its subscribers. The prospect of reducing the number of test drive-passes with Symphony will lead to cost-savings at OPEX in data collection, a service which currently is sub-contracted.'' Orange uses Ascom measuring equipment in vehicles. Network availability and quality are systematically measured along predefined routes, e.g. in the city and suburbs of Nantes.

TECHNICAL GLOSSARY

ATEX
A standard/guideline for explosion protection in the industry.

Best-fit-technology
Ascom customers can choose from a broad spectrum of products, systems and solutions, thus making it possible to use the technology that represents the "best fit" in any given situation. When Ascom talks about finding the "best fit", it means working together with the client(s) to evaluate which technology offers the best means of covering specific user requirements. Options to choose from include paging, DECT technology or WLAN solutions. Ascom integrates the chosen solution into the clients' existing infrastructure, thus allowing them to retain and even increase the benefits and value of previous investments (for example in networks or technology).

Bluetooth
Bluetooth wireless technology – A technology specification for linking portable computers, personal digital assistants (PDAs) and mobile phones for short-range transmission of voice and data across a global radio frequency band without the need for cables and wires.

C4I
Command, Control, Communication, Computing & Information (C4I).

CDMA
Code Divisional Multiple Access – A digital cellular technology.

DECT
Digital Enhanced Cordless Telecommunications – A flexible digital radio access standard for cordless communications in residential, corporate or public environments.

FCC
Federal Communications Commission – The governing body for telecommunications law in the United States of America.

GSM
Global System for Mobile Communications – A popular standard for mobile phones in the world.

IEC
International Electrotechnical Commission

IP
Internet Protocol – A set of rules used to send and receive messages at the Internet address level.

IP telephony
Internet Protocol telephony – Technology that supports voice, data and video transmission via IP-based LANs, WANs, and the Internet (including VoIP).

IR positioning
Infra red positioning

LAN
Local Area Network – A system of connecting PCs and other devices within the same physical proximity for sharing resources such as an Internet connections, printers, files and drives. When WiFi is used to connect the devices, the system is known as Wireless LAN or WLAN.

MHz
Megahertz – HZ is the international unit for measuring frequency, equivalent to the older unit of cycles per second. One Megahertz (MHz) is one million hertz. One Gigahertz (GHz) is one billion hertz. The standard US electrical power frequency is 60 Hz, the AM broadcast radio frequency band is 535 – 1,605 kHz, the FM broadcast radio frequency band is 88 – 108 MHz, and wireless 802.11b LANs operate at 2.4 GHz.

OEM
Original Equipment Manufacturer – A company that builds products or components which are used in products sold by another company. An OEM will typically build to order based on design of such another company. When Ascom mentions its OEM business (mainly in Wireless Solutions division), it means that Ascom produces and delivers products and systems that are sold by the OEM clients.

PABX
Private Automatic Branch eXchange – A telephone exchange that is owned by a private business, as opposed to one owned by a common carrier or by a telephone company

PBX
Private Branch eXchange – A private telephone network used within an enterprise. Users of the PBX share a certain number of lines for making telephone calls external to the PBX. Most medium-sized and larger companies use a PBX because it is much less expensive than connecting an external telephone line to every telephone in the organization. In addition, it's easier to call someone within a PBX as the number usually needed to dial is just 3 to 4 digits.

PDA
Personal Digital Assistant – Smaller than laptop computers but with many of the same computing and communication capabilities. PDAs range greatly in size, complexity and functionality. PDAs can provide wireless connectivity via embedded WiFi card radios, slide-in PC card radios, or compact flash WiFi radios.

PWT
Pacific Western Technology Ltd.

QoS
Quality of Service

SIM
Subscriber Identity Module

SIP
Session Initialization Protocol – A signalling protocol that establishes real-time calls and conferences over IP networks.

SW
Software

TCP/IP
Transmission Control Protocol / Internet Protocol – The underlying technology behing the Internet and communications between computers in a network. The first part, TCP, is the transport part, which matches the size of the messages on either end and guarantees that the correct message has been received. The IP part is the user's computer address on a network. Every computer in a TCP/IP network has its own IP address that is either dynamically assigned at start-up or permanently assigned. All TCP/IP messages contain the address of the destination network as well as the address of the destination station. This enables TCP/IP messages to be transmitted to multiple networks (subnets) within an organization or worldwide.

TDMA
Time Division Multiple Access – Refers to a channel access method for shared medium (usually radio) networks. It allows several users to share the same frequency channel by dividing the signal into different timeslots.

UMTS
Universal Mobile Telecommunications System – One of the third-generation mobile phone technologies.

VARs
Value Added Resellers – A company that sometimes adds some features to an existing product, then sells it to end-users as a new package.

VoIP
Voice over Internet Protocol – Voice transmission using Internet Protocol to create digital packets distributed over the Internet. VoIP can be less expensive than voice transmission using standard analog packets over POTS (Plain Old Telephone Service).

VoWiFi
Voice over Wireless Fidelity – VoWiFi is a WiFi based VoIP service. Where VoIP consists of the hardware and software.html that enables people to use the Internet as the transmission medium for telephone calls, VoWiFi is the wireless version of this technology which is designed to work on wireless devices.

WiFi
Wireless Fidelity – A term defined and trademarked by the Wi-Fi Alliance. Wireless LAN equipment carrying the WiFi logo have been interoperability tested for compability with one (or more) 802.11 standards, and certified by the WiFi Alliance to be sold under the WiFi brand.

WLAN
Wireless Local Area Network – Also referred to as LAN. A type of local area network that uses high-frequency radio waves rather than wires to communicate between nodes.

CORPORATE GOVERNANCE

1. CORPORATE STRUCTURE AND SHAREHOLDERS

Operating corporate structure as of 15 February 2007

Listed corporation: Ascom Holding Ltd.

Ascom Holding Ltd. (Ascom Holding SA, Ascom Holding AG) is a joint-stock company based in Berne, Switzerland. It has a share capital of CHF 18 million, 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 SWX Swiss Exchange main board under security ID number 1133920, symbol ascn. Ticker symbols:

- Bloomberg: ASCN SW
- Reuters: ASCN.S

Market capitalisation as of 31 December 2006 was CHF 552.6 million.

Unlisted Group companies

The following companies belong to the Ascom Holding Ltd. scope of consolidation:

Country	Company	Location	Capital	Investment
Austria	Ascom Austria GmbH	Vienna	EUR 3,634,000	Ascom Holding Ltd.: 100 %
Belgium	Ascom (Belgium) NV	Brussels	EUR 1,424,000	Ascom Holding Ltd.: 100 %
Czech Republic	Ascom (CZ) s.r.o.	Prague	CZK 200,000	Ascom (Schweiz) AG: 100 %
Denmark	Ascom Danmark A/S	Silkeborg	DKK 1,200,000	Ascom Holding Ltd.: 100 %
Finland	Ascom (Finland) Oy	Vantaa	EUR 562,000	Ascom Holding Ltd.: 100 %
France	Ascom SAS	Guilherand-Granges	EUR 5,000,000	Ascom Holding SA (F): 100 %
	Ascom Holding SA (F)	Guilherand-Granges	EUR 9,600,000	Ascom Holding Ltd.: 100 %
	Ascom (France) SA	Nanterre	EUR 2,000,000	Ascom (Sweden) AB: 100 %
	Ascom Multitoll Solutions SAS	Orsay	EUR 3,648,000	Ascom SAS: 100 %
Germany	Ascom Deutschland GmbH	Frankfurt/M.	EUR 2,137,000	Ascom Unternehmensholding GmbH: 99.76 %, Ascom (Schweiz) AG: 0.24 %
	Technologiepark Teningen GmbH	Teningen	EUR 6,136,000	Ascom Unternehmensholding GmbH: 94 %, Ascom (Schweiz) AG: 6 %
	Ascom GCT Grau-communications technology GmbH	Frankfurt/M.	EUR 1,534,000	Ascom Unternehmensholding GmbH: 94 %, Ascom (Schweiz) AG: 6 %
	Ascom Unternehmens-holding GmbH	Frankfurt/M.	EUR 5,113,000	Ascom Holding Ltd.: 100 %
Hong Kong	Ascom Hong Kong Ltd.	Hong Kong	HKD 1,500,000	Ascom Holding Ltd.: 100 %
Mexico	Ascom de México SA. de C.V.	México, D.F.	MXN 50,000	Ascom SAS: 100 %
Netherlands	Ascom (Nederland) BV	Utrecht	EUR 1,361,000	Ascom (Sweden) AB: 100 %
	Ascom Finance BV	Arnhem	EUR 45,000	Ascom Holding Ltd.: 100 %
	Mocsa Real Estate BV	Utrecht	EUR 454,000	Ascom Holding Ltd.: 100 %
	Ascom Tateco BV	Hoofddorp	EUR 18,000	Ascom (Nederland) BV: 100 %
	SPT Wijk by Duurstede BV	Utrecht	EUR 18,000	Ascom (Nederland) BV: 100 %

Country	Company	Location	Capital	Investment
Norway	Ascom (Norway) A/S	Oslo	NOK 1,250,000	Ascom (Sweden) AB: 100 %
Poland	Ascom Poland Sp z o.o.	Warsaw	PLN 2,405,200	Ascom Holding Ltd.: 100 %
Russia	Letus ZAO	St. Petersburg	RUB 10,000	Ascom (Finland) Oy: 51 %
Sweden	Ascom (Sweden) AB	Gothenburg	SEK 96,154,000	Ascom Holding Ltd.: 66.4 %, Ascom UK Group Ltd.: 33.6 %
	Ascom Sweden Holding AB	Gothenburg	SEK 100,000	Ascom Holding Ltd.: 100 %
Switzerland	Adilan S.à.r.l. in Liquidation	Geneva	CHF 20,000	Ascom (Schweiz) AG: 100 %
	AIWP AG in Liquidation	Berne	CHF 500,000	Ascom Holding Ltd.: 100 %
	Ascom Favag AG	Bevaix	CHF 8,000,000	Ascom (Schweiz) AG: 100 %
	Ascom Immobilien AG	Berne	CHF 2,400,000	Ascom Holding Ltd.: 100 %
	BIWP AG in Liquidation	Berne	CHF 50,000,000	Ascom Holding Ltd.: 100 %
	Ascom (Schweiz) AG	Berne	CHF 28,000,000	Ascom Holding Ltd.: 100 %
	Wolf Computer AG in Liquidation	Berne	CHF 100,000	Ascom (Schweiz) AG: 100 %
UK	Ascom Croydon Ltd.	Croydon	GBP 600,000	Ascom UK Group Ltd.: 100 %
	Ascom Dartford Ltd.	Croydon	GBP 1,000,000	Ascom UK Group Ltd.: 100 %
	Ascom Telecommunications Ltd. (in liquidation)	Croydon	GBP 11,500,000	Ascom UK Group Ltd.: 100 %
	Ascom (UK) Ltd.	Sevenoaks	GBP 50,000	Ascom (Sweden) AB: 100 %
	Ascom UK Group Ltd.	Croydon	GBP 5,000,000	Ascom Holding Ltd.: 100 %
USA	Ascom Holding Inc.	Rockaway NJ	USD 10	Ascom Holding Ltd.: 100 %
	Ascom (US) Inc.	Morrisville NC	USD 10	Ascom (Sweden) AB: 100 %

Shareholders

Registered shareholders

As of 31 December 2006 there were 7,110 shareholders registered in the Ascom Holding Ltd. share register. Share ownership as of 31 December 2006 is broken down as follows:

Number of shares	Number of shareholders
1 to 100	1,730
101 to 1000	4,065
1 001 to 5000	1,077
5001 to 10,000	107
More than 10,000	131
Total	**7,110**

Changes subject to disclosure requirements during the 2006 financial year

In an announcement dated 28 March 2006, published in compliance with Art. 20 of the Stock Exchange Act (SESTA), Tower Equity N.V., Curaçao; Hyos Invest Holding AG, Zurich, and AB Eno River Holding AG, Zug (all companies owned by the Müller-Möhl community of heirs, Zurich) disclosed that their total shares in Ascom now accounted for less than 5 % of the voting rights (SOGC notice of 25 April 2006).

In an announcement dated 5 July 2006, published in compliance with SESTA Art. 20, the Zurich Cantonal Bank, Zurich disclosed that it holds Ascom shares accounting for 5.01 % of the voting rights (SOCG notice of 12 July 2006).

In an announcement dated 7 July 2006, published in compliance with SESTA Art. 20, the Zurich Cantonal Bank, Zurich, disclosed that its shares in Ascom now accounted for less than 5 % of the voting rights (SOCG notice of 14 July 2006).

In an announcement dated 24 July 2006, published in compliance with SESTA Art. 20, the Zurich Cantonal Bank, Zurich, disclosed that it held Ascom shares accounting for 5.00 % of the voting rights (SOCG notice of 28 July 2006).

In an announcement dated 4 August 2006, published in compliance with SESTA Art. 20, the Zurich Cantonal Bank, Zurich, disclosed that its shares in Ascom now accounted for less than 5 % of the voting rights (SOCG notice of 10 August 2006).

In an announcement dated 24 August 2006, published in compliance with SESTA Art. 20, the Zurich Cantonal Bank, Zurich, disclosed that it held Ascom shares accounting for 5.16 % of the voting rights (SOCG notice of 14 September 2006).

In an announcement dated 19 September 2006, in compliance with SESTA Art. 20, the Trident European Fund, George Town, Cayman Islands, disclosed that it held Ascom shares accounting for 5.01 % of the voting rights (SOCG notice of 26 September 2006).

In an announcement dated 18 December 2006, published in compliance with SESTA Art. 20, the Zurich Cantonal Bank, Zurich, disclosed that its shares in Ascom now accounted for less than 5 % of the voting rights (SOCG notice of 28 December 2006).

Significant shareholders (as recorded in the share register)

The following significant shareholders as defined by Art. 663c of the Swiss Code of Obligations, holding more than 5 % of the share capital, were recorded in the share register at 31 December 2006:

Hasler Foundation, Berne	8.46 %
Sterling Strategic Value Ltd., Tortola BVI	5.11 %

Three further shareholders were entered in the share register with holdings exceeding 2 % of the share capital. This does not cover shares which are not registered in the share register (Dispo shares). Dispo shares were at 43.5 % as of 31 December 2006.

Ascom is not aware of any shareholders' agreements.

Cross-shareholdings

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

2. CAPITAL STRUCTURE

Ordinary share capital

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

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

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

The share capital is fully paid up. The participation capital in the amount of CHF 38.875 million in existence at the time was dissolved on the occasion of the General Meeting held on 11 June 1991.

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

Shares and participation certificates

	31.12.2006		31.12.2005	
	Number	CHFm	Number	CHFm
Registered shares nom. CHF 5.50	–	–	36,000,000	198
Registered shares nom. CHF 0.50	36,000,000	18	–	–
Registered shareholders	7,110	–	8,038	–

Ascom Holding Ltd. and its subsidiaries held 317,600 own registered shares as of the balance sheet date.

Bonus certificates

Ascom Holding Ltd. has not issued any bonus certificates.

Authorised share capital/ conditional share capital

Ascom Holding Ltd. had neither authorised nor conditional share capital at 31 December 2006.

Changes in equity

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

	2006	2005	2004	2003
Share capital	18,000,000	198,000,000	198,000,000	198,000,000
Statutory reserves	9,820,000	6,233,000	1,021,000	0
Free reserves	105,293,000	111,812,000	32,551,000	3,369,000
Total	133,113,000	316,045,000	231,572,000	201,369,000

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

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

Limitations on transferability and nominee registrations

- In principle, the Articles of Incorporation of Ascom Holding Ltd. contain no limitations on transferability.
- Every person recorded in the share register is regarded as a shareholder or beneficiary vis-à-vis the company.
- A share register is maintained for registered shares 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 petitions in this regard were submitted in 2006.

Options/convertible bonds

Options

Ascom stock option plans are listed in section 5 (Compensation, shareholdings and loans).

Convertible bonds

Ascom Holding Ltd. has not issued any convertible bonds.

Management transactions

With effect from 1 July 2005, the listing rules of SWX stipulate a disclosure obligation in respect of management transactions. To ensure compliance with these provisions, the Board of Directors has issued a new Annex to the Organisational Guidelines. Members of the Board of Directors and the Executive Board as well as the General Secretary are required to make a disclosure to the company. In 2006 eleven individual disclosures (see table) were submitted as well as three collective reports, which were not published. Therefore it cannot be concluded from the individual disclosures only, how many shares and derivatives are being held by the Board of Directors and the Executive Board.

Transaction date	Number of shares	Type of transaction	Amount in CHF
16.3.2006	8,640	Sale from Ascom SOP 2003	148,867
17.3.2006	6,000	Sale from Ascom SOP 2003	104,180
17.3.2006	41,360	Sale from Ascom SOP 2003	716,417
4.4.2006	14,000	Sale from Ascom SOP 2003	245,220
19.9.2006	23,334	Sale	322,009
21.9.2006	11,668	Sale	160,435
21.9.2006	50,000	Purchase of call option	343,750
22.9.2006	7,811	Sale	107,791
25.9.2006	7,189	Sale	99,208
1.11.2006	16,000	Sale from Ascom SOP 2004	103,840
13.11.2006	20,000	Sale	297,040

3. BOARD OF DIRECTORS

Board of Directors of Ascom Holding Ltd.

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

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

- overall management of the company and the Group, including setting the strategic direction, as well as issuing directives as required;
- defining the organisation and management structure;
- laying out the forms of accounting and financial control as well as financial planning,
- appointing and dismissing persons entrusted with the management and representation of the company and determining who is entitled to sign on behalf of the company;
- ultimate supervision of business activities;
- drawing up the Annual Report as well as preparing the Annual General Meeting and carrying out its resolutions;
- informing the courts in the event of excessiv indebtedness;
- passing resolutions on the financing of the business, especially deciding on capital increases and IPOs and the consequent changes to the Articles;
- passing resolutions on participations of major/strategic significance;
- fixing the compensation for Members of the Board of Directors and the Executive Board.

Composition of the Board of Directors of Ascom Holding Ltd.

In accordance with the Articles of Incorporation, the Board of Directors of Ascom Holding Ltd. consists of one or more members who are elected for a one-year term of office (amendment to the Articles approved by the Annual General Meeting on 6 April 2006).

Since the Annual General Meeting of Ascom Holding Ltd. held on 6 April 2006, the Board of Directors has consisted of the members listed in the table below.

	Member since AGM in	Elected for term of office until AGM in
Juhani Anttila, Chairman	2001	2007
Paul E. Otth, Vice-Chairman	2002	2008
Dr Wolfgang Kalsbach	2002	2008
Dr J. T. Bergqvist	2005	2008
Dr Rolf A. Meyer	2005	2008
Dr Axel Paeger	2005	2008
Pierre Roy	2006	2007
Adrian Schmassmann	2006	2007

Secretary to the Board of Directors: Dr Daniel Lack (since 16 May 2001)

All members of the Board of Directors are non-executive members.

Changes to the Board of Directors

Beat Näf decided not to stand for re-election and stepped down from the Board of Directors at the 2006 Annual General Meeting. Pierre Roy and Adrian Schmassmann were elected to the Board of Directors for the first time.

Cross-involvement

There are no cross-involvements between the Board of Directors of Ascom Holding Ltd. and any other listed company. Board of Director mandates with other listed companies are shown on the right hand side of this page.

Election and terms of office

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

Internal organisation

- The Board of Directors is self-constituting and designates its own Chairman and Secretary. The latter need not be a member of the Board.
- The Board of Directors may pass resolutions provided that 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, amendment to the Articles of Incorporation, or resolutions regarding the capital increase report.
- The Board of Directors passes its resolutions by a majority of the votes cast. The Chairman holds the casting vote.
- Resolutions may also be adopted by written consent to a proposal circulated by the Chairman among all members and passed by a majority of all members of the Board of Directors.
- Minutes are kept of deliberations and resolutions, and are signed by the Chairman and the Secretary.
- Members of the Board of Directors may exercise a consulting mandate for the Ascom Group in parallel with their activity on the Board only with the unanimous consent of the Board of Directors. There are no such consulting mandates as at the qualifying date.

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

Juhani Anttila is a member of the Board of Directors of Actelion Ltd., Allschwil. Paul E. Otth is a member of the Board of Directors of Inficon Holding AG, Bad Ragaz (Vice-Chairman) as well as Swissquote Group Holding AG, Gland. Dr Rolf A. Meyer is a member of the Board of Directors of UBS AG, Zurich and Dr J.T. Bergqvist is a member of the Board of Norvestia OYJ, Helsinki (Finland). Adrian Schmassmann is a member of the Supervisory Board of Teleplan International N.V., Veldhoven (Netherlands). The other members of the Board of Directors of Ascom Holding Ltd. do not hold positions on the Boards of any other exchange-listed companies.

Paul E. Otth is also a member of the Board of Directors of SBB AG, Berne, and Chairman of the Board of EAO Holding AG, Olten. Dr Rolf A. Meyer is also a member of the Board of Directors of DKSH Holding AG, Zurich. Dr Axel Paeger is Chairman of the Board of Directors of AMEOS Holding AG, Zurich and Adrian Schmassmann is Chairman of the Board of Directors of Katadyn AG, Wallisellen and a member of the Board of Directors of Selection Schwander AG, Zurich.

Continuing on page 54.

BOARD OF DIRECTORS

Juhani Anttila, Chairman of the Board of Directors of Ascom Holding Ltd., Berne

Nationality: Finnish | Born 1954 | Place of residence: Baar, Switzerland | Member since 2001 | Chairman of the Board of Directors since 14 May 2002 | Elected for period of office to AGM in 2007

> Studied law at the University of Helsinki, Finland (1976 Bachelor's degree, 1978 Master's degree) > Moved to Switzerland in 1978 > 1981 – 1985 Managing Partner at CA Corporate Advisers, Zurich > 1985 Appointed Managing Director of Nokia GmbH, Zurich, and responsible for various activities for the Nokia Group > 1990 – 1995 Chairman of the Executive Board of Nokia (Deutschland) GmbH in Pforzheim > 1996 – 2002 CEO of Swisslog Group > Since 14 May 2002 Chairman of the Board of Directors of Ascom Holding Ltd. > 1.1.2003 – 31.5.2004 also CEO of the Ascom Group

Paul E. Otth, Vice-Chairman, Business Consultant, Zurich

Nationality: Swiss | Born 1943 | Place of residence: Zurich, Switzerland | Member since 2002 | Elected for period of office to AGM in 2008

> Certified auditor > 1974 – 1988 Various management functions at the Corange Group (Boehringer Mannheim) in Switzerland and abroad > 1988/89 Partner and Executive Board member of Budliger Treuhand AG > 1989 Activities for Landis & Gyr, from 1994 CFO and Group Executive Board member > 1996 – 1998 CFO and Group Executive Board member of Elektrowatt, Zurich > 1998 – 2000 CFO and Division Board member of Siemens Building Technologies, Zurich > 2000 – 2002 CFO and Group Executive Board member of Unaxis Holding, Zurich > Since 2003 Business Consultant

Dr Wolfgang Kalsbach, CEO of Micronas Semiconductor Holding AG, Zurich

Nationality: German | Born 1954 | Place of residence: Bahlingen, Germany | Member since 2002 | Elected for period of office to AGM in 2008

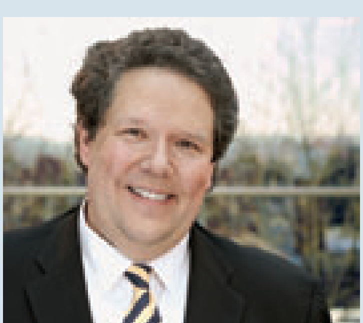
> 1983 Doctorate in physics > 1984 – 1990 Director of Research & Development, Picture Tube Division, ITT Industries GmbH, Freiburg, Germany > 1990 Managing Director, Luxor AB, Sweden (Nokia Group subsidiary) > 1994 Chief Operating Officer ITT Intermetall (a unit of ITT Industries GmbH, Germany) > Since 1998 CEO of Micronas Semiconductor Holding AG, Zurich

Dr J. T. Bergqvist, Business Consultant

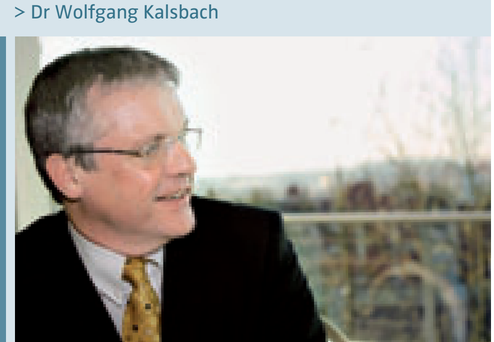
Nationality: Finnish | Born 1957 | Place of residence: Helsinki, Finland | Member since 2005 | Elected for period of office to AGM in 2008

> 1981 Master of Science (Helsinki University of Technology) > 1987 Doctorate in Computer Science from Helsinki University of Technology > 1980 – 1987 Various positions as a software specialist, project manager and export manager at Nokia Group, Helsinki > 1988 Assistant Professor at Helsinki School of Economics > 1988 Manager

Juhani Anttila < > Paul E. Otth



> Dr Wolfgang Kalsbach



Overseas Marketing South East Asia, Nokia Cellular Systems, Kuala Lumpur > 1990 Area Manager & Assistant Vice President Marketing South Europe, Nokia Cellular Systems, Paris > 1993 Area General Manager, Nokia Telecommunications, Paris > 1995 Vice President Cellular Transmission Business, Nokia Telecommunications > 1997 Senior Vice President Radio Access Systems, Nokia Telecommunications > 2000 Senior/Executive Vice President & General Manager Nokia Networks, IP Mobility Networks > 2003/04 Senior/Executive Vice President & General Manager Nokia Networks, Global Business Units > 2001 – 2005 Member of the Strategy Panel of the Group Executive Board Nokia Corporation > 2002 – 2005 Member of Group Executive Board Nokia Corporation

Dr Rolf A. Meyer, Business consultant

Nationality: Swiss | Born 1943 | Place of residence: Bäch, Switzerland | Member since 2005 | Elected for period of office to AGM in 2008

> 1967 MBA from the University of St. Gallen (lic. oec. HSG), majoring in marketing > 1973 Ph. D. in political science (Dr. rer. pol.), University of Basel > 1984 Program for Management Development (PMD), Harvard Business School, Boston MA, USA > 1967 Marketing, Bertschinger & Co. AG, Wohlen > 1972 Assistant to CEO, Modern Plastics Corp., Long Beach CA, USA > 1973 Financial analyst, Ciba-Geigy AG, Basel > 1976 Group Company Controller, Ciba-Geigy Ltd., Johannesburg, South Africa > 1979 Director of Central Control and Corporate Systems, Ciba-Geigy AG, Basel > 1985 Vice President Finance and Information Services, Ciba-Geigy Corp. Ltd. (USA), Ardsley NY, USA > 1992 Chief Financial Officer and Member of the Group Executive Committee, Ciba-Geigy Ltd. > 1996 Chairman and Delegate of the Board, Ciba Specialty Chemicals, Basel > 1998 – 2000 CEO and Chairman of the Board, Ciba Specialty Chemicals, Basel

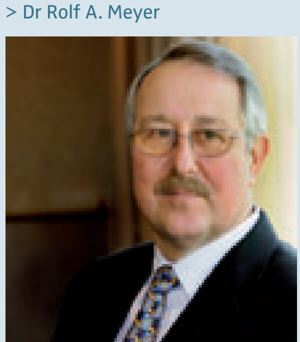
Dr Axel Paeger, CEO of AMEOS Holding AG, Zurich

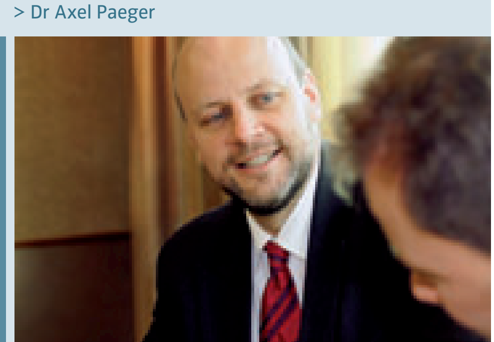
Nationality: German | Born 1965 | Place of residence: Freienbach, Switzerland | Member since 2005 | Elected for period of office to AGM in 2008

> Dr med. (Ludwig-Maximilians University Munich; Harvard University, Boston MA, USA; University of London, Guy's Hospital Medical School, London) > Master of Business Administration (MBA)/ Master of Business Informatics (Erasmus University Rotterdam School of Management, Rotterdam; Case Western Reserve University Weatherhead School of Management, Cleveland OH, USA) > 1990 Medical Intern, Medical Controlling, Massachusetts General Hospital (MGH), Boston MA, USA > 1992 Associate Partner, Health Care Consultancy, (HCC), Cleveland OH, USA > 1995 Member of the Board, Pacific Health Corporation Inc., Long Beach CA, USA > 1999 Chief Managing Officer, Asklepios Kliniken, Nidda, Germany > Since 2003 Chief Executive Officer of AMEOS Holding AG, Zurich

Dr J. T. Bergqvist < > Dr Rolf A. Meyer

> Dr Axel Paeger





Pierre Roy, Executive Vice President and COO Digital TV Business Kudelski Group, Cheseaux

Nationality: Swiss | Born 1952 | Place of residence: Begnins, Switzerland | Member since 2006 | Elected for period of office to AGM in 2007

> 1972-1975 Economic School of the Lausanne University MBA Finance & Marketing > 1977 Sales and Computer School IBM Corp. > 1984 INSEAD Fontainebleau (France) International Advanced Management Program > 1975 – 1977 Procter & Gamble Geneva, Financial Analyst > 1977 – 1979 IBM (Switzerland) Geneva and Lausanne, Sales Engineer, Data Processing Division > 1979 – 1982 Digital Equipment Corp. (Europe) Geneva, European Product Group Controller / European Sales Controller > 1982 – 1986 Digital Equipment Centre Technique (Europe) Sophia Antipolis (France), Finance and Administration Manager > 1986 – 1989 Digital Equipment Corp. (Europe) Geneva, Scientific Research, Education & Government Industries Marketing Manager > 1989 – 1990 Digital Equipment Corp. (Europe) Geneva, Applications Marketing Manager (Europe) – DCC Public Sector > 1991 – 1992 Digital Equipment Corp.(Europe) Geneva, Volume Group European Finance Manager > 1992 – 1998 Kudelski SA, Cheseaux / Lausanne, Managing Director Audio division & Business Development; Director NagraVision, Precel SA, Neuchâtel, Managing Director > 1999 – 2003 PI Consulting Services, Senior Consultant / owner > Since 2003 Executive Vice President and COO Digital TV Business Kudelski Group, Cheseaux

Adrian Schmassmann, Operational Chairman, Katadyn Holding AG, Wallisellen

Nationality: Swiss | Born 1959 | Place of residence: Ebmatingen, Switzerland | Member since 2006 | Elected for period of office to AGM in 2007

> 1984 Master of economics, University of Basel > 1985 van Baerle & Cie. AG, Münchenstein, Switzerland: Assistant to the CEO > 1988 van Baerle & Cie. AG, Münchenstein, Switzerland: Sales Manager North America > 1990 Saurer Holding AG, Glattbrugg: Assistant to the CEO > 1993 Saurer Holding AG, Glattbrugg: Investors Relations > 1994 W. Schlafhorst & Co. AG, Mönchengladbach, Germany (Saurer Group): Project Manager > 1995 W. Schlafhorst & Co. AG, Mönchengladbach, Germany (Saurer Group): Head of Sales and Marketing and Head of Business Unit Winding Systems >1997 Katadyn Products Inc., Wallisellen, Zurich: CEO > 1998 Katadyn Holding AG, Wallisellen, Zurich: Management Buyout Katadyn Group > 2006 Katadyn Holding AG: Operational Chairman > Since 2004 Director, Teleplan International N.V. (The Netherlands) > Since 2004 Director, Selection Schwander AG, Zurich

Pierre Roy <

> Adrian Schmassmann

The other members of the Board of Directors of Ascom Holding Ltd. are not involved in any activities in governing or supervisory bodies of important public- or private-law Swiss or foreign corporations, institutions or foundations.

Mode of operation of the Board of Directors

As a rule, the Board of Directors meets on a monthly basis. Additional meetings or conference calls are held as and when necessary. Ten meetings (including one conference call) were held in 2006. The average board attendance was 90.9 %. The ordinary meetings of the Board of Directors last generally a full day. The CEO, CFO and other members of the Executive Board attend meetings of the Board of Directors as and when required. The Board of Directors also engages external consultants and specialised attorneys to address specific topics.

Self-evaluation of the Board of Directors

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

Committees of the Board of Directors

To ensure the efficient and effective organisation of its duties, the Board of Directors of Ascom Holding Ltd. has set up the following committees whose primary role is to prepare materials to serve as a basis for Board of Directors decisions in specialised areas. All members of the Board are entitled to attend any meetings of these committees.

Audit Committee

Composition: Paul E.Otth (Chairman), Beat Näf (until the 2006 Annual General Meeting), Dr Rolf A. Meyer and Dr Axel Paeger (since the 2006 Annual General Meeting)

The Audit Committee is composed of three non-executive members of the Board of Directors and generally meets six times a year, although the Chairman may call meetings as often as business requires. Five Audit Committee meetings were held in 2006, all of them attended – at least for part of the time – by external auditors.

The Chairman of the Board of Directors also attended three of these meetings. The CEO, CFO and other members of management attend the meetings as and when required. Representatives of Internal Audit are also involved. The Secretary to the Board of Directors prepares meetings and records minutes. The full Board of Directors is kept informed on a regular basis of the Audit Committee's activities and receives a copy of the minutes too.

The Audit Committee's main activities are:

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

Compensation & Nomination Committee

Composition: Dr Wolfgang Kalsbach (Chairman), Dr Rolf A. Meyer and Dr Axel Paeger

The Compensation Committee is composed of three non-executive members of the Board of Directors. The Chairman calls meetings as often as business requires. Three meetings were held in 2006. The CEO and the Head of Corporate Human Resources attend as and when required. The Secretary to the Board of Directors prepares meetings and records minutes. The full Board of Directors is kept informed on a regular basis of the Compensation Committee's activities.

One of the main activities performed by the Compensation Committee is the formulation of proposals for the full Board of Directors with regard to:

- the Ascom Group's salary policies;
- defining compensation models for members of the Board of Directors and the Executive Board;
- implementing and supervising stock option plans;
- selecting candidates for election to the Board of Directors;
- reviewing candidates for appointment to the Executive Board;
- annual appraisals of top management.

Strategy Committee

Composition: Juhani Anttila (Chairman), Dr J.T. Bergqvist, Pierre Roy and Adrian Schmassmann

The Strategy Committee is composed of four non-executive members of the Board of Directors. The Chairman calls meetings as often as business requires. Three meetings were held in 2006. The CEO attends as and when required. The Secretary to the Board of Directors prepares meetings and records minutes. The full Board of Directors is kept informed on a regular basis of the Strategy Committee activities.

On the main activities performed by the Strategy Committee is the formulation of proposals for the full Board of Directors with regard to:

- Portfolio of business activities, Mergers & Acquisitions, technology, structure of the Ascom Group;
- Financial planning, in particular cost structure and value enhancing measures.

Areas of responsibility

The Board of Directors has delegated the management of ongoing business to the CEO who, together with the Executive Board as advisory body, is responsible for overall management of the Ascom Group. A detailed definition of areas of responsibility is set down in the Annex to the Organisational Guidelines.

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 a balance sheet, income statement, incoming and outstanding orders and employee headcount for the individual companies are entered in the management reporting system. This information is consolidated for the various Divisions and for the Group as a whole, and compared against the previous year's figures and the current budget. The Executive Board discusses the results and the action to be taken at monthly intervals.

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

Financial reports are submitted to the Board of Directors on a monthly basis.

Additional management instruments for the monitoring of management processes include strategic planning for several years, annual planning and quarterly forecasts. Regular reports are presented to the Board of Directors and the Audit Committee on topics such as legal issues and risk management. For information purposes, meetings of the Board of Directors and the Audit Committee are attended by the CEO and CFO as well as, where necessary, other members of management.

Internal auditing is performed on a mandate basis by Ernst & Young according to the directions of the Audit Committee. The Internal Audit Plan is revised on an annual basis in conjunction with the external auditors and management, and approved by the Audit Committee. Special audits are also commissioned as and when required.

4. EXECUTIVE BOARD

The Executive Board of the Ascom Group

The Executive Board is responsible for operational management of the Ascom Group within the framework of the delegation of responsibilities. Its duties are set down in the Organisational Guidelines and the corresponding Annexes.

Composition of the Ascom Executive Board

The Ascom Group Executive Board comprised the following members as of 31 December 2006:

		Member of the Executive Board since
Rudolf Hadorn*	CEO and General Manager Security Solutions	1.11.2002 (CEO from 1.6.2004 to 15.2.2007)
Fritz Mumenthaler*	General Manager Wireless Solutions	1.9.2006
Alberto Romaneschi	CFO	1.6.2005

* Rudolf Hadorn resigned from office as CEO and as a member of the Executive Board of the Ascom Group as of 15 February 2007. Fritz Mumenthaler was elected by the Board of Directors as CEO ad interim as of 15 February 2007, and as General Manager Security Solutions.

Changes in the Executive Board

Alberto Romaneschi was elected to the Executive Board as CFO on 1 September 2006 as successor to Thomas Casata. Bernd Kuhlin stepped down from the Executive Board on 30 November 2006. In addition to his position as CEO, Rudolf Hadorn took over responsibility as General Manager of the division Security Solutions.

Rudolf Hadorn was a member of the Board of Directors of CSEM AG in Neuchâtel as the representative of Ascom. With the exception of this, the members of the Executive Board are not involved in any activities in governing or supervisory bodies of important public- and private-law Swiss and foreign corporations, institutions and foundations.

Rudolf Hadorn was a member of the Committee of Industrie-Holding, the Federation of Swiss Industrial Holding Companies, Berne, as the representative of Ascom. The other members of the Executive Board do not 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 Executive Board

The Executive Board generally convenes on a monthly basis. Additional meetings or conference calls are held as and when necessary. Eight meetings were held in 2006.

Management contracts

There are no management contracts in the Ascom Group.

Organisation of the internal audit

The internal auditing mandate was awarded to Ernst & Young Ltd., Zurich, effective 1 December 2002.

The Internal Audit Plan is revised in line with the audit priorities on an annual basis, in conjunction with the external auditors and management, and approved by the Audit Committee. Special audits are also commissioned as and when required.

Fees are based on the scope of services rendered. In 2006, Ernst & Young performed a total of three project audits as well as various individual audits. Ernst & Young were paid remuneration totalling CHF 201,103 (including expenses) for these services.

Business relationships with closely associated companies and persons

No significant business transactions exist with closely associated companies and persons.

EXECUTIVE BOARD

Rudolf Hadorn, Chief Executive Officer of the Ascom Group + General Manager Security Solutions until 15 February 2007

Nationality: Swiss | Born 1963

> 1988 Degree in business administration from the University of St. Gallen (lic. oec.) > 1989 General Motors Europe, Zurich: financial and operational analysis > 1991 – 1996 various management functions at GM Hungary, Austria and GM / Opel AG Germany, including Head of Department, setting up the controlling system, Head of Financial Accounting and Analysis, Director of Auditing > 1997 GM / Opel Hungary and South Eastern Europe, Budapest: Director of Finance and CEO > 1999 GM / Opel Austria, Vienna: Director of Finance and CEO > 2000 Krone GmbH Germany, Berlin: Management spokesman and CFO of the Krone Group > 2002 Joined the Ascom Group as CFO > From 1 June 2004 to 15 February 2007 CEO of the Ascom Group and Chairman of the Executive Board

Alberto Romaneschi, Chief Financial Officer of the Ascom Group

Nationality: Swiss | Born 1958

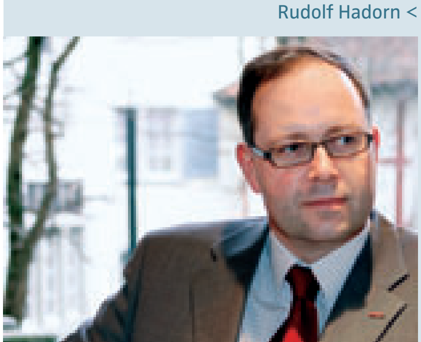
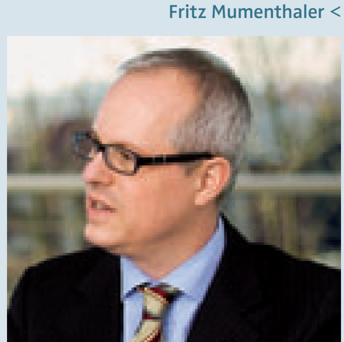
> 1982 Studied business administration at the University of Zurich, graduating with a lic. oec. publ. > 1983 – 1989 Various activities at Swiss Bank Corporation in Zurich and New York > 1989 – 1991 Responsible Corporate Finance Group, Treasury Department, Nestlé S.A., Vevey > 1991 – 1993 Head of Finance Department / Treasurer Nestlé Capital Corporation Inc., Stamford, CT, USA > 1993 – 1999 Group Treasurer, Nestlé S.A., Vevey > 1999 – 2003: CFO, Cereal Partners Worldwide, Morges (Nestlé / General Mills Joint Venture) > 2003 – 2005 CFO, Dreyer's Grand Ice Cream Holdings, Inc., and Nestlé Ice Cream Company, LLC, Oakland and San Ramon CA, USA > 2005 – 2006 Controller of Global Reporting and Globally Managed Businesses, Nestec Inc. / Nestlé Group, Vevey > Since 1.9.2006 CFO of the Ascom Group and Member of the Executive Board

Fritz Mumenthaler, General Manager Wireless Solutions, since 15 February 2007 CEO ad interim of the Ascom Group

Nationality: Swiss | Born 1958

> 1985 Business Administration degree at universities of Berne and Neuchâtel (lic. rer. pol.) > 1985 Credit Suisse: Manager Human Resources > 1988 MBA at INSEAD, Fontainebleau > 1989 Swissphone Telecommunications: Assistant Director > 1992 Landis & Gyr: Project Manager Corporate Development > 1994 Landis & Gyr Building Control, Landis & Stäfa, Siemens Building Technologies: Head of Marketing Europe, later Head of Global Marketing in the Building Automation Division > 2000 Siemens Building Technologies, Building Automation Division: Head of Zone Europe, Member of the Management Team of the Division > 1 June 2005 General Manager Wireless Solutions and Member of the Executive Board of the Ascom Group > Since 15 February 2007 CEO ad interim of the Ascom Group and also General Manager Wireless Solutions and General Manager Security Solutions

Rudolf Hadorn < Fritz Mumenthaler < > Alberto Romaneschi


5. COMPENSATION, SHAREHOLDINGS AND LOANS

Content and method of determining compensation and shareholding programmes

Board of Directors

Fees for members of the Board of Directors are set down in the Compensation Guidelines (as an Annex to the Organisational Guidelines).

The fee for a regular member of the Board of Directors has long remained unchanged at CHF 80,000 per annum.

The Chairman of the Board of Directors receives a fee of CHF 240,000 per annum. The Vice-Chairman of the Board of Directors, who is also Chairman of the Audit Committee, receives a fee of CHF 160,000 per annum.

Executive Board

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

In addition, the Board of Directors approved an option programme for senior management for 2003, 2004, 2005 and 2006. The allocation of options is made on the basis of stock option plans set up each year and agreed in writing. The conditions regarding exercising are defined on allocation of the options, with no subsequent changes being made and in particular no re-pricing. The management of the Ascom Stock Option Plans is the responsibility of the Board of Directors.

In 2006, the members of the Executive Board received options worth 20 % of the total of their basic salaries and target bonuses. The value of the options was determined by an independent third party.

Compensation for acting members of governing bodies

The following compensations were paid in 2006:

- **Board of Directors**

The members of the Board of Directors were paid compensation totalling CHF 860,000 in 2006.

		CHF
Juhani Anttila, Chairman		240,000
Paul E. Otth, Vice-Chairman		160,000
Dr J.T. Bergqvist		80,000
Dr Wolfgang Kalsbach		80,000
Dr Rolf A. Meyer		80,000
Dr Axel Paeger		80,000
Pierre Roy	(since 6.4.2006)	59,000
Adrian Schmassmann	(since 6.4.2006)	59,000
Beat Näf	(until 6.4.2006)	22,000

- **Executive Board**

The total of five members active in the Executive Board in fiscal 2006 were paid a total of CHF 2,531,000 (for members leaving the Board in the course of the year, the total amount includes compensation during their term of office including all employer's contributions to the occupational pension scheme). The total amount includes provisions in respect of the bonus payments of the three Executive Board members in office as of 31 December 2006. The total amount also includes the amounts paid to departing Executive Board members Thomas Casata and Bernd Kuhlin as part of the contractually agreed performance of their employment contracts. In addition the members of the Executive Board received in total 135,400 options (Ascom Stock Option Plan 2006).

Executive Board members' bonus claims for 2006 will be calculated and paid in 2007 after approval of the annual financial statements. The criteria governing payment of the 2006 bonus are measurable and contractually regulated.

The highest total compensation within the Executive Board is paid to the CEO. The total amount for 2006 came to CHF 864,000. This figure includes provisions for the bonus claims for fiscal 2006. The CEO was also allocated 60,300 options under the 2006 Ascom Stock Option Plan.

▪ **Former members of the Executive Board**

Former members of the Executive Board Urs Ramseier and Daniel Roth were paid a total of CHF 639,000 in 2006 in compliance with contractual commitments, thereby settling all claims.

Share allotment in the year under review

Ascom Holding Ltd. allotted no shares in 2006.

Share ownership

The number of Ascom Holding Ltd. shares held as of 31 December 2006 was:

- All members of the Board of Directors and parties closely linked to such persons, in toto: 62,506 shares
- All members of the Executive Board and parties closely linked to such persons, in toto: no shares

Options

2003 Ascom Stock Option Plan

In accordance with the resolution passed by the Board of Directors on 27 February 2003, a total of 560,000 options were issued to seven members of Ascom's senior management on 1 March 2003, each option entitling the holder to purchase one share with a par value of CHF 10. The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a blocking period (one third of the options can be exercised after one year). At the time when the options are exercised, the participants must also have a valid employment contract with an Ascom company (truncation clause). The strike price is CHF 2.67. The stock option plan includes a customary anti-dilution clause. With the agreement of all entitled parties, the Board of Directors decided to waive the application of this clause in relation to the capital increase of 4 December 2003. Accordingly, there has been no reduction in the strike price despite provision for this in the contract and despite the fact that the option holders would have been entitled to such a reduction. Each option now entitles the holder to buy one share with a par value of CHF 5.50 and the strike price remains unchanged.

Since all 201,670 options still outstanding were exercised in 2006, there are no more options in circulation pursuant to the 2003 Ascom Stock Option Plan.

2004 Ascom Stock Option Plan

In accordance with the resolution passed by the Board of Directors on 2 July 2004, a total of 99,000 options were issued to seven members of Ascom's senior management on 1 July 2004, each option entitling the holder to purchase one share with a par value of CHF 5.50. The strike price is CHF 14.21. The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a blocking period (one third of the options can be exercised after one year). At the time when the options are exercised, the participants must also have a valid employment contract with an Ascom company (truncation clause).

On 30 June 2006 the Board of Directors decided to reduce the strike price for all options still in circulation by CHF 5, with immediate effect, due to the par value repayment of CHF 5 per share. The strike price for all options still in circulation pursuant to the 2004 Ascom Stock Option Plan was set at CHF 9.21.

In 2006, a total of 42,000 options were exercised out of the 74,000 options still outstanding. A further 4,000 options became nil and void due to termination of the holders' employment relationship, leaving 28,000 options still outstanding at balance sheet date.

2005 Ascom Stock Option Plan

In accordance with the resolutions passed by the Board of Directors on 1 March 2005 and 27 June 2005, a total of 150,200 options were issued to seven members of Ascom's senior management on 1 February 2005 and 1 July 2005, each option entitling the holder to purchase one share with a par value of CHF 5.50. The strike price is CHF 22.25. The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a blocking period to 31 January 2007.

On 30 June 2006 the Board of Directors decided to reduce the strike price for all options still in circulation by CHF 5, with immediate effect, due to the par value repayment of CHF 5 per share. The strike price for all options still in circulation pursuant to the 2005 Ascom Stock Option Plan was set at CHF 17.25.

61,400 options became nil and void due to termination of the holders' employment relationship, leaving 88,800 options still outstanding at balance sheet date.

2006 Ascom Stock Option Plan

In accordance with the resolutions passed by the Board of Directors on 6 April 2006 and 29 August 2006, a total of 135,400 options were issued to four members of Ascom's senior management on 1 March 2006 and 1 September 2006, each option entitling the holder to purchase one share with a par value of CHF 5.50. The strike price is CHF 19.75. The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a blocking period to 28 February 2008.

On 30 June 2006 the Board of Directors decided to reduce the strike price for all options still in circulation by CHF 5, with immediate effect, due to the par value repayment of CHF 5 per share. The strike price for all options still in circulation pursuant to the 2006 Ascom Stock Option Plan was set at CHF 14.75.

29,200 options became nil and void due to termination of the holders' employment relationship, leaving 106,200 options still outstanding at balance sheet date.

Options held as of 31 December 2006:

Issue date	Duration in years	Strike price CHF	Exercised options	Expired options	Retained options
1.7.2004	4	9.21	42,000	4,000	28,000
1.2.2005	4	17.25	0	61,400	88,800
1.3.2006	4	14.75	0	29,200	106,200

The 223,000 options issued and not yet exercised or expired as of 31 December 2006 correspond to 0.62% of the total share capital.

Additional fees and remuneration

Members of the Board of Directors and Executive Board received no additional fees or remuneration in 2006.

Loans to members of governing bodies

No loans were extended to members of the Board of Directors or the Executive Board in 2006.

Highest total compensation

The highest total compensation paid to a member of the Board of Directors in 2006 was CHF 240,000.

6. SHAREHOLDERS' PARTICIPATION RIGHTS

Voting rights and protective rights

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

Annual General Meeting

Voting rights and representation

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

Resolutions and elections

- The Annual General Meeting has a quorum for transaction of business regardless of the number of votes represented.
- Unless otherwise stipulated by law, the Annual General Meeting adopts resolutions and carries out votes by an absolute majority of valid votes cast. – Elections are decided by the relative majority of votes in a second ballot.
- The Chairman holds the casting vote.
- The Board of Directors determines the voting procedure.
- Shareholders representing shares with a par value of CHF 100,000 are entitled to demand a written ballot. This threshold corresponds to 0.56 % of the votes.

Convocation of the Annual General Meeting

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

Agenda

- In accordance with Art. 699 Para. 3 of the Swiss Code of Obligations, requests to place an item on the agenda must be submitted to the Board of Directors no later than 45 days before the date of the Annual General Meeting.
- The invitation to submit agenda items is published in a single announcement in the company's official publication organ (the SOGC).

Registration in the share register

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

7. CHANGE OF CONTROL AND DEFENSIVE MEASURES

Obligation to submit a purchase offer

Ascom Holding Ltd.'s Articles of Incorporation contain neither an opting-out nor an opting-up clause. Anyone who acquires one-third (33 ⅓ %) of Ascom Holding Ltd.'s share capital is obliged under the Stock Exchange Act (SESTA Art. 32) to submit a public purchase offer for the remaining shares.

Change of control clauses

No change of control clauses have been agreed in covenants with members of the Board of Directors, the Executive Board or other senior managers. The period of notice for senior management varies between 6 and 24 months. After the balance sheet date, the company agreed with its CEO a.i. to a clause regarding change of control, without changing the previous 12 months period of notice in his employment contract. As a result of the agreed clause regarding change of control, the company may owe the CEO a.i. additional compensation which can be up to the amount of one year's salary.

8. AUDITORS

Group Auditors and Statutory Auditors

PricewaterhouseCoopers Ltd., Zurich (formerly STG Coopers & Lybrand Ltd.), have acted in the capacity of Group auditors and statutory auditors since 1987. Stephen Williams has been head auditor since 2003. The statutory auditors are appointed by the Annual General Meeting for a term of one fiscal year.

Auditing fee

PricewaterhouseCoopers was paid compensation of approximately CHF 1,234,000 for services in connection with auditing the annual financial statements of Ascom Holding Ltd. and the Group companies and the consolidated statements of the Ascom Group.

Additional fees

In 2006, compensation of approximately CHF 451,000 was paid for tax consulting and CHF 434,500 for other consulting services. Fees for other consulting services are related to the performance of mandates for transactions which were set in motion before 1 January 2006. Since then, the company no longer issues such mandates.

Monitoring and control instruments

The Audit Committee as a committee of the Board of Directors evaluates the performance, fees and independence of the statutory auditors each year. The statutory auditors attended all Audit Committee meetings held in 2006, at least for part of the time.

The Audit Committee agrees the scope of the external audit, audit plans and relevant processes with the statutory auditors and discusses the results of the respective audits with the external auditors. Representatives of the statutory auditors are regularly invited to meetings of the Audit Committee.

9. INFORMATION POLICY

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

The Board of Directors has also issued a directive to implement the publication requirements in effect under stock exchange regulations.

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

Publications

- Annual Report
- Half-Year Report
- The official publication organ of Ascom Holding Ltd. is the Swiss Official Gazette of Commerce (SOGC)

Events

- Annual Media Conference and Half-Year Media Conference for media representatives and analysts
- Annual General Meeting of Shareholders
- Roadshows for institutional investors
- Analyst & Media Day

Media releases

- In accordance with the provisions of the SWX Swiss Exchange, Ascom publishes information on an ad hoc and regular basis. Furthermore, Ascom publishes Ascom media releases on significant business activities and on its products and services.

Electronic information tools

The Ascom website (www.ascom.com) provides a comprehensive overview of the company's structure and activities.

All media releases and presentations at media conferences are available on the website (www ascom.com). The media releases may also be received by e-mail by subscribing to the News Service on the website or via News Feed.

The Articles of Association of Ascom Holding Ltd., the Organisational Regulations, a current extract from the Commercial Register and the minutes of the last General Meeting of Shareholders are available for downloading from the website, under "Corporate Governance".

FINANCIAL STATEMENTS 2006

CONSOLIDATED BALANCE SHEET

	CHFm	Notes	31.12.2006	31.12.2005
ASSETS	Property, plant and equipment	4, 30	43.7	46.8
	Intangible assets	5	28.8	34.7
	Deferred tax assets	6	5.3	3.5
	Financial assets	7	10.7	18.0
	Associated companies	7	–	0.9
	Non-current assets		**88.5**	**103.9**
	Inventories and work in process	8	51.5	70.0
	Trade receivables	9	107.2	169.1
	Other current assets	10	61.6	48.4
	Financial assets held for trading purposes	11	0.6	2.2
	Cash and cash equivalents	12	165.6	278.9
			386.5	**568.6**
	Assets held for sale	30	17.8	89.3
	Current assets		**404.3**	**657.9**
	Total assets		**492.8**	**761.8**
LIABILITIES AND SHAREHOLDERS' EQUITY	Share capital	14	18.0	198.0
	Reserves	14	(29.0)	(36.9)
	Retained earnings	14	231.0	224.1
			220.0	**385.2**
	Minority interests	15	0.1	0.1
	Equity		**220.1**	**385.3**
	Deferred tax liabilities	6	4.3	4.3
	Borrowings	16	–	0.6
	Retirement benefit obligations	17	18.0	19.7
	Provisions	18	19.9	22.8
	Other liabilities	19	3.8	9.9
	Long-term liabilities		**46.0**	**57.3**
	Trade payables		41.3	70.8
	Borrowings	16	0.1	1.4
	Provisions	18	21.5	25.6
	Liabilities for income taxes	20	6.7	6.0
	Other liabilities	21	129.3	148.6
			198.9	**252.4**
	Liabilities in relation to assets held for sale	30	27.8	66.8
	Short-term liabilities		**226.7**	**319.2**
	Total liabilities		**272.7**	**376.5**
	Total liabilities and shareholders' equity		**492.8**	**761.8**

The notes on pages 71 to 117 are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

CHFm	Notes	2006	2005
Revenue	22, 37	564.9	553.3
Cost of goods sold		(366.4)	(353.5)
Gross profit		**198.5**	**199.8**
Marketing and distribution		(103.3)	(99.8)
Research and development		(30.8)	(35.3)
Administration		(31.4)	(47.6)
Operating result [1]	37	**33.0**	**17.1**
Amortisation of intangible assets	5	(1.7)	(5.3)
Other income/(expenses), net	23	1.7	19.6
Profit before interest and taxes (EBIT)	37	**33.0**	**31.4**
Financial income	24	3.7	3.2
Financial expenses	24	(3.7)	(9.7)
Net financial income/(expenses)	24	**–**	**(6.5)**
Share in net income of associated company		–	0.3
Profit before income taxes		**33.0**	**25.2**
Income taxes	25	0.2	2.8
Profit from continuing operations		**33.2**	**28.0**
(Loss)/Profit from discontinued operations	30	(16.1)	116.8
Group profit		**17.1**	**144.8**

[1] Before amortisation of intangible assets and other (expenses)/income

Allocation of Group profit

Shareholders of the Holding company		17.1	144.8
Minorities	15	–	–

Earnings per share for profit attributable to the shareholders of the Company in CHF

Group basic	28	0.48	4.04
Continuing operations basic		0.93	0.78
Group diluted	28	0.48	4.01
Continuing operations diluted		0.93	0.78

The notes on pages 71 to 117 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

CHFm	Notes	2006	2005
Cash flow from operating activities			
Group profit		17.1	144.8
Depreciation on			
– Property, plant and equipment	4	11.1	17.6
– Intangible assets	5	3.5	7.8
Increase in provisions		18.2	22.3
Release of provisions		(6.9)	(27.3)
(Profit)/loss from sale of			
– Property, plant and equipment	23	(1.2)	(6.1)
– Subsidiaries, associated companies and business units	23	2.6	(97.5)
Expense option program	29	1.0	0.7
Other expenses/(income)	23, 30	4.9	(8.6)
Share in net income of associated company	7	–	(0.3)
Income tax expenses	25	0.9	1.9
Financial expenses, net	24, 30	0.2	5.8
Cash flow from operating activities before changes in net working capital		**51.4**	**61.1**
Changes in inventory and work in process		(6.6)	7.8
Changes in trade receivables		6.0	8.0
Changes in trade payables		(1.2)	(1.3)
Other items excluding cash		(4.6)	22.1
Cash flow from operating activities		**45.0**	**97.7**
Paid restructuring expenses		(8.5)	(13.7)
Paid warranty costs and guarantees		(5.4)	(2.5)
Paid other accrued costs		(3.0)	(24.9)
Other income/(expenses)	23, 30	(4.9)	8.6
Interest paid		(0.5)	(10.7)
Interest received		3.3	2.7
Other financial expenses		(2.1)	(5.9)
Income tax paid		(9.0)	(10.3)
Net cash flow from operating activities		**14.9**	**41.0**

The notes on pages 71 to 117 are an integral part of the consolidated financial statements.

CHFm	Notes	2006	2005
Cash flow from investing activities			
Purchase of property, plant and equipment	4	(13.5)	(17.1)
Sale of property, plant and equipment	4, 23	37.6	17.0
Acquisition of intangible assets	5	(2.3)	(9.2)
Sale of intangible assets	5	0.1	0.1
Capital repayment of associated company		–	1.0
Sale of consolidated companies and business units	30	38.1	145.7
Sale of financial assets		–	8.3
Net cash flow from investing activities		**60.0**	**145.8**
Cash flow from financing activities			
Decrease in long-term borrowings		(0.6)	(3.5)
Decrease in short-term borrowings		(1.2)	(203.0)
Increase in short-term borrowings		0.9	1.7
Reduction of nominal share capital		(178.5)	–
Dividend payment		(10.1)	(9.9)
Sale of own shares	14	0.4	0.1
Purchase of own shares	14	(0.8)	(4.8)
Escrow bondholders		–	96.5
Net cash flow from financing activities		**(189.9)**	**(122.9)**
(Decrease)/Increase in cash		**(115.0)**	**63.9**
Unrestricted cash at beginning of year		278.9	212.5
Effect of exchange rate fluctuations on cash		1.7	2.5
Unrestricted cash at end of year	**12**	**165.6**	**278.9**

The notes on pages 71 to 117 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHFm	Equity attributable to shareholders of the Holding company							
	Share capital	Own shares	Legal and special reserves	Other reserves	(Accumu-lated loss)/ Retained earnings	Translation adjustments	Minority interests	Total
Balance at 31.12.2004	**198.0**	**(4.4)**	**21.9**	**0.4**	**89.2**	**(59.2)**	**–**	**245.9**
Currency translation adjustments	–	–	–	–	–	6.7	–	6.7
Group profit	–	–	–	–	144.8	–	–	144.8
Total recognised income and expenses								**151.5**
Costs of share-based payment	–	–	–	0.7	–	–	–	0.7
Dividend payment	–	–	–	–	(9.9)	–	–	(9.9)
Purchase of own shares	–	(4.6)	–	–	–	–	–	(4.6)
Exercised option	–	1.6	–	–	–	–	–	1.6
Purchase of minority interests	–	–	–	–	–	–	0.1	0.1
Balance at 31.12.2005	**198.0**	**(7.4)**	**21.9**	**1.1**	**224.1**	**(52.5)**	**0.1**	**385.3**
Currency translation adjustments	–	–	–	–	–	3.9	–	3.9
Group profit	–	–	–	–	17.1	–	–	17.1
Total recognised income and expenses								**21.0**
Costs of share-based payment	–	–	–	1.0	–	–	–	1.0
Capital redemption	(180.0)	1.6	–	–	(0,1)	–	–	(178.5)
Dividend payment	–	–	–	–	(10.1)	–	–	(10.1)
Purchase of own shares	–	(0.8)	–	–	–	–	–	(0.8)
Sale of own shares	–	0.4	–	–	–	–	–	0.4
Exercised option	–	1.8	–	–	–	–	–	1.8
Balance at 31.12.2006	**18.0**	**(4.4)**	**21.9**	**2.1**	**231.0**	**(48.6)**	**0.1**	**220.1**

The notes on pages 71 to 117 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF THE GENERAL GROUP ACCOUNTING POLICIES

1.1 General

The Ascom consolidated financial statements are drawn up in Swiss francs (CHF) on the basis of the individual Group company accounts. These are based on historical costs except for the revaluation of certain financial assets at market values (more specifically – financial assets and liabilities (including derivatives) at fair value through profit and loss), and are prepared in accordance with International Financial Reporting Standards (IFRS) including the standards and interpretation guidelines issued by the International Accounting Standards Board as well as the valuation and accounting policies described below. These policies have been consistently applied.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 1.23.

The closing date for the Group and the individual companies is 31 December. Individual items of information with respect to the previous year have been reclassified in order to allow comparability with the data presented for the year under review. The main reclassifications have been made in the segment reporting and in the statement on discontinued operations due to changes in the scope of consolidation and/or allocations.

New accounting standards and IFRIC interpretations

a) Amendments to published standards effective in 2006

IAS 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

b) Standards early adopted by the Group:

No standards have been early adopted by the Group in 2006.

c) Standards, amendments and interpretations effective in 2006 but having no significant impact on the present annual financial statements:

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but have had no significant impact on the present annual financial statements:

- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment;
- IFRIC 4, Determining whether an Arrangement contains a Lease; and
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

d) Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 that the Group has not early adopted:

- IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, and market risk, including sensitivity analysis for market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007;
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). This standard requires companies to determine their segments on the basis of the information that is made available to the chief operating decision maker in order to manage the business. Management is currently studying the effects that implementation of this standard will have on Ascom's financial reporting;

- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the Group's accounts;
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the Group's accounts; and
- IFRIC 11, Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). This pronouncement provides further detailed guidance in connection with share based payments to employees. Management is currently studying the effects that implementation of this standard will have on Ascom's financial reporting.

e) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations:

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after January 2006 or later periods but are not relevant for the Group's operations:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations;
- IFRIC 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, IFRIC 9 is not relevant to the Group's operations; and
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). This pronouncement is not relevant for Ascom.

1.2 Consolidation

The consolidated financial statements cover Ascom Holding Ltd. and all companies over which the Group has the power to govern the financial and operating policies or which it otherwise controls. As a rule, control is assumed if Ascom holds more than half of the voting rights. The list of the significant group companies is included under note 38. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement . Percentages in capital correspond to percentages in voting rights held. Group companies are included in the consolidated financial statements in their entirety. Minority interests in equity and the net income of Group companies are included in the equity and net income respectively, and are disclosed separately (economic entity approach). Intercompany transactions and balances, including intercompany profits, are eliminated on consolidation. Investments in companies in which the Ascom Group is able to exercise significant influence are associated companies (as a rule, ownership between 20 % and 50 %) and are accounted for using the equity method. They are initially recognized at cost and adjusted thereafter for the post-acquisition change in Ascom's share of the net assets of the investee. Companies acquired or disposed of during the year are consolidated or de-consolidated from the date on which control is transferred to the Group or from the date the control ceases. Profits or losses from disposals are charged to income.

1.3 Foreign currency translation

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

Income statements of foreign entities are translated into the Group's presentation currency at average exchange rates for the year. The balance sheets are translated at the exchange rates prevailing on 31 December. Exchange differences arising from the re-conversion of the net investment in subsidiaries and associated undertakings in foreign functional currencies are taken to translation adjustments in equity. Also taken to equity are differences from the retranslation of borrowings that hedge such investments in foreign group companies. Upon disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as part of the gain or loss on sale.

Foreign currency translation

in CHF	ISO-code	Unit	31.12. 2006	Average 2006	31.12. 2005	Average 2005
US dollar	USD	1	1.219	1.263	1.316	1.234
Pound sterling	GBP	1	2.397	2.302	2.261	2.256
Euro	EUR	1	1.607	1.571	1.559	1.547

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate prevailing on the balance sheet date. Transactions in foreign currencies are accounted for at the exchange rates prevailing on the transaction date. Gains and losses resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are converted at year-end exchange rates.

1.4 Derivative financial instruments

All derivative financial instruments are initially recorded at their fair value including transaction costs. All purchases and sales are recognised on the settlement date. Subsequently, derivative financial instruments are accounted for at market value on a regular basis. No hedge accounting is applied.

All changes in market value of the financial instruments are recorded in net financial income/ (expenses) of the corresponding reporting period. Derivative financial instruments comprise forward exchange contracts and one call option (Note 14). Forwards are used to hedge currency risks. The call option was used to hedge the stock options granted to senior management in 2003. This call option was fully exercised during 2006. All subsequent plans are covered by the purchase of own shares.

1.5 Property, plant and equipment

Property, plant and equipment is recorded at purchase or manufacturing cost (i.e. historical cost) less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the items acquired. Leases of property, plant and equipment where the Group holds the risks and rewards incident to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair market value of the leased property or the present value of the lease payments. Each leasing payment is allocated to the liability and finance charges in order to achieve a constant interest rate on the outstanding lease liability. The corresponding lease obligations are included in the short-term and long-term liabilities. The interest portion of the lease payments is charged to the income statement over the lease period. Property, plant and equipment acquired under finance leases are depreciated over the lease period or, if shorter, the useful life of the asset. Land is valued at cost and is not depreciated. Depreciation on property, plant and equipment is calculated using the straight-line method based on the estimated useful lives as shown in the following table:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Items of property, plant and equipment are eliminated from the balance sheet from their date of disposal, or written off when no further economic benefit can be expected from their use. All gains or losses arising from the disposal of such items are included in the income statement. Where the carrying amount of property, plant and equipment is higher than the recoverable amount, these assets are depreciated to the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Land and/or buildings that are held for appreciation of value or for rental income are defined as investment properties. This real estate is carried at acquisition cost less any necessary depreciation.

1.6 Intangible assets

Licences, patents, trademarks, software and other similar rights are recorded at cost less accumulated amortisation. The amortisation charge is calculated on a straight-line basis over the period of its estimated useful economic life up to a maximum of 5 years or in proportion to the estimated usage. Purchased goodwill (the excess of the purchase price over the fair value of the net assets acquired) is recorded as an intangible asset with an indefinite useful life that is tested for impairment at least once a year. For the purposes of testing for impairment, the goodwill was allocated to the corresponding cash generating units. Goodwill is carried at cost less any accumulated impairment losses.

1.7 Financial assets/investments

Financial assets are classified as "Financial assets and liabilities at fair value through profit or loss", "Held-to-maturity investments", "Loans and receivables" and "Financial assets available for sale".

a) Financial assets and liabilities at fair value through profit or loss

The financial assets and liabilities at fair value through profit or loss are either held for trading purposes or designated as such. Financial investments held for trading are purchased with the intention of generating a profit from short-term fluctuations in the price. Derivatives are classified as held for trading. Assets in this category are classified as current assets.

b) Held-to-maturity investments

Held-to-maturity investments are financial assets with a fixed term which the Group has the intention and ability to hold to maturity.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables and financial assets in the balance sheet.

d) Financial assets available for sale

Available-for-sale financial assets are non-derivative financial instruments that are either allocated to this category or do not belong to any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

All financial instruments are recorded initially at fair value including transaction costs. All purchases and sales are recognized on the settlement date, i.e. on the day of the transfer of the asset. After initial recognition, financial assets and liabilities at fair value through profit or loss are recorded at market value and changes in market value are charged to financial income/(expenses) in the appropriate reporting period. The fair value of exchange-listed financial instruments is based on available stock exchange prices. If a financial instrument is not traded on an active market, alternative valuation methods are used based on recent transactions between willing and independent third parties or discounted cash flow analysis or similar.

Following initial recognition, held-to-maturity financial investments are recorded at their amortised cost value using the effective interest method (amortised costs). Interest is recognised in the income statement as part of other income. Following initial recognition, available-for-sale financial investments are recognised at fair market value and changes in value are charged to equity. Permanent impairments are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

1.8 Inventories and work in process

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

Value adjustments are made for obsolete and slow-moving items. Inventories held for the fulfillment of long-term delivery commitments are valued according to the delivery commitment. Project contracts are recognised according to the stage of completion of the contract (POC method) (cf. also Note 1.18), and the respective effect is recognised in the income statement. Customer prepayments are shown separately as a liability. Provisions are made to cover all anticipated losses, as soon as these are identified.

1.9 Trade receivables

Trade receivables are carried at the invoiced amount less an allowance for doubtful accounts. An allowance for doubtful accounts is recognised when it becomes obvious that the originally invoiced amount is not fully realisable. The amount of the allowance for doubtful accounts is determined by reference to the originally invoiced amount less the amount of the expected realisation.

1.10 Other current assets

Prepayments and accrued income are stated at cost or net realizable value.

1.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings on the balance sheet. Cash which is restricted for at least 12 months is recognised as a financial asset.

1.12 Research and development costs

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

a) it is technically feasible to complete the intangible asset so that it will be available for use or sale
b) management intends to complete the intangible asset and use or sell it
c) there is an ability to use or sell the intangible asset
d) it can be demonstrated how the intangible asset will generate probable future economic benefits
e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available
f) the expenditure attributable to the intangible asset during its development can be reliably measured

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

1.13 Income taxes

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

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

1.14 Pension plans

Current and former employees are covered by various statutory retirement plans in their respective countries. Both defined benefit plans and defined contribution plans exist. For defined benefit plans, the defined benefit obligation (DBO) is determined using the projected unit credit method. Actuarial valuations are obtained annually. This method corresponds to the present value of the expected future cash flows. The costs recognised in the income statement comprise the actuarially determined costs for the period less contributions made by employees. Actuarial gains and losses are accounted for over the average remaining working period of the employees if these gains and losses exceed the 10 % corridor of the higher of retirement benefit liabilities and pension fund assets. Employer contribution reserves in special employer funds are taken into account. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employee remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. The contributions to defined contribution pension plans are charged to the income statement in the period to which they relate. Costs related to pension plans are, together with other personnel expenses, included in cost of goods sold, costs for marketing and distribution, research and development and administration costs.

1.15 Provisions

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

1.16 Borrowings

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

1.17 Equity

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

1.18 Revenue

Revenue from sales and services to third parties is reported net. This includes the total value of invoices for products and services sold, licenced or leased out. Trade rebates, sales tax or value-added tax as well as credit notes for goods returned are deducted from revenue. Revenue from project contracts is determined based on the stage of completion using the Percentage of Completion (POC) method if the stage of completion and expected outcome can be measured reliably. The respective calculation is based on the costs incurred and the total costs to complete. If it is probable that the contract costs will exceed the economic benefit, the potential loss is recognised in the income statement regardless of the project progress.

1.19 Borrowing costs

Borrowing costs are charged to income statement as incurred.

1.20 Segment reporting

The segment reporting is based primarily on Divisions and secondarily on geographical regions. The regions correspond to the sales channels (client location). The business sectors are managed on a global basis. Transactions between the segments are carried out at standard market terms. The assets of the segments include property, plant and equipment, intangible assets, assets from finance leases, loans to third parties, inventories and work in process, trade receivables and other current assets. The liabilities comprise provisions, customer prepayments, trade payables and other short-term liabilities. The eliminations concern balances between the segments.

1.21 Option plans

Ascom offers various employee option plans (stock option plans). The fair value of the employee benefits as remuneration for the options received is booked as an expense. The total expense, which is recorded over the entire vesting period, is based on the fair value of the options, with market conditions taken into account. Conditions that are not market-related are included in the estimate of the exercisable options. These estimates are assessed as of each balance sheet date and recorded under personnel expenses, with the corresponding counterbooking directly within equity. Management has determined that its plans are equity-settled.

1.22 Leases

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 the income statement on a straight-line basis over the period of the lease.

1.23 Main sources of uncertainty with regard to estimates (Critical accounting estimates and judgments)

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

Goodwill is regarded as an intangible asset with an indefinite useful life that must be tested for impairment at least once a year. For this purpose, it is necessary to estimate future cash flows from the cash generating unit to which the goodwill is allocated. Determining the value in use requires an estimate of the expected future cash flows from the cash generating unit and the setting of an appropriate discount rate to determine the present value of these cash flows. The estimates of the cash flows are based on medium-term plans. The discount rate applied reflects the risk arising in connection with the respective business activities. If the estimated EBIT margin for the future years had been 10 % lower than management's estimates no impairment would have been recognized. An increase of the discount rate from 10 to 11 % would also not have resulted in the recognition of impairment charges. The goodwill recorded in the balance sheet at 31 December 2006 came to CHF 12.7 million (2005: CHF 13.0 million). Further information on goodwill can be found in Note 5.

The bookvalue of the openAccess® (Greenbox) licence has been tested for impairment. The value in use has been determined by estimating the cash flows that will be generated. Further information can be found in Note 5.

In connection with recording revenue from project contracts it is necessary to reliably determine the project progress and costs. The calculation is based on the ratio of the costs already incurred to the estimated total contract costs. The contracts are analysed and reassessed as of every balance sheet date. The POC revenue in the period under review amounted to CHF 122.0 million (2005: CHF 183.8 million) (Note 10).

Restructuring provisions are created in connection with the discontinuation or reorganization of business areas or geographic business segments if there is a detailed formal plan and the implications are known and communicated. As of 31 December 2006, the restructuring provisions amounted to CHF 12.0 million (2005: 18.9 million).

As of the balance sheet date, there were non-capitalised loss carry-forwards totaling CHF 1,187.5 million (Note 6). As a result of future positive developments with regard to income, the possibility may arise that deferred tax assets in connection with these tax loss carry-forwards are capitalised at least in part.

2. SIGNIFICANT TRANSACTIONS AND OPERATIONAL CHANGES

Divestment of Manufacturing France

On 4 July 2006, Ascom announced that it had received an irrevocable offer from the French industrial buyer Network Concept Finances SA (NCF) to purchase the residual activities of Manufacturing France (Ascodi Industries SAS) at its book value. The closing took place as planned at 30 September 2006. All 175 employees were taken over by NCF.

Divestment of Network Integration Italy

In line with its strategy, Ascom sold the Italian Network Integration activity (part of the former Network Integration Division) to Technomatica Italia S.p.A on 1 December 2006 for an amount of CHF 36.7 million. This transaction resulted in a book loss of CHF 11.4 million and a cash inflow of around CHF 31.6 million. All of the 137 employees as well as the related business activities were taken over by Technomatica via a transfer of all of the shares of Ascom Italia S.p.A.

Divestment of property

On 27 June 2006 Ascom sold its Solothurn Ziegelmatte property to Ypsomed. The sales price of CHF 10.7 million resulted in a book profit of CHF 0.8 million after fees and provisions taken by Ascom, mainly for environmental clean-up. In July 2006 Ascom sold its remaining Swiss Real Estate portfolio in Solothurn (Weissenstrasse), Flamatt, Estavayer le Lac and Lausanne Entre Bois at book value to Yennora Continental SA. The property was no longer required for Ascom's operations and had been reported as held-for-sale.

Other divestments

In the course of its divestment program Ascom sold the German Network Integration activity with a transaction loss of CHF 0.8 million. Furthermore Ascom sold Powerline Communications. Ascom has received a royalty-free and non-transferable licence of specific Powerline know-how for use in its own business. The gain on the transaction amounted to CHF 1.0 million. On 29 June 2006 Ascom sold its 50 % share in Mediacrypt AG to the other shareholder at book value.

Adjustment of the acquisition costs for Tumsan Oy

The paid goodwill for this company has been reduced to zero. The carrying value of the acquired licence was in addition reduced in 2006 by an amount of CHF 4.9 million by adjustment of the contingent future payments, following a reassessment of the current and projected business performance. The review of the carrying value as of 31 December 2006 revealed no impairments.

3. RISK MANAGEMENT

3.1 Risk controlling using clearly defined management information systems

As an international company, Ascom is exposed to a variety of risks that are directly associated with the Group's business operations. These are addressed in accordance with the principle of risk limitation. Our risk management is an integral part of corporate management and the long-term corporate strategy, and it is correspondingly incorporated in the framework of our business processes and procedures. Ascom applies clearly defined management information and control systems to measure, monitor and control the risks to which it is exposed. Regularly, reports are drawn up. We monitor the effectiveness and efficiency of our risk management activities and control systems at regular intervals and makes adjustments as and when required.

3.2 Operational risks

The Security Solutions and Wireless Solutions Divisions manage some large and complex projects. Depending on the Division, these projects can extend from several months to as much as several years. Technical problems, unforeseen developments at project sites, problems at the customer end, and a degree of dependence on our suppliers' technological approaches constitute the greatest risks in the project business. To minimize the risk of operational downtimes, quality problems and the associated extra costs or contractual penalties, the Divisions have defined specific directives and procedures in cooperation with the Group. The bid process itself is governed by a list of strictly defined responsibilities and provisions that cover commercial as well as legal aspects. It is the policy of each Division to require suppliers to agree with the fulfillment guarantees demanded by customers. Ascom is also insured against the financial consequences of such a guarantee in the event of damage claims. Moreover, consistent implementation of a clearly defined procedure ensures regular reviews of the individual project steps as well as the financial and legal requirements in respect of ongoing projects.

The continuing loyalty of our customers is dependent on the compliance of our security solutions with high quality standards and security regulations. New developments are therefore subjected to comprehensive security tests. Operating reliability is ensured by our maintenance organisations on the basis of customer-specific Service Level Agreements governing maintenance and operation, and through standardized processes at the individual Division level. This is further supported through the continued training of our employees in accordance with international guidelines such as the International Project Management Association (IPMA) and the IT Infrastructure Library (ITIL).

3.3 Supplier-related risks

Our security solutions are also dependent on external suppliers. This involves risks concerning unexpected difficulties in delivery or unforeseeable price rises as a result of changes in market conditions or currency effects. We aim to minimize these risks by way of comprehensive contractual regulations with our suppliers. However, the boundaries set for the Ascom Divisions vary depending on the market position of their suppliers. The Divisions therefore endeavour to develop vendor-independent solutions and, wherever possible, to enter into long-term delivery agreements.

3.4 Employee-related risks

In the areas in which Ascom is active, there is intensive competition for well-qualified technical and management staff with the technological and market-specific skills that are key for Ascom. Skilled employees are extremely important for the value-added development of our Group. We therefore strive to recruit well-trained employees, to ensure they are integrated optimally, and to foster a long-term working relationship. We offer our employees not only attractive conditions of employment, but also opportunities for targeted further training and education. Another top priority is the provision of high-quality apprentice training schemes in our various business areas.

3.5 Other risks

Our innovative and competitive strengths are consolidated and expanded on the one hand through organic growth, and on the other through targeted acquisitions. Our Group's business portfolio therefore changes over time through the sale of parts of the company, acquisitions of new companies and strategic alliances. The potential risks in this regard arise from changing market or company developments that can delay or even prevent the conclusion of negotiations to sell or acquire companies. We counter these risks by defining clear processes and high standards which we apply to every transaction.

3.6 Financial risks

Financial risk management (cash management, procurement of loans and advances, hedging of interest-rate risks, foreign-exchange risks, market risks and credit risks) is ensured by the relevant written principles and guidelines laid down by management and approved by the Board of Directors. The financial instruments are centrally applied and monitored at Group level. Group companies submit monthly reports on loans and cash positions.

3.7 Liquidity risks

Forward-looking liquidity management comprises the availability of sufficient liquidity and marketable securities as well as the ability to draw on credit lines. The liquidity status is permanently monitored.

3.8 Market risks

Ascom is exposed to market risks. Changes in the market values of financial assets, liabilities or financial instruments can affect the Group's asset and income situation. It is not part of the Ascom investment policy to invest significant amounts in financial assets outside its operational activities. Apart from interest and foreign currency risks, no other significant market risks exist.

Interest-rate risks

Changes in interest rates can have a negative effect on the Group's income situation. Interest-rate fluctuations can also impact the market value of financial assets and liabilities. Interest-rate risks are not hedged.

Foreign-currency risks

Due to the global nature of its activities, the Group is exposed to foreign exchange risks. Foreign exchange risks are permanently monitored and the necessary measures are taken as and when required, to hedge against impairment of value with respect to transactions and assets. Foreign exchange gains or losses arise from transactions as well as financial assets and liabilities denominated in foreign currencies (mainly EUR and USD) since these are affected by exchange rate fluctuations vs the CHF. Translation differences also arise from the consolidation of subsidiaries drawn up in foreign currencies. Foreign currency forward contracts are used to hedge against transaction risks from operational activities at the closing date of the respective business. Corresponding hedge transactions are entered into with external counterparties with good international risk ratings and are stated at market value.

3. 9 Credit risks

Credit risks may result in a financial loss if one party in a transaction is unable or unwilling to discharge its obligations. Active risk management is pursued for credits arising from goods delivered and services rendered. The credit quality of customers is assessed based on external ratings, financial position, past experience and other factors. The number of customers and their geographical distribution minimizes the risk of clustering.

4. PROPERTY, PLANT AND EQUIPMENT

CHFm	Land and buildings not used operationally	Land and buildings used operationally	Other property, plant and equipment	Equipment under construction and prepayments	Total
Acquisition costs					
Balance at 1.1.2005	131.1	86.9	231.8	1.0	450.8
Translation adjustments	–	0.2	1.4	–	1.6
Additions	–	0.5	12.3	4.3	17.1
Disposals	–	(1.3)	(7.4)	(0.2)	(8.9)
Sale of consolidated companies and business units	(41.3)	(19.0)	(66.1)	–	(126.4)
Reclassification into property, plant and equipment held for sale	(89.8)	(17.9)	–	–	(107.7)
Reclassifications	–	(0.2)	3.2	(3.0)	–
Balance at 31.12.2005	**–**	**49.2**	**175.2**	**2.1**	**226.5**
Accumulated depreciation					
Balance at 1.1.2005	99.0	50.6	199.9	–	349.5
Translation adjustments	–	0.1	1.0	–	1.1
Additions	0.1	3.6	13.9	–	17.6
Disposals	–	(0.9)	(5.7)	–	(6.6)
Sale of consolidated companies and business units	(32.7)	(11.3)	(58.0)	–	(102.0)
Reclassification into property, plant and equipment held for sale	(66.4)	(13.5)	–	–	(79.9)
Balance at 31.12.2005	**–**	**28.6**	**151.1**	**–**	**179.7**
Net book value at 31.12.2005	**–**	**20.6**	**24.1**	**2.1**	**46.8**
Property, plant and equipment held for sale					27.8
Total net book value at 31.12.2005					**74.6**

CHFm	Land and buildings not used operationally	Land and buildings used operationally	Other property, plant and equipment	Equipment under construction and prepayments	Total
Acquisition costs					
Balance at 1.1.2006	–	49.2	175.2	2.1	226.5
Translation adjustments	–	1.6	5.5	0.1	7.2
Additions	–	2.4	8.3	2.8	13.5
Disposals	–	(5.8)	(26.9)	–	(32.7)
Sale of consolidated companies and business units	–	(3.6)	(20.4)	(0.4)	(24.4)
Reclassifications	–	(0.2)	6.8	(3.5)	3.1
Balance at 31.12.2006	**–**	**43.6**	**148.5**	**1.1**	**193.2**
Accumulated depreciation					
Balance at 1.1.2006	–	28.6	151.1	–	179.7
Translation adjustments	–	0.8	4.6	–	5.4
Additions	–	1.2	9.9	–	11.1
Disposals	–	(3.0)	(25.7)	–	(28.7)
Sale of consolidated companies and business units	–	(1.8)	(18.8)	–	(20.6)
Reclassifications	–	–	2.6	–	2.6
Balance at 31.12.2006	**–**	**25.8**	**123.7**	**–**	**149.5**
Net book value at 31.12.2006	**–**	**17.8**	**24.8**	**1.1**	**43.7**
Property, plant and equipment held for sale					0.3
Total net book value at 31.12.2006					**44.0**

Leased assets included in property, plant and equipment (finance leases)

CHFm	Buildings	Other property, plant and equipment	Total 2006	Total 2005
Acquisition costs	0.1	0.2	0.3	3.0
Accumulated depreciation	(0.1)	(0.1)	(0.2)	(2.9)
Net book value	–	0.1	0.1	0.1

The fire insurance value of property, plant and equipment is CHF 118 million (2005: CHF 263 million).

5. INTANGIBLE ASSETS

CHFm	Goodwill	Licences	Other	Total
Acquisition costs				
Balance at 1.1.2005	75.2	21.3	61.4	157.9
Translation adjustments	(0.2)	0.1	(1.0)	(1.1)
Additions	3.2	0.3	8.9	12.4
Disposals	–	(1.8)	(11.8)	(13.6)
Reduction purchase price	(2.3)	–	–	(2.3)
Sale of consolidated companies and business units	–	(0.5)	(1.2)	(1.7)
Elimination of accumulated depreciation	(62.9)	–	–	(62.9)
Balance at 31.12.2005	**13.0**	**19.4**	**56.3**	**88.7**
Accumulated depreciation				
Balance at 1.1.2005	62.9	6.4	55.4	124.7
Translation adjustments	–	–	(0.6)	(0.6)
Additions	–	1.4	6.4	7.8
Disposals	–	(1.8)	(11.7)	(13.5)
Sale of consolidated companies and business units	–	(0.3)	(1.2)	(1.5)
Elimination of accumulated amortisation	(62.9)	–	–	(62.9)
Balance at 31.12.2005	**–**	**5.7**	**48.3**	**54.0**
Net book value at 31.12.2005	**13.0**	**13.7**	**8.0**	**34.7**

CHFm	Goodwill	Licences	Other	Total
Acquisition costs				
Balance at 1.1.2006	13.0	19.4	56.3	88.7
Translation adjustments	0.5	0.4	3.1	4.0
Additions	–	0.5	1.8	2.3
Disposals	–	(0.3)	(1.5)	(1.8)
Reduction in purchase price	(0.8)	(4.9)	–	(5.7)
Sale of consolidated companies and business units	–	(0.2)	(0.9)	(1.1)
Reclassifications	–	–	(2.7)	(2.7)
Balance at 31.12.2006	**12.7**	**14.9**	**56.1**	**83.7**
Accumulated depreciation				
Balance at 1.1.2006	–	5.7	48.3	54.0
Translation adjustments	–	0.2	2.5	2.7
Additions	–	1.6	1.9	3.5
Disposals	–	(0.2)	(1.4)	(1.6)
Sale of consolidated companies and business units	–	(0.1)	(0.9)	(1.0)
Reclassifications	–	–	(2.7)	(2.7)
Balance at 31.12.2006	**–**	**7.2**	**47.7**	**54.9**
Net book value at 31.12.2006	**12.7**	**7.7**	**8.4**	**28.8**

In connection with Wireless Solutions goodwill in the amount of CHF 12.7 million has been capitalised. The value was compared with the value in use as of the balance sheet date. The value in use is based on the cash flows determined at the level of Wireless Solutions segment (horizon to 2011) using the medium-term planning. The basis for the cash flow estimate is the result before interest and taxes (EBIT). The yearly revenue growth-rate is assumed to be 5 to 10 % with an EBIT margin of about 10 %. The inherent risk was sufficiently taken into account with the discount rate of 10 %. No impairments were recorded in the year under review.

In connection with the Tumsan Oy acquisition in 2004, goodwill in the amount of CHF 3.1 million was capitalised. As of 31 December 2005 this goodwill was reduced to CHF 0.8 million and as of December 2006 to zero due to a new assessment of the conditional purchase consideration.

Licences stem mainly from the openAccess® (Greenbox) Business of Tumsan Oy, acquired in 2004. This licence is amortized over 5 years in proportion with the expected sales volumes. The remaining depreciation period is 3 years. The carrying value of the licence was reduced in 2006 by an amount of CHF 4.9 million by adjustment of the contingent future payments, following a reassessment of the current and projected business performance. The remaining value of the licence at December 31, 2006 is CHF 5.4 million.

At the balance sheet date, the book value of the licence was compared with the value in use. The value in use is based on the cash flows determined at the level of Security Solutions (Cash Generating Unit Defence/Public Safety) using forecasts with a time horizon to 2011. The cash flow estimates are based on specific client relationships on the one hand and growth estimates in segments on the other. The high inherent risk was sufficiently taken into account with the discount rate of 19.5 %. No impairment was necessary.

Other intangible assets include mainly software. Depreciation on intangible assets in an amount of CHF 1.8 million is included in the operating result (2005: CHF 2.4 million).

6. DEFERRED TAX ASSETS/(LIABILITIES)

CHFm	Deferred tax assets	Deferred tax liabilities	Net value
Balance at 31.12.2004	**3.4**	**(6.6)**	**(3.2)**
Increase	1.7	(2.9)	(1.2)
Decrease	(0.8)	5.3	4.5
Sale of consolidated companies	(0.8)	(0.1)	(0.9)
Balance at 31.12.2005	**3.5**	**(4.3)**	**(0.8)**
Increase	1.9	(1.7)	0.2
Decrease	(0.2)	1.9	1.7
Sale of consolidated companies	(0.1)	–	(0.1)
Translation adjustments	0.2	(0.2)	–
Balance at 31.12.2006	**5.3**	**(4.3)**	**1.0**
Estimated reversal within 12 months	0.2	(0.8)	–
Estimated reversal later	5.1	(3.5)	–

Deferred tax assets result from tax loss carry-forwards as well as valuation differences of property plant and equipment and provisions. They are recognised to the extent that realization through the future taxable profits is probable. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against other current tax liabilities and when the deferred income taxes relate to the same fiscal authority. In 2006 deferred tax liabilities in the amount of CHF 1.9 million (2005: CHF 3.7 million) have been offset with deferred tax assets. Provisions for deferred taxes are calculated in accordance with the liability method. The deferred tax liabilities pertain to the following balance sheet positions:

CHFm	31.12.2006	31.12.2005
Property, plant and equipment	0.4	0.6
Intangible assets	2.6	3.7
Current assets	0.3	–
Liabilities	1.0	–
Total	**4.3**	**4.3**

The deferred tax assets pertain to the following balance sheet positions:

CHFm	31.12.2006	31.12.2005
Property, plant and equipment	1.9	0.4
Tax losses	1.3	1.2
Liabilities	2.1	1.9
Total	**5.3**	**3.5**

Tax loss carry-forwards which are not capitalized amount to CHF 1,187.5 million (2005: CHF 1,143.7 million) and expire in the following years:

CHFm	
2007	3.3
2008	65.2
2009	241.2
2010	315.5
2011	158.7
2012	0.3
2013	15.6
Later	387.7

7. FINANCIAL ASSETS AND ASSOCIATED COMPANY

Financial assets

CHFm	31.12.2006	31.12.2005
Investments in third parties	1.1	1.1
Loans and other financial investments	9.6	16.9
Total	**10.7**	**18.0**

Investments in third parties are available for sale. The investments in third parties are valued at fair value. Holdings in equity without market prices whose fair value cannot be reliably determined are shown in the balance sheet at acquisition cost. This refers to the stake in CSEM AG Neuenburg. Loans and other financial investments in 2006 primarily comprise loans in connection with the sale of real estate in Switzerland.

Associated company

The associated company refers to MediaCrypt AG, in which Ascom held a 50 % stake. Due to the lack of control, this company was consolidated using the equity method. The investment in this company has been sold in 2006. The book values are as follows:

CHFm	31.12.2006	31.12.2005
Associated company	–	0.9

8. INVENTORIES AND WORK IN PROCESS

CHFm	31.12.2006	31.12.2005
Raw materials and components	12.1	12.9
Work in process and customer specific contracts	16.3	24.8
Finished goods and goods for resale	23.1	32.3
Total	**51.5**	**70.0**

Customer prepayments are recorded under other liabilities.
Project contracts valued using the POC method are included under prepaid expenses (Note 10). The above figures are after valuation adjustments amounting to CHF 21.7 million as of 31 December 2006 (2005: CHF 39.7 million).

9. TRADE RECEIVABLES

CHFm	31.12.2006	31.12.2005
Receivables from third parties	110.5	177.1
Provisions for doubtful accounts	(3.3)	(8.0)
Total	**107.2**	**169.1**

Valuation adjustments in the amount of CHF 0.1 million net were recorded in the reporting year (2005: release of CHF 4.7 million net). The costs are included in the marketing and distribution costs.

10. OTHER CURRENT ASSETS

CHFm	31.12.2006	31.12.2005
Other receivables	12.9	14.0
Prepayments for goods	6.4	0.8
Accrued income	42.3	33.6
Total	**61.6**	**48.4**

Other receivables include recoverable withholding tax and value added tax totaling CHF 3.8 million (2005: CHF 5.5 million). Besides other items, accrued income includes accrued revenues from project contracts valued using the POC method.

The key data in connection with project contracts valued using the POC method are as follows:

CHFm	31.12.2006	31.12.2005
Total revenue from project contracts	122.0	183.8
Accumulated costs	166.8	243.9
Profit share	46.0	77.7
Accumulated contract costs incl. recognised profits	212.8	321.6
Progress billings	(192.9)	(308.1)
Total accrued revenues valued using POC method	19.9	13.5
Customer prepayments on project contracts (included under customer prepayments)	11.9	5.8

11. FINANCIAL ASSETS HELD FOR TRADING PURPOSES

This position comprises money market paper. This is available without restrictions and is held for trading purposes.

12. CASH

Cash includes cash on hand, post office and bank account balances, as well as money market instruments with original maturities of under 3 months and are valued at face value. Their availability is as follows:

CHFm	31.12.2006	31.12.2005
Available without restrictions	165.6	278.9
Total	**165.6**	**278.9**

The average interest rate on cash in the year under review was 2 %.

13. PLEDGES

Ascom entered into a new, 3 year credit facility as of 31 March 2006. As a result all existing pledges have been released. As of 31 December 2006 Ascom has no pledges related to credit facilities.

14. SHARE CAPITAL AND RESERVES

Composition

CHFm	Number 2006	Amount 2006	Number 2005	Amount 2005
Registered shares nom. CHF 0.50 (2005: CHF 5.50)	36,000,000	18.0	36,000,000	198.0
Number of registered shareholders	7,110		8,038	

The total authorized number of ordinary shares is 36,000,000 , of which 35,682,400 are outstanding. A capital redemption of CHF 5 per registered share took place in June 2006 for a total amount of CHF 180 million.

Own shares

CHFm	Number 2006	Amount 2006	Number 2005	Amount 2005
Balance at 1.1.	304,800	5.6	60,000	1.0
Additions	54,800	0.8	257,800	4.8
Disposals	(42,000)	(0.4)	(13,000)	(0.2)
Reduction in nominal value of share capital	–	(1.6)	–	–
Balance at 31.12.	317,600	4.4	304,800	5.6

During 2006, Ascom bought 54,800 registered shares to hedge the issuance of shares in conjunction with the exercise of options under the Ascom Stock Option Plan 2006. In 2005, Ascom bought 257,800 registered shares to hedge the Ascom Stock Option Plans 2004 – 2006. The holdings of own shares stated under the changes in equity correspond to these registered shares. The call option allowing Ascom to purchase shares from a financial institution has been fully exercised in 2006.

Changes subject to disclosure requirements during the 2006 financial year

In an announcement dated 28 March 2006, published in compliance with Art. 20 of the Stock Exchange Act (SESTA), Tower Equity N.V., Curaçao; Hyos Invest Holding AG, Zurich and AB Eno River Holding AG, Zug (all companies wholly owned by Erbengemeinschaft Müller-Möhl, Zurich) disclosed that the share of Ascom voting rights held by them as a group is below 5 % (SOGC notice of 25 April 2006).

In an announcement dated 5 July 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed that it holds Ascom shares accounting for 5.01 % of voting rights (SOGC notice of 12 July 2006).

In an announcement dated 7 July 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed that its share of Ascom voting rights is below 5 % (SOGC notice of 14 July 2006).

In an announcement dated 24 July 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed that it holds Ascom shares accounting for 5.00 % of voting rights (SOGC notice of 28 July 2006).

In an announcement dated 4 August 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed its share of Ascom voting rights is below 5 % (SOGC notice of 10 August 2006).

In an announcement dated 28 August 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed that it holds Ascom shares accounting for 5.16 % of voting rights (SOGC notice of 14 September 2006).

In an announcement dated 19 September 2006, published in compliance with Art. 20 SESTA, The Trident European Fund, George Town, Cayman Islands, disclosed that it holds Ascom shares accounting for 5.01 % of voting rights (SOGC notice of 26 September 2006).

In an announcement dated 18 December 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed that its share of Ascom voting rights is below 5 % (SOGC notice of 28 December 2006).

Significant shareholders (as recorded in the share register)

The following significant shareholders as defined by Art. 663c of the Swiss Code of Obligations, holding more than 5 % of share capital, were recorded in the share register at 31 December 2006:

Hasler Works Foundation, Berne	8.46 %
Sterling Strategic Value Ltd., Tortola BVI	5.11 %

Three further shareholders were entered in the share register with holdings of more than 2 % of share capital.

This does not cover shares which are not registered in the share register (Dispo shares).

There are no known shareholders' agreements.

15. MINORITY INTERESTS

CHFm	31.12.2006	31.12.2005
Balance at 1.1.	0.1	–
(Loss)/income	–	–
Other changes	–	0.1
Balance at 31.12.	**0.1**	**0.1**

The minority interests relate to Letus ZAO, St. Petersburg. Ascom has a 51 % interest in this entity.

16. BORROWINGS

At 31.12.		Long-term		Short-term		Total
CHFm	2006	2005	2006	2005	2006	2005
Loans from financial institutions and banks	–	0.2	0.1	0.2	0.1	0.4
Other interest-bearing liabilities	–	–	–	1.1	–	1.1
Mortgages	–	0.3	–	–	–	0.3
Liabilities from capitalised leasing contracts	–	0.2	–	–	–	0.2
Total	–	0.7	0.1	1.3	0.1	2.0
Short-term proportion of long-term interest-bearing liabilities	–	(0.1)	–	0.1	–	–
Total borrowings	**–**	**0.6**	**0.1**	**1.4**	**0.1**	**2.0**

For short-term and long-term bank liabilities, as of 31 December 2006 Ascom has a total of CHF 50.7 million (2005 CHF 79.8 million) in cash credit lines available from financial institutions and banks worldwide, no part of which was taken up on 31 December 2006 (2005: CHF 0.4 million). The expiry of the borrowing facilities is longer than one year.

On March 31 2006 a 3-year credit facility was signed. As of 31 December 2006, the credit facility comprised a combined cash and guarantee line of total CHF 100 million (2005: CHF 126.5 million).
As of 31 December 2006, Ascom did not use the cash credit line.

The fair value of the long term borrowings equals their carrying amount, as the impact of discounting is not significant.

Borrowings by currency

At 31.12. CHFm	Long-term 2006	2005	Short-term 2006	2005	Total 2006	2005
EUR	–	0.3	0.1	1.2	0.1	1.5
Other	–	0.3	–	0.2	–	0.5
Total	**–**	**0.6**	**0.1**	**1.4**	**0.1**	**2.0**

Borrowings by maturity

At 31.12. CHFm	2006	2005
2007	–	0.3
2008	–	–
2009	–	–
2010	–	–
2011	–	0.3[1]
Total	**–**	**0.6**

[1] and later

Effective interest rates applied	2006	2005
Mortgages	7.1 %	5.1 %
Short-term credits	4.2 %	4.4 %
Long-term credits	2.5 %	3.7 %
Leasing liabilities	7.5 %	7.5 %

17. PENSION PLANS

Ascom employees are covered by either a defined benefit plan or a defined contribution plan. Significant defined benefit plans are subject to annual valuation by qualified actuaries. The latest valuations took place on 31 December 2006 and 2005. The valuation methods used are described in Note 1.14. Unfunded plans exist primarily in the case of the German and Swedish companies.

The amounts recognised in the balance sheet are as follows :

CHFm	Plans in Switzerland 2006	2005	Other plans 2006	2005	Total 2006	2005
Present value of funded obligations	(1,183.6)	(1,201.7)	(51.1)	(50.6)	(1,234.7)	(1,252.3)
Fair value of plan assets	1,275.2	1,238.2	52.7	47.8	1,327.9	1,286.0
	91.6	**36.5**	**1.6**	**(2.8)**	**93.2**	**33.7**
Present value of unfunded obligations	–	–	(17.8)	(18.7)	(17.8)	(18.7)
Unrecognised actuarial losses/(gains)	(43.6)	3.0	(0.9)	1.4	(44.5)	4.4
Unrecognised plan assets	(39.5)	(34.3)	–	–	(39.5)	(34.3)
Unrecognised past service costs	–	–	–	0.4	–	0.4
Asset/(Liability) in the balance sheet	**8.5**	**5.2**	**(17.1)**	**(19.7)**	**(8.6)**	**(14.5)**
Prepaid asset					9.4	5.2
Retirement benefit obligation					(18.0)	(19.7)
					(8.6)	**(14.5)**

The movement in the defined benefit obligation over the year is as follows:

CHFm	Plans in Switzerland 2006	2005	Other plans 2006	2005	Total 2006	2005
Beginning of the year	**(1,201.7)**	**(1,189.5)**	**(69.3)**	**(58.7)**	**(1,271.0)**	**(1,248.2)**
Current service costs	(6.3)	(6.4)	(2.2)	(1.5)	(8.5)	(7.9)
Past service costs	(5.4)	–	–	–	(5.4)	–
Interest costs	(36.0)	(44.0)	(3.0)	(2.8)	(39.0)	(46.8)
Contributions by plan participants	(5.8)	(7.6)	(0.6)	(0.6)	(6.4)	(8.2)
Actuarial (losses)/gains	(15.5)	(121.5)	3.2	(7.3)	(12.3)	(128.8)
Exchange differences	–	–	(3.1)	(0.8)	(3.1)	(0.8)
Benefits paid	87.1	158.8	2.3	1.7	89.4	160.5
Curtailments and settlements	–	8.5	–	0.2	–	8.7
Leaving the consolidation scope	–	–	3.8	0.5	3.8	0.5
End of the year	**(1,183.6)**	**(1,201.7)**	**(68.9)**	**(69.3)**	**(1,252.6)**	**(1,271.0)**

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

CHFm	Plans in Switzerland 2006	2005	Other plans 2006	2005	Total 2006	2005
Beginning of the year	**1,238.2**	**1,201.0**	**47.8**	**38.8**	**1,286.0**	**1,239.8**
Expected return on plan assets	56.0	53.9	2.4	2.3	58.4	56.2
Actuarial (losses)/gains	62.1	126.3	(0.3)	5.8	61.8	132.1
Exchange differences	–	–	2.2	0.8	2.2	0.8
Employer contributions	0.2	8.2	1.0	0.8	1.2	9.0
Employee contributions	5.8	7.6	0.6	0.6	6.4	8.2
Benefits paid	(87.1)	(158.8)	(1.0)	(1.3)	(88.1)	(160.1)
End of the year	**1,275.2**	**1,238.2**	**52.7**	**47.8**	**1,327.9**	**1,286.0**

The plan assets are comprised as follows:

CHFm	Plans in Switzerland 2006	2005	Other plans 2006	2005	Total 2006	2005
Cash	55.6	130.9	–	–	55.6	130.9
Equity	558.8	480.2	16.8	16.1	575.6	496.3
Bonds	132.2	113.6	34.8	30.9	167.0	144.5
Mortgages	97.7	101.2	–	–	97.7	101.2
Property	423.8	406.3	–	–	423.8	406.3
Other	7.1	6.0	1.1	0.8	8.2	6.8
Total	**1,275.2**	**1,238.2**	**52.7**	**47.8**	**1,327.9**	**1,286.0**

The pension costs consist of:

CHFm	Plans in Switzerland 2006	2005	Other plans 2006	2005	Total 2006	2005
Current service costs	6.3	6.4	2.2	1.5	8.5	7.9
Interest cost	36.0	44.0	3.0	2.8	39.0	46.8
Expected return on plan assets	(56.0)	(53.9)	(2.4)	(2.3)	(58.4)	(56.2)
Net actuarial losses/(gains) recognised	–	4.8	(0.2)	0.2	(0.2)	5.0
Past service costs	5.4	–	–	–	5.4	–
Change unrecognized plan assets	5.2	13.6	–	–	5.2	13.6
Curtailments and settlements	–	(8.5)	–	–	–	(8.5)
Expenses/(income) recognised	**(3.1)**	**6.4**	**2.6**	**2.2**	**(0.5)**	**8.6**

Of the total charge of minus CHF 0.5 million (2005: CHF 8.6 million), CHF 1.0 million (2005: CHF 4.4 million) was included in cost of goods sold, minus CHF 2.9 million in administration expenses (2005: CHF 0.7 million), CHF 0.8 million in marketing and distribution and R&D expenses (2005: CHF 3.1 million) and CHF 0.6 million in other cost categories (2005: CHF 0.5 million).

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

	Plans in Switzerland 2006	2005	Other plans 2006	2005
Discount rate in %	3.00	3.00	4.00 – 4.75	4.08 – 5.25
Expected return on assets in %	4.50	4.50	4.95 – 6.15	4.37 – 7.25
Future salary increases in %	2.00	2.00	2.25 – 3.00	2.25 – 4.25
Future pension increases in %	1.00	1.00	0.00 – 3.25	0.00 – 3.00
Average life expectancy in years of someone retiring at 65 at the balance sheet date				
– male	19.87	19.87	16.2 – 21.0	16.2 – 21.0
– female	22.75	22.75	20.4 – 26.0	20.4 – 26.0

Pension plan assets include buildings occupied by the group with a fair value of CHF 8.8 million at 31 December 2006 (2005: CHF 17.3 million).
The actual return on the pension fund capital was CHF 120.2 million (2005: CHF 183.7 million).
The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return in the respective markets.
The expected contributions to post-employment benefits for the year ending 31 December 2007 are CHF 7.2 million.

For the Swiss pension plan the experience adjustments can be shown as follows:

CHFm	2006	2005
Fair value of plan assets	1,275.2	1,238.2
Present value of defined benefit obligation	(1,183.6)	(1,201.7)
Funded status	**91.6**	**36.5**
Experience adjustments on plan liabilities	(15.5)	(29.0)
Change in assumptions adjustment on plan liabilities	–	(92.5)
Experience adjustments on plan assets	62.1	126.3
Total actuarial gain	**46.6**	**4.8**

18. PROVISIONS

CHFm	2006	2005
Restructuring	12.0	18.9
Warranties	9.9	14.0
Other provisions	19.5	15.5
Total	**41.4**	**48.4**
Expected usage:		
Within 12 months	21.5	25.6
Later	19.9	22.8

Restructuring

CHFm	2006	2005
Balance at 1.1.	18.9	37.1
Changes in consolidation	(0.8)	–
Payments	(7.8)	(13.7)
Additions	3.4	8.1
Reversals	(1.8)	(12.7)
Translation adjustments	0.1	0.1
Balance at 31.12.	12.0	18.9
Expected usage:		
Within 12 months	4.3	10.2
Later	7.7	8.7

The restructuring provisions comprise costs for social plans, onerous lease contracts and other costs related to divestments and risks in connection with these disposals. As a consequence of the ongoing process, it is not possible to specify the timing of potential pay-outs precisely.

Warranties

CHFm	2006	2005
Balance at 1.1.	14.0	30.4
Changes in consolidation	(0.7)	(6.8)
Payments	(5.3)	(2.5)
Additions	5.8	5.3
Reversals	(4.2)	(12.5)
Translation adjustments	0.3	0.1
Balance at 31.12.	9.9	14.0
Expected usage:		
Within 12 months	5.2	6.7
Later	4.7	7.3

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

Other provisions

CHFm	2006	2005
Balance at 1.1.	15.5	38.4
Changes in consolidation	(2.1)	(4.0)
Payments	(1.5)	(24.9)
Additions	12.2	7.7
Reversals	(4.8)	(1.9)
Translation adjustments	0.2	0.2
Balance at 31.12.	19.5	15.5
Expected usage:		
Within 12 months	12.0	8.6
Later	7.5	6.9

Other provisions comprise provisions for project risks, for environmental- and onerous lease costs in certain premises, and other obligations arising from law suits in connection with the operational business of Ascom companies. The additions mainly relate to onerous lease contracts and real estate related costs.

19. OTHER LIABILITIES (LONG-TERM)

CHFm	31.12. 2006	31.12. 2005
Income tax due after 12 months	1.1	1.5
Other liabilities	2.7	8.4
Total	**3.8**	**9.9**

20. LIABILITIES FOR INCOME TAX

CHFm	31.12. 2006	31.12. 2005
Income tax due within 12 months	6.7	6.0

21. OTHER LIABILITIES (SHORT-TERM)

CHFm	31.12. 2006	31.12. 2005
Prepayments from customers	36.5	21.8
Tax liabilities (in particular VAT)	7.2	12.2
Other liabilities	17.5	30.2
Accrued liabilities		
– Payroll-related accruals (e.g. salaries, annual leave)	31.5	30.3
– Other	36.6	54.1
Total	**129.3**	**148.6**

Other accrued liabilities above include all outstanding costs in connection with POC orders totaling CHF 16.1 million (2005: CHF 13.4 million).

22. REVENUE

CHFm	2006	2005
Revenue from goods delivered and services	536.0	513.6
Other revenue	28.9	39.7
Total	**564.9**	**553.3**

23. OTHER EXPENSES AND INCOME

CHFm	2006	2005
Release of provisions	3.0	3.3
Profit on sale of real estate	1.2	6.2
Trademark/Management fees	1.5	7.3
Profit/(loss) on sale of subsidiaries or business units after release of provisions	0.5	8.3
Other operating (expenses)	(4.5)	(5.5)
Total	**1.7**	**19.6**

24. NET FINANCIAL INCOME/(EXPENSES)

CHFm	2006	2005
Financial income		
Investment income	–	0.1
Interest income	3.7	2.6
Income from securities	–	0.5
Total	**3.7**	**3.2**
Financial expenses		
Interest expenses	1.4	2.2
Net currency losses	1.5	5.3
Other financial expenses	0.8	2.2
Total	**3.7**	**9.7**
Net financial income/(expenses)	**–**	**(6.5)**

25. INCOME TAXES

CHFm	2006	2005
Income taxes on net income for the year	9.5	5.0
Effects from prior years	(6.7)	–
Discontinued operations	(1.1)	(4.7)
Deferred income taxes	(1.9)	(3.1)
Total	**(0.2)**	**(2.8)**

Analysis of tax rate

The following elements explain the difference between the expected tax charge (using the weighted average tax rate based on profits/(losses) before taxes of each Group company) and the actual tax rate:

CHFm	2006	2005
Profit before tax continuing operations	33.0	25.2
Profit before tax discontinued operations	(15.0)	121.5
Total profit before tax	**18.0**	**146.7**
Theoretically expected average tax rate	24.4%	22.5%
Expected tax	4.4	32.9
Utilisation of tax loss carry-forwards	(17.6)	(22.7)
Changes in tax rates	0.7	(0.5)
Effect of tax losses not recognised	1.9	4.2
Effects from prior years	(6.7)	–
Effect of (income)/expenses taxed at lower rate or not taxed	18.2	(12.0)
Actual tax	**0.9**	**1.9**
Income taxes continuing operations	(0.2)	(2.8)
Income taxes discontinued operations	1.1	4.7
Total income taxes	**0.9**	**1.9**

26. PERSONNEL EXPENSES

CHFm	2006	2005
Wages and salaries	184.0	188.7
Social security costs	26.2	28.0
Pension costs	11.5	19.1
Other personnel expenses	18.0	20.3
Total	**239.7**	**256.1**

27. LEASE OBLIGATIONS

Non-cancelable lease obligations with a minimum period of at least one year fall due as follows:

At 31.12. CHFm	Finance leases[1] 2006	2005	Operating leases 2006	2005
Up to 1 year	–	0.1	23.0	14.4
1 – 5 years	–	0.1	86.5	61.7
More than 5 years	–	–	27.9	27.2
Total	**–**	**0.2**	**137.4**	**103.3**
Future financial expenses	–	–		
Present value	**–**	**0.2**		
Short-term	–	0.1		
Long-term	–	0.1		

[1] included in Note 16

Significant leasing agreements exist with regard to the sale and lease back of properties used for operational purposes in Berne and Hombrechtikon. A new outsourcing contract was signed in 2006 with Swisscom IT Services for IT hardware and IT services in Switzerland.

28. EARNINGS PER SHARE

Earnings per share are calculated by dividing the Group income attributable to the shareholders by the time-weighted number of shares outstanding during the financial year. Treasury shares are not considered as outstanding shares.

	2006	2005
Group profit attributable to the shareholders (CHFm)	17.1	144.8
Weighted-average number of outstanding shares	35,684,476	35,834,462
Earnings per share (CHF)	0.48	4.04

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 the potentially dilutive share options into ordinary shares.

	2006	2005
Group profit attributable to shareholders (CHFm)	17.1	144.8
Weighted-average number of outstanding shares	35,684,476	35,834,462
Adjusted for the dilutive number of call options on Ascom shares	51,442	232,512
Weighted-average number of diluted shares	35,735,918	36,066,974
Diluted earnings per share (CHF)	0.48	4.01

The dividends paid in 2006 and 2005 were CHF 10.1 million (CHF 0.28 per share) and CHF 9.9 million (CHF 0.275 per share) respectively. For the year ended 31 December 2006 the Board of Directors proposes no dividend payment to the Annual General Meeting on 16 April 2007.

29. TRANSACTIONS WITH RELATED PARTIES

Content and method of determining compensation and shareholding programmes

- **Board of Directors**

  Fees for members of the Board of Directors are set down in the Compensation Guidelines (as an annex to the Organizational Guidelines).

  The honorarium for a regular member of the Board of Directors has long remained unchanged at CHF 80,000 per annum.

  The Chairman of the Board of Directors receives an honorarium of CHF 240,000 per annum. The Vice-Chairman of the Board of Directors, who also acts as chairman of the Audit Committee, receives an honorarium of CHF 160,000 p.a.

- **Executive Board**

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

  In addition, the Board of Directors approved an option programme for senior management for 2006. The allocation of options is made on the basis of stock option plans set up each year and agreed in writing. The conditions regarding exercising are defined on allocation of the options, with no subsequent changes being made and in particular no re-pricing. The management of the Ascom Stock Option Plans is the responsibility of the Board of Directors.

  In 2006, the members of the Executive Board received options worth 20 % of the total of their basic salaries and target bonuses. The value of the options was determined by an independent third party.

Compensation for acting members of governing bodies

The following compensations were paid in 2006:

- **Board of Directors**

The members of the Board of Directors were paid compensation totaling CHF 860,000 in 2006.

		CHF
Juhani Anttila, Chairman		240,000
Paul E. Otth, Vice-Chairman		160,000
Dr J. T. Bergqvist		80,000
Dr Wolfgang Kalsbach		80,000
Dr Rolf A.Meyer		80,000
Dr Axel Paeger		80,000
Pierre Roy	(since 6.4.2006)	59,000
Adrian Schmassmann	(since 6.4.2006)	59,000
Beat Näf	(until 6.4.2006)	22,000

- **Executive Board**

The total of five members active in the Executive Board in fiscal 2006 were paid a total of CHF 2,531,000 (for members leaving the Board in the course of the year, the total amount includes compensation during their term of office including all employer's contributions to the occupational pension scheme) (2005: CHF 4,349,000). The total amount includes employer's contributions to the pension scheme for an amount of CHF 185,000, termination benefits amounting to CHF 32,000 and provisions in respect of the bonus payments of the three Executive Board members in office as of balance sheet date. In addition the members of the Executive Board received in total 135,400 options (Ascom Stock Option Plan 2006).

Executive Board members' bonus claims for 2006 will be calculated and paid in 2007 after approval of the annual financial statements. The criteria governing payment of the 2006 bonus are measurable and contractually regulated.

The highest total compensation within the Executive Board is paid to the CEO. The total amount for 2006 came to CHF 864,000. This figure includes provisions for the bonus claims for fiscal 2006. The CEO was also allocated 60,300 options under the Ascom Stock Option Plan 2006.

- **Former members of the Executive Board**

Former members of the Executive Board Urs Ramseier and Daniel Roth were paid a total of CHF 639,000 in 2006 in compliance with contractual commitments, thereby settling all claims.

Share allotment in the year under review

Ascom Holding Ltd. allotted no shares in 2006.

Share ownership

The number of Ascom Holding Ltd. shares held as of 31 December 2006 was:

- All members of the Board of Directors and parties closely linked to such persons, in toto: 62,506 shares
- All members of the Executive Board and parties closely linked to such persons, in toto: 0 shares

Options

Ascom Stock Option Plan 2003

In accordance with the resolution passed by the Board of Directors on 27 February 2003, a total of 560,000 options were issued to seven members of Ascom's senior management on 1 March 2003, each option entitling the holder to purchase one share with a nominal value of CHF 10. The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a blocking period (one third of the options can be exercised after one year). At the time when the options are exercised, the participants must also have a valid employment contract with an Ascom company (truncation clause). The strike price is CHF 2.67. The stock option plan includes a customary anti-dilution clause. With the agreement of all entitled parties, the Board of Directors decided to waive the application of this clause in relation to the capital increase of 4 December 2003. Accordingly, there has been no reduction in the strike price despite provision for this in the contract and despite the fact that the option holders would have been entitled to such a reduction. Each option now entitles the holder to buy one share with a nominal value of CHF 5.50 and the strike price remains unchanged.

In 2006, all remaining 201,670 options were exercised. There are no outstanding options pursuant to the Ascom Stock Option Plan 2003.

Ascom Stock Option Plan 2004

In accordance with the resolution passed by the Board of Directors on 2 July 2004, a total of 99,000 options were issued to seven members of Ascom's senior management on 1 July 2004, each option entitling the holder to purchase one share with a nominal value of CHF 5.50. The strike price is CHF 14.21.

The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a blocking period (one third of the options can be exercised after one year). At the time when the options are exercised, the participants must also have a valid employment contract with an Ascom company (truncation clause).

The Board of Directors resolved on 30 June 2006 to lower the strike price by CHF 5 for all outstanding options with immediate effect due to the capital reduction of CHF 5 per share. The strike price for all options with regard to the Ascom Stock Option Plan 2004 was fixed at CHF 9.21.

In 2006, a total of 42,000 options were exercised. A further 4,000 options became nil and void due to the employment relationship of the holders having ended. There are thus 28,000 options still outstanding at 31 December 2006.

Ascom Stock Option Plan 2005

In accordance with the resolution passed by the Board of Directors on 1 March 2005 and 27 June 2005, a total of 150,200 options were issued to seven members of Ascom's senior management on 1 February 2005 and 1 July 2005 respectively, each option entitling the holder to purchase one share with a nominal value of CHF 5.50. The strike price is CHF 22.25.

The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a blocking period to 31 January 2007.

The Board of Directors resolved on 30 June 2006 to lower the strike price by CHF 5 for all outstanding options with immediate effect due to the capital reduction of CHF 5 per share. The strike price for all options with regard to the Ascom Stock Option Plan 2005 was fixed at CHF 17.25.

61,400 options became nil and void due to the employment relationship of the holders having ended. There are thus 88,800 options still outstanding at 31 December 2006.

Ascom Stock Option Plan 2006

In accordance with the resolution passed by the Board of Directors on 6 April 2006 a total of 135,400 options were issued to four members of Ascom's senior management on 1 March 2006 and 1 September 2006 respectively, each option entitling the holder to purchase one share with a nominal value of CHF 5.50 and CHF 0.50 respectively. The strike price was CHF 19.75 and CHF 14.75 respectively.

The options have a life of four years and are subject both to an exercise hurdle (outperformance of the SMI index within a period of 12 months) and to a blocking period to 28 February 2008.

The Board of Directors resolved on 30 June 2006 to lower the strike price by CHF 5 for all outstanding options with immediate effect due to the capital reduction of CHF 5 per share. The strike price for all options with regard to the Ascom Stock Option Plan 2006 was fixed at CHF 14.75.

29,200 options became nil and void due to the employment relationship of the holders having ended. There are thus 106,200 options still outstanding at 31 December 2006.

	Number of options 2006	Weighted strike price (CHF) 2006	Number of options 2005	Weighted strike price (CHF) 2005
Options outstanding at 1.1.	425,870	11.57	472,335	5.08
Granted	135,400	18.85	150,200	22.25
Exercised	(243,670)	3.96	(184,665)	3.48
Forfeited	(53,900)	15.30	(12,000)	14.21
Expired	(40,700)	17.25	–	–
Options outstanding at 31.12.	223,000	15.05	425,870	11.57
Exercisable at 31.12.	12,000	9.21	35,000	9.26

	2006	2005
Range of exercise prices (remaining options)	9.21 – 17.25	2.67 – 22.25
Weighted-average of remaining contract duration (years)	0.66	2.1
Weighted-average of fair value of granted options	5.62	6.53
Average price of shares (exercised)	18.74	20.41
Personnel expenses included in equity (CHFm)	1.05	0.7

The Enhanced American Model (binomial model) was used to determine the fair value, with the following parameters:

	Strike price (CHF)	Price on issue date (CHF)	Vesting period (years)	Max. duration (years)	Volatility (%)	Interest rate (%)	Dividend yield (%)	Withdrawal rate (%)	Expected duration (years)
Allocation 2003 / I	2.67	2.20	2	4	64.2	1.16	0.67	8	3.11
Allocation 2003 / II	2.67	2.20	3	4	64.2	1.31	0.67	8	3.66
Allocation 2004 / I	14.21	14.80	1.325	4	69.2	1.76	1.08	8	2.40
Allocation 2004 / II	14.21	14.80	2	4	69.2	1.97	1.08	8	3.00
Allocation 2004 / III	14.21	14.80	3	4	69.2	2.12	1.08	8	3.61
Allocation 2005 / I	22.25	22.40	2	4	55.4	1.47	1.24	8	3.00
Allocation 2005 / II	22.25	19.05	1.6	3.6	55.4	1.12	1.45	8	2.63
Allocation 2006 / I	19.75	19.95	2	4	51.1	2.08	1.37	8	3.00
Allocation 2006 / II	14.75	13.00	1.5	3.5	51.7	2.30	1.54	8	2.50

The expected volatility was estimated using the historical, long-term volatility (in the case of the 2005 and 2006 granting also weighted with the implied volatility) over a ten-year period to the issue date.

The market-related exercise hurdle (market condition) was taken into account in calculating the fair value of the options.

For all outstanding options from the ASOP plan 2004, 2005 and 2006 the strike price was lowered by CHF 5 on 30 June 2006 due to the capital reduction of CHF 5 per share. Due to the modification of the strike price, an incremental fair value of 383,427 resulting from this change was determined at the modification date using the Enhanced American Model (binomial model).

Loans to members of governing bodies

No loans were extended to members of the Board of Directors or Executive Board in 2006.

30. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

The activities of Network Integration Italy have been sold to Technomatica Italia S.p.A on 1 December 2006. The result of these activities is shown as result from discontinued operations.

For the activities of Toll France and Hong Kong (part of the former Transport Revenue segment) management is actively looking for a potential buyer. The sale of these activities is expected to take place in the next 12 months. The assets and liabilities are therefore considered to be held for sale. The results of these activities are included in the results from discontinued operations.

The non operational property in Switzerland that was held for sale at the end of 2005 has been sold during 2006.

Assets and liabilities held for sale

	CHFm	Real Estate	NI CH	NI B/D[1]	Transport Revenue	Powerline Communications	31.12.2005
ASSETS	Property, plant and equipment	27.8	–	–	–	–	27.8
	Non-current assets	27.8	–	–	–	–	27.8
	Inventories and work in process	–	–	1.0	–	–	1.0
	Trade receivables	–	–	2.4	1.0	–	3.4
	Other current assets	–	7.0	–	49.9	0.2	57.1
	Current assets	**–**	**7.0**	**3.4**	**50.9**	**0.2**	**61.5**
	Total assets	**27.8**	**7.0**	**3.4**	**50.9**	**0.2**	**89.3**
LIABILITIES	**Long-term liabilities**	**–**	**–**	**–**	**0.9**	**0.1**	**1.0**
	Short-term liabilities	**–**	**10.6**	**3.0**	**51.9**	**0.3**	**65.8**
	Total liabilities	**–**	**10.6**	**3.0**	**52.8**	**0.4**	**66.8**

[1] comprises activities of Network Integration in Germany and Belgium

	CHFm	NI B/D/CH[1]	NI Italy	Transport Revenue	Powerline Communications	Toll	31.12.2006
ASSETS	Property, plant and equipment	–	–	–	–	0.3	0.3
	Non-current assets	–	–	–	–	0.3	0.3
	Inventories and work in process	–	–	–	–	5.0	5.0
	Trade receivables	0.4	–	–	–	6.8	7.2
	Other current assets	–	4.2	0.3	0.3	0.5	5.3
	Current assets	**0.4**	**4.2**	**0.3**	**0.3**	**12.3**	**17.5**
	Total assets	**0.4**	**4.2**	**0.3**	**0.3**	**12.6**	**17.8**
LIABILITIES	**Long-term liabilities**	**0.7**	**–**	**1.8**	**–**	**2.2**	**4.7**
	Short-term liabilities	**2.2**	**0.6**	**9.9**	**–**	**10.4**	**23.1**
	Total liabilities	**2.9**	**0.6**	**11.7**	**–**	**12.6**	**27.8**

[1] comprises activities of Network Integration Germany, Belgium and Switzerland incl. divisional headquarters

The assets and liabilities held for sale are valued at book value or fair value minus selling costs if lower.
No revaluations were made.

Further information on discontinued operations

CHFm	NI CH/B/D[1]	NI Italy	Transport Revenue	Powerline Communi-cations	Toll	2005
Incoming orders	67.8	120.4	348.5	1.1	17.6	555.4
Order backlog	5.3	24.7	144.9	0.1	20.5	195.5
Revenue	83.0	116.8	231.2	3.7	18.5	453.2
Cost of goods sold	(63.7)	(95.9)	(167.7)	(1.9)	(16.9)	(346.1)
Gross profit	**19.3**	**20.9**	**63.5**	**1.8**	**1.6**	**107.1**
Marketing and distribution	(17.3)	(10.7)	(17.5)	(1.5)	(1.6)	(48.6)
Research and development	(0.4)	–	(6.0)	(1.6)	(1.0)	(9.0)
Administration	(3.2)	(2.1)	(14.3)	(0.3)	(1.4)	(21.3)
Operating result	**(1.6)**	**8.1**	**25.7**	**(1.6)**	**(2.4)**	**28.2**
Amortisation of intangible assets	–	–	(0.1)	–	–	(0.1)
Other income/(expenses), net	(3.3)	(1.8)	(0.6)	1.5	(0.6)	(4.8)
Profit from divestment	21.0	–	76.5	–	–	97.5
Profit before interest and taxes (EBIT)	**16.1**	**6.3**	**101.5**	**(0.1)**	**(3.0)**	**120.8**
Net financial income/(expenses)	0.8	(0.2)	(0.2)	0.3	–	0.7
Profit before income taxes of discontinued operations	(4.1)	6.1	24.8	0.2	(3.0)	24.0
Profit before income taxes of divestment	21.0	–	76.5	–	–	97.5
Profit before taxes	**16.9**	**6.1**	**101.3**	**0.2**	**(3.0)**	**121.5**
Income taxes on profit from operations	(0.4)	(1.6)	(2.4)	–	–	(4.4)
Income taxes on profit from divestment	–	–	(0.3)	–	–	(0.3)
Profit from discontinued operations	**16.5**	**4.5**	**98.6**	**0.2**	**(3.0)**	**116.8**
Earnings per share in CHF	–	–	–	–	–	3.26
Diluted earnings per share in CHF	–	–	–	–	–	3.24
Cash flow from operating activities in CHFm	(14.6)	9.4	53.6	3.0	(2.6)	48.8
Cash flow from investment activities in CHFm	38.3	(0.3)	102.6	–	(0.1)	140.5
Cash flow from financing activities in CHFm	0.1	–	(1.0)	–	–	(0.9)

[1] includes activities of Network Integration Switzerland incl. divisional headquarters, Belgium and Germany

CHFm	NI Italy	Transport Revenue	Toll	Other[1]	2006
Incoming orders	89.3	0.3	12.5	3.5	105.6
Order backlog	–	–	15.3	0.4	15.7
Revenue	82.1	0.3	18.2	3.7	104.3
Cost of goods sold	(68.6)	(0.3)	(22.4)	(3.4)	(94.7)
Gross profit	**13.5**	**–**	**(4.2)**	**0.3**	**9.6**
Marketing and distribution	(9.5)	–	(1.4)	(0.5)	(11.4)
Research and development	–	–	(0.6)	–	(0.6)
Administration	(2.0)	–	(1.9)	(0.4)	(4.3)
Operating result	**2.0**	**–**	**(8.1)**	**(0.6)**	**(6.7)**
Amortisation of intangible assets	–	–	–	–	–
Other income/(expenses), net	(1.3)	2.8	(1.0)	2.8	4.6
Profit from divestment	(11.4)	–	–	–	(12.7)
Profit before interest and taxes (EBIT)	**(10.7)**	**2.8**	**(9.1)**	**2.2**	**(14.8)**
Net financial income/(expenses)	–	–	(0.2)	–	(0.2)
Profit before income taxes of discontinued operations	0.7	2.8	(9.3)	2.2	(3.6)
Profit before income taxes of divestment	(11.4)	–	–	–	(11.4)
Profit before taxes	**(10.7)**	**2.8**	**(9.3)**	**2.2**	**(15.0)**
Income taxes on profit from operations	(1.1)	–	–	–	(1.1)
Income taxes on profit from divestment	–	–	–	–	–
Profit from discontinued operations	**(11.8)**	**2.8**	**(9.3)**	**2.2**	**(16.1)**
Loss per share in CHF	–	–	–	–	(0.45)
Diluted loss per share in CHF	–	–	–	–	(0.45)
Cash flow from operating activities in CHFm	(4.9)	0.7	(9.2)	1.1	(12.3)
Cash flow from investment activities in CHFm	29.9	17.7	(0.1)	7.3	54.8
Cash flow from financing activities in CHFm	–	–	–	–	–

[1] comprises activities of Network Integration Switzerland, Germany and Belgium and Powerline Communications

Divestments 2006

On December 1, 2006 Ascom sold the Italian Network Integration activities for an amount of CHF 36.7 million. The transaction resulted in a book loss of CHF 11.4 million. The operational results for the period 1 January 2006 until 30 November 2006 have been included in the result from discontinued operations.

As per 30 September 2006 Ascom sold the activities of Ascodi Industries SAS. The sale resulted in a small book result. The results for the period 1 January 2006 until 30 September 2006 have been included in the consolidated results.

CHFm	NI Italy	Manufacturing France	Total
Total amount from divestments	36.7	4.5	41.2
Of which cash payment	31.6	4.5	36.1
Divested assets and liabilities:			
– Cash and cash equivalents	1.5	5.1	6.6
– Property, plant and equipment	2.3	3.6	5.9
– Other non-current assets	–	0.1	0.1
– Inventories and work in process	21.6	(0.4)	21.2
– Trade receivables	49.7	2.4	52.1
– Other current assets	8.8	0.2	9.0
– Provisions	(4.1)	(1.1)	(5.2)
– Other liabilities	(32.9)	(5.6)	(38.5)
Total divested assets, net	**46.9**	**4.3**	**51.2**

In addition Ascom sold its German Network Integration activity with a transaction loss of CHF 0.8 million. Furthermore the Powerline Communications activities have been sold with a transaction gain of CHF 1.0 million.

31. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since the balance sheet date, no further events have occurred that have an influence on the 2006 financial statements.

32. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

Foreign currencies are purchased and forward contracts are entered into at Group level as a hedge against foreign currency risks for accounts outstanding or planned. These derivative financial instruments are classified as held for trading. The open contracts comprise the following forward exchange contracts in various currencies:

CHFm	31.12.2006	31.12. 2005
Contract volume	72.6	5.4
Positive market value	1.3	0.3
Negative market value	0.6	–

Breakdown by currency (CHFm)	31.12. 2006	31.12. 2005
USD	5.5	3.7
EUR	62.7	1.2
GBP	4.1	0.5
Other	0.3	–
Total	**72.6**	**5.4**

The maximum credit risk corresponds to the aggregated positive market values. This risk is considered low since the counterparties are financial institutions of good standing. The positive market values are included under other current assets, the negative market values under other liabilities. The changes in value are recognized in the income statement under financial income as currency gains/losses.

33. FUTURE INVESTMENTS

Group companies have various investment plans that are required within the context of normal business operations.

34. CONTINGENT LIABILITIES

A number of Group companies issue guarantees in connection with their ordinary business operations. Provisions are made for guarantees where the likelihood of fulfilment is probable.

For the other contingent liabilities of CHF 172.6 million at 31 December 2006 (2005: CHF 236.6 million) there is no indication that these guarantees will lead to fulfilment payments. Of this amount, CHF 49.6 million (2005: CHF 136.5 million) pertains to discontinued operations, and in these cases recourse claims can be asserted against the buyer of these operations.

35. DOMICILE

Ascom Holding Ltd., the parent company of the Group, is domiciled in Berne, Switzerland.

36. TIME OF RELEASE FOR PUBLICATION

The Board of Directors approved the year-end financial statements on 5 March 2007 and gave permission for publication at the media conference on 14 March 2007.

37. SEGMENT INFORMATION

Segment reporting represents the current set-up of the Ascom Group, while at the same time allowing comparisons with the 2005 reporting.

The segment reporting covers the Wireless Solutions and Security Solutions divisions, Special Products, and the divested activities before 1 January 2005. Wireless Solutions comprises products and services in connection with client-specific onsite communication solutions. Security Solutions comprises products and services in connection with solutions for security, communication, automation and control systems for traffic infrastructure operators, institutions of the public safety sector, the defence sector and Telcom operations. Special Products comprises Payphones, Manufacturing France and the Real Estate operations. The segment Corporate includes those group activities that cannot be assigned directly.

Key figures by segment (I)

CHFm	Security Solutions		Wireless Solutions		Special Products		Corporate		Total continuing operations	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Incoming orders	243.1	213.6	297.2	279.8	58.6	73.0	22.2	11.4	621.1	577.8
Order backlog	161.5	111.8	70.7	58.3	12.3	26.7	0.1	0.1	244.6	196.9
Revenue	195.0	205.7	285.9	279.0	69.2	76.2	22.4	11.4	572.5	572.3
Of which with other segments	–	–	–	–	6.7	17.8	–	–	6.7	17.8
Operating result	7.3	3.1	32.4	29.9	1.5	2.4	(8.8)	(17.9)	32.4	17.5
Restructuring costs included therein	–	1.4	0.8	0.8	0.8	0.7	0.1	1.6	1.7	4.5
Profit before interest and taxes (EBIT)	2.2	(2.1)	27.6	21.3	(3.0)	6.2	2.6	(4.6)	29.4	20.8
Depreciation	3.0	2.0	8.3	12.8	1.6	5.3	0.9	1.3	13.8	21.4
EBITDA	5.2	(0.1)	35.9	34.1	(1.4)	11.5	3.5	(3.3)	43.2	42.2
Assets	96.2	117.3	138.2	134.1	34.2	116.5	204.9	304.5	473.5	672.4
Liabilities of third parties	76.5	91.1	67.0	60.7	35.3	89.8	64.5	64.0	243.3	305.6
Investments incl. acquisitions	2.2	3.6	7.1	12.2	3.4	1.3	0.5	4.1	13.2	21.2
Employees	771	844	1,156	1,194	138	316	17	33	2,082	2,386

Key figures by segment (II)

CHFm	Divested activities [1]		Consolidation [2]		Total Ascom	
	2006	2005	2006	2005	2006	2005
Incoming orders	–	–	(6.3)	(14.5)	614.8	563.3
Order backlog	–	–	(0.2)	(0.7)	244.4	196.2
Revenue	–	–	(7.6)	(19.0)	564.9	553.3
Operating result	0.6	(0.4)	–	–	33.0	17.1
Restructuring costs included therein	–	–	–	–	1.7	4.5
Profit before interest and taxes (EBIT)	3.6	10.6	–	–	33.0	31.4
Depreciation	–	–	–	–	13.8	21.4
EBITDA	3.6	10.6	–	–	46.8	52.8
Assets	1.4	0.1	17.8	89.3	492.8	761.8
Liabilities of third parties	1.6	4.0	27.8	66.8	272.7	376.5
Investments incl. acquisitions	–	–	–	–	13.2	21.3
Employees	–	–	–	–	2,082	2,386

[1] discontinued activities before 1 January 2005

[2] or assets and liabilities of third parties of discontinued activities after 1 January 2005

Further information on the segment Special Products

CHFm	Payphones		Other[1]		Total Special Products	
	2006	2005	2006	2005	2006	2005
Incoming orders	30.1	31.5	28.5	41.5	58.6	73.0
Order backlog	12.3	16.8	–	9.9	12.3	26.7
Revenue	35.0	27.9	34.2	48.3	69.2	76.2
Of which with other segments	–	–	6.7	17.8	6.7	17.8
Operating result	2.3	2.7	(0.8)	(0.3)	1.5	2.4
Restructuring costs included therein	–	–	0.8	0.7	0.8	0.7
Profit before interest and taxes (EBIT)	2.2	2.2	(5.2)	4.0	(3.0)	6.2
Depreciation	0.6	1.3	1.0	4.0	1.6	5.3
EBITDA	2.8	3.5	(4.2)	8.0	(1.4)	11.5
Assets	12.1	20.0	22.1	96.5	34.2	116.5
Liabilities of third parties	14.6	26.9	20.7	62.9	35.3	89.8
Investments incl. acquisitions	0.2	1.2	3.2	0.1	3.4	1.3
Employees	107	104	31	212	138	316

[1] comprises the activities of Manufacturing France and Real Estate

Key figures by region

CHFm	Switzerland		Europe excl.Switzerland		Rest of the world		Group	
	2006	2005	2006	2005	2006	2005	2006	2005
Incoming orders	198	147	356	366	61	50	615	563
Revenue	151	145	354	364	60	44	565	553
Assets	104	96	190	281	8	9	302[1]	386[1]
Investments incl. acquisitions	2	6	11	15	–	–	13	21
Employees	740	824	1,275	1,489	67	73	2,082	2,386

[1] excluding unallocated assets of CHF 173 million (2005: CHF 287 million) and discontinued operations

38. CONSOLIDATED COMPANIES

Country	Company	Location	Capital	Investment
Austria	Ascom Austria GmbH	Vienna	EUR 3,634,000	Ascom Holding Ltd.: 100 %
Belgium	Ascom (Belgium) NV	Brussels	EUR 1,424,000	Ascom Holding Ltd.: 100 %
Czech Republic	Ascom (CZ) s.r.o.	Prague	CZK 200,000	Ascom (Schweiz) AG: 100 %
Denmark	Ascom Danmark A/S	Silkeborg	DKK 1,200,000	Ascom Holding Ltd.: 100 %
Finland	Ascom (Finland) Oy	Vantaa	EUR 562,000	Ascom Holding Ltd.: 100 %
France	Ascom SAS	Guilherand-Granges	EUR 5,000,000	Ascom Holding SA (F): 100 %
	Ascom Holding SA (F)	Guilherand-Granges	EUR 9,600,000	Ascom Holding Ltd.: 100 %
	Ascom (France) SA	Nanterre	EUR 2,000,000	Ascom (Sweden) AB: 100 %
	Ascom Multitoll Solutions SAS	Orsay	EUR 3,648,000	Ascom SAS: 100 %
Germany	Ascom Deutschland GmbH	Frankfurt/M.	EUR 2,137,000	Ascom Unternehmensholding GmbH: 99.76 %, Ascom (Schweiz) AG: 0.24 %
	Technologiepark Teningen GmbH	Teningen	EUR 6,136,000	Ascom Unternehmensholding GmbH: 94 %, Ascom (Schweiz) AG: 6 %
	Ascom GCT Grau-communications technology GmbH	Frankfurt/M.	EUR 1,534,000	Ascom Unternehmensholding GmbH: 94 %, Ascom (Schweiz) AG: 6 %
	Ascom Unternehmensholding GmbH	Frankfurt/M.	EUR 5,113,000	Ascom Holding Ltd.: 100 %
Hong Kong	Ascom Hong Kong Ltd.	Hong Kong	HKD 1,500,000	Ascom Holding Ltd.: 100 %
Mexico	Ascom de México SA. de C.V.	México, D.F.	MXN 50,000	Ascom SAS: 100 %
Netherlands	Ascom (Nederland) BV	Utrecht	EUR 1,361,000	Ascom (Sweden) AB: 100 %
	Ascom Finance BV	Arnhem	EUR 45,000	Ascom Holding Ltd.: 100 %
	Mocsa Real Estate BV	Utrecht	EUR 454,000	Ascom Holding Ltd.: 100 %
	Ascom Tateco BV	Hoofddorp	EUR 18,000	Ascom (Nederland) BV: 100 %
	SPT Wijk by Duurstede BV	Utrecht	EUR 18,000	Ascom (Nederland) BV: 100 %

Country	Company	Location	Capital	Investment
Norway	Ascom (Norway) A/S	Oslo	NOK 1,250,000	Ascom (Sweden) AB: 100 %
Poland	Ascom Poland Sp z o.o.	Warsaw	PLN 2,405,200	Ascom Holding Ltd.: 100 %
Russia	Letus ZAO	St. Petersburg	RUB 10,000	Ascom (Finland) Oy: 51 %
Sweden	Ascom (Sweden) AB	Gothenburg	SEK 96,154,000	Ascom Holding Ltd.: 66.4 %, Ascom UK Group Ltd.: 33.6 %
	Ascom Sweden Holding AB	Gothenburg	SEK 100,000	Ascom Holding Ltd.: 100 %
Switzerland	Adilan S.à.r.l. in Liquidation	Geneva	CHF 20,000	Ascom (Schweiz) AG: 100 %
	AIWP AG in Liquidation	Berne	CHF 500,000	Ascom Holding Ltd.: 100 %
	Ascom Favag AG	Bevaix	CHF 8,000,000	Ascom (Schweiz) AG: 100 %
	Ascom Immobilien AG	Berne	CHF 2,400,000	Ascom Holding Ltd.: 100 %
	BIWP AG in Liquidation	Berne	CHF 50,000,000	Ascom Holding Ltd.: 100 %
	Ascom (Schweiz) AG	Berne	CHF 28,000,000	Ascom Holding Ltd.: 100 %
	Wolf Computer AG in Liquidation	Berne	CHF 100,000	Ascom (Schweiz) AG: 100 %
UK	Ascom Croydon Ltd.	Croydon	GBP 600,000	Ascom UK Group Ltd.: 100 %
	Ascom Dartford Ltd.	Croydon	GBP 1,000,000	Ascom UK Group Ltd.: 100 %
	Ascom Telecommunications Ltd. (in liquidation)	Croydon	GBP 11,500,000	Ascom UK Group Ltd.: 100 %
	Ascom (UK) Ltd.	Sevenoaks	GBP 50,000	Ascom (Sweden) AB: 100 %
	Ascom UK Group Ltd.	Croydon	GBP 5,000,000	Ascom Holding Ltd.: 100 %
USA	Ascom Holding Inc.	Rockaway NJ	USD 10	Ascom Holding Ltd.: 100 %
	Ascom (US) Inc.	Morrisville NC	USD 10	Ascom (Sweden) AB: 100 %

PRICEWATERHOUSECOOPERS

Report of the Group Auditors to the General Meeting of Ascom Holding Ltd., Berne

As auditors of the group, we have audited the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes on pages 66 to 117) of Ascom Holding Ltd. for the year ended 31 December 2006.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

PricewaterhouseCoopers AG

Stephen W. Williams
Auditor in charge

Claudia Muhlinghaus

Zurich, 5 March 2007

Summary of Key Financial Data

CHFm	2006	2005	2004	2003	2002
Incoming orders	614.8	563.3	802.1	1,619.6	1,911.0
Order backlog	244.4	196.2	217.3	583.8	565.8
Revenue	564.9	553.3	838.2	1,514.9	2,066.1
Operating result	33.0	17.1	45.1	(27.2)	(107.4)
(Loss)/profit before interest and taxes	33.0	31.4	42.0	(45.2)	(230.7)
Personnel expenses	239.7	256.1	317.2	583.1	795.4
Depreciation and amortisation	14.6	25.4	39.7	78.0	204.9
Group profit/(loss)	17.1	144.8	46.9	(67.9)	(281.2)
Net cash flow from operating activities	14.9	41.0	44.9	54.2	105.4
Investments in property, plant and equipment	13.5	17.1	14.0	23.8	51.9
Research and development expenses	30.8	35.3	28.4	54.5	109.3
Balance sheet total	492.8	761.8	955.2	1,107.7	1,503.5
Non-current assets	88.5	103.9	167.2	223.2	382.3
Non-current assets in % of balance sheet total	18.0	13.6	17.5	20.1	25.4
Current assets	404.3	657.9	788.0	884.5	1,121.2
Current assets in % of balance sheet total	82.0	86.4	82.5	79.9	74.6
Inventories and work in process	51.5	70.0	108.1	146.8	316.8
Prepayments from customers	36.5	21.8	58.7	69.1	82.9
Equity	220.1	385.3	245.9	203.0	195.6
Equity in % of balance sheet total	44.7	50.6	25.7	18.3	13.0
Minority interests	0.1	0.1	–	0.6	–
Minority interests in % of balance sheet total	–	–	–	0.1	–
Short-term liabilities	226.7	319.2	619.4	573.3	920.8
Long-term liabilities	46.0	57.3	89.9	330.8	387.1
Liabilities	272.7	376.5	709.3	904.1	1,307.9
Liabilities in % of balance sheet total	55.3	49.4	74.3	81.6	87.0
Cash and marketable securities less interest-bearing liabilities	166.1	279.1	134.3	55.0	(264.4)
Gearing[1]	n/a	n/a	n/a	n/a	1.35
Dividend paid	–[2]	10.1	9.9	–	–
Number of employees	2,082	2,386	2,650	4,842	7,304

[1] Net interest-bearing debt / Equity

[2] At the proposal of the Board of Directors

ASCOM HOLDING LTD. BALANCE SHEET

	in 1000 CHF	31.12.2006	31.12.2005
ASSETS	Investments	174,586	286,550
	Loans to Group companies	1,296	25,874
	Non-current assets	**175,882**	**312,424**
	Accounts receivable from Group companies	2,349	3,824
	Accounts receivable from third parties	4,708	42,733
	Prepaid expenses	489	1,646
	Own shares	4,420	5,633
	Cash and cash equivalents	101,222	217,247
	Current assets	**113,188**	**271,083**
	Total assets	**289,070**	**583,507**
LIABILITIES	Share capital	18,000	198,000
AND	Legal reserves		
EQUITY	– General reserves	5,400	600
	– Reserve for own shares	4,420	5,633
	Special reserve from capital increase	17,457	16,243
	Retained earnings	87,836	95,569
	Equity	**133,113**	**316,045**
	Loans from Group companies	107,035	201,453
	Other long-term liabilities	2,141	7,946
	Long-term liabilities	**109,176**	**209,399**
	Provisions	**37,025**	**37,891**
	Accounts payable to Group companies	4,222	1,027
	Accounts payable to third parties	3,492	10,877
	Third-party accruals	2,042	8,268
	Short-term liabilities	**9,756**	**20,172**
	Total liabilities	**155,957**	**267,462**
	Total liabilities and equity	**289,070**	**583,507**

INCOME STATEMENT

in 1000 CHF	2006	2005
Investment income	82,194	38,790
Profit from the sale of non-current assets	1,076	56,588
Financial income	4,482	4,144
Other income	6,505	10,230
Total income	**94,257**	**109,752**
Financial expenses	(5,384)	(5,584)
Administration expenses	(6,447)	(5,063)
Depreciation and value adjustments on investments and loans	(75,223)	(4,692)
Profit for the year before taxes	**7,203**	**94,413**
Taxes	(55)	(40)
Profit for the year after taxes	**7,148**	**94,373**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. General

Ascom Holding Ltd., Berne, which is listed on the Swiss stock exchange, is the holding company of the Ascom Group. The accounts are prepared in compliance with Swiss law. In the year under review there were no changes in the basic accounting policies compared with the prior year.

2. Accounting policies

Non-current assets: Investments and loans are recognized at cost less necessary provisions. Currency differences resulting from loans in foreign currencies are charged to the income statement. Provisions are recorded for unrealized currency gains. Current assets: The positions are valued at nominal value less necessary provisions. Liabilities: The positions are valued at nominal value. Effects on foreign currencies are charged to the income statement.

3. Contingent liabilities

Sureties, guarantees and pledges in respect of Group companies, third parties and associated companies total CHF 171.9 million (2005: CHF 233.5 million). Of this amount, CHF 120.6 million (2005: CHF 95.3 million) are in favour of Group companies.

4. Investments and pledged assets

Direct and indirect investments are listed in Note 38 of the consolidated financial statements. Ascom entered into a new, 3 year credit facility as of 31 March 2006. As a result all existing pledges have been released. As of 31 December 2006 Ascom has no pledges related to credit facilities.

5. Own shares

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

in 1000 CHF	Number	Book value
Balance at 1 January 2006	304,800	5,633
Additions in 2006	54,800	849
Disposals in 2006	(42,000)	(426)
Reduction in nominal value of share capital 2006	–	(1,636)
Balance at 31 December 2006	**317,600**	**4,420**

Changes subject to disclosure requirements during the 2006 financial year

In an announcement dated 28 March 2006, published in compliance with Art. 20 of the Stock Exchange Act (SESTA), Tower Equity N.V., Curaçao; Hyos Invest Holding AG, Zurich and AB Eno River Holding AG, Zug (all companies wholly owned by Erbengemeinschaft Müller-Möhl, Zurich) disclosed that the share of Ascom voting rights held by them as a group is below 5 % (SOGC notice of 25 April 2006).

In an announcement dated 5 July 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed that it holds Ascom shares accounting for 5.01 % of voting rights (SOGC notice of 12 July 2006).

In an announcement dated 7 July 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed that its share of Ascom voting rights is below 5 % (SOGC notice of 14 July 2006).

In an announcement dated 24 July 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed that it holds Ascom shares accounting for 5.00 % of voting rights (SOGC notice of 28 July 2006).

In an announcement dated 4 August 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed its share of Ascom voting rights is below 5 % (SOGC notice of 10 August 2006).

In an announcement dated 28 August 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed that it holds Ascom shares accounting for 5.16 % of voting rights (SOGC notice of 14 September 2006).

In an announcement dated 19 September 2006, published in compliance with Art. 20 SESTA, The Trident European Fund, George Town, Cayman Islands, disclosed that it holds Ascom shares accounting for 5.01 % of voting rights (SOGC notice of 26 September 2006).

In an announcement dated 18 December 2006, published in compliance with Art. 20 SESTA, Zurich Cantonal Bank, Zurich, disclosed that its share of Ascom voting rights is below 5 % (SOGC notice of 28 December 2006).

Significant shareholders (as recorded in the share register)

The following significant shareholders as defined by Art. 663c of the Swiss Code of Obligations, holding more than 5 % of share capital, were recorded in the share register at 31 December 2006:

Hasler Works Foundation, Berne	8.46 %
Sterling Strategic Value Ltd., Tortola BVI	5.11 %

Three further shareholders were entered in the share register with holdings of more than 2 % of share capital.

This does not cover shares which are not registered in the share register (Dispo shares).

There are no known shareholders’ agreements.

COMMENTS ON THE FINANCIAL STATEMENTS

Assets

Investments include shares in Group companies amounting to CHF 173.6 million (2005: CHF 285.6 million). The decrease in investments is primarily attributable to the sale of the Group company in Italy and capital redemptions in Switzerland and France.

Of the loans to Group companies, CHF 0.7 million are denominated in CZK, and CHF 0.6 million in GBP.

Accounts receivable from Group companies consist mainly of short-term receivables denominated in CHF and EUR. Third-party receivables primarily include outstanding payments due on the sale of the Group company in Italy.

Liabilities and equity

Due to the decrease of own shares, CHF 1.2 million was transferred from the reserves for own shares to the special reserve.

In the year under review, loans from Group companies reduced sharply, primarily due to the offset of dividends received and loans receivable. The remaining loans are denominated mainly in CHF and EUR.

The provisions primarily cover general valuation risks and warranties from the sale of companies as well as receivables risks and unrealized foreign currency differences.

Based on a syndicated bank agreement, a combined cash and guarantee line of total CHF 100 million has been made available to Ascom Holding Ltd.

Income statement

Income from investments increased due to a higher amount of dividends distributed by Group companies. The profit from the sale of non-current assets resulted from the divestment of Group companies and the sale of third party investments. Other income includes mainly trademark fees charged to Group companies.

The small decrease in financial expenses results on the one hand from the absence of interest on the bond, on the other hand exchange losses have arisen. The increase in administration expenses was mainly caused by management fees (stewardship portion). The administration expenses include CHF 1.3 million (2005: CHF 1.3 million) of personnel related costs.

In 2006, significant depreciation and value adjustments on investments and loans arose as a result of value corrections on investment book values due to significant dividend payouts (included in income from investments) and of losses from the sale of Group companies.

Taxes comprise capital taxes only.

Annual result

In 2006, Ascom Holding Ltd. posted net income of CHF 7.1 million (2005: CHF 94.4 million), while Ascom Group recorded a consolidated group profit of CHF 17 million (2005: CHF 145 million).

PRICEWATERHOUSECOOPERS

Report of the Statutory Auditors to the General Meeting of Ascom Holding Ltd., Berne

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes on pages 120 to 124) of Ascom Holding Ltd. for the year ended 31 December 2006.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

Stephen W. Williams Auditor in charge	Patrick Riner

Zurich, 5 March 2007

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS 2006

in CHF	2006	2005
Retained earnings from previous year	80,688,459	1,195,630
Profit	7,147,979	94,372,829
Retained earnings	**87,836,438**	**95,568,459**
Allocation to legal reserves	–	(4,800,000)
Distribution of dividend	–	(10,080,000)
Balance carried forward	87,836,438	80,688,459

KEY FINANCIAL DATA ON THE SHARE CAPITAL

in CHF		2006	2005	2004	2003	2002
Dividend per share						
Registered shares	CHF 0.50	–[1]	0.28	0.275	–	–
Equity per share[2]						
Registered shares	CHF 10	–	–	–	–	8.73
Registered shares	CHF 0.50	6.17	10.70	6.84	5.64	–
Profit/(loss) per share[2]						
Registered shares	CHF 10	–	–	–	–	(10.53)
Registered shares	CHF 0.50	0.48	4.04	1.30	(2.50)	–
Stock quote high/low						
Registered shares	CHF 10	–	–	–	–	34/2.25
Registered shares	CHF 0.50	20.65/12.00	22.95/16.55	19.00/9.38	10.13/1.62[3]	–
Taxable values						
		1.1.2007	1.1.2006	1.1.2005	1.1.2004	1.1.2003
Registered shares	CHF 10	–	–	–	–	4
Registered shares	CHF 0.50	15.35	18.65	19.00	9.36	–
Number of shares/PC						
		2006	2005	2004	2003	2002
Participation certificates		–	–	–	–	83
Registered shares	CHF 10	–	–	–		22,500,000
Registered shares	CHF 0.50	36,000,000	36,000,000	36,000,000	36,000,000	–
Of which own shares						
Registered shares	CHF 10	–	–	–	–	101,029
Registered shares	CHF 0.50	317,600	304,800	60,000	–	–

[1] proposed by the Board of Directors
[2] based on the Consolidated Financial Statements (excluding own shares)
[3] adjusted

IMPORTANT GROUP COMPANIES

AUSTRIA		
Ascom Austria GmbH	P. Bernhofer	Lemböckgasse 49, 1230 Vienna +43 I 1 811 77 0 I Fax 1 811 77 10 info@ascom.at
BELGIUM		
Ascom (Belgium) NV	F. Humbeeck	Raketstraat 64, 1130 Brussels +32 I 2 727 13 11 I Fax 2 727 13 00 direction@ascom.be
CZECH REPUBLIC		
Ascom (CZ) s.r.o.	J. Polàk	Zemské právo 1199/5, 102 00 Prague 10 +420 I 267 219 512 I Fax 267 219 511 info@ascom.cz
DENMARK		
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FINLAND		
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Ascom Multitoll Solutions SAS	C. Defay	18 – 20, Rue Jean Rostand, ZAC des Vignes, 91400 Orsay +33 I 1 69 33 15 20 I Fax 1 69 85 31 42 acm@atolltech.fr
GERMANY		
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DATES AND CONTACTS

Important dates 2007

16 April 2007
Annual General Meeting
BEAexpo, Berne

5 September 2007
Presentation of 2007 half-year results
SWX Swiss Exchange, Zurich

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Declaration of Forward Looking Statements

This Annual Report contains statements that constitute "forward-looking statements" relating to Ascom. Because these forward-looking statements are subject to risks and uncertainties, the reader is cautioned that actual future results may differ from those expressed in or implied by the statements, which constitute projections of possible developments. All forward-looking statements are based only on data available to Ascom at the time of preparing the Annual Report.

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

http://www.ascom.com/report

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