

Bittium

Bittium Corporation Financial Statement Bulletin 2015

Net sales, continuing operations

56.8 MEUR

Net sales growth

7.8 %

Operating profit, continuing operations

2.3 MEUR

Operating profit, % of net sales

4.1 %

Net sales of 2015 grew and operating profit improved from the previous year

In this Financial Statement Bulletin reported continuing operations include previously reported Wireless business and corporate functions, and the Automotive business, sold on July 1, 2015, is reported as discontinuing operations. Cash flow includes both continuing and discontinuing operations.

Changing the name from Elektrobit Corporation to Bittium Corporation came into force on July 1, 2015. In this Financial Statement Bulletin the name Bittium is also used in the events before the change of the company name.

Summary October-December 2015, continuing operations

- Net sales was EUR 15.2 million (EUR 16.1 million, 4Q 2014), representing decrease of 5.5 % year-on-year.
- Operating result was EUR 0.8 million (EUR 1.8 million, 4Q 2014, including non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove business).
- Net cash flow was EUR -494.7 million (EUR 2.5 million, 4Q 2014, including both continuing and discontinuing operations). Net cash flow included the voluntary public tender offer for the company's own shares and stock options and costs resulted from it and the company's cash decreased by a total of EUR 493.5 million.
- Earnings per share were EUR 0.018 (EUR 0.018, 4Q 2014).
- During the fourth quarter the number of Bittium's shares increased by altogether 26,800 new shares subscribed by virtue of the stock option rights 2008C. At the end of the period, the number of shares in Bittium Corporation totaled 35,600,168.
- The voluntary public tender offer for company's own shares and stock options that began during the third quarter, on September 25, and was completed on October 21, as the company announced that according to the final result of the offer, 97,244,662 shares were tendered in the offer, representing approximately 73.2 percent of all the shares and votes in the company. In addition, 166,694 stock options were tendered in the offer, representing approximately 62.0 percent of all the stock options in the company. As a result of completing the offer the cash balance and equity of the company decreased by a total of EUR 493.5 million, including costs resulting from the process.
- On October 22, the company announced to have received flagging announcements pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Kai Hildén, Eero Halonen, Erkki Veikkolainen and Juha Hulkko in Bittium decreased below the threshold of 5 percent of the voting rights and total number of shares of the company.
- On October 27, the company announced to have cancelled its own shares and stock options 2008C as a result of the completion of a voluntary public tender offer for the company's own shares and stock options. In accordance with the terms and conditions of the offer, the shares and stock options transferred in the offer became null and void as part of the settlement of the completion trades of the offer. As a result of the shares and stock options becoming null and void, the number of company's remaining shares was 35,578,835, and the number of company's all remaining stock options was 102,300. Settlement of 5,467 shares to be transferred in the offer was not completed within the same timetable as the settlement of the other shares transferred, and such shares did not become null and void.
- On October 28, the company announced that as the voluntary public tender offer for its own shares and stock options 2008C, decided by the Extraordinary General Meeting of the company on September 14, 2015, resulted in changes in the ownership of the company, and the company announced the changes with regards to its ten largest shareholders resulting from completing the offer.
- On October 28, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Jukka Harju in Bittium decreased below the threshold of 5 percent of the voting rights and total number of shares of the company.

- On November 4, the company announced to have cancelled 5,467 own shares transferred in the offer, that didn't become null and void on October 27, 2015 in connection with the completion of the offer. After these shares became null and void, the number of company's remaining shares was 35,598,368, and the number of company's all remaining stock options was 102,300.
- On November 5, Bittium Corporation's new Board of Directors commenced its term that will continue until the close of the next Annual General Meeting. In the assembly meeting on the same day, the Board of Directors elected Erkki Veikkolainen as the Chairman of the Board. Further, the Board of Directors resolved to elect Staffan Simberg (Chairman of the committee) and Kirsi Komi as members of the Audit and Financial Committee and to invite to the Audit and Financial Committee the former Chairman of the Board of Directors Seppo Laine as external advisor of the Board of Directors.
- On December 7, Bittium announced to have received a purchase order from the Finnish Defence Forces for the Bittium Tactical Wireless IP Network (TAC WIN) system products, which are meant for tactical communication. The value of the received purchase order was EUR 5.1 million (excl. VAT). The order had no significant impact on Bittium's net sales, operating result or financial standing, and it did not change Bittium's financial outlook for the year 2015.
- On December 23, Bittium Technologies Ltd and NCC Rakennus Oy signed a contract to build new facilities for Bittium in Oulu, Finland. The agreement is a design and construct contract in nature and the cost will be approximately EUR 13 million. The new facilities will be ready for use by the end of 2017 and will consist of approximately 8,600 square meters. It will be located at the intersection of Ritaharjuntie and Tietolinja in Oulu. The total cost of the project is approximately EUR 15 million including land property and fittings. The project will be financed from the company's existing financing structure as the project moves forward. The company expects to streamline its operations and save costs from 2018 onwards once the project has been completed.

GROUP (MEUR)	10-12/2015	10-12/2014
Continuing operations	3 months	3 months
NET SALES	15.2	16.1
Change of net sales, %	-5.5 %	-12.1 %
OPERATING PROFIT / LOSS	0.8	1.8
Operating profit / loss, % of net sales	5.2 %	11.0 %
Operating profit / loss without non-recurring items	0.8	2.4
EBITDA	1.6	2.3
CASH AND OTHER LIQUID ASSETS	122.8	43.3
EQUITY RATIO (%)	90.5 %	62.3 %
EARNINGS PER SHARE (EUR)	0.018	0.018

Summary January-December 2015, continuing operations

- Net sales grew to EUR 56.8 million (EUR 52.7 million, in 2014), representing an increase of 7.8 percent year-on-year.
- Operating profit was EUR 2.3 million (EUR 0.8 million, in 2014, including the non-recurring income of EUR 1.1 million resulting from the reorganization cases of the TerreStar Companies, EUR 0.6 million non-recurring costs resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove business). The operating result includes EUR 0.4 million costs related to the change of the company name.
- Net cash flow was EUR 79.5 million (EUR 0.3 million, in 2014). Net cash flow includes the dividend payment of EUR 5.3 million in April, the cash flow of the Automotive business until June 30, 2015, and the cash flows related to the sale of the Automotive business and the cancelled demerger process, as well as cash flows resulting from the voluntary public tender offer for company's own shares and stock options and from the costs resulting from the process.
- Earnings per share were EUR 0.020 (EUR 0.010, in 2014).
- The number of Bittium's shares decreased by 97,244,662 shares in total as a result of cancelling its own shares and stock options following the voluntary public tender offer.

- The number of Bittium's shares increased by 1,351,686 new shares in total subscribed by virtue of the stock option rights 2008B and 2008C.
- At the end of the reporting period, the number of shares in Bittium Corporation was 35,600,168.

GROUP (MEUR)	1-12/2015	1-12/2014
Continuing operations	12 months	12 months
NET SALES	56.8	52.7*
Change of net sales, %	7.8 %	-13.7 %
OPERATING PROFIT / LOSS	2.3	0.8
Operating profit / loss, % of net sales	4.1 %	1.5 %
Operating profit / loss without non-recurring items	2.3	0.3
EBITDA	4.8	3.1
CASH AND OTHER LIQUID ASSETS	122.8	43.3
EQUITY RATIO (%)	90.5 %	62.3 %
EARNINGS PER SHARE (EUR)	0.020	0.010

**) Continuing operations include the previously reported Wireless business and corporate functions. Net sales from the continuing operations does not include the previously reported net sales of the Wireless Business Segment resulting from the internal sales to the Automotive Business Segment.*

Bittium's CEO Hannu Huttunen

The year 2015 was marked with big structural changes in Bittium: the sale of the Automotive business and the new company name. The distribution of the proceeds from the sale was executed during the third and fourth quarters of the year through a voluntary public tender offer for the company's own shares and stock options. The offer was executed in October resulting to a decrease of EUR 493.5 million in total in the company's cash balance and equity. The total number of shares decreased and was 35,600,168 at the end of the year.

In 2015, the net sales grew by 7.8 percent from the previous year and was EUR 56.8 million. The share of the product-based net sales was EUR 13.1 million. Operating profit grew and was EUR 2.3 million.

In the fourth quarter of 2015, the net sales decreased by 5.5 percent from the previous year and was EUR 15.2 million. The share of the product-based net sales was EUR 1.8 million, which was due to the timing of the product deliveries significantly lower than in the previous year. Operating profit was EUR 0.8 million.

In 2015 we continued our R&D investments in our own products and product platforms aiming at growth especially in the international defense, information security and public safety markets. The R&D phase of secure Bittium Tough Mobile™ LTE smartphone, targeted for the mobile security and public safety markets was finalized and the first product deliveries were made at the end of the year. We also launched Bittium Secure Suite™, certified device management and encryption software that complements the Bittium Tough Mobile smartphone by improving the security of the device with new software and services, such as secure data transfer and remote management.

Bittium Tough Mobile and related management system and VPN encryption, Bittium Secure Suite, was the first mobile solution to receive official encryption product classification in Finland. With this mobile solution classified material can be transferred between Bittium Tough Mobile smartphone and connected back-end solutions on top of creating and processing of classified information. Bittium Tough Mobile has generated lots of interest in the markets; however, the sale of the device is expected to develop moderately according to the pace of the authorities markets.

Bittium Secure Suite is based on the Bittium SafeMove® high-end security solutions that we acquired in January 2015. SafeMove products and services have strengthened Bittium's competitiveness as a provider of secure communication solutions. Bittium SafeMove software is being used also in securing the connections in our own IoT (Internet of Things) services and solutions.

The demand for Bittium's R&D services has remained stable. In the beginning of May we announced a major deal with the Ministry of Mexican Communication and Transportation to develop Android-based mobile devices that use both terrestrial and satellite connection for their MEXSAT system. Due to the failed launch of the customer's first satellite the overall project schedule was delayed, nevertheless the development work of the devices has continued well during the year.

The development of the tactical communication system Bittium Tactical Wireless IP Network™ (TAC WIN), used by the Finnish Defence Forces, continued. We also continued the product deliveries for the communication system during 2015, and at the end of the year we received an order for a new system product delivery for 2016. In the fourth quarter we received an order from the Finnish Defence Forces for the further development of the TAC WIN waveform, and an order to productize the European high data rate radio waveform developed in the ESSOR program to the Bittium TAC WIN system used by the Finnish Defence Forces.

We continued our efforts to bring our defense market targeted product portfolio to the international defense markets, and delivered our first pilot delivery of our Tactical Wireless IP Network system to a customer abroad. We aim for similar international openings during this year. The sales cycles in the defense markets are long by their nature and winning significant deals take several years.

At the end of the year we made a decision to build new facilities for Bittium in Oulu. The plans for the new facilities are based on centralizing the operations to improve efficiency and to achieve cost savings. The agreement signed with NCC Rakennus Oy is a design and construct contract by nature. The facilities will be ready for use by the end of the year 2017 and will be located at the intersection of Ritaharjuntie and Tietolinja in Oulu. The new facilities will consist of approximately 8,600 square meters, and the total cost of the project is approximately EUR 15 million including land property and fittings.

We have been able to turn Bittium to growth path. We are pleased with increase of our net sales as well as with the improvement in the operating result during the last year. This year, the focus will be at the internationalization and enabling growth. We will be investing in developing our operations further for long-term growth, which affects also to the operating result outlook for the year 2016. We will also continue to look for inorganic growth opportunities according to our strategic guidelines.

The growing need for wireless connectivity, increasingly growing amount of data transfer and the need for secure data transfer create demand for Bittium's competence, products and product platforms, and Bittium has good conditions to continue its success also in the future.

Outlook for 2016

Bittium expects that the net sales in 2016 will grow from the previous year (net sales of EUR 56.8 million, in 2015). The development of the operating result includes currently many uncertainties and therefore the company has now decided not to give guidance on the development of the operating result. These uncertainties include possible non-recurring investments in building long-term growth and significant variations in the operating result between the quarters due to the timing of product deliveries.

More information about Bittium's market outlook is presented in the section "Market outlook" in this Financial Statement Bulletin.

More information about other uncertainties regarding the outlook is presented in this Financial Statement Bulletin, in the section "Risks and uncertainties" and on the company's internet pages at www.bittium.com.

Invitation to a press conference

Bittium will hold a press conference on the Financial Statement Bulletin 2015 for media, analysts and institutional investors in Restaurant Savoy, Eteläesplanadi 14, Helsinki, Finland, on Thursday February 18, 2016 at 9.30 am (CET+1). The press conference will be held in Finnish.

Bittium will also hold a telephone conference on the same day at 10.30 am. The dial-in number for the conference call is +44 203 059 8125, confirmation code is "Bittium". The conference can also be followed live as an audiocast, accessible at www.bittium.com/investors. The conference call will be held in English.

A recording of the audiocast and the presentation will be available after the conference on Bittium's website at www.bittium.com/investors.

Bittium

Bittium specializes in the development of reliable, secure communications and connectivity solutions leveraging its 30 years legacy of expertise in advanced radio communication technologies. Bittium provides innovative products and customized solutions based on its product platforms and R&D services complementing its communications and connectivity solutions. Bittium offers proven information security solutions for mobile devices and portable computers. Net sales of continuing operations in 2015 was EUR 56.8 million and operating profit was EUR 2.3 million. Bittium is listed on Nasdaq Helsinki. www.bittium.com

Bittium Corporation's Financial Statement Bulletin 2015

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Financial performance in January-December 2015

Bittium's net sales during January-December 2015 grew by 7.8 percent year-on-year to EUR 56.8 million (EUR 52.7 million, in 2014). The growth in net sales was mainly driven by the deliveries of special terminal products and related R&D services, as well as other products for authorities use.

The share of the product-based net sales was EUR 13.1 million (EUR 14.1 million, in 2014), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from a similar but small pilot system delivery for a customer abroad, as well as from the delivery of other terminal products for the authority use. The decrease in the product-based net sales was caused by the decrease in the amount of product deliveries to the Finnish Defence Forces compared to the previous year.

Operating profit from continuing operations was EUR 2.3 million (EUR 0.8 million, in 2014, including the non-recurring income of EUR 1.1 million resulting from the reorganization cases of the TerreStar Companies, EUR 0.6 million non-recurring costs resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove business). The operating result includes EUR 0.4 million costs related to the change of the company name. The improvement in the operating result was due to the growth in net sales and slightly higher gross margin than quarterly periods usually.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR

	1-12/2015	1-12/2014
	12 months	12 months
CONTINUING OPERATIONS		
Net sales	56.8	52.7
Operating profit / loss	2.3	0.8
Financial income and expenses	-0.2	-0.2
Result before tax	2.1	0.6
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	2.3	1.3
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS	539.0	11.2
RESULT FOR THE PERIOD	541.3	12.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	541.5	12.9
Result for the period attributable to:		

Equity holders of the parent	541.3	12.5
Non-controlling interests		
Total comprehensive income for the period attributable to:		
Equity holders of the parent	541.5	12.9
Non-controlling interests		
Earnings per share from continuing operations, EUR		
	0.020	0.010

- Cash flow from operating activities was EUR 2.1 million (EUR 10.5 million, in 2014). The cash flow includes the operating cash flow of the Automotive business until June 30, 2015.
- Net cash flow was EUR 79.5 million (EUR 0.3 million, in 2014). Net cash flow includes the dividend payment of EUR 5.3 million in April, the cash flow of the Automotive business until June 30, 2015, and the cash flows related to the sale of the Automotive business and cancelled demerger process, as well as cash flows resulting from the voluntary public tender offer for the company's own shares and stock options and from the costs resulting from the process.
- Equity ratio was 90.5 % (62.3 %, December 31, 2014).
- Net gearing was -88.2 % (-37.4 %, December 31, 2014).
- The key figures January-December 2015 mentioned above are essentially affected by the sale of the Automotive business and thereof received net proceeds.

Quarterly figures

GROUP'S NET SALES AND OPERATING RESULT, CONTINUING OPERATIONS, MEUR	4Q/15	3Q/15	2Q/15	1Q/15	4Q/14
Net sales	15.2	11.1	15.3	15.1	16.1
Operating profit (loss)	0.8	0.0	1.0	0.5	1.8
Operating profit (loss) without non-recurring costs	0.8	0.0	1.0	0.5	2.4
Result before taxes	0.9	0.1	0.8	0.4	1.6
Result for the period	1.1	0.1	0.8	0.4	2.4

Non-recurring items

Non-recurring items are exceptional gains and losses that are not related to normal business operations and occur only seldom. These items include capital gains or losses, significant changes in asset values such as write-downs or reversals of write-downs, significant restructuring costs, or other items that the management considers to be non-recurring. When evaluating a non-recurring item, the euro translation value of the item is considered, and in case of a change in an asset value, it is measured against the total value of the asset.

In 2014 the following non-recurring items were included:

- Non-recurring income of approximately EUR 1.1 million in the Wireless Business Segment resulting from the reorganization cases of TerreStar companies during the third quarter of 2014; and
- A total of EUR 0.6 million of non-recurring costs resulting from the Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove during the last quarter of 2014.

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	4Q/15	3Q/15	2Q/15	1Q/15	4Q/14
Asia	0.0 0.0 %	0.1 0.6 %	0.1 0.6 %	0.0 0.2 %	0.2 1.5 %
Americas	2.9 19.2 %	1.0 9.1 %	2.2 14.6 %	2.1 14.2 %	0.6 3.5 %
Europe	12.3 80.7 %	10.1 90.4 %	13.0 84.9 %	13.0 85.6 %	15.3 94.9 %

The relative share of the distribution of the net sales between Europe and Americas has been specified for 2Q/15 and 3Q/15.

Research and development

Bittium continued its R&D investments in products and product platforms mainly for the defense and public safety markets. R&D investments mainly focused on developing the Bittium Tough Mobile, a high security level LTE smartphone, targeted mainly for the demanding mobile security and public safety use. A significant part of these capitalized R&D investments is related to the development of the Bittium Tough Mobile product.

R&D INVESTMENTS, MEUR	10-12/2015 3 months	10-12/2014 3 months	1-12/2015 12 months	1-12/2014 12 months
Total R&D investments	1.9	2.0	7.3	6.9
Capitalized R&D investments	-0.6	-0.8	-3.4	-2.1
Depreciations of R&D investments	0.1	0.0	0.2	0.1
Cost impact on income statement	1.4	1.3	4.2	4.9
R&D investments, % of net sales	12.7 %	12.2 %	12.9 %	13.0 %

CAPITALIZED R&D INVESTMENTS IN BALANCE SHEET, MEUR	10-12/2015 3 months	10-12/2014 3 months	1-12/2015 12 months	1-12/2014 12 months
Balance sheet value in the beginning of the period	5.1	1.5	2.2	0.3
Additions during the period	0.6	0.8	3.4	2.1
Acquisitions of the business			0.3	
Depreciations of R&D investments	-0.1	-0.0	-0.2	-0.1
Balance sheet value at the end of the period	5.6	2.2	5.6	2.2

Business development in October-December 2015

Bittium's net sales from continuing operations during October-December 2015 decreased by 5.5 percent year-on-year to EUR 15.2 million (EUR 16.1 million, 4Q 2014). The decrease in the net sales, compared to the corresponding period in the previous year, was caused by the variation in the amount of product deliveries between the quarters to the Finnish Defence Forces. The share of the product-based net sales was EUR 1.8 million (EUR 6.3 million, 4Q 2014), which resulted mainly from the product deliveries of terminal products for the authority use.

Operating profit during October-December 2015 was EUR 0.8 million (EUR 1.8 million, 4Q 2014, including non-recurring costs of EUR 0.6 million resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove business).

In the fourth quarter Bittium launched Bittium Secure Suite device management and encryption software that complements Bittium Tough Mobile smartphone with new software and services. Bittium Secure Suite enables the most effective usage of the device security features, secure remote management, remote attestation and securing the data network connections of the device. Bittium Tough Mobile smartphone together with Bittium Secure Suite form a unique, complete, reliable system for processing and transferring sensitive and classified material and securing critical communication.

In December the Finnish Communications Regulatory Authority granted approval for the Mobile Security and Public Safety targeted Bittium Tough Mobile LTE smartphone and related device management and information security management system to process National classification level IV (ST IV, national restricted) material. Bittium's mobile solution is the first product to receive an official encryption product classification in Finland, which can on top of creating and processing of classified information also transfer material between a smartphone and connected back-end solutions.

Towards the end of the year the R&D phase of Bittium Tough Mobile was finalized and the product deliveries started in a form of small pilot orders, mainly for customers abroad. In November Bittium exhibited the phone at the British APCO exhibition in Newcastle, UK, targeted for Public Safety officials. The authorities markets are slowly developing markets by nature and the sale of Bittium Tough Mobile is expected to develop steadily along the market development pace.

The development of the tactical communication system Bittium Tactical Wireless IP Network (TAC WIN), was continued during the fourth quarter and Bittium received from the Finnish Defence Forces a new order for system product deliveries for 2016. During the quarter Bittium also received an order from the Finnish Defence Forces for further development of the TAC WIN waveform to enhance the system with additional features and optimized performance. The Finnish Defence Forces also ordered a productization of the European high data rate radio waveform developed in the ESSOR program to the Bittium TAC WIN system used by the Finnish Defence Forces.

Bittium also continued its efforts to bring the defense market targeted product portfolio to the international defense markets, and delivered the first pilot delivery of its Tactical Wireless IP Network system for a customer abroad. The company aims at other similar international openings during this year as well. Bittium exhibited its tactical communications products at the AUSA (Association of the United States Army) Annual Meeting & Exposition in October in Washington D.C., USA. The sales cycles in the defense markets are long by their nature and winning significant deals take several years.

The demand for Bittium's R&D services for mobile infrastructure customers continued stable during the fourth quarter. The demand was driven by the use of LTE technology and the need to develop smaller LTE base stations. The development of the mobile devices for Mexican government authority continued well during the fourth quarter.

Significant events during the reporting period

A total of 1,351,686 new shares in Bittium Corporation were subscribed between December 15, 2014 and November 30, 2015 by virtue of the option rights 2008B and 2008C. The share subscription price, EUR 823,438.10 was recorded in the company's invested non-restricted equity fund. The corresponding increase in the number of the company's shares were entered into the Finnish Trade Register on February 6, April 14, June 24, September 1, October 29, and December 11, 2015. Shareholder rights by virtue of the new shares commenced as of the abovementioned registration entry date. Trading with the newly registered shares started on February 9, April 15, June 25, September 2, October 30 and December 14 as an additional lot of Bittium Corporation's shares in NASDAQ OMX Helsinki Ltd. On December 31, 2015, after the registration of the new shares, and cancelling the shares acquired through the voluntary public tender offer, the number of shares in Bittium Corporation's totaled to 35,600,168.

On January 2 a subsidiary of Bittium Corporation acquired 100 per cent of the shares of Birdstep Technology Oy, which was a fully owned Finnish subsidiary of Birdstep Technology ASA, based in Norway. The acquired company's SafeMove business provides its customers high quality information security solutions for mobile devices and portable computers. The acquisition strengthened the competitiveness of Bittium as a provider of secure communication solutions for defense, safety and other authorities markets. At the time of the acquirement, Birdstep Technology Oy's (currently Bittium SafeMove Oy) net sales was EUR 2.5 million in 2013 and EUR 2.9 million in 2014. The company employed 19 persons located in Espoo, Finland. The debt free cash purchase price was EUR 1.8 million. The acquisition had no significant impact on Bittium's balance sheet, net sales and financial position.

The Board of Directors of Bittium Corporation approved on February 18, 2015 a plan for partial demerger of the company and the listing of the new Bittium Corporation as a separate entity at Nasdaq Helsinki. Simultaneously the Board of Directors updated the strategic guidelines and financial targets for the years 2015 -2017. Based on the demerger plan, the assets and liabilities related to then Elektrobit Corporation's Wireless Business Segment would have been transferred to Bittium Corporation, a new entity that would have been listed at Nasdaq Helsinki. The Automotive Business Segment would have remained as a part of the then Elektrobit Corporation, which would have continued its listing at Nasdaq Helsinki. The partial demerger would have been set for an approval by an extraordinary general meeting, which was planned to be held on June 11, 2015. The planned effective date for the demerger would have been June 30, 2015. The partial demerger process was cancelled on May 19, 2015 as the company announced its plans to sell the Automotive business to Continental AG.

On April 29, a notice was given to the shareholders of Bittium Corporation to an Extraordinary General Meeting that was planned to be held on June 11, 2015.

On May 2, Bittium Corporation announced that its subsidiary Bittium Wireless Ltd and the Ministry of Mexican Communication and Transportation (Secretaría de Comunicaciones y Transportes, SCT) had signed an agreement regarding the development of three types of Android-based L-band mobile devices for the SCT's MEXSAT program. These mobile devices will be based on Bittium's Specialized Device Platform, a customized Android-based platform designed especially for public safety and cyber security markets. The value of this development agreement was approximately USD 21.9 million (approximately EUR 19.5 million as per exchange rate of April 30, 2015). More than half of the contract value is expected to be recognized as revenue during 2016.

The Extraordinary General Meeting held on September 14, 2015 decided on the election of new members of the Board of Directors. Kirsi Komi, Juha Putkiranta and Seppo Mäkinen were elected as new members of the Board of Directors for a term commencing on November 5, 2015 and continuing until the close of the next Annual General Meeting. The new members of the Board of Directors replaced the previous members of the Board of Directors Jorma Halonen, Juha Hulkko and Seppo Laine, who had notified that they will leave the Board of Directors when the term of the new members commences.

On November 5, Bittium Corporation's new Board of Directors commenced its term that will continue until the close of the next Annual General Meeting. In the assembly meeting on the same day, the Board of Directors elected Erkki Veikkolainen as the Chairman of the Board. Further, the Board of Directors resolved to elect Staffan Simberg (Chairman of the committee) and Kirsi Komi as members of the Audit and Financial Committee and to invite to the Audit and Financial Committee the former Chairman of the Board of Directors Seppo Laine as the external advisor of the Board of Directors.

On December 7, Bittium announced to have received a purchase order from the Finnish Defence Forces for the Bittium Tactical Wireless IP Network (TAC WIN) system products, which are meant for tactical communications. The value of the received purchase order was EUR 5.1 million (excl. VAT). The order has no significant impact on Bittium's net sales, operating result or financial standing, and it did not change Bittium's financial outlook for the year 2015, published on November 5, 2015 in the Interim Report January-September 2015.

On December 23, Bittium Technologies Ltd and NCC Rakennus Oy signed a contract to build new facilities for Bittium in Oulu, Finland. The agreement is a design and construct contract in nature and the cost will be approximately EUR 13 million. The new facilities will be ready for use by the end of 2017 and will consist of approximately 8,600 square meters. It will be located at the intersection of Ritaharjuntie and Tietolinja in Oulu. The total cost of the project is approximately EUR 15 million including land property and fittings. The project will be financed from the company's existing financing structure as the project moves forward. The company expects to streamline its operations and save costs from 2018 onwards once the project has been completed.

The sale of the Automotive business to Continental AG and the related changes

On May 19, Bittium Corporation announced that it will sell its Automotive business to Continental AG for a purchase price of EUR 600 million. The share purchase agreement was signed on May 18, 2015. The transaction was expected to close in the beginning of July 2015. The transaction comprised the sale of Elektrobit Automotive GmbH and its subsidiaries, including its 51 percent ownership in e.solutions GmbH, a jointly owned company between Elektrobit Automotive GmbH and Audi Electronics Venture GmbH. Simultaneously the company cancelled the ongoing demerger process, and announced it will continue to carry on its Wireless business within its existing Elektrobit Corporation (currently Bittium Corporation). The company also announced to change its name to Bittium Corporation, as the Elektrobit brand would be included as a part of the transaction. In addition the company updated its outlook for 2015 based on the assumption that the sale of the Automotive business will materialize in the beginning of July.

The Extraordinary General Meeting of Bittium Corporation, which was held on June 11, 2015, approved the sale of the Automotive business to Continental AG according to Board of Director's proposal and recommendation. The Extraordinary General Meeting also resolved to change section 1 of the Company's Articles of Association and the name of the company.

The transaction was closed on July 1, 2015 as the closing conditions of the transaction, such as the approval of Bittium Corporation's Extraordinary General Meeting, receipt of the required authority approvals and other customary closing conditions were fulfilled. The purchase price of the transaction, EUR 600 million, was fully paid in cash upon the closing of the transaction.

As the transaction was closed, the name of the company was changed to Bittium Corporation, Bittium Oyj in Finnish, and the name change was registered in the trade register on July 1, 2015. The company continued to carry on its Wireless business and continued to be listed on NASDAQ Helsinki with its new name. Bittium's new trading code in the stock exchange is BITTI from July 2, 2015 onwards.

On July 1, Bittium stated that the outlook for 2015 had been updated due to the sale of the Automotive business and the change of the company name on July 1, 2015. Outlook regarding the net sales and operating result of the continuing operations remained the same as given in the outlook in the stock exchange release published on May 19, 2015. It was estimated that the transaction had a non-recurring positive effect of approximately EUR 530 million on net profit and approximately EUR 575 million positive effect on net cash flow of the Bittium group in the year 2015.

On July 1, Bittium updated its strategic guidelines and outlook for 2015 due to the sale of the Automotive business and the change of the company name. Bittium carried on its Wireless business according to the announcements made on February 19, 2015, and according to the strategic guidelines and financial targets for 2015-2017.

On August 6, as a result from the sale of the Automotive business on July 1, 2015, the Board of Directors of Bittium Corporation decided upon nominations and changes in the company's management. Hannu Huttunen, M.Sc. (Econ.) was appointed CEO of Bittium Corporation as of August 7, 2015. The contract of Bittium's then current CEO Jukka Harju terminated on August 6, 2015 by mutual consent, and he did not continue at Bittium after August 2015.

The company also announced, that as of August 7, 2015 the corporate functions and Wireless Business Segment's functions will be merged and the following persons will make the company's new management team: Hannu Huttunen, CEO (chairman); Veli-Pekka Paloranta, CFO; Kari Jokela, CLO; Jari Sankala, Senior Vice President, Sales; Karoliina Fyrstén, Director, Corporate Communications and Marketing, heads of product and services areas: Harri Romppainen, Vice President, Defense; Klaus Mäntysaari, Vice President, Telecom; and Sami Kotkajuuri, Vice President, Connectivity; Jari-Pekka Innanen, Vice President, Engineering and Arto Pietilä, Senior Vice President, Operations. CFO Veli-Pekka Paloranta decided to move to another company in November 2015 and resigned from Bittium. He continued as Bittium's CFO until November 2015. M.Sc. (econ.) LL.M. Pekka Kunnari was appointed as CFO of Bittium Corporation as of beginning of November 2015. It was also decided that the Board of Directors of the Wireless Business Segment will be discontinued, since Bittium focused on one business and there was no need for another board in addition to the Board of Directors of Bittium Corporation.

On August 6, Bittium also told that it plans to distribute the net proceeds from the sale of its Automotive business, a maximum of EUR 595 million, to its shareholders in the first instance by repurchasing own shares in a voluntary public tender offer directed to all shareholders of the company. The technical analyses regarding the execution of the possible public tender offer was continued and also other possible ways to carry out the distribution of funds were being evaluated simultaneously, and at that moment there was no certainty on which distribution method the Board of Directors would propose to the Extraordinary General Meeting. The planned distribution of funds required preparation of separate interim accounts, after the completion of which the Board of Directors was expected to decide on the proposal to the Extraordinary General Meeting regarding the distribution method and the amount of funds to be distributed during the second half of August 2015.

On August 24, Bittium told that it is planning to repurchase its own shares and stock options for a total purchase price of approximately EUR 595 million in a voluntary public tender offer directed to all shareholders and holders of stock options 2008C of the company. The offer would be made at market price and the consideration offered would be determined as the volume weighted average price of the share based on transactions in NASDAQ OMX Helsinki Ltd over the five days preceding the acceptance of the offer document rounded to the nearest full euro cent. The offer would be made for a maximum of 124,747,351 shares, corresponding approximately to 94.1 per cent of all the shares in the company on the date of the release. The offer would also be made for a maximum of 252,648 stock options. The offer would be executed only for the part of the consideration payable for the shares amounting up to EUR 593,797,392.67 in the aggregate and for the stock options amounting up to EUR 1,202,607.33 in the aggregate. A shareholder or a holder of stock options had the option to accept the offer for all the shares and/or stock options owned by him/her or for a number of shares and/or stock options of his/her choosing per each book-entry account.

On August 24, the company gave a notice to its shareholders to an Extraordinary General Meeting on the repurchase of the company's own shares and stock options 2008C entitling to shares by means of a voluntary public tender offer made to all shareholders and holders of stock options 2008C. As part of the arrangement to distribute the net proceeds from the sale of its Automotive business to its shareholders, Bittium Corporation also prepared its interim financial statements from the period of January 1 - July 1, 2015.

The Extraordinary General Meeting of Bittium Corporation, held on September 14, 2015, decided in accordance with the proposal of the Board of Directors that the company repurchases its own shares and stock options 2008C entitling to shares by means of a voluntary public tender offer made to all shareholders and holders of stock options.

On September 22, the company announced that its public tender offer for own shares and stock options will commence on September 25, 2015 and expire on October 16, 2015. The offer price for a share was EUR 5.06 and for a stock option EUR 4.51. The share offer price was, in accordance with the decision of the company's Extraordinary General Meeting held on September 14, 2015, the volume weighted average price per share based on transactions in the official list of NASDAQ OMX Helsinki Ltd during the five trading days preceding the acceptance of the offer document (between September, 15 - September 21, 2015), rounded to the nearest full euro cent. The offer document, accepted by the Finnish Financial Supervisory Authority, was available from September 23, 2015 onwards on the company's internet pages.

On October 19, 2015 Bittium announced that according to the preliminary result of the offer, the shares tendered in the offer represented approximately 73.2 percent of all the shares and votes in the company. In addition, according to the preliminary result of the offer, approximately 62.0 percent of all the stock options in the company had been tendered in the offer.

On October 21, the company announced that according to the final result of the offer, 97,244,662 shares were tendered in the offer, representing approximately 73.2 percent of all the shares and votes in the company. In addition, 166,694 stock options were tendered in the offer, representing approximately 62.0 percent of all the stock options in the company. As a result of completing the offer the cash balance and equity of the company will decrease by approximately EUR 493 million. Completing the offer did not have effect on the guidance for result of operations concerning the year 2015 previously published by the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Kai Hildén in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Eero Halonen in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Erkki Veikkolainen in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Juha Hulkko in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 27, the company announced to have cancelled its own shares and stock options 2008C as a result of the completion of a voluntary public tender offer for the company's own shares and stock options. In accordance with the terms and conditions of the offer, the shares and stock options transferred in the offer became null and void as part of the settlement of the completion trades of the offer. As a result of the shares and stock options becoming null and void, the number of company's remaining shares was 35,578,835, and the number of company's all remaining stock options was 102,300. Settlement of 5,467 shares to be transferred in the offer was not completed within the same timetable as the settlement of the other shares transferred, and such shares had not yet become null and void.

On October 28, the company announced that as the voluntary public tender offer for its own shares and stock options 2008C, decided by the Extraordinary General Meeting of the company on September 14, 2015, resulted in changes in the ownership of the company, the company published the changes with regards to its ten largest shareholders resulting from completing the offer.

On October 28, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Jukka Harju in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On November 4, the company announced to have cancelled 5,467 of its own shares transferred in the offer, that didn't become null and void on October 27, 2015 in connection with the completion of the offer. After these shares became null and void, the number of company's remaining shares was 35,598,368, and the number of company's all remaining stock options, as of November 4, was 102,300.

Outlook for 2016

Bittium expects that the net sales in 2016 will grow from the previous year (net sales of EUR 56.8 million, in 2015). The development of the operating result includes currently many uncertainties and therefore the company has now decided not to give guidance on the development of the operating result. These uncertainties include possible non-recurring investments in building long-term growth and significant variations in the operating result between the quarters due to the timing of product deliveries.

More information about Bittium's market outlook is presented in the section "Market outlook" in this Financial Statement Bulletin.

More information about other uncertainties regarding the outlook is presented in this Financial Statement Bulletin, in the section "Risks and uncertainties" and on the company's internet pages at www.bittium.com.

Market outlook

Bittium's customers operate in various industries, each of them having their own industry specific factors driving the demand. A common factor creating demand among the whole customer base is the growing need for higher speed, higher quality and secure data transfer. Due to the technology competence accrued over time and long history in developing mobile communication solutions, Bittium is in a good position to offer customized solutions for its customers.

The following factors are expected to create demand for Bittium's products and services in 2016 and beyond:

- In the mobile infrastructure equipment market the implementation of LTE technology continues to create demand for services in the LTE base station development. There is a wide range of frequencies allocated for LTE globally thus creating the need to develop multiple products to cover the market and creating demand for the R&D services for development of product variants. Also the growing amount of data transfer creates need for smaller base stations for increasing the data transfer capacity of a LTE network. The general cost savings of the mobile infrastructure equipment companies is reflected as increasing price competition in the R&D services. Despite of Bittium's R&D services being competitive, the demand is expected to slightly decrease during 2016.
- The trend of using new commercial technologies, such as LTE, smartphones and applications, is expected to continue in special verticals such as public safety and cyber security creating demand for Bittium Tough Mobile secure LTE smartphone and customized special terminals based on Bittium's own product platform. The sale of the terminal products is expected to develop moderately according to the nature of authorities markets.
- Secure IoT (Internet of Things) has become a significant development area in many industries. The need for Bittium's IoT services and customized solutions is generated by the increasing need of companies to bring connected devices for demanding industrial or consumer usage, such as various devices, that collect information through the device sensors and connect the device securely to the internet and cloud services.
- In the tactical communication market in the defense sector the government's defense forces and other authorities need networks that increasingly moving troops can use for transferring growing amounts of data securely. This creates demand for Bittium's TAC WIN broadband network and other Bittium's IP-based (Internet Protocol) tactical communications solutions. Due to the long sales cycles driven by purchasing programs of national governments, it takes years to receive significant purchase orders. Bittium continues its efforts to bring its defense market targeted products and services also to the international defense markets and aims at pilot deliveries of its tactical communication system for customers abroad during 2016.
- Using public network connections in portable devices is growing also in demanding professional use, such as in the public sector. This creates requirements for network connections to be easy to use and secure. The products in the Bittium SafeMove product family enable the ease of use of the devices and security in demanding use.

Risks and uncertainties

Bittium has identified a number of business, market and finance related risk factors and uncertainties that can affect the level of sales and profits.

Market risks

In the ongoing financial period, global economic uncertainty may affect the demand for Bittium's services, solutions and products and provide pressure on e.g. pricing. In the short term such uncertainty may affect, in particular, the utilization and chargeability levels and average hourly prices of R&D services.

As Bittium's customer base consists mainly of companies operating in the field of telecommunication and defense and other authorities, the company is exposed to market changes in these industries. A significant part of Bittium's net sales accumulates from selling R&D services to a certain mobile communications equipment manufacturer and from selling products and R&D services to the Finnish Defence Forces. Deviation in anticipated business development with such customer concentrations may translate as a significant deviation in the Bittium's outlook, both in terms of net sales and operating result, during the ongoing financial period and thereafter. Bittium seeks to expand its customer base on a longer term and reduce dependence on individual companies and hence the company will thereby be mainly affected by the general business climate in these industries. The more specific market outlook has been presented in this Financial Statement Bulletin in "Market outlook" section.

Business related risks

Bittium's operative business risks are mainly related to following items: uncertainties and short visibility on customers' product program decisions, their make or buy decisions and on the other hand, their decisions to continue, downsize or terminate current product programs, execution and management of large customer projects, ramping up and down project resources, availability of personnel in labor markets, accessibility on commercially acceptable terms and on the other hand successful utilization of the most important technologies and components, competitive situation and potential delays in the markets, timely closing of customer and supplier contracts with reasonable commercial terms, delays in R&D projects, realization of expected return on capitalized R&D investments, obsolescence of inventories and technology risks in product development causing higher than planned R&D costs. Revenues expected to come from either existing or new products and customers include normal timing risks. Bittium has certain significant customer projects and deviation in their expected continuation could result also significant deviations in the company's outlook. In addition there are typical industry warranty and liability risks involved in selling Bittium's services, solutions and products.

Bittium's product delivery business model faces such risks as high dependency on actual product volumes, timing risks and potential delays in the markets. The above-mentioned risks may manifest themselves as lower amounts of products delivered or higher costs of production, and ultimately, as lower profit. Bringing Bittium's products to international defense and other authorities markets may take longer than anticipated because the projects are typically long and the purchasing programs are prepared in the lead of national governments and within the available financing. Once a supplier has been selected, product deliveries are typically executed over several years.

Some of Bittium's businesses operate in industries that are heavily reliant on patent protection and therefore face risks related to management of intellectual property rights, on the one hand related to accessibility on commercially acceptable terms of certain technologies in the Bittium's products and services, and on the other hand related to an ability to protect technologies that Bittium develops or licenses from others from claims that third parties' intellectual property rights are infringed. Additionally, parties outside of the industries operate actively in order to protect and commercialize their patents and therefore in their part increase the risks related to the management of intellectual property rights. At worst, claims that third parties' intellectual property rights are infringed, could lead to substantial liabilities for damages. In addition, the progress of the customer projects and delivery capability may be also affected by potential challenges in global accessibility of key technologies and components on commercially acceptable terms, as well as by the acceptance of the necessary export licenses. The company changed its name to Bittium Corporation as of July 1, 2015 and started using the new trademark. The registration and the use of the new trademark can include customary risks involved in taking in use a new trademark.

Financing risks

Global economic uncertainty may lead to payment delays, increase the risk for credit losses and weaken the availability and terms of financing. To fund its operations, Bittium relies mainly on income from its operative business and may from time to time seek additional financing from selected financial institutions. Currently Bittium has a committed overdraft credit facility agreement of EUR 10.0 million with Nordea Bank Finland Plc and a committed overdraft credit facility agreement of EUR 10.0 million with Pohjola Bank Plc. These agreements meant for general financing needs are valid until June 30, 2017. These agreements include customary covenants related to, among other things, equity ratio, transferring property and pledging. There is no assurance that additional financing will not be needed in

case of clearly weaker than expected development of Bittium's businesses. Customer dependency in some parts of Bittium's business may translate as an accumulation of risk with respect to outstanding receivables and ultimately with respect to credit losses.

Statement of financial position and financing

The figures presented in the statement of financial position of December 31, 2015, are compared with the statement of the financial position of December 31, 2014 (MEUR).

	31.12.2015	31.12.2014
Non-current assets	14.4	48.8
Current assets	145.0	118.0
Total assets	159.4	166.8
Share capital	12.9	12.9
Other capital	124.6	80.5
Total equity	137.6	93.4
Non-current liabilities	2.0	7.6
Current liabilities	19.8	65.8
Total equity and liabilities	159.4	166.8
Cash flow of the review period :		
	1-12/2015	1-12/2014
+ profit of the period +/- Adjustment of accrual basis items	12.2	27.4
+/- Change in net working capital	-6.2	-12.1
- interest, taxes and dividends	-3.9	-4.7
= net cash from operating activities	2.1	10.5
- net cash from investing activities	579.6	-9.2
- net cash from financing activities	-502.2	-1.0
= net change in cash and cash equivalents	79.5	0.3

Net cash from operating activities includes operative cash flows generated by the Automotive business during first half of the year. Net cash from investing activities includes cash flows related to the sale of the Automotive business on the third quarter of the year. The net cash flow from financing activities includes the cash flow of EUR -493.5 million resulting from the repurchasing of own shares in the voluntary public tender offer during fourth quarter. Altogether the proceeds and costs resulting from the sale of the Automotive business have approximately EUR 585.2 million positive effect on the cash flows of the review period.

The amount of gross investments in the period under review was EUR 7.4 million including EUR 1.8 million investments related to acquisitions. Net investments for the reporting period totaled EUR 7.4 million. The total amount of depreciation during the period under review was EUR 2.5 million. The amount of interest-bearing debt of continuing operations, including finance lease liabilities, was at the end of the reporting period EUR 1.4 million (EUR 8.3 million on December 31, 2014). Bittium's equity ratio at the end of the period was 90.5 % (62.3 % on December 31, 2014). The high equity ratio is significantly affected by the proceeds generated from the sale of the Automotive business.

Cash and other liquid assets at the end of the reporting period were EUR 122.8 million (EUR 43.3 million on December 31, 2014).

Bittium has a EUR 10 million credit facility agreement with Nordea Bank Finland Plc. and a EUR 10 million credit facility agreement with Pohjola Bank Plc. These agreements are intended for general financing purposes and they are valid until June 30, 2017. These agreements include conventional covenants and covenants related to transfer of assets were breached at the sale of the Automotive business on July 1, 2017. The banks have informed Bittium that they will not use their rights to terminate credit facility agreements related to the sale of the Automotive business. At the end of the review period, EUR 0.0 million of these facilities were in use.

Bittium follows a hedging strategy that objective is to ensure the business margins in changing market circumstances by minimizing the influence of exchange rates. According to hedging strategy principles, the agreed customer commitments' net cash flow in the currency is hedged. The net cash flow is determined on the basis of accounts receivable, accounts payable, order book and budgeted net currency cash flow. The hedged foreign currency exposure was equivalent to EUR 2.5 million at the end of the review period.

Personnel

The Bittium group employed an average of 511 people in continuing operations between January and December 2015. At the end of December, the company had 517 employees (474 employees in continuing operations at the end of 2014). A significant part of Bittium's personnel are R&D engineers.

Changes in the company's management

On August 6, as a result from the sale of the Automotive business on July 1, 2015, the Board of Directors of Bittium Corporation decided upon nominations and changes in the company's management. Hannu Huttunen, M.Sc. (Econ.) was appointed CEO of Bittium Corporation as of August 7, 2015. The contract of Bittium's then current CEO Jukka Harju terminated on August 6, 2015 by mutual consent, and he did not continue at Bittium after August 2015.

The corporate functions and Wireless Business Segment's functions were also merged and the following persons made the company's new management team as of August 7: Hannu Huttunen, CEO (chairman); Veli-Pekka Paloranta, CFO; Kari Jokela, CLO; Jari Sankala, Senior Vice President, Sales; Karoliina Fyrstén, Director, Corporate Communications and Marketing, heads of product and services areas: Harri Romppainen, Vice President, Defense; Klaus Mäntysaari, Vice President, Telecom; and Sami Kotkajuuri, Vice President, Connectivity; Jari-Pekka Innanen, Vice President, Engineering and Arto Pietilä, Senior Vice President, Operations.

CFO Veli-Pekka Paloranta decided to move to another company in November 2015 and resigned from Bittium. He continued as Bittium's CFO until November 2015. M.Sc.(econ.) LL.M. Pekka Kunnari was appointed as CFO of Bittium Corporation as of beginning of November 2015.

It was also decided that the Board of Directors of the Wireless Business Segment is discontinued, since Bittium focuses on one business and there was no need for another board in addition to the Board of Directors of Bittium Corporation.

Flagging notifications

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Kai Hilden in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Eero Halonen in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Erkki Veikkolainen in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Juha Hulkko in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 28, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Jukka Harju in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

Events after the review period

The company does not have any significant events after the review period.

Proposal by the Board of Directors on the use of the profit shown on the balance sheet and the payment of the dividend

According to the parent company's balance sheet at December 31, 2015, the distributable assets of the parent company are EUR 138,114,372.94 of which the profit of the financial year is EUR 545,603,673.88.

The Board of Directors proposes that the Annual General Meeting to be held on April 19, 2016 resolve to pay EUR 0.05 per share as dividend from the profit of the financial period based on the adopted balance sheet for the financial period of January 1, 2015 – December 31, 2015 and EUR 0.25 per share as additional dividend. The dividend will be paid to the shareholders who are registered as shareholders in the company's register of shareholders as maintained by Euroclear Finland Ltd on the dividend record date, April 21, 2016. The Board of Directors proposes that the dividend be paid on April 28, 2016.

There have not been any substantial changes in the company's financial position after the financial year. Company has good liquidity and according to the Board of Directors, the proposed distribution of profits does not danger company's solvency.

Annual General Meeting and Annual Report

Bittium Corporation's Annual General Meeting will be held on Tuesday, April 19, 2016, at 1 pm (CET+1) at the University of Oulu, Saalastinsali, Pentti Kaiteran katu 1, 90570 Oulu, Finland. Bittium Corporation's Annual Report, including the Annual Accounts, the report by the Board of Directors and the Auditor's report as well as Corporate Governance Statement, is available on the company's website no later than on Wednesday, March 23, 2016.

Oulu, February 18, 2016

Bittium Corporation
The Board of Directors

Further Information:

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Pekka Kunnari
CFO
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Distribution:

NASDAQ OMX Helsinki
Major media

Bittium Corporation Condensed Financial Statements and Notes January – December 2015

The consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS). The Financial Statement of 2015 has been audited and the auditing report has been dated on February 17, 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-12/2015	1-12/2014
Continuing operations	12 months	12 months
NET SALES	56.8	52.7
Other operating income	1.4	1.6
Change in work in progress and finished goods		
Work performed by the undertaking for its own purpose and capitalized	0.2	0.0
Raw materials	-5.5	-6.8
Personnel expenses	-30.3	-28.6
Depreciation	-2.5	-2.3
Other operating expenses	-17.8	-15.8
OPERATING PROFIT (LOSS)	2.3	0.8
Financial income and expenses	-0.2	-0.2
PROFIT BEFORE TAX	2.1	0.6
Income tax	0.2	0.7
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	2.3	1.3
Discontinued operations		
Profit for the year from discontinued operations	539.0	11.2
PROFIT FOR THE PERIOD	541.3	12.5
Other comprehensive income:		
Items that will not be reclassified to statement of income		
Re-measurement gains (losses) on defined benefit plans		-0.8
Income tax effect		0.2
Items that may be reclassified subsequently to the statement of income		
Exchange differences on translating foreign operations	0.1	0.9
Other comprehensive income for the period total	0.1	0.4

TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	541.5	12.9
Profit for the year attributable to		
Equity holders of the parent	541.3	12.5
Non-controlling interests		
Total comprehensive income for the period attributable to		
Equity holders of the parent	541.5	12.9
Non-controlling interests		
Earnings per share from continuing operations, EUR		
Basic earnings per share	0.020	0.010
Diluted earnings per share	0.020	0.010
Earnings per share from discontinued operations, EUR		
Basic earnings per share	4.687	0.086
Diluted earnings per share	4.685	0.085
Earnings per share from continuing and discontinued operations, EUR		
Basic earnings per share	4.708	0.096
Diluted earnings per share	4.706	0.095
Average number of shares, 1000 pcs	114 983	130 975
Average number of shares, diluted, 1000 pcs	115 037	131 663

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)

	Dec. 31, 2015	Dec. 31, 2014
ASSETS		
Non-current assets		
Property, plant and equipment	4.1	10.7
Goodwill	1.4	19.3
Intangible assets	7.6	17.0
Other financial assets	0.1	0.1
Deferred tax assets	1.2	1.7
Non-current assets total	14.4	48.8
Current assets		
Inventories	2.2	2.2
Trade and other receivables	20.0	72.5
Financial assets at fair value through profit or loss	66.1	21.0
Cash and short term deposits	56.8	22.3
Current assets total	145.0	118.0
TOTAL ASSETS	159.4	166.8

EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	12.9	12.9
Invested non-restricted equity fund	25.9	25.1
Translation difference	1.2	1.5
Retained earnings	97.5	53.8
Non-controlling interests		
Total equity	137.6	93.4
Non-current liabilities		
Deferred tax liabilities	0.1	0.5
Pension obligations		3.0
Provisions	1.1	0.2
Interest-bearing liabilities	0.7	3.8
Non-current liabilities total	2.0	7.6
Current liabilities		
Trade and other payables	17.9	58.5
Financial liabilities at fair value through profit or loss		0.2
Provisions	1.2	2.6
Interest-bearing loans and borrowings	0.7	4.5
Current liabilities total	19.8	65.8
Total liabilities	21.8	73.4
TOTAL EQUITY AND LIABILITIES	159.4	166.8

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)	1-12/2015	1-12/2014
	12 months	12 months
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year from continuing operations	2.3	1.3
Profit for the year from discontinued operations	539.0	11.2
Adjustment of accrual basis items	-529.1	14.9
Change in net working capital	-6.2	-12.1
Interest paid on operating activities	-1.6	-1.3
Interest received from operating activities	0.9	0.4
Other financial income and expenses, net received	0.0	0.0
Income taxes paid	-3.2	-3.8
NET CASH FROM OPERATING ACTIVITIES	2.1	10.5
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of business unit, net of cash sold	588.2	

Acquisition of business unit, net of cash acquired	-1.8	
Purchase of property, plant and equipment	-2.5	-3.6
Purchase of intangible assets	-4.3	-5.7
Sale of property, plant and equipment	0.0	0.1
Sale of intangible assets	0.1	
Proceeds from sale of investments		0.0
NET CASH FROM INVESTING ACTIVITIES	579.6	-9.2
CASH FLOW FROM FINANCING ACTIVITIES		
Share-option plans exercised	0.8	0.6
Proceeds from borrowing	14.6	19.4
Repayment of borrowing	-17.5	-16.6
Payment of finance liabilities	-1.3	-1.8
Dividend paid and repayment of capital	-5.3	-2.6
Purchase of own shares incl. transaction costs	-493.5	
NET CASH FROM FINANCING ACTIVITIES	-502.2	-1.0
NET CHANGE IN CASH AND CASH EQUIVALENTS	79.5	0.3
Cash and cash equivalents at beginning of period	43.3	43.0
Cash and cash equivalents at end of period	122.8	43.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

A = Share capital

B = Invested non-restricted equity fund

C = Translation difference

D = Retained earnings

E = Non-controlling interests

F = Total equity

	A	B	C	D	E	F
Shareholders equity on Jan. 1, 2014	12.9	24.5	0.6	43.7		81.7
Comprehensive income for the period						
Profit for the period				12.5		12.5
Re-measurement gains (losses) on defined benefit plans (IAS 19)				-0.5		-0.5
Exchange differences on translating foreign operations			0.9			0.9
Total comprehensive income for the period			0.9	12.0		12.9

Transactions between the shareholders					
Distribution of dividend				-2.6	-2.6
Share option plans exercised		0.6			0.6
Share-related compensation				0.1	0.1
Total transactions between the shareholders		0.6		-2.5	-2.0
Other changes				0.7	0.7
Shareholders equity on Dec. 31, 2014	12.9	25.1	1.5	53.8	93.4

	A	B	C	D	E	F
Shareholders equity on Jan. 1, 2015	12.9	25.1	1.5	53.8		93.4
Comprehensive income for the period						
Profit for the period				541.3		541.3
Exchange differences on translating foreign operations			0.1			0.1
Total comprehensive income for the period			0.1	541.3		541.5
Transactions between the shareholders						
Distribution of dividend				-5.3		-5.3
Share option plans exercised		0.8				0.8
Share-related compensation				0.1		0.1
Purchase of own shares incl. transaction costs				-493.5		-493.5
Total transactions between the shareholders		0.8		-498.8		-497.9
Other changes			-0.5	1.1		0.6
Shareholders equity on Dec. 31, 2015	12.9	25.9	1.2	97.5		137.6

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS:

The consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS).

SEGMENT-INFORMATION (MEUR)

Bittium Corporation does not have segments that require reporting according to IFRS 8 standard.

NET SALES OF GEOGRAPHICAL AREAS (MEUR)

	1-12/2015	1-12/2014
	12 months	12 months
Net sales		

Europe	48.3	49.8
Americas	8.3	2.5
Asia	0.2	0.4
Net sales total	56.8	52.7

RELATED PARTY TRANSACTIONS	1-12/2015 12 months	1-12/2014 12 months
Employee benefits for key management and stock options expenses total, continuing operations	1.6	1.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR) Continuing operations	10-12/2015 3 months	7-9/2015 3 months	4-6/2015 3 months	1-3/2015 3 months	10-12/2014 3 months
NET SALES	15.2	11.1	15.3	15.1	16.1
Other operating income	0.4	0.3	0.4	0.3	0.5
Change in work in progress and finished goods	0.0	0.0	0.0	0.0	0.0
Work performed by the undertaking for its own purpose and capitalized	0.1	0.0	0.0	0.1	0.0
Raw materials	-0.9	-0.8	-1.4	-2.4	-2.1
Personnel expenses	-8.4	-6.5	-7.8	-7.7	-7.5
Depreciation	-0.8	-0.6	-0.6	-0.6	-0.5
Other operating expenses	-4.8	-3.6	-5.0	-4.4	-4.8
OPERATING PROFIT (LOSS)	0.8	0.0	1.0	0.5	1.8
Financial income and expenses	0.1	0.1	-0.2	-0.1	-0.2
PROFIT BEFORE TAX	0.9	0.1	0.8	0.4	1.6
Income tax	0.2	0.0	-0.0	-0.0	0.7
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	1.1	0.1	0.8	0.4	2.4
Discontinued operations					
Profit for the period from discontinued operations	0.6	534.6	2.3	1.5	4.0
PROFIT FOR THE PERIOD	1.7	534.7	3.1	1.8	6.4
Other comprehensive income	0.0	-0.7	-0.5	1.2	-0.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1.7	534.0	2.6	3.1	6.3
Profit for the period attributable to:					
Equity holders of the parent	1.7	534.7	3.1	1.8	6.4
Non-controlling interests					

Total comprehensive income for the period attributable to:					
Equity holders of the parent	1.7	534.0	2.6	3.1	6.3
Non-controlling interests					

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
ASSETS					
Non-current assets					
Property, plant and equipment	4.1	3.8	3.9	10.8	10.7
Goodwill	1.4	1.4	1.4	20.6	19.3
Intangible assets	7.6	7.2	6.7	18.2	17.0
Other financial assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.2	0.9	0.9	1.5	1.7
Non-current assets total	14.4	13.5	13.1	51.3	48.8
Current assets					
Inventories	2.2	1.4	1.8	1.6	2.2
Trade and other receivables	20.0	15.1	22.0	69.0	72.5
Financial assets at fair value through profit or loss	66.1	65.8	15.9	21.1	21.0
Cash and short term deposits	56.8	551.7	6.2	29.4	22.3
Current assets total	145.0	634.0	45.8	121.1	118.0
Assets classified as held for sale			117.3		
TOTAL ASSETS	159.4	647.5	176.2	172.4	166.8
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	12.9	12.9	12.9	12.9	12.9
Invested non-restricted equity fund	25.9	25.9	25.8	25.6	25.1
Translation difference	1.2	1.2	2.3	2.8	1.5
Retained earnings	97.5	589.3	53.5	55.7	53.8
Non-controlling interests					
Total equity	137.6	629.3	94.5	97.0	93.4
Non-current liabilities					
Deferred tax liabilities	0.1	0.1	0.1	0.8	0.5
Pension obligations				3.0	3.0
Provisions	1.1	1.2	0.2	0.2	0.2

Interest-bearing liabilities	0.7	0.7	3.7	4.1	3.8
Non-current liabilities total	2.0	2.0	1.0	8.1	7.6
Current liabilities					
Trade and other payables	17.9	13.5	16.4	59.9	58.5
Financial liabilities at fair value through profit or loss			0.0	0.2	0.2
Provisions	1.2	2.0	2.2	2.7	2.6
Interest-bearing loans and borrowings	0.7	0.7	6.7	4.6	4.5
Current liabilities total	19.8	16.2	25.2	67.4	65.8
Total liabilities	21.8	18.2	26.2	75.4	73.4
Liabilities classified as held for sale			55.4		
TOTAL EQUITY AND LIABILITIES	159.4	647.5	176.2	172.4	166.8

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	10-12/2015	7-9/2015	4-6/2015	1-3/2015	10-12/2014
	3 months	3 months	3 months	3 months	3 months
Net cash from operating activities	0.3	3.1	-12.2	10.9	5.4
Net cash from investing activities	-1.2	587.4	-2.5	-4.1	-2.6
Net cash from financing activities	-493.8	-14.9	6.1	0.4	-0.2
Net change in cash and cash equivalents	-494.7	575.5	-8.6	7.3	2.5

FINANCIAL PERFORMANCE RELATED RATIOS	1-12/2015	1-12/2014
	12 months	12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)		
Net sales	56.8	52.7
Operating profit (loss)	2.3	0.8
Operating profit (loss), % of net sales	4.1	1.5
Profit before taxes	2.1	0.6
Profit before taxes, % of net sales	3.7	1.2
Profit for the period from continuing operations	2.3	1.3
PROFITABILITY AND OTHER KEY FIGURES		
Interest-bearing net liabilities, (MEUR)	-121.4	-35.0
Net gearing, -%	-88.2	-37.4
Equity ratio, %	90.5	62.3
Gross investments, (MEUR)	7.4	4.5
Average personnel during the period, continuing operations	511	486
Personnel at the period end, continuing operations	517	474
Average personnel during the period, discontinued operations		1222

Personnel at the period end, discontinued operations		1330
Average personnel during the period, jointly owned company - discontinued operations		380
Personnel at the period end, jointly owned company - discontinued operations		431

AMOUNT OF SHARE ISSUE ADJUSTMENT (1,000 pcs)	Dec. 31, 2015	Dec. 31, 2014
At the end of period	35 600	131 493
Average for the period	114 983	130 975
Average for the period diluted with stock options	115 015	131 663

STOCK-RELATED FINANCIAL RATIOS (EUR)	1-12/2015 12 months	1-12/2014 12 months
Earnings per share from continuing operations, EUR		
Basic earnings per share	0.020	0.010
Diluted earnings per share	0.020	0.010
Earnings per share from discontinued operations, EUR		
Basic earnings per share	4.687	0.086
Diluted earnings per share	4.685	0.085
Earnings per share from continuing and discontinued operations, EUR		
Basic earnings per share	4.708	0.096
Diluted earnings per share	4.706	0.095
Equity *) per share	3.86	0.71
*) Equity attributable to equity holders of the parent		

MARKET VALUES OF SHARES (EUR)	1-12/2015 12 months	1-12/2014 12 months
Highest	7.80	3.83
Lowest	3.27	2.30
Average	4.92	2.85
At the end of period	7.01	3.36
Market value of the stock, (MEUR)	249.6	441.8
Trading value of shares, (MEUR)	837.1	188.0
Number of shares traded, (1,000 pcs)	169 993	66 019

Related to average number of shares %	147.8	50.4
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SECURITIES AND CONTINGENT LIABILITIES (MEUR)	Dec. 31, 2015	Dec. 31, 2014
AGAINST OWN LIABILITIES		
Floating charges	3.0	1.0
Guarantees	3.7	6.4
Rental liabilities		
Falling due in the next year	2.3	7.2
Falling due after one year	2.3	13.0
Other contractual liabilities		
Falling due in the next year	2.2	2.1
Falling due after one year	0.4	0.7
Mortgages are pledged for liabilities totaled	0.0	2.6

NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	Dec. 31, 2015	Dec. 31, 2014
Foreign exchange forward contracts		
Market value	0.1	-0.1
Nominal value	2.5	3.0
Purchased currency options		
Market value		0.0
Nominal value		5.0
Sold currency options		
Market value		-0.1
Nominal value		10.0