Bittium Corporation Interim Financial Statements 1.7.2015

Bittium Group interim financial statements, IFRS
Jan 1, 2015 - July 1, 2015
Bittium Corporation interim financial statements, FAS
Jan 1, 2015 - July 1, 2015

Bittium Interim Financial Statements 1.7.2015

Report by the Board of Directors of Bittium Corporation

1.1.-1.7.2015

Report by the Board of Directors of interim period 1.1.-1.7.2015

In these interim financial statements Wireless business and corporate functions are reported as continuing operations and the Automotive business, sold on July 1, 2015, as discontinuing operations. Cash flow includes both continuing and discontinuing operations. Comparison data presented for continuing operations is from period 1-6 2014.

Changing the name from Elektrobit Corporation to Bittium Corporation became in force on July 1, 2015. In these interim financial statements the name Bittium is also used in the events before the name change.

Interim financial period 1.1.-1.7.2015 in short

Net sales grew and operating profit improved from the previous year

Bittium's net sales during 1.1.-1.7.2015 grew by 14.4 per cent year-on-year to EUR 30.4 million (EUR 26.6 million, 1-6 2014). The growth in net sales was mainly driven by the deliveries of special terminal products and related sales of R&D services.

The share of the product-based net sales was EUR 8.8 million (EUR 5.9 million, 1-6 2014), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from the delivery of special terminal products for the authority use to international customers.

Operating profit was EUR 1.5 million, including the costs of EUR 0.4 million resulting from the name change of the company (operating loss of EUR -2.1 million, 1-6 2014). The operating result improved from the previous year due to the growth in net sales and improved gross margin.

Significant events during the interim period

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

On May 19, Bittium Corporation (former Elektrobit Corporation) announced 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 per cent 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 will 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 Automotive business will materialize in the beginning of July.

The Extraordinary General Meeting of Bittium Corporation (former Elektrobit Corporation), which was held on June 11, 2015, approved the sale of 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'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 will continue to carry on its Wireless business and will continue 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 on. It is estimated that the transaction has a non-recurring positive effect of approximately EUR 532 million on net profit and approximately EUR 584 million positive effect on net cash flow of the Bittium group in the year 2015.

Bittium updated its strategic guidelines and outlook for 2015 due to the sale of the Automotive business and the change of the company name on July 1, 2015.

Other significant events

A total of 1 047 881 new shares in Bittium Corporation (former Elektrobit Corporation) were subscribed between December 15, 2014 and June 6, 2015 by virtue of the option rights 2008B and 2008C. The share subscription price, EUR 656,345.35, was recorded in the Company's invested non-restricted equity fund. The corresponding increase in the number of the Company's shares was entered into the Finnish Trade Register on February 6, April 14, and June 24, 2015. Trading with the newly registered shares started on February 9, April 15, and June 25, 2015 in NASDAQ OMX Helsinki Ltd. After the registration of the new shares, the number of shares in Elektrobit Corporation's totals 132,541,025.

On January 2, 2015 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 with 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 defence, safety and other authorities markets. Birdstep Technology Oy's (SafeMove Oy from 2nd of January 2015 onwards) net sales was EUR 2.5 million in 2013 and in January-September 2014 EUR 2.1 million. The company employs 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 Elektrobit Corporation's Wireless Business Segment will be transferred to Bittium Corporation, a new entity to be that will be listed at Nasdaq Helsinki. The Automotive Business Segment remains as a part of the then Elektrobit Corporation, which will continue its listing at Nasdaq Helsinki. The partial demerger will need to be approved by an extraordinary general meeting, which was planned to be held on June 11, 2015. The planned effective date for the demerger was June 30, 2015.

On April 29, 2015 a notice has been given to the shareholders of Bittium Corporation to an Extraordinary General Meeting to be held on Thursday, 11 June 2015 at 1 pm. at the University of Oulu, Saalastinsali, at the address Pentti Kaiteran katu 1, 90570 Oulu, Finland.

On May 2, 2015 Bittium Corporation announced that its subsidiary and the Ministry of Mexican Communication and Transportation (Secreteria de Comunicaciones y Transportes, SCT) 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) with revenues will be recognized gradually in 2015 and 2016 depending on the progress of the development work. More than half of the contract value is expected to be recognized as revenue during 2016.

Financial development during the interim period

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR	1.1.- 1.7.2015	1-6 2014 6 months
CONTINUING OPERATIONS		
Net sales	30.4	26.6
Operating profit / loss	1.5	-2.1
Financial income and expenses	-0.3	-0.2
Result before tax	1.1	-2.2
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	1.2	-2.3
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS	538.1	5.8
RESULT FOR THE PERIOD	539.2	3.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	539.4	3.8
Result for the period attributable to:		
Equity holders of the parent	539.2	3.6
Non-controlling interests		
Total comprehensive income for the period attributable to:		
Equity holders of the parent	539.4	3.8
Non-controlling interests		
Earnings per share from continuing operations, EUR	0.009	-0.017

- Cash flow from operating activities was EUR -1.2 million (EUR -15.4 million, 1-6 2014). The cash flow includes the cash flows of the Automotive business.
- Net cash flow was EUR 578,8 million (EUR -12.1 million, 1-6 2014). Net cash flow includes the dividend payment of EUR 5.3 million in April and the cash flows of the sold Automotive business.
- Equity ratio was 96.0 % (61.7 %, June 30, 2014).
- Net gearing was -97.8 % (-20.6 %, June 30, 2014).

Quarterly figures

GROUPS NET SALES AND OPERATING RESULT, CONTINUING OPERATIONS, MEUR	2Q 15	1Q 15	4Q 14	3Q 14	2Q 14
Net sales	15.3	15.1	16.1	10.0	12.4
Operating profit (loss)	1.0	0.5	1.8	1.1	-1.1
Operating profit (loss) without non-recurring costs	1.0	0.5	2.4	-0.1	-1.1
Result before taxes	0.8	0.4	1.6	1.2	-1.3
Result for the period	0.8	0.4	2.4	1.2	-1.3

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 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 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 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 %	2Q 15	1Q 15	4Q 14	3Q 14	2Q 14
Asia	0.1 0.6 %	0.0 0.2 %	0.2 1.5 %	0.0 0.0 %	0.0 0.3 %
Americas	0.8 5.2 %	2.1 14.2 %	0.6 3.5 %	0.7 6.6 %	0.2 1.5 %
Europe	14.4 94.2 %	13.0 85.6 %	15.3 94.9 %	9.3 93.3 %	12.2 98.2 %

Business development during the interim period

On January 2, 2015 Bittium strengthened the competitiveness of Bittium as a provider of secure communication solutions for defense, safety and other authorities markets by acquiring the SafeMove business from Birdstep Technology ASA, based in Norway. The acquired Birdstep Technology Oy provides its customers high quality information security solutions for mobile devices and portable computers. Bittium's product portfolio expanded from the existing information secure device solutions with the protection of data communications. SafeMove software can be utilized in several Bittium's products and product platforms, such as in Bittium Tough Mobile secure smart phone and in Bittium IoT Device Platform as well as in defence products. The debt free cash purchase price was EUR 1.8 million. The acquisition has no significant impact on Bittium's balance sheet, net sales and financial position.

In February, Bittium announced to have integrated an information security solution to its Bittium IoT Device Platform that enables secure connectivity from the IoT device to the customer's cloud services. The Bittium IoT Device Platform, launched in November, is a compact and powerful platform, which enables development of different kind of products that have wireless connectivity and various sensors for the Wearable, Healthcare, Machine-to-Machine communication and Industrial Internet markets. The integrated security software protects the IoT devices from network attacks and secures connections between the devices and services. This comprehensive solution enables building a secure, wireless sensor network in industry, healthcare as well as in smart buildings.

Bittium aims at bringing its products to the global defense and other authority markets and continued its sales and marketing efforts and R&D investments into these markets. During the first quarter Bittium participated in several exhibitions showcasing its tactical communication products and solutions, secure Bittium Tough Mobile LTE smartphone, Bittium IoT Device Platform and Bittium SafeMove software. These trade fairs were IDEX 2015 in Abu Dhabi, United Arab Emirates, Mobile World Congress 2015 in Barcelona, Spain, UK Health Week 2015 in London, CeBIT 2015 in Hannover, Germany, and Mobile Government Summit 2015 conference in London, England.

The demand for Bittium's R&D services for mobile infrastructure customers continued as stable during the second quarter of the year. The demand was driven by the use of LTE technology and the need to develop low power and micro base stations. Also the demand for Bittium's R&D services in IoT (Internet of Things) markets remained as stable.

In April, a subsidiary of Bittium Corporation and Ministry of Mexican Communication and Transportation (Secreteria de Comunicaciones y Transportes, SCT) have signed an agreement regarding the development of three types of android-based L-band mobile devices for their Mexsat program. The value of this development agreement is approximately USD 21.9 million. The development work of the products was started during the second quarter of the year which also increased the net sales of the quarter.

Statement of financial position and financing

The figures presented in the statement of financial position of July 1, 2015, are compared with the statement of the financial position of December 31, 2014 (MEUR).

	1.7.2015	31.12.2014
Non-current assets	13.0	48.8
Current assets	645.9	118.0
Total assets	658.8	166.8
Share capital	12.9	12.9
Other capital	615.8	80.5
Total equity	628.8	93.4
Non-current liabilities	2.0	7.6
Current liabilities	28.0	65.8
Total equity and liabilities	658.8	166.8

Cash flow of the review period :	1.1.-1.7.2015	1-12/2014
+ profit of the period +/- Adjustment of accrual basis items	13.0	27.4
+/- Change in net working capital	-10.6	-12.1
- interest, taxes and dividends	-3.6	-4.7
= net cash from operating activities	-1.2	10.5
- net cash from investing activities	581.7	-9.2
- net cash from financing activities	-1.7	-1.0
= net change in cash and cash equivalents	578.8	0.3

The increase in net working capital during the review period resulted mainly from the increase in non-interest bearing receivables in the Automotive business. Net cash from investing activities include cash flows caused from the sale of the Automotive business.

The amount of gross investments in the period under review was EUR 5.2 million including EUR 1.7 million investments related to acquisitions. Net investments for the reporting period totaled EUR 5.2 million. The total amount of depreciation during the period under review was EUR 1.2 million. The amount of interest-bearing debt, including finance lease liabilities, at the end of the reporting period was EUR 7.4 million (EUR 8.3 million on December 31, 2014).

Bittium's equity ratio at the end of the period was 96.0% (62.3 % on December 31, 2014).

Cash and other liquid assets at the end of the reporting period were EUR 622.1 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, intended for general financing purposes, are valid until June 30, 2017. At the end of the review period, EUR 6.0 million of these facilities was in use. Some covenants related to credit facility agreements were breached at the sale of the Automotive business but banks have informed Bittium that for the present they will not use their rights to terminate the agreements

Bittium follows a hedging strategy, the objective of which is to ensure the margins of business operations in changing market circumstances by minimizing the influence of exchange rates. In accordance with the hedging strategy, the agreed customer commitments net cash flow of the currency in question is hedged. The net cash flow is determined on the basis of sales receivables, payables, the order book and the budgeted net currency cash flow. The hedged foreign currency exposure at the end of the review period was equivalent to EUR 3.0 million.

Outlook for 2015

In this interim financial statements report the Wireless business and corporate functions are reported as continuing operations and the Automotive business, sold on July 1, 2015, is reported as discontinuing operations.

For the year 2015 Bittium expects that from continuing operations the net sales will grow and operating profit will be at the same level or higher than in the previous year for the Wireless business (net sales of EUR 53.0 million and operating profit of EUR 1.0 million in 2014).

The 2015 business outlook for the Wireless business remains unchanged. In the Wireless business, the demand for R&D services and products is expected to develop positively especially in the authority markets and in various applications where wireless connectivity is needed.

Due to the sale of the Automotive business, the continuing operations of Bittium will carry approximately EUR 1.0 million more of the costs of the corporate functions during the second half of year 2015, since these costs will no longer be shared with the Automotive business.

The operating profit outlook above does not include non-recurring profits and costs related to the sale of the Automotive business or the demerger process that has been cancelled. The non-recurring costs related to these events are included in the estimate of non-recurring items below resulting from the sale of the Automotive business.

Non-recurring items

The company specifies that the transaction is estimated to have approximately EUR 532 million positive non-recurring effect on Bittium's net profit for the full year 2015. This estimation includes both the proceeds from the sale of Automotive business and the costs related to this transaction and the costs related to the cancelled demerger process.

Risks and uncertainties regarding the outlook

More information about Bittium's market outlook is presented in the section "market outlook" in this interim financial statements.

More information about other uncertainties regarding the outlook is presented in this interim financial statements sections "Risks and uncertainties" and "Events after the review period", as well as 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 even higher speed and higher quality communications.

The following factors are expected to create demand for Bittium's products and services in 2015 and beyond:

- In the mobile infrastructure equipment market the use of LTE technology is expected to continue strong. This creates the need for services for 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 R&D services for development of product variants.
- The trend of using new commercial technologies, such as LTE, smart phones and applications, is expected to continue in special verticals such as public safety. The specific LTE frequency band allocations for authorities create demand for customized LTE devices, such as Bittium's specialized terminals, tablets and communication modules. Bittium Tough Mobile LTE smart phone creates the basis for new customer orders in the markets for public authorities and mobile safety phones.
- Due to the long history in developing smart phones and mobile communication devices, Bittium is in a good position to offer solutions, where e.g. mastering of multi-radio technologies and end-to-end system architectures covering both terminals and networks is needed.
- The demand for safety devices is expected to grow in the near future. Bittium SafeMove product family is expected to increase the performance and suitability in information security markets.
- IoT (Internet of Things) has become a significant development area in many industries. The need for R&D services for connected devices for business or consumer use, such as various wearable devices and solutions, implementing mobile applications and connected devices both with internet services as well as with other devices.

- In the tactical defense communication market the need for larger amounts of information data grows, generating demand for broadband networks, such as Bittium's IP (Internet Protocol) based tactical communications solutions.

The general cost savings of the mobile telecommunications network equipment companies is reflected as increasing price competition in the R&D services. Despite of that the demand for Bittium's R&D services is expected to remain steady during 2015. Bittium continues the product development related to the Finnish Defence Forces' management system in 2015, and expects to get initial sales from the global defense markets.

The defense, national security and other authority markets are slowly developing markets by their nature. They are characterized by long sales cycles driven by purchasing programs of national governments, and the purchases of the selected products take place over several years.

Research and development

Bittium continued its R&D investments in products and product platforms mainly for the defense and public safety markets.

The total R&D investments during the interim period were EUR 3.9 million (EUR 3.4 million, 1-6 2014), equaling to 12.8% of the net sales (12.7%, 1-6 2014).

EUR 2.0 million of R&D investments were capitalized (EUR 0.7 million, 1-6 2014). The amount of capitalized R&D investments at the end of interim period was EUR 4.4 million (EUR 0.9 million, June 30, 2014). A significant part of these capitalized R&D investments is related to the development of the Bittium Tough Mobile product. Depreciations of R&D investments were EUR 0.1 million during the reporting period (EUR 0.1 million, 1-6 2014).

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.

Bittium Corporation announced in its stock exchange release on May 2, 2015 that a subsidiary of Bittium Corporation and the Ministry of Mexican Communication and Transportation (Secreteria de Comunicaciones y Transportes, SCT) have signed an agreement regarding the development of three types of android-based L-band mobile devices for the SCT's Mexsat program. The development agreement contains termination conditions customarily applied in the industry, providing for example, SCT a possibility to terminate the agreement with a short notice by paying a ramp down fee. The development work comprises also typical risks related to fixed price projects, such as execution and management of the project in the agreed schedule and with the planned resources.

Bittium Corporation announced in its stock exchange release on May 19, 2015 that Bittium Corporation and Continental AG ("Continental") have signed a share purchase agreement, under which the company sold its Automotive business to Continental AG for EUR 600 million. On June 1, 2015, the Company announced that the transaction has been closed. The share purchase agreement contains customary representations and warranties by Bittium concerning its organization and business and includes e.g. a non-competition undertaking. At worst, breaches of the representations and warranties or undertakings could lead to considerable liabilities for damages towards Continental.

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 public safety 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 interim financial statements 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 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.

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. Covenants related to transferring property were breached at the sale of the Automotive business but banks have informed Bittum that for the present they will not use their rights to terminate the credit facility agreements. 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.

Personnel

The Bittium group employed an average of 509 people in continuing operations during the interim period. At the end of the interim period, the company had 516 employees (474 employees in continuing operations at the end of 2014). A significant part of Bittium's personnel are R&D engineers.

Environmental factors

Bittium's own business operations focus mostly on the design, assembly and marketing of products. This represents only a minor part of the environmental impacts over the entire life cycle of the products. Products manufactured by the Company have only minor general environmental impacts, since product manufacturing is not mass production.

Bittium has had ISO 14001 certified environment management system since 2001 concerning the current operations. Bittium is applying ISO 14001 standards for its business operations, the latest re-certification took place in 2013.

Bittium is monitoring globally the environmental requirements for products and derived national regulations to the extent that they are related to the group's operations. Bittium has also observed and applied the requirements of the ROHS (use of hazardous substances) and WEEE (recycling of electrical and electronic equipment) directives in design since 2002. Since 2009, the applied environmental standards and regulations in Bittium's operations have been consolidated as uniform Bittium substance list, applicable also to Bittium's significant suppliers. The substance list includes, in addition to the so called ROHS2 and REACH standards, the substance requirements applicable in different market areas against which identification of materials is made if needed. In addition materials declaration list observes certain customer specific requirements. During 2014, requirements were updated on a biannual basis and applied the proper environmental requirements to the products or solutions, in which Bittium has partial or total responsibility depending on the application scope. The imposed requirements will be observed in business operations on a country-specific basis.

Flagging notifications

There were no changes in ownership during the period under review that would have caused flagging notifications in accordance with the obligations for disclosure in Chapter 2, section 9 of the Securities Market Act.

Events after the review period

On August 6, 2015 the Board of Directors of Bittium Corporation has decided upon nominations and changes in the company's management. Hannu Huttunen, M.Sc. (Econ.) has been appointed CEO of Bittium Corporation as of August 7, 2015. The contract of Bittium's current CEO Jukka Harju terminates on August 6, 2015 by mutual consent, and he will not continue at Bittium after August 2015.

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 has decided to move to another company in November 2015 and has resigned from Bittium. He will continue as Bittium's CFO until November 2015. M.Sc. (econ.) LL.M. Pekka Kunnari has been appointed as CFO of Bittium Corporation as of beginning of November 2015. The Board of Directors of the Wireless Business Segment will be discontinued, since Bittium now focuses on one business and there is no need for another board in addition to the Board of Directors of Bittium Corporation.

On August 6, 2015 Bittium Corporation announced that it is planning 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. Technical analyses regarding the execution of the possible public tender offer are being continued and also other possible ways to carry out the distribution of funds are also being evaluated simultaneously, and at the moment there is no certainty on which distribution method the Board of Directors will propose to the Extraordinary General Meeting. The planned distribution of funds requires preparation of separate interim accounts, after the completion of which the Board of Directors is 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.

Decisions of the Extraordinary General Meeting

The Extraordinary General Meeting of Bittium Corporation (former Elektrobit Corporation), held on 11 June 2015, approved the sale of the company's Automotive Business to Continental AG in accordance with the proposal and recommendation of the Board of Directors. The Transaction would comprise the sale of Elektrobit Automotive GmbH and its subsidiaries, including its 51 per cent ownership in e.solutions GmbH, a jointly owned company between Elektrobit Automotive GmbH and Audi Electronics Venture GmbH. In addition, the rights to the name Elektrobit would transfer to Continental. The purchase price for the acquisition is EUR 600 million payable in cash and it was to be paid in full upon the closing of the Transaction.

The Extraordinary General Meeting also resolved to change section 1 of the company's Articles of Association and the name of the company. The implementation of the change of the name and the Articles of Association was subject to the completion of the sale of the Automotive Business. Upon the completion of the transaction, the new name of the company will be Bittium Oyj, in English Bittium Corporation.

Incentive Systems

Share related remuneration schemes 2008A-C

The Annual General Meeting decided on March 14, 2008 that there is a weighty financial reason for the Company to issue stock options since the stock options are intended for use as part of the incentive and commitment program for key personnel.

The maximum total number of stock options is 4,200,000, of which 1,400,000 were marked with the symbol 2008A, 1,400,000 with the symbol 2008B, and 1,400,000 with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the Company or treasury shares.

The subscription price for the shares to be subscribed based on the stock options is based on the prevailing market value of the Elektrobit Corporation share at NASDAQ OMX Helsinki in January 2009, January 2010 and January 2011. At the end of 2014, 1,292,322 stock options with symbol 2008A, 1,089,000 stock options with symbol 2008B, and 1,360,000 stock options with symbol 2008C were distributed to the key employees of Elektrobit Corporation.

Variable pay system

Variable pay will be paid based on the achieved targets. A limited amount of Bittium's employees are participating in the Variable Pay (VP) program. The criteria for the short-term merit pay are the financial strategic targets of the Company. In addition, part of the targets may be other objectives of the Company or Product and Service Area or personal targets. Personal targets vary between duties.

In 2015 the earning period for the Variable Pay was the calendar year. The targets are determined separately for each earnings period. The setting of targets and the review of their achievement is decided on one-over-one basis.

Authorizations of the Board of Directors at the End of the Reporting Period

Authorization of the Board of Directors to decide on the repurchase of the Company's own shares

The General Meeting held on April 15, 2015 authorized the Board of Directors to decide on the repurchase of the Company's own shares as follows.

The amount of own shares to be repurchased shall not exceed 12,500,000 shares, which corresponds to approximately 9.50 per cent of all of the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorization. Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. The Board of Directors decides how own shares will be repurchased. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase).

The authorization cancels the authorization given by the General Meeting on April 10, 2014 to decide on the repurchase of the company's own shares. The authorization is effective until June 30, 2016.

Authorization of the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares

The General meeting held on April 15, 2015 authorized the Board of Directors to decide on the issuance of shares and other special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act as follows.

The amount of shares to be issued shall not exceed 25,000,000 shares, which corresponds to approximately 19.10 per cent of all of the shares in the company. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The authorization cancels the authorization given by the General Meeting on April 10, 2014 to decide on the issuance of shares as well as the issuance of other special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act. The authorization is effective until June 30, 2016.

Shares and shareholders

The Shares of Elektrobit Corporation are quoted on the NASDAQ OMX Helsinki. The Company has one series of shares. All shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The Company's shares have been entered into the Euroclear Finland Ltd.'s book-entry securities system.

At the end of the financial period, the fully paid share capital of the company entered into the Finnish Trade Register was EUR 12,941,269.00 and the total number of the shares was 132,541,025. The accounting par value of the Company's share is EUR 0.10. The Company does not have its own shares in its possession.

Shareholding and control related information is presented in section 34 of the notes to the Financial Statement.

Stock Options

The Annual General Meeting of March 14, 2008, decided to issue stock options to Bittium's key personnel. The maximum number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or treasury shares. The proportion of the shares that can be subscribed using the stock options to be issued will be a maximum total of 3.1 per cent of the company's shares and associated voting rights after a possible share subscription, should new shares be issued in the subscription. The subscription price for the shares to be subscribed based on the stock options shall be based on the prevailing market value of the Elektrobit Corporation share at NASDAQ OMX Helsinki in January 2009, January 2010 and January 2011. The subscription price will be recorded in the fund for invested unrestricted equity. The share subscription period for stock options 2008A is April 1, 2012–March 31, 2014, for stock options 2008B April 1, 2013–March 31, 2015, and for stock options 2008C April 1, 2014–March 31, 2016.

The Board of Directors of Elektrobit Corporation decided on June 5, 2013 on the transfer of stock options 2008A and 2008B to the Finnish book-entry system and to apply for listing of 1,400,000 stock options 2008A and of 1,400,000 stock options 2008B on the official list of NASDAQ OMX Helsinki. The trading with the stock options started on June 17, 2013. The share subscription period for stock options 2008A will end on March 31, 2014. The share subscription period for stock options 2008B will end on March 31, 2015.

The Board of Directors of Elektrobit Corporation has decided on the transfer of series 2008C stock options to the Finnish book-entry system on December 20, 2013 and to apply for listing of 1,400,000 stock options 2008C on the official list of NASDAQ OMX Helsinki. Application was made for the listing to commence on April 1, 2014. The share subscription period for series 2008C stock options will commence on April 1, 2014 and will end on March 31, 2016.

By virtue of the stock option rights 2008A, 2008B and 2008C, a total of 508,697 new shares were subscribed for between December 5, 2013 and January 28, 2014, a total of 1,090,321 new shares were subscribed between December 5, 2013 and January 28, 2014, a total of 461,673 new shares were subscribed between February 11, 2014 and April 8, 2014, a total of 119,951 new shares were subscribed between April 15, 2014 and June 9, 2014, a total of 51,296 new shares were subscribed between June 26, 2014 and August 18, 2014, a total of 164,608 new shares were subscribed between September 3, 2014 and October 15, 2014, a total of 86,044 new shares were subscribed between October 29, 2014 and December 1, 2014, a total of 1,047,881 new shares were subscribed between December 12, 2014 and June 8, 2015. The share subscription prices were recorded in the Company's invested non-restricted equity fund. Each increase in the number of the Company's shares was entered into the Finnish Trade Register on February 10, 2014, April 14, 2014, June 26, 2014, August 27, 2014, October 28, 2014, December 12, 2014, February 6, 2015, April 14, 2015 and June 24, 2015. The trading with the registered shares started on February 11, 2014, April 15, 2014, June 27, 2014, August 29, 2014, October 29, 2014, December 15, 2014, February 9, 2015, April 15, 2015 and June 25,2015 as an additional lot of Elektrobit Corporation's shares in NASDAQ OMX Helsinki Ltd. At the end of the period, the number of shares in Elektrobit Corporation totaled 132,541,025.

More information and the terms and conditions of stock options 2008 are available in the Company's web pages at www.bittium.com/investors.

Board of Directors, Board Committees and Auditor

The Annual General Meeting, held on April 15, 2015 decided that the Board of Directors shall comprise five (5) members. Jorma Halonen, Juha Hulkko, Seppo Laine, Staffan Simberg and Erkki Veikkolainen were elected members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting.

At its assembly meeting held on April 15, 2015, the Board of Directors elected Mr. Seppo Laine Chairman of the Board. Further, the Board resolved to keep the Audit and Financial Committee with Mr. Staffan Simberg (Chairman of the committee), Mr. Seppo Laine and Mr. Erkki Veikkolainen as committee members.

The Annual General Meeting held on April 15, 2015, re-elected Ernst & Young Ltd, authorized public accountants as the auditor of the Company for a term of office ending at the end of the next Annual General Meeting. Ernst & Young Ltd has notified that Mr. Juhani Rönkkö, authorized public accountant, will act as responsible auditor. It was decided that the remuneration to the auditor shall be paid against the auditor's reasonable invoice.

Bittium's Board of Directors and the rest of the management are presented in the corporate governance statement for the reporting period of January 1 – December 31, 2014 and at www. bittium.com.

Dividend from 2014

The Annual General Meeting held on April 15, 2015 decided in accordance with the proposal of the Board of Directors to pay EUR 0.04 per share as dividend based on the balance sheet adopted for the financial period January 1, 2014 - December 31, 2014.

Corporate Governance Statement

The Board of Directors has issued the corporate governance statement separate from this report. The statement is available at www.bittium.com.

Proposal by the Board of Directors on the Use of the Profit Shown on the Balance Sheet and the Payment of Dividend

According to the parent company's balance sheet at July 1, 2015, the distributable assets of the parent company are EUR 631,545,680.75 of which the profit of the financial year is EUR 546,391,194.78. The Board of Directors proposes that the profit of the financial period is transferred on the retained earnings account.

The Board of Directors proposes that the net proceeds from the sale of its Automotive business, a maximum of EUR 595 million, is distributed to its shareholders in the first instance by repurchasing own shares in a voluntary public tender offer directed to all shareholders of the company.

Oulu, August 23, 2015

Seppo Laine

Chairman of the Board

Jorma Halonen

Member of the Board

Juha Hulkko

Member of the Board

Staffan Simberg

Member of the Board

Erkki Veikkolainen

Member of the Board

Hannu Huttunen

CEO

The Auditor's Note

Our Auditor's Report has been issued today.

Oulu, August 23 , 2015

Ernst & Young Oy

Authorized Public Accountant Firm

Juhani Rönkkö
Authorized Public Accountant

Consolidated Statement of Comprehensive Income

Continuing operations	Notes	1.1.-1.7.2015 1000 EUR	1.1.-31.12.2014 1000 EUR
NET SALES	1, 3	30 424	52 710
Other operating income	4	698	1 616
Change in work in progress and finished goods			
Work performed by the undertaking for its own purpose and capitalized		93	28
Raw materials		-3 761	-6 831
Personnel expenses	7	-16 895	-30 146
Depreciation	6	-1 161	-2 335
Other operating expenses	5	-7 909	-14 254
OPERATING PROFIT		1 488	788
Financial income and expenses	9	-335	-178
PROFIT BEFORE TAX		1 153	610
Income tax	10	-5	657
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1 148**	**1 267**
Profit for the period from discontinued operations	2	538 063	11 248
PROFIT FOR THE PERIOD		**539 211**	**12 515**
Other comprehensive income:			
Items that will not be reclassified to statement of income			
Re-measurement gains (losses) on defined benefit plans			-752
Income tax effect			225
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations		156	914
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**539 367**	**12 903**
Profit for the period attributable to			
Equity holders of the parent		539 211	12 515
Non-controlling interests		0	0
Total		**539 211**	**12 515**
Total comprehensive income for the period attributable to			
Equity holders of the parent		539 367	12 903
Non-controlling interests		0	0
Total		**539 367**	**12 903**
Earnings per share for profit attributable to the shareholders of the parent company:	11		
Earnings per share from continuing operations, EUR			
Basic earnings per share		0,009	0,010
Diluted earnings per share		0,009	0,010
Earnings per share from discontinued operations, EUR			
Basic earnings per share		4,080	0,086
Diluted earnings per share		4,075	0,085
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share		4,089	0,096
Diluted earnings per share		4,083	0,095
Average number of shares, 1000 pcs		131 862	130 975
Average number of shares, diluted, 1000 pcs		132 054	131 663

Consolidated Statement of Financial Position

	Notes	01.07.2015 1000 EUR	31.12.2014 1000 EUR
Assets			
Non-current assets			
Property, plant and equipment	12	3 895	10 717
Goodwill	13	1 436	19 343
Intangible assets	13	6 589	17 001
Other financial assets	15	122	123
Deferred tax assets	16	929	1 665
		12 971	**48 848**
Current assets			
Inventories	17	1 764	2 175
Trade and other receivables	18	21 980	72 518
Financial assets at fair value through profit or loss	19	15 883	20 991
Cash and short-term deposits	20	606 229	22 284
		645 855	**117 969**
Assets classified as held for sale			
Total assets		**658 826**	**166 817**
Equity and liabilities			
Equity attributable to equity holders of the parent	21		
Share capital		12 941	12 941
Translation differences		1 204	1 513
Invested non-restricted equity fund		25 757	25 103
Retained earnings		588 884	53 850
		628 786	93 407
Non-controlling interests			
Total equity		**628 786**	**93 407**
Non-current liabilities			
Deferred tax liabilities	16	98	549
Pension obligations	23		2 970
Interest-bearing loans and borrowings (non-current)	25	716	3 803
Provisions	24	1 195	245
		2 009	**7 568**
Current liabilities			
Trade and other payables	26	16 384	58 491
Financial liabilities at fair value through profit or loss	26	0	248
Provisions	24	4 969	2 584
Interest-bearing loans and borrowings (current)	25	6 678	4 520
		28 031	**65 843**
Liabilities classified as held for sale		**0**	
Total liabilities		**30 040**	**73 410**
Total equity and liabilities		**658 826**	**166 817**

Consolidated Statement of Cash Flows

	Notes	1.1.-1.7.2015 1000 EUR	1.1.-31.12.2014 1000 EUR
Cash flow from operating activities			
Profit for the period from continuing operations		**1 148**	**1 267**
Profit for the period from discontinued operations		**538 063**	**11 248**
Adjustments			
Effects of non-cash business activities	28	-529 183	10 348
Finance costs	9	917	1 667
Finance income	9	-186	-400
Income tax	10	2 267	3 253
Change in net working capital			
Change in short-term receivables	18	-7 504	-17 658
Change in inventories	17	142	-1 356
Change in interest-free short-term liabilities	26	-3 213	6 870
Interest paid on operating activities		-1 217	-1 308
Interest and dividend received from operating activities		186	400
Income taxes paid		-2 617	-3 818
Net cash from operating activities		**-1 198**	**10 512**
Cash flow from investing activities			
Disposal of business unit, net of cash acquired	2	588 226	
Acquisition of business unit, net cash acquired	14	-1 803	
Purchase of property, plant and equipment	12	-1 933	-3 597
Purchase of intangible assets	13	-2 854	-5 728
Sale of property, plant and equipment	12	0	119
Sale of intangible assets	13	59	
Proceeds from sale of other investments			5
Net cash from investing activities		**581 695**	**-9 202**
Cash flows from financing activities			
Share option plans exercised	22	654	569
Proceeds from borrowing	25	15 293	19 441
Repayment of borrowing	25	-11 467	-16 635
Payment of finance lease liabilities	25	-901	-1 771
Dividend paid and capital repayment		-5 290	-2 621
Net cash from financing activities		**-1 711**	**-1 017**
Net change in cash and cash equivalents	20	**578 786**	**293**
Cash and cash equivalents at 1 January		**43 275**	**42 983**
Change in fair value of investments			
Cash and cash equivalents at the end of the period		**622 061**	**43 275**

Cash and cash equivalents include liquid and low risk financing securities

Consolidated Statement of Changes in Equity

1000 EUR	Share capital	Invested non-restricted equity fund	Translation difference	Retained earnings	Non-controlling interests	Total
	Equity attributable to equity holders of the parent					
Shareholders equity 1.1.2015	**12 941**	**25 103**	**1 513**	**53 850**	**0**	**93 407**
Comprehensive income for the period						
Profit for the period				539 211		539 211
Exchange differences on translating foreign operations			156			156
Total comprehensive income for the period	**0**	**0**	**156**	**539 211**	**0**	**539 367**
Transactions between the shareholders						
Share issue		654				654
Share-related compensation				58		58
Dividend distribution				-5 290		-5 290
Other changes			-465	1 056		591
Shareholders equity 1.7.2015	**12 941**	**25 757**	**1 204**	**588 884**	**0**	**628 786**
Shareholders equity 1.1.2014	**12 941**	**24 533**	**599**	**43 654**	**0**	**81 728**
Comprehensive income for the period						
Profit for the period				12 515		12 515
Re-measurement gains (losses) of defined benefit plans (IAS 19)				-526		-526
Exchange differences on translating foreign operations			914			914
Total comprehensive income for the period	**0**	**0**	**914**	**11 989**	**0**	**12 903**
Transactions between the shareholders						
Share issue		569				569
Share-related compensation				84		84
Dividend distribution				-2 621		-2 621
Other changes				745		745
Shareholders equity 31.12.2014	**12 941**	**25 103**	**1 513**	**53 850**	**0**	**93 407**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Corporate Information

The company's field of activities is the development, production and selling of software, equipment and other products for the automotive and electronics industry, the production of R&D services and other services as well as other industrial operations. The company may administer product and other rights and conduct research and development operations, hold and trade securities and real-estate and conduct other investment activities.

The parent company of the Group is Bittium Corporation, which is a Finnish public company. The parent company is domiciled in Oulu and its registered address is Tutkijantie 8, 90590 Oulu.

Accounting Principles for the Consolidated Accounts

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the SIC and IFRIC interpretations in force at July 1, 2015. The financial statements are presented in thousands of euro. The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated.

Consolidation Principles

The consolidated financial statements of Bittium include the financial statements of the parent company Bittium Corporation and its subsidiaries.

Subsidiaries

The consolidated financial statements include Bittium Corporation and its subsidiaries financial statements. Subsidiaries are companies in which the Bittium Corporation has a controlling interest. A controlling interest arises when the Group holds more than half of the voting rights or it otherwise has the power to govern the financial and operating policies of the entity. The existence of potential voting rights is taken into account in assessing the conditions under which control arises whenever instruments conferring potential voting rights can be exercised at the review date.

Joint Arrangements

A joint arrangement is an arrangement of which two or more parties, bound by a contractual agreement, have joint control. Joint arrangements are classified, as either joint operations or joint ventures, dependent on the controlling parties' rights and obligations.

Elimination of intra-group transactions

Intra-Group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group has obtained control, and divested subsidiaries up to the time when control ceases. The excess of the acquisition cost of the subsidiary shares over fair value of the net assets acquired is allocated partly to the identifiable assets and liabilities. Any excess is recorded as goodwill. Business combinations that occurred before the implementation of IFRS, in 2004, the carrying amount of the goodwill has been treated according to the Finnish GAAP in accordance with the exemption under IFRS 1. According to IFRS goodwill is not amortized but tested annually for impairment.

Intra-Group transactions, receivables, liabilities and margins are eliminated in preparation of the consolidated financial statements.

Foreign Currency Transactions

Figures relating to the financial statements of Group entities are measured in the currency that is the currency of each entity's main operating environment ("functional currency"). The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company.

Transactions denominated in foreign currency are recorded in euros using the exchange rate on the date of the transaction. Monetary items denominated in foreign currency are translated to euros using the European Central Bank exchange rates at the balance sheet date. Gains and losses arising from transactions denominated in foreign currency and the translation of monetary items are recorded in the income statement.

Income statements and cash flows of subsidiaries, whose functional and reporting currency is not the euro, are translated into euros at the average exchange rates during the financial period. Their balance sheets are translated at the exchange rates prevailing at the balance sheet date. Translating the profit for the period using different rates in the income statement and the balance sheet leads to a translation difference that is recorded in equity. The translation differences arising from the elimination of the cost of foreign subsidiaries are recorded in equity. When a subsidiary is sold, the cumulative translation differences are entered in the income statement as part of the capital gain or loss.

Cumulative exchange differences arising from the translation of internal long term loans, which are in actual terms net investments in foreign operations, are taken directly to a separate component of equity.

The goodwill arising from the acquisition of foreign operations as well as fair value adjustments made to the carrying amounts of the assets and liabilities of said foreign operations in connection with an acquisition are treated as the assets and liabilities of said foreign operations and translated to euros using the exchange rates at the balance sheet date.

Property, Plant and Equipment

Property, plant and equipment are measured at historical cost less depreciation and impairment losses. Assets of acquired companies are stated at their fair values at the date of acquisition.

Assets are depreciated using the straight-line or reducing balance method over their useful life.

The residual value of assets and their useful life are reviewed periodically in connection with each set of financial statements and the interim report and, if necessary, they are adjusted to reflect changes that have occurred in the expectations for the asset's useful life. Ordinary repair and maintenance costs are charged to the income statement during the financial year in which they incurred. Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in operating profit.

Intangible Assets

Goodwill

After January 1st, 2004 the cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets. The goodwill arising from the business combinations prior to this represents the amount recorded under previous GAAP, which has been used as the deemed cost. The classification and accounting treatment of these business combinations has not been adjusted when the Group's opening IFRS balance sheet has been prepared.

Goodwill is tested annually or, if necessary, more frequently to determine any impairment. For this purpose, goodwill has been allocated to cash-generating units. The recoverable amount of a cash generating unit is compared to its carrying amount and an impairment loss is recognized if the carrying amount of the assets exceeds the recoverable amount. An impairment loss is recognized in the income statement.

Research and Development Expenditure

Research expenditures are recorded as an expense as they are incurred. Expenditure on development activities is capitalized if they meet the criteria defined in IAS 38 Intangible Asset. Capitalized development expenses include mainly materials, supplies and direct labor costs. They are amortized on a systematic basis over their expected useful lives.

Capitalized development expenses are reviewed for potential impairment regularly by comparing the carrying amount to their recoverable amount. Significant changes in the technological environment are taken into account. If the carrying amount of the development expenses is greater than the recoverable amount, an impairment loss is recognized immediately.

Other Intangible Assets

Purchased patents, trademarks, licenses and other intangible assets having a finite useful life are entered in the balance sheet and the amortized expense is recorded in the income statement over their useful life. If indications on possible impairment exist, the recoverable amount is determined and an impairment loss is recognized if necessary. Intangible assets with an indefinite useful life are not amortized but tested annually or, if necessary, more frequently to determine any impairment.

Inventories

Inventories are stated at the lower of initial cost or net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of sale. The value of raw material inventory is determined using a weighted average cost formula. The initial cost of finished and semi-finished products comprises of raw material, direct labor and other direct expenses as well an appropriate share of fixed and variable production overheads, based on the normal capacity of the production facilities.

Borrowing costs

Borrowing costs are recognized in the income statement as they accrue.

Government Grants

Government grants are recognized when there is reasonable assurance that Group will comply with the conditions attaching to them and the grant will be received. Government grants received from public corporations are presented as other income in the income statement.

Leases

When the Group is a lessee, all lease contracts of property, plant and equipment, in which the Group has substantially all the risks and rewards of ownership, are classified as finance leases. A finance lease agreement is recognized in the balance sheet at an amount equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. An asset obtained on a finance lease is depreciated over the useful life of the asset or, if shorter, the lease term. Lease obligations are included in interest-bearing liabilities.

Lease agreements in which the risks and benefits attached to ownership remain with the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense in the income statement on a straight line basis over the lease term.

Impairment of Assets

At each balance sheet date (including interim reports) the Group estimates whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is estimated annually regardless of any indication of impairment to the following assets: goodwill, intangible assets with an indefinite useful life and for intangible assets which are not yet ready for use. The recoverable amount is based on the future discounted net cash flows, which are equivalent with the expected cash flows generated by the asset.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable value. The loss is booked to the income statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill will under no circumstances be reversed.

Employee Benefits

Pension Liabilities

Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. In Finland, the Group has organized pension coverage for its staff through independent pension insurance companies.

The Finnish system under the Employees' Pensions Act and the disability portion are treated as a defined contribution plan. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. After this the Group has no other obligations for additional payment.

The pension arrangements of the foreign subsidiaries have been classified as defined contribution plans.

Share-Based Payment

The Group has applied IFRS 2 Share-Based Payment to the share-based scheme which was granted June 23, 2005. Expenses of option and share incentive schemes prior to this have not been presented in the income statement. Option rights and shares granted are measured at fair value at the time they are granted and entered as an expense in the income statement in even installments during the vesting period. The expense determined is based on the defined fair value of the stock options and shares as well as on management's estimate of the amount of options or shares to which the employee will be entitled at the end of the vesting period. The fair value of the options is determined on the basis of the Black-Scholes pricing model. The Group updates the assumption concerning the final amount of stock options and shares at each balance sheet date. Changes in the estimates are recorded in the income statement. When options are exercised, the cash payments received on the basis of share subscriptions (adjusted for any transaction expenses) are entered in the share capital (at nominal value) and in the share premium reserve.

Provisions

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that a payment obligation will be realized or cause a financial loss and the amount of the obligation can be estimated reliably. Provisions can arise from restructuring plans, onerous contracts, warranty repairs and allowances and from environmental, litigation or tax risks.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the time value of money is material, provisions will be discounted.

If a reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate asset when it is virtually certain that the reimbursement will be received.

Taxes

Tax expense in the Group's income statement comprises the current tax and change in deferred taxes of each group company. Current tax is calculated based on the taxable income using the tax rate that is enacted in each country at the balance sheet date.

Deferred tax liability is calculated on the temporary differences between the carrying amounts and the amounts used for taxation purposes. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. In calculating deferred tax liabilities and assets, the tax base which is in force at the time of preparing the financial statements or which has been enacted by the balance sheet date for the following period, has been applied.

Revenue Recognition

Sales of goods are recognized after the significant risks and rewards that, are connected with ownership, have been transferred to the buyer. Neither the Group retains a continuing managerial involvement to the degree usually associated with ownership, nor effective control of those goods. Revenues from services are recorded when the service has been performed. Sales are presented net of indirect sales taxes and discounts.

Revenue from long-term construction contracts is recognized based on the stage of completion when the outcome of the project can be reliably measured. The stage of completion is measured by using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs.

Assets Held for Sale and Discontinued Operations

The Group classifies a non-current asset or disposal as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and asset items related to discontinued operations, which are classified as held for sale, are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation and amortization on these asset items is discontinued at the time of classification. Profit after tax and gain on sale of discontinued operation is presented as a separate line item in the consolidated income statement.

Profit for the year from discontinued operations is presented separately in Consolidated Statement of Comprehensive Income. Discontinued operations are disclosed in note 2.

Financial Assets, Financial Liabilities and Derivative Contracts

Financial Assets

The Group's financial assets are classified in accordance with IAS 39 Financial Instruments: Recognition and Measurement in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets held for sale. The classification is based on the purpose for which the assets have been acquired and they are classified upon acquisition.

A financial asset is classified at fair value through profit or loss, when it has been acquired for trading purposes. The category comprises the Group's investment portfolio and all derivative contracts. The consolidated balance sheet does not contain assets that would be classified in this category upon initial recognition as allowed under the fair value

option of IAS 39. Realized and unrealized gains and losses from changes in fair values are recognised in profit or loss in the financial year they are incurred. The assets are in accordance with their nature included in the non-current and current assets of the balance sheet.
Loans and receivables are assets other than derivative contracts with related payments that are fixed or determinable. They are not quoted on efficient markets and they are not held by the Group for trading purposes. They are valued at amortised cost. They are in accordance with their nature included in the current or long-term assets of the balance sheet: long-term if they fall due after more than 12 months.

The Group has not had held-to-maturity investments during the financial or the prior financial year. In case of occurrence they are valued at amortised cost.

Financial assets held for sale are assets other than derivative contracts that have particularly been classified into this category or have not been classified into any other category. They are included in the balance sheet on the basis of their estimated date of sale. Assets to be sold within 12 months are included in current assets. Such financial assets are disclosed separately in the consolidated balance sheet if their carrying amount is significant. The change in fair value of the financial assets held for sale is recognised net of tax in the revaluation fund in equity. The cumulative change in fair value recognised in equity is recognised in profit or loss when the asset is sold or the asset has been impaired and an impairment loss has to be recognised. Investments, whose fair value may not be reliably established, are valued at cost or cost adjusted for a permanent impairment loss.

Cash comprises cash on hand, bank deposits and other highly liquid investments. Assets classified as financial assets have a maximum maturity of three months from the date of acquisition.

Transaction costs are included in the cost of financial assets that are not valued at fair value through profit or loss. The purchases and sales of financial assets are recognised at the trade date.

Financial Liabilities

Financial liabilities are initially recognised at fair value. Transaction costs are included in the initial carrying amount of financial liabilities. All financial liabilities are subsequently measured at amortised cost. Financial liabilities are included in current and non-current liabilities and may be interest-bearing or interest-free.

The bases for determining the fair value of all financial assets and liabilities have been disclosed in notes 19, 25 and 27.

The Impairment of Financial Assets

The Group assesses whether objective indications of the impairment of any financial assets exist at each balance sheet date. A loss is recognised in profit or loss as a recognised or probable credit loss, when there are indications that trade or loan receivables may not be collected in full. Impairment losses on trade receivables are included in other operating expenses and on loan receivables in financial expenses.

Impairment losses on financial assets recognised in the financial year are disclosed in notes 19 and 20.

Derivative Contracts and Hedge Accounting

Derivative contracts are recognised at their fair value. Hedge accounting in accordance with IAS 39 Financial Instruments: Recognition and measurement is not applied. The change in fair value of hedging instruments is recognised in finance items in profit or loss.

The fair values of derivative contracts and the valuation methods used are disclosed in note 27.

Significant Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions about the future that affects the reported amounts. Used estimates and assumptions are based on prior experience and presumptions, which reflect the circumstances and expectations prevailing at the time of the preparation of the financial statements. Materiality and judgment in assessing the effect of uncertainties and the application of accounting principles have been observed in the preparation of the financial statements.

The management has exercised judgment during the financial year in applying e.g. the IFRS 11 –standard for joint arrangements and in assessing the future prospects of Group companies in conjunction with standards IAS 12 Income Taxes and IAS 36 Impairment of Assets.

Financial statements may include non-recurring income or expenses that are not related to normal operative business or that occur only infrequently. Such items are among others sales profits or losses, substantial changes in asset values, like impairment or reversal of impairment, substantial restructuring costs or other substantial items that are considered as non-recurring by the management. Substantiality of the item is based the on item's euro amount and the relative share of total value of the asset.

The Application of New and Revised IFRS -regulations

Effective date 1st of January, 2015.

- ✓ IFRS 9 Financial Instruments: classification and measurement (revised). The revised standard will not have material impact on the consolidated financial statements.
- ✓ IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine. The new interpretation will not have material impact on the consolidated financial statements.
- ✓ The amendment of IFRS 11 Joint Arrangements. The amendment will not have material impact on the consolidated financial statements.
- ✓ IFRS 14 Regulatory Deferral Accounts. The revised standard will not have material impact on the consolidated financial statements.
- ✓ IFRS 15 Revenue from Contracts with Customers. The new standard will have impact on the consolidated financial statements. The impact will be further analysed during the year 2015.

1. Operating segments

The reporting of Bittium's operating segments is based on the internal financial reporting which has been in use in EB Group. The regular reporting concerning the Wireless Business Segment has been provided to the Board of Directors of EB which has at the same time acted as the highest operative decision-making body of the company. The Board of Directors is responsible for allocating resources to and evaluating the results of EB's operating segments. Resources available for use and the results of the Wireless Business Segment have been evaluated historically as a single entity.

Bittium has only one operating segment, the Wireless business. Thereby, income statement and balance sheet information of the Wireless business are equivalent to corresponding information of the Bittium Group.

Wireless

Bittium updated its strategic guidelines and outlook for 2015 due to the sale of the Automotive business and the change of the company name on July 1, 2015.

Geographical areas

Bittium operates in three geographical areas which are Europe, Americas and Asia. In presenting the geographical information, the revenue is based on the geographical location of customers. Geographical assets are based on the geographical location of the assets.

Geographical areas
1.1.-1.7.2015

1000 EUR	Finland	Other Europe	Americas	Asia	Eliminations	Group total
Net sales						
Sales to external customers	18 345	9 018	2 946	115		30 424
Non-current assets	11 822		219			12 041
Total non-current assets *)						12 041

*) does not include deferred tax assets

	Finland	Other Europe	Americas	Asia	Eliminations	Group total
Capital expenditure, continuing operations						
Tangible assets	1 225					1 225
Intangible assets	2 716					2 716
Capital expenditure, discontinued operations						
Tangible assets	122	1 132	126	30		1 411
Intangible assets	7	624		27		658

Geographical areas
1.1.-31.12.2014

1000 EUR	Finland	Other Europe	Americas	Asia	Eliminations	Group total
Net sales						
Sales to external customers	35 210	14 621	2 526	353		52 710
Non-current assets	7 787	38 608	634	155		47 184
Unallocated non-current assets						0
Total non-current assets *)						47 184

*) does not include deferred tax assets

	Finland	Other Europe	Americas	Asia	Eliminations	Group total
Capital expenditure, continuing operations						
Tangible assets	1 142	0	0	0		1 143
Intangible assets	3 330	0	0	0		3 330
Capital expenditure, discontinued operations						
Tangible assets	170	3 882	331	144		4 527
Intangible assets	0	2 385	3	11		2 399

Information of primary customers

Group's revenues from the 10 largest customers in period 1.1-1.7.2015 were EUR 27.8 million (EUR 50.0 million in 2014) representing 91.5 per cent of the net sales (94.9 per cent in 2014)

2. Discontinued operations

	1.1.-1.7.2015 1000 EUR	1.1.-31.12.2014 1000 EUR
Automotive business		
Net sales	102 030	171 426
Expenses	-95 966	-155 421
Profit before tax	6 064	14 916
Income tax	-2 262	-3 910
Profit after tax	3 802	11 007
Profit for the sale of Automotive business	534 260	0
Income tax	0	0
Profit for the sale of Automotive business after tax	534 260	0
Profit for the period from discontinued operations	**538 063**	**11 007**

Impact of the sale Automotive business

Property, plant and equipment	7 131
Goodwill	19 149
Other intangible assets	12 697
Receivables	58 045
Inventories	269
Cash and short-term deposits	19 969
Trade and other payables	-55 403
Assets and liabilities total	61 856
Cash received	600 000
Cash of Test Tools product business	-11 774
Expenses related to transaction	0
Disposal of business unit, net of cash acquired	588 226

	1.1.-31.12.2014 1000 EUR
Test Tools product business	
Net sales	0
Expenses	241
Profit before tax	241
Income tax	0
Profit after tax	241
Profit for the sale of Test Tools product business	0
Income tax	0
Profit for the sale of Test Tools product business after tax	0
Profit for the year from discontinued operations	**241**

3. Net sales

	1.1-1.7.2015 1000 EUR	1.1.-31.12.2014 1000 EUR
Income recognized from construction contracts	6 319	8 388
Net sales other	24 105	44 322
Total	30 424	52 710

Construction contracts

The contract revenue is recognized in the income statement in proportion to the stage of completion of the contract. The stage of completion is defined as the ratio of costs incurred to total estimated costs.

Income recognized as sales based on the stage of completion of long-term construction contracts	6 319	8 388
Revenue recognized from long-term construction contracts in progress amounted to	5 917	6 842
Advances received from long-term construction contracts recognized in the balance sheet amounted to*	3 212	1290*
Receivables recognized from long-term construction contracts amounted to*	1 983	1044*

* continuing operations

4. Other operating income

Government grants	594	1 427
Other income	104	189
Total	698	1 615

5. Other operating expenses

External services	-2 210	-3 937
Voluntary staff expenses	-322	-659
Premises expenses	-1 322	-2 592
Travel expenses	-548	-796
IT expenses	-958	-1 577
Other expenses	-2 550	-4 693
Total	-7 909	-14 254

Auditors' charges

Ernst & Young		
Auditing	91	127
Certificates and statements	4	5
Tax advice	12	130
Other services	247	120
	355	383

Others		
Auditing		69
		2
Tax advice		15
Other services		23
	0	108

	1.1-1.7.2015 1000 EUR	1.1.-31.12.2014 1000 EUR

6. Depreciations and impairments

Depreciations		
Intangible assets		
Capitalized development expenditure	-104	-130
Intangible rights	-142	-195
Other intangible assets	-35	-64
Tangible assets		
Machinery and equipment	-880	-1 946
Total	**-1 161**	**-2 335**

7. Employee benefit expenses and number of personnel

	1.1-1.7.2015 1000 EUR	1.1.-31.12.2014 1000 EUR
Number of personnel		
Average number of personnel during the fiscal period		
Continuing operations	509	493
Discontinued operations		1207
Discontinued operations, joint operations		380
Personnel expenses 1000 EUR		
Personnel expenses		
Management salaries	-472	-469
Board of directors	-108	-226
Expense of share-based payments	-19	-35
Other salaries and wages	-13 018	-23 933
	-13 617	-24 662
Pension expenses, defined contribution plans	-2 486	-4 238
Pension expenses, defined benefit plans		
Other personnel expenses	-792	-1 246
Total	-16 895	-30 146

8. Research and development expenses

	1.1.-1.7.2015 1000 EUR	1.1.-31.12.2014 1000 EUR
The research and development expenses total	3 901	6 864
Recognition as an asset	-2 013	-2 070
The expensed research and development expenses recognized in the income statement amounted to	1 888	4 794

9. Financial expenses (net)

Interest expenses	-34	-76
Interest income		1
Dividend income	1	0
Exchange gains and losses	-522	138
Change of financial assets and liabilities at fair value through profit or loss	338	41
Other financial expenses	-169	-404
Other financial incomes	50	121
Reduction in value of investments		
Total	-335	-178

10. Income taxes

Income taxes, current year		0
Other taxes	-8	-4
Income taxes, previous years	-5	-40
Deferred taxes	8	701
Total	-5	657

A reconciliation between the effective tax rate and domestic tax rate (20.0%) of the Group:

Profit before taxes	**1 153**	**610**
Tax at the domestic tax rate	-231	-122
Effect of tax rates of foreign subsidiaries	80	16
Taxes for prior years	-5	-40
Tax free income		316
Non-deductible expenses	-31	-396
Utilization of deferred tax assets from previous years	518	400
Reassessment of deferred tax assets		702
The deferred tax assets from tax losses	-330	-187
Deferred tax		
Others	-7	-33
Income taxes in the consolidated income statement	-5	657

11. Earnings per share

Basic

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	1.1.-1.7.2015	1.1.-31.12.2014
Profit attributable to the equity holders of the parent, continuing operations (1000 EUR)	1 148	1 267
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)	538 063	11 248
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	539 211	12 515
Weighted average number of ordinary shares during the financial year (1000 PCS)	131 862	130 975
Basic earnings per share, continuing operations, EUR	**0,009**	**0,010**
Basic earnings per share, discontinued operations, EUR	**4,080**	**0,086**
Basic earnings per share, continuing and discontinued operations, EUR	**4,089**	**0,096**

Diluted

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Group has a share-based payment scheme (Share-option plan 2008A, 2008B and 2008C) which has a diluting effect, when the exercise price is lower than the closing share price.

The exercise price of the stock options at 31 December 2014 is lower than the closing share price, hence the stock options has dilutive effect.

Profit attributable to the equity holders of the parent, continuing operations (1000 EUR)	1 148	1 267
Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR)	538 063	11 248
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR)	539 211	12 515
Weighted average number of ordinary shares during the financial year (1000 PCS)	131 862	130 975
Effect of dilution (1000 PCS)	192	688
Weighted average number of ordinary shares during the financial year (1000 PCS)	132 054	131 663
Diluted earnings per share, continuing operations, EUR	**0,009**	**0,010**
Diluted earnings per share, discontinued operations, EUR	**4,075**	**0,085**
Diluted earnings per share, continuing and discontinued operations, EUR	**4,083**	**0,095**

12. Property, plant and equipment

	1.7.2015 1000 EUR	2014 1000 EUR

The Group has not revalued property, plant and equipment, hence the Group has not recognized any impairment losses directly to equity or recorded any reversals of those.

Buildings and constructions

	1.7.2015	2014
Acquisition cost Jan. 1	2 911	2 896
Translation differences	-11	8
Additions during the period	135	249
Disposals during the period		-241
Sale of the Automotive business	-457	
Transfer to assets		
Acquisition cost at the end of the period	2 578	2 911
Accumulated depreciations Jan. 1	-1 985	-1 874
Translation differences	17	-4
Depreciation for the period	-140	-284
Depreciations on disposals	-57	-64
Sale of the Automotive business	215	
Depreciations on disposals		241
Carrying amount at the end of the period	628	927

No revaluations or capitalizations of interest costs have been done.

Machinery and equipment

	1.7.2015	2014
Acquisition cost Jan. 1	59 461	55 464
Translation differences	-43	54
Additions during the period	2 379	5 367
Disposals during the period		-1 424
Sale of the Automotive business	-20 114	
Transfer to assets		
Acquisition cost at the end of the period	41 682	59 461
Accumulated depreciations Jan. 1	-49 759	-46 876
Translation differences	86	-25
Depreciation for the period	-741	-1 663
Depreciations on disposals	-1 445	-2 497
Sale of the Automotive business	13 355	
Depreciations on disposals		1 302
Carrying amount at the end of the period	3 179	9 702

Advance payments

	1.7.2015	2014
Acquisition cost Jan. 1		3
Additions during the period	129	
Disposals during the period		-3
Sale of the Automotive business	-129	
Acquisition cost at the end of the period	0	0

	1.7.2015 1000 EUR	2014 1000 EUR
Other tangible assets		
Acquisition cost Jan. 1	88	88
Additions during the period		3
	0	-3
Acquisition cost at the end of the period	88	88
	0	0
Accumulated depreciations Jan. 1		
Depreciation for the period		
Carrying amount at the end of the period	88	88
Property, plant and equipment total		
Acquisition cost Jan. 1	62 460	58 450
Translation differences	-55	62
Additions during the period	2 644	5 619
Disposals during the period	0	-1 671
Sale of the Automotive business	-20 700	0
Transfer to assets	0	0
Acquisition cost at the end of the period	44 349	62 460
Accumulated depreciations Jan. 1	-51 744	-48 750
Translation differences	103	-29
Depreciation for the period	-880	-1 947
Depreciations on disposals	-1 502	-2 561
Sale of the Automotive business	13 570	0
Depreciations on disposals	0	1 543
Carrying amount at the end of the period	3 895	10 717

Finance leases

The Group had the following amounts of property, plant and equipment acquired by finance leases:

Machinery and equipment		
Acquisition cost Jan. 1	4 394	18 099
Accumulated depreciations	-3 112	-14 333
Carrying amount at the end of the period	1 282	3 766

Additions of property, plant and equipment include assets acquired by finance leases of EUR 0.7 million in 1.1.-1.7.2015 (EU 2,0 million in 2014).

13. Intangible assets

	01.07.2015 1000 EUR	2014 1000 EUR
Acquisition cost Jan. 1	17 657	15 579
Additions during the period	2 013	2 079
Acquisition of business unit	275	
Sale of the Automotive business	-11 539	
Acquisition cost at the end of the period	8 405	17 657
Accumulated depreciations Jan. 1	-5 417	-3 609
Depreciation for the period	-104	-130
Depreciation for the period Automotive business	-759	-1 678
Sale of the Automotive business	2 281	
Carrying amount at the end of the period	4 407	12 241

Acquisition cost Jan. 1	3 679	2 386
Translation differences		
Additions during the period	351	1 293
Disposals during the period	-56	
Sale of the Automotive business	-779	
Transfer to assets	550	
Acquisition cost at the end of the period	3 746	3 679
Accumulated depreciations Jan. 1	-1 790	-1 438
Translation differences		
Depreciation for the period	-113	-27
Depreciation for the period Automotive business	-243	-325
Sale of the Automotive business		
Carrying amount at the end of the period	1 600	1 889

Customer relations and technology

Acquisition cost Jan. 1		10 079
Additions during the period	524	
Disposals during the period		
Acquisition cost at the end of the period	524	10 079
Accumulated depreciations Jan. 1		-9 911
Depreciation for the period	-36	-168
Carrying amount at the end of the period	488	0

	01.07.2015 1000 EUR	2014 1000 EUR
Other intangible assets		
Acquisition cost Jan. 1	7 908	5 973
Translation differences	-30	5
Additions during the period	468	2 349
Disposals during the period		-419
Sale of the Automotive business	-4 482	
Transfer to assets	-550	0
Acquisition cost at the end of the period	3 314	7 908
Accumulated depreciations Jan. 1	-5 106	-3 609
Translation differences	31	-4
Depreciation for the period	-28	-64
Depreciation for the period Automotive business	-671	-1 848
Sale of the Automotive business	2 553	
Depreciations on disposals		419
Carrying amount at the end of the period	94	2 803

Acquisition cost Jan. 1	69	62
Translation differences	0	0
Additions during the period	0	7
Disposals during the period	-69	
Acquisition cost at the end of the period	0	69

Acquisition cost Jan. 1	29 313	34 078
Translation differences	-30	5
Additions during the period	3 356	5 728
Acquisition of business unit	275	
Disposals during the period	-124	-419
Sale of the Automotive business	-16 800	0
Transfer to assets	0	0
Acquisition cost at the end of the period	15 989	39 392
Accumulated depreciations Jan. 1	-12 312	-18 566
Transfer to assets	31	-4
Depreciation for the period	-281	-389
Depreciation for the period Automotive business	-1 672	-3 850
Sale of the Automotive business	4 834	0
Depreciations on disposals		419
Carrying amount at the end of the period	6 589	17 001

	01.07.2015 1000 EUR	2014 1000 EUR
Acquisition cost Jan. 1	19 343	19 319
Translation differences	16	23
Sale of the Automotive business	-19 149	
Additions during the period	1 226	0
Carrying amount at the end of the period	1 436	19 343

Impairment test

The impairment testing for the period of Jan. 1 – July 1, 2015, has not been carried out. The impairment testing will be conducted using the balance sheet dated Oct. 31, 2015 and reported within the Company's annual Financial Statements 2015. The due diligence done in connection with the sale of the Automotive business at July 1, 2015 did not give any signal for the impairment of intangible assets.

14 Acquisitions

On January 2, 2015 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 defence, safety and other authorities markets. Birdstep Technology Oy's (Bittium Safemove Oy from 13th of July 2015 onwards) net sales was EUR 2.5 million in 2013 and in January-December 2014 EUR 2.9 million. The company employs 19 persons located in Espoo, Finland. The debt free cash purchase price was EUR 1.8 million. The acquisition does not have significant impact on the net sales or net profit of Jan. 1st - July 1st 2015

The net assets of the company on the acquisition date were:

	1000 EUR
Assets	
Intangible assets	275
Tangible assets	7
Shares	
Receivables	466
Cash	19
Assets total	**767**
Provisions	27
Long-term liabilities	76
Short-term liabilities	487
Liabilities total	**590**
Net assets	**177**

The fair value of the receivables does not differ from the carrying amount.

In addition to these assets and liabilities, the acquisition generated goodwill that was allocated at the acquisition date as described below:

Allocated to assets	
Customers	95
Technology	429
Total	**524**
Unallocated goodwill	
Synergies, brand, know-how	1 226

The Group booked deferred tax liabilities related to the goodwill:

Deferred tax liability	**105**

The Group did not have acquisitions during the year 2014.

15. Other financial assets	1000 EUR 2 015 1000 EUR	1000 EUR 2 014 1000 EUR
At 1 January	123	132
Additions		
Disposals related to discontinu‹	-2	
Disposals		-8
At the closing date	122	123

16. Deferred tax liabilities and assets

1000 EUR	Jan. 1, 2015	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiaries	Jul. 1, 2015
Deferred tax assets						
Unused old losses in taxation	322				-322	0
Other items	1 343				-414	929
Total	1 665	0	0	0	-735	929

On July 1, 2015 the Group had confirmed losses of from which it had not booked deferred tax receivables. The amount of these non booked deferred tax receivables is approximately 10 million.

Deferred tax liabilities	Jan. 1, 2015	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiaries	Jul. 1, 2015
Deferred tax liabilities	549	7			-459	98

The book value of the deferred tax liabilities on July 1, 2015 is 97,5 teur. This is related to the allocated goodwill of a subsidiary.

1000 EUR	Jan. 1, 2014	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiaries	Dec. 31, 2014
Deferred tax assets						
Unused old losses in taxation	1 118	-797				322
Other items	355	1 231	-222	-21		1 343
Total	1 473	435	-222	-21	0	1 665

Non booked deferred tax receivables of loss-making domestic companies was EUR 9.6 million

Group booked deferred tax receivables EUR 2,8 million of confirmed losses in subsidiaries. December 31, 2014 from which it had not booked deferred tax receivable.

Deferred tax liabilities	Jan. 1, 2014	Recognized in the income statement	Recognized in equity	Translation difference	Acquisitions and disposals of subsidiaries	Dec. 31, 2014
Deferred tax liabilities	497	84	0	-32		549

17. Inventories

	01.07.2015 1000 EUR	2014 1000 EUR
Raw materials and supplies	1 049	1 035
Work in progress	89	97
Finished products	626	472
Other inventories		571
Total	1 764	2 175

18. Trade and other receivables (current)

	01.07.2015 1000 EUR	2 014 1000 EUR
Trade receivables	17 610	51 233
Receivables from construction contracts	1 983	14 827
Prepaid expenses and accrued income	2 240	4 520
Other receivables	147	1 939
Total	21 980	72 518

Receivables are valued at nominal value or probable current value, whichever is lower.

During the financial year group has booked impairment losses from accounts receivable EUR 0,0 million (EUR 0,1 million 2014)

Age distribution of accounts receivable		
Current	12 182	34 820
Aged Overdue Amounts		
0-3 months	5 402	15 582
4-6 months	8	807
7-12 months	18	23
> 12 months		
Total	17 610	51 233

19. Financial assets at fair value through profit or loss	01.07.2015 1000 EUR	2014 1000 EUR
Currency derivatives		
Balance sheet value on Jan. 1	0	90
Additions	51	
Changes in fair-value	0	-90
Balance sheet value at the end of the period	51	0

Balance sheet value on Jan. 1	20 991	20 611
Additions	0	0
Disposals	-5 300	0
Changes in fair-value	141	380
Balance sheet value at the end of the period	15 832	20 991

Financial assets at fair value through profit or loss total		
Balance sheet value on Jan. 1	20 991	20 702
Additions	51	0
Disposals	-5 300	0
Changes in fair-value	141	289
Balance sheet value at the end of the period	15 883	20 991

20. Cash and short-term deposits

Cash and short-term deposits	606 229	22 284
Total	606 229	22 284

Cash and cash equivalents at consolidated cash flow statement consist of:

Interest rate funds	15 832	20 991
Cash and short-term deposits	606 229	22 284
Total	622 061	43 275

Fair value of cash and cash equivalents does not significantly differ from the carrying amount.

21. Issued capital and reserves

	Shares 1000 PCS	Share premium 1000 EUR	Premium fund 1000 EUR	Invested non-restricted equity fund 1000 EUR	Total 1000 EUR
On December 31, 2014	131 493	12 941	0	25 103	38 044
Share subscriptions pursuant	1 048			654	654
					0
On July 1, 2015	132 541	12 941	0	25 757	38 698

Shares and the Share Capital

The shares of Elektrobit Corporation are listed on the NASDAQ OMX Helsinki Ltd. The Corporation has one series of shares. All the shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The company's shares have been entered into the Finnish Central Securities Depository Ltd's book-entry securities system.

At the end of the financial period, the fully paid share capital of the company entered into the Finnish Trade Register was EUR 12,941,269.00 and the total number of the shares was 132 541 025. The accounting per value of the company's share is EUR 0.10. The company is not in the possession of its own shares.

Translation differences

The translation reserve comprises all foreign exhange differences arising from the transition of the financial statements of foreign subsidiaries.

Dividends

Proposal by the Board of Directors on the use of the profit shown on the balance sheet and the distribution of funds is described in the report by the Board of Directors.

22. Share-based payment plans

Stock Options

The Annual General Meeting of March 14, 2008, decided to issue stock options to EB's key personnel. The maximum number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or treasury shares. The proportion of the shares that can be subscribed using the stock options to be issued will be a maximum total of 3.1 per cent of the company's shares and associated voting rights after a possible share subscription, should new shares be issued in the subscription. The subscription price for the shares to be subscribed based on the stock options shall be based on the prevailing market value of the Elektrobit Corporation share at NASDAQ OMX Helsinki Ltd. in January 2009, January 2010 and January 2011. The subscription price will be recorded in the fund for invested unrestricted equity. The share subscription period for stock options 2008A is 1 April 2012–31 March 2014, for stock options 2008B 1 April 2013–31 March 2015, and for stock options 2008C 1 April 2014–31 March 2016.

Share-option plan 2008A		Share-based options, granted for key personnel
Nature of arrangement		Granted share-options
Grant date		14.08.2009
Number of instruments granted (1000 PCS)		1168
Exercise price, EUR		0,07
Share price at the grant date, EUR		0,68
Contractual life of the options (years)		4,7
Vesting conditions		
Settlement method		Shares
Expected volatility (%)		43 %
Expected contractual life of the options (years)		4,7
Risk-free interest rate (%)		2,65 %
Dividend yield (%)		0
Expected early exercise (at grant date)		0
Market conditions (at grant date)		
Fair-value of the options at the grant date		
Option pricing model	Black-Scholes	Black-Scholes

	Number of options 01.07.2015 1000 pcs	Number of options 2014 1000 pcs
Outstanding at the beginning of the year		627
Granted during the year		
Forfeited during the year		
Exercised during the year		-627
Expired during the year		
Outstanding at the end of the year		0
Exercisable at the end of the year		0

Share-option plan 2008B

		Share-based options, granted for key personnel
Nature of arrangement		Granted share-options
Grant date		31.05.2010
Number of instruments granted (1000 PCS)		1134
Exercise price, EUR		0,73
Share price at the grant date, EUR		1,05
Contractual life of the options (years)		4,9
Vesting conditions		
Settlement method		Shares
Expected volatility (%)		44 %
Expected contractual life of the options (years)		4,9
Risk-free interest rate (%)		2,65 %
Dividend yield (%)		0
Expected early exercise (at grant date)		0
Market conditions (at grant date)		
Fair-value of the options at the grant date		
Option pricing model	Black-Scholes	Black-Scholes

	Number of options 01.07.2015 1000 pcs	Number of options 2014 1000 pcs
Outstanding at the beginning of the period	518	1 067
Granted during the period		
Forfeited during the period		
Exercised during the period	-411	-548
Expired during the period	-107	
Outstanding at the end of the period	0	518
Exercisable at the end of the period	0	518

Share-option plan 2008C

		Share-based options, granted for key personnel
Nature of arrangement		Granted share-options
Grant date		19.08.2011
Number of instruments granted (1000 PCS)		740
Exercise price, EUR		0,61
Share price at the grant date, EUR		0,56
Contractual life of the options (years)		4,7
Vesting conditions		
Settlement method		Shares
Expected volatility (%)		45 %
Expected contractual life of the options (years)		4,7
Risk-free interest rate (%)		2,07 %
Dividend yield (%)		0
Expected early exercise (at grant date)		0
Market conditions (at grant date)		
Fair-value of the options at the grant date		
Option pricing model	Black-Scholes	Black-Scholes

	Number of options 01.07.2015 1000 pcs	Number of options 2014 1000 pcs
Outstanding at the beginning of the period	868	760
Granted during the period	275	325
Forfeited during the period		
Exercised during the period	-637	-217
Expired during the period		
Outstanding at the end of the period	506	868
Exercisable at the end of the period	506	868

23. Pensions and other post-employment benefit plans

The pension arrangements of the Bittium Group are classified as defined contribution plans. The post-employment benefit plans and the pension liabilities reported in 2014 were connected to the discontined operations.

	1.7.2015 1000 EUR	2014 1000 EUR
Benefit pension plan liability consists of following items:		
Present value of funded obligations		3 294
Fair value of plan assets		-324
Net liability		2 970
Net periodic pension cost in income statement:		
Unrecognized net liability on Jan. 1		
Current service cost		68
Interest cost		75
Employee contributions		-10
		133
Balance sheet reconciliation:		
Net liability on Jan. 1		2 086
Remeasurements (IAS 19)		752
Net periodic pension cost in income statement		133
Net liability on Dec. 31		2 970
Principal actuarial assumptions:		
Europe		
Discount rate		2,45
Expected return on plan assets		2,00
Future pension increase		0,00

Sensitivity of defined benefit obligation to changes in actuarial assumptions	Impact on defined benefit obligation
Discount rate, +0,25%	3 108
Discount rate, -0,25%	3 494
Future pension increase +0,25%	3 388
Future pension increase -0,25%	3 205

24. Provisions

1000 EUR	Provisions for reorganising operations	Unprofitable rental agreements	Others	Total
December 31, 2014	39	304	2 485	2 828
Increase in provisions			4 743	4 743
Elimination of the provisions of the discontinued operations			-1 145	-1 145
Utilized provisions		-49	-213	-262
July 1, 2015	**39**	**254**	**5 871**	**6 165**
Non-current provisions	39	156	1 000	1 195
Current provisions	0	98	4 871	4 969
Total	39	254	5 871	6 165

25. Financial liabilities

	01.07.2015 1000 EUR	2014 1000 EUR
Non-current loans		
Bank loans	0	1 356
Finance lease liabilities	716	2 448
Total	**716**	**3 803**
Current loans		
Bank loans	6 000	3 000
Finance lease liabilities	601	1 513
Repayments of non-current bank loans	0	8
Total	**6 601**	**4 520**
Repayment schedule of long-term loans:		
2014		
2015	0	0
2016	244	1 905
2017	355	841
	96	370
	21	689
Later	0	0
Total	**716**	**3 803**

The interest on loans fall due every quarter. Their impact on the cash flow of the Group is not material.

The interest-bearing non-current loans are distributed by currency as follows:

	01.07.2015 1000 EUR	2014 1000 EUR
EUR	716	3 803
Total	**716**	**3 803**

The interest-bearing current loans are distributed by currency as follows:

	01.07.2015 1000 EUR	2014 1000 EUR
EUR	6 601	4 520
Total	**6 601**	**4 520**

Maturities of the finance lease liabilities:

	01.07.2015 1000 EUR	2014 1000 EUR
Finance lease liabilities - minimum lease payments	1 424	4 311
Within one year	358	1 643
After one year but no more than five years	1 066	2 668
After five years	0	0
Finance lease liabilities - Present value of minimum lease payments	1 317	3 960
Within one year	335	1 513
After one year but no more than five years	1 032	2 448
After five years	0	0
Future finance charges	57	351
Total amount of finance lease liabilities	1 424	4 311

26. Trade and other payables

	1.7.2015 1000 EUR	2014 1000 EUR
Current liabilities		
Trade and other payables		
Trade liabilities	4 552	19 128
Accrued liabilities, deferred income	6 350	16 683
Other liabilities	5 481	22 680
Total	16 384	58 491

Material of accrued expenses and deferred income consist of personnel expenses and other accruals.

Fair value of the other liabilities than derivatives don't significantly differ from the initial carrying value, because the impact on discounting is not significant when taking into account the maturities of the loans.

Financial liabilities at fair value through profit or loss

Liabilities based on derivatives		
Balance sheet value on Jan. 1	248	0
Changes in fair-value	-248	248
Balance sheet value at the end of the period	0	248

27. FINANCIAL RISK MANAGEMENT

Under its normal business activities, Bittium Corporation is exposed to several financial risks. The primary financial risks are foreign exchange rate risk, interest rate risk, investment risk and default risk. The goal of the Group's financial risk management function is to reduce adverse effects of price fluctuations and other uncertainties on earnings, balance sheet and cash flows as well as to ensure sufficient liquidity. In its risk management, the Group uses financial instruments such as forward exchange agreements, currency options and interest rate swaps. External professional portfolio managers are employed for investing activities.

The Group's general risk management principles are approved by the Board of Directors. The responsibility for their implementation lies with the parent company together with operational units. The parent company identifies and assesses risks and obtains relevant financial instruments for hedging them in close co-operation with the operative units. Management evaluates risk concentrations from the viewpoint of business activities, taking into consideration shared factors between underlying variables such as those arising from changes in economic conditions or other variables. Operations and funding programs executed in the financial markets are mainly concentrated into the parent company. Subsidiaries are mainly funded through intra-company loans and group account overdraft credit limits.

The Group's financial risks are divided into market, default and liquidity risk.

Market risks

Market risks are caused by changes in foreign exchange rates, interest rates and the price of securities. Fluctuations in these may have an impact on the Group's income statement, cash flow or balance sheet.

Foreign exchange rate risk

The Group operates globally and is exposed to transaction risk from foreign exchange positions as well as to risks due to the translation of investments in different currencies to the functional currency of the parent company. The most relevant currencies for the Group are the Euro and the US dollar. Foreign exchange rate risk is caused by commercial activities, monetary items on the balance sheet and net investments in foreign subsidiaries. A business unit's functional currency or generally used currencies (EUR, USD) are used as invoicing currency. Additional information on functional currency and foreign currency conversion is available in the accounting principles section of the consolidated financial statements.

The Group follows a currency strategy that aims at securing the margin of business activities in changing market conditions by minimizing the effect of fluctuations in foreign exchange rates. According to the principles of the currency strategy, surely considered and the most probable net cash flow in a particular currency is hedged. The cash flow is defined based on the net position of the trade receivables, trade payables, order intake and forecasted net currency cash flow. The Group does not apply hedge accounting as defined in the IAS 39 standard. According to the currency strategy the degree of hedging can vary from approximately 25% to 125% of the forecasted net position. At the end of the financial period the counter value of the hedged net position was EUR 3.0 million. During the financial year the amount of the hedged position has been changing between EUR 3.0 – 12.5 million.

The Group has hedged the transaction risk related to its income statement and as a principal rule has not hedged the translation risk related to equity on the balance sheet. Foreign currencies denominated equities of foreign subsidiaries on July 1, 2015 was EUR 2.5 million (EUR 10.7 million in 2014) from which dollar denominated equities of foreign subsidiaries was EUR 1.2 million (EUR 8.6 million in 2014).

On the closing date, the Group had the following foreign exchange derivative contract nominal amounts outstanding (the nominal amounts do not represent the amounts exchanged by the parties):

	1.7.2015 1000 EUR	2014 1000 EUR
Forward contracts		
Market value	31	-146
Nominal value	1 500	3 000
Currency options purchased		
Market value	49	22
Nominal value	1500	5 000
Sold currency options		
Market value	-30	-124
Nominal value	3 000	10 000

Dollar denominated assets and liabilities translated to euros using the closing date's value:

	1.7.2015 1000 EUR	2014 1000 EUR
Long-term assets	9	441
Long-term liabilities	1 072	988
Current assets	3 057	15 761
Current liabilities	809	6 642

The table below describes the 10% appreciation or depreciation of the Euro against the US dollar, other variables remaining constant. The sensitivity analysis is based on foreign currency denominated assets and liabilities as of the closing date. The change in dollar denominated trade receivables and debt would primarily have been due to fluctuations in the foreign exchange rate.

	Changes in income statement before tax		Changes in equity before tax	
	1.7.2015 1000 EUR	2014 1000 EUR	1.7.2015 1000 EUR	2014 1000 EUR
EUR appreciates	-100	-800	-100	-800
EUR depreciates	100	1 000	100	1 000

<u>Interest rate risk</u>

Part of the Group's debt is tied to fixed interest rates. Interest rate swaps are also utilized to an extent to reduce cash flow risk due to interest rate fluctuations. At the closing date, the Group had the following fixed interest rate debts and interest rate swaps outstanding:

	1.7.2015 1000 EUR	2014 1000 EUR
Fixed interest rate debts	1 317	5 324
Interest rate swaps	0	0

The table below describes the interest rate risk of debts should there have been a ±1% change in interest rates of short term reference interest rate debts, other variables remaining constant. The figures presented indicate the change in yearly interest expense calculated using the average amount of debt during the financial period.

	Changes in income statement before tax		Changes in equity before tax	
	1.7.2015	2014	1.7.2015	2014
	1000 EUR	1000 EUR	1000 EUR	1000 EUR
Loan stock January, 1	8 300	5 300		
Loan stock July, 1 / December, 31	7 400	8 300		
Average loan stock	7 900	6 800		
Change in interest	+/- 0	+/- 0	+/- 0	+/- 0

Market risk of investment activities

The Group's interest investments result in interest rate exposure, but their effect is not considered significant. The Group's revenue and operative cash flows are mainly independent of market rate fluctuations.

The Group invests in low-risk interest rate funds and therefore it has not been exposed to security price risk of fluctuations in the stock markets. According to the Group's principles, investments related to cash management are made in liquid and low-risk money market or bond instruments and thus have not been hedged using derivatives.

The table below describes the distribution of investments in securities at the closing date.

	1.7.2015	2014
Stock shares	0.0%	0.0%
Bonds	66.6 %	71.6%
Money market investments	33.4 %	28.4%
Total	100.0%	100.0%

The combined value of the above instruments during the financial period has ranged from approximately EUR 15.8 to EUR 21.1 million. At closing date their value was approximately EUR 15.8 million. This risk concentration has been managed by investing in well spread and low-risk money market funds.

The table below describes the price risk of the investments if they had exhibited a ±1% change in a market rate of interest, other variables remaining constant. Financial assets that are recognized at market value in the income statement affect net income. Changes in the value of for-sale financial assets affect equity. In the calculations it is presumed that the Group's investments change with the interest rate level in question. The sensitivity analysis describes the total market risk of investment activity because all investments are in the interest rate instruments.

	Changes In Income statement before tax		Changes in equity before tax	
	1.7.2015	2014	1.7.2015	2014
	1000 EUR	1000 EUR	1000 EUR	1000 EUR
Interest investments	+/- 200	+/- 200	+/- 200	+/- 200

Default risk

EB's credit risks are mainly related to accounts receivable, cash, financial investments and derivatives used in hedging. In it's deposit, financial investment and hedging activities Bittium operates only with well-known partners who have good credit rating.

The Group's trade receivables are distributed among a wide customer base and across several geographical areas and credit risk is mitigated for example by documentary credits or bank guarantees. Default risk concentration is mainly assessed as a single customer's share of total trade receivables but also according to the receivable's date of maturity.

Bittium's significant default risk concentration is EUR 0.0 million which represents approximately 0.2 % of the total accounts receivable.

During the past financial year the amount of recognized credit losses was approximately EUR 0.0 million (EUR 0.1 million in 2014). Group did not have capital loans granted to outside Group at July 1, 2015 (EUR 0.0 million in 2014).

The amount of the Group's counterparty default risk is consistent with the book value of financial assets at the closing date. For the maturity distribution of trade receivables, see note 18.

Liquidity risk

The Group and business segments strive to continuously evaluate and monitor the amount of liquid funds needed for business operations and loan repayments The Group strives to guarantee the availability and flexibility of financing by its strong financial position and liquid investments. The Group has also EUR 10.0 million credit facility agreement with Nordea Bank Finland Plc and EUR 10.0 million credit facility agreement with Pohjola Bank Plc. These agreements, intended for general financing purposes, are valid until further notice and include conventional covenants that are, among others, related to equity ratio, transfer and pledge of the assets. Transfer of assets covenant was breached at the sale of the Automotive business on July 1, 2015 but banks have informed Bittium that for the present they will not use their rights to terminate the agreements. At the end of the reporting period EUR 6.0 million of these credit facilities was in use. For the maturity distribution of the Group's debt, see note 25.

Capital structure management

The Group strives to optimize its capital structure and thus support business activities by ensuring normal operating conditions under all circumstances. An optimal capital structure also ensures that the cost of capital is minimized.

The capital structure is affected by dividend policy and share issuance. The Group can alter and adjust dividends paid to shareholders as well as share repurchases. The Group can also alter and adjust the amount of shares issued, or make decisions on the sale of assets.

The management has continuously monitored the development of the Group's net gearing and solvency ratio. The Group's interest bearing net debt at July 1, 2015 was EUR -614.7 million (EUR -35.0 million in 2014) and net gearing was -97.8 % (-37.4 % in 2014). The Group's solvency ratio at July 1, 2015 was 96.0 % (62.3 % in 2014).

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

This section presents the Group's fair valuing principles for all financial instruments. The table below presents book values for each item in detail. Their fair values are not considered to materially differ from the book values presented in the consolidated balance sheets.

	Note	Book value 1.7.2015 1000 EUR	Fair value 1.7.2015 1000 EUR	Book value 2014 1000 EUR	Fair value 2014 1000 EUR
Financial assets					
Other financial assets	15	122	122	123	123
Trade receivables and other receivables	18	21 980	21 980	72 518	72 518
Financial assets at fair value through profit or loss	19	15 832	15 832	20 991	20 991
Cash and cash equivalents	20	606 229	606 229	22 284	22 284
Currency forwards and options	19	51	51		

Financial liabilities					
Bank loans	25	6 076	6 076	4 363	4 366
Finance lease liabilities	25	1 317	1 317	3 960	3 960
Trade payables and other debts	23-26	22 646	22 646	64 839	64 839
Currency forwards and options	26			248	248

Investments in shares and funds and other investments

For-sale financial assets consist mainly of money market investments that fair values are based on the quotes of the closing day (IFRS 7 fair value hierarchy level 1; quoted prices (unadjusted) in active markets for identical assets or liabilities).

Derivatives

The fair values of forward exchange and option contracts are defined based on publicly quoted currency and interest rate information and using commonly accepted valuation methods (IFRS 7 fair value hierarchy level 2; instruments whose fair value is observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)). These calculations have been carried out by an outside professional party.

Bank loans

Book values are considered to closely approximate fair values.

Finance lease liabilities

Book values are considered to closely approximate fair values.

Trade receivables and other receivables

The original book value of receivables is considered to equal their fair values, since the effect of discounting is non-significant considering the maturities of the receivables.

Trade payables and other debts

The original book value of payables and other debts is considered to equal their fair values, since the effect of discounting is non-significant considering the maturities of the receivables.

28. Adjustments to net cash from operating activities

	1.7.2015 1000 EUR	2014 1000 EUR
Business transactions without payments		
Depreciations	4 336	8 748
Employee benefits	58	84
Profit and loss from sale of property, plant and equipment	0	0
Shares in subsidiaries	-534 262	
Other adjustments	685	1 516
Total	-529 183	10 348

29. Operating lease agreements

The Group as lessee

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	1.7.2015 1000 EUR	2014 1000 EUR
Not later than one year	2 281	7 225
Later than one year and not later than five years	3 041	11 736
Later than five years		1 249

The Group has rented all of its facilities. In average the maturities of the lease agreements are from 1 month to 10 years and normally they include an option to extend the rental period from originally agreed end date.

The Group as lessor

The Group has leased the excess office and production facilities with lease agreements valid until further notice.

30. Securities and contingent liabilities

	1.7.2015 1000 EUR	2014 1000 EUR
Against own liabilities		
Floating charges	2 955	1 000
Guarantees	3 536	6 395
Rental liabilities		
Falling due in the next year	2 281	7 225
Falling due after one year	3 041	12 985
Other contractual liabilities		
Falling due in the next year	2 207	2 112
Falling due after one year	456	718

Mortgages are pledged for liabilities totalled		
Loans from financial institutions	6	2 608
Other liabilities		

31 Related party disclosures

The Group has the following structure:

	Country of incorporation	Owned by Parent %	Owned by Group %
Parent			
Bittium Oyj (formerly Elektrobit Oyj)	Finland		
Subsidiaries			
Bittium Technologies Oy (formerly Elektrobit Technologies Oy)	Finland	100,00	100,00
Bittium Wireless Oy (formerly Elektrobit Wireless Communications Oy)	Finland	0,00	100,00
Bittium Safemove Oy	Finland	0,00	100,00
Bittium USA, Inc. (formerly Elektrobit Inc.)	USA	0,00	100,00
Bittium Technology (Beijing) Co. Ltd (formerly Elektrobit Wireless (Beijing) Lt	China	0,00	100,00
Bittium Singapore Pte. Ltd (formerly Elektrobit Wireless Singapore Pte Ltd.)	Singapore	0,00	100,00

	1.7.2015	2014
	1000 EUR	1000 EUR
Employee benefits for key management		
Salaries and remuneration		
Managing director of the parent		
Jukka Harju 1.1.-01.07.2015 and 1.1.-31.12.2014	267	347
Total	267	347
Remuneration of the members of the board of the parent, the financial committee and the managing directors of the business segments		
Jorma Halonen 1.1.-1.7.2015 and 1.1.-31.12.2014	19	40
Kai Hilden 1.1.-31.12.2014	0	15
Lainema Matti 1.1.-1.7.2015	5	
Juha Hulkko 1.1.-1.7.15 and 1.1.-31.12.2014	12	39
Seppo Laine 1.1.-1.7.2015 and 1.1.-31.12.2014	31	60
Staffan Simberg 1.1.-1.7.15 and 1.1.-31.12.2014	21	44
Erkki Veikkolainen 1.1.-1.7.15 and 1.1.-31.12.2014	20	28
Total	108	226

There have not been any business transactions or open balances between the related parties.

Members of the group executive board*	319	1 303

* the year 2014 includes the group executive board members' benefits of both, continuing and discontinuing operations

Loans and guarantees to related party
There are no loans or guarantees granted between the related parties

Stock option expenses	19	3

32 Subsequent events

The Group management is not aware of any significant events after balance sheet date, that would have had impact on the consolidated financial statements.

33. KEY RATIOS

	IFRS 01.07.2015 Continuing operations	IFRS 2014 Continuing operations	IFRS 2013	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009
INCOME STATEMENT, MEUR							
Net sales, MEUR *)	30,4	52,7	199,3	173,9	148,0	147,7	153,8
Net sales change, %	-42,3		14,6	17,5	0,3	-4,0	-10,7
Operating profit/loss, MEUR *)	1,5	0,8	8,1	1,1	-5,5	-17,3	-1,4
% of net sales	4,9	1,5	4,1	0,6	-3,7	-11,7	-0,9
Profit/loss for continuing operations before taxes, MEUR	1,2	0,6	7,2	1,1	-5,9	-18,7	-2,0
% of net sales	3,8	1,2	3,6	0,6	-4,0	-12,6	-1,3
Profit for the year from continuing operations, MEUR	1,1	1,3	6,7	1,1	-6,5	-15,7	-3,3
% of net sales	3,8	2,4	3,3	0,6	-4,4	-10,7	-2,2
Profit after tax for the year from discontinued operations, MEUR	538,1	11,2	24,3	1,2	1,5	0,1	1,3
% of net sales	1768,6	21,3	12,2	0,7	1,0	0,1	0,9
Profit for the year attributable to equity holders of the parent, MEUR	539,2	12,5	30,9	2,3	-5,3	-16,1	-2,2
% of net sales	1772,3	23,7	15,5	1,3	-3,6	-10,9	-1,4
BALANCE SHEET, MEUR							
Non-current assets	13,0	48,8	46,1	46,8	43,7	41,2	39,4
Inventories	1,8	2,2	0,8	0,4	1,8	1,9	2,4
Current assets	644,1	115,8	97,4	77,3	66,8	81,1	118,4
Assets classified as held for sale				7,7			
Shareholders' equity	628,8	93,4	81,7	66,0	65,8	71,8	112,8
Non-current liabilities	2,0	7,6	6,1	8,5	6,6	11,6	15,0
Current liabilities	28,0	65,8	56,5	53,2	40,0	40,7	32,4
Liabilities classified as held for sale				4,5			
Balance sheet total	658,8	166,8	144,4	132,2	112,3	124,2	160,2
PROFITABILITY AND OTHER KEY FIGURES							
Return on equity % (ROE) *)	0,6	14,0	9,0	1,6	-9,4	-17,1	-2,9
Return on investment % (ROI) *)	0,7	16,8	9,2	1,7	-6,6	-16,6	-0,8
Interest-bearing net liabilities, (MEUR)	-614,7	-35,0	-37,7	4,0	-0,9	-7,4	-42,4
Net gearing, %	-97,8	-37,4	-46,1	6,1	-1,4	-10,3	-37,6
Equity ratio, %	96,0	62,3	65,1	54,5	62,9	62,4	71,5
Gross investments, (MEUR) *)	5,2	4,5	7,9	11,4	12,4	10,7	4,0
Gross investments, % of net sales	17,0	8,5	4,0	6,5	7,7	6,6	2,6
R&D costs, (MEUR) *)	3,9	6,9	18,5	22,0	22,1	21,6	14,7
R&D costs, % of net sales	12,8	13,0	9,3	12,6	15,0	13,3	9,6
Average personnel during the period, parent and subsidiaries *)	509	486	1627	1528	1553	1507	1589
Average personnel during the period, jointly owned company	516	474	300	132			

*) Continuing operations. Excluding Automotive business income statements from periods 1.1.-1.7.2015 and 2014.

STOCK-RELATED FINANCIAL RATIOS

	IFRS 01.07.2015	IFRS 2014	IFRS 2013	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009
Earnings per share from continuing operations, EUR							
Basic earnings per share	0,009	0,010	0,051	0,008	-0,05	-0,13	-0,03
Diluted earnings per share	0,009	0,010	0,051	0,008	-0,05	-0,12	-0,03
Earnings per share from discontinued operations, EUR							
Basic earnings per share	4,080	0,086	0,188	0,009	0,01	0,00	0,01
Diluted earnings per share	4,075	0,085	0,187	0,009	0,01	0,00	0,01
Earnings per share from continuing and discontinued operations, EUR							
Basic earnings per share	4,089	0,096	0,239	0,018	-0,04	-0,12	-0,02
Diluted earnings per share	4,083	0,095	0,238	0,017	-0,04	-0,12	-0,02
Equity per share, EUR	4,74	0,71	0,63	0,51	0,51	0,55	0,87
Dividend per share EUR *)		0,04	0,02	0,01			
Dividend per earnings, %		42,7	38,9	119,7			
P/E ratio		35,9	51,8	77,8	-9,2	-5,4	-34,5
Effective dividend yield, %		1,2	0,8	1,5			
Market values of shares (EUR)							
Highest	5,30	3,83	2,90	0,79	0,76	1,25	1,40
Lowest	3,27	2,30	0,64	0,38	0,36	0,66	0,33
Average	4,37	2,85	1,55	0,64	0,55	0,92	0,62
At the end of period	4,70	3,36	2,66	0,65	0,38	0,67	0,94
Market value of the stock, (MEUR)	622,9	441,8	346,1	84,1	49,2	86,7	121,6
Trading value of shares							
MEUR	193,8	188,0	72,0	6,9	5,0	16,8	11,1
1000 PCS	44 365	66 019	46 483	10 750	9 169	18 190	17 822
Related to average number of shares %	33,6	50,4	35,9	8,3	7,1	14,1	13,8
Adjusted number of the shares at the end of the period (1000 PCS)	132 541	131 493	130 101	129 413	129 413	129 413	129 413
Adjusted number of the shares average for the period (1000 PCS)	131 862	130 975	129 528	129 413	129 413	129 413	129 413
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)	132 054	131 663	130 092	130 238	130 051	130 277	129 580

CALCULATION OF KEY RATIOS

$$\text{Return on equity \% (ROE)} = \frac{\text{Profit for the year x 100}}{\text{Total equity (average for the accounting period)}}$$

$$\text{Return on investment \% (ROI)} = \frac{\text{Profit before tax + interest and other financial expenses x 100}}{\text{Balance sheet total - interest-free liabilities (average for the accounting period)}}$$

$$\text{Net gearing, \%} = \frac{\text{Interest-bearing liabilities - cash and deposits and short-term investments x 100}}{\text{Total equity}}$$

$$\text{Equity ratio, \%} = \frac{\text{Total equity x 100}}{\text{Balance sheet total - advances received}}$$

$$\text{Earnings per share} = \frac{\text{Profit attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares average for the period}}$$

$$\text{Equity per share} = \frac{\text{Equity attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares at the end of the period}}$$

$$\text{Dividend per share} = \frac{\text{Dividend for the period (Board's proposal) per share}}{\text{Adjustment coefficient of post-fiscal share issues}}$$

$$\text{Dividend per earnings, \%} = \frac{\text{Dividend per share x 100}}{\text{Earnings per share}}$$

$$\text{P/E ratio} = \frac{\text{Share issue adjusted share price at the end of the period}}{\text{Earnings per share}}$$

$$\text{Effective dividend yield, \%} = \frac{\text{Dividend per share x 100}}{\text{Share issue adjusted share price at the end of the period}}$$

34. Shareholdings and shares

Breakdown of Shares by Shareholding, July 1, 2015

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1 - 100	10 234	39,2	497 104	0,4
101 - 500	7 800	29,9	2 127 814	1,6
501 - 1000	2 993	11,5	2 411 714	1,8
1001 - 5000	3 729	14,3	8 686 878	6,6
5001 - 10000	645	2,5	4 766 985	3,6
10001 - 50000	551	2,1	11 746 099	8,9
50001 - 100000	57	0,2	4 114 760	3,1
100001 - 500000	59	0,2	13 313 095	10,0
500001 - 999999999999	22	0,1	84 876 576	64,0
	26 090	**100,0**	**132 541 025**	**100,0**
nominee-registered	10		11 643 364	8,8

Breakdown of Shareholders by Shareholder Type, July 1, 2015

Shareholders by shareholder type	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
Corporations	832	3,2	9 905 375	7,5 %
Financial sector	29	0,1	7 476 416	5,6 %
Public sector	5	0,0	11 185 891	8,4 %
Non-profit organizations	56	0,2	898 774	0,7 %
Households	25 060	96,1	90 369 363	68,2 %
Foreign owners	98	0,4	1 061 842	0,8 %
Nominee-registered shares	10	0,0	11 643 364	8,8 %
	26 090	**100,0**	**132 541 025**	**100,0 %**

Largest Shareholders, July 1, 2015

	Number of shares	Percentage of shares and votes
Number of shares total	**132 541 025**	**100,0**
1. Hulkko Juha, Member of the Board	15 126 862	11,4
2. Hilden Kai	10 831 316	8,2
3. Veikkolainen Erkki, Member of the Board	8 888 719	6,7
4. Harju Jukka, CEO	7 650 630	5,8
5. Halonen Eero	7 012 515	5,3
6. Varma Mutual Pension Insurance Company	6 500 000	4,9
7.. Ilmarinen Mutual Pension Insurance Company	4 181 851	3,2
8. Danske Bank Oyj	3 830 413	2,9
9. Skandinaviska Enskilda Banken AB (PUBL) Hels	3 664 785	2,8
10. Nordea Bank Finland Plc	3 289 337	2,5
	70 976 428	**53,6**
Others (including nominee-registered)	61 564 597	46,4

The Board and CEO		
Juha Hulkko, Member of the Board	15 126 862	11,4
Veikkolainen Erkki, Member of the Board	8 888 719	6,7
Harju Jukka, CEO	7 650 630	5,8
Laine Seppo, Chairman of the Board	1 120 051	0,8
Simberg Staffan, Member of the Board*	250 000	0,2
Halonen Jorma, Member of the Board	21 000	0,0
	33 057 262	**24,9**

* Including the shareholdings of a company controlled by Staffan Simberg.

Bittium Corporation

The Parent Company Interim Financial Statements, FAS
Jan.1, 2015 – July 1, 2015

Income statement, Parent

	Notes	1.1 - 1.7.2015 1000 EUR	2014 1000 EUR
NET SALES	1, 2	463	1 200
Other operating income	3	0	1
Raw materials and services		0	
Personnel expenses	4	- 606	-1 356
Depreciation and reduction in value	5	- 15	- 30
Other operating expenses	6	- 933	-1 634
OPERATING PROFIT		-1 090	-1 820
Financial income and expenses	7	- 544	- 629
PROFIT BEFORE EXTRAORDINARY ITEMS		-1 634	-2 449
Extraordinary income	8	548 025	
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		546 391	-2 449
Income tax	9	0	0
NET PROFIT FOR THE FINANCIAL YEAR		546 391	-2 449

Balance Sheet, Parent

ASSETS	Notes	01.07.2015 1000 EUR	31.12.2014 1000 EUR
Non-current assets			
Intangible assets	10	0	101
Tangible assets	11	72	72
Investments	12	39 750	86 471
Non-current assets total		39 822	86 644
Current assets			
Receivables			
Non-current receivables	13	0	0
Current receivables	14	192	2 480
Receivables total		192	2 480
Financing securities	15	15 832	20 991
Cash and bank deposits		603 563	939
Current assets total		619 587	24 410
TOTAL ASSETS		659 409	111 054
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholder's equity	16		
Share capital		12 941	12 941
Invested non-restricted equity fund		25 757	25 103
Retained earnings		59 398	67 137
Net profit for the year		546 391	-2 449
Shareholders' equity total		644 487	102 732
Provisions	17		
		1 000	
Provisions, current		3 116	73
Liabilities	18		
Non-current liabilities			
Current liabilities		10 805	7 869
Liabilities total		10 805	8 249
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL		659 409	111 054

Cash Flow, Parent

	1.1 - 1.7.2015 1000 EUR
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before extraordinary items	-1 634
Adjustments:	
Depreciation according to plan	15
Effects of non-cash business activities	-73
Financial income and expenses	544
Cash flow before change in net working capital	-1 148
Change in net working capital	
Change in interest-free short-term receivables	511
Change in interest-free short-term payables	-246
Cash flow before financing activities	-884
Interest paid	-1 078
Dividends received	1
Interest received	482
Income taxes paid	0
Net cash from operating activities	**-1 478**
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of tangible and intangible assets	
Sale of property, plant and equipment and sale of intangible assets	
Purchase of investments	
Proceeds from repayments of loans	
Proceeds from sale of other investments	
	598 961
Net cash used in investing activities	**598 961**
CASH FLOW FROM FINANCIAL ACTIVITIES	
Share option plans exercised	654
Proceeds from borrowing	11 197
Repayment of borrowing	-8 197
Change in interest-free short-term receivables in Group	1 827
Change in interest-free short-term payables in Group	-209
Capital repayment received	
Dividend paid and capital repayment	-5 290
Net cash used in financial activities	**-18**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**597 465**
Cash and cash equivalents at beginning of period	21 930
Cash and cash equivalents at end of period	619 395
Change in cash and cash equivalents in balance sheet	597 465

Cash and cash equivalents include liquid and low risk financing securities

Notes to the Financial Statements of the Parent Company

Accounting Principles for the Preparation of Financial Statements

The financial statements have been prepared in accordance with the Finnish Accounting Act.

VALUATION PRINCIPLES

Valuation of Non-current Assets
Non-current assets are capitalized in the balance sheet at the original acquisition cost deducted by accumulated depreciation. Depreciations according to the plan is calculated either using the straight-line method or the reducing balance method, taking into consideration of the useful life of assets. The depreciation periods are:

Intangible assets	3 - 10 years
Tangible assets	3 - 5 years

Valuation of Financial Securities
Financial securities are valued at fair value. The fair value of forward exchange are defined based on forward exchange prices on balance sheet date and option contracts are defined based on market prices on balance sheet date.

Pensions
The Company has organized pension coverage for its personnel through independent pension insurance companies. The pension insurance expenditures are included into personnel expenses.

Leasing Agreements
Leasing agreements and fixed-term rental agreements are reported as contingent liabilities off the balance sheet.

Income Tax
Taxes of the financial year have been reported in the income statement as income taxes. Deferred tax or liabilities or receivables has not been recorded on the financial statement.

Foreign Currency Items
The transactions in the income statement have been converted into euro using the exchange rate of the transaction date. Receivables and payables denominated in foreign currency have been converted into euro by using the exchange rate of the European Central Bank at the balance sheet date.

Net Sales
Sales of goods is recorded when goods have been handed over to the customer or the services have been rendered. Sales are shown net of indirect sales taxes and discounts.

Notes to the Financial Statements of the Parent Company

	1.1 - 1.7.2015 1000 EUR
1. Net sales by segments	
Common functions	463
Total	463

2. Net sales by market areas

Europe	426
America	31
Asia	6
Total	463

3. Other operating income

Other operating income	0
Total	0

4. Number of personnel and personnel expenses

Average number of personnel during the fiscal period	
Common functions	9
Total	9
Number of personnel at year end	8
Personnel expenses	
Management salaries	267
Board of Directors	73
Other salaries and wages	170
	510
Pension expenses	81
Other social expenses	14
Total	606

5. Depreciation and reduction in value

Intangible rights	-14
Other capitalized long-term expenditures	
Machinery and equipment	0
Total	-15

	1.1 - 1.7.2015 1000 EUR

6. Other operating charges

IT equipment and SW expenses	30
Premises expenses	6
Administrative services	176
Travel expenses	57
Voluntary staff expenses	10
Other business expenses	654
Total	933

Auditors charges	
Auditing	91
Certificates and statements	
Tax advice	12
Other services	247
Total	350

7. Financial income and expenses

Income from investments	
From Group companies	
From others	176
Total	176
Other interest and financial income	
From Group companies	110
From others	864
Total	974
Other interest and financial expenses	
To Group companies	0
To others	-1 693
Total	-1 693
Reduction in value of investment	0
Net financial income and expenses	-544
Net financial income and expenses includes exchange gains and losses	-744

8. Extraordinary income

Extraordinary income	548 025
Total	548 025

The extraordinary income consists of the net profit of the sale of the Automotive-segment, deducted with the charges related to the transaction.

9. Income tax

Other direct taxes	0
Total	0

	1.1 - 1.7.2015 1000 EUR
9. Intangible assets	
Intangible rights	
Acquisition cost Jan. 1	289
Investments during the period	
Disposals during the period	-87
Acquisition cost at the end of the period	203
Accumulated depreciations Jan. 1	-188
Depreciation for the period	-14
Book value at the end of the period	0
Other capitalized long-term expenditures	
Acquisition cost Jan. 1	
Investments during the period	
Disposals during the period	
Acquisition cost at the end of the period	
Accumulated depreciations Jan. 1	
Depreciation for the period	
Book value at the end of the period	
Intangible assets total	
Acquisition cost Jan. 1	289
Investments during the period	
Disposals during the period	-87
Acquisition cost at the end of the period	203
Accumulated depreciations Jan. 1	-188
Depreciation for the period	-14
Book value at the end of the period	0
10. Tangible assets	
Machinery and equipment	
Acquisition cost Jan. 1	2
Investments during the period	
Disposals during the period	
Acquisition cost at the end of the period	2
Accumulated depreciations Jan. 1	-1
Depreciation for the period	0
Book value at the end of the period	1
Other tangible assets	
Acquisition cost Jan. 1	71
Deduction during the period	
Acquisition cost Dec. 31	71
Book value at the end of the period	71

Tangible assets total	
Acquisition cost Jan. 1	73
Investments during the period	
Deduction during the period	
Acquisition cost at the end of the period	73
Accumulated depreciations Jan. 1	-1
Depreciation for the period	0
Book value at the end of the period	72

11. Investments

Investments in subsidiaries	
Acquisition cost Jan. 1	86 470
Investments during the period	
Disposals during the period	-46 721
Acquisition cost at the end of the period	39 749

Investments in other shares	
Acquisition cost Jan. 1	1
Investments during the period	
Disposals during the period	
Acquisition cost at the end of the period	1

Investments total	
Acquisition cost Jan. 1	86 471
Investments during the period	
Disposals during the period	-46 721
Acquisition cost at the end of the period	39 750

	1.1 - 1.7.2015 1000 EUR
12. Non-current receivables	
Loan receivables	
From Group companies	
Total	
Long-term receivables total	
13. Current receivables	
Accounts receivable	
From Group companies	17
From others	
Total	17
Other receivables	
From Group companies	34
From others	69
Total	103
Prepaid expenses and accrued income	
From Group companies	
From others	72
Total	72
Current receivables total	192
14. Financing securities	
Cash and cash equivalents include liquid and low risk financing securities	
Financial assets at fair value through profit or loss	15 832
14. Shareholders' equity	
Share capital at the beginning of the period	12 941
Share capital at the end of the period	12 941
Invested unrestricted equity fund at the beginning of the period	25 103
Share issue	654
Capital repayment	
Invested unrestricted equity fund at the end of the period	25 757
Retained earnings at the beginning of period	64 688
Dividend distribution	-5 290
Net profit for the period	546 391
Retained earnings at the end of period	605 789
Distributable earnings at the end of the period	631 546
Shareholders' equity total	644 487

	1.1 - 1.7.2015 1000 EUR
Provisions	
Provisions	
Provisions, non-current	1 000
Provisions, current	3 116
Total	4 116
Non-current	
Non-current loans	
Loans from financial institutions	
Total	
Non-current liabilities total	
Current liabilities	
Current loans	
Loans from financial institutions	6 000
Total	6 000
Accounts payable	
To Group companies	2
To others	460
Total	462
Other short-term liabilities	
To Group companies	4 020
To others	42
Total	4 061
Accrued expenses and deferred income	
	138
To others	144
Total	282
Current liabilities total	10 805

16. Securities and contingent liabilities

On behalf of Group companies	
Guarantees	4 284
Against own liabilities	
Floating charges	
Leasing liabilities	
Falling due in the next year	745
Falling due after one year	1 398
Rental liabilities	
Falling due in the next year	24
Contractual liabilities	
Falling due in the next year	143

17. Nominal value of currency derivatives

Foreign exchange forwards	
Market value	31
Nominal value	1 500
Options	
Currency options purchased	
Market value	49
Nominal value	1 500
Sold options	
Market value	-30
Nominal value	3 000

21. Shares and holdings

	Owned by Parent %	Owned by Group %	Book value 1000 EUR
Subsidiaries			
Bittium Technologies Oy (formerly Elektrobit Technologies Oy)	100,00	100,00	39 749
Other holdings by Parent			
Oulu ICT Oy			1

Ernst & Young Oy
Uusikatu 53
90120 Oulu
Finland

Puhelin 040 770 7088
Faksi 08 373 766
www.ey.com/fi

Auditor's report (Translation)

To the Annual General Meeting of Bittium Oyj

We have audited the accounting records, the interim financial statements, the report of the Board of Directors, and the administration of Bittium Oyj for the interim financial period ended 1 July, 2015. The interim financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of consolidated interim financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of interim financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility
Our responsibility is to express an opinion on the interim financial statements, on the consolidated interim financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the interim financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of interim financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim financial statements and the report of the Board of Directors.

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

Opinion on the consolidated interim financial statements
In our opinion, the consolidated interim financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's interim financial statements and the report of the Board of Directors
In our opinion, the interim financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Oulu, on August 23, 2015

Ernst & Young Oy
Authorized Public Accounting Firm

Juhani Rönkkö
Authorized Public Accountant