

# Interim Report January- September 2015

5.11.2015

Hannu Huttunen, CEO



# Bittium

# Forward-looking statements

- Some statements made in this material relating to future circumstances or status, including, without limitation, future performance of the company, expectations regarding market growth, trend projections as well as any statements preceded by the words “expect”, “believe”, “foresee” or similar expressions are forward-looking statements.
- By their nature, forward-looking statements involve risk and uncertainty and actual results may, therefore, differ materially from the results that are expressed or implied by these forward-looking statements.
- Bittium Corporation disclaims all obligations to update such forward-looking statements except as required by mandatory law.

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- Financial results in 3Q and 1-9 2015
- Summary of the voluntary public tender offer and pro forma balance sheet
- Outlook for 2015



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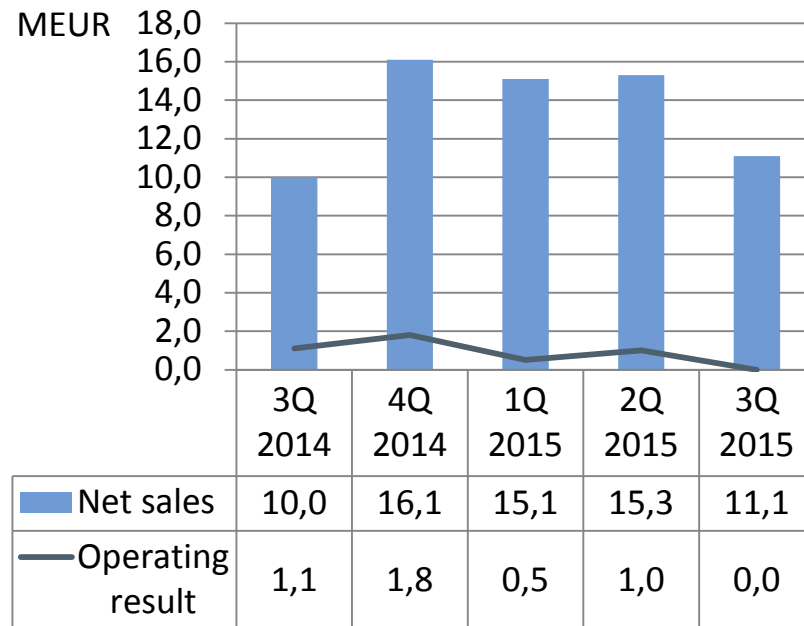
Bittium in 3Q 2015

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# Net sales and operating profit 3Q

- Net sales grew by 11.7 % to MEUR 11.1 (MEUR 10.0 in 3Q14)
- Product-based net sales grew and was MEUR 2.4 million (MEUR 1.9 in 3Q14)
- Operating result was MEUR 0.0 (MEUR 1.1 in 3Q14, including non-recurring income from the reorganization cases of the TerreStar Companies)



# Main events in 3Q 2015



- Continued R&D investments, Bittium Tough Mobile being the biggest investment.
  - R&D phase almost finalized, first product deliveries will start by the end of the year.
- Tactical communication product, system and service deliveries to Finnish Defence Forces continued during the quarter.
- Also continued efforts to bring the defense product portfolio to the international defense markets. First small pilot delivery of Bittium Tactical Wireless IP Network solution for a customer abroad.
- Development of three mobile devices for Mexican government authority has been started. Due to the failed launch of customer's first satellite, the overall project schedule is expected to be delayed from the original. Over half of the contract revenue is expected to materialize during 2016.
- The demand for Bittium's R&D services continued stable.

Bittium in 1-9 2015

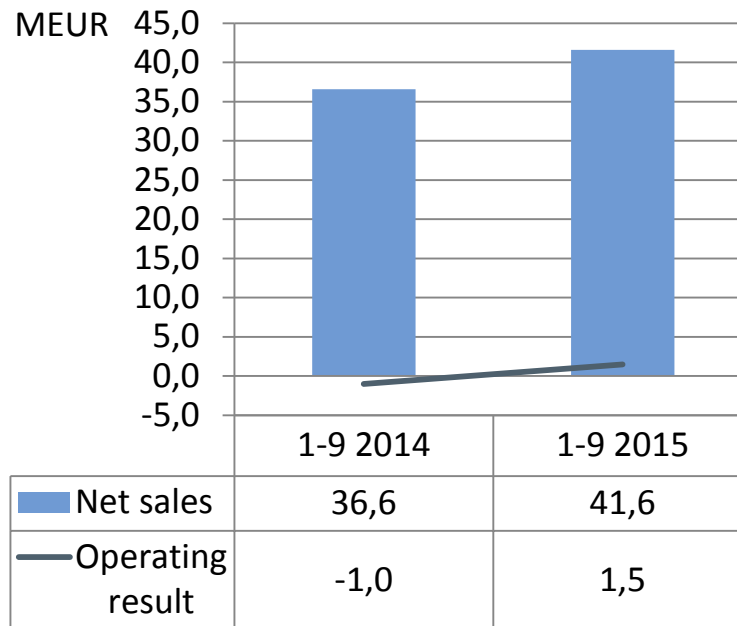
A close-up, slightly blurred photograph of a mobile phone keypad. The keypad is dark-colored with white characters. Several keys are illuminated with a bright green light. The keys visible include '1', '2', '3', '4', '5', '6', '7', '8', '9', and '0'. The text 'Bittium' is overlaid in white on the bottom right of the image.

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# Net sales and operating profit in 1-9 2015

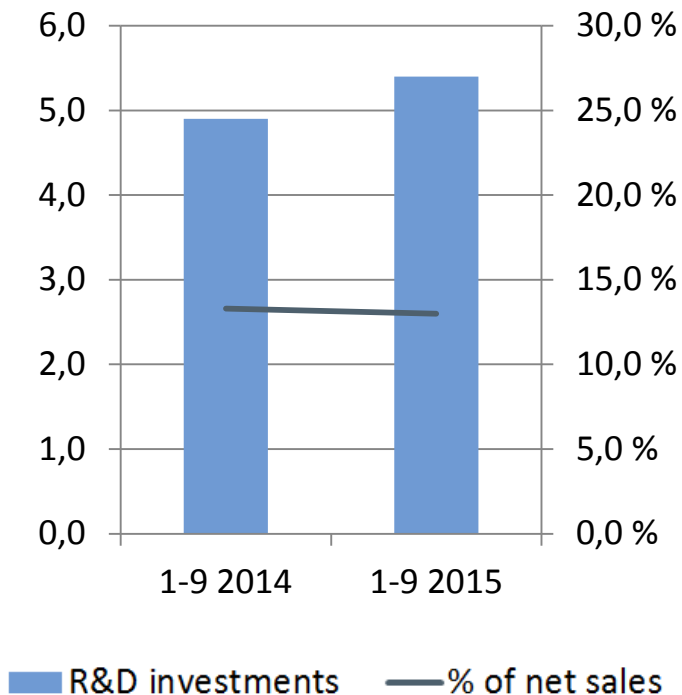
- Net sales grew by 13.7 % to MEUR 41.6 (MEUR 36.6 in 1-9 2014)
  - Growth was driven mainly by the deliveries of special terminal products and other products for authorities markets, and special terminal related R&D services.
- Product-based net sales grew and was MEUR 11.2 million (MEUR 7.8 in 1-9 2014)
- Operating result improved clearly and was MEUR 1.5, including MEUR 0.4 costs related to changing the name of the company (loss of MEUR -1.0 in 1-9 2014, including non-recurring income of MEUR 1.1 from the reorganization cases of the TerreStar Companies)
  - Improvement was due to the growth in net sales and improved gross margin.





# R&D investments were 13,0% of net sales

- R&D investments were MEUR 5.4 equaling 13.0% of the net sales (MEUR 4.9 in 1-9 2014, equaling 13.3% of the net sales).
  - MEUR 2.7 was capitalized (MEUR 1.3 in 1-9 2014).
  - Depreciations of R&D investments were MEUR 0.1 (MEUR 0.1 in 1-9 2014).
- Bittium Tough Mobile LTE smartphone was the main target of R&D investments.



# Summary of the voluntary public tender offer

- To distribute the net proceedings from the sale of the Automotive business Bittium repurchased its own shares and stock options in a voluntary public tender offer directed to all shareholders and holders of stock options 2008C of the Company.
- The total purchase price of approximately EUR 595 million
- The offer price for a share was EUR 5.06 and for a stock option EUR 4.51
- Offer period was September 25 – October 16, 2015
- Altogether 97,244,661 (73.2 %) shares and 166,694 stock options (62.0 %) were tendered in the Offer.
- All the Shares and Stock Options transferred in the Offer became null and void .
- The total amount of shares of Bittium Corporation is 35,598,368.
- As a result of completing the Offer the cash balance and equity of the Company decreased by approximately EUR 493 million.
- The process of repurchasing own shares and stock options was completed after the review period and thereby the affects in the balance sheet is not shown in the Interim Report January-September 2015.

	10 largest shareholders 27.10.2015	Shares and votes
1	Harju Jukka	1 800 000
2	Hulkko Juha	1 700 000
3	Veikkolainen Erkki	1 500 000
4	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1 316 203
5	Nordea Pankki Suomi Oyj	969 161
6	Sijoitusrahasto Evli Suomi pienyhtiöt	914 517
7	Hilden Kai	658 000
8	Fondita Nordic Micro Cap Placeringsfond	600 000
9	Sijoitusrahasto Evli Suomi Select	550 000
10	Skandinaviska Enskilda Banken AB	523 974

# Pro Forma balance sheet

	Reported Sep. 30, 2015	Execution of the tender offer	Pro Forma Sep. 30, 2015
Intangible assets	8,6		8,6
Tangible assets	3,8		3,8
Investments	0,1		0,1
Inventories	1,4		1,4
Receivables	16,0		16,0
Cash and other cash equivalents	617,5	-492,8	124,7
<b>Total assets</b>	<b>647,5</b>	<b>-492,8</b>	<b>154,7</b>
Share capital	12,9		12,9
Other equity	616,4	-492,8	123,6
<b>Total equity</b>	<b>629,3</b>	<b>-492,8</b>	<b>136,5</b>
Long-term liabilities	2,0		2,0
Short-term liabilities	16,2		16,2
<b>Total equity and liabilities</b>	<b>647,5</b>	<b>-492,8</b>	<b>154,7</b>

## Balance sheet key figures

- Cash reserves remained strong at the end of 1-9 2015 and was MEUR 617.5
- Interest-bearing debt was MEUR 1.5
- Net debt was MEUR -616.1
- Equity ratio was 97.9%. The high equity ratio results from the net proceeds from the sale of the Automotive business.

# Cash flow in 1-9 2015

MEUR	1-9 15	1-9 14	2014
Net profit +/- adjustment of accrual basis items	10.8	16.9	27.4
Change in net working capital	-4.8	-9.3	-12.1
Interests, taxes, and dividends	-4.2	-2.5	-4.7
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1.8</b>	<b>5.1</b>	<b>10.5</b>
Net cash from investing activities	580.8	-6.6	-9.2
Net cash from financing activities	-8.4	-0.8	-1.0
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>574.2</b>	<b>-2.3</b>	<b>0.3</b>

- Cash flow from operating activities in 1-9 2015 amounted to EUR 1.8 million (EUR 5.1 million in 1-9 2014). The cash flow includes the operating cash flow of the Automotive business until June 30, 2015.
- Net cash flow in 1-9 2015 was EUR 574.2 million (EUR -2.3 million in 1-9 2014). Net cash flow includes the dividend payment of EUR 5.3 million in April and the cash flow of Automotive business until June 30, 2015, as well as the cash flows related to the sale of Automotive business and cancelled demerger process.

# Outlook for 2015



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# Market outlook for 2015

- The increasing use of LTE technology in mobile telecommunications networks creates the need for R&D services for LTE base station design, since many product variants are needed for various frequency bands.
- The trend of adopting new commercial technologies, such as LTE and smart phone related operating systems 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 and communication modules.
- The demand for secure communications devices is expected to increase.
- The growth of Internet of Things (IoT) applications creates a need for R&D services and customized solutions based on device platforms, such as Bittium IoT device platform. Applications include connected devices for consumer use, such as smart watches for sports and leisure time, and connected devices for industrial use.
- In the defense market, the need for larger amounts of data in tactical communications is generating demand for broadband networks, such as Bittium's customized Internet Protocol based tactical communication solutions.
- Bittium continues the product development for Finnish Defence Forces and aims at bringing its products and services also to the global defense markets.



# Outlook for 2015

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 outlook includes due to the sale of the Automotive business 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 2015 business outlook remains unchanged. 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.
- 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. These are reported as part of the result of the discontinuing operations. 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.
- More information about Bittium's market outlook is presented in the section "market outlook" in this interim report.
- More information about other uncertainties regarding the outlook is presented in this interim report sections "Risks and uncertainties" and "Events after the review period", as well as on the company's internet pages at [www.bittium.com](http://www.bittium.com).

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