



Bittium Corporation Half Year Financial Report January-June 2017

CEO Hannu Huttunen | CFO Pekka Kunnari

August 9, 2017

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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.

Contents

Main events 1-6 2017

Financial results 1-6 2017

Outlook for 2017



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Highlights 1-6 2017

CEO Hannu Huttunen

An aerial night view of a city skyline, likely Chicago, with a blue grid overlay. The grid consists of horizontal and vertical lines that create a mesh pattern over the city. The buildings are illuminated with lights, and the sky is a deep blue. The overall aesthetic is modern and technological.

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Main events in 1-6 2017



- Services-based business decreased as expected
- Strong half in the product-based business
- Strong investments in own products and product platforms
 - New Bittium Tough SDR™ product family
 - Bittium Tough Mobile™ and its next generation smartphone
- New Confidential classification level version of the Bittium Tough Mobile launched
- Cooperation with Finnish Defence Forces continued strong
 - Order of Bittium Tough Mobile C (classified)
 - Order of waveform development of Bittium TAC WIN system
 - Bittium TAC WIN system product order
 - Order of Bittium TAC WIN system for Finnish Air Forces
- Cooperation with Finnish Defence Forces will get continuation:
 - Framework Agreement for the delivery of Bittium TAC WIN products during the years 2018-2020 under work
 - Letter of Intent concerning the purchase of new software defined radio (SDR) based tactical radios and the preparations of the purchase
- The development project of Android-based mobile devices for the Mexican Ministry of Communication and Transportation's MEXSAT system got final approval and product deliveries are expected to start this year
- Sale of Kardiolog.fi and cooperation between Bittium and Coronaria started
- Medical device approval in Europe for Bittium Faros ECG measuring devices' arrhythmia detection algorithms

Bittium Tough SDR™ product family

- **Bittium Tough SDR Handheld™** is a Software Defined Radio based portable tactical radio for soldiers
- **Bittium Tough SDR Vehicular™** is a Software Defined Radio based tactical vehicular radio
 - Fixed installation
 - Can include module for connecting to commercial LTE networks
- Wide range of frequency bands providing frequency agility and less interference
- Support for several different waveforms, including Bittium TAC WIN™ & ESSOR HDR Waveform™
- Both radios designed according to strict information security demands and can be tailored with national crypto algorithms
- Support for simultaneous use of two different waveforms with separate antennas



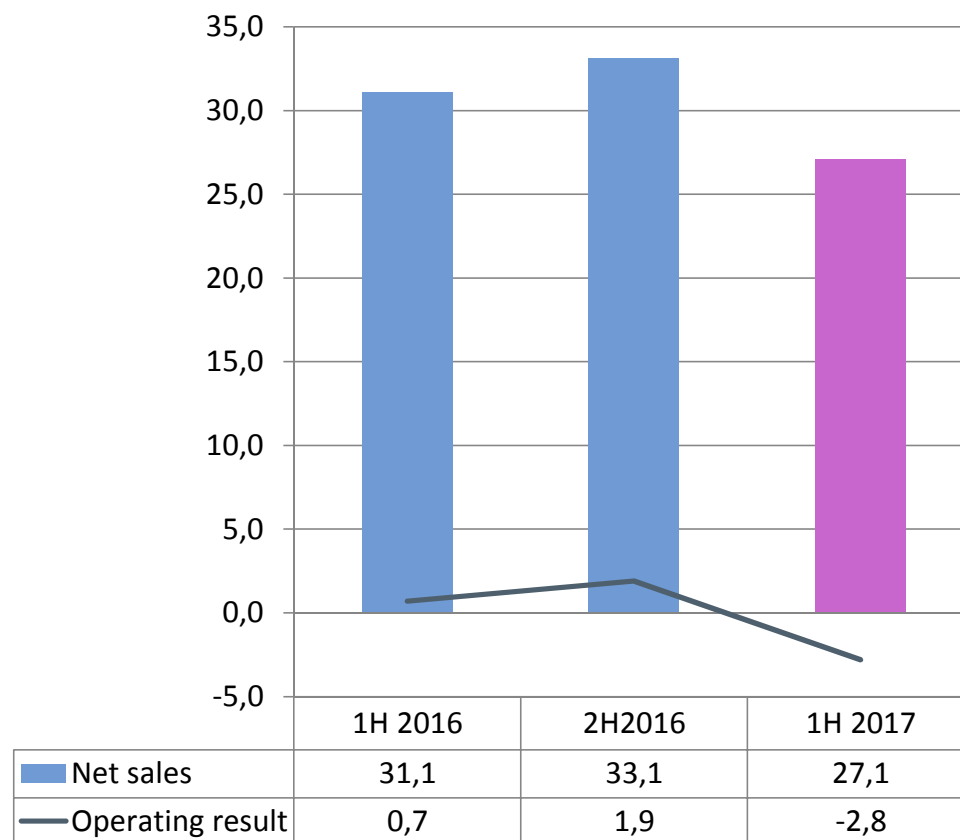
Financial review

CFO Pekka Kunnari

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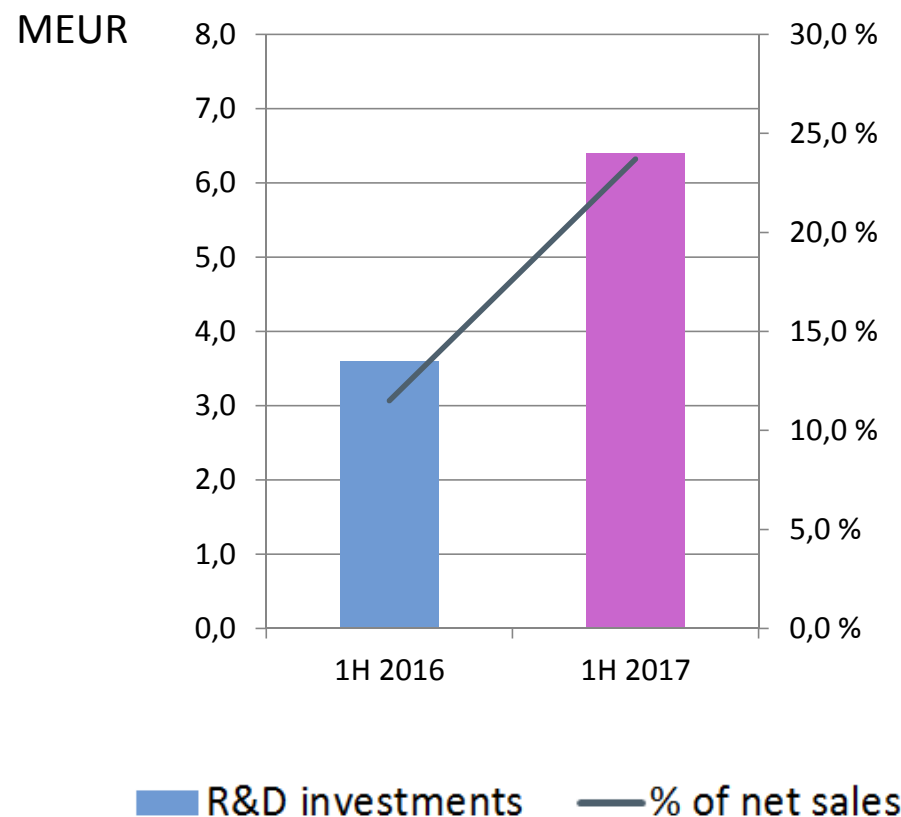
Net sales and operating profit

- Net sales decreased by 12.8% to MEUR 27.1 (MEUR 31.1 in 1H 2016)
 - Product-based net sales increased and was MEUR 7.2 (MEUR 5.3 in 1H 2016)
 - Deliveries of: tactical communication system products, Bittium Tough Mobiles and related security systems and products for measuring and monitoring biosignals.
 - The product-based net sales increased y-on-y due to the product sales generating from the recently bought medical business and due to the increased sales of Bittium Tough Mobiles.
 - Service-based net sales decreased and was MEUR 19.7 (MEUR 25.6 in 1H 2016)
 - The services-based net sales decreased due to the termination of a significant customer cooperation with a global network equipment manufacturer.
- Operating loss was MEUR -2.8 (MEUR +0.7 in 1H 2016)



R&D investments in 1H 2017

- R&D investments increased significantly and were MEUR 6.4 equaling 23.7% of the net sales (MEUR 3.6 in 1H 2016, equaling 11.5% of the net sales)
 - MEUR 2.3 was capitalized (MEUR 0.7 in 1H 2016)
 - Depreciations of R&D investments were MEUR 0.2 (MEUR 0.1 in 1H 2016)
 - R&D investments in the P&L was MEUR 4.3 (MEUR 3.0 in 1H 2016)
- The main focus in the R&D investments was in the following products
 - New tactical communication radios: Bittium Tough SDR product family (soldier and vehicle radios)
 - The continued development of the Bittium Tough Mobile secure LTE smartphone and related security software and its next generation product development



Cash flow in 1H 2017

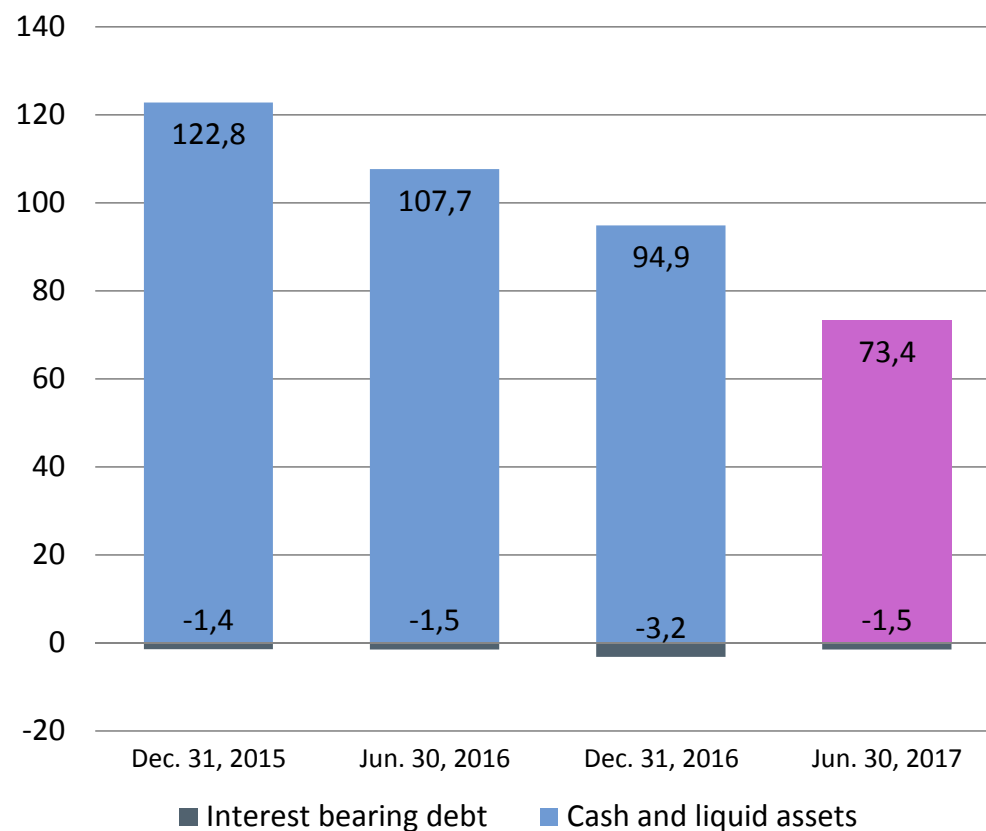
MEUR	1H 2017	1H 2016	2016
Net profit +/- adjustment of accrual basis items	-1.2	2.1	5.0
Change in net working capital	1.4	-2.2	-7.6
Interests, taxes, and dividends	0.2	0.2	0.9
NET CASH FROM OPERATING ACTIVITIES	0.4	0.1	-1.7
Net cash from investing activities	-9.0	-4.0	-14.5
Net cash from financing activities	-12.9	-11.2	-11.6
NET CHANGE IN CASH AND CASH EQUIVALENTS	-21.5	-15.1	-27.9

- Net cash flow in 2016 and in 2017 include the dividend payment in April and the investments made into the company's new office building in Oulu, Finland.

Strong balance sheet

- Cash reserves remained strong at the end of 1H 2017
 - Cash and liquid assets MEUR 73.4
- Equity ratio was 87.8%
- Interest bearing debt was MEUR 1.5
- Net gearing -60.6 %
- Capitalized R&D costs MEUR 8.5

Cash and liquid assets and interest bearing debt



Outlook for 2017

CEO Hannu Huttunen



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Market outlook for 2017

- A common factor creating demand among Bittium's customers base is the growing need for higher quality and security in data transfer.
- Following factors are expected to create demand for Bittium's products and services in 2017 and beyond:
 - Technology development transfer from 4G to 5G
 - Digitalization
 - Use of LTE technology, smartphone and related applications in special verticals such as public safety
 - Increased mobile security risks
 - Increasingly moving troops of governments' defense forces and other authorities need to transfer growing amounts of data securely
 - Growing need for remote medical control and measurements

Outlook for 2017

Bittium's outlook for 2017 remained as announced earlier in the Financial Statement Bulletin 2016 on February 20, 2017:

- Bittium will continue to look for inorganic growth opportunities in all its product and service areas and is prepared to invest in acquisitions that support its growth strategy. The growing need for wireless connectivity, increasingly growing amount of data transfer and the need for secure data transfer create demand for Bittium's competence, products and product platforms. In a long term Bittium still has good conditions to grow profitably. Bittium aims further at growing net sales based on its products and product platforms.
- Bittium has announced earlier that it targets 10 percent annual growth in net sales and to reach EBIT level 10 percent of net sales in the year 2017 at the latest. The company believes that in the coming years it is able to grow its net sales even more than the earlier announced target, and therefore sets up a target to exceed the annual 10 percent growth target of the net sales. However, Bittium believes, that during the year 2017 it is not yet able to reach the targets set for the growth in the net sales and EBIT level.
- The reason for this is the termination of significant customer cooperation with a global network equipment manufacturer. To this extent this kind of extensive and rapid decrease in the services business net sales is impossible to be replaced with other projects in a short term, which effects directly the development of net sales and operating result in 2017. In addition, the operating profit level of the year 2017 is also affected by the ongoing investments enabling the future growth.

Bittium expects that the net sales in 2017 will be at the same level than in the previous year (EUR 64.2 million in 2016). Operating result is expected to be negative (EUR 2.5 million in 2016).

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