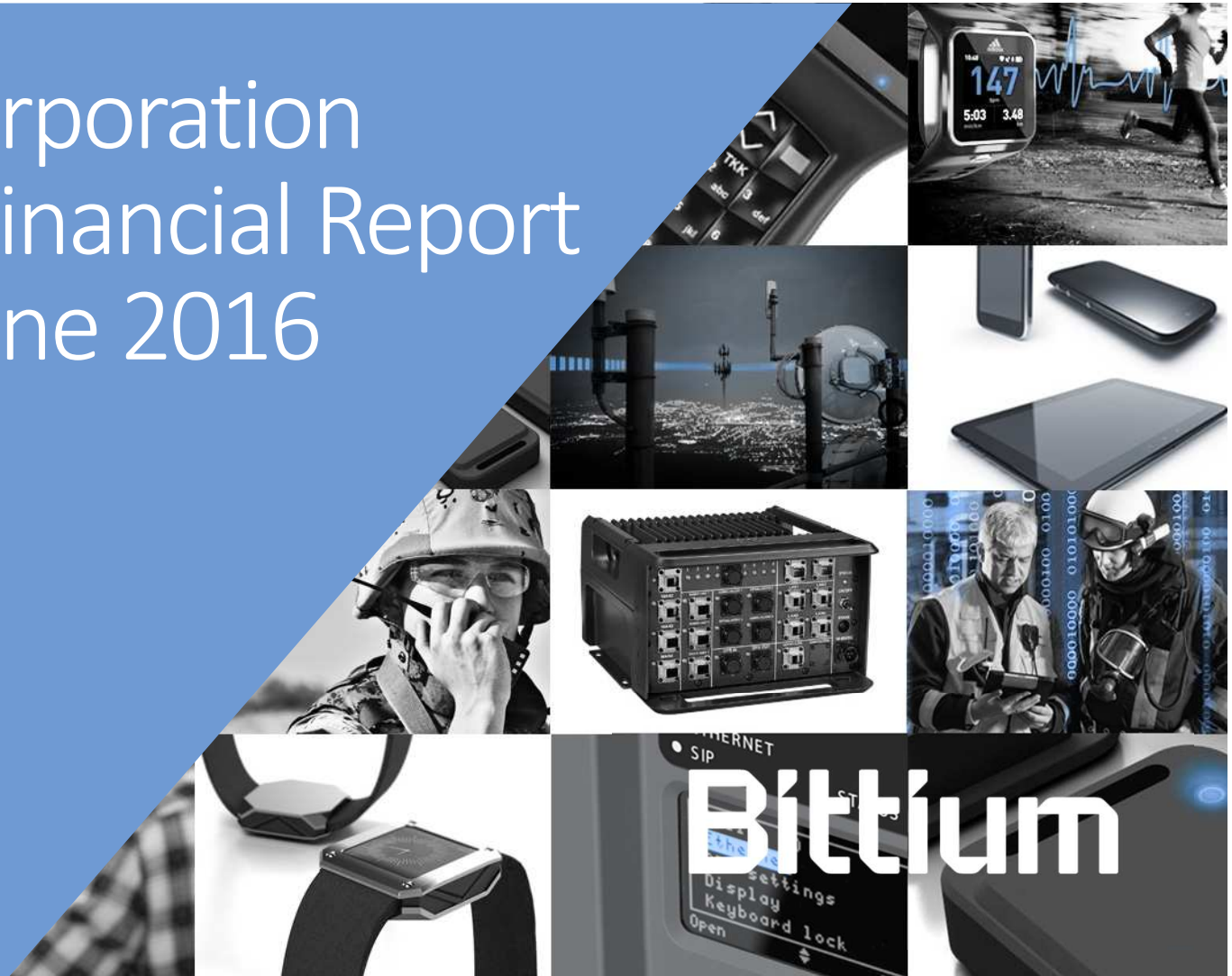


# Bittium Corporation Half Year Financial Report January-June 2016

4.8.2016

Hannu Huttunen, CEO

Pekka Kunnari, CFO



## 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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- Outlook for 2016



**Bittium**

# Highlights 2Q 2016

Hannu Huttunen, CEO

An aerial night view of a city skyline, likely Chicago, with a blue overlay on the left side. A grid pattern is overlaid on the city, and a large white 'B' is visible in the center of the grid. The word 'Bittium' is written in white at the bottom right.

**Bittium**

# Main events in 2Q 2016



- The demand for Bittium’s R&D services has developed positively. The development of the mobile devices for Mexican government authority continued as planned
- The development of the Bittium Tough Mobile™ LTE smartphone and related secure solutions continued
  - Pilot deliveries continued globally; Band 28 variant for public safety launched
  - The first public safety LTE evolved Multimedia Broadcast Multicast Solution (eMBMS) solution launched together with Air-Lynx
- The development of Bittium SafeMove® product family continued
  - Bittium SafeMove® Analytics™ software was launched as a standalone software product for enterprises for monitoring and analyzing the performance of wireless networks and mobile devices
  - A new version of Bittium SafeMove® Mobile VPN™ remote access solution launched
  - Bittium SafeMove® Mobile VPN™ and SafeMove® Analytics™ software available to all Getac’s rugged tablets and notebooks as an option across Europe
- The development of Bittium Tactical IP Network™ (TAC WIN) used by the FDF continued
  - The launch of Bittium Tough VoIP Service™ software product where both fixed data network users and wireless tactical data network users can be connected to the same voice service network
  - Bittium demonstrated the first European cross-platform military radio technology for effective joint operations with both Leonardo-Finmeccanica and Thales at Eurosatory exhibition in Paris.

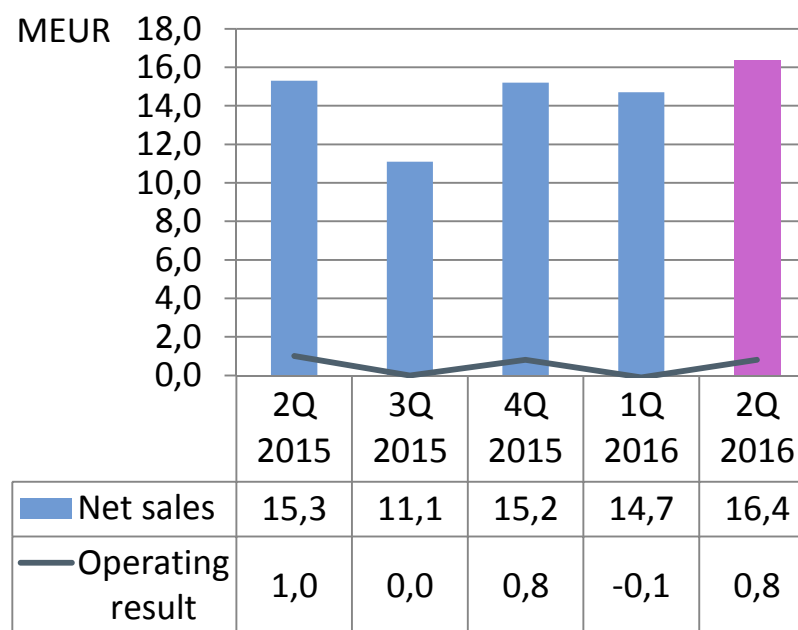
# Financial review

Pekka Kunnari, CFO

**Bittium**

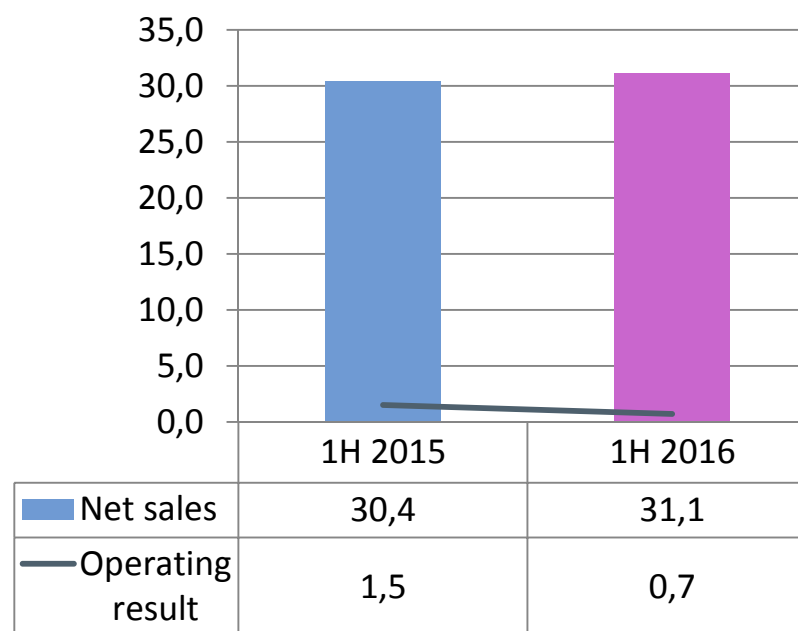
# Net sales and operating profit in 2Q 2016

- Net sales increased by 7.1% to MEUR 16.4 (MEUR 15.3 in 2Q15)
  - Product-based net sales decreased and were MEUR 2.9 (MEUR 4.3 in 2Q15)
    - the product-based net sales decreased y-on-y due to the ending of product deliveries of a special terminal project for a US-based customer and due to the quarterly variations in product deliveries for the Finnish Defence Forces during the corresponding period
  - Service-based net sales increased and were MEUR 13.3 (MEUR 10.9 in 2Q15)
    - Despite of the decrease in the demand for the services business for the mobile infrastructure equipment market, services-based net sales grew due to the increase in the demand for R&D services related to the special terminal products.
- Operating profit was MEUR 0.8 (MEUR 1.0 in 2Q15).



## Net sales and operating profit in 1H 2016

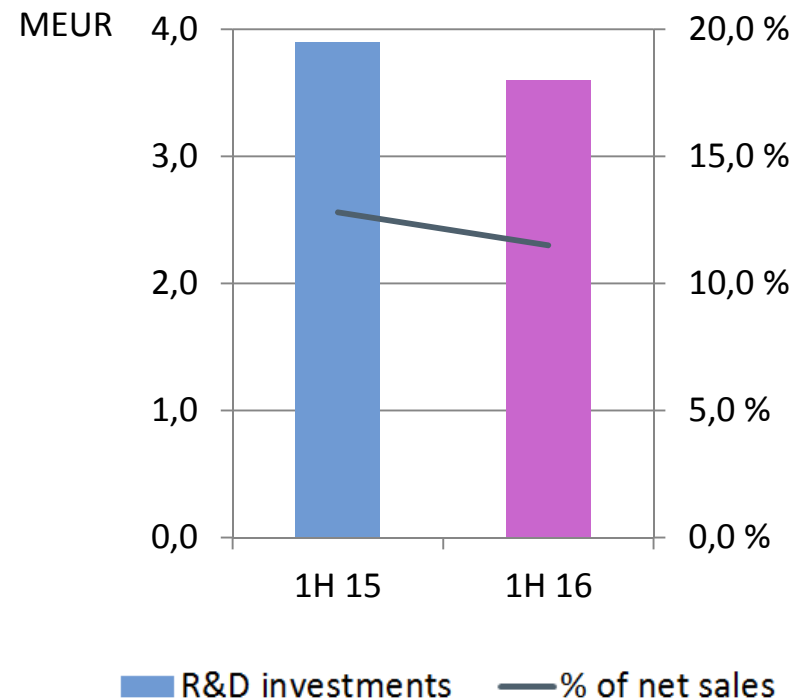
- Net sales increased by 2.3% to MEUR 31.1 (MEUR 30.4 in 1H15)
  - Product-based net sales decreased and were MEUR 5.3 (MEUR 8.8 in 1H15)
    - The product-based net sales decreased y-on-y due to the ending of product deliveries of a special terminal project for a US-based customer during the corresponding period
  - Service-based net sales increased and were MEUR 25.6 (MEUR 21.5 in 1H15)
    - Despite of the decrease in the demand for the services business for the mobile infrastructure equipment market, services-based net sales grew due to the increase in the demand for R&D services related to the special terminal products
- Operating profit was MEUR 0.7 (MEUR 1.5 in 1H15)





## R&D investments in 1H 2016

- R&D investments were MEUR 3.6 equaling 11.5% of the net sales (MEUR 3.9 in 1H15, equaling 12.9% of the net sales)
  - MEUR 0.7 was capitalized (MEUR 2.0 in 1H15)
  - Depreciations of R&D investments were MEUR 0.1 (MEUR 0.1 in 1H15)
  - R&D investments in the P&L was MEUR 3.0 (MEUR 2.0 in 1H15)
- The main focus in the R&D investments was the continued development of the Bittium Tough Mobile LTE smartphone



## Cash flow in 1H 2016

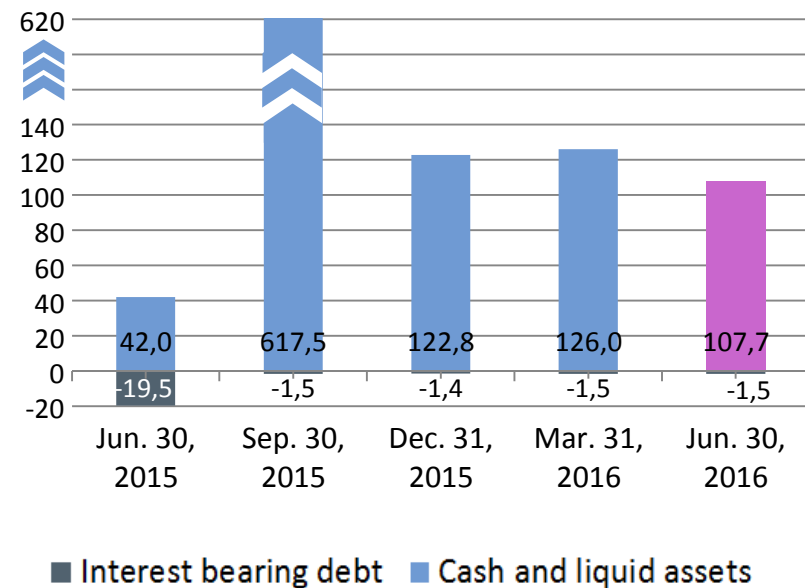
<b>MEUR</b>	<b>1H 16</b>	<b>1H 15</b>
Net profit +/- adjustment of accrual basis items	<b>2.1</b>	13.0
Change in net working capital	<b>-2.2</b>	-10.6
Interests, taxes, and dividends	<b>0.2</b>	-3.7
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>0.1</b>	-1.2
Net cash from investing activities	<b>-4.0</b>	-6.5
Net cash from financing activities	<b>-11.2</b>	6.5
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-15.1</b>	-1.3

- Cash flow 1H 2015 includes both continuing and discontinuing operations.

## Strong balance sheet

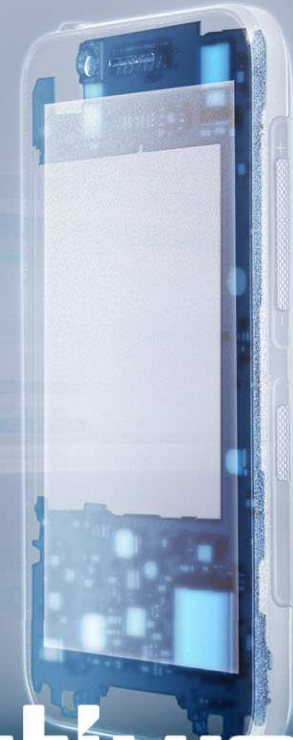
- Cash reserves remained strong at the end of 1H 2016
- Cash and liquid assets MEUR 107.7
- Equity ratio was 88.5%
- Interest bearing debt was MEUR 1.5
- Net gearing -83.0 %
- Capitalized R&D costs MEUR 6.2

Cash and liquid assets and interest bearing debt



# Outlook for 2016

Hannu Huttunen, CEO



**Bittium**

## Market outlook for 2016

A common factor creating demand among Bittium's customers base is the growing need for higher speed, higher quality and secure data transfer

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

- The development of 5G technology creates demand for Bittium's R&D services
  - The implementation of LTE technology development has reached its maturity level impacting to the mobile network markets
- The trend of adopting LTE network and smartphone related applications continues in special verticals such as public safety and cyber security creating a demand for customized LTE devices, such as Bittium Tough Mobile
  - The awareness of information security risks is growing and the interest towards secure mobile devices increases. However, the development of the public safety and information security markets has been somewhat slower than expected
- The companies' growing need to bring connected devices to demanding industrial or consumer usage to the market creates a need for R&D services and customized solutions such as Bittium's IoT (Internet of Things) services and solutions
- The need to transfer growing amounts of data securely by the increasingly moving troops of governments' defense forces and other authorities creates demand for secure and trusted networks such as Bittium's IP-based tactical communication solutions and Bittium's Tactical Wireless IP Network (TAC WIN)
- The increasing use of public mobile connections in portable devices in demanding professional use, such as by the public sector, creates requirements for safe and easy-to-use mobile connections; Bittium SafeMove® product family

## Outlook for 2016

Bittium expects that the net sales in 2016 will grow from the previous year (net sales of EUR 56.8 million, in 2015).

*The development of the operating result includes still many uncertainties and therefore the company has decided not to give guidance on the development of the operating result. These uncertainties include possible non-recurring investments in building long-term growth and significant variations in the operating result between the quarters due to the timing of product deliveries.*

- More information about other uncertainties regarding the outlook is presented in the Report by the Board of Directors 2015 in the section "Risks and uncertainties" and on the company's internet pages at [www.bittium.com](http://www.bittium.com).

# Investors' calendar 2016

**November 3, 2016**

**Interim Report January-September 2016**

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