

Bittium Corporation Interim Report January-March 2016

27.4.2016

Hannu Huttunen, CEO

Pekka Kunnari, CFO



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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.

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Highlights 1Q 2016

Hannu Huttunen, CEO

An aerial night view of a city skyline, likely Chicago, with a blue overlay on the left side. A network grid of white lines is overlaid on the city, and a bright light source in the sky projects a beam of light across the scene. The word "Bittium" is written in white, bold, sans-serif font in the bottom right corner.

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Main events in 1Q 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 during the quarter.
 - Pilot deliveries continued globally.
 - New partners and resellers who have taken Bittium Tough Mobile into their product portfolio and integrated it into their solution for the customers. Search for new partners and resellers continue.
- The development of Bittium Tactical IP Network™ (TAC WIN) used by the Finnish Defence Forces continued and a new project order for the further development of TAC WIN waveform was received.
- The first order of a small tactical communication system to a customer in Asia received.

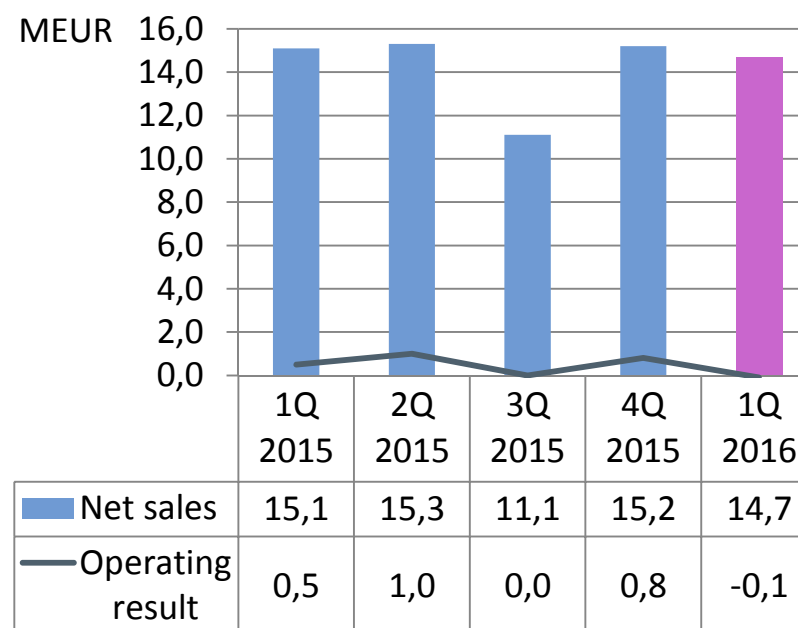
Financial review

Pekka Kunnari, CFO

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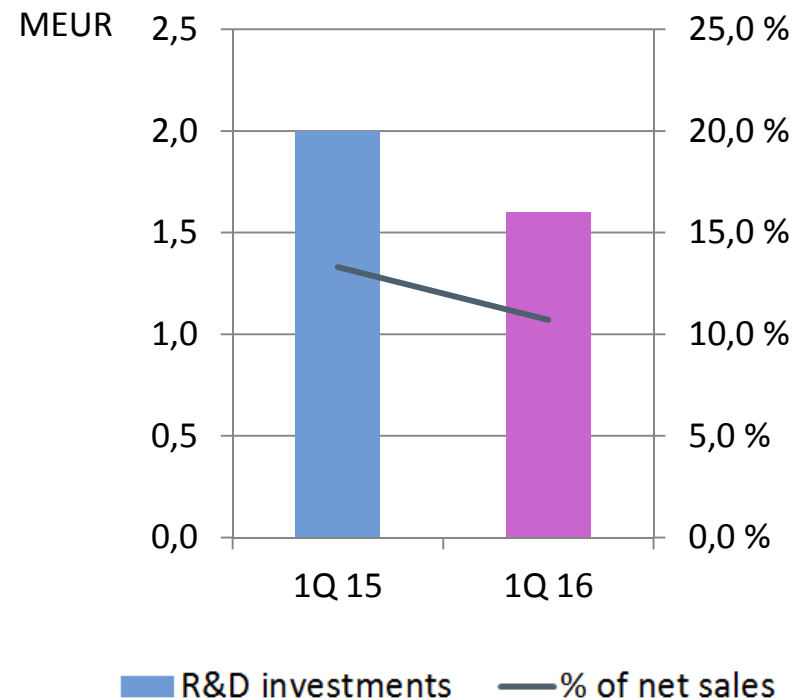
Net sales and operating profit in 1Q 2016

- Net sales decreased by 2.6% to MEUR 14.7 (MEUR 15.1 in 1Q15)
 - Product-based net sales decreased and were MEUR 2.4 (MEUR 4.5 in 1Q15)
 - Due to the ending of product deliveries of a special terminal project for a US-based customer during the corresponding period, the product-based net sales decreased y-on-y.
 - Service-based net sales increased and were MEUR 12.2 (MEUR 10.5 in 1Q15)
 - 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 result was MEUR -0.1 (MEUR 0.5 in 1Q15).



R&D investments in 1Q 2016

- R&D investments were MEUR 1.6 equaling 10.7% of the net sales (MEUR 2.0 in 1Q15, equaling 13.3% of the net sales).
 - MEUR 0.3 was capitalized (MEUR 1.0 in 1Q15).
 - Depreciation of R&D investments were MEUR 0.1 (MEUR 0.1 in 1Q15).
- The main focus in the R&D investments was the continued development of the Bittium Tough Mobile LTE smartphone



Cash flow in 1Q 2016

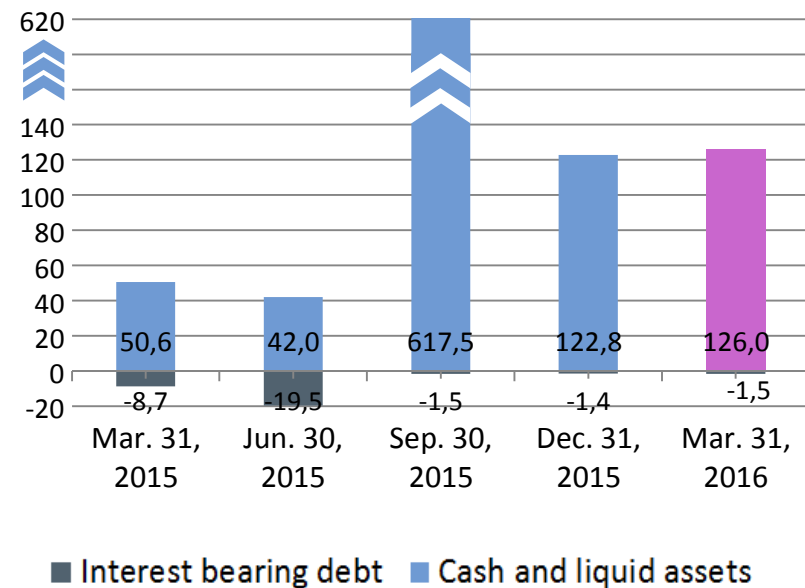
MEUR	1Q 16	1Q 15
Net profit +/- adjustment of accrual basis items	0.6	5.6
Change in net working capital	4.4	6.7
Interests, taxes, and dividends	0.0	-1.4
NET CASH FROM OPERATING ACTIVITIES	5.0	10.9
Net cash from investing activities	-1.5	-4.1
Net cash from financing activities	-0.2	0.4
NET CHANGE IN CASH AND CASH EQUIVALENTS	3.2	7.3

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

Strong balance sheet

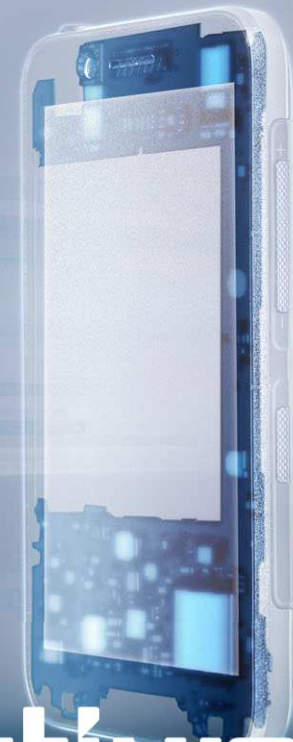
- Cash reserves remained strong at the end of 1Q 2016
- Cash and liquid assets MEUR 126.0
- Equity ratio was 90.5%
- Interest bearing debt was MEUR 1.5
- Net gearing –90.4 %
- Capitalized R&D costs MEUR 5.8

Cash and liquid assets and interest bearing debt



Outlook for 2016

Hannu Huttunen, CEO



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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:

- Implementation of LTE technology
 - wide range of frequencies allocated for LTE generates need for R&D services for the development of base station product variants
 - growing amount of data transfer generates need for smaller base stations for increasing the data transfer capacity of a LTE network
- 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 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 currently 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.

Investors' calendar 2016

August 4, 2016

Interim Report January-June 2016

November 3, 2016

Interim Report January-September 2016

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