

Bittium

Bittium Corporation Interim Report January-September 2016

Net sales

45.2 MEUR

Net sales growth

8.7 %

Operating result

1.6 MEUR

Operating result, % of net sales

3.5 %

Services business continued its positive development in January-September 2016, but product-based net sales were lower compared to last year

Summary July-September 2016

- The net sales were EUR 14.1 million (EUR 11.1 million, 3Q 2015), representing an increase of 26.2 percent year-on-year.
- The share of the product-based net sales was EUR 2.2 million (EUR 2.5 million, 3Q 2015) and the share of the services-based net sales was EUR 11.8 million (EUR 8.6 million, 3Q 2015).
- Operating profit was EUR 0.9 million (EUR 0.0 million, 3Q 2015).
- Net cash flow was EUR -1.8 million (EUR 575.5 million, 3Q 2015, including the cash flow resulted from the sale of the Automotive business and the cash flow of the cancelled demerger process).
- Earnings per share were EUR 0.032 (EUR 0.001, 3Q 2015).

GROUP (MEUR)	7-9/2016	7-9/2015
	3 months	3 months
NET SALES	14.1	11.1
Change of net sales, %	26.2 %	11.7 %
OPERATING PROFIT / LOSS	0.9	0.0
Operating profit / loss, % of net sales	6.5 %	0.2 %
EBITDA	1.6	0.7
CASH AND OTHER LIQUID ASSETS	105.9	617.5
EQUITY RATIO (%)	90.1 %	97.9 %
EARNINGS PER SHARE (EUR)	0.032	0.001

Summary January-September 2016

- The net sales grew to EUR 45.2 million (EUR 41.6 million, 1-9 2015), representing an increase of 8.7 percent year-on-year.
- The share of the product-based net sales was EUR 7.5 million (EUR 11.3 million, 1-9 2015) and the share of the services-based net sales was EUR 37.4 million (EUR 30.1 million, 1-9 2015).
- Operating profit was EUR 1.6 million (EUR 1.5 million, 1-9 2015).
- Net cash flow was EUR -16.9 million (EUR 574.2 million, 1-9 2015, including the cash flow resulted from the sale of the Automotive business and the cash flow of the cancelled demerger process).
- Earnings per share were EUR 0.058 (EUR 0.009, 1-9 2015).

GROUP (MEUR)	1-9/2016 9 months	1-9/2015 9 months	2015 12 months
NET SALES	45.2	41.6	56.8
Change of net sales, %	8.7 %	13.7 %	7.8 %
OPERATING PROFIT / LOSS	1.6	1.5	2.3
Operating profit / loss, % of net sales	3.5 %	3.6 %	4.1 %
EBITDA	3.7	3.2	4.8
CASH AND OTHER LIQUID ASSETS	105.9	617.5	122.8
EQUITY RATIO (%)	90.1 %	97.9 %	90.5 %
EARNINGS PER SHARE (EUR)	0.058	0.009	0.020

Bittium's CEO Hannu Huttunen

The net sales of the third quarter in 2016 grew to EUR 14.1 million, representing an increase of 26.2 percent year-on-year. The share of the product-based net sales was EUR 2.2 million, which was slightly lower than in the corresponding period last year. The share of the services-based net sales was EUR 11.8 million. The service business developed positively thanks to the increased demand in R&D services for special terminal products. Operating result in the third quarter was EUR 0.9 million. Cash flow was EUR -1.8 million, mainly due to the investments made into our new office building in Oulu, Finland.

Net sales in January-September 2016 were EUR 45.2 million, representing a growth of 8.7 percent year-on-year. The share of the product-based net sales was EUR 7.5 million (16.5 percent of net sales). The decline in the product-based net sales was caused by the ending of product deliveries of a special terminal project for a US-based customer during the corresponding period. The share of the services-based net sales grew to EUR 37.4 million due to the increased demand for special terminal products' R&D services. Operating profit January-September 2016 grew year-on-year and was EUR 1.6 million.

In the beginning of October Bittium received information according to which significant customer cooperation with a global network equipment manufacturer will reduce during 2017. In case the planned actions of the customer will materialize in full, these actions might have a negative effect to Bittium's net sales and operating result in 2017. Despite this bad news, the demand for Bittium's R&D services has developed positively during the third quarter. The product development project for the Mexican Ministry of Communication and Transportation to develop Android-based mobile devices that use both terrestrial and satellite connection for their MEXSAT system has continued according to plans, and demand for R&D services at IoT markets has developed positively.

In the third quarter we continued the R&D investments in our products and product platforms aiming for growth especially in the international defense, mobile security and public safety markets. The investments still focused mainly on products targeted for mobile security and public safety markets. The development of the Bittium Tough Mobile™ secure LTE smartphone and the pilot deliveries of the products were continued during the third quarter. R&D investments were also continued in the Bittium SafeMove® product family and these remote access solutions were presented at the healthcare exhibition HETT Show in London. The development of the tactical communication system Bittium Tactical Wireless IP Network™ (TAC WIN), used by the Finnish Defence Forces, continued. Also product deliveries related to that system were continued during the third quarter. The development in the public safety and mobile security markets has been slightly slower than estimated.

We will continue to look for inorganic growth opportunities according to our strategic guidelines and our focus in this year will be on the internationalization and enabling growth. 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. Despite of the reduction of the customer cooperation in the network equipment markets, Bittium still has good conditions to continue to grow in the future in a long term.

Significant events after the review period

On October 5th, Bittium announced to have received information according to which significant customer cooperation with a global network equipment manufacturer will reduce during 2017. According to the information received, if the planned actions of the customer will materialize in full, these actions might have a negative effect on Bittium's net sales and operating result in 2017.

The reduction of the cooperation will not have an effect on the Bittium's outlook for the year 2016. Bittium will publish the outlook for the year 2017 in connection with the financial statement bulletin January-December 2016.

As part of the strategy work, Bittium will evaluate the effects of the reduction of the cooperation on the financial targets given on July 1, 2015 in connection with company's strategic guidelines. These financial targets published were as follows: The target during 2015 - 2017 is to grow the net sales at least 10 percent annually and reach EBIT level 10 percent of net sales at the latest in 2017. Bittium targets, by the year 2017, to clearly increase the share of net sales generated from own products and product platforms, from the 26.7 percent level of net sales in 2014.

Outlook for 2016

Bittium expects that the net sales in 2016 will grow from the previous year (EUR 56.8 million, in 2015). The operating profit is expected to be at the same level as in the previous year (EUR 2.3 million, in 2015). The company has not given operating profit guidance for 2016 prior to this.

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 in the section "Risks and uncertainties" and on the company's internet pages at www.bittium.com.

Invitation to a press conference

Bittium will hold a press conference on the Interim Report January-September 2016 for media, analysts and institutional investors in Restaurant Savoy, Eteläesplanadi 14, Helsinki, Finland, on Thursday November 3, 2016 at 9.30 am (CET+1). The press conference will be held in Finnish.

Bittium will also hold a telephone conference on the same day at 10.30 am. The dial-in number for the conference call is +44 203 059 8125. The confirmation code is "Bittium". The conference can also be followed live as an audiocast, accessible at www.bittium.com/investors. The conference call will be held in English. A recording of the audiocast and the presentation will be available after the conference on Bittium's website at www.bittium.com/investors.

Bittium

Bittium specializes in the development of reliable, secure communications and connectivity solutions leveraging its 30 years legacy of expertise in advanced radio communication technologies. Bittium provides innovative products and customized solutions based on its product platforms and R&D services complementing its communications and connectivity solutions. Bittium offers proven information security solutions for mobile devices and portable computers. Net sales of continuing operations in 2015 were EUR 56.8 million and operating profit was EUR 2.3 million. Bittium is listed on Nasdaq Helsinki. www.bittium.com

Bittium Corporation's Interim Report January-September 2016

Financial performance in January-September 2016

Bittium's net sales during January-September 2016 increased by 8.7 percent year-on-year to EUR 45.2 million (EUR 41.6 million, in 1-9 2015).

The share of the product-based net sales was EUR 7.5 million (EUR 11.3 million, in 1-9 2015), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces, product deliveries of Bittium Tough Mobile LTE smartphones, and from the delivery of other terminal products for authorities use. The product-based net sales decreased year-on-year mainly because of the ending of product deliveries of a special terminal project for a US-based customer during the corresponding period.

The share of the services-based net sales was EUR 37.4 million (EUR 30.1 million, in 1-9 2015). Despite the decrease in the demand for the services business in the network equipment market, the services-based net sales increased year-on-year due to the increased demand for the R&D services related to the special terminal products.

Operating result was EUR 1.6 million (EUR 1.5 million, in 1-9 2015).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR	1-9/2016	1-9/2015	2015
	9 months	9 months	12 months
Net sales	45.2	41.6	56.8
Operating profit / loss	1.6	1.5	2.3
Financial income and expenses	0.5	-0.3	-0.2
Result before tax	2.1	1.2	2.1
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	2.1	1.2	2.3
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS		538.4	539.0
RESULT FOR THE PERIOD	2.1	539.6	541.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2.0	539.7	541.5
Result for the period attributable to:			
Equity holders of the parent	2.1	539.6	541.3
Total comprehensive income for the period attributable to:			
Equity holders of the parent	2.0	539.7	541.5
Earnings per share from continuing operations, EUR	0.058	0.009	0.020

- Cash flow from operating activities was EUR 1.1 million (EUR 1.8 million, in 1-9 2015, including both continuing and discontinuing operations).

- Net cash flow was EUR -16.9 million, including the dividend payment million in April and the investments made into the company's new office building in Oulu, Finland (EUR 574.2 million, in 1-9 2015, including the cash flow resulted from the sale of the Automotive business and the cash flow of the cancelled demerger process).
- Equity ratio was 90.1 percent (97.9 percent, September 30, 2015).
- Net gearing was -80.9 percent (-97.9 percent, September 30, 2015).

Quarterly figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	3Q/16	2Q/16	1Q/16	4Q/15	3Q/15
Net sales	14.1	16.4	14.7	15.2	11.1
Operating profit (loss)	0.9	0.8	-0.1	0.8	0.0
Result before taxes	1.1	1.0	-0.1	0.9	0.1
Result for the period	1.1	1.0	-0.1	1.1	0.1

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	3Q/16	2Q/16	1Q/16	4Q/15	3Q/15
Asia	0.0 0.1 %	0.4 2.7 %	0.0 0.2 %	0.0 0.0 %	0.1 0.6 %
Americas	2.9 20.7 %	3.2 19.8 %	2.3 15.3 %	2.9 19.2 %	1.0 9.1 %
Europe	11.2 79.3 %	12.7 77.5 %	12.5 84.5 %	12.3 80.7 %	10.1 90.4 %

Research and development

Bittium continued its R&D investments in products and product platforms targeted for the defense, mobile security and public safety markets. R&D investments mainly focused on developing the Bittium Tough Mobile secure LTE smartphone targeted mainly for the demanding mobile security and public safety use. A significant part of these capitalized R&D investments is related to the further development of the Bittium Tough Mobile and the related security software.

R&D INVESTMENTS, MEUR	1-9/2016 9 months	1-9/2015 9 months	2015 12 months
Total R&D investments	5.0	5.4	7.3
Capitalized R&D investments	-0.8	-2.7	-3.4
Depreciations and impairment of R&D investments	0.2	0.1	0.2
Cost impact on income statement	4.4	2.8	4.2
R&D investments, % of net sales	11.0 %	13.0 %	12.9 %

CAPITALIZED R&D INVESTMENTS IN BALANCE SHEET, MEUR	1-9/2016	1-9/2015	2015
	9 months	9 months	12 months
Balance sheet value in the beginning of the period	5.6	2.2	2.2
Additions during the period	0.8	2.7	3.4
Acquisitions of the business		0.3	0.3
Depreciations and impairment of R&D investments	-0.2	-0.1	-0.2
Balance sheet value at the end of the period	6.2	5.1	5.6

Business development in July-September 2016

Bittium's net sales during July-September 2016 grew to EUR 14.1 million (EUR 11.1 million, 3Q 2015), representing an increase of 26.2 percent year-on-year. The share of the product-based net sales was EUR 2.2 million (EUR 2.5 million, 3Q 2015), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from the product deliveries of Bittium Tough Mobile LTE smartphones. The share of the services-based net sales was EUR 11.8 million (EUR 8.6 million, 3Q 2015). The services-based net sales increased during the quarter due to the increased demand for the R&D services related to the special terminal products. Operating profit was EUR 0.9 million (EUR 0.0 million, 3Q 2015).

Despite the decrease in the demand for R&D services for the mobile network manufacturers, the demand for Bittium's R&D services has developed positively during the third quarter of 2016. In May 2015 started product development project for the Mexican Ministry of Communication and Transportation, where Bittium to develops Android-based mobile devices that use both terrestrial and satellite connection for their MEXSAT system, has continued according to plans. Also the demand for R&D services in the IoT markets developed positively.

During the third quarter Bittium continued the R&D investments in its own products and product platforms aiming for growth especially in the international defense, mobile security and public safety markets. The investments focused mainly in the products for the mobile security and public safety markets. The development of the Bittium Tough Mobile secure LTE smartphone was continued as well as the pilot deliveries of the product during the third quarter. Bittium continued R&D investments also in Bittium SafeMove® product family and presented these remote access solutions at a healthcare HETT Show in London. The development of the tactical communication system Bittium Tactical Wireless IP Network™ (TAC WIN), used by the Finnish Defence Forces, continued and the product deliveries for this communication system were also continued during the third quarter. The development of the public safety and mobile security markets has been somewhat slower than expected.

Significant events during the reporting period

A total of 55,498 new shares in Bittium Corporation were subscribed for between December 1, 2015 and March 31, 2016 by virtue of the option rights 2008C. The share subscription price, EUR 30,523.90 was recorded in the company's invested non-restricted equity fund. The corresponding increases in the number of the company's shares were entered into the Finnish Trade Register on February 10, 2016 and April 14, 2016. Shareholder rights by virtue of the new shares commenced as of the abovementioned registration entry date. Trading with the newly registered shares started on February 11, 2016 and April 15, 2016 as an additional lot of Bittium Corporation's shares in Nasdaq Helsinki Ltd. After the registration of the new shares, the number of shares in Bittium Corporation's totaled to 35,693,166. The share subscription period for stock options 2008C ended on March 31, 2016.

The Board of Directors of Bittium Corporation decided on March 22, 2016 on a directed share issue without consideration as reward payments to the key persons of the company. In the share issue a maximum of 58,000 new shares was issued without consideration to the key persons entitled to share rewards according to the terms and conditions relating to the share rewards. A total of 9 people belonging to the management and personnel of the company were in the target group of the payment. Of the maximum of 58,000 shares offered in the share issue, 37,500 shares were subscribed. The 37,500 shares issued in the share issue were registered with the Trade Register and

registered on the book-entry accounts of the recipients of the shares on March 24, 2016 and became subject to trading on the trading list of Nasdaq Helsinki on March 29, 2016.

On April 27, 2016 Bittium appointed M.Sc. Sami Kotkajuuri (b. 1967) as Vice President, Business Development as of May 1, 2016. Mr. Kotkajuuri has been working for Bittium since 2009. M.Sc. Klaus Mäntysaari (b. 1966) was appointed as Vice President, Connectivity Solutions as of May 1, 2016. Mr. Mäntysaari has been working for Bittium since 2004. In the Connectivity Solutions product and service area Bittium offers R&D services and customized solutions for the wireless communications market as well as for other companies needing wireless connectivity in their devices.

Significant events after the reporting period

On October 5th, Bittium announced to have received information according to which significant customer cooperation with a global network equipment manufacturer will reduce during 2017. According to the information received, if the planned actions of the customer will materialize in full, these actions might have a negative effect to Bittium's net sales and operating result in 2017.

The reduction of the cooperation will not have an effect on the Bittium's outlook for the year 2016. Bittium will publish the outlook for the year 2017 in connection with the financial statement bulletin January-December 2016.

As part of the strategy work, Bittium will evaluate the effects of the reduction of the cooperation on the financial targets given on July 1, 2015 in connection with company's strategic guidelines. These financial targets published were as follows: The target during 2015 - 2017 is to grow the net sales at least 10 percent annually and reach EBIT level 10 percent of net sales at the latest in 2017. Bittium targets, by the year 2017, to clearly increase the share of net sales generated from own products and product platforms, from the 26.7 percent level of net sales in 2014.

Outlook for 2016

Bittium expects that the net sales in 2016 will grow from the previous year (EUR 56.8 million, in 2015). The operating profit is expected to be at the same level as in the previous year (EUR 2.3 million, in 2015). The company has not given operating profit guidance for 2016 prior to this.

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 in the section "Risks and uncertainties" and 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 higher speed, higher quality and secure data transfer. Due to the technology competence accrued over time and long history in developing mobile communication solutions, Bittium is in a good position to offer customized solutions for its customers.

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

- In the mobile telecommunications, the 4G technology development work has decreased significantly affecting declining to the mobile network markets in the near future. The development of 5G technology has started very well creating demand for Bittium's R&D services increasingly. However, the development of 5G technology has just begun, and it will not replace the amount of the 4G development work within the next few years. Therefore in future the demand for R&D service for the network equipment manufacturers is expected to be significantly lower than in previous years.

- The use of LTE technology, smartphones and applications is expected to continue increasing in special verticals such as public safety creating demand for Bittium Tough Mobile secure LTE smartphone and other customized special terminals based on Bittium's own product platform. The awareness of mobile security risks is growing and the interest towards secure mobile devices is increasing. However, the development of the public safety and mobile security markets has been somewhat slower than expected. The sale of the secure terminal products is expected to develop moderately according to the nature of public safety markets.
- Secure IoT (Internet of Things) has become a significant development area in many industries. The increasing need of companies to bring connected devices to consumers and demanding industrial usage generates need for Bittium's IoT services and customized solutions. Such devices collect information through its sensors and connect the devices securely to the internet and cloud services. One of the growing application areas in the IoT segment is healthcare technology, where i.e. the monitoring of patients tends increasingly use wireless solutions.
- In the defense sector's tactical communication market the governments' defense forces and other authorities need networks that troops, who are increasingly constantly on the move, can use for transferring growing amounts of data securely. This creates demand for Bittium Tactical Wireless IP Network (TAC WIN) broadband network and for other Bittium's IP-based (Internet Protocol) tactical communications solutions. Due to the long sales cycles driven by purchasing programs of national governments, it takes years to receive significant purchase orders. Bittium continues its efforts to bring its defense market targeted products and services also to the international defense markets and aims at pilot deliveries of its tactical communication system for customers abroad during 2016.
- Using public network connections in portable devices is increasing also in demanding professional use, such as in the public sector. This creates requirements for network connections to be easy to use and secure. The products in the Bittium SafeMove product family enable the ease of use of the devices and security in demanding use.

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.

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.

Bittium's customer base includes, among others, companies operating in the field of telecommunication, defense and other authorities, as well as companies delivering products to them, the company is exposed to market changes in these industries.

In October 2016, Bittium has received information according to which significant customer cooperation with a global mobile network equipment manufacturer will reduce during the year 2017. A significant part of Bittium's net sales has accumulated from selling R&D services to this mobile communications equipment manufacturer. The reduction of the cooperation will not have an effect on Bittium's outlook for the year 2016, but if the planned actions of the customer will materialize in full, these actions might have a negative effect on Bittium's net sales and operating result in 2017. A significant part of Bittium's net sales still accumulates from selling products and R&D services to defense and other authorities, as well as companies delivering products to them. 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 would thereby be mainly affected by the general business climate in the industries of the companies belonging to Bittium's customer base instead of the development of individual customer relationships. The more specific market outlook has been presented in this interim report in the "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, and risks related to the ramp-up of product manufacturing. 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. The information received by Bittium about the reduction of significant customer cooperation with a global mobile network equipment manufacturer during 2017 may have a negative effect on Bittium's net sales and operating result in 2017, but it will not have an effect on the Bittium's outlook for the year 2016. 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 and other authorities 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, as well as by the acceptance of the necessary export licenses. The company changed its name to Bittium Corporation as of July 1, 2015 and started using the new trademark. The registration and the use of the new trademark can include customary risks involved in taking in use a new trademark.

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. 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.

Statement of financial position and financing

The figures presented in the statement of financial position of September 30, 2016, are compared with the statement of the financial position of December 31, 2015 (MEUR).

	30.9.2016	31.12.2015
Non-current assets	19.6	14.4
Current assets	125.0	145.0
Total assets	144.6	159.4
Share capital	12.9	12.9
Other capital	116.2	124.6
Total equity	129.1	137.6
Non-current liabilities	2.0	2.0
Current liabilities	13.5	19.8
Total equity and liabilities	144.6	159.4

Cash flow of the review period :	1-9/2016	1-12/2015
+ profit of the period +/- Adjustment of accrual basis items	3.9	12.2
+/- Change in net working capital	-3.3	-6.2
- interest, taxes and dividends	0.4	-3.9
= net cash from operating activities	1.1	2.1
- net cash from investing activities	-6.5	579.6
- net cash from financing activities	-11.4	-502.2
= net change in cash and cash equivalents	-16.9	79.5

Net cash from operating activities in 2015 includes operative cash flows from both continuing and discontinuing operations.

The amount of gross investments in the period under review was EUR 7.3 million. Net investments for the review period totaled to EUR 7.3 million. The total amount of depreciation during the period under review was EUR 2.1 million. The amount of interest-bearing debt, including finance lease liabilities, was at the end of the reporting period EUR 1.5 million (EUR 1.4 million on December 31, 2015). Bittium's equity ratio at the end of the period was 90.1 percent (90.5 percent on December 31, 2015).

Cash and other liquid assets at the end of the reporting period were EUR 105.9 million (EUR 122.8 million on December 31, 2015).

Bittium has a total of EUR 20.0 million credit facility agreements which are valid until June 30, 2017. At the end of the review period, none of these facilities were in use.

Bittium follows a hedging strategy that has an objective to ensure the business margins in changing market circumstances by minimizing the influence of exchange rates. According to the hedging strategy principles, the net position in the currency is hedged when it exceeds the euro limit defined in the hedging strategy. The net position is determined on the basis of accounts receivable, accounts payable, order book and budgeted net currency cash flow.

Personnel

The Bittium group employed an average of 553 people in between January and September 2016. At the end of September, the company had 582 employees (510 employees at the end of September 2015). A significant part of Bittium's personnel are R&D engineers.

Flagging notifications

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

Notifications of managers' transactions

August 11, 2016: Name of the person subject to the notification requirement: Seppo Laine, other senior manager. Notification type: initial notification. Nature of transaction: disposal. Executed under portfolio or asset management. Transaction date: August 8, 2016 Aggregated transactions: volume 20 000 shares, volume weighted average price: EUR 5.90100.

August 22, 2016: Name of the person subject to the notification requirement: Jari Sankala, other senior manager. Notification type: initial notification. Nature of transaction: Acquisition. Executed under portfolio or asset management. Transaction date: August 17, 2016. Aggregated transactions: volume 2 408 shares, volume weighted average price: EUR 5.90000.

August 22, 2016: Name of the person subject to the notification requirement: Jari Sankala, other senior manager. Notification type: initial notification. Nature of transaction: Acquisition. Executed under portfolio or asset management. Transaction date: August 19, 2016. Aggregated transactions: volume 15 092 shares, volume weighted average price: EUR 6.020000.

September 22, 2016: Name of the person subject to the notification requirement: Erkki Veikkolainen, member of the Board of Directors. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: September 19, 2016. Aggregated transactions: volume 2 400 shares, volume weighted average price: EUR 6.79253.

September 22, 2016: Name of the person subject to the notification requirement: Staffan Simberg, member of the Board of Directors. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: September 19, 2016. Aggregated transactions: volume 1 371 shares, volume weighted average price: EUR 6.79248.

September 22, 2016: Name of the person subject to the notification requirement: Seppo Mäkinen, member of the Board of Directors. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: September 19, 2016. Aggregated transactions: volume 1 371 shares, volume weighted average price: EUR 6.79247.

September 22, 2016: Name of the person subject to the notification requirement: Juha Putkiranta, member of the Board of Directors. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: September 19, 2016. Aggregated transactions: volume 1 371 shares, volume weighted average price: EUR 6.79243.

September 22, 2016: Name of the person subject to the notification requirement: Kirsi Komi, member of the Board of Directors. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: September 19, 2016. Aggregated transactions: volume 1 371 shares, volume weighted average price: EUR 6.79238.

Oulu, November 3, 2016

Bittium Corporation

The Board of Directors

Further Information:

Hannu Huttunen

CEO

Tel. +358 40 344 5466

Pekka Kunnari

CFO

Tel. +358 40 344 2229

Distribution:

Nasdaq Helsinki

Major media

Bittium Corporation Condensed Financial Statements and Notes January – September 2016

(unaudited)

The Interim Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-9/2016	1-9/2015	1-12/2015
	9 months	9 months	12 months
Continuing operations			
NET SALES	45.2	41.6	56.8
Other operating income	1.3	1.0	1.4
Change in work in progress and finished goods			
Work performed by the undertaking for its own purpose and capitalized	0.2	0.1	0.2
Raw materials	-3.3	-4.6	-5.5
Personnel expenses	-25.4	-21.9	-30.3
Depreciation	-2.1	-1.7	-2.5
Other operating expenses	-14.3	-13.0	-17.8
OPERATING PROFIT (LOSS)	1.6	1.5	2.3
Financial income and expenses	0.5	-0.3	-0.2
PROFIT BEFORE TAX	2.1	1.2	2.1
Income tax	0.0	-0.0	0.2
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	2.1	1.2	2.3
Discontinued operations			
Profit for the year from discontinued operations		538.4	539.0
PROFIT FOR THE PERIOD	2.1	539.6	541.3
Other comprehensive income:			
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations	-0.1	0.1	0.1
Other comprehensive income for the period total	-0.1	0.1	0.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2.0	539.7	541.5
Profit for the year attributable to			
Equity holders of the parent	2.1	539.6	541.3

Total comprehensive income for the period attributable to			
Equity holders of the parent	2.0	539.7	541.5
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.058	0.009	0.020
Diluted earnings per share		0.009	0.020
Earnings per share from discontinued operations, EUR			
Basic earnings per share		4.075	4.687
Diluted earnings per share		4.069	4.685
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.058	4.084	4.708
Diluted earnings per share		4.078	4.706
Average number of shares, 1000 pcs	35 662	132 121	114 983
Average number of shares, diluted, 1000 pcs		132 322	115 037

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Sep. 30, 2016	Sep. 30, 2015	Dec. 31, 2015
ASSETS			
Non-current assets			
Property, plant and equipment	8.9	3.8	4.1
Goodwill	1.4	1.4	1.4
Intangible assets	8.0	7.2	7.6
Other financial assets	0.1	0.1	0.1
Deferred tax assets	1.2	0.9	1.2
Non-current assets total	19.6	13.5	14.4
Current assets			
Inventories	3.0	1.4	2.2
Trade and other receivables	16.1	15.1	20.0
Financial assets at fair value through profit or loss	66.8	65.8	66.1
Cash and short term deposits	39.2	551.7	56.8
Current assets total	125.0	634.0	145.0
TOTAL ASSETS	144.6	647.5	159.4
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12.9	12.9	12.9
Invested non-restricted equity fund	26.0	25.9	25.9
Translation difference	1.1	1.2	1.2

Retained earnings	89.1	589.3	97.5
Total equity	129.1	629.3	137.6
Non-current liabilities			
Deferred tax liabilities	0.1	0.1	0.1
Provisions	1.1	1.2	1.1
Interest-bearing liabilities	0.7	0.7	0.7
Non-current liabilities total	2.0	2.0	2.0
Current liabilities			
Trade and other payables	11.4	13.5	17.9
Financial liabilities at fair value through profit or loss			
Provisions	1.3	2.0	1.2
Interest-bearing loans and borrowings	0.8	0.7	0.7
Current liabilities total	13.5	16.2	19.8
Total liabilities	15.5	18.2	21.8
TOTAL EQUITY AND LIABILITIES	144.6	647.5	159.4

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)

	1-9/2016	1-9/2015	1-12/2015
	9 months	9 months	12 months
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year from continuing operations	2.1	1.2	2.3
Profit for the year from discontinued operations		538.4	539.0
Adjustment of accrual basis items	1.9	-528.8	-529.1
Change in net working capital	-3.3	-4.8	-6.2
Interest paid on operating activities	-0.3	-1.3	-1.6
Interest received from operating activities	0.7	0.3	0.9
Other financial income and expenses, net received	0.0	0.0	0.0
Income taxes paid	0.0	-3.2	-3.2
NET CASH FROM OPERATING ACTIVITIES	1.1	1.8	2.1
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of business unit, net of cash sold		588.2	588.2
Acquisition of business unit, net of cash acquired	-1.0	-1.8	-1.8
Purchase of property, plant and equipment	-4.6	-2.0	-2.5
Purchase of intangible assets	-1.0	-3.7	-4.3
Sale of property, plant and equipment		0.0	0.0
Sale of intangible assets		0.1	0.1
NET CASH FROM INVESTING ACTIVITIES	-6.5	580.8	579.6
CASH FLOW FROM FINANCING ACTIVITIES			

Share-option plans exercised	0.0	0.8	0.8
Proceeds from borrowing		14.6	14.6
Repayment of borrowing	-0.1	-17.5	-17.5
Payment of finance liabilities	-0.6	-1.1	-1.3
Dividend paid and repayment of capital	-10.7	-5.3	-5.3
Purchase of own shares incl. transaction costs			-493.5
NET CASH FROM FINANCING ACTIVITIES	-11.4	-8.4	-502.2
NET CHANGE IN CASH AND CASH EQUIVALENTS	-16.9	574.2	79.5
Cash and cash equivalents at beginning of period	122.8	43.3	43.3
Cash and cash equivalents at end of period	105.9	617.5	122.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

A = Share capital

B = Invested non-restricted equity fund

C = Translation difference

D = Retained earnings

E = Non-controlling interests

F = Total equity

	A	B	C	D	E	F
Shareholders equity on Jan. 1, 2015	12.9	25.1	1.5	53.8		93.4
Comprehensive income for the period						
Profit for the period				539.6		539.6
Exchange differences on translating foreign operations			0.1			0.1
Total comprehensive income for the period			0.1	539.6		539.7
Transactions between the shareholders						
Distribution of dividends				-5.3		-5.3
Share option plans exercised		0.8				0.8
Share-based payment awards				0.1		0.1
Total transactions between the shareholders		0.8		-5.2		-4.4
Other changes			-0.5	1.1		0.6
Shareholders equity on Sept. 30, 2015	12.9	25.9	1.2	589.3		629.3

	A	B	C	D	E	F
Shareholders equity on Jan. 1, 2016	12.9	25.9	1.2	97.5		137.6
Comprehensive income for the period						
Profit for the period				2.1		2.1
Exchange differences on translating foreign operations			-0.1			-0.1
Total comprehensive income for the period			-0.1	2.1		2.0
Transactions between the shareholders						
Distribution of dividends				-10.7		-10.7
Share option plans exercised		0.0				0.0
Share-based payment awards				0.2		0.2
Total transactions between the shareholders		0.0		-10.5		-10.4
Other changes				-0.0		-0.0
Shareholders equity on Sept. 30, 2016	12.9	26.0	1.1	89.1		129.1

NOTES TO THE INTERIM FINANCIAL REPORTING

ACCOUNTING PRINCIPLES FOR THE INTERIM FINANCIAL REPORTING:

The Interim Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting. Bittium Corporation has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2015, except for the adoption of new standards and interpretations effective during 2016. The changes did not have material impact on the Interim Report.

SEGMENT-INFORMATION (MEUR)

Bittium Corporation does not have segments that require reporting according to IFRS 8 standard.

NET SALES OF GEOGRAPHICAL AREAS (MEUR)	1-9/2016	1-9/2015	1-12/2015
	9 months	9 months	12 months
Net sales			
Europe	36.3	36.0	48.3
Americas	8.4	5.4	8.3
Asia	0.5	0.2	0.2
Net sales total	45.2	41.6	56.8

RELATED PARTY TRANSACTIONS	1-9/2016	1-9/2015	1-12/2015
	9 months	9 months	12 months
Employee benefits for key management and stock options expenses total, continuing operations	1.0	1.3	1.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR)	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015
Continuing operations	3 months	3 months	3 months	3 months	3 months
NET SALES	14.1	16.4	14.7	15.2	11.1
Other operating income	0.4	0.5	0.4	0.4	0.3
Change in work in progress and finished goods	0.0	0.0	0.0	0.0	0.0
Work performed by the undertaking for its own purpose and capitalized	0.1	0.1	0.1	0.1	0.0
Raw materials	-0.9	-1.5	-0.9	-0.9	-0.8
Personnel expenses	-7.7	-8.8	-8.9	-8.4	-6.5
Depreciation	-0.7	-0.7	-0.7	-0.8	-0.6
Other operating expenses	-4.3	-5.2	-4.8	-4.8	-3.6
OPERATING PROFIT (LOSS)	0.9	0.8	-0.1	0.8	0.0
Financial income and expenses	0.2	0.2	0.0	0.1	0.1
PROFIT BEFORE TAX	1.1	1.0	-0.1	0.9	0.1
Income tax	0.0	0.0	0.0	0.2	0.0
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	1.1	1.0	-0.1	1.1	0.1
Discontinued operations					
Profit for the period from discontinued operations				0.6	534.6
PROFIT FOR THE PERIOD	1.1	1.0	-0.1	1.7	534.7
Other comprehensive income	-0.0	-0.0	-0.1	0.0	-0.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1.1	1.0	-0.2	1.7	534.0
Profit for the period attributable to:					
Equity holders of the parent	1.1	1.0	-0.1	1.7	534.7
Total comprehensive income for the period attributable to:					
Equity holders of the parent	1.1	1.0	-0.2	1.7	534.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015
ASSETS					
Non-current assets					
Property, plant and equipment	8.9	6.9	5.2	4.1	3.8
Goodwill	1.4	1.4	1.4	1.4	1.4
Intangible assets	8.0	8.0	7.7	7.6	7.2
Other financial assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.2	1.2	1.2	1.2	0.9
Non-current assets total	19.6	17.6	15.6	14.4	13.5
Current assets					
Inventories	3.0	2.3	1.9	2.2	1.4
Trade and other receivables	16.1	19.4	13.4	20.0	15.1
Financial assets at fair value through profit or loss	66.8	66.5	66.2	66.1	65.8
Cash and short term deposits	39.2	41.2	59.8	56.8	551.7
Current assets total	125.0	129.4	141.3	145.0	634.0
TOTAL ASSETS	144.6	147.0	156.9	159.4	647.5
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	12.9	12.9	12.9	12.9	12.9
Invested non-restricted equity fund	26.0	26.0	26.0	25.9	25.9
Translation difference	1.1	1.1	1.1	1.2	1.2
Retained earnings	89.1	88.0	97.7	97.5	589.3
Non-controlling interests					
Total equity	129.1	128.0	137.7	137.6	629.3
Non-current liabilities					
Deferred tax liabilities	0.1	0.1	0.1	0.1	0.1
Provisions	1.1	1.1	1.1	1.1	1.2
Interest-bearing liabilities	0.7	0.8	0.8	0.7	0.7
Other non-current liabilities, non-interest-bearing	0.1	0.1	0.0		
Non-current liabilities total	2.0	2.1	2.0	2.0	2.0
Current liabilities					
Trade and other payables	11.4	15.0	15.4	17.9	13.5
Financial liabilities at fair value through profit or loss	0.0	0.0			
Provisions	1.3	1.1	1.0	1.2	2.0

Interest-bearing loans and borrowings	0.8	0.8	0.7	0.7	0.7
Current liabilities total	13.5	16.9	17.1	19.8	16.2
Total liabilities	15.5	19.0	19.2	21.8	18.2
TOTAL EQUITY AND LIABILITIES	144.6	147.0	156.9	159.4	647.5

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015
	3 months	3 months	3 months	3 months	3 months
Net cash from operating activities	1.0	-4.9	5.0	0.3	3.1
Net cash from investing activities	-2.6	-2.5	-1.5	-1.2	587.4
Net cash from financing activities	-0.2	-10.9	-0.2	-493.8	-14.9
Net change in cash and cash equivalents	-1.8	-18.3	3.2	-494.7	575.5

FINANCIAL PERFORMANCE RELATED RATIOS	1-9/2016	1-9/2015	1-12/2015
	9 months	9 months	12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Net sales	45.2	41.6	56.8
Operating profit (loss)	1.6	1.5	2.3
Operating profit (loss), % of net sales	3.5	3.6	4.1
Profit before taxes	2.1	1.2	2.1
Profit before taxes, % of net sales	4.5	2.9	3.7
Profit for the period from continuing operations	2.1	1.2	2.3
PROFITABILITY AND OTHER KEY FIGURES			
Interest-bearing net liabilities, (MEUR)	-104.4	-616.1	-121.4
Net gearing, -%	-80.9	-97.9	-88.2
Equity ratio, %	90.1	97.9	90.5
Gross investments, (MEUR)	7.3	6.3	7.4
Average personnel during the period, continuing operations	553	510	511
Personnel at the period end, continuing operations	582	510	517

AMOUNT OF SHARE ISSUE ADJUSTMENT (1,000 pcs)	Sep. 30, 2016	Sep. 30, 2015	Dec. 31, 2015
At the end of period	35 693	132 818	35 600
Average for the period	35 662	132 121	114 983
Average for the period diluted with stock options		132 322	115 037

STOCK-RELATED FINANCIAL RATIOS (EUR)	1-9/2016	1-9/2015	1-12/2015
	9 months	9 months	12 months
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.058	0.009	0.020
Diluted earnings per share		0.009	0.020
Earnings per share from discontinued operations, EUR			
Basic earnings per share		4.075	4.687
Diluted earnings per share		4.069	4.685
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.058	4.084	4.708
Diluted earnings per share		4.078	4.706
Equity *) per share	3.62	4.74	3.86
*) Equity attributable to equity holders of the parent			

MARKET VALUES OF SHARES (EUR)	1-9/2016	1-9/2015	1-12/2015
	9 months	9 months	12 months
Highest	7.40	5.30	7.80
Lowest	5.15	3.27	3.27
Average	6.09	4.52	4.92
At the end of period	6.79	5.02	7.01
Market value of the stock, (MEUR)	242.4	666.7	249.6
Trading value of shares, (MEUR)	102.6	281.0	837.1
Number of shares traded, (1,000 pcs)	16 837	62 218	169 993
Related to average number of shares %	47.2	47.1	147.8

SECURITIES AND CONTINGENT LIABILITIES (MEUR)	Sep. 30, 2016	Sep. 30, 2015	Dec. 31, 2015
AGAINST OWN LIABILITIES			
Floating charges	3.0	3.0	3.0
Guarantees	3.7	3.6	3.7
Rental liabilities			
Falling due in the next year	2.2	2.3	2.3
Falling due after one year	0.7	2.5	2.3
Other contractual liabilities			
Falling due in the next year	2.4	2.3	2.2
Falling due after one year	0.2	0.4	0.4
Mortgages are pledged for liabilities totaled	0.1	0.0	0.0

NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	Sep. 30, 2016	Sep. 30, 2015	Dec. 31, 2015
Foreign exchange forward contracts			
Market value	-0.0	0.0	0.1
Nominal value	3.0	0.0	2.5
Purchased currency options			
Market value		0.0	
Nominal value		4.0	
Sold currency options			
Market value		-0.1	
Nominal value		8.0	