

Bittium Corporation Interim Report Jan.-Sep. 2016

November 3, 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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Highlights 3Q 2016

Hannu Huttunen, CEO

The background of the slide is a composite image. On the right side, there is an aerial night view of a city skyline, likely Chicago, with numerous skyscrapers illuminated. A semi-transparent blue triangle covers the left side of the image. Overlaid on the city view is a white, semi-transparent grid of lines that form a network pattern, suggesting connectivity or data flow. The word "Bittium" is written in a white, bold, sans-serif font in the bottom right corner of the image area.

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Main events in 3Q 2016



- Despite the declining demand of R&D services for network equipment manufacturers, the demand for Bittium's R&D services has developed positively. The development of the mobile devices for Mexican government authority continued as planned. Also demand for R&D services at IoT markets has grown.
- Bittium continued to develop Bittium Tough Mobile™ secure LTE smartphone and related security solutions. Also pilot deliveries were continued globally.
- The development of Bittium SafeMove® product family continued and they were presented at healthcare HETT Show in London, UK in September.
- The development of Bittium Tactical IP Network™ (TAC WIN) system used by the FDF continued.

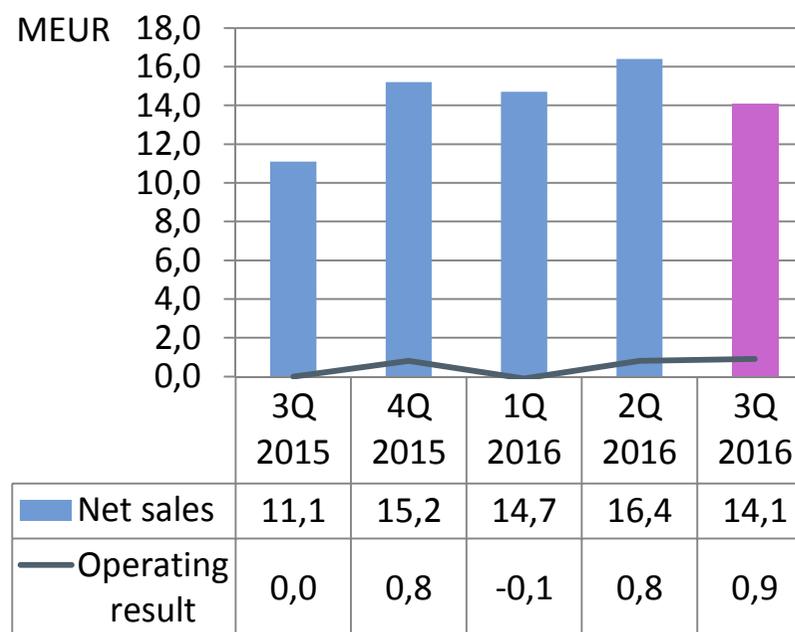
Financial review

Pekka Kunnari, CFO

Bittium

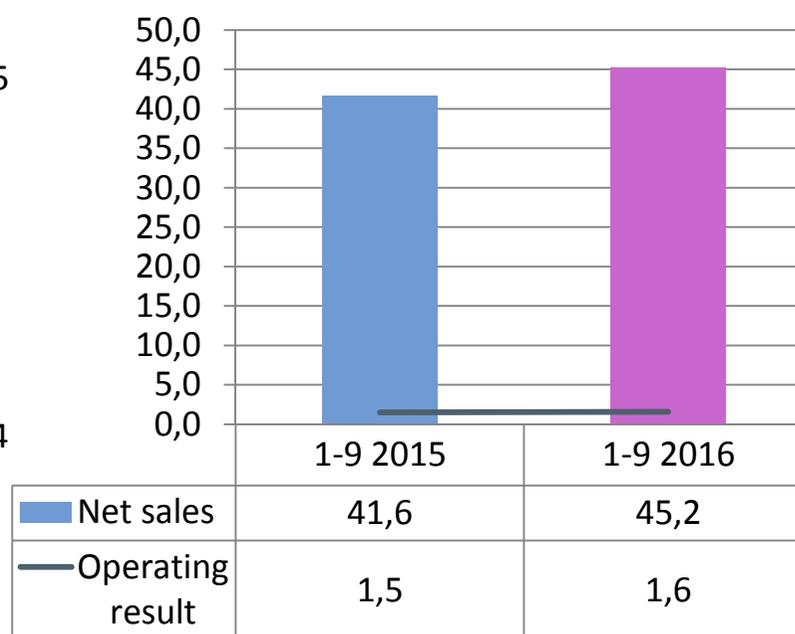
Net sales and operating profit in 3Q 2016

- Net sales increased by 26.2% to MEUR 14.1 (MEUR 11.1 in 3Q15)
 - Product-based net sales decreased slightly and were MEUR 2.2 (MEUR 2.5 in 3Q15)
 - Tactical communication product deliveries to Finnish Defence Forces, Bittium Tough Mobile deliveries and other product deliveries for authorities markets.
 - Service-based net sales increased and were MEUR 11.8 (MEUR 8.6 in 3Q15)
 - The services-based net sales grew due to the increase in the demand for R&D services related to the special terminal products and IoT solutions.
- Operating profit was MEUR 0.9 (MEUR 0.0 in 3Q15).



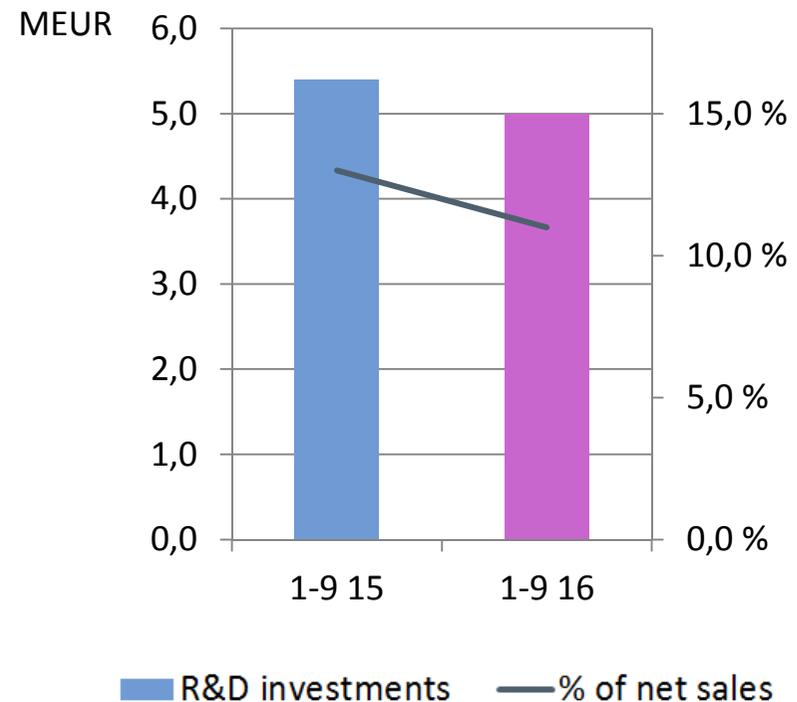
Net sales and operating profit in 1-9 2016

- Net sales increased by 8.7% to MEUR 45.2 (MEUR 41.6 in 1-9/15)
 - Product-based net sales decreased and were MEUR 7.5 (MEUR 11.3 in 1-9/15)
 - Tactical communication product deliveries to Finnish Defence Forces, Bittium Tough Mobile deliveries and other product deliveries for authorities markets.
 - 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 37.4 (MEUR 30.1 in 1-9/15)
 - The 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 1.6 (MEUR 1.5 in 1-9/15)



R&D investments in 1-9 2016

- R&D investments were MEUR 5.0 equaling 11.0% of the net sales (MEUR 5.4 in 1-9/15, equaling 13.0% of the net sales)
 - MEUR 0.8 was capitalized (MEUR 2.7 in 1-9/15)
 - Depreciations of R&D investments were MEUR 0.2 (MEUR 0.1 in 1-9/15)
 - R&D investments in the P&L was MEUR 4.4 (MEUR 2.8 in 1-9/15)
- The main focus in the R&D investments was the continued development of the Bittium Tough Mobile secure LTE smartphone



Cash flow in 1-9 2016

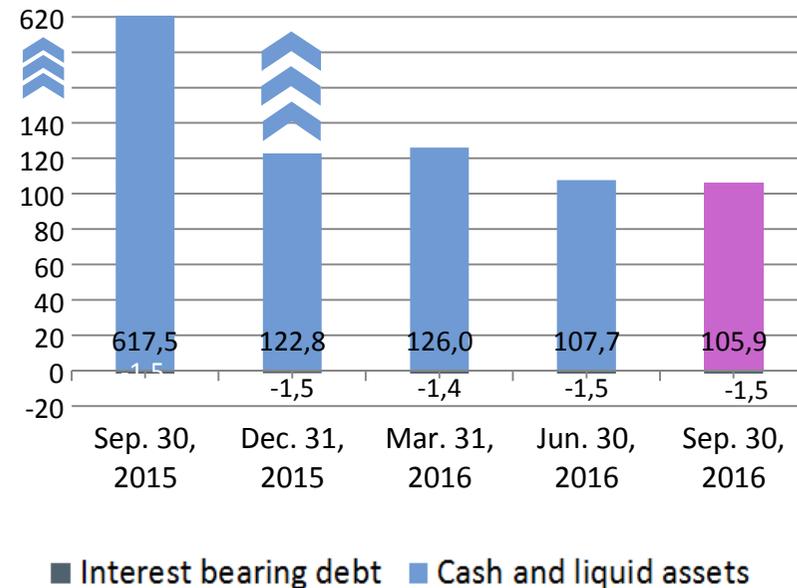
MEUR	1-9 16	1-9 15
Net profit +/- adjustment of accrual basis items	3.9	10.8
Change in net working capital	-3.3	-4.8
Interests, taxes, and dividends	0.4	-4.2
NET CASH FROM OPERATING ACTIVITIES	1.1	1.8
Net cash from investing activities	-6.5	580.8
Net cash from financing activities	-11.4	-8.4
NET CHANGE IN CASH AND CASH EQUIVALENTS	-16.9	574.2

- Cash flow 1-9 2015 includes both continuing and discontinuing operations.

Strong balance sheet

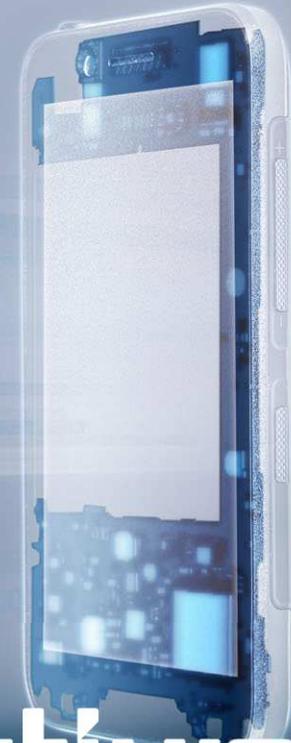
- Cash reserves remained strong at the end of 1-9 2016
 - Cash and liquid assets MEUR 105.9
- Equity ratio was 90.1%
- Interest bearing debt was MEUR 1.5
- Net gearing -80.9 %
- Capitalized R&D costs MEUR 6.2

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:
- The 4G technology development work to has decreased significantly affecting declining to the mobile network markets in the near future. The development of 5G technology has started creating demand for Bittium's R&D services. However, 5G development had just begun, so it will not replace the amount of development work of 4G 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, smartphone and related applications continues in special verticals such as public safety creating a demand for customized LTE devices, such as Bittium Tough Mobile
 - The awareness of mobile security risks is growing and the interest towards secure mobile devices increases. However, the development of the public safety and mobile 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. 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.
- 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)
 - Due to the long sales cycles driven by purchasing programs of national governments, it takes years to receive significant purchase orders.
- 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).

Bittium expects that the operating profit will be at the same level than 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 other uncertainties regarding the outlook is presented in the Interim Report January-September 2016 in the section "Risks and uncertainties" as well as on the company's internet pages at www.bittium.com.

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