

Interim Report January-June 2015

6.8.2015

Jukka Harju, CEO



Bittium

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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The sale of Automotive business

18.5.

- Share purchase agreement was signed with Continental AG
- Agreement was conditional to the approval of Elektrobit's Extraordinary General Meeting, receipt of the required authority approvals and other customary closing conditions

11.6.

- The Extraordinary General Meeting approved the plan to sell the Automotive business, including transfer of the rights to the name Elektrobit to the buyer

1.7.

- The transaction was closed and the purchase price of EUR 600 million was paid in cash
- The name of Elektrobit Corporation was changed to Bittium Corporation

Plan for distributing the funds from the transaction

- Bittium Corporation is planning to distribute the net proceeds from the sale of its Automotive business, a maximum of EUR 595 million, to its shareholders in the first instance by repurchasing own shares in a voluntary public tender offer directed to all shareholders of the company.
- Technical analyses regarding the execution of the possible public tender offer are being continued and also other possible ways to carry out the distribution of funds are also being evaluated simultaneously, and at the moment there is no certainty on which distribution method the Board of Directors will propose to the Extraordinary General Meeting.
- The planned distribution of funds requires preparation of separate interim accounts, after the completion of which the Board of Directors is expected to decide on the proposal to the Extraordinary General Meeting regarding the distribution method and the amount of funds to be distributed during the second half of August 2015.

Note

- In the interim report January-June 2015 Bittium reports the Wireless business and corporate functions as continuing operations and the Automotive business, sold on July 1, 2015, as discontinuing operations. Cash flow includes both continuing and discontinuing operations.

Hannu Huttunen nominated as CEO

- Born in 1966,
- M.Sc. (Econ.), the Oulu University

Previous positions:

- President of Elektrobit Corporation's Wireless Business Segment 2010-2015
- EXFO Inc., Vice President, Wireless Division (previously NetHawk Oyj) 2010,
- NetHawk Oyj, CEO 2003–2010, Executive Vice President 2002–2003.
- Nokia Mobile Phones Oy, Vice President, IP Convergence 2002, Vice President Special Products Business 1998–2002, NMT450 Business unit leader 1995–1998.



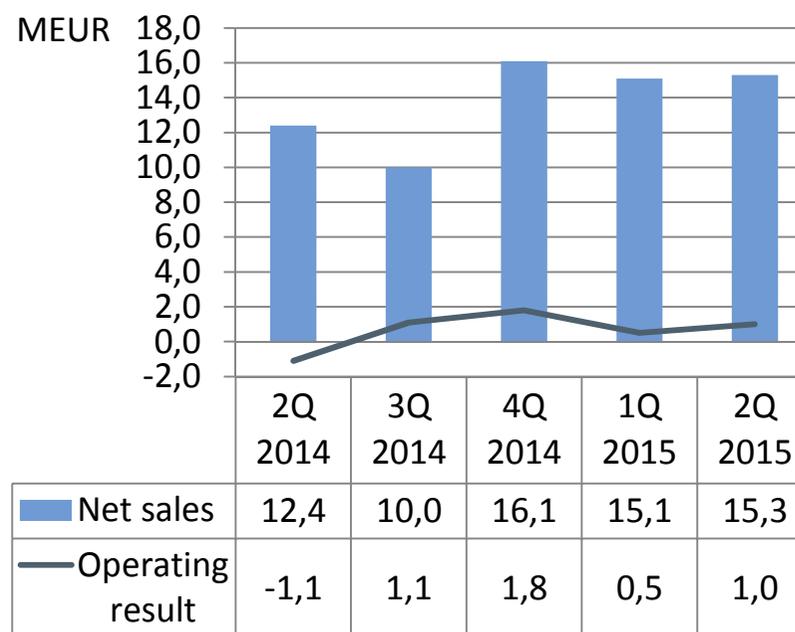
Bittium in 2Q 2015

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Net sales and operating profit in 2Q

- Net sales grew by 23.2 % to MEUR 15.3 (MEUR 12.4 in 2Q14)
 - Growth was mainly driven by the deliveries of special terminal products and R&D services related to them.
- Product-based net sales grew and was MEUR 4.3 million (MEUR 2.3 in 2Q14)
- Operating result improved and was MEUR 1.0 (loss of MEUR -1.1 in 2Q14)
 - Improvement was due to the growth in the net sales and improved gross margin.
 - Operating result includes MEUR 0.4 costs related to changing the name of the company

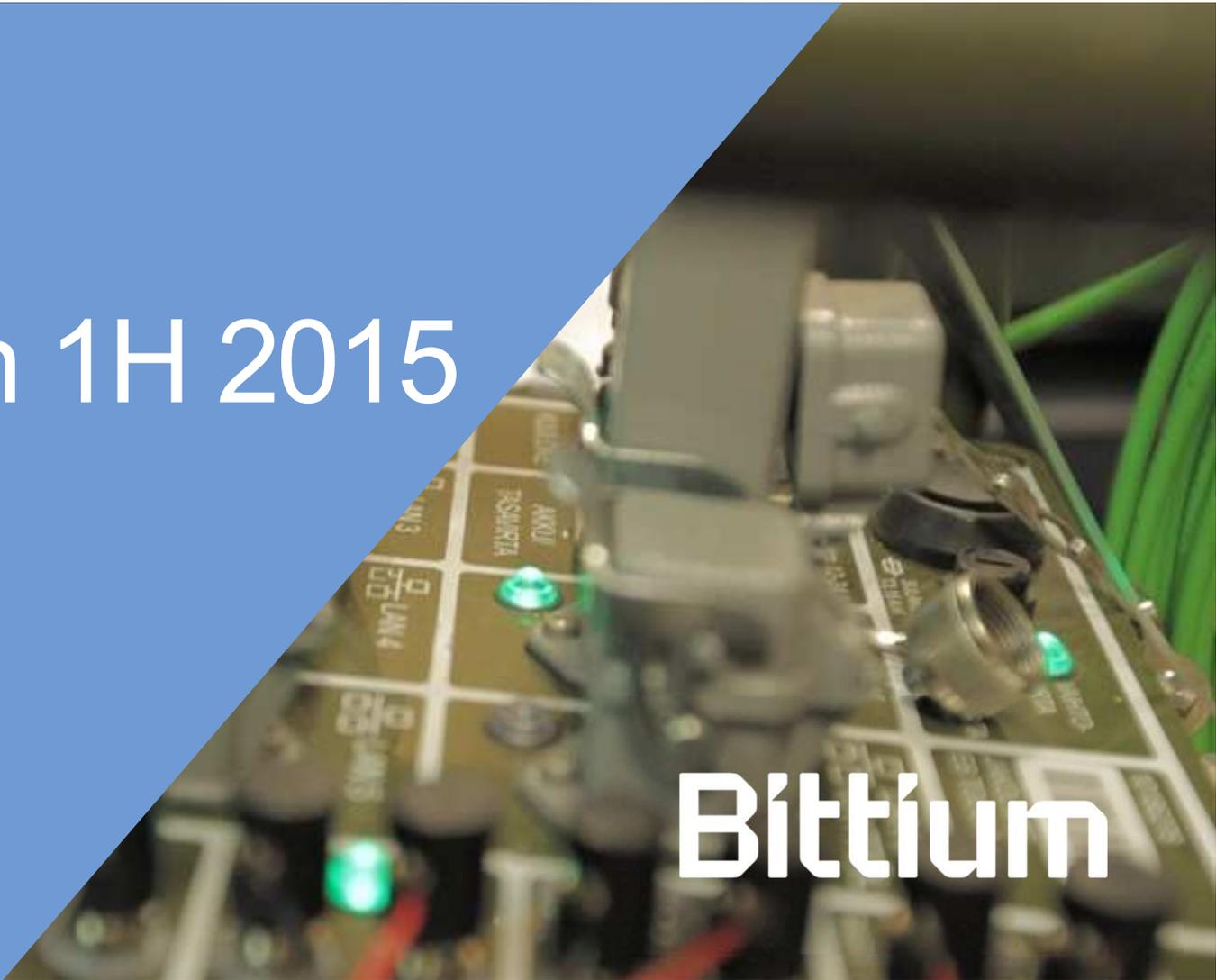


Main events in 2Q 2015



- In May, Bittium and the Ministry of Mexican Communication and Transportation signed an agreement regarding the development of three types of android-based L-band mobile devices: satellite-terrestrial smartphone, a satellite-terrestrial rugged enhanced phone and a satellite rugged basic phone, for the their Mexsat program. The value of this development agreement is approximately USD 21.9 million with revenues to be recognized gradually in 2015 and 2016 depending on the progress of the development work.
- The demand for Bittium's R&D services targeted for the mobile infrastructure and for IoT (Internet-of-Things) markets continued as stable during the period.

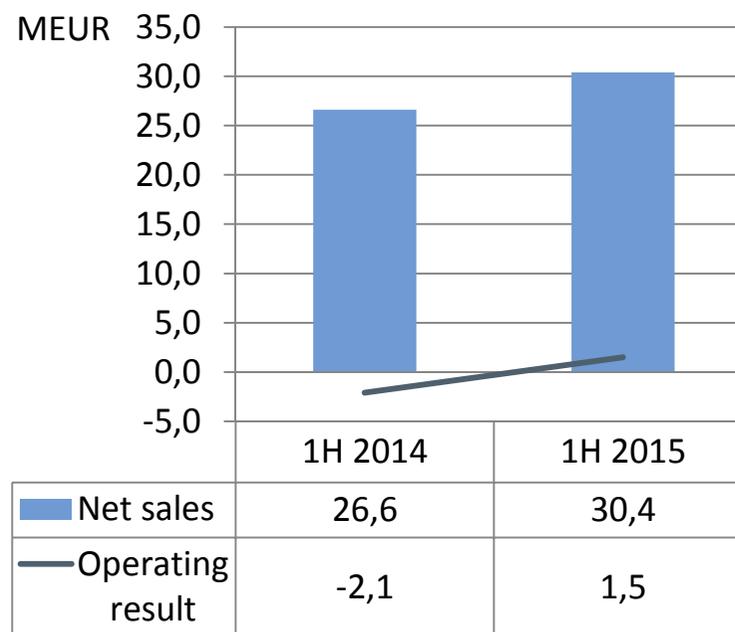
Bittium in 1H 2015



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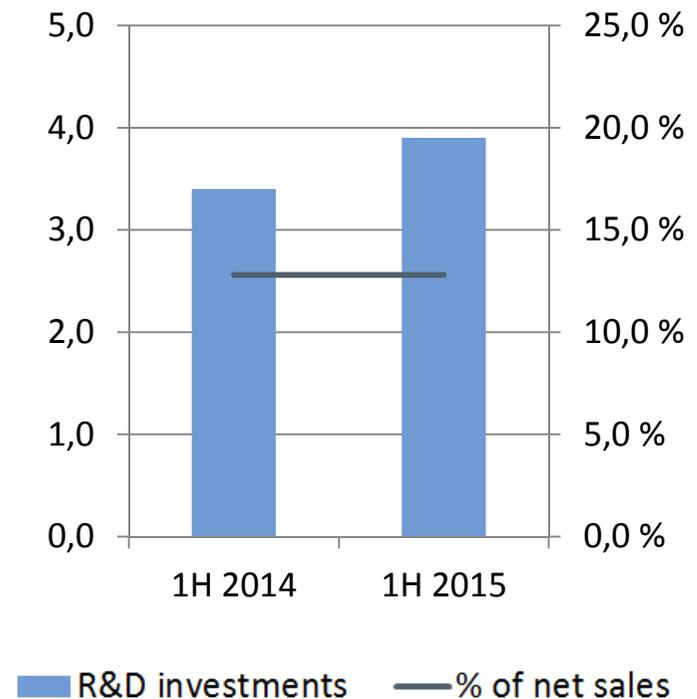
Net sales and operating profit in 1H

- Net sales grew by 14.4 % to MEUR 30.4 (MEUR 26.6 in 1H14)
 - Growth was driven mainly by the deliveries of special terminal products and R&D services related to them.
- Product-based net sales grew and was MEUR 8.8 million (MEUR 5.9 in 1H14)
- Operating result improved clearly and was MEUR 1.5 (loss of MEUR -2.1 in 1H14)
 - Improvement was due to the growth in net sales and improved gross margin.
 - Operating result includes MEUR 0.4 costs related to changing the name of the company.



R&D investments were 12,8% of net sales

- R&D investments were MEUR 3.9 equaling 12.8% of the net sales (MEUR 3.4 in 1H 2014, equaling 12.7% of the net sales).
 - MEUR 2.0 was capitalized (MEUR 0.7, in 1H 2014).
 - Depreciations of R&D investments were MEUR 0.1 (MEUR 0.1 in 1H 2014).
- Bittium Tough Mobile LTE smartphone was the main target of R&D investments.



Cash flow in 1H 2015

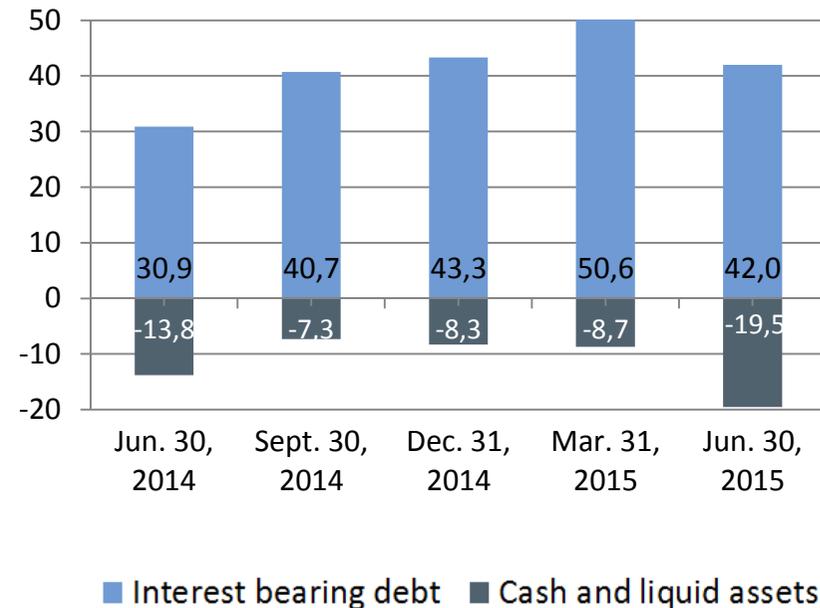
MEUR	1H 15	1H 14	2014
Net profit +/- adjustment of accrual basis items	13,0	9,9	27,4
Change in net working capital	-10,6	-25,0	-12,1
Interests, taxes, and dividends	-3,7	-0,3	-4,7
NET CASH FROM OPERATING ACTIVITIES	-1,2	-15,4	10,5
Net cash from investing activities	-6,5	-2,7	-9,2
Net cash from financing activities	6,5	5,9	-1,0
NET CHANGE IN CASH AND CASH EQUIVALENTS	-1,3	-12,1	0,3

- Cash flow from operating activities in 1H 2015 amounted to EUR -1.2 million (EUR -15.4 million in 1H 2014). The increase in net working capital in 1H 2015 was caused mainly by an increase in short-term receivables in the Automotive business.
- Net cash flow in 1H 2015 was EUR -1.3 million (EUR -12.1 million in 1H 2014). Net cash flow includes the dividend payment of EUR 5.3 million in April and the cash flow of Automotive business until June 30, 2015.

Strong balance sheet

- Cash reserves remained strong at the end of 1H 2015
- Net debt was MEUR –22,5.
- The interest bearing debt on June 30, 2015 includes MEUR 8.2 debt from a temporary financing arrangement related to the sale of the Automotive business.
- MEUR 6.0 of the total MEUR 20 credit facilities were in use
- Equity ratio was 59.9%

Cash and liquid assets and interest bearing debt



Outlook for 2015



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Market outlook for 2015

- The increasing use of LTE technology in mobile telecommunications networks creates the need for R&D services for LTE base station design, since many product variants are needed for various frequency bands.
- The trend of adopting new commercial technologies, such as LTE and smart phone related operating systems and applications is expected to continue in special verticals such as public safety. The specific LTE frequency band allocations for authorities create demand for customized LTE devices, such as Bittium's specialized terminals and communication modules.
- The demand for secure communications devices is expected to increase.
- The growth of Internet of Things (IoT) applications creates a need for R&D services and customized solutions based on device platforms, such as Bittium IoT device platform. Applications include connected devices for consumer use, such as smart watches for sports and leisure time, and connected devices for industrial use.
- In the defense market, the need for larger amounts of data in tactical communications is generating demand for broadband networks, such as Bittium's customized Internet Protocol based tactical communications solutions.
- Bittium continues the product development for Finnish Defence Forces in 2015, and expects to get initial sales from the global defense markets.

Outlook for 2015

For the year 2015 Bittium expects that from continuing operations the net sales will grow and operating profit will be at the same level or higher than in the previous year for the Wireless business (net sales of EUR 53.0 million and operating profit of EUR 1.0 million in 2014).

- The 2015 business outlook for the Wireless business remains unchanged. In the Wireless business, the demand for R&D services and products is expected to develop positively especially in the authority markets and in various applications where wireless connectivity is needed.
- Due to the sale of the Automotive business, the continuing operations of Bittium will carry approximately EUR 1.0 million more of the costs of the corporate functions during the second half of year 2015, since these costs will no longer be shared with the Automotive business.
- The operating profit outlook above does not include non-recurring profits and costs related to the sale of the Automotive business or the demerger process that has been canceled. The non-recurring costs related to these events are included in the estimate of non-recurring items below resulting from the sale of the Automotive business.
- The company specifies that the transaction is estimated to have approximately EUR 532 million positive non-recurring effect on Bittium's net profit for the full year 2015. This estimation includes both the proceeds from the sale of Automotive business and the costs related to this transaction and the costs related to the canceled demerger process.

Contact us.

www.bittium.com

Investor.Relations@bittium.com

tel. +358 40 344 5466



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