

# Bittium Corporation Financial Statement 2015

18.2.2016

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 4Q 2015

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 casts rays across the scene. The Bittium logo is positioned in the bottom right corner.

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# Main events in 4Q 2015



Bittium Tough Mobile™ LTE smartphone's R&D phase finalized and the first small pilot deliveries started at the end of the year.

Bittium Secure Suite™ software product launched with new features to Bittium Tough Mobile: services for remote management, remote attestation and securing the network connections of the device.

Bittium Tough Mobile together with the related management system and VPN encryption solution, Bittium Secure Suite, were the first mobile solution to receive an official encryption product classification in Finland.

## New project orders from Finnish Defence Forces

- for the further development of the waveform of the software-defined radio based Bittium Tactical Wireless IP Network™ (TAC WIN) system
- to start the productization of the European high data rate radio waveform developed in the ESSOR (European Secure Software-defined Radio) program to the Bittium TAC WIN system
- for the Bittium TAC WIN system products

First pilot delivery of tactical communication system to a customer abroad.

Development of the mobile devices for Mexican government authority continued.

The demand for Bittium's R&D services continued stable.

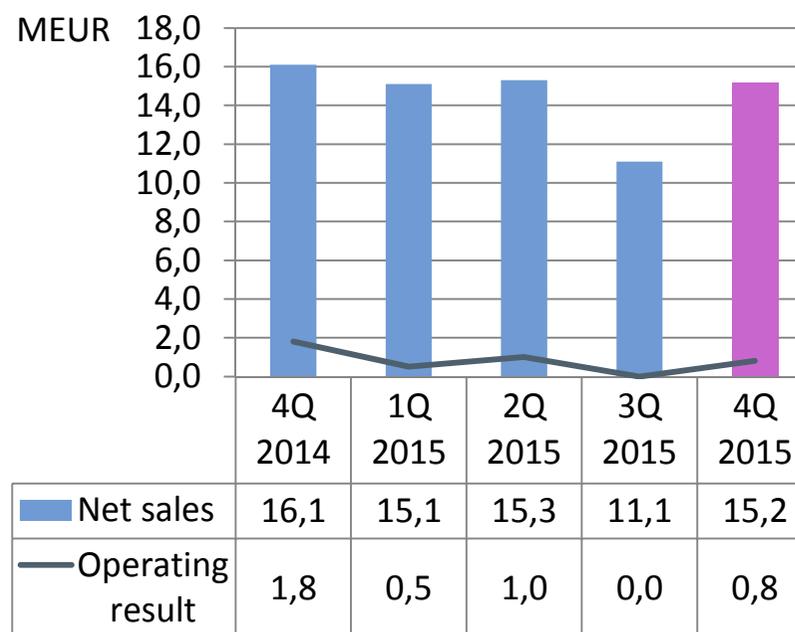
# Financial review

Pekka Kunnari, CFO

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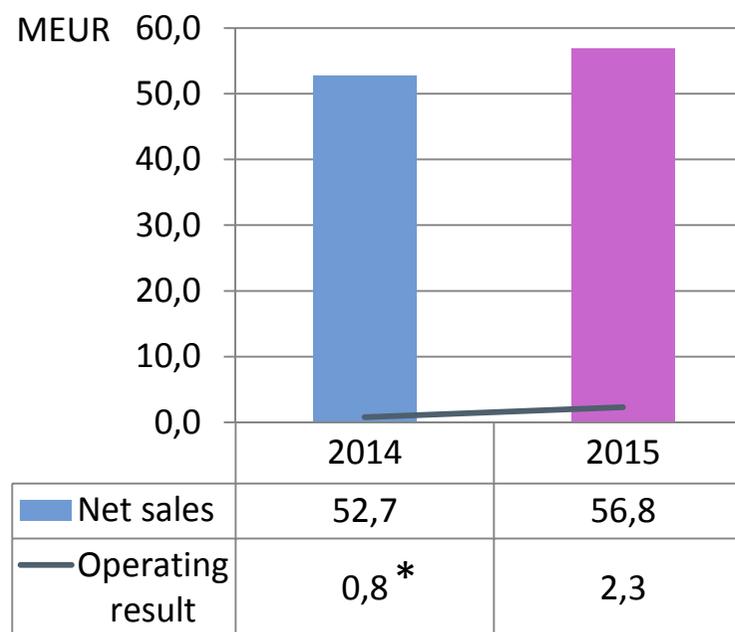
# Net sales and operating profit 4Q

- Net sales decreased by 5.5% to MEUR 15.2 (MEUR 16.1 in 4Q14)
  - The decrease in the net sales was due to the quarterly variations in product deliveries for the Finnish Defence Forces.
- Product-based net sales were MEUR 1.8 which was less than in 4Q14 (MEUR 6.3 in 4Q14)
  - Mainly from the product deliveries for authorities' use.
- Operating result was MEUR 0.8 (MEUR 1.8 in 4Q14, including non-recurring costs of EUR 0.6 million resulting from the personnel reductions and from the acquisition costs of SafeMove® business).



# Net sales and operating profit in 2015

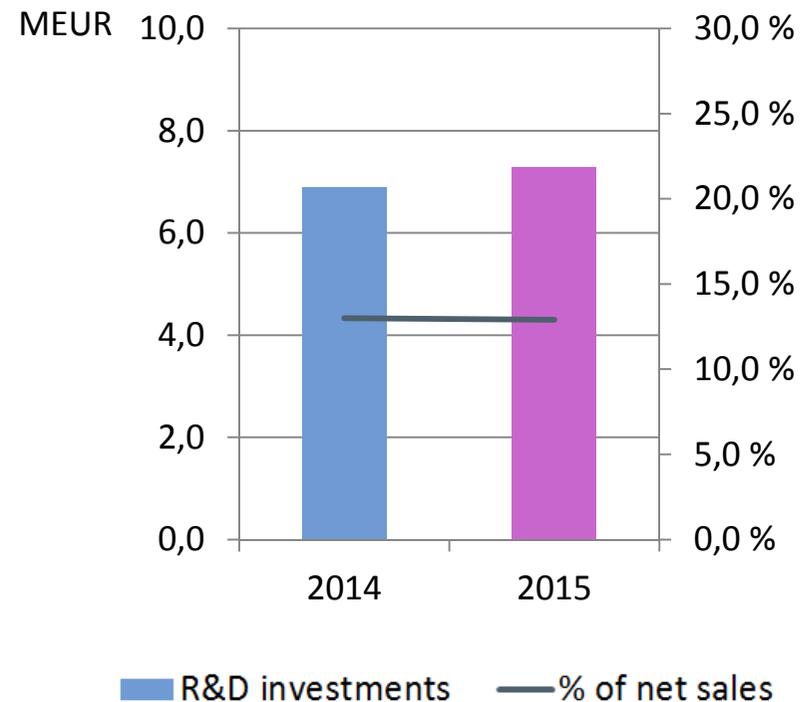
- Net sales were MEUR 56.8, which grew by 7.8 % (MEUR 52.7 in 2014)
  - Growth was driven mainly by the deliveries of special terminal products and other products for authorities markets, and special terminal related R&D services.
- Product-based net sales were MEUR 13.1 (MEUR 14.1 in 2014).
  - Mainly from the product deliveries of tactical communication system to the Finnish Defence Forces and other terminal products for the authority use.
  - Includes also a smaller pilot delivery of tactical communication system for a customer abroad.
- Operating result improved clearly and was MEUR 2.3, including costs of MEUR 0.4 related to changing the name of the company (MEUR 0.8 in 2014 \*)
  - Improvement was due to the growth in the net sales and slightly higher gross margin than quarterly periods usually.



\* Includes non-recurring income of MEUR 1.1 resulting from the reorganization cases of TerreStar companies, and non-recurring costs of MEUR 0.6 resulting from the personnel reductions and from the acquisition costs of SafeMove business.

## R&D investments in 2015 were 12.9% of net sales

- R&D investments were MEUR 7.3 equaling 12.9% of the net sales (MEUR 6.9 in 2014, equaling 13.0% of the net sales).
  - MEUR 3.4 was capitalized (MEUR 2.1 in 2014).
  - Depreciations of R&D investments were MEUR 0.2 (MEUR 0.1 in 2014).
- The main focus in the R&D investments was Bittium Tough Mobile LTE smartphone.



## Cash flow in 2015

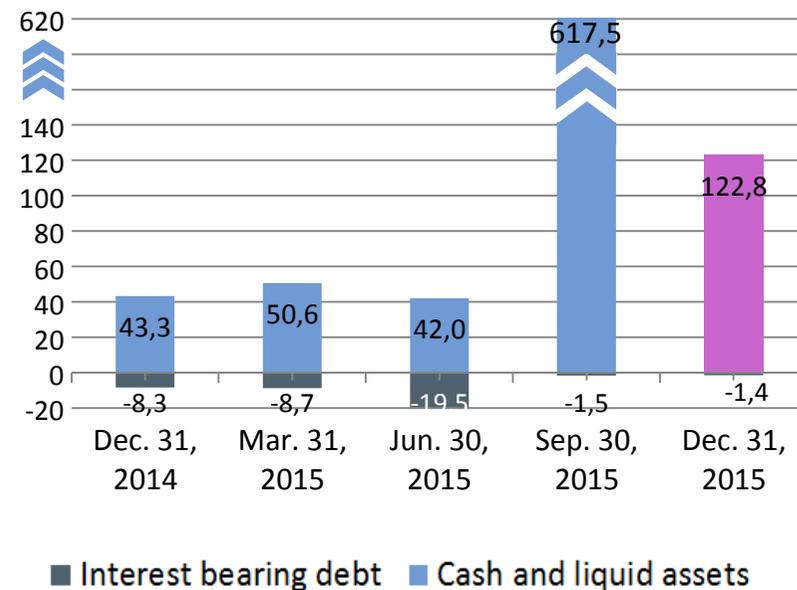
MEUR	4Q 15	4Q 14	2015	2014
Net profit +/- adjustment of accrual basis items	1.4	10.5	12.2	27.4
Change in net working capital	-1.4	-2.8	-6.2	-12.1
Interests, taxes, and dividends	0.3	-2.2	-3.9	-4.7
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>0.3</b>	<b>5.4</b>	<b>2.1</b>	<b>10.5</b>
Net cash from investing activities	-1.2	-2.6	579.6	-9.2
Net cash from financing activities	-493.8	-0.2	-502.2	-1.0
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-494.7</b>	<b>2.5</b>	<b>79.5</b>	<b>0.3</b>

- Net cash flow includes the dividend payment of MEUR 5.3 in April, the cash flow of Automotive business until June 30, 2015, cash flow related to selling the Automotive business and cancelling the demerger process, as well as cash flow related to the voluntary public tender offer for the company's own shares and stock options.

# Strong balance sheet

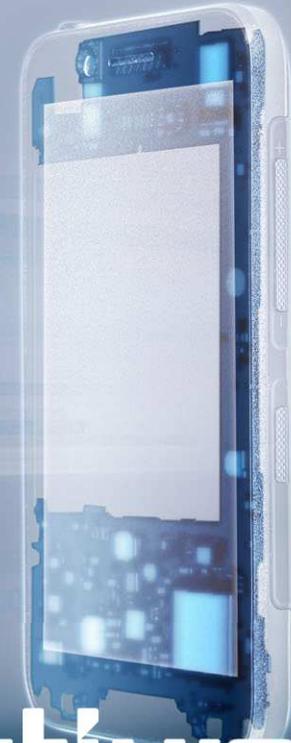
- Cash reserves remained strong at the end of 2015
  - Cash and liquid assets MEUR 122.8
- Equity ratio was 90.5%
- Interest bearing debt was MEUR 1.4
- Net gearing -88.2 %
- Capitalized R&D costs MEUR 5.6
- Dividend proposal by the Board of Directors is 0.05 EUR per share from the profit of the financial period 2015 and EUR 0.25 per share as additional dividend

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 for 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 (TACWIN)
- 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 now 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 financial statement in the section "Risks and uncertainties" and on the company's internet pages at [www.bittium.com](http://www.bittium.com).

## Investors' calendar 2016

<b>March 23, 2016</b>	Annual Report 2015
<b>April 19, 2016</b>	Annual General Meeting 2016
<b>April 27, 2016</b>	Interim Report January-March 2016
<b>August 4, 2016</b>	Interim Report January-June 2016
<b>November 3, 2016</b>	Interim Report January-September 2016

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