

Bittium

Bittium Corporation's Half Year Financial Report January-June 2016

Net sales

31.1 MEUR

Net sales growth

2.3 %

Operating result

0.7 MEUR

Operating result, % of net sales

2.2 %

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

Summary April-June 2016

- The net sales were EUR 16.4 million (EUR 15.3 million, 2Q 2015), representing an increase of 7.1 percent year-on-year.
- The share of the product-based net sales was EUR 2.9 million (EUR 4.3 million, 2Q 2015) and the share of the services-based net sales was EUR 13.3 million (EUR 10.9 million, 2Q 2015).
- Operating profit was EUR 0.8 million (EUR 1.0 million, 2Q 2015).
- Net cash flow was EUR -18.3 million (EUR -8.6 million, 2Q 2015, including both continuing and discontinuing operations). Net cash flow includes the dividend payment of EUR 10.7 million in April.
- Earnings per share were EUR 0.029 (EUR 0.006, 2Q 2015).
- During the second quarter the number of Bittium's shares increased by altogether 50,498 new shares subscribed by virtue of the stock option rights 2008C. After the registration of the new shares, the number of shares in Bittium Corporation totaled 35,693,166. The share subscription period for stock options 2008C ended on March 31, 2016.
- Bittium appointed M.Sc. Sami Kotkajuuri (b. 1967) as Vice President, Business Development and M.Sc. Klaus Mäntysaari (b. 1966) as Vice President, Connectivity Solutions as of May 1, 2016.

GROUP (MEUR)	4-6/2016 3 months	4-6/2015 3 months
NET SALES	16.4	15.3
Change of net sales, %	7.1 %	23.2 %
OPERATING PROFIT / LOSS	0.8	1.0
Operating profit / loss, % of net sales	4.9 %	6.6 %
EBITDA	1.5	1.6
CASH AND OTHER LIQUID ASSETS	107.7	42.0
EQUITY RATIO (%)	88.5 %	59.9 %
EARNINGS PER SHARE (EUR)	0.029	0.006

Summary January-June 2016

- The net sales grew to EUR 31.1 million (EUR 30.4 million, 1-6 2015), representing an increase of 2.3 percent year-on-year.
- The share of the product-based net sales was EUR 5.3 million (EUR 8.8 million, 1-6 2015) and the share of the services-based net sales was EUR 25.6 million (EUR 21.5 million, 1-6 2015).
- Operating profit was EUR 0.7 million (EUR 1.5 million, 1-6 2015).
- Net cash flow was EUR -15.1 million (EUR -1.3 million, 1-6 2015, including both continuing and discontinuing operations). Net cash flow includes the dividend payment of EUR 10.7 million in April.
- Earnings per share were EUR 0.026 (EUR 0.009, 1-6 2015).
- During the first half the number of Bittium's shares increased by altogether 55,498 new shares subscribed by virtue of the stock option rights 2008C, and by 37,500 new shares implemented in a directed share issue without consideration as reward payments to the key persons of the company. After the registration of the new shares, the number of shares in Bittium Corporation totaled 35,693,166. The share subscription period for stock options 2008C ended on March 31, 2016.

GROUP (MEUR)	1-6/2016 6 months	1-6/2015 6 months	2015 12 months
NET SALES	31.1	30.4	56.8
Change of net sales, %	2.3 %	14.4 %	7.8 %
OPERATING PROFIT / LOSS	0.7	1.5	2.3
Operating profit / loss, % of net sales	2.2 %	4.9 %	4.1 %
EBITDA	2.1	2.6	4.8
CASH AND OTHER LIQUID ASSETS	107.7	42.0	122.8
EQUITY RATIO (%)	88.5 %	59.9 %	90.5 %
EARNINGS PER SHARE (EUR)	0.026	0.009	0.020

Bittium's CEO Hannu Huttunen

The net sales of the second quarter in 2016 were EUR 16.4 million, representing an increase of 7.1 percent year-on-year. The share of the product-based net sales was EUR 2.9 million, which was lower than in the corresponding period last year due to the product delivery schedules. The share of the services-based net sales was EUR 13.3 million. The service business developed positively thanks to the increased demand in R&D services for special terminal products. Operating result in the second quarter was 0.8 million. Cash flow was EUR -18.3 million, mainly due to the dividend payment of EUR 10.7 million, investments made into our new office building and growth in the net working capital.

Net sales in January-June were EUR 31.1 million, representing a growth of 2.3 percent year-on-year. The share of the product-based net sales was EUR 5.3 million (17.1 percent of net sales) which was lower than in the corresponding period last year due to the product delivery schedules. The share of the services-based net sales was EUR 25.6 million. Operating profit decreased year-on-year and was EUR 0.7 million.

Despite of the decrease in the demand for R&D services for mobile network equipment manufacturers, the demand for Bittium's R&D services has developed positively during the second quarter. The product development project that started in May 2015 with 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.

We continued the R&D investments in our products and product platforms aiming for growth especially in the international defense, information security and public safety markets. The investments still focused mainly in the further development of the Bittium Tough Mobile™ secure LTE smartphone targeted for the mobile security and public safety markets and in May we launched a new Bittium Tough

Mobile B28 frequency variant, which is targeted for public safety networks requiring this band B28. The awareness of information security risks is growing and the interest towards secure mobile devices is increasing, and we continued pilot deliveries of Bittium Tough Mobile during the second quarter. However, the development of the public safety and information security markets has been somewhat slower than expected.

We continued R&D investments also to Bittium SafeMove® product family and announced Bittium SafeMove® Analytics™ software as a standalone software product for enterprises for monitoring and analyzing the performance of wireless networks and mobile devices. We also released a new software version of Bittium SafeMove® Mobile VPN™ remote access solution. We established a partnership with Getac by offering Bittium SafeMove Mobile VPN and Analytics software to all Getac's rugged tablets and notebooks as an option across Europe from May 2016 onwards.

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 second quarter. We broadened our tactical communication product portfolio by launching Bittium Tough VoIP Service™ software product that connects both fixed data network users and wireless tactical data network users to the same voice service network. This significantly improves the capability to lead troops and maintain situational awareness in the quickly changing conditions of the battlefield.

Bittium demonstrated the first European cross-platform military radio technology for effective joint operations enabled by the ESSOR (European Secure Software defined Radio) waveform with both Leonardo-Finmeccanica from Italy and with Thales from France at Eurosatory exhibition in Paris. Bittium has been part of developing the ESSOR programme since it started in 2009.

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. We strengthened the development of our business by appointing Mr. Sami Kotkajuuri as Vice President, Business Development as of May 1, 2016. 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, and therefore Bittium has good conditions to continue to grow also in the future.

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 still 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 Bittium's market outlook is presented in the section "Market outlook" in this Half Year Financial Report.

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.

Invitation to a press conference

Bittium will hold a press conference on the Half Year Financial Report January-June 2016 for media, analysts and institutional investors in Restaurant Savoy, Eteläesplanadi 14, Helsinki, Finland, on Thursday August 4, 2016 at 9.30 am (CEST+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, 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 Half Year Financial Report January-June 2016

Financial performance in January-June 2016

Bittium's net sales during January-June 2016 increased by 2.3 percent year-on-year to EUR 31.1 million (EUR 30.4 million, in 1-6 2015).

The share of the product-based net sales was EUR 5.3 million (EUR 8.8 million, in 1-6 2015), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces 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 25.6 million (EUR 21.5 million, in 1-6 2015). Despite of the decrease in the demand for the services business in the mobile infrastructure 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 0.7 million (EUR 1.5 million, in 1-6 2015).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR

	1-6/2016 6 months	1-6/2015 6 months	2015 12 months
Net sales	31.1	30.4	56.8
Operating profit / loss	0.7	1.5	2.3
Financial income and expenses	0.3	-0.3	-0.2
Result before tax	0.9	1.1	2.1
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	0.9	1.1	2.3
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS		3.8	539.0
RESULT FOR THE PERIOD	0.9	4.9	541.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	0.9	5.7	541.5
Result for the period attributable to:			
Equity holders of the parent	0.9	4.9	541.3
Total comprehensive income for the period attributable to:			
Equity holders of the parent	0.9	5.7	541.5
Earnings per share from continuing operations, EUR	0.026	0.009	0.020

- Cash flow from operating activities was EUR 0.1 million (EUR -1.2 million, in 1-6 2015, including both continuing and discontinuing operations).
- Net cash flow was EUR -15.1 million (EUR -1.3 million, in 1-6 2015, including both continuing and discontinuing operations). Net cash flow includes the dividend payment of EUR 10.7 million in April.
- Equity ratio was 88.5 percent (59.9 percent, June 30, 2015).

- Net gearing was -83.0 percent (-23.8 percent, June 30, 2015).

Quarterly figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	2Q/16	1Q/16	4Q/15	3Q/15	2Q/15
Net sales	16.4	14.7	15.2	11.1	15.3
Operating profit (loss)	0.8	-0.1	0.8	0.0	1.0
Result before taxes	1.0	-0.1	0.9	0.1	0.8
Result for the period	1.0	-0.1	1.1	0.1	0.8

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	2Q/16	1Q/16	4Q/15	3Q/15	2Q/15
Asia	0.4 2.7 %	0.0 0.2 %	0.0 0.0 %	0.1 0.6 %	0.1 0.6 %
Americas	3.2 19.8 %	2.3 15.3 %	2.9 19.2 %	1.0 9.1 %	2.2 14.6 %
Europe	12.7 77.5 %	12.5 84.5 %	12.3 80.7 %	10.1 90.4 %	13.0 84.9 %

Research and development

Bittium continued its R&D investments in products and product platforms targeted for the defense and public safety markets. R&D investments mainly focused on developing the Bittium Tough Mobile, a high security level LTE smartphone, targeted mainly for the demanding information 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 information security software.

R&D INVESTMENTS, MEUR	1-6/2016 6 months	1-6/2015 6 months	2015 12 months
Total R&D investments	3.6	3.9	7.3
Capitalized R&D investments	-0.7	-2.0	-3.4
Depreciations and impairment of R&D investments	0.1	0.1	0.2
Cost impact on income statement	3.0	2.0	4.2
R&D investments, % of net sales	11.5 %	12.8 %	12.9 %

CAPITALIZED R&D INVESTMENTS IN BALANCE SHEET, MEUR	1-6/2016 6 months	1-6/2015 6 months	2015 12 months
Balance sheet value in the beginning of the period	5.6	2.2	2.2

Additions during the period	0.7	2.0	3.4
Acquisitions of the business	0.0	0.3	0.3
Depreciations and impairment of R&D investments	-0.1	-0.1	-0.2
Balance sheet value at the end of the period	6.2	4.4	5.6

Business development in April-June 2016

Bittium's net sales during April-June 2016 grew to EUR 16.4 million (EUR 15.3 million, 2Q 2015), representing an increase of 7.1 percent year-on-year. The share of the product-based net sales was EUR 2.9 million (EUR 4.3 million, 2Q 2015), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from the delivery of other terminal products for authorities use. The decrease in the product-based net sales year-on-year was caused by the ending of product deliveries of a special terminal project for a US-based customer in the corresponding period, and by the quarterly variations in product delivery timings for the Finnish Defence Forces.

The share of the services-based net sales was EUR 13.3 million (EUR 10.9 million, 2Q 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 0.8 million (EUR 1.0 million, 2Q 2015).

Despite of 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 second quarter of 2016. The product development project started in May 2015 with the Mexican Ministry of Communication and Transportation for the development of Android-based mobile devices that use both terrestrial and satellite connection for their MEXSAT system has continued according to plans.

Bittium continued the R&D investments in its own products and product platforms aiming for growth especially in the international defense, information security and public safety markets. The investments focused mainly in the further development of the Bittium Tough Mobile™ secure LTE smartphone targeted for the mobile security and public safety markets. The smartphone was presented at the Critical Communications World event in Amsterdam, where Bittium launched a new Bittium Tough Mobile B28 frequency variant, which is targeted for public safety networks requiring this band 28. In addition, Bittium and Air-Lynx demonstrated the first public safety LTE evolved Multimedia Broadcast Multicast Solution (eMBMS) that enables efficient use of the whole LTE radio spectrum, delivering huge amounts of data even in a congested network environment. This is particularly important in public safety, security and other mission-critical communications, which require fast data speeds, low latencies and reliable connections.

The awareness of information security risks is growing and the interest towards secure mobile devices is increasing. Bittium continued pilot deliveries of Bittium Tough Mobile during the second quarter. However, the development of the public safety and information security markets has been somewhat slower than expected.

In April, Bittium participated in the Hannover Messe industrial fair in Germany and presented its customized, secure IoT solutions and engineering services. At the display were Bittium Smart Watch and IoT gateway reference designs, which can be easily customized according to customer needs and industry specific requirements.

Bittium continued R&D investments also in Bittium SafeMove product family and announced Bittium SafeMove Analytics software as a standalone software product for enterprises for monitoring and analyzing the performance of wireless networks and mobile devices. Organizations that use Analytics will get real-time and historical data on the location of mobile devices and the performance of wireless networks and thus are able to enhance the efficiency and user experience of mobile workers.

In May, Bittium released a new software version of Bittium SafeMove Mobile VPN remote access solution. The new software version enhances the information security of mobile workers by supporting performance-improving encryption methods. Moreover, the new management user interface and support for mobile Android devices make the work of IT departments significantly easier.

In May, Bittium established a partnership with Getac to improve the productivity, security and user experience for field workers in challenging conditions. Bittium offers its SafeMove Mobile VPN and Analytics software to all Getac's rugged tablets and notebooks as an option across Europe from May 2016 onwards. Bittium exhibited its secure and easy-to-use Bittium SafeMove remote access solutions at Terveydenhuollon ATK päivät (information technology days for healthcare industry) in Lahti, Finland.

The development of the tactical communication system Bittium Tactical Wireless IP Network™ (TAC WIN), used by the Finnish Defence Forces, continued. The product deliveries for the communication system were continued during the second quarter.

In April, Bittium expanded its product portfolio in tactical communications by introducing Bittium Tough VoIP Service (Voice over Internet Protocol) software product. With the product both fixed data network users and wireless tactical data network users can be connected to the same voice service network. This significantly improves the capability to lead troops and maintain situational awareness in the quickly changing conditions of the battlefield.

In June, Bittium participated in the Eurosatory exhibition in Paris targeted for defense markets and presented its tactical communication products and solutions. In addition, Bittium presented together with both Italian company Leonardo-Finmeccanica and French company Thales how the land forces of different European countries will be able to communicate with each other in joint operations, linking up via a common waveform regardless of the actual radio platforms they use. This waveform has been developed in the European ESSOR programme (European Secure Software defined Radio), where Bittium has been part of since it started in 2009.

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.

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 still 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 Bittium's market outlook is presented in the section "Market outlook" in this Half Year Financial Report.

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.

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 network equipment market the 4G technology has reached its maturity level that causes a decrease in the overall mobile network market in short term. Technology development towards 5G continues generating the demand for Bittium's R&D services. Despite of Bittium's R&D services being highly competitive, the demand is expected to slightly decrease during the year 2016.
- The trend of using commercial technologies, such as LTE, smartphones and applications, is expected to continue in special verticals such as public safety and cyber security creating demand for Bittium Tough Mobile secure LTE smartphone and customized special terminals based on Bittium's own product platform. The awareness of information security risks is growing and the interest towards secure mobile devices increases. However, the development of the public safety and information security markets has been somewhat slower than expected. The sale of the terminal products is expected to develop moderately according to the nature of authorities markets.
- Secure IoT (Internet of Things) has become a significant development area in many industries. The need for Bittium's IoT services and customized solutions is generated by the increasing need of companies to bring connected devices to consumers and to demanding industrial usage. Such devices collect information through the device sensors and connect the device securely to the internet and cloud services.
- In the defense sector's tactical communication market the governments' defense forces and other authorities need networks that increasingly moving troops can use for transferring growing amounts of data securely. This creates demand for Bittium's 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.

Short-term risks and uncertainties are described in the Report by the Board of Directors 2015. More information about risks and uncertainties are presented at the Company's internet pages at www.bittium.com.

Statement of financial position and financing

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

	30.6.2016	31.12.2015
Non-current assets	17.6	14.4
Current assets	129.4	145.0
Total assets	147.0	159.4
Share capital	12.9	12.9
Other capital	115.1	124.6
Total equity	128.0	137.6
Non-current liabilities	2.1	2.0
Current liabilities	16.9	19.8
Total equity and liabilities	147.0	159.4

Cash flow of the review period :	1-6/2016	1-12/2015
+ profit of the period +/- Adjustment of accrual basis items	2.1	12.2
+/- Change in net working capital	-2.2	-6.2
- interest, taxes and dividends	0.2	-3.9
= net cash from operating activities	0.1	2.1
- net cash from investing activities	-4.0	579.6
- net cash from financing activities	-11.2	-502.2
= net change in cash and cash equivalents	-15.1	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 4.6 million. Net investments for the review period totaled to EUR 4.6 million. The total amount of depreciation during the period under review was EUR 1.4 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 88.5 percent (90.5 percent on December 31, 2015).

Cash and other liquid assets at the end of the reporting period were EUR 107.7 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 543 people in between January and June 2016. At the end of June, the company had 570 employees (516 employees at the end of June 2015). A significant part of Bittium's personnel are R&D engineers.

Changes in the management

M.Sc. Sami Kotkajuuri (b. 1967) was appointed as Vice President, Business Development as of May 1, 2016. Mr. Kotkajuuri has been working for Bittium since 2009. As his latest task, he was responsible for the IoT (Internet of Things) Solutions product and service area, where Bittium offers R&D services and customized solutions for companies needing wireless connectivity for their devices. Mr. Kotkajuuri will continue as a member of the company's management group reporting to Hannu Huttunen, CEO.

M.Sc. Klaus Mäntysaari (b. 1966) has been appointed as Vice President, Connectivity Solutions as of May 1, 2016. Mr. Mäntysaari has been working for Bittium since 2004. Previously he has been responsible for Telecom product and service area, where Bittium offers R&D services for wireless telecommunication market. Mr. Mäntysaari will continue as a member of the company's management group reporting to Hannu Huttunen, CEO. Connectivity Solutions product and service area combines company's former Telecom and IoT Solutions product and service areas. By merging these product and service areas Bittium prepares for the 5G mobile network technology development, where IoT (Internet of Things) plays a major role.

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.

Events after the review period

The company has no significant event after the review period.

Oulu, August 4, 2016

Bittium Corporation

The Board of Directors

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Major media

Bittium Corporation Condensed Financial Statements and Notes January – June 2016

(unaudited)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-6/2016	1-6/2015	1-12/2015
	6 months	6 months	12 months
Continuing operations			
NET SALES	31.1	30.4	56.8
Other operating income	0.9	0.7	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	-2.3	-3.8	-5.5
Personnel expenses	-17.7	-15.4	-30.3
Depreciation	-1.4	-1.2	-2.5
Other operating expenses	-10.0	-9.4	-17.8
OPERATING PROFIT (LOSS)	0.7	1.5	2.3
Financial income and expenses	0.3	-0.3	-0.2
PROFIT BEFORE TAX	0.9	1.1	2.1
Income tax	0.0	-0.0	0.2
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	0.9	1.1	2.3
Discontinued operations			
Profit for the year from discontinued operations		3.8	539.0
PROFIT FOR THE PERIOD	0.9	4.9	541.3
Other comprehensive income:			
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations	-0.1	0.8	0.1
Other comprehensive income for the period total	-0.1	0.8	0.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	0.9	5.7	541.5
Profit for the year attributable to			
Equity holders of the parent	0.9	4.9	541.3

Total comprehensive income for the period attributable to			
Equity holders of the parent	0.9	5.7	541.5
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.026	0.009	0.020
Diluted earnings per share	0.026	0.009	0.020
Earnings per share from discontinued operations, EUR			
Basic earnings per share		0.029	4.687
Diluted earnings per share		0.029	4.685
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.026	0.037	4.708
Diluted earnings per share	0.026	0.037	4.706
Average number of shares, 1000 pcs	35 646	131 862	114 983
Average number of shares, diluted, 1000 pcs	35 646	132 054	115 037

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	June 30, 2016	June 30, 2015	Dec. 31, 2015
ASSETS			
Non-current assets			
Property, plant and equipment	6.9	3.9	4.1
Goodwill	1.4	1.4	1.4
Intangible assets	8.0	6.7	7.6
Other financial assets	0.1	0.1	0.1
Deferred tax assets	1.2	0.9	1.2
Non-current assets total	17.6	13.1	14.4
Current assets			
Inventories	2.3	1.8	2.2
Trade and other receivables	19.4	22.0	20.0
Financial assets at fair value through profit or loss	66.5	15.9	66.1
Cash and short term deposits	41.2	6.2	56.8
Current assets total	129.4	45.8	145.0
Assets held for sale		117.3	
TOTAL ASSETS	147.0	176.2	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	25.8	25.9

Translation difference	1.1	2.3	1.2
Retained earnings	88.0	53.5	97.5
Total equity	128.0	94.5	137.6
Non-current liabilities			
Deferred tax liabilities	0.1	0.1	0.1
Provisions	1.1	0.2	1.1
Interest-bearing liabilities	0.8	0.7	0.7
Non-current liabilities total	2.1	1.0	2.0
Current liabilities			
Trade and other payables	15.0	16.4	17.9
Financial liabilities at fair value through profit or loss			
Provisions	1.1	2.2	1.2
Interest-bearing loans and borrowings	0.8	6.7	0.7
Current liabilities total	16.9	25.2	19.8
Total liabilities	19.0	26.2	21.8
Liabilities classified as held for sale		55.4	
TOTAL EQUITY AND LIABILITIES	147.0	176.2	159.4

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)

	1-6/2016	1-6/2015	1-12/2015
	6 months	6 months	12 months
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year from continuing operations	0.9	1.1	2.3
Profit for the year from discontinued operations		3.8	539.0
Adjustment of accrual basis items	1.2	8.1	-529.1
Change in net working capital	-2.2	-10.6	-6.2
Interest paid on operating activities	-0.3	-1.2	-1.6
Interest received from operating activities	0.5	0.2	0.9
Other financial income and expenses, net received	0.0	0.0	0.0
Income taxes paid	0.0	-2.6	-3.2
NET CASH FROM OPERATING ACTIVITIES	0.1	-1.2	2.1
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of business unit, net of cash sold			588.2
Acquisition of business unit, net of cash acquired	-1.0	-1.8	-1.8
Purchase of property, plant and equipment	-2.2	-1.9	-2.5
Purchase of intangible assets	-0.8	-2.9	-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	-4.0	-6.5	579.6

CASH FLOW FROM FINANCING ACTIVITIES			
Share-option plans exercised	0.0	0.7	0.8
Proceeds from borrowing		15.3	14.6
Repayment of borrowing	-0.1	-3.3	-17.5
Payment of finance liabilities	-0.4	-0.9	-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	-11.2	6.5	-502.2
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period	122.8	43.3	43.3
Cash and cash equivalents at end of period	107.7	42.0	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				4.9		4.9
Exchange differences on translating foreign operations			0.8			0.8
Total comprehensive income for the period			0.8	4.9		5.7
Transactions between the shareholders						
Distribution of dividends				-5.3		-5.3
Share option plans exercised		0.7				0.7
Share-based payments awards				0.1		0.1
Total transactions between the shareholders		0.7		-5.2		-4.6
Other changes				-0.0		-0.0
Shareholders equity on March 31, 2015	12.9	25.8	2.3	53.5		94.5

	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				0.9		0.9
Exchange differences on translating foreign operations			-0.1			-0.1
Total comprehensive income for the period			-0.1	0.9		-0.9
Transactions between the shareholders						
Distribution of dividends				-10.7		-10.7
Share option plans exercised		0.0				0.0
Share-related compensation				0.2		0.2
Total transactions between the shareholders		0.0		-10.5		-10.4
Other changes				-0.0		-0.0
Shareholders equity on March 31, 2016	12.9	26.0	1.1	88.0		128.0

NOTES TO THE HALF YEAR FINANCIAL REPORTING

ACCOUNTING PRINCIPLES FOR THE HALF YEAR FINANCIAL REPORTING:

The Half Year 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 Half Year Financial 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 Half Year Report.

SEGMENT-INFORMATION (MEUR)

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

NET SALES OF GEOGRAPHICAL AREAS (MEUR)	1-6/2016	1-6/2015	1-12/2015
	6 months	6 months	12 months
Net sales			
Europe	25.1	25.9	48.3
Americas	5.5	4.4	8.3
Asia	0.5	0.1	0.2
Net sales total	31.1	30.4	56.8

RELATED PARTY TRANSACTIONS	1-6/2016	1-6/2015	1-12/2015
	6 months	6 months	12 months
Employee benefits for key management and stock options expenses total	0.7	0.7	1.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR)	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015
	3 months	3 months	3 months	3 months	3 months
NET SALES	16.4	14.7	15.2	11.1	15.3
Other operating income	0.5	0.4	0.4	0.3	0.4
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	0.0	0.0
Raw materials	-1.5	-0.9	-0.9	-0.8	-1.4
Personnel expenses	-8.8	-8.9	-8.4	-6.5	-7.8
Depreciation	-0.7	-0.7	-0.8	-0.6	-0.6
Other operating expenses	-5.2	-4.8	-4.8	-3.6	-5.0
OPERATING PROFIT (LOSS)	0.8	-0.1	0.8	0.0	1.0
Financial income and expenses	0.2	0.0	0.1	0.1	-0.2
PROFIT BEFORE TAX	1.0	-0.1	0.9	0.1	0.8
Income tax	0.0	0.0	0.2	0.0	-0.0
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	1.0	-0.1	1.1	0.1	0.8
Discontinued operations					
Profit for the period from discontinued operations			0.6	534.6	2.3
PROFIT FOR THE PERIOD	1.0	-0.1	1.7	534.7	3.1
Other comprehensive income	-0.0	-0.1	0.0	-0.7	-0.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1.0	-0.2	1.7	534.0	2.6
Profit for the period attributable to:					
Equity holders of the parent	1.0	-0.1	1.7	534.7	3.1
Total comprehensive income for the period attributable to:					
Equity holders of the parent	1.0	-0.2	1.7	534.0	2.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015
ASSETS					
Non-current assets					
Property, plant and equipment	6.9	5.2	4.1	3.8	3.9
Goodwill	1.4	1.4	1.4	1.4	1.4
Intangible assets	8.0	7.7	7.6	7.2	6.7
Other financial assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.2	1.2	1.2	0.9	0.9
Non-current assets total	17.6	15.6	14.4	13.5	13.1
Current assets					
Inventories	2.3	1.9	2.2	1.4	1.8
Trade and other receivables	19.4	13.4	20.0	15.1	22.0
Financial assets at fair value through profit or loss	66.5	66.2	66.1	65.8	15.9
Cash and short term deposits	41.2	59.8	56.8	551.7	6.2
Current assets total	129.4	141.3	145.0	634.0	45.8
Assets classified as held for sale					117.3
TOTAL ASSETS	147.0	156.9	159.4	647.5	176.2
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	25.9	25.9	25.8
Translation difference	1.1	1.1	1.2	1.2	2.3
Retained earnings	88.0	97.7	97.5	589.3	53.5
Non-controlling interests					
Total equity	128.0	137.7	137.6	629.3	94.5
Non-current liabilities					
Deferred tax liabilities	0.1	0.1	0.1	0.1	0.1
Provisions	1.1	1.1	1.1	1.2	0.2
Interest-bearing liabilities	0.8	0.8	0.7	0.7	3.7
Other non-current liabilities, non-interest-bearing	0.1	0.0			
Non-current liabilities total	2.1	2.0	2.0	2.0	1.0
Current liabilities					
Trade and other payables	15.0	15.4	17.9	13.5	16.4
Financial liabilities at fair value through profit or loss	0.0				0.0

Provisions	1.1	1.0	1.2	2.0	2.2
Interest-bearing loans and borrowings	0.8	0.7	0.7	0.7	6.7
Current liabilities total	16.9	17.1	19.8	16.2	25.2
Total liabilities	19.0	19.2	21.8	18.2	26.2
Liabilities classified as held for sale					55.4
TOTAL EQUITY AND LIABILITIES	147.0	156.9	159.4	647.5	176.2

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	4-6/2016	1-3/2015	10-12/2015	7-9/2015	4-6/2015
	3 months	3 months	3 months	3 months	3 months
Net cash from operating activities	-4.9	5.0	0.3	3.1	-12.2
Net cash from investing activities	-2.5	-1.5	-1.2	587.4	-2.5
Net cash from financing activities	-10.9	-0.2	-493.8	-14.9	6.1
Net change in cash and cash equivalents	-18.3	3.2	-494.7	575.5	-8.6

FINANCIAL PERFORMANCE RELATED RATIOS	1-6/2016	1-6/2015	1-12/2015
	6 months	6 months	12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Net sales	31.1	30.4	56.8
Operating profit (loss)	0.7	1.5	2.3
Operating profit (loss), % of net sales	2.2	4.9	4.1
Profit before taxes	0.9	1.1	2.1
Profit before taxes, % of net sales	3.0	3.8	3.7
Profit for the period from continuing operations	0.9	1.1	2.3
PROFITABILITY AND OTHER KEY FIGURES			
Interest-bearing net liabilities, (MEUR)	-106.2	-22.5	-121.4
Net gearing, -%	-83.0	-23.8	-88.2
Equity ratio, %	88.5	59.9	90.5
Gross investments, (MEUR)	4.6	5.2	7.4
Average personnel during the period, continuing operations	543	509	511
Personnel at the period end, continuing operations	570	516	517
Average personnel during the period, discontinued operations		1375	
Personnel at the period end, discontinued operations		1406	
Average personnel during the period, jointly owned company - discontinued operations		465	
Personnel at the period end, jointly owned company - discontinued operations		491	

AMOUNT OF SHARE ISSUE ADJUSTMENT (1,000 pcs)	Jun. 30, 2016	Jun. 30, 2015	Dec. 31, 2015
At the end of period	35 643	132 541	35 600
Average for the period	35 646	131 862	114 983
Average for the period diluted with stock options	35 646	132 054	115 015

STOCK-RELATED FINANCIAL RATIOS (EUR)	1-6/2016 6 months	1-6/2015 6 months	1-12/2015 12 months
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.026	0.009	0.020
Diluted earnings per share	0.026	0.009	0.020
Earnings per share from discontinued operations, EUR			
Basic earnings per share		0.029	4.687
Diluted earnings per share		0.029	4.685
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.026	0.037	4.708
Diluted earnings per share	0.026	0.037	4.706
Equity *) per share	3.59	0.71	3.86
*) Equity attributable to equity holders of the parent			

MARKET VALUES OF SHARES (EUR)	1-6/2016 6 months	1-6/2015 6 months	1-12/2015 12 months
Highest	7.14	5.30	7.80
Lowest	5.15	3.27	3.27
Average	6.04	4.37	4.92
At the end of period	5.55	4.70	7.01
Market value of the stock, (MEUR)	198.1	622.9	249.6
Trading value of shares, (MEUR)	81.1	193.8	837.1
Number of shares traded, (1,000 pcs)	13 425	44 365	169 993
Related to average number of shares %	37.7	33.6	147.8

SECURITIES AND CONTINGENT LIABILITIES (MEUR)	Jun. 30, 2016	Jun. 30, 2015	Dec. 31, 2015
AGAINST OWN LIABILITIES			
Floating charges	3.0	3.0	3.0
Guarantees	3.6	6.6	3.7
Rental liabilities			
Falling due in the next year	2.3	7.3	2.3
Falling due after one year	1.3	13.5	2.3
Other contractual liabilities			
Falling due in the next year	2.2	2.5	2.2
Falling due after one year	0.3	0.5	0.4
Mortgages are pledged for liabilities totaled	0.0	3.0	0.0

NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	Jun. 30, 2016	Jun. 30, 2015	Dec. 31, 2015
Foreign exchange forward contracts			
Market value	-0.0	-0.0	0.1
Nominal value	3.0	1.5	2.5
Purchased currency options			
Market value		0.0	
Nominal value		1.5	
Sold currency options			
Market value		-0.0	
Nominal value		3.0	