

# Bittium

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## Bittium Corporation Financial Statement Bulletin 2016

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Net sales

**64.2**

MEUR

Net sales growth

**13.0** %

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Operating result

**2.5**

MEUR

Operating result, % of net sales

**4.0** %

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## Net sales in 2016 grew by 13 percent year-on-year and operating result improved slightly

### Summary October-December 2016

- The net sales grew by 24.7 percent year-on-year to EUR 19.0 million (EUR 15.2 million, 4Q 2015).
- The share of the product-based net sales was EUR 4.5 million (EUR 1.8 million, 4Q 2015) and the share of the services-based net sales was EUR 14.5 million (EUR 13.3 million, 4Q 2015).
- Operating profit was EUR 0.9 million (EUR 0.8 million, 4Q 2015).
- Net cash flow was EUR -11.0 million (EUR -494.7 million, 4Q 2015, including the cash flows of the voluntary public tender offer of own shares).
- Result for the period was EUR 1.4 million and earnings per share were EUR 0.040 (result for the period from continuing operations EUR 1.1 million and earnings per share EUR 0.018, 4Q 2015).

GROUP (MEUR)	10-12/2016	10-12/2015
	3 months	3 months
NET SALES	19.0	15.2
Change of net sales, %	24.7 %	-5.5 %
OPERATING PROFIT / LOSS	0.9	0.8
Operating profit / loss, % of net sales	5.0 %	5.2 %
EBITDA	2.1	1.6
CASH AND OTHER LIQUID ASSETS	94.9	122.8
EQUITY RATIO (%)	87.0 %	90.5 %
EARNINGS PER SHARE (EUR)	0.040	0.018

### Summary January-December 2016

- The net sales grew by 13.0 percent year-on-year to EUR 64.2 million (EUR 56.8 million, 1-12 2015).
- The share of the product-based net sales was EUR 11.9 million (EUR 13.1 million, 1-12 2015) and the share of the services-based net sales was EUR 51.8 million (EUR 43.4 million, 1-12 2015).
- Operating profit was EUR 2.5 million (EUR 2.3 million, 1-12 2015).
- Net cash flow was EUR -27.9 million (EUR 79.5 million, 1-12 2015, including the cash flow resulted from the sale of the Automotive business and the cash flow of the cancelled demerger process, and the cash flows of the voluntary public tender offer of own shares).
- Result for the period was EUR 3.5 million and earnings per share were EUR 0.098 (result for the period from continuing operations EUR 2.3 million and earnings per share EUR 0.020, 1-12 2015).

GROUP (MEUR)	2016	2015
	12 months	12 months
NET SALES	64.2	56.8
Change of net sales, %	13.0 %	7.8 %
OPERATING PROFIT / LOSS	2.5	2.3
Operating profit / loss, % of net sales	4.0 %	4.1 %
EBITDA	5.8	4.8
CASH AND OTHER LIQUID ASSETS	94.9	122.8
EQUITY RATIO (%)	87.0 %	90.5 %
EARNINGS PER SHARE (EUR)	0.098	0.020

## Bittium's CEO Hannu Huttunen

Bittium's main focus areas in 2016 were internationalization and enabling growth. We succeeded well in reaching the growth target and the net sales grew by 13 percent from previous year and was EUR 64.2 million. Especially service business developed positively thanks to the demand for R&D services related to special terminal products. In the product business we made lots of efforts to enter the international markets, which have created a good base to grow the product business in the coming years. Due to the market nature and slow development pace we were not able to reach our product business growth targets.

The share of the product-based net sales was EUR 11.9 million which is EUR 1.2 million less than in the corresponding period last year. The decline in the product-based net sales was mainly 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 was EUR 51.8 million which was EUR 8.4 million more than in the corresponding period last year. The services-based net sales developed positively thanks to the increased demand for R&D services related to special terminal products. The operating profit slightly grew and was EUR 2.5 million.

The net sales of the fourth quarter in 2016 grew by 24.7 percent from last year and was EUR 19.0 million. The share of the product-based net sales was EUR 4.5 million, which was EUR 2.7 million more than during the corresponding period last year. The positive development of the product-based business resulted from the sale of tactical communication products and healthcare technology products. The share of the services-based net sales was EUR 14.5 million. The service business developed positively thanks to the increased demand in R&D services for special terminal products. Operating result of the fourth quarter was EUR 0.9 million.

We continued the R&D investments in our products and product platforms aiming for growth especially in the international defense and public safety, and mobile security markets. The R&D investments were 10.8 percent of net sales and focused mainly on products targeted for mobile security and public safety markets, such as further development of Bittium Tough Mobile™ secure LTE smartphone. R&D investments were also continued in the Bittium SafeMove® product family.

Bittium Tough Mobile and device management and encryption software Bittium Secure Suite™ have created lots of interest in the mobile security and public safety markets and we delivered many systems for several customer trials for several countries during the last year. We also closed many distributorship contracts and got good partners that have taken Bittium Tough Mobile as part of their own product portfolio and solutions for their customers. Despite the increased awareness of the information security threats and existence of secure mobile devices, the development of the mobile security and public safety markets has been slightly slower than estimated.

The development of the tactical communication system Bittium Tactical Wireless IP Network™ (TAC WIN), used by the Finnish Defence Forces, continued and we made product deliveries related to that system. We also continued our efforts to bring our product portfolio targeted for defense market to the international markets. We received a small order for TAC WIN system to Asia and an order for TAC WIN system and related integration work to be delivered to the Estonian Defence Forces. We extended our tactical communication product portfolio and brought a new software product Bittium Tough VoIP Service™ (Voice over Internet Protocol) to the markets. The new software significantly improves the capability to lead troops and maintain situational awareness in the quickly changing conditions of the battlefield.

Bittium has been part of the development of the European ESSOR wave form (European Secure Software defined Radio) since it started in 2009. In 2016 the communication of land forces of different European countries enabled by ESSOR wave form was demonstrated both

during the Eurosatory exhibition in Paris as well as in battlefield conditions in Finland organized by the Finnish Defence Forces. The demonstrations were carried out jointly with Leonardo from Italy and Thales from France. These demonstrations showcased how the land forces of different European countries can communicate seamlessly with each other in joint operations, linking up via a common waveform regardless of the radio platforms they use.

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

The demand for Bittium's R&D services developed positively during 2016. In the beginning of October we received information according to which significant customer cooperation with a global network equipment manufacturer will reduce during 2017. According to the current information the cooperation with the aforementioned customer will end completely during the second quarter of 2017. This kind of decrease in the service-based net sales that happens this fast and in this extend, is impossible to be replaced with other projects in a short term.

In November, we expanded our technology competence to medical technology, where the solutions for patient monitoring are using increasingly wireless technologies. We acquired companies specialized in medical technology and services and our product portfolio expanded to measuring and monitoring of biosignals for cardiology, neurology, rehabilitation, occupational health and sports medicine. Together we are able to provide for the healthcare market global leading advanced solutions for patient care both in the hospitals as well as in home care.

In November, we updated our strategy and financial targets. We plan to make significant investments in our future by increasing the R&D investments remarkably for own products and solutions. In line with the nature of the defense and public safety markets, the investments will pay back in a longer time period and therefore most of the R&D investments are being planned to be capitalized to the balance sheet. The company has a strong balance sheet and financial position. We decided to establish a new product and service area around medical technology. By combining medical technologies with our long-term experience and knowhow in wireless and security technologies give us good conditions to serve our customers in healthcare sector by offering them new kinds of products and services. The first step to build the competencies around medical technology was the acquisition made in November.

## Outlook for 2017

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Bittium will continue to look for inorganic growth opportunities in all its product and service areas and is prepared to invest in acquisitions that support its growth strategy. 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. In a long term Bittium still has good conditions to grow profitably. Bittium aims further at growing net sales based on its products and product platforms.

Bittium has announced earlier that it targets 10 percent annual growth in net sales and to reach EBIT level 10 percent of net sales in the year 2017 at the latest. The company believes that in the coming years it is able to grow its net sales even more than the earlier announced target, and therefore sets up a target to exceed the annual 10 percent growth target of the net sales. However, Bittium believes, that during the year 2017 it is not yet able reach the targets set for the growth in the net sales and EBIT level. The reason for this is the termination of significant customer cooperation with a global network equipment manufacturer. According to the information received by Bittium, the net sales from this customer cooperation will end completely during the second quarter of the year 2017. To this extend this kind of extensive and rapid decrease in the services business net sales is impossible to be replaced with other projects in a short term, which effects directly the development of net sales and operating result in 2017. In addition, the operating profit level of the year 2017 is also affected by the planned investments to enable the future growth.

Bittium expects that the net sales in 2017 will be at the same level than in the previous year (EUR 64.2 million, in 2016). The operating result is expected to be negative (EUR 2.5 million, in 2016).

More information about Bittium's market outlook is presented in the section "Market outlook" in this Financial Statement Bulletin.

More information about other uncertainties regarding the outlook is presented in this Financial Statement Bulletin in the section "Risks and uncertainties" and on the company's internet pages at [www.bittium.com](http://www.bittium.com).

## Invitation to a press conference

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Bittium will hold a press conference on the Financial Statement 2016 for media, analysts and institutional investors in Restaurant Savoy, Eteläesplanadi 14, Helsinki, Finland, on Monday, February 20, 2017 at 9.30am (CET+1). The press conference will be held in Finnish.

Bittium will also hold a telephone conference on the same day at 10.30am. 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](http://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](http://www.bittium.com/investors).

### **Bittium**

Bittium specializes in the development of reliable, secure communications and connectivity solutions leveraging its 30 year legacy of expertise in advanced radio communication technologies. Bittium provides innovative products and services, 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. Starting from November 2016, Bittium offers its customers also healthcare technology products and services in biosignal measuring in the areas of cardiology, neurology, rehabilitation, occupational health and sports medicine. Net sales in 2016 were EUR 64.2 million and operating profit was EUR 2.5 million. Bittium is listed on Nasdaq Helsinki. [www.bittium.com](http://www.bittium.com)

# Bittium Corporation's Financial Statement Bulletin 2016

## Financial performance in January-December 2016

Bittium's net sales during January-December 2016 increased by 13.0 percent year-on-year to EUR 64.2 million (EUR 56.8 million, in 1-12 2015).

The share of the product-based net sales was EUR 11.9 million (EUR 13.1 million, in 1-12 2015), which resulted mainly from the product deliveries of the tactical communication system, product deliveries of Bittium Tough Mobile LTE smartphones and related security software, the deliveries of other terminal products for authorities use, and deliveries of products for measuring and monitoring biosignals. The decrease in the product-based net sales year-on-year was mainly 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 was EUR 51.8 million (EUR 43.4 million, in 1-12 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 2.5 million (EUR 2.3 million, in 1-12 2015).

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR

	<b>2016</b>	<b>2015</b>
	<b>12 months</b>	<b>12 months</b>
Net sales	64.2	56.8
Operating profit / loss	2.5	2.3
Financial income and expenses	0.6	-0.2
Result before tax	3.1	2.1
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	3.5	2.3
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS		539.0
RESULT FOR THE PERIOD	3.5	541.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3.5	541.5
Result for the period attributable to:		
Equity holders of the parent	3.5	541.3
Total comprehensive income for the period attributable to:		
Equity holders of the parent	3.5	541.5
Earnings per share from continuing operations, EUR	0.098	0.020

- Cash flow from operating activities was EUR -1.7 million (EUR 2.1 million, in 1-12 2015, including both continuing and discontinuing operations).

- Net cash flow was EUR -27.9 million, including the dividend payment in April, the investments made into the company's new office building in Oulu, Finland, and the acquisition made in November (EUR 79.5 million, in 1-12 2015, including the cash flow resulted from the sale of the Automotive business and the cash flow of the cancelled demerger process and the cash flows of the voluntary public tender offer of own shares).
- Equity ratio was 87.0 percent (90.5 percent, December 31, 2015).
- Net gearing was -70.3 percent (-88.2 percent, December 31, 2015).

## Quarterly figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	4Q/16	3Q/16	2Q/16	1Q/16	4Q/15
Net sales	19.0	14.1	16.4	14.7	15.2
Operating profit (loss)	0.9	0.9	0.8	-0.1	0.8
Result before taxes	1.1	1.1	1.0	-0.1	0.9
Result for the period	1.4	1.1	1.0	-0.1	1.1

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	4Q/16	3Q/16	2Q/16	1Q/16	4Q/15
Asia	0.2 1.1 %	0.0 0.1 %	0.4 2.7 %	0.0 0.2 %	0.0 0.0 %
Americas	3.8 19.9 %	2.9 20.7 %	3.2 19.8 %	2.3 15.3 %	2.9 19.2 %
Europe	15.0 79.0 %	11.2 79.3 %	12.7 77.5 %	12.5 84.5 %	12.3 80.7 %

## Research and development

Bittium continued its R&D investments in products and product platforms targeted for the mobile security, defense 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	2016 12 months	2015 12 months
Total R&D investments	6.9	7.3
Capitalized R&D investments	-0.9	-3.4
Depreciations and impairment of R&D investments	0.3	0.2
Cost impact on income statement	6.3	4.2
R&D investments, % of net sales	10.8 %	12.9 %

CAPITALIZED R&D INVESTMENTS IN BALANCE SHEET, MEUR	2016	2015
	12 months	12 months
Balance sheet value in the beginning of the period	5.6	2.2
Additions during the period	0.9	3.4
Acquisitions of the business	0.2	0.3
Depreciations and impairment of R&D investments	-0.3	-0.2
Balance sheet value at the end of the period	6.4	5.6

## Business development in October-December 2016

Bittium's net sales during October-December 2016 grew to EUR 19.0 million (EUR 15.2 million, 4Q 2015), representing an increase of 24.7 percent year-on-year. The share of the product-based net sales was EUR 4.5 million (EUR 1.8 million, 4Q 2015), which resulted mainly from the product deliveries of the tactical communication system, from the product deliveries of Bittium Tough Mobile LTE smartphones and related security software, and from products deliveries related to biosignal measuring and monitoring. The share of the services-based net sales was EUR 14.5 million (EUR 13.3 million, 4Q 2015). The services-based net sales grew 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 0.8 million, 4Q 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 fourth quarter. Also the demand for R&D services in the IoT markets developed positively. The product development project for the Mexican Ministry of Communication and Transportation, started in May 2015, has continued according to plans. Bittium develops Android-based mobile devices that use both terrestrial and satellite connection for their MEXSAT system.

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

During the fourth quarter Bittium continued the R&D investments in its own products and product platforms aiming for growth especially in the international mobile security, defense and public safety markets. The investments focused mainly in the products for the mobile security and public safety markets. The development of the public safety and mobile security markets has been somewhat slower than expected.

The development of the Bittium Tough Mobile secure LTE smartphone was continued and the product deliveries were carried on during the fourth quarter. In October the company announced to have conducted the first ever Voice over LTE (VoLTE) call with Bittium Tough Mobile on the Public Safety Band 14 LTE Network in the United States.

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 continued also during the fourth quarter. Bittium continued efforts to bring its products and services, targeted to defense industry, to the international defense markets. In November the company announced to have received a purchase order for a tactical communications system and related integration work to be delivered to the Estonian Defence Forces.

In November, Bittium presented its tactical communication products and solutions at the Indo Defence 2016 exhibition in Jakarta, Indonesia. In December the company announced to have demonstrated with Leonardo and Thales and with the Finnish Defence Forces the capabilities and functionalities of the High Data Rate Waveform (HDRWF) developed in the European ESSOR programme (European Secure Software defined Radio) in battlefield conditions. The demonstration showcased how the land forces of different European countries can communicate seamlessly with each other in joint operations, linking up via a common waveform regardless of the radio platforms they use.

In November, Bittium announced to have acquired Mega Electronics Ltd and MegaKoto Ltd, companies specialized in healthcare technology and services, by purchasing 100 percent of the shares in Remega Ltd. Mega Electronics Ltd (now Bittium Biosignals Ltd.),



founded in 1983, is a Finnish ISO13485 certified medical device manufacturing company. The company is specialized in biosignal measuring for cardiology, neurology, rehabilitation, occupational health and sports medicine. MegaKoto Ltd (now Bittium Medanalytics Ltd) provides comprehensive arrhythmia monitoring services for its customers such as primary care centers, private clinics and hospitals. With this acquisition Bittium got the ownership of Faros product family, focused on heart remote monitoring, NeurOne product focusing on measuring the electrical activity of brain, and BrainStatus, a disposable quick analysis headband used in emergency and intensive primary care to diagnose for example epileptic seizures and brain stroke, and other healthcare technology products. Faros devices are EU medical device directive class CE class IIa and USA FDA 510 (k) registered medical devices. Bittium Medanalytics Ltd is a private provider of healthcare services approved by the Finnish National Supervisory Authority for Welfare and Health having more than 70 health centers and private clinics using its heart monitoring Kardiolog.fi service. This acquisition was part of Bittium's strategy announced later in November.

On November 24 Bittium announced its updated strategy and financial targets. According to the updated strategy Bittium established a new product and service area around healthcare technology. By combining healthcare technologies with Bittium's long-term experience and knowhow in wireless and security technologies give the company good conditions to serve its customers in healthcare sector by offering them new kinds of products and services. Bittium has now three product and service areas supporting each other: Defense & Security, Connectivity Solutions and Medical Technologies. In addition Bittium also announced investments to strengthen company's position in the global markets and to speed up its growth.

In November, Bittium exhibited its latest innovative products and solutions for cardiology and neurology at Medica 2016 exhibition on in Dusseldorf, Germany. The products and solutions exhibited were Faros ECG Event and Faros ECG Mobile software solutions focused on remote heart monitoring, Faros Cardiac Rehab monitoring solution, BrainStatus module and the full Faros ECG product line.

## Significant events during the reporting period

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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. 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. After the registration of the new shares, the number of shares in Bittium Corporation's totaled to 35,693,166.

On April 27, 2016 Bittium appointed M.Sc. Sami Kotkajuuri (b. 1967) as Vice President, Business Development as of May 1, 2016. Mr. Kotkajuuri had 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.

On October 5, 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 told that as part of the strategy work, it 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.

On November 10, Bittium announced to expand its technology competence by acquiring Mega Electronics Ltd and MegaKoto Ltd specialized in healthcare technology and services. Mega Electronics Ltd (now Bittium Biosignals Ltd), founded in 1983, is a Finnish ISO13485 certified medical device manufacturing company. The company is specialized in biosignal measuring for cardiology, neurology, rehabilitation, occupational health and sports medicine. MegaKoto Ltd (now Bittium Medanalytics Ltd) provides comprehensive arrhythmia monitoring services for its customers such as primary care centers, private clinics and hospitals.

The pro forma net sales of Remega group and MegaKoto Ltd was approximately EUR 3.1 million in 2015 and pro forma operating profit was approximately EUR 0.2 million. The companies employ altogether 28 persons and are located in Kuopio, Finland.

The debt free cash purchase price of the share acquisition, including the purchase price of MegaKoto shares, was EUR 8.0 million, which was adjusted based on the level of cash, debt and networking capital of the acquired companies as of completion of the acquisition. In addition to the aforementioned purchase price, an additional purchase price, capped at EUR 1.0 million, is payable upon the achievement of certain financial performance targets for the acquired business between January 1, 2017 and December 31, 2018. The potential additional purchase price will be paid in cash after achieving the goals.

On November 23, Bittium announced to change its financial reporting practice and will publish half year and annual financial reports and will no longer publish interim reports for the first three and nine months of the year.

On November 24, Bittium updated its strategy and financial targets. The strategy was updated to strengthen company's position in the global markets and to speed up its growth. The company plans to make significant investments in the future by increasing significantly the R&D investments in its own products and solutions in the year 2017. In line with the nature of the defense and public safety markets, the investments will pay back in a longer time period and therefore Bittium plans to capitalize the most of the R&D investments to its balance sheet. The company has a strong balance sheet and financial position.

Bittium also told to have decided to establish a new product and service area around healthcare technology. By combining healthcare technologies with Bittium's long-term experience and knowhow in wireless and security technologies give the company good conditions to serve its customers in healthcare sector by offering them new kinds of products and services. As the first step to build the competencies in healthcare technology on November 10, 2016 Bittium acquired Mega Electronics Ltd, a company specialized in measuring and monitoring biosignals. According to the updated strategy Bittium has three product and service areas supporting each other: Defense & Security, Connectivity Solutions and Medical Technologies. Bittium also told to continue to search for inorganic growth opportunities in all its product and service areas and is prepared to invest in acquisitions that strengthen the company's growth strategy.

About the financial targets Bittium announced on November 24 as follows: Bittium has announced earlier that it targets 10 percent annual growth in net sales and to reach EBIT level 10 percent of net sales in the year 2017 at the latest. The company believes that in the coming years it is able to grow its net sales even more than the earlier announced target, and therefore sets up a target to exceed the annual 10 percent growth target of the net sales. However, Bittium believed, that during the year 2017 it is not yet able reach the targets set for the growth in the net sales and EBIT level. The reason for this is the termination of significant customer cooperation with a global network equipment manufacturer, of which Bittium announced earlier, that is expected to materialize faster and more extensively than the company estimated earlier. According to the information received by Bittium, the net sales from this customer cooperation will end completely in the beginning of the second quarter of the year 2017. To this extend this kind of extensive and rapid decrease in the services business net sales is most likely difficult to be replaced in a short term. In addition, the operating profit level of the year 2017 is also affected by the planned investments to enable the future growth.

Bittium targets further to increase the share of net sales generated from own products and product platforms. According to the targets Bittium announced earlier, in the year 2017 the share of net sales generated from own products and product platforms is clearly higher than in the year 2014, when the product based net sales was 26.7 percent of the net sales.

On November 24, Bittium announced changes in the management group and in its organizational structure. These changes support the updated strategy that was announced on the same day. According to its strategy Bittium's business will focus on three product and service areas: Defense & Security, Connectivity Solutions and Medical Technologies. Mr. Jari Sankala (M.Sc. Electrical Engineering, Digital Communications) has been appointed as Senior Vice President, Defense & Security product and service area. Mr. Klaus Mäntysaari (M.Sc.) continues as Vice President, Connectivity product and service area. Mr. Arto Pietilä M.Sc.(Applied Electronics) has been appointed as Senior Vice President, Medical Technologies product and service area. Mr. Sami Kotkajuuri, head of business development, decided to move on to new challenges outside of Bittium and resigned from the company's service. Mr. Kotkajuuri continued his duties until the end of the year 2016.

As of December 1, 2016 Bittium management group consists of following persons: Mr. Hannu Huttunen, CEO (chairman); Mr. Pekka Kunnari, CFO; Mr. Kari Jokela, CLO; Ms. Karoliina Fyrstén, Director, Corporate Communications and Marketing, heads of product and service areas: Mr. Jari Sankala, Senior Vice President, Defense & Security; Mr. Klaus Mäntysaari, Vice President, Connectivity; and Mr. Arto Pietilä, Senior Vice President, Medical Technologies; and Mr. Jari-Pekka Innanen, Vice President, Engineering.

## Significant events after the reporting period

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The company has no significant events after the reporting period.

## Outlook for 2017

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Bittium will continue to look for inorganic growth opportunities in all its product and service areas and is prepared to invest in acquisitions that support its growth strategy. 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. In a long term Bittium still has good conditions to grow profitably. Bittium aims further at growing net sales based on its products and product platforms.

Bittium has announced earlier that it targets 10 percent annual growth in net sales and to reach EBIT level 10 percent of net sales in the year 2017 at the latest. The company believes that in the coming years it is able to grow its net sales even more than the earlier announced target, and therefore sets up a target to exceed the annual 10 percent growth target of the net sales. However, Bittium believes, that during the year 2017 it is not yet able reach the targets set for the growth in the net sales and EBIT level. The reason for this is the termination of significant customer cooperation with a global network equipment manufacturer. According to the information received by Bittium, the net sales from this customer cooperation will end completely during the second quarter of the year 2017. To this extend this kind of extensive and rapid decrease in the services business net sales is impossible to be replaced with other projects in a short term, which effects directly the development of net sales and operating result in 2017. In addition, the operating profit level of the year 2017 is also affected by the planned investments to enable the future growth.

Bittium expects that the net sales in 2017 will be at the same level than in previous year (EUR 64.2 million, in 2016). The operating result is expected to be negative (EUR 2.5 million, in 2016).

More information about Bittium's market outlook is presented in the section "Market outlook" in this Financial Statement Bulletin.

More information about other uncertainties regarding the outlook is presented in this Financial Statement Bulletin in the section "Risks and uncertainties" and on the company's internet pages at [www.bittium.com](http://www.bittium.com).

## Market outlook

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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 quality and secure data transfer. Due to the technology and measuring competences 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 2017 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.
- As the digitalization evolves, the secure IoT (Internet of Things) has become a significant development area in many industries. The increasing need of companies to digitalize their operations, collect data wirelessly and transfer it to the internet and cloud services generate need for Bittium's services and customized solutions. For this there is a need for connected devices for consumers and demanding industrial usage that collect information through their sensors and connect the devices securely to the internet and cloud services. Also the integration of different systems and technologies play an important role in enabling the complete digitalization service. To ease and speed up the processing of large data amounts there are different kinds of learning systems and devices under development that use different kinds of artificial intelligence (AI) technologies.
- 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. Also the interest towards LTE-SAT-hybrid devices with terrestrial and satellite connections has grown to further improve the functionality of authorities' critical connections. The sale of the secure terminal products is expected to develop moderately according to the nature of public safety markets.
- 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.
- 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. Bittium continues its efforts to bring its defense market targeted products and services also to the international defense markets and aims to get new international customers for its tactical communication system in 2017. Due to the long sales cycles driven by purchasing programs of national governments, it takes years to receive significant purchase orders.
- Heart problems and brain strokes are among the most frequent causes of death. Recognizing the symptoms early on, based on information gathered by measuring, enable the start of the effective treatment fast. Also the prevention of diseases and health problems are being increasingly invested in. In the healthcare technology market there is ongoing a significant change in the patient care both inside the hospitals as well as in homecare. The repatriation of patients is being pursued earlier than before which may enable significant cost savings in the healthcare. One of the growing application areas in the IoT segment is healthcare technology that enables implementing these changes for its part. A prerequisite for early repatriation is the enabling of accurate and precise follow-up and measurement in home conditions through remote monitoring. For this purpose Bittium offers its Faros product family for heart remote monitoring and NeurOne product family for measuring the electrical activity of brain.

## Risks and uncertainties

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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. Growing political uncertainty may also affect the demand for Bittium's services, solutions and products and the price competitiveness in the different geographical areas.

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 did 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 Financial Statement Bulletin 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 has not had 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 10.2 million with Nordea Bank Finland Plc and a committed overdraft credit facility agreement of EUR 10.0 million with Pohjola Bank Plc. From these agreements intended for general financing purposes, EUR 20,0 million are valid until June 30, 2017 and EUR 0.2 million until September 29, 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 December 31, 2016, are compared with the statement of the financial position of December 31, 2015 (MEUR).

	31.12.2016	31.12.2015
Non-current assets	30.3	14.4
Current assets	123.0	145.0
Total assets	153.3	159.4
Share capital	12.9	12.9
Other capital	117.7	124.6
Total equity	130.6	137.6
Non-current liabilities	3.1	2.0
Current liabilities	19.6	19.8
Total equity and liabilities	153.3	159.4

  

Cash flow of the review period :	1-12/2016	1-12/2015
+ profit of the period +/- Adjustment of accrual basis items	5.0	12.2
+/- Change in net working capital	-7.6	-6.2
- interest, taxes and dividends	0.9	-3.9
= net cash from operating activities	-1.7	2.1
- net cash from investing activities	-14.5	579.6
- net cash from financing activities	-11.6	-502.2
= net change in cash and cash equivalents	-27.9	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 18.5 million. Net investments for the review period totaled to EUR 18.4 million. The total amount of depreciation during the period under review was EUR 3.3 million. The amount of interest-bearing debt, including finance lease liabilities, was at the end of the reporting period EUR 3.2 million (EUR 1.4 million on December 31, 2015). Bittium's equity ratio at the end of the period was 87.0 percent (90.5 percent on December 31, 2015).

Cash and other liquid assets at the end of the reporting period were EUR 94.9 million (EUR 122.8 million on December 31, 2015).

Bittium has a total of EUR 20.2 million credit facility agreements from which EUR 20 million are valid until June 30, 2017 and EUR 0.2 million until September 29, 2017. At the end of the review period, EUR 0.1 million 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

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The Bittium group employed an average of 569 people in between January and December 2016. At the end of December, the company had 623 employees (517 employees at the end of 2015). A significant part of Bittium's personnel are R&D engineers.

## Changes in the company's management

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### Appointments in the company's management

On April 27, 2016 Bittium announced following appointments in the company's management group:

M.Sc. Sami Kotkajuuri (b. 1967) was appointed as Vice President, Business Development as of May 1, 2016. Kotkajuuri had been working at 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. Kotkajuuri continued as a member of the company's management group reporting to Hannu Huttunen, CEO.

M.Sc. Klaus Mäntysaari (b. 1966) was appointed as Vice President, Connectivity Solutions as of May 1, 2016. Mäntysaari has been working at Bittium since 2004. Previously he has been responsible for Telecom product and service area, where Bittium offers R&D services for wireless telecommunication market. Mäntysaari continued as a member of the company's management group reporting to Hannu Huttunen, CEO.

### Changes in Bittium Corporation's organizational structure and management group

The Board of Directors of Bittium Corporation decided on changes in the company's organizational structure and management group to support the company's updated strategy that was announced on November 24, 2016. According to its strategy Bittium's business focuses on three product and service areas: Defense & Security, Connectivity and Medical Technologies.

Mr. Jari Sankala (M.Sc. Electrical Engineering, Digital Communications) was appointed as Senior Vice President, Defense & Security product and service area. Mr. Sankala has been working at Bittium since 2011 and transfers to his new position from the head of sales. In Bittium's new organizational structure, the sales operations are managed by the product and service areas. Mr. Klaus Mäntysaari (M.Sc.) continued as Vice President, Connectivity product and service area. He has been working at Bittium since 2004. Mr. Arto Pietilä M.Sc.(Applied Electronics) was appointed as Senior Vice President, Medical Technologies product and service area. Mr. Pietilä has been working at Bittium since 2001, among others as head of operations, head of Contract R&D business and as head of Wireless Solutions business. Prior to Bittium, Mr. Pietilä acted as the managing director of Polar Electro Oy.

Mr. Sami Kotkajuuri, head of business development, decided to move on to new challenges outside of Bittium and resigned from the company's service. Mr. Kotkajuuri continued his duties until the end of the year 2016.

As of December 1, 2016 Bittium management group consisted of following persons: Mr. Hannu Huttunen, CEO (chairman); Mr. Pekka Kunnari, CFO; Mr. Kari Jokela, CLO; Ms. Karoliina Fyrstén, Director, Corporate Communications and Marketing, heads of product and service areas: Mr. Jari Sankala, Mr. Klaus Mäntysaari, and Mr. Arto Pietilä; and Mr. Jari-Pekka Innanen, Vice President, Engineering.

## Flagging notifications

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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

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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.

## Proposal by the Board of Directors on the use of the profit shown on the balance sheet and the payment of the dividend

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According to the parent company's balance sheet at December 31, 2016, the distributable assets of the parent company are EUR 130,898,268.85 of which the profit of the financial year is EUR 3,461,321.81.

The Board of Directors proposes that the Annual General Meeting to be held on April 12, 2017 resolve to pay EUR 0.05 per share as dividend from the profit of the financial period based on the adopted balance sheet for the financial period of January 1, 2016 – December 31, 2016 and EUR 0.25 per share as additional dividend. The dividend will be paid to the shareholders who are registered as shareholders in the company's register of shareholders as maintained by Euroclear Finland Ltd on the dividend record date, April 18, 2017. The Board of Directors proposes that the dividend be paid on April 25, 2017.

There have not been any substantial changes in the company's financial position after the financial year. Company has good liquidity and according to the Board of Directors, the proposed distribution of profits does not danger company's solvency.



## Annual General Meeting and Annual Report

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Bittium Corporation's Annual General Meeting will be held on Wednesday, April 12, 2017, at 1.00pm (CET+1) at the University of Oulu, Saalastinsali, Pentti Kaiteran katu 1, 90570 Oulu, Finland. Bittium Corporation's Annual Report, including the Annual Accounts, the report by the Board of Directors and the Auditor's report as well as Corporate Governance Statement, is available on the company's website no later than on Wednesday, March 22, 2017.

Oulu, February 20, 2017

Bittium Corporation

The Board of Directors

**Further Information:**

Hannu Huttunen

CEO

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Pekka Kunnari

CFO

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**Distribution:**

Nasdaq Helsinki

Major media

## Bittium Corporation Condensed Financial Statements and Notes January – December 2016

The consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS). The Financial Statement of 2016 has been audited and the auditing report has been dated on February 19, 2017.

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)</b>	<b>1-12/2016</b>	<b>1-12/2015</b>
<b>Continuing operations</b>	<b>12 months</b>	<b>12 months</b>
NET SALES	64.2	56.8
Other operating income	1.9	1.4
Change in work in progress and finished goods		
Work performed by the undertaking for its own purpose and capitalized	0.4	0.2
Raw materials	-5.1	-5.5
Personnel expenses	-35.5	-30.3
Depreciation	-3.3	-2.5
Other operating expenses	-20.1	-17.8
<b>OPERATING PROFIT (LOSS)</b>	<b>2.5</b>	<b>2.3</b>
Financial income and expenses	0.6	-0.2
<b>PROFIT BEFORE TAX</b>	<b>3.1</b>	<b>2.1</b>
Income tax	0.4	0.2
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>3.5</b>	<b>2.3</b>
<b>Discontinued operations</b>		
Profit for the year from discontinued operations		539.0
<b>PROFIT FOR THE PERIOD</b>	<b>3.5</b>	<b>541.3</b>
<b>Other comprehensive income:</b>		
Items that will not be reclassified to statement of income		
Re-measurement gains (losses) on defined benefit plans		
Income tax effect		
Items that may be reclassified subsequently to the statement of income		
Exchange differences on translating foreign operations	-0.0	0.1
Other comprehensive income for the period total	-0.0	0.1
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3.5</b>	<b>541.5</b>
<b>Profit for the year attributable to</b>		

Equity holders of the parent	3.5	541.3
Non-controlling interests		
Total comprehensive income for the period attributable to		
Equity holders of the parent	3.5	541.5
Non-controlling interests		
Earnings per share from continuing operations, EUR		
Basic earnings per share	0.098	0.020
Diluted earnings per share	0.098	0.020
Earnings per share from discontinued operations, EUR		
Basic earnings per share	0.000	4.687
Diluted earnings per share	0.000	4.685
Earnings per share from continuing and discontinued operations, EUR		
Basic earnings per share	0.098	4.708
Diluted earnings per share	0.098	4.706
Average number of shares, 1000 pcs	35 670	114 983
Average number of shares, diluted, 1000 pcs	35 670	115 037

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)

	Dec. 31, 2016	Dec. 31, 2015
<b>ASSETS</b>		
Non-current assets		
Property, plant and equipment	12.6	4.1
Goodwill	6.7	1.4
Intangible assets	9.3	7.6
Other financial assets	0.1	0.1
Deferred tax assets	1.5	1.2
Non-current assets total	30.3	14.4
Current assets		
Inventories	4.1	2.2
Trade and other receivables	24.0	20.0
Financial assets at fair value through profit or loss	66.9	66.1
Cash and short term deposits	28.0	56.8
Current assets total	123.0	145.0
<b>TOTAL ASSETS</b>	<b>153.3</b>	<b>159.4</b>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to equity holders of the parent		

Share capital	12.9	12.9
Invested non-restricted equity fund	26.0	25.9
Translation difference	1.2	1.2
Retained earnings	90.6	97.5
Non-controlling interests		
<b>Total equity</b>	<b>130.6</b>	<b>137.6</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	0.5	0.1
Pension obligations		
Provisions	0.0	1.1
Interest-bearing liabilities	2.0	0.7
Other non-interest-bearing liabilities	0.5	0
<b>Non-current liabilities total</b>	<b>3.1</b>	<b>2.0</b>
<b>Current liabilities</b>		
Trade and other payables	16.2	17.9
Financial liabilities at fair value through profit or loss		
Provisions	2.2	1.2
Interest-bearing loans and borrowings	1.2	0.7
<b>Current liabilities total</b>	<b>19.6</b>	<b>19.8</b>
<b>Total liabilities</b>	<b>22.7</b>	<b>21.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>153.3</b>	<b>159.4</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)

	1-12/2016	1-12/2015
	12 months	12 months
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year from continuing operations	3.5	2.3
Profit for the year from discontinued operations	0	539.0
Adjustment of accrual basis items	1.5	-529.1
Change in net working capital	-7.6	-6.2
Interest paid on operating activities	-0.4	-1.6
Interest received from operating activities	0.9	0.9
Income taxes paid	0.4	-3.2
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-1.7</b>	<b>2.1</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of business unit, net of cash sold	0.0	588.2
Acquisition of business unit, net of cash acquired	-6.4	-1.8
Purchase of property, plant and equipment	-7.0	-2.5
Purchase of intangible assets	-1.2	-4.3

Sale of intangible assets	0.0	0.1
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-14.5</b>	<b>579.6</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share-option plans exercised	0.0	0.8
Proceeds from borrowing	0.0	14.6
Repayment of borrowing	-0.1	-17.5
Payment of finance liabilities	-0.9	-1.3
Dividend paid and repayment of capital	-10.7	-5.3
Purchase of own shares incl. transaction costs	0.0	-493.5
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-11.6</b>	<b>-502.2</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-27.9</b>	<b>79.5</b>
Cash and cash equivalents at beginning of period	122.8	43.3
Cash and cash equivalents at end of period	94.9	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				541.3		541.3
Exchange differences on translating foreign operations			0.1			0.1
Total comprehensive income for the period			0.1	541.3		541.5
Transactions between the shareholders						
Distribution of dividend				-5.3		-5.3
Share option plans exercised		0.8				0.8
Share-related compensation				0.1		0.1
Purchase of own shares incl. transaction costs				-493.5		-493.5

Total transactions between the shareholders		0.8		-498.8		-497.9
Other changes			-0.5	1.1		0.6
Shareholders equity on Dec. 31, 2015	12.9	25.9	1.2	97.5		137.6

	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				3.5		3.5
Exchange differences on translating foreign operations			-0.0			-0.0
Total comprehensive income for the period			-0.0	3.5		3.5
Transactions between the shareholders						
Distribution of dividend				-10.7		-10.7
Share option plans exercised		0.0				0.0
Share-related compensation				0.2		0.2
Purchase of own shares incl. transaction costs						
Total transactions between the shareholders		0.0		-10.5		-10.4
Other changes				-0.0		-0.0
Shareholders equity on Dec. 31, 2016	12.9	26.0	1.2	90.6		130.6

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS:

The consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS).

### SEGMENT-INFORMATION (MEUR)

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

### NET SALES OF GEOGRAPHICAL AREAS (MEUR)

	1-12/2016 12 months	1-12/2015 12 months
Net sales		
Europe	51.3	48.3
Americas	12.2	8.3
Asia	0.7	0.2
Net sales total	64.2	56.8

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

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR)</b>	<b>10-12/2016</b>	<b>7-9/2016</b>	<b>4-6/2016</b>	<b>1-3/2016</b>	<b>10-12/2015</b>
<b>Continuing operations</b>	<b>3 months</b>	<b>3 months</b>	<b>3 months</b>	<b>3 months</b>	<b>3 months</b>
NET SALES	19.0	14.1	16.4	14.7	15.2
Other operating income	0.6	0.4	0.5	0.4	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	0.2	0.1	0.1	0.1	0.1
Raw materials	-1.8	-0.9	-1.5	-0.9	-0.9
Personnel expenses	-10.1	-7.7	-8.8	-8.9	-8.4
Depreciation	-1.2	-0.7	-0.7	-0.7	-0.8
Other operating expenses	-5.8	-4.3	-5.2	-4.8	-4.8
OPERATING PROFIT (LOSS)	0.9	0.9	0.8	-0.1	0.8
Financial income and expenses	0.1	0.2	0.2	0.0	0.1
PROFIT BEFORE TAX	1.1	1.1	1.0	-0.1	0.9
Income tax	0.4	0.0	0.0	0.0	0.2
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	1.4	1.1	1.0	-0.1	1.1
<b>Discontinued operations</b>					
Profit for the period from discontinued operations	0.0	0.0	0.0	0.0	0.6
PROFIT FOR THE PERIOD	1.4	1.1	1.0	-0.1	1.7
Other comprehensive income	0.1	-0.0	-0.0	-0.1	0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1.5	1.1	1.0	-0.2	1.7
Profit for the period attributable to:					
Equity holders of the parent	1.4	1.1	1.0	-0.1	1.7
Non-controlling interests					
Total comprehensive income for the period attributable to:					
Equity holders of the parent	1.5	1.1	1.0	-0.2	1.7
Non-controlling interests					

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015
<b>ASSETS</b>					
Non-current assets					
Property, plant and equipment	12.6	8.9	6.9	5.2	4.1
Goodwill	6.7	1.4	1.4	1.4	1.4
Intangible assets	9.3	8.0	8.0	7.7	7.6
Other financial assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.5	1.2	1.2	1.2	1.2
Non-current assets total	30.3	19.6	17.6	15.6	14.4
Current assets					
Inventories	4.1	3.0	2.3	1.9	2.2
Trade and other receivables	24.0	16.1	19.4	13.4	20.0
Financial assets at fair value through profit or loss	66.9	66.8	66.5	66.2	66.1
Cash and short term deposits	28.0	39.2	41.2	59.8	56.8
Current assets total	123.0	125.0	129.4	141.3	145.0
Assets classified as held for sale					
<b>TOTAL ASSETS</b>	<b>153.3</b>	<b>144.6</b>	<b>147.0</b>	<b>156.9</b>	<b>159.4</b>
<b>EQUITY AND LIABILITIES</b>					
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	26.0	25.9
Translation difference	1.2	1.1	1.1	1.1	1.2
Retained earnings	90.6	89.1	88.0	97.7	97.5
Non-controlling interests					
Total equity	130.6	129.1	128.0	137.7	137.6
Non-current liabilities					
Deferred tax liabilities	0.5	0.1	0.1	0.1	0.1
Pension obligations					
Provisions	0.0	1.1	1.1	1.1	1.1
Interest-bearing liabilities	2.0	0.7	0.8	0.8	0.7
Other non-interest-bearing liabilities	0.5	0.0	0.0	0.0	0.0
Non-current liabilities total	3.1	2.0	2.1	2.0	2.0
Current liabilities					
Trade and other payables	16.1	11.4	15.0	15.4	17.9



Financial liabilities at fair value through profit or loss					
Provisions	2.2	1.3	1.1	1.0	1.2
Interest-bearing loans and borrowings	1.2	0.8	0.8	0.7	0.7
Current liabilities total	19.6	13.5	16.9	17.1	19.8
Total liabilities	22.7	15.5	19.0	19.2	21.8
Liabilities classified as held for sale					
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>153.3</b>	<b>144.6</b>	<b>147.0</b>	<b>156.9</b>	<b>159.4</b>

<b>CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER</b>	<b>10-12/2016</b>	<b>7-9/2016</b>	<b>4-6/2016</b>	<b>1-3/2016</b>	<b>10-12/2015</b>
	<b>3 months</b>	<b>3 months</b>	<b>3 months</b>	<b>3 months</b>	<b>3 months</b>
Net cash from operating activities	-2.8	1.0	-4.9	5.0	0.3
Net cash from investing activities	-8.0	-2.6	-2.5	-1.5	-1.2
Net cash from financing activities	-0.3	-0.2	-10.9	-0.2	-493.8
Net change in cash and cash equivalents	-11.0	-1.8	-18.3	3.2	-494.7

<b>FINANCIAL PERFORMANCE RELATED RATIOS</b>	<b>1-12/2016</b>	<b>1-12/2015</b>
	<b>12 months</b>	<b>12 months</b>
<b>STATEMENT OF COMPREHENSIVE INCOME (MEUR)</b>		
Net sales	64.2	56.8
Operating profit (loss)	2.5	2.3
Operating profit (loss), % of net sales	4.0	4.1
Profit before taxes	3.1	2.1
Profit before taxes, % of net sales	4.9	3.7
Profit for the period from continuing operations	3.5	2.3
<b>PROFITABILITY AND OTHER KEY FIGURES</b>		
Interest-bearing net liabilities, (MEUR)	-91.8	-121.4
Net gearing, -%	-70.3	-88.2
Equity ratio, %	87.0	90.5
Gross investments, (MEUR)	18.5	7.4
Average personnel during the period, continuing operations	569	511
Personnel at the period end, continuing operations	623	517

<b>AMOUNT OF SHARE ISSUE ADJUSTMENT (1,000 pcs)</b>	<b>Dec. 31, 2016</b>	<b>Dec. 31, 2015</b>
At the end of period	35 693	35 600

Average for the period	35 670	114 983
Average for the period diluted with stock options	35 670	115 037

<b>STOCK-RELATED FINANCIAL RATIOS (EUR)</b>	<b>1-12/2016</b>	<b>1-12/2015</b>
	<b>12 months</b>	<b>12 months</b>
<b>Earnings per share from continuing operations, EUR</b>		
Basic earnings per share	0.098	0.020
Diluted earnings per share	0.098	0.020
<b>Earnings per share from discontinued operations, EUR</b>		
Basic earnings per share	0.000	4.687
Diluted earnings per share	0.000	4.685
<b>Earnings per share from continuing and discontinued operations, EUR</b>		
Basic earnings per share	0.098	4.708
Diluted earnings per share	0.098	4.706
Equity *) per share	3.66	3.86
*) Equity attributable to equity holders of the parent		

<b>MARKET VALUES OF SHARES (EUR)</b>	<b>1-12/2016</b>	<b>1-12/2015</b>
	<b>12 months</b>	<b>12 months</b>
Highest	7.40	7.80
Lowest	5.15	3.27
Average	6.05	4.92
At the end of period	5.67	7.01
Market value of the stock, (MEUR)	202.4	249.6
Trading value of shares, (MEUR)	126.4	837.1
Number of shares traded, (1,000 pcs)	20 888	169 993
Related to average number of shares %	58.6	147.8

<b>SECURITIES AND CONTINGENT LIABILITIES (MEUR)</b>	<b>Dec. 31, 2016</b>	<b>Dec. 31, 2015</b>
<b>AGAINST OWN LIABILITIES</b>		
Floating charges	3.6	1.5
Guarantees	2.3	5.6

Rental liabilities		
Falling due in the next year	2.2	2.3
Falling due after one year	0.2	2.3
Other contractual liabilities		
Falling due in the next year	2.1	2.2
Falling due after one year	0.0	0.4
Mortgages are pledged for liabilities totaled	3.2	2.0

<b>NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)</b>	<b>Dec. 31, 2016</b>	<b>Dec. 31, 2015</b>
Foreign exchange forward contracts		
Market value	-0.0	0.1
Nominal value	5.0	2.5