



Bittium

Bittium Corporation Financial Statement 2016

CEO Hannu Huttunen | CFO Pekka Kunnari

20th of February 2017

Forward-looking statements

- Some statements made in this material relating to future circumstances or status, including, without limitation, future performance of the company, expectations regarding market growth, trend projections as well as any statements preceded by the words “expect”, “believe”, “foresee” or similar expressions are forward-looking statements.
- By their nature, forward-looking statements involve risk and uncertainty and actual results may, therefore, differ materially from the results that are expressed or implied by these forward-looking statements.
- Bittium Corporation disclaims all obligations to update such forward-looking statements except as required by mandatory law.

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A photograph of a rocky beach with large ice floes and a sunset over the ocean. The sun is low on the horizon, casting a warm glow over the water and sky. The ice floes are scattered across the dark, wet rocks in the foreground.

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Highlights 4Q 2016

Hannu Huttunen, CEO

An aerial night view of a city skyline, likely Chicago, with a blue grid overlay. The grid consists of horizontal and vertical lines that create a mesh pattern over the city. The buildings are illuminated with lights, and the sky is a deep blue. The overall aesthetic is modern and technological.

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Main events in 4Q 2016



- Strong quarter in product-based business, also growth in services-based business
- Cooperation with a significant customer (global network equipment manufacturer) will end
- New customer received in Tactical Communications: Estonian Defence Forces
- Successful demonstrations of ESSOR High Data Rate Waveform
- Acquisition: medical technology and services business in biosignal measuring and monitoring
- Updated strategy and organization structure



Strategy update Nov. 24, 2016

- I. Significant investments in the future by increasing significantly the R&D investments in its own products and solutions in the year 2017.
 - Investments in various authority and special terminals as well as in related software development
 - Extending the tactical communication product portfolio for defense industry
- II. A new product and service area around healthcare technology “Medical Technologies”.
- III. Bittium continues 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.

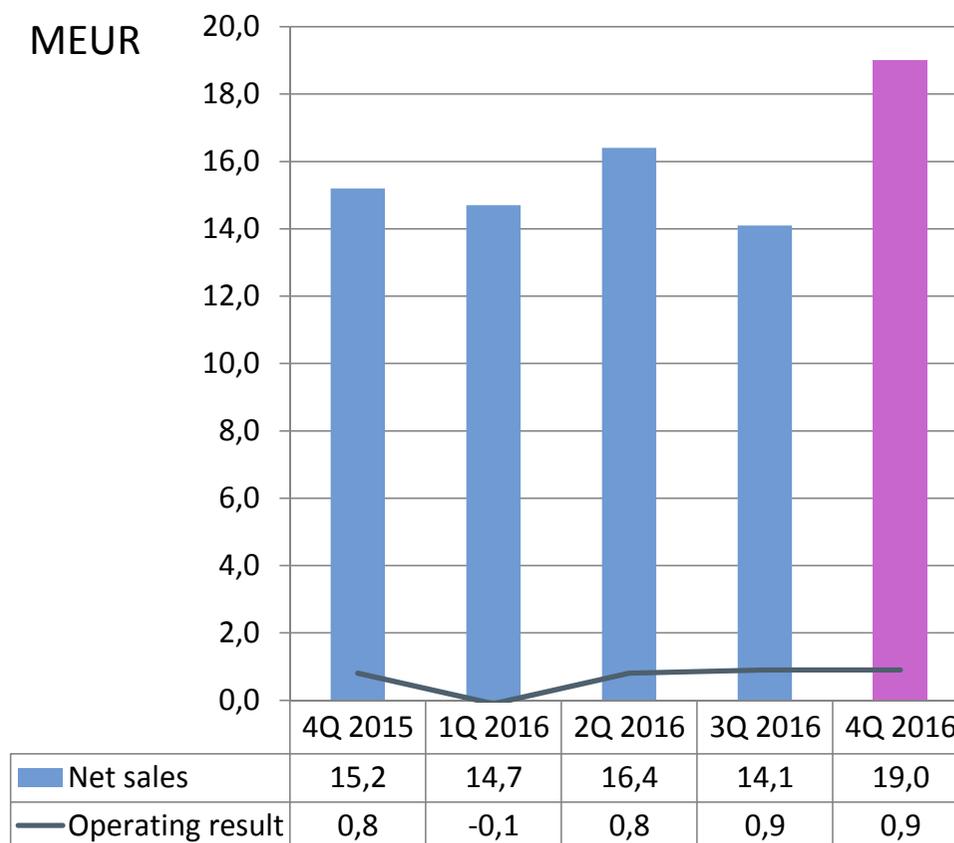
Financial review

Pekka Kunnari, CFO

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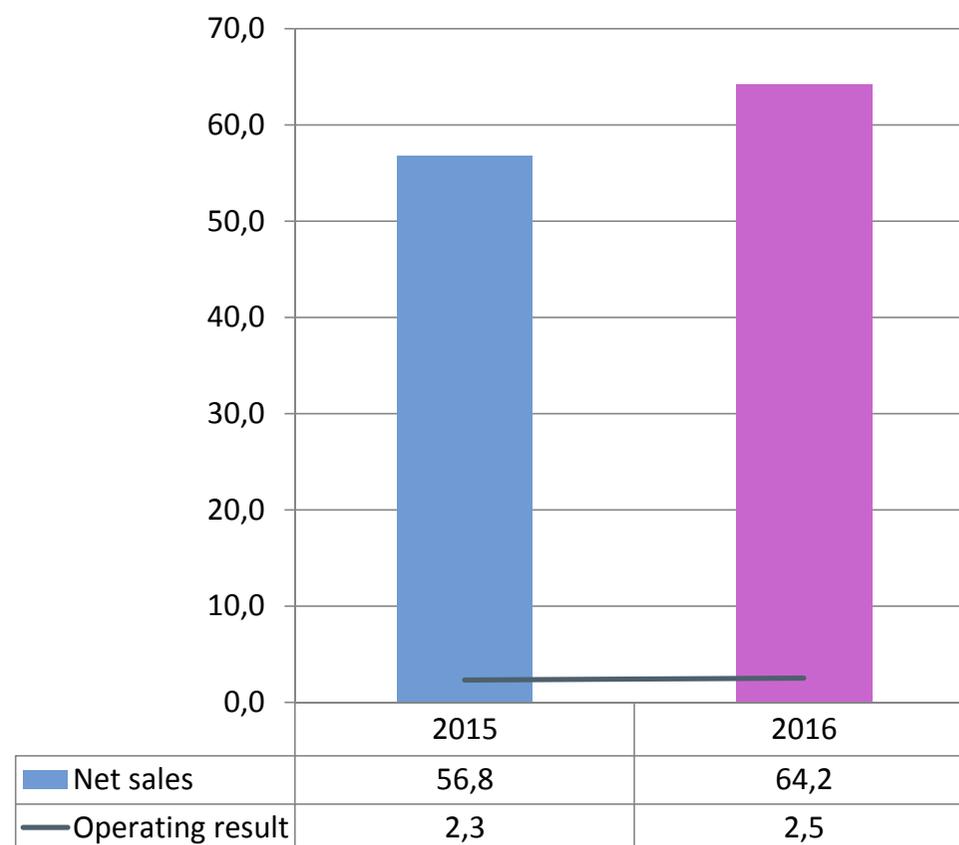
Net sales and operating profit in 4Q 2016

- Net sales increased by 24.7% to MEUR 19.0 (MEUR 15.2 in 4Q15)
 - Product-based net sales increased and were MEUR 4.5 (MEUR 1.8 in 4Q15)
 - Deliveries of: tactical communication system products, Bittium Tough Mobiles and related security systems, and products for measuring and monitoring biosignals.
 - Service-based net sales increased and were MEUR 14.5 (MEUR 13.3 in 4Q15)
 - The services-based net sales grew due to the increase in the demand for R&D services related to the special terminal products.
- Operating profit was MEUR 0.9 (MEUR 0.8 in 4Q15).



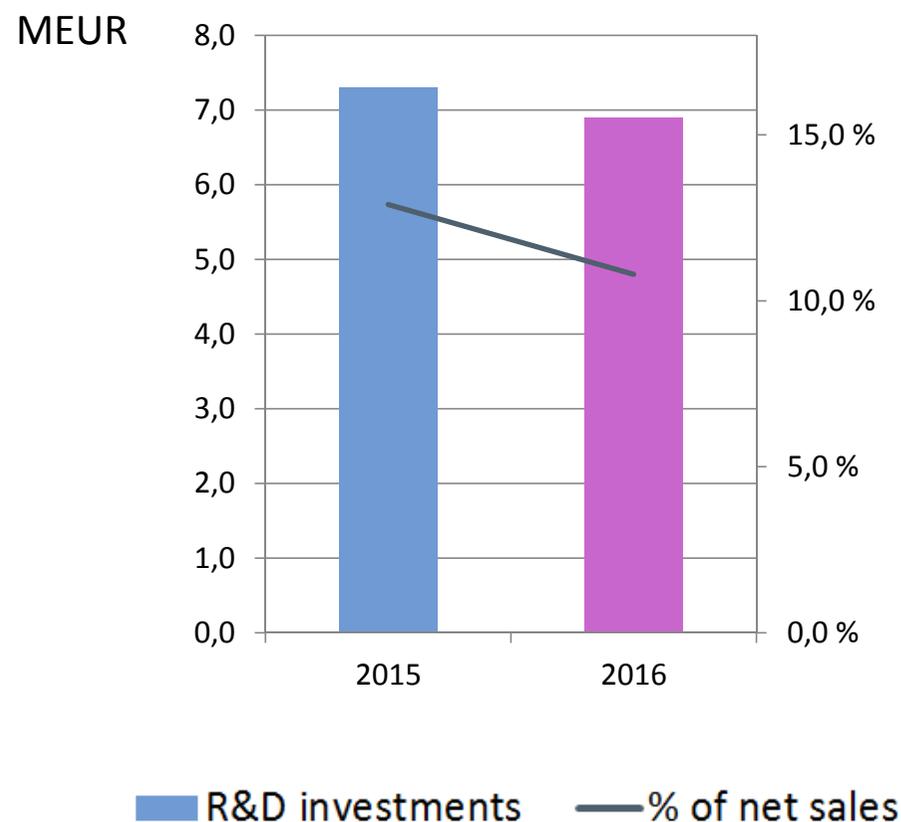
Net sales and operating profit in 2016

- Net sales increased by 13.0% to MEUR 64.2 (MEUR 56.8 in 2015)
 - Product-based net sales decreased slightly and were MEUR 11.9 (MEUR 13.1 in 2015)
 - Deliveries of: tactical communication system products, Bittium Tough Mobiles and related security systems, products for other authorities and products for measuring and monitoring biosignals.
 - The product-based net sales decreased y-on-y due to the ending of product deliveries of a special terminal project for a US-based customer during the corresponding period.
 - Service-based net sales increased and were MEUR 51.8 (MEUR 43.4 in 2015)
 - The services-based net sales grew due to the increase in the demand for R&D services related to the special terminal products.
- Operating profit was MEUR 2.5 (MEUR 2.3 in 2015)



R&D investments in 2016

- R&D investments were MEUR 6.9 equaling 10.8% of the net sales (MEUR 7.3 in 2015, equaling 12.9% of the net sales)
 - MEUR 0.9 was capitalized (MEUR 3.4 in 2015)
 - Depreciations of R&D investments were MEUR 0.3 (MEUR 0.2 in 2015)
 - R&D investments in the P&L was MEUR 6.3 (MEUR 4.2 in 2015)
- The main focus in the R&D investments was the continued development of the Bittium Tough Mobile secure LTE smartphone and related security software.



Cash flow in 2016

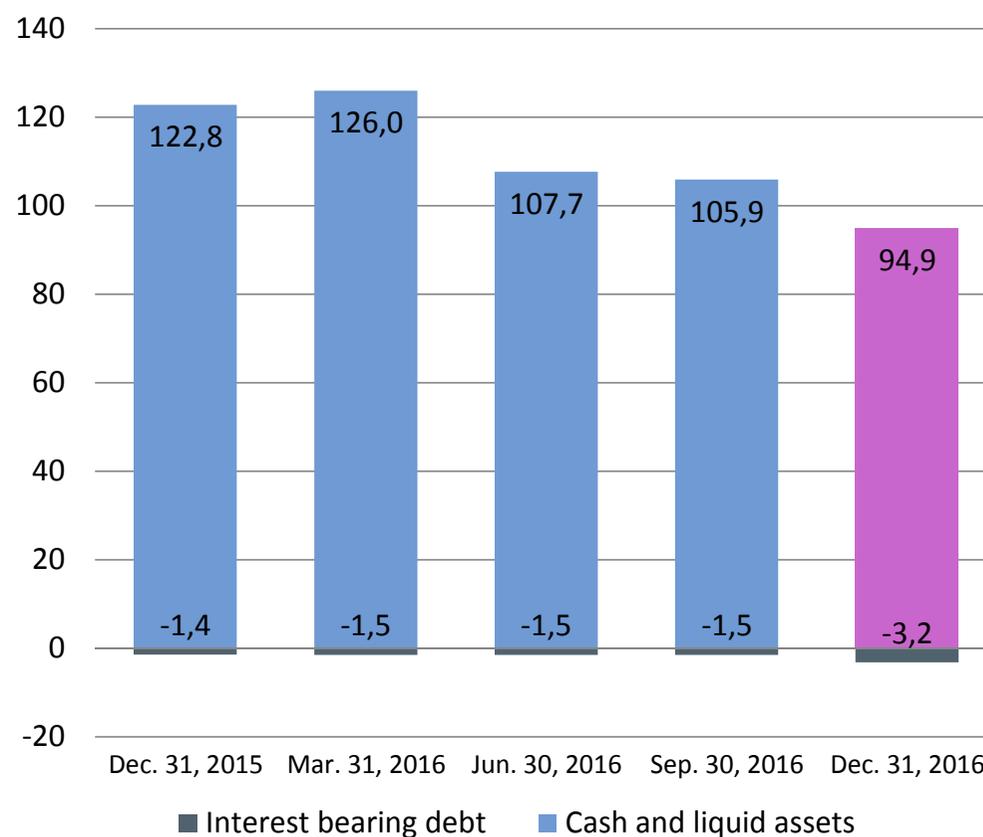
MEUR	2016	2015
Net profit +/- adjustment of accrual basis items	5.0	12.2
Change in net working capital	-7.6	-6.2
Interests, taxes, and dividends	0.9	-3.9
NET CASH FROM OPERATING ACTIVITIES	-1.7	2.1
Net cash from investing activities	-14.5	579.6
Net cash from financing activities	-11.6	-502.2
NET CHANGE IN CASH AND CASH EQUIVALENTS	-27.9	79.5

- Cash flow in 2015 includes both continuing and discontinuing operations.
- Net cash flow in 2016 includes the dividend payment in April, the investments made into the company's new office building in Oulu, Finland, and the acquisition made in November.

Strong balance sheet

- Cash reserves remained strong at the end of 2016
 - Cash and liquid assets MEUR 94.9
- Equity ratio was 87.0%
- Interest bearing debt was MEUR 3.2
- Net gearing -70.3 %
- Capitalized R&D costs MEUR 6.4

Cash and liquid assets and interest bearing debt



Outlook for 2017

Hannu Huttunen, CEO



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Market outlook for 2017

A common factor creating demand among Bittium's customers base is the growing need for higher quality and secure data transfer.

Following factors are expected to create demand for Bittium's products and services in 2017 and beyond:

- 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 creating demand for Bittium's R&D services. However, 5G development has just started, so it will not replace the amount of 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.
- The use of LTE technology, smartphone and related applications continues in special verticals such as public safety creating a demand for customized LTE devices, such as Bittium Tough Mobile
 - The awareness of mobile security risks is growing and the interest towards secure mobile devices increases. However, the development of the public safety and mobile security markets has been somewhat slower than expected
- The need to transfer growing amounts of data securely by the increasingly moving troops of governments' defense forces and other authorities creates demand for secure and trusted networks such as Bittium's IP-based tactical communication solution Bittium's Tactical Wireless IP Network (TAC WIN).
 - Due to the long sales cycles driven by purchasing programs of national governments, it takes years to receive significant purchase orders.
- The increasing use of public mobile connections in portable devices in demanding professional use, such as by the public sector, creates requirements for safe and easy-to-use mobile connections; Bittium SafeMove® product family.
- As the digitalization evolves, the companies' growing need to bring connected devices to demanding industrial or consumer usage to the market creates a need for R&D services and customized solutions such as Bittium's IoT (Internet of Things) services and solutions.
- Medical technologies enable changes in patient healthcare both inside the hospitals and in homecare. Discharging patients earlier than before brings cost savings. One of the growing application areas in the IoT segment is healthcare technology that helps to enable these changes. One key prerequisite for the early discharge of patients is the enabling of exact and precise measuring and monitoring of patients at home.

Outlook for 2017

- 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). Operating result is expected to be negative (EUR 2.5 million in 2016).

Investors' calendar 2017

March 21, 2017

Annual Report 2016

April 12, 2017

Annual General Meeting 2017

August 9, 2017

Half-year Financial Report January-June 2017

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