

# Bittium

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## Bittium Corporation Interim Report January-March 2016

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Net sales

**14.7** MEUR

Net sales growth

**-2.6** %

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Operating result

**-0.1** MEUR

Operating result, % of net sales

**-0.8** %

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## Services business developed positively in January-March 2016 and product-based net sales was lower compared to last year

### Summary January-March 2016

- The net sales were EUR 14.7 million (EUR 15.1 million, 1Q 2015), representing a decrease of 2.6 % year-on-year.
- The share of the product-based net sales was EUR 2.4 million (EUR 4.5 million, 1Q 2015) and the share of the services-based net sales was EUR 12.2 million (EUR 10.5 million, 1Q 2015).
- Operating result was EUR -0.1 million (EUR 0.5 million, 1Q 2015).
- Net cash flow was EUR 3.2 million (EUR 7.3 million, 1Q 2015, including both continuing and discontinuing operations).
- Earnings per share were EUR -0.002 (EUR 0.003, 1Q 2015).
- During the first quarter the number of Bittium's shares increased by altogether 5,000 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 35,605,168.
- The Board of Directors of Bittium Corporation decided on March 22, 2016 to implement a directed share issue without consideration as reward payments to the key persons of the company. Of the maximum of 58,000 shares offered, 37,500 shares were subscribed. The 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 total number of shares in Bittium Corporation totaled 35,642,668.

GROUP (MEUR)	1-3/2016 3 months	1-3/2015 3 months
NET SALES	14.7	15.1
Change of net sales, %	-2.6 %	6.7 %
OPERATING PROFIT / LOSS	-0.1	0.5
Operating profit / loss, % of net sales	-0.8 %	3.2 %
EBITDA	0.6	1.1
CASH AND OTHER LIQUID ASSETS	126.0	50.6
EQUITY RATIO (%)	90.5 %	65.0 %
EARNINGS PER SHARE (EUR)	-0.002	0.003

### Bittium's CEO Hannu Huttunen

The net sales of the first quarter in 2016 were EUR 14.7 million, representing a decrease of 2.6 percent year-on-year. The share of the product-based net sales was EUR 2.4 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 12.2 million. The service business developed positively thanks to the increased demand in R&D services for special terminal products. Operating result in the first quarter was -0.1 million and cash flow EUR 3.2 million.

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™ LTE smartphone targeted for the mobile security and public safety markets. The Bittium Tough Mobile and related management system and VPN encryption Bittium Secure Suite™ have generated lots of interest in the information security and public safety markets. We continued pilot deliveries of the products during the first quarter. We have been actively seeking for, and have found few suitable partners and resellers who have taken Bittium Tough Mobile as part of their own product portfolio and solution for their customers. The sale of the Bittium Tough Mobile is expected to develop moderately according to the pace of the authorities markets.

The product development project started in May 2015 with the Ministry of Mexican 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 during the first quarter.

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 and we also received a new order for a new software package for the system. We continued our efforts to bring our defense market targeted product portfolio to the international defense markets, and received our first small order of our Tactical Wireless IP Network system from a customer in Asia. The sales cycles in the defense markets are long by their nature and winning significant deals take several years.

This year, the focus will be on the internationalization and enabling growth. We will be investing in developing our operations further for long-term growth. We will also continue to look for inorganic growth opportunities according to our strategic guidelines. 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 its success also in the future.

## Outlook for 2016

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Bittium expects that the net sales in 2016 will grow from the previous year (net sales of EUR 56.8 million, in 2015). The development of the operating result includes currently many uncertainties and therefore the company has 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 Interim 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](http://www.bittium.com).

## Invitation to a press conference

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Bittium will hold a press conference on the Interim Report January-March 2016 for media, analysts and institutional investors in Bank, Unioninkatu 20, Helsinki, Finland, on Wednesday April 27, 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](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 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 was EUR 56.8 million and operating profit was EUR 2.3 million. Bittium is listed on Nasdaq Helsinki. [www.bittium.com](http://www.bittium.com)

## Bittium Corporation's Interim Report January-March 2016

### Financial performance in January-March 2016

Bittium's net sales during January-March 2016 decreased by 2.6 percent year-on-year to EUR 14.7 million (EUR 15.1 million, in 1Q 2015).

The share of the product-based net sales was EUR 2.4 million (EUR 4.5 million, in 1Q 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. Due to the ending of product deliveries of a special terminal project for a US-based customer during the corresponding period, the product-based net sales decreased.

The share of the services-based net sales was EUR 12.2 million (EUR 10.5 million, in 1Q 2015). Despite of the decrease in the demand for the services business in the mobile infrastructure equipment market, 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 result was EUR -0.1 million (EUR 0.5 million, in 1Q 2015).

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR

	1-3/2016 3 months	1-3/2015 3 months
Net sales	14.7	15.1
Operating profit / loss	-0.1	0.5
Financial income and expenses	0.0	-0.1
Result before tax	-0.1	0.4
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	-0.1	0.4
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS		1.5
RESULT FOR THE PERIOD	-0.1	1.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-0.2	3.1
Result for the period attributable to:		
Equity holders of the parent	-0.1	1.8
Total comprehensive income for the period attributable to:		
Equity holders of the parent	-0.2	3.1
Earnings per share from continuing operations, EUR	-0.002	0.003

- Cash flow from operating activities was EUR 5.0 million (EUR 10.9 million, in 1Q 2015, including both continuing and discontinuing operations).
- Net cash flow was EUR 3.2 million (EUR 7.3 million, in 1Q 2015, including both continuing and discontinuing operations).
- Equity ratio was 90.5 percent (65.0 percent, March 31, 2015).
- Net gearing was -90.4 percent (-43.2 percent, March 31, 2015).

## Quarterly figures

<b>GROUP'S NET SALES AND OPERATING RESULT, MEUR</b>	<b>1Q/16</b>	<b>4Q/15</b>	<b>3Q/15</b>	<b>2Q/15</b>	<b>1Q/15</b>
Net sales	14.7	15.2	11.1	15.3	15.1
Operating profit (loss)	-0.1	0.8	0.0	1.0	0.5
Result before taxes	-0.1	0.9	0.1	0.8	0.4
Result for the period	-0.1	1.1	0.1	0.8	0.4

<b>DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %</b>	<b>1Q/16</b>	<b>4Q/15</b>	<b>3Q/15</b>	<b>2Q/15</b>	<b>1Q/15</b>
Asia	0.0 0.2 %	0.0 0.0 %	0.1 0.6 %	0.1 0.6 %	0.0 0.2 %
Americas	2.3 15.3 %	2.9 19.2 %	1.0 9.1 %	2.2 14.6 %	2.1 14.2 %
Europe	12.5 84.5 %	12.3 80.7 %	10.1 90.4 %	13.0 84.9 %	13.0 85.6 %

## 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.

<b>R&amp;D INVESTMENTS, MEUR</b>	<b>1-3/2016 3 months</b>	<b>1-3/2015 3 months</b>
Total R&D investments	1.6	2.0
Capitalized R&D investments	0.3	1.0
Depreciations of R&D investments	0.1	0.1
Cost impact on income statement	1.4	1.1
R&D investments, % of net sales	10.7 %	13.3 %

<b>CAPITALIZED R&amp;D INVESTMENTS IN BALANCE SHEET, MEUR</b>	<b>1-3/2016 3 months</b>	<b>1-3/2015 3 months</b>
Balance sheet value in the beginning of the period	5.6	2.2
Additions during the period	0.3	1.0
Acquisitions of the business		0.3
Depreciations of R&D investments	-0.1	-0.1
Balance sheet value at the end of the period	5.8	3.4

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## Business development in January-March 2016

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The demand for Bittium's R&D services has developed positively during the first quarter. The product development project started in May 2015 with the Ministry of Mexican 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 during the first quarter.

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. In February the company presented its Bittium Tough Mobile LTE smartphone and related management and VPN encryption software at the Mobile World Congress 2016 exhibition in Barcelona. Bittium Tough Mobile and related management system and VPN encryption Bittium Secure Suite™ have generated lots of interest in the information security and public safety markets. The pilot deliveries of the product were continued during the first quarter. Bittium has been actively seeking for, and has found a few suitable partners and resellers who have taken Bittium Tough Mobile as part of their own product portfolio and/or solution for their customers. The sale of the Bittium Tough Mobile is expected to develop moderately according to the pace of the authorities markets.

Bittium exhibited its secure and easy-to-use Bittium SafeMove remote access solutions for managers working in the healthcare sector at Long-Term Conditions Conference 2016 that was held in QUEL Centre, London, in January. SafeMove VPN encryption software is also been used to secure connections in Bittium's IoT (Internet of Things) services and solutions. Bittium presented its IoT solutions and services at Wearable Technology Show 2016 in ExCeL, London in March.

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 first quarter. Bittium received a new order for a new software package for the system. The main objective for the development work of the new software package is to continue enhancing the performance, data transfer capacity and survivability of the software and the related radio platform. The value of the received purchase order is EUR 2.8 million (excl. VAT) and it has no significant impact on Bittium's net sales, operating result or financial standing, or on Bittium's financial outlook for the year 2016. The company continued its efforts to bring its defense market targeted product portfolio to the international defense markets, and received the first small order for its TAC WIN system from a customer in Asia.

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## Significant events during the reporting period

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A total of 5,000 new shares in Bittium Corporation were subscribed between December 1, 2015 and January 26, 2016 by virtue of the option rights 2008C. The share subscription price, EUR 2,750.00 was recorded in the company's invested non-restricted equity fund. The corresponding increase in the number of the company's shares was entered into the Finnish Trade Register on February 10, 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 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 35,605,168.

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 March 31, 2016, after the registration of the new shares, the total number of shares in Bittium Corporation's totaled to 35,642,668.

## Outlook for 2016

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Bittium expects that the net sales in 2016 will grow from the previous year (net sales of EUR 56.8 million, in 2015). The development of the operating result includes currently many uncertainties and therefore the company has 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 Interim Report.

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## 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 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 infrastructure equipment market the implementation of LTE technology continues to create demand for services in the LTE base station development. There is a wide range of frequencies allocated for LTE globally thus creating the need to develop multiple products to cover the market and creating demand for the R&D services for development of product variants. Also the growing amount of data transfer creates need for smaller base stations for increasing the data transfer capacity of a LTE network. The general cost savings of the mobile infrastructure equipment companies is reflected as increasing price competition in the R&D services. Despite of Bittium's R&D services being competitive, the demand is expected to slightly decrease during the year 2016.
- The trend of using new 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 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 demanding industrial or consumer usage, such as various devices, that collect information through the device sensors and connect the device securely to the internet and cloud services.
- In the tactical communication market in the defense sector 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.

More about short-term description of the 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](http://www.bittium.com).

## Statement of financial position and financing

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

	31.3.2016	31.12.2015
Non-current assets	15.6	14.4
Current assets	141.3	145.0
Total assets	156.9	159.4
Share capital	12.9	12.9
Other capital	124.7	124.6
Total equity	137.7	137.6
Non-current liabilities	2.0	2.0
Current liabilities	17.1	19.8
Total equity and liabilities	156.9	159.4
Cash flow of the review period :	1-3/2016	1-12/2015
+ profit of the period +/- Adjustment of accrual basis items	0.6	12.2
+/- Change in net working capital	4.4	-6.2
- interest, taxes and dividends	-0.0	-3.9
= net cash from operating activities	5.0	2.1
- net cash from investing activities	-1.5	579.6
- net cash from financing activities	-0.2	-502.2
= net change in cash and cash equivalents	3.2	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 1.9 million. Net investments for the reporting period totaled EUR 1.9 million. The total amount of depreciation during the period under review was EUR 0.7 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 90.5 percent (90.5 percent on December 31, 2015).

Cash and other liquid assets at the end of the reporting period were EUR 126.0 million (EUR 122.8 million on December 31, 2015).

Bittium has a total of EUR 20 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

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The Bittium group employed an average of 531 people in between January and March 2016. At the end of March, the company had 537 employees (501 employees in at the end of 2015). A significant part of Bittium's personnel are R&D engineers.

## 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.

## Events after the review period

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On April 14, 2016, Bittium announced that a total of 50,498 new shares in Bittium Corporation were subscribed for between January 28, 2016 and March 31, 2016, pursuant to series 2008C stock options. The share subscription price, EUR 27,773.90 has been recorded in the company's invested non-restricted equity fund. The corresponding increase in the number of the company's shares has been entered into the Finnish Trade Register on April 14, 2016. Trading with the newly registered shares started on 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.

## Decisions of the Annual General Meeting of Bittium Corporation

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The Annual General Meeting of Bittium Corporation, held on April 19, 2016, approved the annual accounts for the financial year 2015 and discharged the company's management from liability.

## Use of the profits shown on the balance sheet and payment of dividend

The Annual General Meeting decided in accordance with the proposal of the Board of Directors to pay EUR 0.05 per share as dividend based on the adopted balance sheet for the financial period January 1, 2015 – December 31, 2015 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 Thursday, April 21, 2016. The dividend will be paid on Thursday, April 28, 2016.

## **Election and remuneration of the members of the Board of Directors**

The Annual General Meeting decided that the Board of Directors shall comprise five (5) members. Ms. Kirsi Komi, Mr. Seppo Mäkinen, Mr. Juha Putkiranta, Mr. Staffan Simberg and Mr. Erkki Veikkolainen were elected members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting.

In the assembly meeting held on April 19, 2016 the Board of Directors elected Erkki Veikkolainen as the Chairman of the Board. Further, the Board resolved to keep the Audit and Financial Committee. Staffan Simberg (Chairman of the committee) and Kirsi Komi were elected as members of the Audit and Financial Committee and Seppo Laine, Authorized Public Accountant was invited to the Audit and Financial Committee as external advisor of the Board of Directors.

The following monthly remuneration shall be paid to the members of the Board of Directors: to the chairman of the Board of Directors EUR 3,500 and to the other members of the Board of Directors EUR 2,000 each. In addition, the members of the Board of Directors are entitled to compensation for attending Board Committee meetings as follows: the chairman of the Committee EUR 600 for each meeting and other Committee members EUR 400 for each meeting. Travel expenses of the members of the Board of Directors shall be reimbursed in accordance with the company's travel policy. 40 percent of the total amount of the monthly remuneration will be paid as a lump sum in Bittium Corporation's shares acquired at a price formed in public trading, and the shares will be acquired according to a share purchase program prepared by the company.

## **Election and remuneration of the auditor**

Ernst & Young Oy, authorized public accountants, was re-elected auditor of the company for a term of office ending at the end of the next Annual General Meeting. Ernst & Young Oy has notified that Mr. Juhani Rönkkö, authorized public accountant, will act as responsible auditor. It was decided that the remuneration to the auditor shall be paid against the auditor's reasonable invoice.

## **Authorizing the Board of Directors to decide on the repurchase of the company's own shares**

The Annual General Meeting authorized the Board of Directors to decide on the repurchase of the company's own shares as follows.

The amount of own shares to be repurchased shall not exceed 3,500,000 shares, which corresponds to approximately 9.83 percent of all of the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorization. Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. The Board of Directors decides how own shares will be repurchased. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase).

The authorization cancels the authorization given by the General Meeting on April 15, 2015 to decide on the repurchase of the company's own shares. The authorization is effective until June 30, 2017.

## **Authorizing the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares**

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act as follows.

The amount of shares to be issued shall not exceed 7,000,000 shares, which corresponds to approximately 19.66 percent of all of the shares in the company. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The authorization cancels the authorization given by the General Meeting on April 15, 2015 to decide on the issuance of shares as well as the issuance of special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act. The authorization is effective until June 30, 2017.

Oulu, April 27, 2016  
Bittium Corporation  
The Board of Directors

**Further Information:**

Hannu Huttunen  
CEO  
Tel. +358 40 344 5466

Pekka Kunnari  
CFO  
Tel. +358 40 344 2229

**Distribution:**

Nasdaq Helsinki  
Major media

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

(unaudited)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-3/2016	1-3/2015	1-12/2015
	3 months	3 months	12 months
NET SALES	14.7	15.1	56.8
Other operating income	0.4	0.3	1.4
Change in work in progress and finished goods			
Work performed by the undertaking for its own purpose and capitalized	0.1	0.1	0.2
Raw materials	-0.9	-2.4	-5.5
Personnel expenses	-8.9	-7.7	-30.3
Depreciation	-0.7	-0.6	-2.5
Other operating expenses	-4.8	-4.4	-17.8
OPERATING PROFIT (LOSS)	-0.1	0.5	2.3
Financial income and expenses	0.0	-0.1	-0.2
PROFIT BEFORE TAX	-0.1	0.4	2.1
Income tax	0.0	-0.0	0.2
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	-0.1	0.4	2.3
<b>Discontinued operations</b>			
Profit for the year from discontinued operations		1.5	539.0
<b>PROFIT FOR THE PERIOD</b>	<b>-0.1</b>	<b>1.8</b>	<b>541.3</b>
Other comprehensive income:			
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations	-0.1	1.2	0.1
Other comprehensive income for the period total	-0.1	1.2	0.1
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-0.2</b>	<b>3.1</b>	<b>541.5</b>
Profit for the year attributable to			
Equity holders of the parent	-0.1	1.8	541.3

Total comprehensive income for the period attributable to			
Equity holders of the parent	-0.2	3.1	541.5
Earnings per share from continuing operations, EUR			
Basic earnings per share	-0.002	0.003	0.020
Diluted earnings per share	-0.002	0.003	0.020
Earnings per share from discontinued operations, EUR			
Basic earnings per share		0.011	4.687
Diluted earnings per share		0.011	4.685
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	-0.002	0.014	4.708
Diluted earnings per share	-0.002	0.014	4.706
Average number of shares, 1000 pcs	35 606	131 549	114 983
Average number of shares, diluted, 1000 pcs	35 656	132 252	115 037

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	March 31, 2016	March 31, 2015	Dec. 31, 2015
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	5.2	10.8	4.1
Goodwill	1.4	20.6	1.4
Intangible assets	7.7	18.2	7.6
Other financial assets	0.1	0.1	0.1
Deferred tax assets	1.2	1.5	1.2
Non-current assets total	15.6	51.3	14.4
Current assets			
Inventories	1.9	1.6	2.2
Trade and other receivables	13.4	69.0	20.0
Financial assets at fair value through profit or loss	66.2	21.1	66.1
Cash and short term deposits	59.8	29.4	56.8
Current assets total	141.3	121.1	145.0
<b>TOTAL ASSETS</b>	<b>156.9</b>	<b>172.4</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
Invested non-restricted equity fund	26.0	25.6	25.9
Translation difference	1.1	2.8	1.2

Retained earnings	97.7	55.7	97.5
Total equity	137.7	97.0	137.6
Non-current liabilities			
Deferred tax liabilities	0.1	0.8	0.1
Pension obligations		3.0	
Provisions	1.1	0.2	1.1
Interest-bearing liabilities	0.8	4.1	0.7
Non-current liabilities total	2.0	8.1	2.0
Current liabilities			
Trade and other payables	15.4	59.9	17.9
Financial liabilities at fair value through profit or loss		0.2	
Provisions	1.0	2.7	1.2
Interest-bearing loans and borrowings	0.7	4.6	0.7
Current liabilities total	17.1	67.4	19.8
Total liabilities	19.2	75.4	21.8
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>156.9</b>	<b>172.4</b>	<b>159.4</b>

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)	1-3/2016	1-3/2015	1-12/2015
	3 months	3 months	12 months
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit for the year from continuing operations	-0.1	0.4	2.3
Profit for the year from discontinued operations		1.5	539.0
Adjustment of accrual basis items	0.6	3.8	-529.1
Change in net working capital	4.4	6.7	-6.2
Interest paid on operating activities	-0.1	-0.6	-1.6
Interest received from operating activities	0.1	0.2	0.9
Other financial income and expenses, net received			0.0
Income taxes paid	0.0	-1.0	-3.2
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>5.0</b>	<b>10.9</b>	<b>2.1</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
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	-0.2	-0.9	-2.5
Purchase of intangible assets	-0.3	-1.4	-4.3
Sale of property, plant and equipment		0.0	0.0
Sale of intangible assets			0.1
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-1.5</b>	<b>-4.1</b>	<b>579.6</b>

<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share-option plans exercised	0.0	0.5	0.8
Proceeds from borrowing		3.4	14.6
Repayment of borrowing	-0.1	-3.0	-17.5
Payment of finance liabilities	-0.2	-0.5	-1.3
Dividend paid and repayment of capital			-5.3
Purchase of own shares incl. transaction costs			-493.5
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-0.2</b>	<b>0.4</b>	<b>-502.2</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3.2</b>	<b>7.3</b>	<b>79.5</b>
Cash and cash equivalents at beginning of period	122.8	43.3	43.3
Cash and cash equivalents at end of period	126.0	50.6	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				1.8		1.8
Exchange differences on translating foreign operations			1.2			1.2
Total comprehensive income for the period			1.2	1.8		3.1
Transactions between the shareholders						
Share option plans exercised		0.5				0.5
Total transactions between the shareholders		0.5				0.5
Other changes				-0.0		-0.0
Shareholders equity on March 31, 2015	12.9	25.6	2.8	55.7		97.0

	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				-0.1		-0.1
Exchange differences on translating foreign operations			-0.1			-0.1
Total comprehensive income for the period			-0.1	-0.1		-0.2
Transactions between the shareholders						
Share option plans exercised		0.0				0.0
Share-related compensation				0.2		0.2
Total transactions between the shareholders		0.0		0.2		0.3
Other changes				-0.0		-0.0
Shareholders equity on March 31, 2016	12.9	26.0	1.1	97.7		137.7

## NOTES TO THE INTERIM FINANCIAL REPORTING

### ACCOUNTING PRINCIPLES FOR THE INTERIM FINANCIAL REPORTING:

The Interim 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 Interim 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 Interim Report.

### SEGMENT-INFORMATION (MEUR)

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

NET SALES OF GEOGRAPHICAL AREAS (MEUR)	1-3/2016	1-3/2015	1-12/2015
	3 months	3 months	12 months
Net sales			
Europe	12.5	13.0	48.3
Americas	2.3	2.1	8.3
Asia	0.0	0.0	0.2
Net sales total	14.7	15.1	56.8

RELATED PARTY TRANSACTIONS	1-3/2016	1-3/2015	1-12/2015
	3 months	3 months	12 months
Employee benefits for key management and stock options expenses total	0.3	0.4	1.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR)	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
	3 months	3 months	3 months	3 months	3 months
NET SALES	14.7	15.2	11.1	15.3	15.1
Other operating income	0.4	0.4	0.3	0.4	0.3
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	0.0	0.0	0.1
Raw materials	-0.9	-0.9	-0.8	-1.4	-2.4
Personnel expenses	-8.9	-8.4	-6.5	-7.8	-7.7
Depreciation	-0.7	-0.8	-0.6	-0.6	-0.6
Other operating expenses	-4.8	-4.8	-3.6	-5.0	-4.4
OPERATING PROFIT (LOSS)	-0.1	0.8	0.0	1.0	0.5
Financial income and expenses	0.0	0.1	0.1	-0.2	-0.1
PROFIT BEFORE TAX	-0.1	0.9	0.1	0.8	0.4
Income tax	0.0	0.2	0.0	-0.0	-0.0
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	-0.1	1.1	0.1	0.8	0.4
<b>Discontinued operations</b>					
Profit for the period from discontinued operations		0.6	534.6	2.3	1.5
PROFIT FOR THE PERIOD	-0.1	1.7	534.7	3.1	1.8
Other comprehensive income	-0.1	0.0	-0.7	-0.5	1.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-0.2	1.7	534.0	2.6	3.1
Profit for the period attributable to:					
Equity holders of the parent	-0.1	1.7	534.7	3.1	1.8
Total comprehensive income for the period attributable to:					
Equity holders of the parent	-0.2	1.7	534.0	2.6	3.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
ASSETS					
Non-current assets					
Property, plant and equipment	5.2	4.1	3.8	3.9	10.8
Goodwill	1.4	1.4	1.4	1.4	20.6

Intangible assets	7.7	7.6	7.2	6.7	18.2
Other financial assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.2	1.2	0.9	0.9	1.5
Non-current assets total	15.6	14.4	13.5	13.1	51.3
Current assets					
Inventories	1.9	2.2	1.4	1.8	1.6
Trade and other receivables	13.4	20.0	15.1	22.0	69.0
Financial assets at fair value through profit or loss	66.2	66.1	65.8	15.9	21.1
Cash and short term deposits	59.8	56.8	551.7	6.2	29.4
Current assets total	141.3	145.0	634.0	45.8	121.1
Assets classified as held for sale				117.3	
<b>TOTAL ASSETS</b>	<b>156.9</b>	<b>159.4</b>	<b>647.5</b>	<b>176.2</b>	<b>172.4</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	25.9	25.9	25.8	25.6
Translation difference	1.1	1.2	1.2	2.3	2.8
Retained earnings	97.7	97.5	589.3	53.5	55.7
Non-controlling interests					
Total equity	137.7	137.6	629.3	94.5	97.0
Non-current liabilities					
Deferred tax liabilities	0.1	0.1	0.1	0.1	0.8
Pension obligations					3.0
Provisions	1.1	1.1	1.2	0.2	0.2
Interest-bearing liabilities	0.8	0.7	0.7	3.7	4.1
Non-current liabilities total	2.0	2.0	2.0	1.0	8.1
Current liabilities					
Trade and other payables	15.4	17.9	13.5	16.4	59.9
Financial liabilities at fair value through profit or loss				0.0	0.2
Provisions	1.0	1.2	2.0	2.2	2.7
Interest-bearing loans and borrowings	0.7	0.7	0.7	6.7	4.6
Current liabilities total	17.1	19.8	16.2	25.2	67.4
Total liabilities	19.2	21.8	18.2	26.2	75.4
Liabilities classified as held for sale				55.4	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>156.9</b>	<b>159.4</b>	<b>647.5</b>	<b>176.2</b>	<b>172.4</b>

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
	3 months	3 months	3 months	3 months	3 months
Net cash from operating activities	5.0	0.3	3.1	-12.2	10.9
Net cash from investing activities	-1.5	-1.2	587.4	-2.5	-4.1
Net cash from financing activities	-0.2	-493.8	-14.9	6.1	0.4
Net change in cash and cash equivalents	3.2	-494.7	575.5	-8.6	7.3

FINANCIAL PERFORMANCE RELATED RATIOS	1-3/2016	1-3/2015	1-12/2015
	3 months	3 months	12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Net sales	14.7	15.1	56.8
Operating profit (loss)	-0.1	0.5	2.3
Operating profit (loss), % of net sales	-0.8	3.2	4.1
Profit before taxes	-0.1	0.4	2.1
Profit before taxes, % of net sales	-0.6	2.4	3.7
Profit for the period from continuing operations	-0.1	0.4	2.3
PROFITABILITY AND OTHER KEY FIGURES			
Interest-bearing net liabilities, (MEUR)	-124.5	-41.9	-121.4
Net gearing, -%	-90.4	-43.2	-88.2
Equity ratio, %	90.5	65.0	90.5
Gross investments, (MEUR)	1.9	3.4	7.4
Average personnel during the period, continuing operations	531	498	511
Personnel at the period end, continuing operations	537	501	517
Average personnel during the period, discontinued operations		1361	
Personnel at the period end, discontinued operations		1367	
Average personnel during the period, jointly owned company - discontinued operations		451	
Personnel at the period end, jointly owned company - discontinued operations		459	

<b>AMOUNT OF SHARE ISSUE ADJUSTMENT (1,000 pcs)</b>	<b>Mar. 31, 2016</b>	<b>Mar. 31, 2015</b>	<b>Dec. 31, 2015</b>
At the end of period	35 643	131 589	35 600
Average for the period	35 606	131 549	114 983
Average for the period diluted with stock options	35 656	132 252	115 015

<b>STOCK-RELATED FINANCIAL RATIOS (EUR)</b>	<b>1-3/2016</b>	<b>1-3/2015</b>	<b>1-12/2015</b>
	<b>3 months</b>	<b>3 months</b>	<b>12 months</b>
<b>Earnings per share from continuing operations, EUR</b>			
Basic earnings per share	-0.002	0.003	0.020
Diluted earnings per share	-0.002	0.003	0.020
<b>Earnings per share from discontinued operations, EUR</b>			
Basic earnings per share		0.011	4.687
Diluted earnings per share		0.011	4.685
<b>Earnings per share from continuing and discontinued operations, EUR</b>			
Basic earnings per share	-0.002	0.014	4.708
Diluted earnings per share	-0.002	0.014	4.706
Equity *) per share	3.86	0.74	3.86
*) Equity attributable to equity holders of the parent			

<b>MARKET VALUES OF SHARES (EUR)</b>	<b>1-3/2016</b>	<b>1-3/2015</b>	<b>1-12/2015</b>
	<b>3 months</b>	<b>3 months</b>	<b>12 months</b>
Highest	7.14	5.03	7.80
Lowest	5.15	3.27	3.27
Average	6.06	4.18	4.92
At the end of period	6.41	3.90	7.01
Market value of the stock, (MEUR)	228.5	513.2	249.6
Trading value of shares, (MEUR)	59.8	93.8	837.1
Number of shares traded, (1,000 pcs)	9 863	22 441	169 993
Related to average number of shares %	27.7	17.1	147.8

<b>SECURITIES AND CONTINGENT LIABILITIES (MEUR)</b>	<b>Mar. 31, 2016</b>	<b>Mar. 31, 2015</b>	<b>Dec. 31, 2015</b>
<b>AGAINST OWN LIABILITIES</b>			
Floating charges	2.9	1.0	3.0
Guarantees	3.5	6.7	3.7
Rental liabilities			
Falling due in the next year	2.3	7.1	2.3
Falling due after one year	1.8	12.6	2.3
Other contractual liabilities			
Falling due in the next year	2.2	2.6	2.2
Falling due after one year	0.3	0.5	0.4
Mortgages are pledged for liabilities totaled	0.0	2.6	0.0

<b>NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)</b>	<b>Mar. 31, 2016</b>	<b>Mar. 31, 2015</b>	<b>Dec. 31, 2015</b>
<b>Foreign exchange forward contracts</b>			
Market value		-0.0	0.1
Nominal value		2.0	2.5
<b>Purchased currency options</b>			
Market value		0.1	
Nominal value		6.0	
<b>Sold currency options</b>			
Market value		-0.2	
Nominal value		12.0	