



Annual Report

2015

Bittium



Annual Report 2015

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Bittium in 2015

This annual report includes only continuing operations and thus does not include any events related to Automotive business, sold on July 1, 2015.

Changing the name from Elektrobit Corporation to Bittium Corporation came into force on July 1, 2015. In this annual report the name Bittium is also used in the events before the change of the company name.

Financial development

Bittium's net sales in 2015 grew by 7.8 per cent year-on-year to EUR 56.8 million (EUR 52.7 million, in 2014). The growth in net sales was mainly driven by the deliveries of special terminal products and related R&D services, as well as other products for authorities use.

The share of the product-based net sales was EUR 13.1 million (EUR 14.1 million, in 2014), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from a similar but small pilot system delivery for a customer abroad, as well as from the deliveries of other terminal products for the authority use. The decrease in the product-based net sales was caused by the decrease in the amount of product deliveries to the Finnish Defence Forces compared to the previous year.

Operating profit from continuing operations was EUR 2.3 million (EUR 0.8 million, in 2014, including the non-recurring income of EUR 1.1 million resulting from the reorganization cases of the TerreStar Companies, approximately EUR 0.6 million non-recurring costs resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of SafeMove business). The operating profit includes EUR 0.4 million costs related to the change of the company name. The improvement in the operating result was due to the growth in the net sales and slightly higher gross margin than usually.

Cash flow from operating activities in 2015 was EUR 2.1 million (EUR 10.5 million, in 2014). The cash flow includes the operating cash flow of the Automotive business until June 30, 2015. Net cash flow was EUR 79.5 million (EUR 0.3 million, in 2014). Net cash flow includes the dividend payment of EUR 5.3 million in April, the cash flow of the Automotive business until June 30, 2015, and the cash flows related to the sale of the Automotive business and cancelled demerger process, as well as cash flows resulting from the voluntary public tender offer for the company's own shares and stock options and from the costs resulting from the process. Equity ratio was 90.5 percent (62.3 percent, December 31, 2014). Net gearing was -88.2 percent (-37.4 percent, December 31, 2014).

Significant events

The sale of the Automotive business to Continental AG and the related changes

On May 19, Bittium Corporation announced that it will sell its Automotive business to Continental AG for a purchase price of EUR 600 million. The share purchase agreement was signed on May 18, 2015. The transaction was expected to close in the beginning of July 2015. The transaction comprised the sale of Elektrobit Automotive GmbH and its subsidiaries, including its 51 percent ownership in e.solutions GmbH, a jointly owned company between Elektrobit Automotive GmbH and Audi Electronics Venture GmbH. Simultaneously the company cancelled the ongoing demerger process, and announced

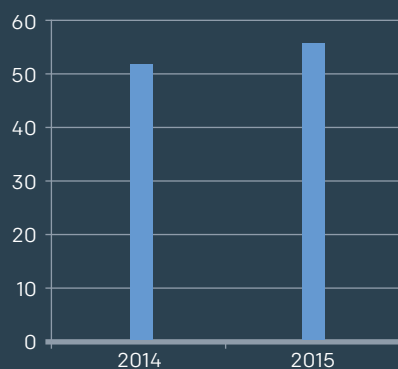
it will continue to carry on its Wireless business within its existing Elektrobit Corporation (currently Bittium Corporation). The company also announced to change its name to Bittium Corporation, as the Elektrobit brand would be included as a part of the transaction. In addition the company updated its outlook for 2015 based on the assumption that the sale of the Automotive business will materialize in the beginning of July 2015.

The Extraordinary General Meeting of Bittium Corporation, which was held on June 11, 2015, approved the sale of the Automotive business to Continental AG according to Board of Director's proposal and recommendation. The Extraordinary General Meeting also resolved to change section 1 of the Company's Articles of Association and the name of the company.

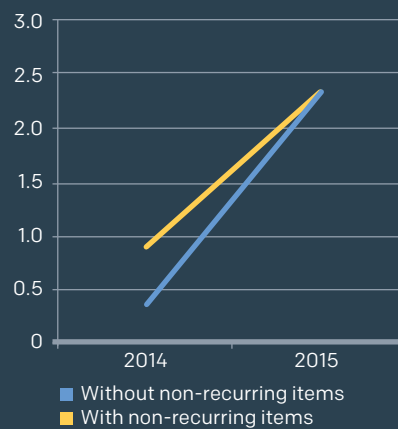
The transaction was closed on July 1, 2015 as the closing conditions of the transaction, such as the approval of Bittium Corporation's Extraordinary General Meeting, receipt of the required authority approvals and other customary closing conditions were fulfilled. The purchase price of the transaction, EUR 600 million, was fully paid in cash upon the closing of the transaction.

As the transaction was closed, the name of the company was changed to Bittium Corporation, Bittium Oyj in Finnish, and the name change was registered in the trade register on July 1, 2015. The company announced that it will continue to carry on its Wireless business and will continue to be listed on Nasdaq Helsinki with its new name. Bittium's new trading code in the stock exchange is BITTI from July 2, 2015 onwards.

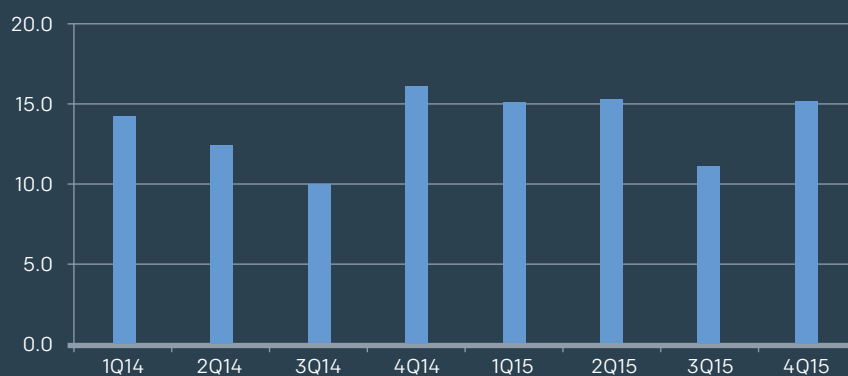
Net sales 2014–2015 (MEUR)
Continuing operations



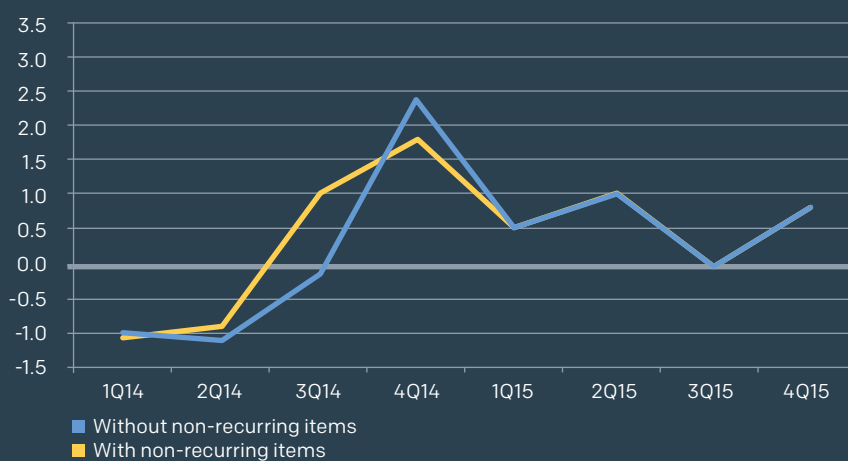
Operating result 2014–2015 (MEUR)
Continuing operations



Net sales quarterly 2014–2015 (MEUR)
Continuing operations



Operating result quarterly 2014–2015 (MEUR)
Continuing operations



On July 1, Bittium updated the outlook for 2015 due to the sale of the Automotive business and the change of the company name. Outlook regarding the net sales and operating result of the continuing operations remained the same as given in the outlook given in the stock exchange release published on May 19, 2015. It was estimated that the transaction will have a non-recurring positive effect of approximately EUR 530 million on net profit and approximately EUR 575 million non-recurring positive effect on net cash flow of the Bittium group in the year 2015.

On July 1, Bittium updated its strategic guidelines and outlook for 2015 due to the sale of the Automotive business and the change of the company name. Bittium carried on its Wireless business according to the announcements made on February 19, 2015, and according to the strategic guidelines and financial targets for 2015-2017.

Changes in the management

As a result from the sale of the Automotive business, the Board of Directors of Bittium Corporation decided upon nominations and changes in the company's management. Hannu Huttunen, M.Sc. (Econ.) was appointed CEO of Bittium Corporation as of August 7, 2015. The contract of Bittium's then current CEO Jukka Harju terminated on August 6, 2015 by mutual consent, and he did not continue at Bittium after August 2015. The corporate functions and Wireless Business Segment's functions were merged and the following persons made the company's new management team: Hannu Huttunen, CEO (chairman); Veli-Pekka Paloranta, CFO; Kari Jokela, CLO; Jari Sankala, Senior Vice President, Sales; Karoliina Fyrstén, Director, Corporate Communications and Marketing, heads of product and services areas: Harri Romppainen, Vice President, Defense; Klaus Mäntysaari, Vice President, Telecom; and Sami Kotkajuuri, Vice President, Connectivity; Jari-Pekka Innanen, Vice President, Engineering and Arto Pietilä, Senior Vice President, Operations.

CFO Veli-Pekka Paloranta decided to move to another company in November 2015 and

resigned from Bittium. M.Sc. (Econ.) LL.M. Pekka Kunnari was appointed as CFO of Bittium Corporation as of beginning of November 2015.

It was also decided that the Board of Directors of the Wireless Business Segment will be discontinued, since Bittium focuses on one business and there is no need for another board in addition to the Board of Directors of Bittium Corporation.

Distribution of the net proceeds from the sale of the Automotive business

On August 6, Bittium told that it plans to distribute the net proceeds from the sale of its Automotive business, a maximum of EUR 595 million, to its shareholders in the first instance by repurchasing own shares in a voluntary public tender offer directed to all shareholders of the company. The technical analyses regarding the execution of the possible public tender offer were continued and also other possible ways to carry out the distribution of funds were being evaluated simultaneously, and at that moment there was no certainty which distribution method the Board of Directors will propose to the Extraordinary General Meeting. The planned distribution of funds required preparation of separate interim accounts, after the completion of which the Board of Directors was expected to decide on the proposal to the Extraordinary General Meeting regarding the distribution method and the amount of funds to be distributed during the latter half of August 2015.

On August 24, Bittium told that it is planning to repurchase its own shares and stock options for a total purchase price of approximately EUR 595 million in a voluntary public tender offer directed to all shareholders and holders of stock options 2008C of the company. The offer would be made at market price and the consideration offered would be determined as the volume weighted average price of the share based on transactions in Nasdaq Helsinki Ltd over the five days preceding the acceptance of the offer document rounded to the nearest full euro cent. The offer would be made for a maximum

of 124,747,351 shares, corresponding approximately to 94.1 per cent of all the shares in the company on the date of the release. The offer would also be made for a maximum of 252,648 stock options. The offer would be executed only for the part of the consideration payable for the shares amounting up to EUR 593,797,392.67 in the aggregate and for the stock options amounting up to EUR 1,202,607.33 in the aggregate. A shareholder or a holder of stock options would have the option to accept the offer for all the shares and/or stock options owned by him/her or for a number of shares and/or stock options of his/her choosing per each book-entry account.

On August 24, the company gave a notice to its shareholders to an Extraordinary General Meeting on the repurchase of the company's own shares and stock options 2008C entitling to shares by means of a voluntary public tender offer made to all shareholders and holders of stock options 2008C. As part of the arrangement to distribute the net proceeds from the sale of its Automotive business to its shareholders, Bittium Corporation also prepared its interim financial statements from the period of January 1 - July 1, 2015.

The Extraordinary General Meeting of Bittium Corporation, held on September 14, 2015, decided in accordance with the proposal of the Board of Directors that the company repurchases its own shares and stock options 2008C entitling to shares by means of a voluntary public tender offer made to all shareholders and holders of stock options.

On September 22, the company announced that its public tender offer for own shares and stock options will commence on September 25, 2015 and expire on October 16, 2015. The offer price for a share was EUR 5.06 and for a stock option EUR 4.51. The share offer price was, in accordance with the decision of the company's Extraordinary General Meeting held on September 14, 2015, the volume weighted average price per share based on transactions in the official list of Nasdaq Helsinki Ltd during the five trading days preceding the acceptance of the offer document (between September, 15

- September 21, 2015), rounded to the nearest full euro cent. The offer document, accepted by the Finnish Financial Supervisory Authority, was available from September 23, 2015 onwards on the company's internet pages.

On October 19, 2015 Bittium announced that according to the preliminary result of the offer, the shares tendered in the offer represented approximately 73.2 percent of all the shares and votes in the company. In addition, according to the preliminary result of the offer, approximately 62.0 percent of all the stock options in the company had been tendered in the offer.

On October 21, the company announced that according to the final result of the offer, 97,244,662 shares were tendered in the offer, representing approximately 73.2 percent of all the shares and votes in the company. In addition, 166,694 stock options were tendered in the offer, representing approximately 62.0 percent of all the stock options in the company. As a result of completing the offer the cash balance and equity of the company will decrease by approximately EUR 493 million. Completing the offer did not have effect on the guidance for result of operations concerning the year 2015 previously published by the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Kai Hildén in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Eero Halonen in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement

pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Erkki Veikkolainen in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Juha Hulkko in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 27, the company announced to have cancelled its own shares and stock options 2008C as a result of the completion of a voluntary public tender offer for the company's own shares and stock options. In accordance with the terms and conditions of the offer, the shares and stock options transferred in the offer became null and void as part of the settlement of the completion trades of the offer. As a result of the shares and stock options becoming null and void, the number of company's remaining shares was 35,578,835, and the number of company's all remaining stock options was 102,300. Settlement of 5,467 shares to be transferred in the offer was not completed within the same timetable as the settlement of the other shares transferred, and such shares had not yet become null and void.

On October 28, the company announced that as the voluntary public tender offer for its own shares and stock options 2008C, decided by the Extraordinary General Meeting of the company on September 14, 2015, resulted in changes in the ownership of the company, the company published the changes with regards to its ten largest shareholders resulting from completing the offer.

On October 28, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Jukka Harju in Bittium will decrease below the threshold of 5 per-

cent of the voting rights and total number of shares of the company.

On November 4, the company announced to have cancelled 5,467 of its own shares transferred in the offer, that didn't become null and void on October 27, 2015 in connection with the completion of the offer. After these shares became null and void, the number of company's remaining shares was 35,598,368, and as of November 4, the number of company's all remaining stock options was 102,300.

Stock options

A total of 1,351,686 new shares in Bittium Corporation were subscribed between December 15, 2014 and November 30, 2015 by virtue of the option rights 2008B and 2008C. The share subscription price, EUR 823,438.10 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 6, April 14, June 24, September 1, October 29, and December 11, 2015. Shareholder rights by virtue of the new shares commenced as of the abovementioned registration entry dates. Trading with the newly registered shares started on February 9, April 15, June 25, September 2, October 30 and December 14 as an additional lot of Bittium Corporation's shares in Nasdaq Helsinki Ltd. On December 31, 2015, after the registration of the new shares, and cancellation of the shares acquired through the voluntary public tender offer, the number of shares in Bittium Corporation's totaled to 35,600,168.

Other significant events

On January 2 a subsidiary of Bittium Corporation acquired 100 per cent of the shares of Birdstep Technology Oy, which was a fully owned Finnish subsidiary of Birdstep Technology ASA, based in Norway. The acquired company's SafeMove business provides its customers high quality information security solutions for mobile devices and portable computers. The acquisition strengthened the competitiveness of Bittium as a provider

of secure communication solutions for defense, safety and other authorities markets. Birdstep Technology Oy's (currently Bittium Safemove Ltd) net sales was EUR 2.5 million in 2013 and EUR 2.9 million in 2014. At the time of the acquirement, the company employed 19 persons located in Espoo, Finland. The debt free cash purchase price was EUR 1.8 million. The acquisition had no significant impact on Bittium's balance sheet, net sales and financial position.

The Board of Directors of Bittium Corporation approved on February 18, 2015 a plan for partial demerger of the company and the listing of the new Bittium Corporation as a separate entity at Nasdaq Helsinki. Simultaneously the Board of Directors updated the strategic guidelines and financial targets for the years 2015 -2017. Based on the demerger plan, the assets and liabilities related to then Elektrobitt Corporation's Wireless Business Segment would have been transferred to Bittium Corporation, a new entity that would have been listed at Nasdaq Helsinki. The Automotive Business Segment would have remained as a part of the then Elektrobitt Corporation, which would have continued its listing at Nasdaq Helsinki. The partial demerger would have been set for an approval by an extraordinary general meeting, which was planned to be held on June 11, 2015. The planned effective date for the demerger would have been June 30, 2015. The partial demerger process was cancelled on May 19, 2015 as the company announced its plan to sell the Automotive business to Continental AG.

On April 29, a notice was given to the shareholders of Bittium Corporation to an Extraordinary General Meeting that was planned to be held on June 11, 2015.

On May 2, Bittium Corporation announced that its subsidiary Bittium Wireless Ltd and the Ministry of Mexican Communication and Transportation (Secretaría de Comunicaciones y Transportes, SCT) had signed an agreement regarding the development of three types of Android-based L-band mobile devices for the SCT's MEXSAT program. These mobile devices will be based on Bittium's Specialized Device Platform, a cus-

tomized Android-based platform designed especially for public safety and cyber security markets. The value of this development agreement was approximately USD 21.9 million (approximately EUR 19.5 million as per exchange rate of April 30, 2015). More than half of the contract value is expected to be recognized as revenue during 2016.

On September 14, the Extraordinary General Meeting that was convened to decide upon the voluntary public tender offer, decided also on the election of new members of the Board of Directors. Kirsi Komi, Juha Putkiranta and Seppo Mäkinen were elected as new members of the Board of Directors for a term commencing on November 5, 2015 and continuing until the close of the next Annual General Meeting. The new members of the Board of Directors replaced the previous members of the Board of Directors Jorma Halonen, Juha Hulkko and Seppo Laine, who had notified that they will leave the Board of Directors when the term of the new members commences.

On November 5, Bittium Corporation's new Board of Directors commenced its term that will continue until the close of the next Annual General Meeting. In the assembly meeting on the same day, the Board of Directors elected Erkki Veikkolainen as the Chairman of the Board. Further, the Board of Directors resolved to elect Staffan Simberg (Chairman of the committee) and Kirsi Komi as members of the Audit and Financial Committee and to invite to the Audit and Financial Committee the former Chairman of the Board of Directors Seppo Laine as the external advisor of the Board of Directors.

On December 7, Bittium announced to have received a purchase order from the Finnish Defence Forces for the Bittium Tactical Wireless IP Network™ (TAC WIN) system products, which are meant for tactical communications. The value of the received purchase order was EUR 5.1 million (excl. VAT). The order had no significant impact on Bittium's net sales, operating result or financial standing, and it did not change Bittium's financial outlook for the year 2015, published on November 5, 2015 in the Interim Report January-September 2015.

On December 23, Bittium Technologies Ltd and NCC Rakennus Oy signed a contract to build new facilities for Bittium in Oulu, Finland. The agreement is a design and construct contract in nature and the cost will be approximately EUR 13 million. The new facilities will be ready for use by the end of 2017 and will consist of approximately 8,600 square meters. It will be located at the intersection of Ritaharjuntie and Tietolinja in Oulu. The total cost of the project is approximately EUR 15 million including land property and fittings. The project will be financed from the company's existing financing structure as the project moves forward. The company expects to streamline its operations and save costs from 2018 onwards once the project has been completed.

Purpose and vision

Bittium adapts its deep knowledge to deliver superior, innovative, reliable and secure communications and connectivity solutions.

Bittium's vision is to become a global enabler of secure and reliable connectivity for people and things.

Strategic guidelines

The Board of Directors of Bittium Corporation updated company's strategic guidelines after the sale of the Automotive business and the change of the company name on July 1, 2015. Bittium carries on its Wireless business according to the announcements made on February 19, 2015, and according to the strategic guidelines described below.

Bittium offers products and product platforms, R&D services and customized solutions to companies and authorities in various industries. Bittium's offering and competitiveness is based on strong and extensive know-how in radio technology, embedded software, electronics and product integration. This know-how is a result of a long-term relationship with the world's leading mobile technology companies and

with the Finnish Defence Forces as well as research programs started already in the 1980's on radio technology focusing on e.g. spread spectrum and software radio defined technologies.

Bittium provides R&D services and customized solutions for the wireless telecommunication market and for companies needing mobile connectivity in their products. Bittium offers products, customized products and R&D services which are based on its product platforms for defense, public safety and other authorities as well as for industrial use. Manufacturing of the products has been outsourced to electronics manufacturing companies.

Rapid development of wireless technologies will continue. More radio spectrum is being allocated for public mobile networks and the use of frequencies varies from country to country. Data traffic in mobile networks continues to grow fast, which creates demand for smaller network cells and low power base stations. These drivers continue to drive the need for research and development services for mobile radio network equipment. In addition, the usage of mobile networks in industrial internet solutions will increase the need for wireless solutions for industrial customers. Mobile connectivity is related to people, as well as machines and things.

Defense and security authorities and other government agencies require more capacity for data transfer and more advanced so-

lutions at lower price points compared to the previous generations of wireless communication devices. Modern commercial mobile communication technologies offer opportunities to develop advanced and cost competitive solutions for their needs. At the same time, the increasing need for secure mobile connectivity together with more advanced solutions creates demand for services as well as new business opportunities for companies that can combine both security and latest commercial technologies in their products. The markets for defense, public safety and other public authority applications in wireless sectors are slow to evolve due to their nature. Other typical market characteristics are long lead times for purchasing decisions, which is due to the long planning processes typical of government projects. Once a supplier has been selected, product deliveries are typically executed over several years.

The demand for Bittium's R&D services in wireless telecommunications and industrial markets is as a whole expected to remain rather stable in the coming years. Net sales growth is sought from the company's own products and product platforms, which Bittium is introducing to the international defense, public safety and authority markets. Bittium continues to make product development and marketing investments for these markets. For defense markets, Bittium offers advanced and high capacity IP based tactical communication solutions (Bittium Tactical Wireless IP Network™, Bittium Tough

VoIP™, Bittium Tactical LTE Access Point™, Bittium Tough Mobile™). For the public safety and other authority use, Bittium offers Bittium Tough Mobile LTE smartphone and tailored security solutions, which support LTE frequencies reserved for public safety authorities. This device and related solutions combine modern mobile technology with durability and high standards for information security. For IoT (Internet of Things) markets Bittium offers wireless connectivity solutions based on its own Bittium IoT (Internet of Things) Device Platform™. The demand for these solutions is expected to grow especially for healthcare, wearable devices and industrial applications.

Bittium continues to make targeted R&D investments in products and product platforms as well as in technology development. Bittium is developing partnerships and will explore M&A opportunities that would strengthen its competitiveness and create new future market opportunities.

Financial targets

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.



Consolidated statement of comprehensive income

Consolidated statement of comprehensive income, MEUR

| Continuing operations | 2015 | 2014 |
|--|--------------|-------------|
| Net sales | 56.8 | 52.7 |
| Operating profit / loss | 2.3 | 0.8 |
| Financial income and expenses | -0.2 | -0.2 |
| Result before tax | 2.1 | 0.6 |
| Result for the period from continuing operations | 2.3 | 1.3 |
| Result for the period from discontinuing operations | 539.0 | 11.2 |
| Result for the period | 541.3 | 12.5 |
| Total comprehensive income for the period | 541.5 | 12.9 |
| Result for the period attributable to: | | |
| Equity holders of the parent | 541.3 | 12.5 |
| Total comprehensive income for the period attributable to: | | |
| Equity holders of the parent | 541.5 | 12.9 |
| Earnings per share from continuing operations, EUR | 0.020 | 0.010 |

Research and development

In 2015 Bittium continued its R&D investments in products and product platforms mainly 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 mobile security and public safety use. A significant part of these capitalized R&D investments is related to the development of the Bittium Tough Mobile product.

| R&D investments, MEUR | 1-12/2015 12 months | 1-12/2014 12 months |
|---|--------------------------------|--------------------------------|
| Total R&D investments | 7.3 | 6.9 |
| Capitalized R&D investments | -3.4 | -2.1 |
| Depreciations of R&D investments | 0.2 | 0.1 |
| Cost impact on income statement | 4.2 | 4.9 |
| R&D investments, % of net sales | 12.9 % | 13.0 % |
| Capitalized R&D investments in balance sheet, MEUR | 1-12/2015 12 months | 1-12/2014 12 months |
| Balance sheet value in the beginning of the period | 2.2 | 0.3 |
| Additions during the period | 3.4 | 2.1 |
| Acquisitions of the business | 0.3 | |
| Depreciations of R&D investments | -0.2 | -0.1 |
| Balance sheet value at the end of the period | 5.6 | 2.2 |

CEO's review

The year 2015 was marked with big structural changes in Bittium: the sale of the Automotive business and the new company name. The distribution of the proceeds from the sale was executed during the third and fourth quarter through a voluntary public tender offer for the company's own shares and stock options. The offer was executed in October resulting to a decrease of EUR 493.5 million in total in the company's cash balance and equity. The total number of shares decreased and was 35,600,168 at the end of the year.

In 2015, the net sales grew by 7.8 percent from the previous year and was EUR 56.8 million. The share of the product-based net sales was EUR 13.1 million. Operating profit grew and was EUR 2.3 million.

In 2015 we continued our R&D investments in our own products and product platforms aiming at growth especially in the international defense, information security and public safety markets. The R&D phase of secure Bittium Tough Mobile LTE smartphone, targeted for the mobile security and public safety markets was finalized and the first product deliveries were made at the end of the year. We also launched Bittium Secure Suite™, certified device management and encryption software that complements the Bittium Tough Mobile smartphone by improving the security of the device with new software and services, such as secure data transfer and remote management.

Bittium Tough Mobile and related management system and VPN encryption, Bittium Secure Suite, was the first mobile solution to receive official encryption product classification in Finland. With this mobile solution classified material can be transferred between Bittium Tough Mobile smartphone and connected back-end solutions on top of creating and processing of classified information. Bittium Tough Mobile has generated lots of interest in the markets; however, the sale of the devices is expected to develop moderately according to the pace of the authorities markets.

Bittium Secure Suite is based on the Bittium SafeMove® high-end security solutions that we acquired in January 2015. SafeMove products and services have strengthened our competitiveness as a provider of secure communication solutions. Bittium SafeMove software is used also in securing the connections in our IoT (Internet of Things) services and solutions.

The demand for Bittium's R&D services has remained stable. In the beginning of May we announced a major deal 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. Due to the failed launch of the customer's first satellite the overall project schedule was delayed, nevertheless the development work of the devices has continued well during the year.

The development of the tactical communication system Bittium Tactical Wireless IP Network (TAC WIN), used by the Finnish Defence Forces, continued. We also continued the product deliveries for the communication system during 2015, and at the end of the year we received an order for a new system product delivery for 2016. In the fourth quarter we received an order from the Finnish Defence Forces for the further development of the TAC WIN waveform, and an order to start the productization of the European high data rate radio waveform developed in the ESSOR program by porting it to the Bittium TAC WIN system.

We continued our efforts to bring our defense market targeted product portfolio to the international defense markets, and delivered our first pilot delivery of our Tactical Wireless IP Network system to a customer abroad. We aim for similar international openings during this year. The sales cycles in the defense markets are long by their nature and winning significant deals take several years.

At the end of the year we made a decision to build new facilities for Bittium in Oulu. The plans for the new facilities are based on centralizing the operations to improve efficien-

cy and achieve cost savings. The agreement signed with NCC Rakennus Oy is a design and construct contract by nature. The facilities will be ready for use by the end of the year 2017 and will be located at the intersection of Ritaharjuntie and Tietolinja in Oulu. The new facilities will consist of approximately 8,600 square meters, and the total cost of the project is approximately EUR 15 million including land property and fittings.

We have been able to turn Bittium to growth path. We are pleased with the increase in our net sales as well as with the improvement in the operating result during the last year. In 2016, the focus will be at the internationalization and enabling growth. We will be investing in developing our operations further for long-term growth, which affects also to the operating result outlook for the year 2016. 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 Bittium has good conditions to continue its success also in the future. I want to express my appreciation towards our personnel, customers and partners for the great cooperation and valuable achievements in 2015.



Hannu Huttunen, CEO



Business operations in 2015

Bittium's products and services

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.

Bittium Tough Mobile™ is a secure and durable Android-based LTE smartphone combining the latest information security and commercial device technologies. Bittium Tough Mobile incorporates a hardware-based security platform, which enables strong device security as well as deep integration of both customers' own and third party software security solutions. The device is built for demanding Mobile Security and Public Safety markets.

Bittium Secure Suite™ is a device management and encryption software product that complements the Bittium Tough Mobile smartphone with a scalable set of new software services for remote management, remote attestation and securing the network

connections of the device. The Bittium Tough Mobile smartphone and Bittium Secure Suite form a unique, complete, reliable system for processing and transferring sensitive and classified material and securing critical communication.

Bittium Specialized Device Platform™ is a versatile device platform leveraging latest mass market mobile device hardware and software technologies. The platform enables companies to roll-out fully customized mobile devices in various form factors (incl. module, smartphone, tablet and smart watch) faster and with lower development risks. The platform has been productized to public safety, security, industrial and smart watch markets. One of the major products based on this platform is the Bittium Tough Mobile secure smartphone.

Bittium Tactical Wireless IP Network™ (TAC WIN) is a Software-Defined Radio based wireless broadband network system intended for military and public safety use. With the system MANET (mobile ad hoc network), link, and connection networks can be formed into one logical IP network quickly, no matter what the location is. Bittium TAC WIN is compatible with existing fixed and wireless network infrastructures. The core of the system is a tactical router that enables users to freely form both wired and wireless broadband data transfer IP con-

nections. Tactical router enables also connections to different types of terminals and other communication systems connecting them into a one communication network. In addition to the router the system comprises three types of radio heads, and each radio head covers its own frequency band area and can be used for flexible formation of optimized network topologies for different communication needs. All the products of the system are designed for harsh conditions, and thanks to the system's automated functions the implementation of the system can be done quickly. Due to the software-based functionality of the Bittium TAC WIN system, it can be easily updated with additional performance cost-efficiently during the whole lifespan of the system.

Bittium Tough VoIP™ product family's products enable tactical IP calls and broadband data transfer in demanding conditions. The products consist of Voice over IP phones, Bittium Tough VoIP Field Phone and Bittium Tough VoIP Terminal, and Bittium Tough VoIP Network Extender that allows extending network in field conditions.

Bittium Tough VoIP Field Phone is a SIP (Session Initiation Protocol) compliant client that provides interoperability with other SIP clients and server implementations available in the market, and incorporates functionality that enables introduction of VoIP

services in dynamic self-forming networks independent from server. Bittium Tough VoIP Terminal is a wireline VoIP phone that can be operated either as a part of Bittium Tough VoIP solution or as a IP terminal together with a third party equipment. With the Bittium Tough VoIP Network Extender's SHDSL connectivity, an IP network can be extended over long distances using conventional field wire. The Network Extender also features Ethernet and SHDSL connections to external networks and devices.

With these products it is possible to provide wired connectivity, and enhanced reliability of VoIP services regardless of availability of network services. Products are also easily integrated to existing IP infrastructure and are fully interoperable with commercial equipment.

Bittium Tactical LTE Access Point™ is a solution providing LTE access to the Bittium TAC WIN network. With the solution different troops can benefit from cost-efficient and high-speed multimedia data and VoIP services by using commercial smartphones as well as special terminals intended for authority use.

Bittium provides state of the art, secure **Internet-of-Things (IoT) solutions and engineering services** for companies needing wireless connectivity and sensor data in the industrial and healthcare sectors as well as in sports and wellness markets. Bittium provides customized solutions, encompassing the complete solution and its integration into the connected environment. Bittium's solutions start with platforms which are optimized and tailored for customer-specified IoT use cases.

Bittium SafeMove® software is a high-quality remote access solution, that provides mobile workforce hassle-free, secure and seamless connectivity to the corporate network regardless of time and place. Bittium SafeMove enables the utilization of all IP based applications and networks by securing the connections between the work station and corporate services.

Bittium offers for the telecommunication markets **wireless communication R&D services** for base stations and devices uti-

lizing wireless connectivity. Bittium's thirty years of experience in R&D services eg. with 2G/3G/4G/satellite/Wlan wireless communication technologies as well as the research and standardization work with future technologies like 5G, enable the development of complete base station or smart phone as well as transfer to production according to the customer needs.

Business development

Bittium aims at bringing its products to the global defense and other authority markets and continued its sales and marketing efforts and R&D investments into these markets.

Growing the company's security knowhow

In January Bittium strengthened its competitiveness as a provider of secure communication solutions for defense, safety and other authorities markets by acquiring the SafeMove business from Birdstep Technology ASA, based in Norway. The acquired Birdstep Technology Oy provided its customers high quality information security solutions for mobile devices and portable computers. Bittium's product portfolio expanded from the existing information secure device solutions to include the encryption of data communications. SafeMove software can be utilized in several Bittium's products and product platforms, such as in Bittium Tough Mobile secure smartphone and in Bittium's secure IoT solutions and engineering services as well as in defence products. The debt free cash purchase price was EUR 1.8 million. The acquisition had no significant impact on Bittium's balance sheet, net sales and financial position.

Bittium Tough Mobile

The development of the Bittium Tough Mobile, a high security level LTE smartphone, targeted mainly for the demanding authority use was finalized during the latter part of the year. The product deliveries started already at the end of the year mainly in a form of small trials to customers abroad. The authorities markets are slowly develop-

ing markets by their nature and the sales of Bittium Tough Mobile are expected to develop moderately along the market development pace.

At the end of the year Bittium launched Bittium Secure Suite™ device management and encryption software that complements Bittium Tough Mobile smartphone with new software and services. Bittium Secure Suite enables the most effective usage of the device's security features, secure remote management, remote attestation and securing the data network connections of the device. Bittium Tough Mobile smartphone together with Bittium Secure Suite form a unique, complete, reliable system for processing and transferring sensitive and classified material and securing critical communication.

In December the Finnish Communications Regulatory Authority granted approval for the Mobile Security and Public Safety targeted Bittium Tough Mobile LTE smartphone and related device management and information security management system to process National classification level IV (ST IV, national restricted) material. Bittium's mobile solution is the first product to receive an official encryption product classification in Finland, which can on top of creating and processing of classified information also transfer material between a smartphone and connected back-end solutions.

Products and services for the defense markets

Bittium continued its efforts in bringing its defense market targeted product portfolio to the international defense markets, and delivered the first small pilot delivery of its tactical wireless IP network system for a customer abroad during the third quarter. Bittium aims at other similar international openings during 2016 as well. The defense market sales cycles are long by its nature and winning significant deals take several years.

Also the deliveries of tactical communication products, systems and services to the Finnish Defence Forces continued during the year.

The development of the tactical communication system Bittium Tactical Wireless IP Network (TAC WIN) was continued during the fourth quarter and Bittium received from the Finnish Defence Forces a new order for system product deliveries for 2016. During the fourth quarter Bittium also received an order from the Finnish Defence Forces for further development of the TAC WIN waveform to enhance the system with additional features and optimized performance. The Finnish Defence Forces also ordered a productization of the European high data rate radio waveform developed in the ESSOR program by porting it to the Bittium TAC WIN system used by the Finnish Defence Forces.

R&D services

The demand for Bittium's R&D services for mobile infrastructure customers continued as stable during the year 2015. The demand was mainly driven by the use of LTE technology and the need to develop low power and micro base stations.

In April a subsidiary of Bittium Corporation and the Ministry of Mexican Communication and Transportation (Secretaria de Comunicaciones y Transportes, SCT) had signed an agreement regarding the development of three types of Android-based L-band mobile devices for the SCT's MEXSAT program. The value of this development agreement was approximately USD 21.9 million (approximately EUR 19.5 million as per exchange rate of April 30, 2015). The development work was started during the second quarter 2015, which increased the net sales in the second quarter.

The development of these mobile devices started well. Due to the failed launch of customer's first satellite, the overall project schedule is delayed from the original. However over half of the contract revenue is expected to materialize during 2016. During the rest of the year 2015, the development work continued as planned.

Internet-of-Things

In the beginning of the year Bittium announced to have integrated an information security solution to its Bittium IoT Device Platform that enables secure connectivity from the IoT device to the customer's cloud services. The Bittium IoT Device Platform is a compact and powerful platform, which enables development of different kind of products that have wireless connectivity and various sensors for the Wearable, Healthcare, Machine-to-Machine communication and Industrial Internet markets. The integrated security software protects the IoT devices from network attacks and secures connections between the devices and services. The demand for Bittium's IoT solutions and services continued stable during 2015.

Market outlook

Bittium's customers operate in various industries, each of them having their own industry specific factors driving the demand. A common factor creating demand among the whole customer base is the growing need for higher speed, higher quality and secure data transfer. Due to the technology competence accrued over time and long history in developing mobile communication solutions, Bittium is in a good position to offer customized solutions for its customers.

The following factors are expected to create demand for Bittium's products and services in 2016 and beyond:

- In the mobile 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 LTE networks. 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 2016.

- The trend of using commercial technologies, such as LTE, smartphones and applications, is expected to continue in special verticals, such as public safety and cyber security thus 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 for 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 defense sector's tactical communication market the government's 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 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 growing 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 and security of the devices in demanding use.

Business related releases

2.1.2015

Elektrobit (EB) strengthens its competences in safety technology in its Wireless Business Segment by acquiring the share capital of Birdstep Technology Oy

28.1.2015

Elektrobit (EB) exhibits its newest products and solutions for tactical communications at IDEX 2015

27.2.2015

Elektrobit (EB) integrates an information security solution to its EB IoT Device Platform

27.2.2015

Elektrobit (EB) exhibits secure EB Tough Mobile smartphone and EB IoT Device Platform at Mobile World Congress 2015

2.3.2015

Elektrobit (EB) exhibits its EB SafeMove remote access solutions at UK eHealth Week 2015

12.3.2015

Elektrobit (EB) exhibits secure EB IoT Device Platform and Bittium Tough Mobile smartphone at CeBIT 2015

16.3.2015

Elektrobit (EB) exhibits its EB SafeMove remote access solutions and EB Tough Mobile LTE smartphone at Mobile Government Summit 2015

2.5.2015

Elektrobit (EB) to develop mobile devices for the Mexsat satellite communication system in Mexico

2.6.2015

Elektrobit (EB) presents its EB SafeMove remote access solutions at Field Service Forum 2015

2.6.2015

Elektrobit (EB) presents its EB SafeMove remote access solutions at Health Insights conference series in UK

4.6.2015

Elektrobit (EB) and Air-Lynx demonstrate the interoperability of the EB Tough Mobile smartphone and Air-Lynx 4G private network solution

17.6.2015

Elektrobit (EB) and CS present a joint demonstration of their tactical communication and control solutions at the Paris Air Show

4.9.2015

Bittium exhibits its information security solutions and tactical communications products at the Comprehensive Security 2015 event

10.9.2015

Bittium exhibits its newest products and solutions for tactical communications at DSEI 2015

6.10.2015

Bittium exhibits its Enterprise smart watch reference design at the Internet of Things World Europe 2015 conference

12.10.2015

Bittium exhibits its tactical communications products at the AUSA Annual Meeting & Exposition

13.10.2015

Bittium exhibits its secure and easy-to-use Bittium SafeMove remote access solutions at EHI Live 2015

14.10.2015

Bittium exhibits its secure LTE smartphone at British APCO

14.10.2015

Bittium continues the development of its tactical communications system in cooperation with the Finnish Defence Forces

12.11.2015

Bittium starts the productization of the radio waveform developed in the ESSOR program

7.12.2015

Bittium received a purchase order from the Finnish Defence Forces for the Software-Defined Radio based system products meant for tactical communications

10.12.2015

Bittium Tough Mobile smartphone targeted for demanding Mobile Security and Public Safety markets receives national information security classification

21.12.2015

The new Bittium Secure Suite complements Bittium Tough Mobile with certified device management and encryption software



Personnel

At the end of the year 2015 altogether 517 employees worked in Bittium in Finland, USA, Great Britain and Singapore. The amount of personnel increased by 37 employees from last year in Finland. The average age of the personnel was 41.2 years. R&D engineers and specialists constituted clearly the largest proportion of the personnel.

Constant development of expertise is vital for Bittium's business and personnel's competence growth. Bittium's core competences are strong and extensive know-how of radio technology, embedded software, electronics, and product integration. The development of engineering competences has been further supported by technical trainings and virtual competence teams that have been formed also to meet newly appeared needs. At Bittium the way of working is based on the implementation of Lean and Agile methods.

In 2015 the focus was also in project management and supervisory work. The focus points of the project management development were in increasing the profitability and fluency of the projects by further increasing the project management's competencies in e.g. mastering the finances and processes, and productization aspects and require-

ments management in R&D projects. Development of supervisory work was continued with the theme of coaching leadership. The development discussion process was renewed with focus on continuous supervisor work.

Bittium continued to participate in the N4S (Need for Speed) program, where the operational models and methods of real time economy is developed and tested. During 2015 the focus and results were in continuous integration and test automation development, increasing transparency and collecting feedback and quality data in real time. The program was widely utilized in product development and in managing the production chain.

Accelerate, a program where the aim is at creating and maintaining a growth basis for innovations, continued as a development model in 2015. The internal idea tool development continued. Through the tool the personnel can share ideas in a transparent easy to use forum that enables discussion and co-development. Through an open tool the threshold for presenting new ideas is lower and the ideas are handled more regularly. One of the targets is to increase the amount of testing the capabilities of ideas in practice more often than before.

As the brand and the company name changed, also the Bittium's annual personnel survey was renamed as Bittium Employee Survey (BES). The survey was carried out in the fall, with participation of 73 percent of the personnel. The results improved clearly from the previous year. According to the survey, the company culture, team-spirit, multitasking and committed experts and competence capital still highlight Bittium's strengths as a company.

Year 2015 was a year of much regeneration. In addition to the changes we also celebrated the 30-year-old history of our company. In summer 2015 all of Bittium's staff gathered to the joint summer event, "BitStock2015", in Oulu. The event strengthened the spirit of fellowship between different sites. Previous corresponding joint event was the company's 20th anniversary "Together2005" in Rovaniemi.

Shares and shareholders

Shares and shareholders

The shares of Bittium Corporation are quoted on the Nasdaq Helsinki. The company has one series of shares. All shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The company's shares have been entered into the Euroclear Finland Ltd.'s book-entry securities system.

At the end of the financial period, the fully paid share capital of the company entered into the Finnish Trade Register was EUR 12,941,269 and the total number of the shares was 35,600,168. The accounting par value of the company's share is EUR 0.10. The company does not have its own shares in its possession.

Repurchasing of own shares and stock options

According to the decisions made in the Extraordinary General Meeting, held on September 14, Bittium repurchased its own shares and stock options 2008C entitling to shares by means of a voluntary public tender offer made to all shareholders and holders of stock options. The tender offer commenced on September 25, 2015 and expired on October 16, 2015. The offer price for a

share was EUR 5.06 and for a stock option EUR 4.51. 97,244,662 shares were tendered in the offer, representing approximately 73.2 percent of all the share and votes in the company. In addition, 166,694 stock options were tendered in the offer, representing approximately 62.0 percent. In accordance with the terms and conditions of the offer, the shares and stock options transferred in the offer became null and void as part of the settlement of the completion trader of the offer. As a result of the shares and stock options becoming null and void, the number of company's remaining shares was 35,578,835 and stock options 102,300.

Option rights

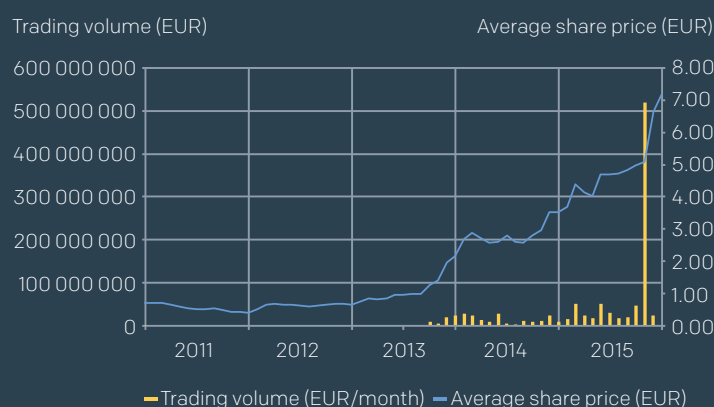
The Board of Directors of Elektrobit Corporation decided on June 5, 2013 on the transfer of stock options 2008A and 2008B to the Finnish book-entry system and to apply for listing of 1,400,000 stock options 2008A and of 1,400,000 stock options 2008B on the official list of Nasdaq Helsinki. The trading with the stock options started on June 17, 2013. The share subscription period for stock options 2008A ended on March 31, 2014. The share subscription period for stock options 2008B will end on March 31, 2015.

The Board of Directors of Bittium Corporation decided on the transfer of series

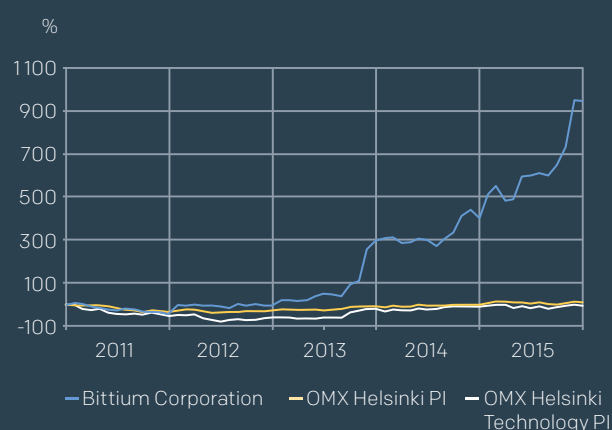
2008C stock options to the Finnish book-entry system on December 20, 2013 and to apply for listing of 1,400,000 stock options 2008C on the official list of Nasdaq Helsinki. Application was made for the listing to commence on April 1, 2014. The share subscription period for series 2008C stock options commenced on April 1, 2014 and will end on March 31, 2016.

A total of 1,351,686 new shares in Bittium Corporation were subscribed for between December 15, 2014 and November 30, 2015 by virtue of the option rights 2008B and 2008C. The share subscription price, EUR 823,438.10 was recorded in the company's invested non-restricted equity fund. The corresponding increase in the number of the company's shares were entered into the Finnish Trade Register on February 6, April 14, June 24, September 1, October 29, and December 11, 2015. 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 9, April 15, June 25, September 2, October 30 and December 14 as an additional lot of Bittium Corporation's shares in Nasdaq Helsinki Ltd. On December 31, 2015, after the registration of the new shares, and cancelling the shares acquired through the voluntary public tender offer, the number of shares in Bittium Corporation's totaled to 35,600,168.

Trading volume and average share price
2011–2015



Share price development in Nasdaq Helsinki
2011–2015



Share price and trading volumes in 2015

The closing price of Bittium Corporation's share was EUR 7.01 at the end of the year 2015; the share reached a high of EUR 7.80 and a low of EUR 3.27. During the year, a total of 170.0 million shares with the value of EUR 837,1 million changed hands on the Nasdaq Helsinki. This is 147.8 percent of the share capital. Bittium Corporation's market capitalization on December 31, 2015 was EUR 249.6 million.

Dividend and dividend policy

Bittium Corporation follows a dividend policy that takes into account the group's net income, financial situation, need for capital and financing of growth.

In 2015 Bittium paid EUR 0.04 per share as dividend based on the adopted balance sheet for the financial period of January 1 – December 31, 2014. The dividend was 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 17, 2015.

The Board of Directors proposes that the Annual General Meeting to be held on April 19, 2016 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, 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, April 21, 2016. The Board of Directors proposes that the dividend be paid on April 28, 2016.

Trading codes

Bittium Corporation has been listed on Nasdaq Helsinki (previously Helsinki Stock Exchange) since 1998. Bittium Corporation's company code and trading code in the Nasdaq Helsinki INET system is BITTI and the trading code BITTI.

Trading codes are:

| | |
|-----------------|----------|
| Nasdaq Helsinki | BITTI |
| Reuters | BITTI.HE |
| Bloomberg | BITTIFH |

Trading codes of Bittium Corporation's stock options 2008B and 2008C are:

| | |
|-----------------|------------|
| Nasdaq Helsinki | BITTIEW208 |
| Nasdaq Helsinki | BITTIEW308 |

Shareholders

At the end of 2015 Bittium Corporation had 20,935 shareholders. The ten largest shareholders owned 30.5 per cent of the shares. Private ownership was 74.8 per cent. The percentage of foreign and nominee-registered shareholders was 8.0 per cent at the end of 2015.

Shareholding of the Board of Directors and CEO

At the end of 2015, the shareholding of the Board of Directors, CEO and the companies controlled by them was 1,560,000 shares, corresponding to 4.4 per cent of all shares.

Information to shareholders

Press releases, reports, earnings estimates, share price ticker, contact details of analysts and other current investor material can be found on the company's website at www.bittium.com. An e-mail-based subscription service for press releases and publications can be found from the company's website as well.

Financial reports 2016

Bittium Corporation reports its financial development quarterly. In 2016 Bittium will publish financial reports as follows:

| | |
|--------------|-----------------------------------|
| 18th of Feb. | Financial statement bulletin 2015 |
| 27th of Apr. | Interim report, Jan. – Mar. 2016 |
| 4th of Aug. | Interim report, Jan. – Jun. 2016 |
| 3rd of Nov. | Interim report, Jan. – Sep. 2016 |

Financial reports will be published simultaneously in Finnish and in English at 8.00 a.m. (CET+1) on Bittium's web pages at www.bittium.com/investors. The company will hold press conference regarding the reports on dates to be specified later.

Silent periods in 2016

Bittium will observe a Silent Period prior to announcing its results. The Silent Periods in 2016 are as follows:

| |
|----------------------------------|
| 28th of Jan. – 18th of Feb. 2016 |
| 6th of Apr. – 27th of Apr. 2016 |
| 14th of Jul. – 4th of Aug. 2016 |
| 13th of Oct. – 3rd of Nov. 2016 |

The Annual General Meeting of Bittium Corporation 2016

The Annual General Meeting will be held on Tuesday April 19, 2016 at 1.00 p.m. at the University of Oulu, Saalastinsali, at the address Pentti Kaiteran katu 1, 90570 Oulu, Finland.

Shareholders registered in the General Meeting

Each shareholder, who is registered on Thursday April 7, 2016 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the company.

A shareholder, who is registered in the shareholders' register of the company and who wants to participate in the General Meeting, shall register for the meeting no later than on Thursday, April 14, 2016 by 10.00 a.m. by giving a prior notice of participation. The notice has to be received by the company before the end of the registration period. Such notice can be given:

- a) on the company's website at www.bittium.com, as from February 18, 2016 at 8.00 a.m.
- b) by telephone +358 40 344 3322 or +358 40 344 5425 on weekdays between 9.00 a.m. and 3.00 p.m.
- c) by telefax; +358 8 343 032; or
- d) by regular mail to the address Bittium Corporation, General Meeting, Tutkijantie 8, 90590 Oulu, Finland.

In connection with the registration, a shareholder shall notify his/her name, personal identification number or business identity code, address, telephone number and the name of a possible assistant or proxy representative and the personal identification number of a proxy representative. The personal data given to Bittium Corporation is used only in connection with the General Meeting and with the processing of related registrations.

The shareholder, his/her authorized representative or proxy representative shall, where necessary, be able to prove his/her identity and/or right of representation at the General Meeting.

Holders of nominee registered shares

A holder of nominee registered shares has the right to participate in the General Meeting by virtue of such shares, based on which he/she on Thursday, April 7, 2016 would be entitled to be registered in the shareholders' register of the company held by Euroclear Finland Ltd. The right to participate in the General Meeting requires, in addition, that the shareholder on the basis of such shares has been registered into the temporary shareholders' register held by Euroclear Finland Ltd at the latest on Thursday, April 14, 2016 by 10.00 a.m. As regards nominee registered shares this constitutes due registration for the General Meeting.

A holder of nominee registered shares is advised to request without delay the necessary instructions regarding registration in the temporary shareholder's register, the issuing of proxy documents and registration for the General Meeting from his/her custodian bank. The account management organization of the custodian bank has to register a holder of nominee registered shares, who wants to participate in the General Meeting, into the temporary shareholders' register of the company at the latest by the time stated above.

Further information on the General Meeting and participation in the General Meeting is available on the company's website www.bittium.com.

Proxy representative and powers of attorney

A shareholder may participate in the General Meeting and exercise his/her rights at the meeting by way of proxy representation. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to repre-

sent the shareholder. If a shareholder participates in the General Meeting by means of several proxy representatives representing the shareholder with shares at different securities accounts, the shares by which each proxy representative represents the shareholder shall be identified in connection with the registration for the General Meeting.

Possible proxy documents should be delivered in originals to the address Bittium Corporation, General Meeting, Tutkijantie 8, 90590 Oulu, Finland, before the end of the registration period.

Other information

Pursuant to chapter 5, section 25 of the Companies Act, a shareholder who is present at the General Meeting has the right to request information with respect to the matters to be considered at the meeting.

On the date of this notice to the General Meeting February 18, 2016, the total number of shares and votes in Bittium Corporation is 35,605,168.

Documents of the General Meeting

The above-mentioned proposals for the decisions on the matters on the agenda of the General Meeting as well as this notice are available on Bittium Corporation's website at www.bittium.com.

The annual report of Bittium Corporation includes the company's annual accounts, the report of the board of directors and the auditor's report, as well as the company's corporate governance statement. It is available on the company's website no later than on Wednesday March 23, 2016. The proposals for decisions and other documents mentioned above are also available at the General Meeting. Copies of these documents and of this notice will be sent to shareholders upon request. The minutes of the General Meeting will be available on the above-mentioned website as from Tuesday May 3, 2016, at the latest.

Corporate governance

The governance of Bittium Corporation (hereinafter "Company") is determined by the Company's Articles of Association, the laws of Finland (such as the Finnish Companies Act and Securities Market Act) and the Company's Corporate Governance Code. The Company follows with some exceptions the Finnish Corporate Governance Code 2015 prepared by the Finnish Securities Market Association. The Governance Code allows its implementation in phases. The former Finnish Corporate Governance Code from 2010 and the valid Decree of the Ministry of Finance on the Regular Duty of Disclosure of an Issuer of a Security are applied to the statement given from the financial year 2015, i.e. to this Corporate Governance Statement. Both Governance Codes may be viewed, inter alia, at the Finnish Securities Market Association website at www.cgfinland.fi.

The Company has departed from two recommendations of the Finnish Governance Code during the year 2015. The first departure concerns the gender composition of the Board. According to the Finnish Governance Code, one element of a diverse composition of the board is to have both genders represented on the board. The Company departed from this recommendation, as the Annual General Meeting held on April 15, 2015 did not elect both genders to the Board of Directors. The proposal adopted by the Annual General Meeting regarding the composition of the Board was made by shareholders who represented approximately 42.2 percent of the shares of the Company. Such shareholders were informed about the content of the then valid recommendation 9 by the Board of Directors of the Company. According to the information received, the shareholders who made the proposal, on the one hand, wanted to emphasize the continuity of the Board composition due to foreseen focus areas in the Board work and did not, on the other hand, in view of the size and nature of the Company's operations, consider it appropriate to increase the number of the Board members from the previous five members. The management of the Company and the composition of the Board are thereby based on strong ownership steering and, thus, the main shareholders have a significant representation in the Company's Board. The Extraordinary General Meeting held on September 14, 2015 elected Ms. Kirsi Komi, Mr. Juha Putkiranta and Mr. Seppo Mäkinen as new members of the Board of Directors. The new members of the Board of Directors replaced Jorma Halonen, Juha Hulkko and Seppo Laine, who had notified their resignation from the Board of Directors when the term of the new members of the Board of Directors commences. Mr. Staffan Simberg and Mr. Erkki Veikkolainen chosen earlier to the Board of Directors continued in their

positions with the new members of the Board of Directors. In the assembly meeting held on November 5, 2015 the Board of Directors elected Erkki Veikkolainen as the Chairman of the Board.

In the assembly meeting held on November 5, 2015, the new Board of Directors elected on September 14, 2015 considered the continuation of the Audit and Financial Committee and concluded that the extent of the Company's business still requires that a group with a more compact composition than the Board of Directors deals with the preparation of matters pertaining to financial reporting and control. The Governance Code recommends that a committee shall have at least three members. In the assembly meeting held on November 5, 2015, the new Board of Directors resolved to elect Staffan Simberg (Chairman of the committee) and Kirsi Komi as members of the Audit and Financial Committee and to invite the former Chairman of the Board of Directors Seppo Laine external advisor of the Board of Directors. The composition of two members and an external advisor was considered to be in compliance with purpose of the recommendation as authorized public accountant Seppo Laine brings continuity and expertise needed in the committee.

This Statement is made separately from the Report by the Board. The Board's Audit and Finance Committee and the Company's auditor have reviewed this Statement.

The statutory governing bodies of the Company are the Shareholders' meeting, Board of Directors, Chief Executive Officer and the Auditor. The Management Group supports the statutory governing bodies of the Company. The Company's domicile is Oulu.

This Statement may be viewed at the Company's website at www.bittium.com.

The Board of Directors

The Board of Directors is responsible for the Company's governance and proper organization of the operations. The Board of Directors comprises three to seven (3-7) members and in addition it may have one to three (1-3) deputy members. The Annual General Meeting shall elect the members of the Board of Directors for a term which expires at the end of the following Annual General Meeting. The number of terms for the members of the Board of Directors is not limited. The Board of Directors selects a Chairman among its members.

The Annual General Meeting held on April 15, 2015 elected five (5) members to the Board of Directors. The following members of the Board of Directors were elected: Jorma Halonen, Juha Hulkko, Seppo Laine, Staffan Simberg and Erkki Veikkolainen. The Board of Directors elected Seppo Laine as the Chairman of the Board of Directors at its assembly meeting on April 15, 2015. The Board had the same composition already from the beginning of the year 2015 until the Annual General Meeting. The Board of Directors decided

in its assembly meeting held on April 15, 2015 to elect Staffan Simberg (Chairman of the Committee), Seppo Laine, Authorized Public Accountant and Erkki Veikkolainen as members of the Audit and Finance Committee. A corporate governance target is that at least half of the members of the Board of Directors are independent from immediate Company interest. In addition, at least two of the Directors representing this majority shall be independent from significant shareholders of the Company. On April 15, 2015 Jorma Halonen, Seppo Laine, Staffan Simberg and Erkki Veikkolainen were considered independent members of the Board as regards both the Company and its significant shareholders. Juha Hulkko was not independent from significant shareholders as his ownership in the Company exceeded 10 percent of the Company's share capital.

The Extraordinary General Meeting held on September 14, 2015 elected Ms. Kirsi Komi, Mr. Juha Putkiranta and Mr. Seppo Mäkinen as new members of the Board of Directors. The new members of the Board of Directors

replaced Jorma Halonen, Juha Hulkko and Seppo Laine, who had notified their resignation from the Board of Directors when the term of the new members of the Board of Directors commences. Mr. Staffan Simberg and Mr. Erkki Veikkolainen chosen earlier to the Board of Directors continued in their positions with the new members of the Board of Directors. The members of the Board of Directors were considered independent members of the Board as regards both the Company and its significant shareholders. In the assembly meeting held on November 5, 2015 the Board of Directors elected Erkki Veikkolainen as the Chairman of the Board. Further, the Board of Directors resolved to elect Staffan Simberg (Chairman of the committee) and Kirsi Komi as members of the Audit and Financial Committee and to invite the former Chairman of the Board of Directors Seppo Laine external advisor of the Board of Directors.



Description of activities

The Board of Directors has defined a working order and evaluates its performance annually. The Board of Directors shall implement the decisions of the General Meeting. The Board of Directors supervises the operations and management. The Board of Directors makes decisions on the Company's guiding principles for operation, strategy and budget. The Board of Directors decides on mergers and acquisitions and other strategic alliances as well as significant investments and significant matters regarding organization and finance. The Board of Directors supervises that the group companies' accounting and financial management is duly organized. The Board of Directors appoints the CEO and possible Deputy for him or her as well as approves the Company's organization structure.

The CEO, CFO and Chief Legal Officer (who acts as secretary of the Board of Directors) attend the meetings of the Board of Directors. Other management attend the meetings when necessary or upon invitation by the Board of Directors. The Chairman of the Board approves the agendas of the meetings of the Board of Directors. The agendas are prepared by the CEO and the Chief Legal Officer.

In 2015, the Board convened 25 times. The Board members attended to the meetings as follows:

January 1, –December 31,

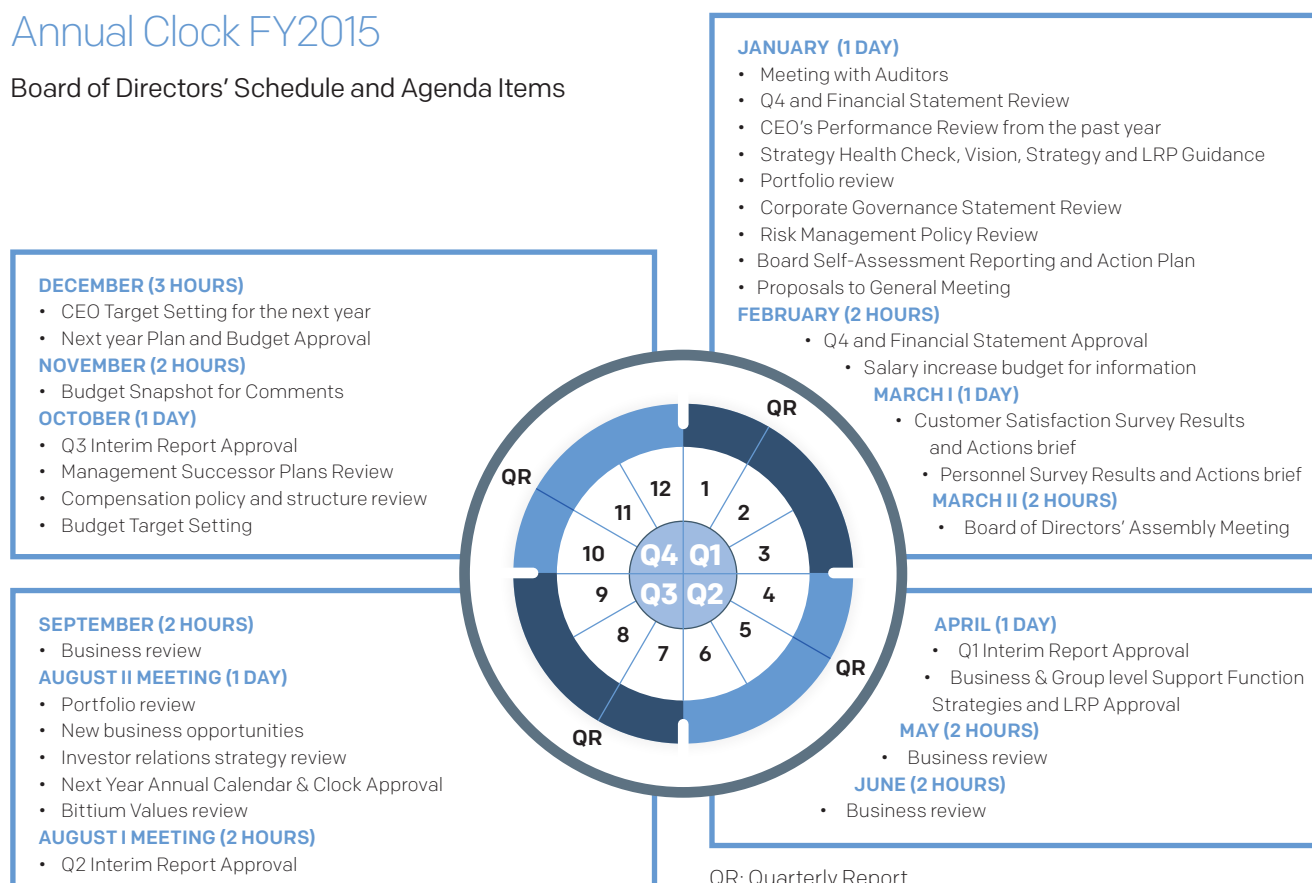
| 2015 | Board | Audit and finance committee |
|--------------------|-------|---|
| Seppo Laine | 23/23 | 6/6 (External advisor of the Board in the last meeting) |
| Jorma Halonen | 20/23 | |
| Juha Hulkko | 22/23 | |
| Staffan Simberg | 25/25 | 6/6 |
| Erkki Veikkolainen | 23/25 | 5/5 (Membership ended in the middle of the year 2015, not member in the last meeting) |
| Kirsi Komi | 2/2 | 1/1 (Membership started in the middle of the year 2015, member in the last meeting) |
| Juha Putkiranta | 2/2 | |
| Seppo Mäkinen | 2/2 | |

An annual clock, according to which the regular subjects to be handled are determined, is applied in the Board's work. In addition to the regular subjects of the annual clock, the most important subjects of the Board during the year were still profitability improvement of the Group, development of a segment based management system and business portfolio.

The Annual General Meeting decides on the compensation of the members of the Board of Directors and the compensations can be publicly reviewed from the Company's website.

Annual Clock FY2015

Board of Directors' Schedule and Agenda Items



Bittium Corporation

Board of Directors

From left to right:
Staffan Simberg, Juha
Putkiranta, Kirsi Komi,
Seppo Mäkinen and
Erkki Veikkolainen.



Chairman of the Board
of Bittium Corporation
Erkki Veikkolainen
b. 1952, M.Sc. (EE), eMBA

Full-time occupation:
Mevita Invest Oy, CEO

Positions of trust:

- Bittium Corporation (prev. Elektrobitt Corporation), Member of the Board 2008-2015, Chairman of the Board 2015-.
- Elcoflex (Suzhou) Co. Ltd, Member of the Board 2007-.
- Elcoflex Oy, Member of the Board 2015-, Chairman of the Board 2006-2015.
- Maustaja Oy, Member of the Board 2006-.
- Aplicom Oy, Member of the Board 2005-.
- Mecanova Oy, Member of the Board 2005-.

Previous work history:

- Bittium Technologies Ltd. (prev. Elektrobitt Technologies Ltd.), Member of the Board 2011-2015.
- Elektrobitt Corporation, Executive Vice President, Contract R&D and Test Business Units 2002-2003.
- Elektrobitt Technologies Ltd., Managing Director 2001-2003.
- Elektrobitt Ltd., Vice President, Business Development 1998-2001.
- Nokia Mobile Phones, various positions 1985-1998, latest Vice President.

Holdings Dec.31, 2015: Holds 1 500 000 shares in Bittium Corporation.

Independent as regards both the Company and its significant shareholders.

Member of the Board of Bittium Corporation

Kirsi Komi

b. 1963, LL.M. Master of Laws

Full-time occupation: Professional
Board Member

Positions of trust:

- Bittium Oy, Member of the Board, Member of the Audit and Financial Committee 2015-.
- Veikkaus Oy, Chairman of the Board 2016-.
- Directors' Institute of Finland, Member of the Board 2015-.
- Guggenheim Helsinki Supporting Foundation, Board Member 2015-.
- Martela Oy, Member of the Board, Member of the Remuneration Committee 2013-.
- Finnvera Oy, Member of the Board, Chairman of the Audit Committee 2013-.
- Citycon Oy, Member of the Board, Member of the Audit & Governance Committee and the Nomination & Remuneration Committee 2011-.
- Patria Oy, Vice Chairman of the Board, Chairman of the Audit Committee 2011-.
- Docrates Oy, Chairman of the Board & investor 2011-.
- Finnish Red Cross, Blood Service, Chairman of the Board 2011-, Member of the Board 2010-2011.
- Metsä Board Oy, Member of the Board, Member of the Audit Committee 2010-.

Previous work history:

- Nokia Siemens Networks, General Counsel, Member of the Executive Board 2007-2010.
- Nokia Corporation, Networks Business Group, Vice President (legal), Member of NET Leadership Team and other NET/nokia senior management forums 1997-2007.
- Nokia Corporation, Networks Business Group, Senior Legal Counsel & Head of European Practise Group 1998.
- Nokia Corporation, Networks Business Group, Vice President, Contracts 1995-1996.
- Nokia Corporation, Networks Business Group, Legal Counsel 1992-1995, 1997.

Holdings Dec.31, 2015: –

Independent as regards both the Company and its significant shareholders.

Member of the Board of Bittium Corporation

Seppo Mäkinen

b. 1952, M.Sc. Physical Chemistry

Full-time occupation: Professional Board Member

Positions of trust:

- Bittium Corporation, Member of the Board 2015-.
- Neurotar Oy, Member of the Board 2015-.
- MedGroup Oy, Member of the Board 2013-.
- Valirx Plc, Member of the Board 2013-.
- Ginolis Oy, Member of the Board 2011-, Chairman of the Board 2011-2014.

Previous work history:

- Taikon Advisor, Managing Partner 2010-.
- Merieux Développement, Regional Partner, Nordics 2010-.
- Ventac Partners, Partner 2012-2016.
- Magnasense Technologies Oy, Member of the Board 2011-2015.
- Arcdia International Oy, Member of the Board 2011-2014.
- Balonco, Senior Advisor, owner 2012-2013.
- Mediracer Ltd., Chairman of the Board 2010-2013.
- RSP Systems, Member of the Board 2010-2011.
- Bio Fund Management Oy, Managing Partner 1997-2010.
- Sitra, Director in Life Science 1987-1997.
- Millipore/ Waters, Sales & Marketing 1983-1987.
- State Institute of Agricultural Chemistry, Chemist 1980-1983.
- Served as a Chairman or Member of the Board in Egalet A/S, SpinX Inc., Chempaq, Profos AG, Ilochip A/S, Exiqon A/S, KSH-Productor Oy, Merlin Diagnostika GmbH, Primex ASA, Rumen Oy, Millimed Inc., BioPorto A/S, Wallace, Kone Instruments, Rados Technologies, MAP Medical Technologies, Pharming NV, Bio-Orbit, Labmaster Oy, Viable Bioproducts and Fluilogic Oy.

Holdings Dec.31, 2015: –

Independent as regards both the Company and its significant shareholders.

Member of the Board of Bittium Corporation

Juha Putkiranta

b. 1957, M.Sc. Engineering

Full-time occupation: Saafricon Oy, CEO

Positions of trust:

- Bittium Corporation, Member of the Board 2015-.
- Nordcloud Oy, Member of the Board 2015-.
- Meontrust Oy, Advisor of the Board 2013-.
- Tuotantotalouden kiltä, Prodekon negotiation board member 2008-.

Previous work history:

- Saafricon Oy, CEO and owner 2015-.
- Microsoft Corporation, Corporate Vice President, Company Integration, 2014.
- Nokia Oyj, Executive Vice President, Operations 2013-2014.
- Nokia Oyj, Senior Vice President, Head of Nokia Supply Chain 2008-2012.
- Nokia Oyj, Senior Vice President, Head of Multimedia Product marketing and R&D 2006-2007.
- Nokia Oyj, Senior Vice President, Head of Imaging Business Unit 2003-2005.
- Nokia Oyj, Senior Vice President, Head of Cellular Telephones Unit 2000-2003.
- Symbian Ltd, Member of the Board 1998-2001.
- Nokia Oyj, Vice President, Corporate Planning and Business Development 1997-2000.
- Hewlett-Packard Corporation, Director of Marketing Europe and Africa, electronic measurement solutions 1992-1997.
- Siar Oy, consultant 1986-1987.
- Nokia Oyj, various project, sales and marketing management positions, information solutions unit 1979-1986.

Holdings Dec.31, 2015: Holds 10 000 shares in Bittium Corporation.

Independent as regards both the Company and its significant shareholders.

Member of the Board of Bittium Corporation

Staffan Simberg

b. 1949, MBA

Full-time occupation: Professional Board Member, Management Consultant

Positions of trust:

- Bittium Corporation (prev. Elektrobitt Corporation), Member of the Board 2008- and Chairman of the Audit and Financial Committee 2010-.
- Oriola-KD Corporation, Member of the Board and Audit Committee 2015-.
- Endomines AB (publ), Member of the Board and Audit Committee 2011-, Chairman of the Board 2012-.
- Simberg & Partners Oy, Chairman of the Board 1994-.
- NEZ-Invest AB, Chairman of the Board 1994-.

Previous work history:

- Bittium Technologies Ltd. (prev. Elektrobitt Technologies Ltd.), Member of the Board 2011-2015.
- Nordic Vehicle Conversion AB, Member of the Board 2011-2015.
- Silva Group AB, Member of the Board 2011-2015.
- Valmet Automotive Group, Advisor of the Board of Directors 2014.
- Metso Group, Industrial Advisor 2011.
- Cargotec Oyj, Industrial Advisor 2009, 2012.
- Metso Panelboard, Chairman 2008-2009.
- Landis & Gyr AG, Member of the Advisory Board 2007-2013.
- Enermet Group, Managing Director 2005-2007.
- Siar-Bossard, Associated Partner 1992-1994.
- Leading positions at Nokia 1978-1991.

Holdings Dec. 31, 2015: Corporation controlled by Simberg holds 50,000 shares in Bittium Corporation.

Independent as regards both the Company and its significant shareholders.

The board committees

The proper function of the corporate governance of a company requires that Board work be organized as efficiently as possible. For this reason the Company has established an Audit and Financial Committee.

The Directors on the committee can concentrate on the matters delegated to the committee more extensively than the entire Board of Directors. The purpose of the committee is to enhance the efficient preparation of matters within the competence of the Board, increase transparency and ensure the quality and efficiency of the decision making of the Board.

The committee assists the Board by preparing matters falling within the competence of the Board. The Board remains responsible for the duties assigned to the committee. The committee has no autonomous decision-making power, and thus the Board makes the decisions within its competence collectively.

A committee shall regularly report on its work to the Board. The reports shall include at least a summary of the matters addressed and measures taken by the committee.

The central duties and operating principles of the Audit and Financial Committee are described below. The Annual General Meeting decides on the compensation of the members of the Board committee and such compensations can be publicly reviewed from Company's website at www.bittium.com.

Audit and financial committee

The Audit and Financial Committee has the following duties:

- to monitor the reporting process of financial statements;
- to supervise the financial reporting process;

- to monitor the efficiency of the Company's internal control, internal audit, if applicable, and risk management systems;
- to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the Company's corporate governance statement;
- to monitor the statutory audit of the financial statements and consolidated financial statements;
- to evaluate the independence of the statutory auditor or audit firm and particularly the provision of related services; and
- to prepare the proposal for resolution on the election of the auditor.

The Chairman and the members of the Audit and Financial Committee are appointed by the Board of Directors of the Company. At least one committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company. The Board of Directors decided in its assembly meeting held on April 15, 2015 to elect Staffan Simberg (Chairman of the Committee), Seppo Laine, Authorized Public Accountant and Erkki Veikkolainen as members of the Audit and Finance Committee. The Board of Directors decided in its assembly meeting held on November 5, 2015 to elect Staffan Simberg (Chairman of the Committee) and Kirsi Komi as members of the Audit and Finance Committee. All members of the committee are independent from immediate interest of both the Company and its significant shareholders and they have long term experience in business management. The Board of Directors decided further in its same meeting to invite the former Chairman of the Board Mr. Seppo Laine as external advisor of the Board of Directors.

In addition to committee members, other regular participants to the committee meetings are CEO and CFO of the Company and optionally external auditors. Further, the committee members may meet the external auditors without the operative management being present in such meetings. In 2015, the Audit and Financial Committee convened six (6) times to ordinary meetings. The Committee has evaluated, prepared and reviewed, inter alia, the following subject matters during the financial period of January 1, 2015 - December 31, 2015:

- Financial Statements of 2014;
- Interim Reports of 2015;
- Annual audit plan for 2015;
- Observations based on auditing during the financial period;
- Observation by the internal control;
- Cash flow monitoring and evaluation of sufficiency of financing;
- Budget target setting and budgeting process;
- Dividend payment;
- M&A related issues and their effects on the result, balance sheet and financing status of the Group;
- Group legal structure related questions; and
- Impairment testing of the subsidiary shares and goodwill.

During 2016 the Committee's focus areas are:

- Assessment of material handling processes and development needs for related financial reporting;
- Assessment of off-balance sheet liability processes and risks;
- Assessment of product and service project offer and agreement processes; and
- Follow-up cash management and spend.

Chief Executive Officer

The CEO is in charge of the operative management of the Company in accordance with the Finnish Companies Act, the Articles of Association as well as the instructions and orders given by the Board of Directors. The CEO is responsible for the preparation of the Board meetings and implementation of any decisions made therein. Further, the CEO is responsible for ensuring that the Company's accounting methods comply with the applicable law and that the financial matters are being handled in a reliable manner. The CEO prepares strategy, long-term planning, investments, mergers and acquisitions, financing and makes decisions thereof to the extent that such decisions are not tasks of the Board of the Directors. The CEO is responsible for financial planning, the Company's communications and investor relations.

The Board of Directors defines and approves the essential terms of the service of the CEO, including the CEO's remuneration, in the form of a written agreement. The

CEO's service contract is effective until further notice and can be terminated by the Company with twelve (12) and the CEO with six (6) months' written notice.

The CEO is entitled to a pension under the Contracts of Employment Act and other legislation pertaining to pensions. The Finnish employee pension system (TyEL) allows for an oldage pension based on years of service and the income accumulated during those years, including the base salary, bonuses (excluding any option rights and shares subscribed on their basis) and taxable fringe benefits. The old age pension can be taken out at one's own discretion between the ages of 63–68 (flexible retirement age).

After having sold its Automotive business to Continental AG the Company merged its corporate functions and Wireless Business Segment's functions on August 7, 2015. Until this, the Company's CEO was Mr. Jukka Harju.



Hannu Huttunen

Chief Executive Officer, 2015–.
b. 1966, M.Sc. (Econ.)

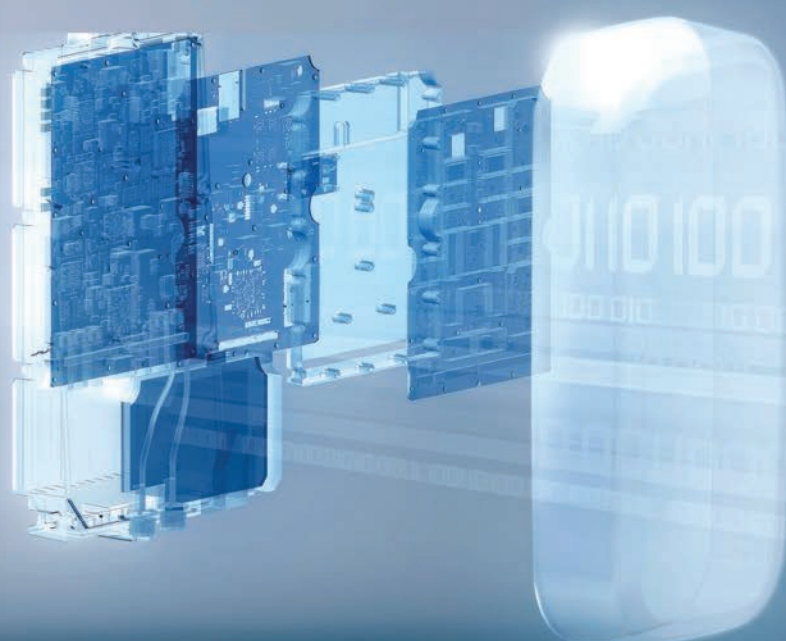
Positions of trust:

- Tekniseri Oy, Member of the Board 2012–.

Previous work history:

- Elektrobit Technologies Ltd., President, Wireless Business Segment 2010–2015.
- EXFO Inc., Vice President, Wireless Division (previously NetHawk Oy) 2010.
- NetHawk Oy, CEO 2003–2010.
- NetHawk Oy, Executive Vice President 2002–2003.
- Nokia Mobile Phones Oy, Vice President, IP Convergence 2002, Vice President Special Products Business 1998–2002, NMT450 Business unit leader 1995–1998.

Holdings Dec.31, 2015: –



Management group

The management group supports the CEO in his tasks and consists of the CEO as the chairman, CFO, CLO, Senior Vice President Sales, Director Corporate Communications and Marketing, Directors responsible for product and service areas, Vice President responsible for Engineering and Senior Vice President responsible for Operations. The management group supports the CEO in operative management, implementation and follow-up of the CEO's competence area, in particular as regards the operative business, the management and

development of the business portfolio, asset management and taxation, internal audit, Corporate Governance of the Company, investor and marketing communications and risk management.

After having sold its Automotive business to Continental AG the Company merged its corporate functions and Wireless Business Segment's functions on August 7, 2015. Until this, the management group consisted of CEO Jukka Harju, CFO Veli-Pekka Paloranta and CLO Kari Jokela.



Pekka Kunnari

Chief Financial Officer, 2015–.
b. 1967, M.Sc. (Econ.), LL.M.

Previous work history:

- Elektrobit Technologies Ltd., Vice President, Finance 2011–2015.
- Elektrobit Corporation, Director, Finance 2005–2011.
- Elektrobit Inc, Group Controller 2004–2005.
- Elektrobit Group Corporation, Group Controller 2003–2004.
- Elektrobit Ltd., Business Controller 2001–2003.
- RPC Rapid Prototyping Center Oy, Finance Manager 2000–2001.
- Tilintarkastajien Ltd., - Ernst & Young, Auditor 1998–2000.
- Tuottotieto Ltd., Business Consultant 1994–1998.

Holdings Dec.31, 2015: –



Kari Jokela

Chief Legal Officer, 2014–.
b. 1969, LL.M., trained on the bench, Mag.lur.(Saarbrücken)

Previous work history:

- Elektrobit Technologies Ltd, Senior Legal Counsel, 2012–2014.
- Elektrobit Corporation, Senior Legal Counsel, 2010–2012.
- Elektrobit Automotive GmbH, Senior Legal Counsel, 2008–2010.
- Elektrobit Corporation, Senior Legal Counsel, 2008.
- Polar Electro Ltd., Group Legal Counsel, 2000–2007.
- Asianajotoimisto Gilbert, Segall and Young Ltd., Attorneys at Law Helsinki, attorney, 1998–2000.

Holdings Dec.31, 2015: Holds 100 shares in Bittium Corporation.



Jari Sankala

Senior Vice President, Sales, 2015–.
b. 1966, M.Sc. (Electrical Engineering, Digital Communications)

Previous work history:

- Elektrobit Wireless Communications Ltd, Senior Vice President, Sales & Marketing, Wireless Business Segment, 2014–2015.
- Elektrobit Wireless Communications Ltd, Executive Vice President, Defence and Security, 2011–2014.
- NetHawk Group, Executive Vice President of Sales & Marketing, 2005–2011.
- NetHawk Germany, Managing Director, 2001–2005.
- Siemens AG, Sales Director Northern Europe, Mobile Networks, Germany, 1996–2001.

Holdings Dec.31, 2015: –



Karoliina Fyrstén

Director, Investor Relations, Corporate Communications and Marketing, 2015–.
b. 1977, M.A. International Business Communications

Previous work history:

- Elektrobit Corporation, Corporate Communications Manager, 2015.
- Elektrobit Automotive GmbH, Corporate Communications Manager, 2013-2015.
- Elektrobit Group Plc, Communications, 2002-2006.
- JOT Automation Group Plc, Investor Relations and Communications, 2001-2002.

Holdings Dec.31, 2015: Holds 100 shares in Bittium Corporation.



Harri Romppainen

Vice President, Defense, 2015–.
b. 1972, M.Sc. (Eng.), eMBA

Positions of trust:

- Association of Finnish Defence and Aerospace Industries (AFDA), Member of the Board, 2016–.

Previous work history:

- Elektrobit Wireless Communications Ltd., Vice President, Defense, Wireless Business Segment, 2014-2015.
- Elektrobit Wireless Communications Ltd., Senior Product Manager, 2011-2014.
- Elektrobit Wireless Communications Ltd., Sales Manager, 2009-2010.
- Elektrobit Wireless Communications Ltd., Product Manager, 2007-2008.
- Elektrobit, Site Manager, 2005-2007.
- Elektrobit, Project Manager, 2002-2005.
- Elektrobit, R&D Engineering, 1998-2001.
- Valmet Automotive, Research Engineer, 1997-1998.

Holdings Dec.31, 2015: –



Klaus Mäntysaari

Vice President, Telecom, 2015–.
b. 1966, M.Sc.

Positions of trust:

- Health Innovation Academy Oy, Deputy Member of the Board, 2014–.

Previous work history:

- Elektrobit Wireless Communications Ltd., Vice President, Telecom, Wireless Business Segment, 2014-2015.
- Elektrobit Wireless Communications Ltd., Vice President, Service Business Area, Wireless Segment, 2011-2014.
- Elektrobit Wireless Communications Ltd., Director, Sales & Marketing Development, Wireless Solutions Business Unit, 2008-2011.
- Elektrobit Wireless Communications Ltd., Director, Sales & Account Management & Marketing, Mobile Terminal Solutions Business Unit, 2008-2008.
- Elektrobit Wireless Communications Ltd., Director, Sales & Account Management, Mobile Terminal Solutions Business Unit, 2007-2008.
- Elektrobit Wireless Communications Ltd., Head of Customer Operations, Contract R&D Business Unit, 2006-2007.
- Elektrobit Ltd., Director, Global Nokia Key Account Management, Contract R&D Business Unit, 2005-2006.
- Elektrobit Ltd., Key Account Manager, Nokia Terminals, Contract R&D Business Unit, 2004-2005.
- Nokia, Senior Manager, Vodafone Account, Nokia Multimedia, IP Convergence Business Program, 2004-2004.
- Nokia, Senior Marketing Manager, Nokia Multimedia, IP Convergence Business Program, 2002-2004.
- Nokia, General Manager, Nokia Mobile Phones, Special Products, 2000-2002.
- Nokia, Marketing Manager, Nokia Mobile Phones, Special Products, 1998-2000.

Holdings : of interested parties
Dec.31, 2015: Holds 2200 shares in Bittium Corporation.



Sami Kotkajuuri

Vice President, IoT Solutions, 2015–.
b. 1967, M.Sc. (Computer Technologies)

Previous work history:

- Elektrobit Wireless Communications Ltd., Vice President, Connectivity Solutions, Wireless Business Segment, 2014–2015.
- Elektrobit Wireless Communications Ltd., Director, Product Management and R&D, Services and Special Terminals Product, 2013–2014.
- Elektrobit Wireless Communications Ltd., R&D Director, Service Business Area, 2010–2013.
- Elektrobit Wireless Communications Ltd., Director, Terminal Service Business Line, 2006–2009.
- Nokia Mobile Phones, Director, Operational Development, 2005–2006.
- Nokia Mobile Phones, Director, Program Portfolio Management, 2001–2005.
- Nokia Mobile Phones, Head of Mobile Messaging Technology, 2000–2000.
- Nokia Telecommunications, Head of Product Management, Mobile Switching, 1998–1999.
- Nokia Telecommunications, Head of Operation & Maintenance R&D, 1997–1998.

Holdings Dec.31, 2015: –



Jari-Pekka Innanen

Vice President, Engineering, 2015–.
b. 1968, M.Sc. (ME)

Previous work history:

- Elektrobit Wireless Communications Ltd., Vice President, Engineering, Wireless Business Segment, 2011–2015.
- Elektrobit, Senior Manager, WS Global Resourcing, 2007–2010.
- Elektrobit, Manager, Head of Global HW, 2006–2007.
- Elektrobit, Manager, Mobile Terminal Solutions, Head of HW Competence areas, 2006.
- Elektrobit, Manager, Mechanical Competence Center, 2003–2005.
- Elektrobit, Project Manager, BTS project, 1999–2003.
- Elektrobit, Mechanical Designer, 1998–1999.
- Outokumpu Stainless Steel, Supervisor Cold Rolling Mills, 1994–1997.

Holdings Dec.31, 2015: –



Arto Pietilä

Senior Vice President, Operations, 2015–.
b. 1958, M.Sc. (Applied Electronics)

Positions of trust:

- Evocons Oy, Member of the Board, 2011–.

Previous work history:

- Elektrobit Wireless Communications Ltd., Senior Vice President, Operations, Wireless Business Segment, 2010–2015.
- Elektrobit Wireless Communications Ltd., Senior Vice President, Wireless Solutions Business Unit, 2008–2010.
- Elektrobit Wireless Communications Ltd., Executive Vice President, Mobile Terminal Solutions Business Unit, 2006–2008.
- Elektrobit Wireless Communications Ltd., Executive Vice President, Contract R&D Business Unit, 2004–2006.
- Elektrobit Technologies Oy, Managing Director, 2004–2006.
- Elektrobit Oy, Managing Director, 2002–2004.
- Elektrobit Oy, Vice President, Contract R&D, 2001–2002.
- Polar Electro Oy, President & CEO, 1999–2001.
- Polar Electro Oy, Executive Vice President, 1996–1999.
- Polar Electro Oy, Technical Director, 1992–1996.
- Polar Electro Oy, Product Development Manager, 1986–1992.
- Polar Electro Ky/Oy, SW/HW Design Engineer, 1980–1986.

Holdings Dec.31, 2015: Holds 80 000 shares in Bittium Corporation.

Election and remuneration of the auditor

The Company shall have one (1) auditor that has qualified as Certified Public Accountant and if the auditor is not an auditing company as defined by the law, one (1) deputy auditor shall be elected. The term of office of the auditor expires at the end of the following Annual General Meeting.

The Annual General Meeting 2015 re-elected Ernst & Young Oy, authorized public accountant firm, auditor of the company. Ernst & Young Oy has notified that Mr. Juhani Rönkkö, CPA, will act as the responsible auditor. The Annual General Meeting decided that the remuneration for the auditors shall be paid against the auditor's reasonable invoice.

The auditor's fees in 2015 amounted to EUR 438,000 (EUR 491,000 in 2014). Of these, EUR 83,000 were attributable to continuing operations and 355,000 to discontinuing operations. Of the aggregate fees, EUR 96,000 were attributable to auditing (EUR 196,000 in 2014), EUR 73,000 to tax advice (EUR 145,000 in 2014) and EUR 268,000 to other services (EUR 150,000 in 2014).

Main features of internal control and risk management processes related to financial reporting processes

Risk management

The purpose of risk management is to secure positive development of earnings of the Company and the continuation of the business by implementing risk management cost-effectively and systematically throughout the different businesses.

Risk management is part of the Company's strategic and operative planning, daily decisionmaking process and internal control system. Business objectives, risks and risk management operations are combined through risk management as one chain of events.

Main principles of organizing risk management

Company adheres to the risk management policy approved by the Board.

Risk management contains all actions, which are connected to setting up targets, identification of risks, measurement, review, handling, reporting, follow-up, monitoring and reacting to risks.

The aim of risk management of the Company is to:

- systematically and thoroughly identify and assess all major risks, which threaten the achievement of objectives, including risks related to business operations, property, agreements, competence, currencies, financing and strategy;
- optimize business opportunities and secure continuation of business;
- recognize and identify uncertainties and subsequently develop the prediction of risks and measures needed to manage risks;
- take only calculated and assessed risks with respect to e.g. expanding the business, increasing market share and creating new businesses;
- avoid or minimize liability risks;
- ensure the safety of products, solutions and services;
- establish a safe working environment for the employees;
- minimize possibilities for unhealthy occurrences, crimes or misconduct by operating procedures, control and supervision;
- inform interest groups of risks and risk management; and
- be cost-effective in risk management.

The aim of risk management is not to:

- exclude all risks at their entirety;
- adopt unnecessary control and management procedures; or
- take bureaucratic processes and procedures into use

Main principles of the risk management process

In connection with the strategy process and annual planning the CEO reviews business risks which could endanger the achievement of strategic or profit targets. Risk assessment reports are produced to support the strategy process. Strategic and operative risks are monitored through monthly reporting by businesses in the Board of the Company. Businesses must produce assessments of risks in their designated areas of responsibilities and provide action plans to manage risks as well as to report on measures taken including the stage and effectiveness of such measures.

General description of internal control and operational procedures

Internal control is a process applied by the Board of Directors, management and all levels of personnel in the Company to ensure that management has reasonable assurance that

1. operations are effective, efficient and aligned with strategy;
2. financial reporting and management information is reliable, complete and timely made; and
3. the Company is in compliance with applicable laws and regulations as well as the Company's internal policies and ethical values including sustainability.

The first category addresses the basic business objectives, including performance and profitability goals, strategy, implementation of objectives and actions and safeguarding resources. The second category relates to the preparation of reliable published financial statements, including interim reports and condensed financial statements and selected financial data derived from such statements, such as earnings releases, reported publicly. The third deals with complying with those laws and regulations to which the Company is subject to.

Internal control framework of the company

Bittium's internal control framework consists of:

- the internal control, risk management and corporate governance policies and principles set by the Company's Board of Directors;
- management overseeing the implementation and application of the policies and principles;
- finance function and business controllers monitoring the efficiency and effectiveness of the operations and reliability of the financial and management reporting;
- enterprise risk management process identifying, assessing and mitigating risks threatening the realization of the Company's objectives;
- compliance procedures making sure that all applicable laws, regulations, internal policies and ethical values (including sustainability) are adhered to;
- effective control environment at all organisational levels including control activities tailored for defined processes and creating group minimum requirements for product and service areas as well as for geographical areas;
- shared ethical values and strong internal control culture among all employees; and
- internal audit assignments reviewing the effectiveness of the internal controls as needed

Risks and controls in core business processes

Risk management procedures are in place for business processes in the form of defined control points:

- Relevant process risks are identified;
- Common control points/ Company's minimum requirement control points are identified;
- Common control points are implemented in business processes;
- Additional control points can be determined as needed at business or functional levels.

Control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure

that necessary actions are taken to address risks to achievement of the Company's objectives. Control activities are set throughout the organization, at all levels and in all functions. They include various range of activities including but not limited to approvals, authorizations, verifications, reviews of operating performance, security of assets and segregation of duties.

Internal controls over financial reporting

The Company's external financial reporting process, internal control and risk management systems are briefly described in this section. The main focus is on financial accounting and related controls.

Financial reporting organization

The financial management of the Company is responsible for organizing the accounting, money transactions and other daily financial operations of the companies belonging to it as well as organizing the internal reporting that supports the business.

The tasks of the Company's financial administration consist of, inter alia, monthly consolidation of the Group entity, preparation of interim reports and consolidated financial statements, management and investment of monetary assets of the Group, management of liabilities, protection against exchange risk, and transfer pricing. The finance function of the Company implements operative supervision under the CFO who reports any supervisory findings to the Finance and Audit Committee. The tasks and responsibilities of the accounting function of the parent company and each subsidiary are included in the job descriptions of the teams and employees.

Financial reporting systems

Consolidated financial statements are prepared by using the chosen consolidation tool. The accounting of the Group's subsidiaries is done by using the local accounting systems from which the actual figures are reported either manually or by automatic transfer to the group consolidation system.

The accounting system in use includes general ledger accounting, accounts payables and accounts receivables. Current assets and payroll accounting is organized through various programs or purchased as an outsourced service. Purchase invoices are circulated through electronic invoice processing system.

Global forecasts and budgets are prepared by using the forecast and reporting program.

Internal controls

The Company's internal control mechanisms are based on policies, instructions, limited process descriptions, authorization matrix, financial reporting review meetings, and segregation of key accounting duties.

Compliance procedures

Compliance procedures are in place at all levels of the organization to ensure that all applicable laws, regulations, internal policies and ethical values including sustainability are adhered to. The management and businesses are responsible for following up developments in legislation and regulations in their respective areas and communicating them to the organization. The members of the Management Group are responsible for setting up adequate compliance controls and compliance related training in their units.

Roles and Responsibilities Regarding Risk Management and Internal Control

The key roles and responsibilities regarding the Company's internal control and risk management are defined as follows:

Board of Directors

The Board of Directors is ultimately responsible for the administration and the proper organisation of the operations of the company. According to good corporate governance, the Board also ensures that the company has duly endorsed the corporate values applied to its operations. The Board approves the internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk bearing capacity of the Company and re-evaluates them on a regular basis as part of the strategy and goal setting of the Company. The Board reports to the shareholders of the Company.

Audit and Financial Committee

Audit and Financial Committee is responsible for the following internal control related duties

- to monitor the reporting process of financial statements;
- to supervise the financial reporting process;
- to monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems;
- to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement; and
- to monitor the statutory audit of the financial statements and consolidated financial statements.

More detailed descriptions how Audit and Financial Committee is fulfilling its monitoring role are defined in Committee's annual plan. The Audit and Financial Committee reports to the Board of Directors of the Company.

Chief Executive Officer

CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board. CEO sets the ground of the internal control environment by providing leadership and direction to senior managers and reviewing the way they are controlling the business. CEO is in charge of the risk management process of the Company and its continuous development, allocation of resources to the work, review of risk management policies as well as defining the principles of operation and overall process. CEO reports to the Board on risk management as part of the monthly reporting. The CEO and the Management Group, which operates under CEO, are responsible for the management of risks endangering the fulfillment of objectives set to the Company.

Management Group

The members of the Management Group are responsible for internal control implementation in their responsibility areas. More specific internal control policies and procedures are established within the principles set by the Board and CEO. Additionally, the management of the sub-group and the Group

Management are responsible for implementing risk management practices in planning cycle and daily operations, and ensure the adherence of

- laws;
 - regulations;
 - internal policies; and
 - ethical values
- in their designated responsibility areas.

The CFO:

- ensures a setup of adequate control activities for product and service areas in cooperation with the business management;
- follows the adequacy and effectiveness of control activities; and
- ensures that external reporting is correct, timely and in compliance with regulations.

Finance function does not have a separate internal control function. Group CFO reports any supervisory findings to the Finance and Audit Committee.

Chief Legal Officer ensures that the Group's corporate governance practices comply with the law and that legal matters of the Group are handled appropriately, in particular the contractual risks relating to business operations.

Internal Audit

The Company has no specific internal audit organization. This is taken into account in the content and scope of the annual audit plan. On the one hand external auditing focuses on specific areas in turn to be audited, and on the other hand, on separately agreed priority areas.

Report by the Board of Directors 2015

In this Report by the Board of Directors reported continuing operations include previously reported Wireless business and corporate functions, and the Automotive business, sold on July 1, 2015, is reported as discontinuing operations. Cash flow includes both continuing and discontinuing operations.

Changing the name from Elektrobit Corporation to Bittium Corporation came into force on July 1, 2015. In this Report by the Board of Directors the name Bittium is also used in the events before the change of the company name.

Year 2015 in brief

Net sales of 2015 grew and operating profit improved from the previous year

Bittium's net sales during January-December 2015 grew by 7.8 percent year-on-year to EUR 56.8 million (EUR 52.7 million, in 2014). The growth in net sales was mainly driven by the deliveries of special terminal products and related R&D services, as well as other products for authorities use.

The share of the product-based net sales was EUR 13.1 million (EUR 14.1 million, in 2014), which resulted mainly from the product deliveries of the tactical communication system to the Finnish Defence Forces and from a similar but small pilot system delivery for a customer abroad, as well as from the deliveries of other terminal products for the authority use. The decrease in the product-based net sales was caused by the decrease in the amount of product deliveries to the Finnish Defence Forces compared to the previous year.

Operating profit from continuing operations was EUR 2.3 million (EUR 0.8 million, in 2014, including the non-recurring income of EUR 1.1 million resulting from the reorganization cases of the TerreStar Companies, EUR 0.6 million non-recurring costs resulting from Wireless Business Segment's personnel layoffs and from the acquisition costs of Safemove business). The operating profit includes EUR 0.4 million costs related to the change

of the company name. The improvement in the operating result was due to the growth in the net sales and slightly higher gross margin than usually.

Significant events during the reporting period

A total of 1,351,686 new shares in Bittium Corporation were subscribed between December 15, 2014 and November 30, 2015 by virtue of the option rights 2008B and 2008C. The share subscription price, EUR 823,438.10 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 6, April 14, June 24, September 1, October 29, and December 11, 2015. Shareholder rights by virtue of the new shares commenced as of the abovementioned registration entry dates. Trading with the newly registered shares started on February 9, April 15, June 25, September 2, October 30 and December 14 as an additional lot of Bittium Corporation's shares in Nasdaq Helsinki Ltd. On December 31, 2015, after the registration of the new shares, and cancellation of the shares acquired through the voluntary public tender offer, the number of shares in Bittium Corporation's was totaled to 35,600,168.

On January 2 a subsidiary of Bittium Corporation acquired 100 per cent of the shares of Birdstep Technology Oy, which was a fully owned Finnish subsidiary of Birdstep Technology ASA, based in Norway. The acquired

company's Safemove business provides its customers high quality information security solutions for mobile devices and portable computers. The acquisition strengthened the competitiveness of Bittium as a provider of secure communication solutions for defense, safety and other authorities markets. Birdstep Technology Oy's (currently Bittium Safemove Ltd) net sales was EUR 2.5 million in 2013 and EUR 2.9 million in 2014. At the time of the acquirement, the company employed 19 persons located in Espoo, Finland. The debt free cash purchase price was EUR 1.8 million. The acquisition had no significant impact on Bittium's balance sheet, net sales and financial position.

The Board of Directors of Bittium Corporation approved on February 18, 2015 a plan for partial demerger of the company and the listing of the new Bittium Corporation as a separate entity at Nasdaq Helsinki. Simultaneously the Board of Directors updated the strategic guidelines and financial targets for the years 2015 -2017. Based on the demerger plan, the assets and liabilities related to then Elektrobit Corporation's Wireless Business Segment would have been transferred to Bittium Corporation, a new entity that would have been listed at Nasdaq Helsinki. The Automotive Business Segment would have remained as a part of the then Elektrobit Corporation, which would have continued its listing at Nasdaq Helsinki. The partial demerger would have been set for an approval by an extraordinary general meeting, which was planned to be held on June 11, 2015. The planned effective date for the demerger

would have been June 30, 2015. The partial demerger process was cancelled on May 19, 2015 as the company announced its plan to sell the Automotive business to Continental AG.

On April 29, a notice was given to the shareholders of Bittium Corporation to an Extraordinary General Meeting that was planned to be held on June 11, 2015.

On May 2, Bittium Corporation announced that its subsidiary Bittium Wireless Ltd and the Ministry of Mexican Communication and Transportation (Secretaría de Comunicaciones y Transportes, SCT) had signed an agreement regarding the development of three types of Android-based L-band mobile devices for the SCT's MEXSAT program. These mobile devices will be based on Bittium's Specialized Device Platform, a customized Android-based platform designed especially for public safety and cyber security markets. The value of this development agreement was approximately USD 21.9 million (approximately EUR 19.5 million as per exchange rate of April 30, 2015). More than half of the contract value is expected to be recognized as revenue during 2016.

On September 14, the Extraordinary General Meeting that was convened to decide upon the voluntary public tender offer, decided also on the election of new members of the Board of Directors. Kirsi Komi, Juha Putkiranta and Seppo Mäkinen were elected as new members of the Board of Directors for a term commencing on November 5, 2015 and continuing until the close of the next Annual General Meeting. The new members of the Board of Directors replaced the previous members of the Board of Directors Jorma Halonen, Juha Hulkko and Seppo Laine, who had notified that they will leave the Board of Directors when the term of the new members commences.

On November 5, Bittium Corporation's new Board of Directors commenced its term that will continue until the close of the next Annual General Meeting. In the assembly meeting on the same day, the Board of Directors elected Erkki Veikkolainen as the Chairman of the Board. Further, the Board of Directors re-

solved to elect Staffan Simberg (Chairman of the committee) and Kirsi Komi as members of the Audit and Financial Committee and to invite to the Audit and Financial Committee the former Chairman of the Board of Directors Seppo Laine as the external advisor of the Board of Directors.

On December 7, Bittium announced to have received a purchase order from the Finnish Defence Forces for the Bittium Tactical Wireless IP Network (TAC WIN) system products, which are meant for tactical communications. The value of the received purchase order was EUR 5.1 million (excl. VAT). The order had no significant impact on Bittium's net sales, operating result or financial standing, and it did not change Bittium's financial outlook for the year 2015, published on November 5, 2015 in the Interim Report January–September 2015.

On December 23, Bittium Technologies Ltd and NCC Rakennus Oy signed a contract to build new facilities for Bittium in Oulu, Finland. The agreement is a design and construct contract in nature and the cost will be approximately EUR 13 million. The new facilities will be ready for use by the end of 2017 and will consist of approximately 8,600 square meters. It will be located at the intersection of Ritaharjantie and Tietolinja in Oulu. The total cost of the project is approximately EUR 15 million including land property and fittings. The project will be financed from the company's existing financing structure as the project moves forward. The company expects to streamline its operations and save costs from 2018 onwards once the project has been completed.

The sale of the Automotive business to Continental AG and the related changes

On May 19, Bittium Corporation announced that it will sell its Automotive business to Continental AG for a purchase price of EUR 600 million. The share purchase agreement was signed on May 18, 2015. The transaction was expected to close in the beginning of July 2015. The transaction comprised the sale of Elektrobit

Automotive GmbH and its subsidiaries, including its 51 percent ownership in e.solutions GmbH, a jointly owned company between Elektrobit Automotive GmbH and Audi Electronics Venture GmbH. Simultaneously the company cancelled the ongoing demerger process, and announced it will continue to carry on its Wireless business within its existing Elektrobit Corporation (currently Bittium Corporation). The company also announced to change its name to Bittium Corporation, as the Elektrobit brand would be included as a part of the transaction. In addition the company updated its outlook for 2015 based on the assumption that the sale of the Automotive business will materialize in the beginning of July. The Extraordinary General Meeting of Bittium Corporation, which was held on June 11, 2015, approved the sale of the Automotive business to Continental AG according to the Board of Director's proposal and recommendation. The Extraordinary General Meeting also resolved to change section 1 of the Company's Articles of Association and the name of the company.

The transaction was closed on July 1, 2015 as the closing conditions of the transaction, such as the approval of Bittium Corporation's Extraordinary General Meeting, receipt of the required authority approvals and other customary closing conditions were fulfilled. The purchase price of the transaction, EUR 600 million, was fully paid in cash upon the closing of the transaction.

As the transaction was closed, the name of the company was changed to Bittium Corporation, Bittium Oyj in Finnish, and the name change was registered in the trade register on July 1, 2015. The company continued to carry on its Wireless business and continued to be listed on Nasdaq Helsinki with its new name. Bittium's new trading code in the stock exchange is BITTI from July 2, 2015 onwards.

On July 1, Bittium updated the outlook for 2015 due to the sale of the Automotive business and the change of the company name. Outlook regarding the net sales and operating result of the continuing operations remained the same as given in the outlook in the stock ex-

change release published on May 19, 2015. It was estimated that the transaction will have a non-recurring positive effect of approximately EUR 530 million on net profit and approximately EUR 575 million non-recurring positive effect on net cash flow of the Bittium group in the year 2015.

On July 1, Bittium updated its strategic guidelines and outlook for 2015 due to the sale of the Automotive business and the change of the company name. Bittium carried on its Wireless business according to the announcements made on February 19, 2015, and according to the strategic guidelines and financial targets for 2015-2017.

On August 6, as a result from the sale of the Automotive business on July 1, 2015, the Board of Directors of Bittium Corporation decided upon nominations and changes in the company's management. Hannu Huttunen, M.Sc. (Econ.) was appointed CEO of Bittium Corporation as of August 7, 2015. The contract of Bittium's then current CEO Jukka Harju terminated on August 6, 2015 by mutual consent, and he did not continue at Bittium after August 2015.

The company also announced, that as of August 7, 2015 the corporate functions and Wireless Business Segment's functions will be merged and the following persons will make the company's new management team: Hannu Huttunen, CEO (chairman); Veli-Pekka Paloranta, CFO; Kari Jokela, CLO; Jari Sankala, Senior Vice President, Sales; Karoliina Fyrstén, Director, Corporate Communications and Marketing, heads of product and services areas: Harri Romppainen, Vice President, Defense; Klaus Mäntysaari, Vice President, Telecom; and Sami Kotkajuuri, Vice President, Connectivity; Jari-Pekka Innanen, Vice President, Engineering and Arto Pietilä, Senior Vice President, Operations.

CFO Veli-Pekka Paloranta decided to move to another company in November 2015 and resigned from Bittium. He continued as Bittium's CFO until November 2015. M.Sc. (Econ.) LL.M. Pekka Kunnari was appointed as CFO of Bittium Corporation as of beginning of November 2015.

It was also decided that the Board of Directors of the Wireless Business Segment will be discontinued, since Bittium focused on one business and there was no need for another board in addition to the Board of Directors of Bittium Corporation.

On August 6, Bittium told that it plans to distribute the net proceeds from the sale of its Automotive business, a maximum of EUR 595 million, to its shareholders in the first instance by repurchasing own shares in a voluntary public tender offer directed to all shareholders of the company. The technical analyses regarding the execution of the possible public tender offer were continued and also other possible ways to carry out the distribution of funds were being evaluated simultaneously, and at that moment there was no certainty which distribution method the Board of Directors will propose to the Extraordinary General Meeting. The planned distribution of funds required preparation of separate interim accounts, after the completion which the Board of Directors was expected to decide on the proposal to the Extraordinary General Meeting regarding the distribution method and the amount of funds to be distributed during the latter half of August 2015.

On August 24, Bittium told that it is planning to repurchase its own shares and stock options for a total purchase price of approximately EUR 595 million in a voluntary public tender offer directed to all shareholders and holders of stock options 2008C of the company. The offer would be made at market price and the consideration offered would be determined as the volume weighted average price of the share based on transactions in Nasdaq Helsinki Ltd over the five days preceding the acceptance of the offer document rounded to the nearest full euro cent. The offer would be made for a maximum of 124,747,351 shares, corresponding approximately to 94.1 per cent of all the shares in the company on the date of the release. The offer would also be made for a maximum of 252,648 stock options. The offer would be executed only for the part of the consideration payable for the shares amounting up to EUR 593,797,392.67 in the aggregate

and for the stock options amounting up to EUR 1,202,607.33 in the aggregate. A shareholder or a holder of stock options had the option to accept the offer for all the shares and/or stock options owned by him/her or for a number of shares and/or stock options of his/her choosing per each book-entry account.

On August 24, the company gave a notice to its shareholders to an Extraordinary General Meeting on the repurchase of the company's own shares and stock options 2008C entitling to shares by means of a voluntary public tender offer made to all shareholders and holders of stock options 2008C. As part of the arrangement to distribute the net proceeds from the sale of its Automotive business to its shareholders, Bittium Corporation also prepared its interim financial statements from the period of January 1 - July 1, 2015.

The Extraordinary General Meeting of Bittium Corporation, held on September 14, 2015, decided in accordance with the proposal of the Board of Directors that the company repurchases its own shares and stock options 2008C entitling to shares by means of a voluntary public tender offer made to all shareholders and holders of stock options.

On September 22, the company announced that its public tender offer for own shares and stock options will commence on September 25, 2015 and expire on October 16, 2015. The offer price for a share was EUR 5.06 and for a stock option EUR 4.51. The share offer price was, in accordance with the decision of the company's Extraordinary General Meeting held on September 14, 2015, the volume weighted average price per share based on transactions in the official list of Nasdaq Helsinki Ltd during the five trading days preceding the acceptance of the offer document (between September 15 - September 21, 2015), rounded to the nearest full euro cent. The offer document, accepted by the Finnish Financial Supervisory Authority, was available from September 23, 2015 onwards on the company's internet pages.

On October 19, 2015 Bittium announced that according to the preliminary result of the offer, the shares tendered in the offer represented approximately 73.2 percent of all the shares and votes in the company. In addition, according to the preliminary result of the offer, approximately 62.0 percent of all the stock options in the company had been tendered in the offer.

On October 21, the company announced that according to the final result of the offer, 97,244,662 shares were tendered in the offer, representing approximately 73.2 percent of all the shares and votes in the company. In addition, 166,694 stock options were tendered in the offer, representing approximately 62.0 percent of all the stock options in the company. As a result of completing the offer the cash balance and equity of the company will decrease by approximately EUR 493 million. Completing the offer did not have effect on the guidance for result of operations concerning the year 2015 previously published by the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Kai Hildén in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Eero Halonen in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish

Securities Market Act, according to which the holdings of Erkki Veikkolainen in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Juha Hulkko in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 27, the company announced to have cancelled its own shares and stock options 2008C as a result of the completion of a voluntary public tender offer for the company's own shares and stock options. In accordance with the terms and conditions of the offer, the shares and stock options transferred in the offer became null and void as part of the settlement of the completion trades of the offer. As a result of the shares and stock options becoming null and void, the number of company's remaining shares was 35,578,835, and the number of company's all remaining stock options was 102,300. Settlement of 5,467 shares to be transferred in the offer was not completed within the same timetable as the settlement of the other shares transferred, and such shares had not yet become null and void.

On October 28, the company announced that as the voluntary public tender offer for its own shares and stock options 2008C, decided by the Extraordinary General Meeting of the company on September 14, 2015, resulted in changes in the ownership of the company, the company published the changes with regards to its ten largest shareholders resulting from completing the offer.

On October 28, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish

Securities Market Act, according to which the holdings of Jukka Harju in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On November 4, the company announced to have cancelled 5,467 of its own shares transferred in the offer, that didn't became null and void on October 27, 2015 in connection with the completion of the offer. After these shares became null and void, the number of company's remaining shares was 35,598,368, and as of November 4, the number of company's all remaining stock options was 102,300.

Financial performance in January-December 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR

| | 1-12/2015 12 months | 1-12/2014 12 months |
|--|--------------------------------|--------------------------------|
| Continuing operations | | |
| Net sales | 56.8 | 52.7 |
| Operating profit / loss | 2.3 | 0.8 |
| Financial income and expenses | -0.2 | -0.2 |
| Result before tax | 2.1 | 0.6 |
| Result for the period from continuing operations | 2.3 | 1.3 |
| Result for the period from discontinuing operations | 539.0 | 11.2 |
| Result for the period | 541.3 | 12.5 |
| Total comprehensive income for the period | 541.5 | 12.9 |
| Result for the period attributable to: | | |
| Equity holders of the parent | 541.3 | 12.5 |
| Total comprehensive income for the period attributable to: | | |
| Equity holders of the parent | 541.5 | 12.9 |
| Earnings per share from continuing operations, EUR | 0.020 | 0.010 |

- Cash flow from operating activities was EUR 2.1 million (EUR 10.5 million, in 2014). The cash flow includes the operating cash flow of the Automotive business until June 30, 2015.
- Net cash flow was EUR 79.5 million (EUR 0.3 million, in 2014). Net cash flow includes the dividend payment of EUR 5.3 million in April, the cash flow of the Automotive business until June 30, 2015, and the cash flows related to the sale of the Automotive business and cancelled demerger process, as well as cash flows resulting from the voluntary public tender offer for the company's own shares and stock options and from the costs resulting from the process.
- Equity ratio was 90.5 percent (62.3 percent, December 31, 2014).
- Net gearing was -88.2 percent (-37.4 percent, December 31, 2014).
- The key figures January–December 2015 mentioned above are essentially affected by the sale of the Automotive business and thereof received net proceeds.

Quarterly figures

GROUP'S NET SALES AND OPERATING RESULT, CONTINUING OPERATIONS, MEUR

| | 4Q 15 | 3Q 15 | 2Q 15 | 1Q 15 | 4Q 14 |
|---|-------|-------|-------|-------|-------|
| Net sales | 15.2 | 11.1 | 15.3 | 15.1 | 16.1 |
| Operating profit (loss) | 0.8 | 0.0 | 1.0 | 0.5 | 1.8 |
| Operating profit (loss) without non-recurring costs | 0.8 | 0.0 | 1.0 | 0.5 | 2.4 |
| Result before taxes | 0.9 | 0.1 | 0.8 | 0.4 | 1.6 |
| Result for the period | 1.1 | 0.1 | 0.8 | 0.4 | 2.4 |

Non-recurring items

Non-recurring items are exceptional gains and losses that are not related to normal business operations and occur only seldom. These items include capital gains or losses, significant changes in asset values such as write-downs or reversals of write-downs, significant restructuring costs, or other items that the management considers to be non-recurring. When evaluating a non-recurring item, the euro translation value of the item is considered, and in case of a change in an asset value, it is measured against the total value of the asset.

In 2014 the following non-recurring items were included:

- Non-recurring income of approximately EUR 1.1 million in the Wireless Business Segment resulting from the reorganization cases of TerreStar companies during the third quarter of 2014; and
- A total of EUR 0.6 million of non-recurring costs resulting from the Wireless Business Segment's personnel layoffs and from the acquisition costs of Safemove during the last quarter of 2014.

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %

| | 4Q 15 | 3Q 15 | 2Q 15 | 1Q 15 | 4Q 14 |
|----------|----------------|----------------|----------------|----------------|----------------|
| Asia | 0.0 0.0 % | 0.1 0.6 % | 0.1 0.6 % | 0.0 0.2 % | 0.2 1.5 % |
| Americas | 2.9 19.2 % | 1.0 9.1 % | 2.2 14.6 % | 2.1 14.2 % | 0.6 3.5 % |
| Europe | 12.3 80.7 % | 10.1 90.4 % | 13.0 84.9 % | 13.0 85.6 % | 15.3 94.9 % |

Research and development

Bittium continued its R&D investments in products and product platforms mainly 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 mobile security and public safety use. A significant part of these capitalized R&D investments is related to the development of the Bittium Tough Mobile product.

R&D INVESTMENTS, MEUR

| | 1-12/2015 12 months | 1-12/2014 12 months |
|----------------------------------|------------------------|------------------------|
| Total R&D investments | 7.3 | 6.9 |
| Capitalized R&D investments | -3.4 | -2.1 |
| Depreciations of R&D investments | 0.2 | 0.1 |
| Cost impact on income statement | 4.2 | 4.9 |
| R&D investments, % of net sales | 12,9 % | 13,0 % |

CAPITALIZED R&D INVESTMENTS IN BALANCE SHEET, MEUR

| | 1-12/2015 12 months | 1-12/2014 12 months |
|--|------------------------|------------------------|
| Balance sheet value in the beginning of the period | 2.2 | 0.3 |
| Additions during the period | 3.4 | 2.1 |
| Acquisitions of the business | 0.3 | |
| Depreciations of R&D investments | -0.2 | -0.1 |
| Balance sheet value at the end of the period | 5.6 | 2.2 |

The development of business operations in 2015

In January Bittium strengthened the competitiveness as a provider of secure communication solutions for defense, safety and other authorities markets by acquiring the Safemove business from Birdstep Technology ASA, based in Norway. The acquired Birdstep Technology Oy provides its customers with high quality information security solutions for mobile devices and portable computers. Bittium's product portfolio expanded from the existing information secure device solutions with the protection of data communications. Safemove software can be utilized in several Bittium's products and product platforms, such as in Bittium Tough Mobile secure smartphone and in Bittium's Secure IoT solutions and services as well as in defense products. The debt free cash purchase price was EUR 1.8 million. The acquisition has no significant impact on Bittium's balance sheet, net sales and financial position. The company is reported as part of Bittium from January 1, 2015 onwards.

In February Bittium announced to have integrated an information security solution to its Bittium IoT Device Platform that enables secure connectivity from the IoT device to the customer's cloud services. The Bittium IoT Device Platform is a compact and powerful platform, which enables development of different kind of products that have wireless connectivity and various sensors for the Wearable, Healthcare, Machine-to-Machine communication and Industrial Internet markets. The integrated security software protects the IoT devices from network attacks and secures connections between the devices and services.

Bittium aims at bringing its products to the global defense and other authority markets and continued its sales and marketing efforts and R&D investments into these markets. During the first quarter Bittium participated in several exhibitions showcasing its tactical communication products and solutions, secure Bittium Tough Mobile LTE smartphone, Bittium IoT Device Platform and Bittium Safemove software. These trade fairs were IDEX 2015 in Abu Dhabi, United Arab Emirates, Mobile World Congress 2015 in Barcelona, Spain,

UK Health Week 2015 in London, CeBIT 2015 in Hannover, Germany, and Mobile Government Summit 2015 conference in London, England.

The development of Bittium Tough Mobile that is targeted for cyber security and other demanding use of public safety authorities was continued during the first quarter. The product is planned to be ready for deliveries to customers during the second half of this year.

The demand for Bittium's R&D services for mobile infrastructure customers continued as stable during the second quarter of the year. The demand was driven by the use of LTE technology and the need to develop low power and micro base stations. Also the demand for Bittium's R&D services in IoT (Internet of Things) markets remained as stable.

In April, subsidiary of Bittium Corporation and Ministry of Mexican Communication and Transportation (Secretaría de Comunicaciones y Transportes, SCT) have signed an agreement regarding the development of three types of android-based L-band mobile devices for their Mexsat program. The value of this development agreement is approximately USD 21.9 million (approximately EUR 19.5 million as per exchange rate of April 30, 2015). The development work of the products was started during the second quarter of the year which also increased the net sales of the quarter.

In the third quarter the R&D phase of Bittium Tough Mobile at the final stage and the first product deliveries will be made already during this year. The authorities markets are slowly developing markets by their nature and the sales of Bittium Tough Mobile is expected to develop steady along the market development pace.

The demand for Bittium's R&D services for mobile infrastructure customers continued stable during the third quarter of the year. The demand was driven by the use of LTE technology and the need to develop low power and micro base stations.

Bittium continued its efforts in bringing its defense market targeted product portfolio to the international defense markets, and delivered the first small pilot delivery of its tactical wireless IP network system for a customer abroad.

The defense market sales cycles are long by its nature and winning significant deals take several years. Also the deliveries of tactical communication products, systems and services to the Finnish Defence Forces continued as well as the good cooperation with the Finnish Defence Forces in developing Bittium tactical communication system.

The development of the mobile devices for Mexican government authority has been started. Due to the failed launch of customer's first satellite, the overall project schedule is expected to be delayed from the original. Over half of the contract revenue is expected to materialize during 2016.

During the third quarter, Bittium participated in the Comprehensive Security exhibition in Tampere, Finland, as well as in the DSEI 2015 exhibition targeted for defense industry in London, UK, where the company presented the products targeted for defense and authorities customers.

In the fourth quarter Bittium launched Bittium Secure Suite device management and encryption software that complements Bittium Tough Mobile smartphone with new software and services. Bittium Secure Suite enables the most effective usage of the device security features, secure remote management, remote attestation and securing the data network connections of the device. Bittium Tough Mobile smartphone together with Bittium Secure Suite form a unique, complete, reliable system for processing and transferring sensitive and classified material and securing critical communication.

In December the Finnish Communications Regulatory Authority granted approval for the Mobile Security and Public Safety targeted Bittium Tough Mobile LTE smartphone and related device management and information security management system to process National classification level IV (ST IV, national restricted) material. Bittium's mobile solution is the first product to receive an official encryption product classification in Finland, which can on top of creating and processing of classified information also transfer material between a smartphone and connected backend solutions.

Towards the end of the year the R&D phase of Bittium Tough Mobile was finalized and the product deliveries started in a form of small pilot orders, mainly for customers abroad. In November Bittium exhibited the phone at the British APCO exhibition in Newcastle, UK, targeted for Public Safety officials. The authorities markets are slowly developing markets by nature and the sales of Bittium Tough Mobile is expected to develop steadily along the market development pace.

The development of the tactical communication system Bittium Tactical Wireless IP Network (TAC WIN) was continued during the fourth quarter and Bittium received from the Finnish Defence Forces a new order for system product deliveries for 2016. During the quarter Bittium also received an order from the Finnish Defence Forces for further development of the TAC WIN waveform to enhance the system with additional features and optimized performance. The Finnish Defence Forces also ordered a productization of the European high data rate radio waveform developed in the ESSOR program to the Bittium TAC WIN system used by the Finnish Defence Forces.

Bittium continued its efforts to bring the defense market targeted product portfolio to the international defense markets, and delivered the first pilot delivery of its Tactical Wireless IP Network system for a customer abroad. The company aims at other similar international openings during the year 2016 as well. Bittium exhibited its tactical communications products at the AUSA (Association of the United States Army) Annual Meeting & Exposition in October in Washington D.C., USA. The sales cycles in the defense markets are long by their nature and winning significant deals takes several years.

The demand for Bittium's R&D services for mobile infrastructure customers continued stable also during the fourth quarter. The demand was driven by the use of LTE technology and the need to develop smaller LTE base stations. The development of the mobile devices for Mexican government authority continued well during the fourth quarter.

Outlook for 2016

Bittium expects that the net sales in 2016 will grow from the previous year (net sales of EUR 56.8 million, in 2015). The development of the operating result includes currently many uncertainties and therefore the company has now decided not to give guidance on the development of the operating result. These uncertainties include possible non-recurring investments in building long-term growth and significant variations in the operating result between the quarters due to the timing of product deliveries.

More information about Bittium's market outlook is presented in the section "Market outlook" in this Report by the Board of Directors.

More information about other uncertainties regarding the outlook is presented in this Report by the Board of Directors, in the section "Risks and uncertainties" and on the company's internet pages at www.bittium.com.

Market outlook

Bittium's customers operate in various industries, each of them having their own industry specific factors driving the demand. A common factor creating demand among the whole customer base is the growing need for higher speed, higher quality and secure data transfer. Due to the technology competence accrued over time and long history in developing mobile communication solutions, Bittium is in a good position to offer customized solutions for its customers.

The following factors are expected to create demand for Bittium's products and services in 2016 and beyond:

- In the mobile 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 LTE net-

works. 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 2016.

- The trend of using commercial technologies, such as LTE, smartphones and applications, is expected to continue in special verticals, such as public safety and cyber security thus 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 for 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 defense sector's tactical communication market the government's 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 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 growing 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 and security of the devices 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.

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.

As Bittium's customer base consists mainly of companies operating in the field of telecommunication and defense and other authorities, the company is exposed to market changes in these industries. A significant part of Bittium's net sales accumulates from selling R&D services to a certain mobile communications equipment manufacturer and from selling products and R&D services to the Finnish Defence Forces. 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 will thereby be mainly affected by the general business climate in these industries. The more specific market outlook has been presented in this Report by the Board of Directors in "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 commer-

cially 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. 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. 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 10.0 million with Nordea Bank Finland Plc and a committed overdraft credit facility agreement of EUR 10.0 million with Pohjola Bank Plc. These agreements meant for general financing needs are valid until June 30, 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

Events after the review period

The company does not have any significant events after the review period.

Statement of financial position and financing

The figures presented in the statement of financial position of December 31, 2015, are compared with the statement of the financial position of December 31, 2014 (MEUR).

| | 31.12.2015 | 31.12.2014 |
|------------------------------|------------|------------|
| Non-current assets | 14.4 | 48.8 |
| Current assets | 145.0 | 118.0 |
| Total assets | 159.4 | 166.8 |
| Share capital | 12.9 | 12.9 |
| Other capital | 124.6 | 80.5 |
| Total equity | 137.6 | 93.4 |
| Non-current liabilities | 2.0 | 7.6 |
| Current liabilities | 19.8 | 65.8 |
| Total equity and liabilities | 159.4 | 166.8 |

Cash flow of the review period:

| | 1-12/2015 | 1-12/2014 |
|--|-----------|-----------|
| + profit of the period +/- adjustment of accrual basis items | 12.2 | 27.4 |
| +/- change in net working capital | -6.2 | -12.1 |
| - interest, taxes and dividends | -3.9 | -4.7 |
| = net cash from operating activities | 2.1 | 10.5 |
| - net cash from investing activities | 579.6 | -9.2 |
| - net cash from financing activities | -502.2 | -1.0 |
| = net change in cash and cash equivalents | 79.5 | 0.3 |

Net cash from operating activities includes operative cash flows generated by the Automotive business during first half of the year. Net cash from investing activities includes cash flows related to the sale of the Automotive business on the third quarter of the year. The net cash flow from financing activities includes the cash flow of EUR -493.5 million resulting from the repurchasing of own shares and stock options in the voluntary public tender offer during fourth quarter. Altogether the proceeds and costs resulting from the sale of the Automotive business have approximately EUR 585.2 million positive effect on the cash flows of the review period.

The amount of gross investments in the period under review was EUR 74 million including EUR 1.8 million investments related to acquisitions. Net investments for the reporting period totaled EUR 7.4 million. The total amount of depreciation during the period under review was EUR 2.5 million. The amount of interest-bearing debt of continuing operations, including finance lease liabilities, was at the end of

the reporting period EUR 1.4 million (EUR 8.3 million on December 31, 2014). Bittium's equity ratio at the end of the period was 90.5 % (62.3 % on December 31, 2014). The high equity ratio is significantly affected by the proceeds generated from the sale of the Automotive business.

Cash and other liquid assets at the end of the reporting period were EUR 122.8 million (EUR 43.3 million on December 31, 2014).

Bittium has a EUR 10 million credit facility agreement with Nordea Bank Finland Plc. and a EUR 10 million credit facility agreement with Pohjola Bank Plc. These agreements are intended for general financing purposes and they are valid until June 30, 2017. These agreements include conventional covenants and covenants related to transfer of assets were breached at the sale of the Automotive business on July 1, 2017. The banks have informed Bittium that they will not use their rights to terminate credit facility agreements related to the sale of the Automotive business. At the end of the review period, EUR 0.0 million of these facilities were in use.

Bittium follows a hedging strategy that objective is to ensure the business margins in changing market circumstances by minimizing the influence of exchange rates. According to hedging strategy principles, the agreed customer commitments' net cash flow in the currency is hedged. The net cash flow is determined on the basis of accounts receivable, accounts payable, order book and budgeted net currency cash flow. The hedged foreign currency exposure was equivalent to EUR 2.5 million at the end of the review period.

Environmental factors

Bittium's business operations focus mostly on the design, assembly provided by the manufacturing partners and marketing of products. This represents only a minor part of the environmental impacts over the entire life cycle of the products. Products manufactured by the Company have only minor general environmental impacts.

Bittium Corporation has its environmental management system certified according to ISO 14001:2004 standard. The environmental management system has been renewed to cover the requirements of the ISO14001:2015 standard. Company is monitoring globally the environmental requirements for products and derived national regulations to the extent that they are related to the company operations. Bittium has also observed and applied the requirements of the ROHS (use of hazardous substances) and WEEE (recycling of electrical and electronic equipment) directives in design since 2002.

Since 2009, the applied environmental standards and regulations in company operations have been consolidated as uniform Bittium substance list, applicable also to Bittium's significant suppliers. The substance list includes, in addition to the so called ROHS2 and REACH standards, the substance requirements applicable in different market areas against which identification of materials is made if needed. In addition materials declaration list observes certain customer specific requirements.

Company has further updated the requirements on a biannual basis and applied the proper environmental requirements to the products or solutions, in which Bittium has partial or total responsibility depending on the application scope. The imposed requirements will be observed in business operations on a country-specific basis.

During 2015 Bittium has also further developed company environmental reporting, based on which the environmental objectives have been followed. In addition, company has also started the implementation of energy efficiency system according to ETJ+ - standard to be added into certified ISO14001 - system. The implementation of the Energy Efficiency system will be finalized during 2016.

Personnel

The Bittium group employed an average of 511 people in continuing operations between January and December 2015. At the end of December, the company had 517 employees (474 employees in continuing operations at the end of 2014). A significant part of Bittium's personnel are R&D engineers.

Incentive systems

Share related remuneration schemes

2008A-C

The Annual General Meeting decided on March 14, 2008 that there is a weighty financial reason for the Company to issue stock options since the stock options are intended for use as part of the incentive and commitment program for key personnel.

The maximum total number of stock options is 4,200,000, of which 1,400,000 were marked with the symbol 2008A, 1,400,000 with the symbol 2008B, and 1,400,000 with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the Company or treasury shares.

The subscription price for the shares to be subscribed based on the stock options is based on the prevailing market value of the Bittium Corporation share at Nasdaq Hel-

sinki in January 2009, January 2010 and January 2011. At the end of 2015, 1,292,322 stock options with symbol 2008A, 1,089,000 stock options with symbol 2008B, and 1,385,000 stock options with symbol 2008C were distributed to the key employees of Bittium Corporation.

Variable pay system

Variable pay will be paid based on the achieved targets. A limited amount of Bittium's employees are participating into Variable Pay (VP) program. The criteria for the short-term merit pay are the financial strategic targets of the Company. In addition, part of the targets may be other company's objectives or personal targets. Personal targets vary between duties.

In 2015 the earning period for the Variable Pay was the calendar year. The targets are determined separately for each earnings period. The setting of targets and the review of their achievement is decided on one-over-one basis.

Authorizations of the Board of Directors at the end of the reporting period

Authorizing the Board of Directors to decide on the repurchase of the Company's own shares

The General Meeting held on April 15, 2015 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 12,500,000 shares, which corresponds to approximately 9.50 per cent 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 10, 2014 to decide on the repurchase of the company's own shares. The authorization is effective until June 30, 2016.

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

The General meeting held on April 15, 2015 authorized the Board of Directors to decide on the issuance of shares and other 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 25,000,000 shares, which corresponds to approximately 19.00 per cent 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 10, 2014 to decide on the issuance of shares as well as the issuance of other special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act. The authorization is effective until June 30, 2016.

Shares and shareholders

The Shares of Bittium Corporation are quoted on the Nasdaq Helsinki. The company has one series of shares. All shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The company's shares have been entered into the Euroclear Finland Ltd.'s book-entry securities system.

At the end of the financial period, the fully paid share capital of the company entered into the Finnish Trade Register was EUR 12,941,269.00 and the total number of the shares was 35,600,168. The accounting par value of the

company's share is EUR 0.10. The company does not have its own shares in its possession.

Shareholding and control related information is presented in section 34 of the notes to the Financial Statement.

Flagging notifications

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Kai Hilden in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Eero Halonen in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Erkki Veikkolainen in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 22, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Juha Hulkko in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

On October 28, the company announced to have received a flagging announcement pursuant to chapter 9, section 5 of the Finnish Securities Market Act, according to which the holdings of Jukka Harju in Bittium will decrease below the threshold of 5 percent of the voting rights and total number of shares of the company.

Stock options

The Annual General Meeting of March 14, 2008, decided to issue stock options to Bittium's key personnel. The maximum number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or treasury shares. The proportion of the shares that can be subscribed using the stock options to be issued will be a maximum total of 3.1 percent of the company's shares and associated voting rights after a possible share subscription, should new shares be issued in the subscription. The subscription price for the shares to be subscribed based on the stock options shall be based on the prevailing market value of the Bittium Corporation share at Nasdaq Helsinki in January 2009, January 2010 and January 2011. The subscription price will be recorded in the fund for invested unrestricted equity. The share subscription period for stock options 2008A is 1 April 2012–31 March 2014, for stock options 2008B 1 April 2013–31 March 2015, and for stock options 2008C 1 April 2014–31 March 2016.

The Board of Directors of Bittium Corporation decided on June 5, 2013 on the transfer of stock options 2008A and 2008B to the Finnish book-entry system and to apply for listing of 1,400,000 stock options 2008A and of 1,400,000 stock options 2008B on the official list of Nasdaq Helsinki. The trading with the stock options started on June 17, 2013. The share subscription period for stock options 2008A will end on March 31, 2014. The share subscription period for stock options 2008B will end on March 31, 2015.

The Board of Directors of Bittium Corporation has decided on the transfer of series 2008C stock options to the Finnish book-entry system on December 20, 2013 and to apply for listing of 1,400,000 stock options 2008C on the official list of Nasdaq Helsinki. Application was made for the listing to commence on April 1, 2014. The share subscription period for series 2008C stock options will commence on April 1, 2014 and will end on March 31, 2016.

A total of 1,351,686 new shares in Bittium Corporation were subscribed between December 15, 2014 and November 30, 2015 by virtue of the option rights 2008B and 2008C. The share subscription price, EUR 823,438.10 was recorded in the company's invested non-restricted equity fund. The corresponding increase in the number of the company's shares were entered into the Finnish Trade Register on February 6, April 14, June 24, September 1, October 29, and December 11, 2015. 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 9, April 15, June 25, September 2, October 30 and December 14 as an additional lot of Bittium Corporation's shares in Nasdaq Helsinki Ltd. On December 31, 2015, after the registration of the new shares, and cancelling the shares acquired through the voluntary public tender offer, the number of shares in Bittium Corporation's totaled to 35,600,168.

More information and terms and conditions of stock options 2008 are available in the Company's web pages at www.bittium.com/investor_relations.

Changes in the company's management

On August 6, as a result from the sale of the Automotive business on July 1, 2015, the Board of Directors of Bittium Corporation decided upon nominations and changes in the company's management. Hannu Huttunen, M.Sc. (Econ.) was appointed CEO of Bittium Corporation as of August 7, 2015. The contract of Bittium's then current CEO Jukka Harju terminated on August 6, 2015 by mutual consent, and he did not continue at Bittium after August 2015.

The corporate functions and Wireless Business Segment's functions were also merged and the following persons made the company's new management team as of August 7: Hannu Huttunen, CEO (chairman); Veli-Pekka Paloranta, CFO; Kari Jokela, CLO; Jari Sankala, Senior Vice President, Sales; Karoliina Fyrstén, Director, Corporate Communications and Marketing, heads of product and services areas: Harri Romppainen, Vice President, Defense; Klaus Mäntysaari, Vice President, Telecom;

and Sami Kotkajuuri, Vice President, Connectivity; Jari-Pekka Innanen, Vice President, Engineering and Arto Pietilä, Senior Vice President, Operations.

CFO Veli-Pekka Paloranta decided to move to another company in November 2015 and resigned from Bittium. He continued as Bittium's CFO until November 2015. M.Sc. (econ.) LL.M. Pekka Kunnari was appointed as CFO of Bittium Corporation as of beginning of November 2015.

It was also decided that the Board of Directors of the Wireless Business Segment is discontinued, since Bittium focuses on one business and there was no need for another board in addition to the Board of Directors of Bittium Corporation.

Board of Directors, Board Committees and auditor

The Annual General Meeting held on April 15, 2015 decided that the Board of Directors shall comprise five (5) members. Mr. Jorma Halonen, Mr. Juha Hulkko, Mr. Seppo Laine, 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. At its assembly meeting held on April 15, 2015, the Board of Directors has elected Mr. Seppo Laine Chairman of the Board. Further, the Board has resolved to keep the Audit and Financial Committee with Mr. Staffan Simberg (Chairman of the committee), Mr. Seppo Laine and Mr. Erkki Veikkolainen as committee members.

The Annual General Meeting held on April 15, 2015 re-elected Ernst & Young Ltd, authorized public accountants, as the auditor of the Company for a term of office ending at the end of the next Annual General Meeting. Ernst & Young Ltd has notified that Mr. Juhani Rönkö, 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.

The Extraordinary General Meeting held on September 14, 2015 decided on the election of new members of the Board of Directors. Kir-

si Komi, Juha Putkiranta and Seppo Mäkinen were elected as new members of the Board of Directors for a term commencing on November 5, 2015 and continuing until the close of the next Annual General Meeting. The new members of the Board of Directors replaced the previous members of the Board of Directors Jorma Halonen, Juha Hulkko and Seppo Laine, who had notified that they will leave the Board of Directors when the term of the new members commences.

On November 5, 2015 Bittium Corporation's new Board of Directors commenced its term that will continue until the close of the next Annual General Meeting. In the assembly meeting on the same day, the Board of Directors elected Erkki Veikkolainen as the Chairman of the Board. Further, the Board of Directors resolved to elect Staffan Simberg (Chairman of the committee) and Kirsi Komi as members of the Audit and Financial Committee and to invite to the Audit and Financial Committee the former Chairman of the Board of Directors Seppo Laine as the external advisor of the Board of Directors.

Extraordinary General Meeting on June 11, 2015

The Extraordinary General Meeting of Bittium Corporation, held on 11 June 2015, decided to approve the sale of the company's Automotive Business to Continental AG in accordance with the proposal and recommendation of the Board of Bittium. The Transaction comprises the sale of Elektrobitt Automotive GmbH and its subsidiaries, including Company's 51 per cent ownership in e.solutions GmbH, a jointly owned company between Elektrobitt Automotive GmbH and Audi Electronics Venture GmbH. In addition, it was decided that the rights to the Elektrobitt brand would be included as a part of the transaction to Continental. The purchase price for the acquisition is EUR 600 million payable in cash and it was approved to be paid in full upon the closing of the Transaction.

The Extraordinary General Meeting also resolved to change section 1 of Bittium's Articles of Association and the name of the company. The implementation of the change of the name and the Articles of Association was subject to the completion of the sale of

the Automotive Business. Upon the completion of the transaction, the new name of the company will be Bittium Oyj, in English Bittium Corporation.

Extraordinary General Meeting on September 14, 2015

The Extraordinary General Meeting held on September 14, 2015 decided in accordance with the proposal of the Board of Directors that the Company repurchases its own shares ("Shares") and stock options 2008C ("Stock Options") entitling to Shares by means of a voluntary public tender offer made to all shareholders and holders of Stock Options ("Offer").

Kirsi Komi, Juha Putkiranta and Seppo Mäkinen were elected as new members of the Board of Directors for a term commencing on November 5, 2015 and continuing until the close of the next Annual General Meeting. The new members of the Board of Directors was elected to replace the previous members of the Board of Directors Jorma Halonen, Juha Hulkko and Seppo Laine, who had notified that they will leave the Board of Directors when the term of the new members commences.

The new members of the Board of Directors will be paid remuneration on the basis of the decision of the Annual General Meeting held on April 15, 2015 and in proportion to the remaining term of the current Board of Directors after the commencement of the term of the new members of the Board of Directors.

Corporate Governance Statement

The Board of Directors has issued the corporate governance statement separate from this report.

Dividend from 2014

The Annual General Meeting held on April 15, 2015 decided in accordance with the proposal of the Board of Directors to pay EUR 0.04 per share as dividend based on the balance sheet adopted for the financial period January 1, 2014 - December 31, 2014.

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

According to the parent company's balance sheet at December 31, 2015, the distributable assets of the parent company are EUR 138,114,372.94 of which the profit of the financial year is EUR 545,603,673.88.

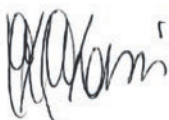
The Board of Directors proposes that the Annual General Meeting to be held on April 19, 2016 resolve to pay EUR 0.05 per share as dividend from the profit of the financial period based on the adopted balance sheet for the financial period of January 1, 2015 – December 31, 2015 and EUR 0.25 per share 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, April 21, 2016. The Board of Directors proposes that the dividend be paid on April 28, 2016.

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.

In Oulu, February 17, 2016



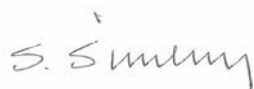
Erkki Veikkolainen
Chairman of the Board



Kirsi Komi
Member of the Board



Juha Putkiranta
Member of the Board



Staffan Simberg
Member of the Board



Seppo Mäkinen
Member of the Board



Hannu Huttunen
CEO

Auditor's note

Our Auditor's Report has been issued today.

In Oulu, February 17, 2016

Ernst & Young Oy
Authorized Public Accountant firm



Juhani Rönkkö,
Authorized Public Accountant

Consolidated Statement of Comprehensive Income

| CONTINUING OPERATIONS | NOTES | 2015 1000 EUR | 2014 1000 EUR |
|--|-------|------------------|------------------|
| Net sales | 1.3 | 56 813 | 52 710 |
| Other operating income | 4 | 1 394 | 1 616 |
| Work performed by the undertaking for its own purpose and capitalized | | 166 | 28 |
| Raw materials | | -5 504 | -6 831 |
| Personnel expenses | 7 | -30 265 | -28 560 |
| Depreciation | 6 | -2 512 | -2 335 |
| Other operating expenses | 5 | -17 784 | -15 840 |
| Operating profit | | 2 308 | 788 |
| Financial income and expenses | 9 | -196 | -178 |
| Profit before tax | | 2 112 | 610 |
| Income tax | 10 | 229 | 657 |
| Profit for the year from continuing operations | | 2 341 | 1 267 |
| Profit for the year from discontinued operations | 2 | 538 983 | 11 248 |
| Profit for the year | | 541 323 | 12 515 |
| Other comprehensive income: | | | |
| Items that will not be reclassified to statement of income | | | |
| Re-measurement gains (losses) on defined benefit plans | | | -752 |
| Income tax effect | | | 225 |
| Items that may be reclassified subsequently to the statement of income | | | |
| Exchange differences on translating foreign operations | | 144 | 914 |
| Total comprehensive income for the year | | 541 467 | 12 903 |
| Profit for the year attributable to | | | |
| Equity holders of the parent | | 541 323 | 12 515 |
| Total | | 541 323 | 12 515 |
| Total comprehensive income for the year attributable to | | | |
| Equity holders of the parent | | 541 467 | 12 903 |
| Total | | 541 467 | 12 903 |
| EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY: | 11 | | |
| Earnings per share from continuing operations, EUR | | | |
| Basic earnings per share | | 0.020 | 0.010 |
| Diluted earnings per share | | 0.020 | 0.010 |
| Earnings per share from discontinued operations, EUR | | | |
| Basic earnings per share | | 4.687 | 0.086 |
| Diluted earnings per share | | 4.685 | 0.085 |
| Earnings per share from continuing and discontinued operations, EUR | | | |
| Basic earnings per share | | 4.708 | 0.096 |
| Diluted earnings per share | | 4.706 | 0.095 |
| Average number of shares, 1000 pcs | | 114 983 | 130 975 |
| Average number of shares, diluted, 1000 pcs | | 115 037 | 131 663 |

Consolidated Statement of Financial Position

| | NOTES | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|--|-------|------------------------|------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 4 111 | 10 717 |
| Goodwill | 13 | 1 440 | 19 343 |
| Intangible assets | 13 | 7 553 | 17 001 |
| Other financial assets | 15 | 122 | 123 |
| Deferred tax assets | 16 | 1 156 | 1 665 |
| Total | | 14 382 | 48 848 |
| Current assets | | | |
| Inventories | 17 | 2 190 | 2 175 |
| Trade and other receivables | 18 | 19 956 | 72 518 |
| Financial assets at fair value through profit or loss | 19 | 66 100 | 20 991 |
| Cash and short-term deposits | 20 | 56 751 | 22 284 |
| Total | | 144 996 | 117 969 |
| Total assets | | 159 378 | 166 817 |
| Equity and liabilities | | | |
| Equity attributable to equity holders of the parent | 21 | | |
| Share capital | | 12 941 | 12 941 |
| Translation differences | | 1 192 | 1 513 |
| Invested non-restricted equity fund | | 25 923 | 25 103 |
| Retained earnings | | 97 526 | 53 850 |
| Total | | 137 582 | 93 407 |
| Total equity | | 137 582 | 93 407 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 16 | 90 | 549 |
| Pension obligations | 23 | | 2 970 |
| Interest-bearing loans and borrowings (non-current) | 25 | 745 | 3 803 |
| Provisions | 24 | 1 146 | 245 |
| Total | | 1 982 | 7 568 |
| Current liabilities | | | |
| Trade and other payables | 26 | 17 948 | 58 491 |
| Financial liabilities at fair value through profit or loss | 26 | | 248 |
| Provisions | 24 | 1 207 | 2 584 |
| Interest-bearing loans and borrowings (current) | 25 | 658 | 4 520 |
| Total | | 19 814 | 65 843 |
| Total liabilities | | 21 796 | 73 410 |
| Total equity and liabilities | | 159 378 | 166 817 |

Consolidated Statement of Cash Flows

| | NOTES | 2015 1000 EUR | 2014 1000 EUR |
|--|-------|------------------|------------------|
| Cash flow from operating activities | | | |
| Profit for the year from continuing operations | | 2 341 | 1 267 |
| Profit for the year from discontinued operations | | 538 983 | 11 248 |
| Adjustments | | | |
| Effects of non-cash business activities | 28 | 6 419 | 10 348 |
| Conveyance profits of shares in subsidiaries | 28 | -538 144 | |
| Finance costs | | 1 265 | 1 667 |
| Finance income | | -673 | -400 |
| Income tax | | 2 034 | 3 253 |
| Change in net working capital | | | |
| Change in short-term receivables | 18 | -5 895 | -17 658 |
| Change in inventories | 17 | -284 | -1 356 |
| Change in interest-free short-term liabilities | 26 | -32 | 6 870 |
| Interest paid on operating activities | | -1 588 | -1 308 |
| Interest and dividend received from operating activities | | 918 | 400 |
| Income taxes paid | | -3 237 | -3 818 |
| Net cash from operating activities | | 2 107 | 10 512 |
| Cash flows from investing activities | | | |
| Disposal of business unit, net of cash acquired | 2 | 588 226 | |
| Acquisition of business unit, net of cash acquired | 14 | -1 801 | |
| Purchase of property, plant and equipment | 12 | -2 505 | -3 597 |
| Purchase of intangible assets | 13 | -4 349 | -5 728 |
| Sale of property, plant and equipment | 12 | 1 | 119 |
| Sale of intangible assets | 13 | 59 | |
| Proceeds from sale of other investments | | | 5 |
| Net cash from investing activities | | 579 631 | -9 202 |
| Cash flows from financing activities | | | |
| Share option plans exercised | 22 | 820 | 569 |
| Proceeds from borrowing | 25 | 14 592 | 19 441 |
| Repayment of borrowing | 25 | -17 544 | -16 635 |
| Payment of finance lease liabilities | 25 | -1 281 | -1 771 |
| Dividend paid and capital repayment | | -5 290 | -2 621 |
| Purchase of own shares | | -493 527 | |
| Net cash from financing activities | | -502 231 | -1 017 |
| Net change in cash and cash equivalents | 20 | 79 508 | 293 |
| Cash and cash equivalents at Jan. 1 | | 43 275 | 42 983 |
| Cash and cash equivalents at the end of the year | | 122 783 | 43 275 |

Cash and cash equivalents include liquid and low risk financing securities.

Consolidated Statement of Changes in Equity

| 1000 EUR | Equity attributable to equity holders of the parent | | | | | Total |
|---|---|-------------------------------------|------------------------|-------------------|---------------------------|----------------|
| | Share capital | Invested non-restricted equity fund | Translation difference | Retained earnings | Non-controlling interests | |
| Shareholders equity 1.1.2015 | 12 941 | 25 103 | 1 513 | 53 850 | 0 | 93 407 |
| Comprehensive income for the period | | | | | | |
| Profit for the period | | | | 541 323 | | 541 323 |
| Exchange differences on translating foreign operations | | | 144 | | | 144 |
| Total comprehensive income for the period | 0 | 0 | 144 | 541 323 | 0 | 541 467 |
| Transactions between the shareholders | | | | | | |
| Share issue | | 820 | | | | 820 |
| Share-related compensation | | | | 63 | | 63 |
| Dividend distribution | | | | -5 290 | | -5 290 |
| Purchase of own shares incl. transaction costs | | | | -493 527 | | -493 527 |
| Other changes | | | -465 | 1 107 | | 642 |
| Shareholders equity 31.12.2015 | 12 941 | 25 923 | 1 192 | 97 526 | 0 | 137 582 |
| Shareholders equity 1.1.2014 | 12 941 | 24 533 | 599 | 43 654 | 0 | 81 728 |
| Comprehensive income for the period | | | | | | |
| Profit for the period | | | | 12 515 | | 12 515 |
| Re-measurement gains (losses) of defined benefit plans (IAS 19) | | | | -526 | | -526 |
| Exchange differences on translating foreign operations | | | 914 | | | 914 |
| Total comprehensive income for the period | 0 | 0 | 914 | 11 989 | 0 | 12 903 |
| Transactions between the shareholders | | | | | | |
| Share issue | | 569 | | | | 569 |
| Share-related compensation | | | | 84 | | 84 |
| Dividend distribution | | | | -2 621 | | -2 621 |
| Other changes | | | | 745 | | 745 |
| Shareholders equity 31.12.2014 | 12 941 | 25 103 | 1 513 | 58 850 | 0 | 93 407 |

Notes to the consolidated financial statements

Corporate Information

The company's field of activities is the development, production and selling of software, equipment and other products for the automotive and electronics industry, the production of R&D services and other services as well as other industrial operations. The company may administer product and other rights and conduct research and development operations, hold and trade securities and real-estate and conduct other investment activities.

The parent company of the Group is Bittium Corporation, which is a Finnish public company. The parent company is domiciled in Oulu and its registered address is Tutkijantie 8, 90590 Oulu.

Accounting Principles for the Consolidated Accounts

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the SIC and IFRIC interpretations in force at December 31, 2015. The financial statements are presented in thousands of euro. The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated.

Consolidation Principles

The consolidated financial statements of Bittium include the financial statements of the parent company Bittium Corporation and its subsidiaries.

Subsidiaries

The consolidated financial statements include Bittium Corporation and its subsidiaries financial statements. Subsidiaries are companies in which the Bittium Corporation has a controlling interest. A controlling interest arises when the Group holds more than half of the voting rights or it otherwise has the power to govern the financial and operating policies of the entity. The existence of potential voting rights is taken into account in assessing the conditions under which control arises whenever instru-

ments conferring potential voting rights can be exercised at the review date.

Joint Arrangements

A joint arrangement is an arrangement of which two or more parties, bound by a contractual agreement, have joint control. Joint arrangements are classified, as either joint operations or joint ventures, dependent on the controlling parties' rights and obligations. Bittium does not have joint arrangements at the end of the period.

Elimination of intra-group transactions

Intra-Group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group has obtained control, and divested subsidiaries up to the time when control ceases. The excess of the acquisition cost of the subsidiary shares over fair value of the net assets acquired is allocated partly to the identifiable assets and liabilities. Any excess is recorded as goodwill. Business combinations that occurred before the implementation of IFRS, in 2004, the carrying amount of the goodwill has been treated according to the Finnish GAAP in accordance with the exemption under IFRS 1. According to IFRS goodwill is not amortized but tested annually for impairment.

Intra-Group transactions, receivables, liabilities and margins are eliminated in preparation of the consolidated financial statements.

Foreign Currency Transactions

Figures relating to the financial statements of Group entities are measured in the currency that is the currency of each entity's main operating environment ("functional currency"). The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company.

Transactions denominated in foreign currency are recorded in euros using the exchange rate on the date of the transaction. Monetary items denominated in foreign cur-

rency are translated to euros using the European Central Bank exchange rates at the balance sheet date. Gains and losses arising from transactions denominated in foreign currency and the translation of monetary items are recorded in the income statement.

Income statements and cash flows of subsidiaries, whose functional and reporting currency is not the euro, are translated into euros at the average exchange rates during the financial period. Their balance sheets are translated at the exchange rates prevailing at the balance sheet date. Translating the profit for the period using different rates in the income statement and the balance sheet leads to a translation difference that is recorded in equity. The translation differences arising from the elimination of the cost of foreign subsidiaries are recorded in equity. When a subsidiary is sold, the cumulative translation differences are entered in the income statement as part of the capital gain or loss.

Cumulative exchange differences arising from the translation of internal long term loans, which are in actual terms net investments in foreign operations, are taken directly to a separate component of equity.

The goodwill arising from the acquisition of foreign operations as well as fair value adjustments made to the carrying amounts of the assets and liabilities of said foreign operations in connection with an acquisition are treated as the assets and liabilities of said foreign operations and translated to euros using the exchange rates at the balance sheet date.

Property, Plant and Equipment

Property, plant and equipment are measured at historical cost less depreciation and impairment losses. Assets of acquired companies are stated at their fair values at the date of acquisition. Assets are depreciated using the straight-line or reducing balance method over their useful life.

The residual value of assets and their useful life are reviewed periodically in connection with each set of financial statements and the interim report and, if necessary, they are ad-

justed to reflect changes that have occurred in the expectations for the asset's useful life. Ordinary repair and maintenance costs are charged to the income statement during the financial year in which they incurred. Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in operating profit.

Intangible Assets

Goodwill

After January 1st, 2004 the cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets. The goodwill arising from the business combinations prior to this represents the amount recorded under previous GAAP, which has been used as the deemed cost. The classification and accounting treatment of these business combinations has not been adjusted when the Group's opening IFRS balance sheet has been prepared.

Goodwill is tested annually or, if necessary, more frequently to determine any impairment. For this purpose, goodwill has been allocated to cash-generating units. The recoverable amount of a cash generating unit is compared to its carrying amount and an impairment loss is recognized if the carrying amount of the assets exceeds the recoverable amount. An impairment loss is recognized in the income statement.

Research and Development Expenditure

Research expenditures are recorded as an expense as they are incurred. Expenditure on development activities is capitalized if they meet the criteria defined in IAS 38 Intangible Asset. Capitalized development expenses include mainly materials, supplies and direct labor costs. They are amortized on a systematic basis over their expected useful lives.

Capitalized development expenses are reviewed for potential impairment regularly by comparing the carrying amount to their recoverable amount. Significant changes in the technological environment are taken into account. If the carrying amount of the development expenses is greater than the recoverable amount, an impairment loss is recognized immediately.

Other Intangible Assets

Purchased patents, trademarks, licenses and other intangible assets having a finite useful life are entered in the balance sheet and the amortized expense is recorded in the income statement over their useful life. If indications on possible impairment exist, the recoverable amount is determined and an impairment loss is recognized if necessary. Intangible assets with an indefinite useful life are not amortized but tested annually or, if necessary, more frequently to determine any impairment.

Inventories

Inventories are stated at the lower of initial cost or net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of sale.

The value of raw material inventory is determined using a weighted average cost formula. The initial cost of finished and semi-finished products comprises of raw material, direct labor and other direct expenses as well an appropriate share of fixed and variable production overheads, based on the normal capacity of the production facilities.

Borrowing costs

Borrowing costs are recognized in the income statement as they accrue according to the valid IFRS standards.

Government Grants

Government grants are recognized when there is reasonable assurance that Group will comply with the conditions attaching to them and the grant will be received. Government grants received from public corporations are presented as other income in the income statement.

Leases

When the Group is a lessee, all lease contracts of property, plant and equipment, in which the Group has substantially all the risks and rewards of ownership, are classified as finance leases. A finance lease agreement is recognized in the balance sheet at an amount equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. An asset obtained on a finance lease is depreciated over the useful life of the asset or, if shorter, the lease term. Lease obligations are included in interest-bearing liabilities.

Lease agreements in which the risks and benefits attached to ownership remain with the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense in the income statement on a straight line basis over the lease term.

Impairment of Assets

At each balance sheet date (including interim reports) the Group estimates whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is estimated annually regardless of any indication of impairment to the following assets: goodwill, intangible assets with an indefinite useful life and for intangible assets which are not yet ready for use. The recoverable amount is based on the future discounted net cash flows, which are equivalent with the expected cash flows generated by the asset.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable value. The loss is booked to the income statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill will under no circumstances be reversed.

Employee Benefits

Pension Liabilities

Group companies in different countries have pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. In Finland, the Group has organized pension coverage for its staff through independent pension insurance companies. The Finnish system under the Employees' Pensions Act and the disability portion are treated as a defined contribution plan. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. After this the Group has no other obligations for additional payment. Also the pension arrangements of the foreign subsidiaries are classified as defined contribution plans.

Notes to the consolidated financial statements

Share-Based Payment

The Group has applied IFRS 2 Share-Based Payment to the share-based scheme which was granted June 23, 2005. Expenses of option and share incentive schemes prior to this have not been presented in the income statement. Option rights and shares granted are measured at fair value at the time they are granted and entered as an expense in the income statement in even installments during the vesting period. The expense determined is based on the defined fair value of the stock options and shares as well as on management's estimate of the amount of options or shares to which the employee will be entitled at the end of the vesting period. The fair value of the options is determined on the basis of the Black-Scholes pricing model. The Group updates the assumption concerning the final amount of stock options and shares at each balance sheet date. Changes in the estimates are recorded in the income statement. When options are exercised, the cash payments received on the basis of share subscriptions (adjusted for any transaction expenses) are entered in the share capital (at nominal value) and in the share premium reserve.

Provisions

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that a payment obligation will be realized or cause a financial loss and the amount of the obligation can be estimated reliably. Provisions can arise from restructuring plans, onerous contracts, warranty repairs and allowances and from environmental, litigation or tax risks.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the time value of money is material, provisions will be discounted.

If a reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate asset when it is virtually certain that the reimbursement will be received.

Taxes

Tax expense in the Group's income statement comprises the current tax and change in deferred taxes of each group company. Current tax is calculated based on the taxable income using the tax rate that is enacted in each country at the balance sheet date.

Deferred tax liability is calculated on the temporary differences between the carrying amounts and the amounts used for taxation purposes. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. In calculating deferred tax liabilities and assets, the tax base which is in force at the time of preparing the financial statements or which has been enacted by the balance sheet date for the following period, has been applied.

Revenue Recognition

Sales of goods are recognized after the significant risks and rewards that, are connected with ownership, have been transferred to the buyer. Neither the Group retains a continuing managerial involvement to the degree usually associated with ownership, nor effective control of those goods. Revenues from services are recorded when the service has been performed. Sales are presented net of indirect sales taxes and discounts.

Revenue from long-term construction contracts is recognized based on the stage of completion when the outcome of the project can be reliably measured. The stage of completion is measured by using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs.

Assets Held for Sale and Discontinued Operations

The Group classifies a non-current asset or disposal as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and asset items re-

lated to discontinued operations, which are classified as held for sale, are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation and amortization on these asset items is discontinued at the time of classification. Profit after tax and gain on sale of discontinued operation is presented as a separate line item in the consolidated income statement.

Profit for the year from discontinued operations is presented separately in Consolidated Statement of Comprehensive Income. Discontinued operations are disclosed in note 2.

Financial Assets, Financial Liabilities and Derivative Contracts

Financial Assets

The Group's financial assets are classified in accordance with IAS 39 Financial Instruments: Recognition and Measurement in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets held for sale. The classification is based on the purpose for which the assets have been acquired and they are classified upon acquisition.

A financial asset is classified at fair value through profit or loss, when it has been acquired for trading purposes. The category comprises the Group's investment portfolio and all derivative contracts. The consolidated balance sheet does not contain assets that would be classified in this category upon initial recognition as allowed under the fair value option of IAS 39. Realized and unrealized gains and losses from changes in fair values are recognised in profit or loss in the financial year they are incurred. The assets are in accordance with their nature included in the non-current and current assets of the balance sheet.

Loans and receivables are assets other than derivative contracts with related payments that are fixed or determinable. They are not quoted on efficient markets and they are not held by the Group for trading purposes. They are valued at amortised cost. They are in accordance with their nature included in the cur-

rent or long-term assets of the balance sheet: long-term if they fall due after more than 12 months.

The Group has not had held-to-maturity investments during the financial or the prior financial year. In case of occurrence they are valued at amortised cost.

Financial assets held for sale are assets other than derivative contracts that have particularly been classified into this category or have not been classified into any other category. They are included in the balance sheet on the basis of their estimated date of sale. Assets to be sold within 12 months are included in current assets. Such financial assets are disclosed separately in the consolidated balance sheet if their carrying amount is significant. The change in fair value of the financial assets held for sale is recognised net of tax in the revaluation fund in equity. The cumulative change in fair value recognised in equity is recognised in profit or loss when the asset is sold or the asset has been impaired and an impairment loss has to be recognised. Investments, whose fair value may not be reliably established, are valued at cost or cost adjusted for a permanent impairment loss.

Cash comprises cash on hand, bank deposits and other highly liquid investments. Assets classified as financial assets have a maximum maturity of three months from the date of acquisition.

Transaction costs are included in the cost of financial assets that are not valued at fair value through profit or loss. The purchases and sales of financial assets are recognised at the trade date.

Financial Liabilities

Financial liabilities are initially recognised at fair value. Transaction costs are included in the initial carrying amount of financial liabilities. All financial liabilities are subsequently measured at amortised cost. Financial liabilities are included in current and non-current liabilities and may be interest-bearing or interest-free. The bases for determining the fair value of all financial assets and liabilities have been disclosed in notes 19, 25 and 27.

The Impairment of Financial Assets

The Group assesses whether objective indications of the impairment of any financial assets exist at each balance sheet date. A loss is recognised in profit or loss as a recognised or probable credit loss, when there

are indications that trade or loan receivables may not be collected in full. Impairment losses on trade receivables are included in other operating expenses and on loan receivables in financial expenses.

Impairment losses on financial assets recognised in the financial year are disclosed in notes 19 and 20.

Derivative Contracts and Hedge Accounting

Derivative contracts are recognised at their fair value. Hedge accounting in accordance with IAS 39 Financial Instruments: Recognition and measurement is not applied. The change in fair value of hedging instruments is recognised in finance items in profit or loss. The fair values of derivative contracts and the valuation methods used are disclosed in note 27.

Significant Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions about the future that affects the reported amounts. Used estimates and assumptions are based on prior experience and presumptions, which reflect the circumstances and expectations prevailing at the time of the preparation of the financial statements. Materiality and judgment in assessing the effect of uncertainties and the application of accounting principles have been observed in the preparation of the financial statements.

The management has exercised judgment during the financial year in applying e.g. in assessing the future prospects of Group companies in conjunction with standards IAS 12 Income Taxes and IAS 36 Impairment of Assets. Based on the management judgment, the majority of the capitalized R&D investments are depreciated based on the production amounts of the goods.

Financial statements may include non-recurring income or expenses that are not related to normal operative business or that occur only infrequently. Such items are among others sales profits or losses, substantial changes in asset values, like impairment or reversal of impairment, substantial restructuring costs or other substantial items that are considered as non-recurring by the management. Substantiality of the item is based on item's euro amount and the relative share of total value of the asset.

The Application of New and Revised IFRS regulations

- The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) effective at the end of the period. The new, revised or amended IFRS regulations did not have significant impact on the consolidated financial statements during the period. The forthcoming revisions or amendments of the standards are not expected to have significant impact on the consolidated financial statements in the future.

1. OPERATING SEGMENTS

The reporting of Bittium's operating segments is based on the internal financial reporting which has been in use in Bittium Group. The regular reporting concerning the Wireless Business Segment has been provided to the Board of Directors of Bittium which has at the same time acted as the highest operative decision-making body of the company. The Board of Directors is responsible for allocating resources to and evaluating the results of Bittium's operating segments. Resources available for use and the results of the Wireless Business Segment have been evaluated historically as a single entity.

Bittium has only one operating segment, the Wireless business. Thereby, income statement and balance sheet information of the Wireless business are equivalent to corresponding information of the Bittium Group.

Wireless

Bittium updated its strategic guidelines and outlook for 2015 due to the sale of the Automotive business and the change of the company name on July 1, 2015.

Notes to the consolidated financial statements

Geographical areas

Bittium operates in three geographical areas which are Europe, Americas and Asia. In presenting the geographical information, the revenue is based on the geographical location of customers. Geographical assets are based on the geographical location of the assets.

GEOGRAPHICAL AREAS

| 2015 1000 EUR | Finland | Other Europe | Americas | Asia | Eliminations | Group total |
|---|---------|-----------------|----------|------|--------------|----------------|
| Net sales | | | | | | |
| Sales to external customers | 43 924 | 4 387 | 8 319 | 183 | | 56 813 |
| Non-current assets | 13 005 | | 221 | | | 13 226 |
| Non-current assets total *) | | | | | | 13 226 |
| *) Total non-current assets | | | | | | |
| Capital expenditure, continuing operations | | | | | | |
| Tangible assets | 2 341 | | | | | 2 341 |
| Intangible assets | 3 850 | | | | | 3 850 |
| Goodwill | 1 224 | | | | | 1 224 |
| Capital expenditure, discontinued operations | | | | | | |
| Tangible assets | 122 | 1132 | 126 | 30 | | 1 411 |
| Intangible assets | 7 | 624 | | 27 | | 658 |

GEOGRAPHICAL AREAS

| 2014 1000 EUR | Finland | Other Europe | Americas | Asia | Eliminations | Group total |
|---|---------|-----------------|----------|------|--------------|----------------|
| Net sales | | | | | | |
| Sales to external customers | 41 335 | 8 496 | 2 526 | 353 | | 52 710 |
| Non-current assets | 7 787 | 38 608 | 634 | 155 | | 47 184 |
| Total non-current assets *) | 7 787 | 38 608 | 634 | 155 | | 47 184 |
| *) does not include deferred tax assets | | | | | | |
| Capital expenditure, continuing operations | | | | | | |
| Tangible assets | 1142 | 0 | 0 | 0 | | 1143 |
| Intangible assets | 3 330 | 0 | 0 | 0 | | 3 330 |
| Capital expenditure, discontinued operations | | | | | | |
| Tangible assets | 170 | 3 882 | 331 | 144 | | 4 527 |
| Intangible assets | 0 | 2 385 | 3 | 11 | | 2 399 |

Information of primary customers

Group's revenues from the 10 largest customers in period 1.1-31.12.2015 were EUR 50.9 million (EUR 50.0 million in 2014) representing 89,4 per cent of the net sales (94.9 per cent in 2014)

2. DISCONTINUED OPERATIONS

| | 2015 1000 EUR | 2014 1000 EUR |
|--|------------------|------------------|
| Automotive business | | |
| Net sales | 102 030 | 171 426 |
| Expenses | -95 966 | -156 509 |
| Profit before tax | 6 064 | 14 916 |
| Income tax | -2 262 | -3 810 |
| Profit after tax | 3 802 | 11 007 |
| Profit for the sale of Automotive business | 534 844 | |
| Income tax | | |
| Profit for the sale of Automotive business after tax | 534 844 | |
| Profit for the year from discontinued operations (ASW) | 538 647 | 11 007 |
| | | |
| Impact of the sale of Automotive business | | |
| | 2015 1000 EUR | 2014 1000 EUR |
| Property, plant and equipment | 7 131 | |
| Goodwill | 19 149 | |
| Other intangible assets | 12 697 | |
| Receivables | 58 045 | |
| Inventories | 269 | |
| Cash and short-term deposits | 19 969 | |
| Trade and other payables | -55 403 | |
| Assets and liabilities total | 61 856 | |
| | | |
| Cash received | 600 000 | |
| Cash of Automotive business | -11 774 | |
| Expenses related to transaction | -3 066 | |
| Cash flow impact | 585 160 | |
| | | |
| Test Tools product business | | |
| | 2015 1000 EUR | 2014 1000 EUR |
| Net sales | | |
| Expenses | 336 | 241 |
| Profit before tax | 336 | 241 |
| Profit after tax | 336 | 241 |
| Profit for the year from discontinued operations (Test Tools) | 336 | 241 |

The profit for the year in Test Tools product business did not have effect on cash flow. The profit consists of reversal of provision.

Notes to the consolidated financial statements

| | 2015 1000 EUR | 2014 1000 EUR |
|--|------------------|------------------|
| 3. NET SALES | | |
| Income recognized from construction contracts | 13 857 | 8 388 |
| Net sales other | 42 956 | 44 322 |
| Total | 56 813 | 52 710 |
| Construction contracts | | |
| The contract revenue is recognized in the income statement in proportion to the stage of completion of the contract. The stage of completion is defined as the ratio of costs incurred to total estimated costs. | | |
| Income recognized as sales based on the stage of completion of long-term construction contracts | 13 857 | 8 388 |
| Revenue recognized from long-term construction contracts in progress amounted to | 11 784 | 6 842 |
| Advances received from long-term construction contracts recognized in the balance sheet amounted to | 6 530 | 1 290* |
| Receivables recognized from long-term construction contracts amounted to | 1 708 | 1 044* |
| *) only continuing operations 2014 | | |
| 4. OTHER OPERATING INCOME | | |
| Government grants | 1 150 | 1 427 |
| Other income | 244 | 189 |
| Total | 1 394 | 1 615 |
| 5. OTHER OPERATING EXPENSES | | |
| External services | 3 928 | 3 937 |
| Voluntary staff expenses | 844 | 659 |
| Premises expenses | 2 633 | 2 592 |
| Travel expenses | 991 | 796 |
| IT expenses | 1 892 | 1 577 |
| Other expenses | 7 497 | 4 693 |
| Total | 17 784 | 14 254 |
| AUDITORS' CHARGES | | |
| Ernst & Young | | |
| Auditing | 31 | 26 |
| Tax advice | 13 | 6 |
| Other services | 6 | 4 |
| Total | 50 | 36 |
| Others | | |
| Auditing | 21 | 24 |
| Tax advice | 9 | 8 |
| Other services | 3 | 3 |
| Total | 33 | 35 |

| | 2015 1000 EUR | 2014 1000 EUR |
|---|------------------|------------------|
| 6. DEPRECIATIONS AND IMPAIRMENTS | | |
| Depreciations | | |
| Intangible assets | | |
| Capitalized development expenditure | 235 | 130 |
| Intangible rights | 424 | 195 |
| Other intangible assets | 66 | 64 |
| Tangible assets | | |
| Machinery and equipment | 1 787 | 1 946 |
| Total | 2 512 | 2 335 |
| 7. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL | | |
| Number of personnel | | |
| Average number of personnel during the fiscal period | | |
| Continuing operations | 511 | 493 |
| Discontinued operations | | 1 207 |
| Discontinued operations, joint operations | | 380 |
| Personnel expenses 1000 EUR | | |
| Personnel expenses | | |
| Managing Directors' salaries | 714 | 469 |
| Board of Directors | 164 | 226 |
| Expense of share-based payments | 25 | 35 |
| Other salaries and wages | 23 308 | 22 347 |
| Total | 24 211 | 23 076 |
| Pension expenses, defined contribution plans | 4 721 | 4 238 |
| Other personnel expenses | 1 332 | 1 246 |
| Total | 30 265 | 28 560* |

* The personnel expenses are adjusted by the amount that has been activated as R&D investments into the balance sheet

Notes to the consolidated financial statements

| | 2015 1000 EUR | 2014 1000 EUR |
|---|------------------|------------------|
| 8. RESEARCH AND DEVELOPMENT EXPENSES | | |
| The research and development expenses total | 7 330 | 6 864 |
| Recognition as an asset | -3 371 | -2 079 |
| The expensed research and development expenses recognized in the income statement amounted to | 3 960 | 4 786 |
| 9. FINANCIAL EXPENSES (NET) | | |
| Interest expenses | -93 | -76 |
| Interest income | 90 | 1 |
| Dividend income | 1 | 0 |
| Exchange gains and losses | -769 | 138 |
| Change of financial assets and liabilities at fair value through profit or loss | 657 | 41 |
| Other financial expenses | -187 | -404 |
| Other financial income | 104 | 121 |
| Total | -196 | -178 |
| 10. INCOME TAXES | | |
| Income taxes, current year | | 0 |
| Other taxes | -8 | -4 |
| Income taxes, previous years | -5 | -40 |
| Deferred taxes | 242 | 701 |
| Total | 229 | 657 |
| A reconciliation between the effective tax rate and domestic tax rate (20.0%) of the Group: | | |
| Profit before taxes | 2 112 | 610 |
| Tax at the domestic tax rate | -422 | -122 |
| Effect of tax rates of foreign subsidiaries | -9 | 16 |
| Taxes for prior years | -5 | -40 |
| Tax free income | 979 | 316 |
| Non-deductible expenses | -627 | -396 |
| Utilization of deferred tax assets from previous years | 772 | 400 |
| Reassessment of deferred tax assets | 242 | 702 |
| The deferred tax assets from tax losses | -658 | -187 |
| Others | -43 | -33 |
| Income taxes in the consolidated income statement | 229 | 657 |

11. EARNINGS PER SHARE

| | 2015 | 2014 |
|--|--------------|--------------|
| Basic | | |
| Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. | | |
| Profit attributable to the equity holders of the parent, continuing operations (1000 EUR) | 2 341 | 1 267 |
| Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR) | 538 983 | 11 248 |
| Profit attributable to the equity holders of the parent, continuing and discontinued operation (1000 EUR) | 541 323 | 12 515 |
| Weighted average number of ordinary shares during the financial year (1000 PCS) | 114 983 | 130 975 |
| Basic earnings per share, continuing operation, EUR | 0,020 | 0,010 |
| Basic earnings per share, discontinued operations, EUR | 4,687 | 0,086 |
| Basic earnings per share, continuing and discontinued operations, EUR | 4,708 | 0,096 |
| Diluted | | |
| Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Group has a share-based payment scheme (Share-option plan 2008A, 2008B and 2008C) which has a diluting effect, when the exercise price is lower than the closing share price. | | |
| The exercise price of the stock options at 31 December 2015 is lower than the closing share price, hence the stock options has dilutive effect. | | |
| Profit attributable to the equity holders of the parent, continuing operations (1000 EUR) | 2 341 | 1 267 |
| Profit attributable to the equity holders of the parent, discontinued operations (1000 EUR) | 538 983 | 11 248 |
| Profit attributable to the equity holders of the parent, continuing and discontinued operations (1000 EUR) | 541 323 | 12 515 |
| Weighted average number of ordinary shares during the financial year (1000 PCS) | 114 983 | 130 975 |
| Effect of dilution (1000 PCS) | 54 | 688 |
| Weighted average number of ordinary shares during the financial year (1000 PCS) | 115 037 | 131 663 |
| Diluted earnings per share, continuing operations, EUR | 0,020 | 0,010 |
| Diluted earnings per share, discontinued operations, EUR | 4,685 | 0,085 |
| Diluted earnings per share, continuing and discontinued operations, EUR | 4,706 | 0,095 |

Notes to the consolidated financial statements

12. PROPERTY, PLANT AND EQUIPMENT

The Group has not revalued property, plant and equipment, hence the Group has not recognized any impairment losses directly to equity or recorded any reversals of those.

Buildings and constructsures

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| Acquisition cost Jan. 1 | 2 911 | 2 896 |
| Translation differences | -18 | 8 |
| Additions during the period | 186 | 249 |
| Disposals during the period | | -241 |
| Sale of the Automotive business | -457 | |
| Acquisition cost at the end of the period | 2 623 | 2 911 |
| Accumulated depreciations Jan. 1 | -1 985 | -1 874 |
| Translation differences | 23 | -4 |
| Depreciation for the period | -282 | -284 |
| Depreciation for the period Automotive business | -57 | -64 |
| Sale of the Automotive business | 215 | |
| Depreciations on disposals | | 241 |
| Carrying amount at the end of the period | 537 | 927 |

No revaluations or capitalizations of interest costs have been done.

Machinery and equipment

| | | |
|---|---------|---------|
| Acquisition cost Jan. 1 | 59 461 | 55 464 |
| Translation differences | -77 | 54 |
| Additions during the period | 3 446 | 5 367 |
| Acquisition of business unit | 7 | |
| Disposals during the period | -1 | -1 424 |
| Sale of the Automotive business | -20 114 | |
| Transfer to assets | -2 | |
| Acquisition cost at the end of the period | 42 720 | 59 461 |
| Accumulated depreciations Jan. 1 | -49 759 | -46 876 |
| Translation differences | 120 | -25 |
| Depreciation for the period | -1 505 | -1 663 |
| Depreciation for the period Automotive business | -1 445 | -2 497 |
| Sale of the Automotive business | 13 355 | |
| Depreciations on disposals | -1 | 1 302 |
| Carrying amount at the end of the period | 3 486 | 9 702 |

Advance payments

| | | |
|---|------|----|
| Acquisition cost Jan. 1 | | 3 |
| Additions during the period | 129 | |
| Disposals during the period | | -3 |
| Sale of the Automotive business | -129 | |
| Acquisition cost at the end of the period | 0 | 0 |

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|--|------------------------|------------------------|
| Other tangible assets | | |
| Acquisition cost Jan. 1 | 88 | 88 |
| Additions during the period | | 3 |
| Disposals during the period | | -3 |
| Acquisition cost at the end of the period | 88 | 88 |
| Carrying amount at the end of the period | 88 | 88 |
| Property, plant and equipment total | | |
| Acquisition cost Jan. 1 | 62 460 | 58 450 |
| Translation differences | -95 | 62 |
| Additions during the period | 3 762 | 5 619 |
| Acquisition of business unit | 7 | |
| Disposals during the period | -1 | -1 671 |
| Sale of the Automotive business | -20 700 | |
| Transfer to assets | -2 | |
| Acquisition cost at the end of the period | 45 432 | 62 460 |
| Accumulated depreciations Jan. 1 | -51 744 | -48 750 |
| Translation differences | 143 | -29 |
| Depreciation for the period | -1 787 | -1 947 |
| Depreciation for the period Automotive business | -1 502 | -2 561 |
| Sale of the Automotive business | 13 570 | |
| Depreciations on disposals | -1 | 1 543 |
| Carrying amount at the end of the period | 4 111 | 10 717 |
| Finance leases | | |
| The Group had the following amounts of property, plant and equipment acquired by finance leases: | | |
| Machinery and equipment | | |
| Acquisition cost Jan. 1 | 4 860 | 18 099 |
| Accumulated depreciations | -3 495 | -14 333 |
| Carrying amount at the end of the period | 1 365 | 3 766 |

Additions of property, plant and equipment include assets acquired by finance leases of EUR 1.1 million in 1.1.–31.12.2015 (EU 2,0 million in 2014).

Notes to the consolidated financial statements

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| 13. INTANGIBLE ASSETS | | |
| Capitalized development expenses | | |
| Acquisition cost Jan. 1 | 17 657 | 15 579 |
| Additions during the period | 3 371 | 2 079 |
| Acquisition of business unit | 275 | |
| Sale of the Automotive business | -11 539 | |
| Acquisition cost at the end of the period | 9 763 | 17 657 |
| Accumulated depreciations Jan. 1 | -5 417 | -3 609 |
| Depreciation for the period | -235 | -130 |
| Depreciation for the period Automotive business | -759 | -1 678 |
| Sale of the Automotive business | 2 281 | |
| Carrying amount at the end of the period | 5 634 | 12 241 |
| Intangible rights | | |
| Acquisition cost Jan. 1 | 3 679 | 2 386 |
| Additions during the period | 374 | 1 293 |
| Disposals during the period | -56 | |
| Sale of the Automotive business | -779 | |
| Transfer to assets | 550 | |
| Acquisition cost at the end of the period | 3 769 | 3 679 |
| Accumulated depreciations Jan. 1 | -1 790 | -1 438 |
| Depreciation for the period | -359 | -27 |
| Depreciation for the period Automotive business | -243 | -325 |
| Carrying amount at the end of the period | 1 377 | 1 889 |
| Customer relations and technology | | |
| Acquisition cost Jan. 1 | | 10 079 |
| Additions during the period | 524 | |
| Acquisition cost at the end of the period | 524 | 10 079 |
| Accumulated depreciations Jan. 1 | | -9 911 |
| Depreciation for the period | -73 | -168 |
| Carrying amount at the end of the period | 451 | 0 |

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| Other intangible assets | | |
| Acquisition cost Jan. 1 | 7 908 | 5 973 |
| Translation differences | -47 | 5 |
| Additions during the period | 513 | 2 349 |
| Disposals during the period | -3 | -419 |
| Sale of the Automotive business | -4 482 | |
| Transfer to assets | -554 | |
| Acquisition cost at the end of the period | 3 336 | 7 908 |
| Accumulated depreciations Jan. 1 | -5 106 | -3 609 |
| Translation differences | 43 | -4 |
| Depreciation for the period | -66 | -64 |
| Depreciation for the period Automotive business | -671 | -1 848 |
| Sale of the Automotive business | 2 553 | |
| Depreciations on disposals | | 419 |
| Carrying amount at the end of the period | 91 | 2 803 |
| Advance payments | | |
| Acquisition cost Jan. 1 | 69 | 62 |
| Translation differences | | 0 |
| Additions during the period | | 7 |
| Disposals during the period | -69 | |
| Acquisition cost at the end of the period | 0 | 69 |
| Intangible assets total | | |
| Acquisition cost Jan. 1 | 29 313 | 34 078 |
| Translation differences | -47 | 5 |
| Additions during the period | 4 782 | 5 728 |
| Acquisition of business unit | 275 | |
| Disposals during the period | -128 | -419 |
| Sale of the Automotive business | -16 800 | |
| Transfer to assets | -3 | |
| Acquisition cost at the end of the period | 17 392 | 39 392 |
| Accumulated depreciations Jan. 1 | -12 312 | -18 566 |
| Translation differences | 43 | -4 |
| Depreciation for the period | -732 | -389 |
| Depreciation for the period Automotive business | -1 672 | -3 850 |
| Sale of the Automotive business | 4 834 | |
| Depreciations on disposals | | 419 |
| Carrying amount at the end of the period | 7 553 | 17 001 |
| Goodwill | | |
| Acquisition cost Jan. 1 | 19 343 | 19 319 |
| Translation differences | 22 | 23 |
| Sale of the Automotive business | -19 149 | |
| Additions during the period | 1 224 | 0 |
| Carrying amount at the end of the period | 1 440 | 19 343 |

Notes to the consolidated financial statements

Impairment test

The cash flow forecasts employed in impairment test calculations are based on the budgets for 2016 and the Long Range Plans (LRP) for 2017-2019 approved by management for the strategical period and management estimations for 2020. Cash flows beyond five-year period are calculated by using the terminal value method. Future cash flows are exposed to the risks that are discussed in section "Risks and uncertainties" in the Report by the Board of Directors.

The used discount rate in impairment testing is Weighted Average Cost of Capital (WACC) before tax defined for Bittium. WACC defines

average costs of equity and debt by noticing the risks belonging to the each component. The components of WACC are risk-free interest rate, market risk premium, beta, cost of debt, corporate income tax rate and target capital structure. WACC calculated according to these parameters ended up to 12.1 % (12.6 % in 2014).

In 2015 Wireless business did not reach the cash flow forecasted in the impairment test calculation in 2014. There has not happened any fundamental changes in the business environment that would make an impact to the cash flow expectations compared to the previous financial year.

The impairment test is done when needed, but at least once per year. Impairment tests made in November 2015 did not indicate need for impairment bookings. Recoverable amounts exceed significantly the book value of goodwill and other assets. The terminal value represents 72% of business value.

Sensitivity analysis was also carried out during the impairment test. Cash flow forecast was either decreased by 20% or the discount factor was increased by 5%. It was noticed that cash flows are relatively sensitive to decrease in turnover, because cost structure can not easily be adapted simultaneously with declining turnover. However, there are no expectations for impairment losses in the future.

14. ACQUISITIONS

On January 2, 2015 a subsidiary of Bittium Corporation acquired 100 per cent of the shares of Birdstep Technology Oy, which was a fully owned Finnish subsidiary of Birdstep Technology ASA, based in Norway. The acquired company's Safemove business provides its customers high quality information security solutions for mobile devices and portable computers. The acquisition strengthened the competitiveness of Bittium as a provider of secure communication solutions for defense, safety and other authorities markets. Birdstep Technology Oy's (Bittium Safemove Oy from 13th of July 2015 onwards) net sales was EUR 2.5 million in 2013 and in January-December 2014 EUR 2.9 million. The company employs 19 persons located in Espoo, Finland. The debt free cash purchase price was EUR 1.8 million. The acquisition does not have significant impact on the net sales or net profit of Jan. 1st–Dec. 31st 2015

The net assets of the company on the acquisition date were:

1000 EUR

| | |
|--------------------------|------------|
| Assets | |
| Intangible assets | 275 |
| Tangible assets | 7 |
| Receivables | 466 |
| Cash | 19 |
| Assets total | 767 |
| Provisions | 27 |
| Non-current loan | 76 |
| Other liabilities | 487 |
| Liabilities total | 590 |
| Net assets | 177 |

The fair value of the receivables does not differ from the carrying amount.

In addition to these assets and liabilities, the acquisition generated goodwill that was allocated at the acquisition date as described below:

| | |
|-----------------------------|------------|
| Allocated to assets | |
| Customers | 95 |
| Technology | 429 |
| Total | 524 |
| Unallocated goodwill | |
| Synergies, brand, know-how | 1 226 |

The Group booked deferred tax liabilities related to the goodwill:

| | |
|-------------------------------|------------|
| Deferred tax liability | 105 |
|-------------------------------|------------|

The Group did not have acquisitions during the year 2014.

15. OTHER FINANCIAL ASSETS

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|--|------------------------|------------------------|
| At 1 January | 123 | 132 |
| Disposals related to discontinued operations | -2 | |
| Disposals | | -8 |
| At the closing date | 122 | 123 |

16. DEFERRED TAX LIABILITIES AND ASSETS

| 1000 EUR | Jan. 1, 2015 | Recognized in the income statement | Recognized in equity | Translation difference | Acquisitions and disposals of subsidiaries | Dec. 31, 2015 |
|-------------------------------|--------------|--|-------------------------|---------------------------|--|---------------|
| Deferred tax assets | | | | | | |
| Unutilized losses in taxation | 322 | | | | -322 | 0 |
| Other items | 1 343 | 227 | | | -414 | 1 156 |
| Total | 1 665 | 227 | 0 | 0 | -735 | 1 156 |

On December 31, 2015 the Group had 56.8M€ tax losses of from which it had not booked deferred tax receivables due to the uncertainty of the future profits, their timing, taxation or location. The amount of these non booked deferred tax receivables is approximately 11.8 million. The aging of these tax losses begins from year 2017.

| 1000 EUR | Jan. 1, 2015 | Recognized in the income statement | Recognized in equity | Translation difference | Acquisitions and disposals of subsidiaries | Dec. 31, 2015 |
|---|--------------|--|-------------------------|---------------------------|--|---------------|
| Deferred tax liabilities | | | | | | |
| Deferred tax liabilities, temporary differences | 549 | | | | -549 | 0 |
| Customer and technology assets | | -15 | | | 105 | 90 |
| Total | 549 | -15 | 0 | 0 | -444 | 90 |

| 1000 EUR | Jan. 1, 2014 | Recognized in the income statement | Recognized in equity | Translation difference | Acquisitions and disposals of subsidiaries | Dec. 31, 2014 |
|-------------------------------|--------------|--|-------------------------|---------------------------|--|---------------|
| Deferred tax assets | | | | | | |
| Unutilized losses in taxation | 1 118 | -797 | | | | 322 |
| Other items | 355 | 1 231 | -222 | -21 | | 1 343 |
| Total | 1 473 | 435 | -222 | -21 | 0 | 1 665 |

Non booked deferred tax receivables of loss-making domestic companies was EUR 9.6 million

Group booked deferred tax receivables EUR 2.8 million of confirmed losses in subsidiaries.

| 1000 EUR | Jan. 1, 2014 | Recognized in the income statement | Recognized in equity | Translation difference | Acquisitions and disposals of subsidiaries | Dec. 31, 2014 |
|---|--------------|--|-------------------------|---------------------------|--|---------------|
| Deferred tax liabilities | | | | | | |
| Deferred tax liabilities, temporary differences | 497 | 84 | | -32 | | 549 |
| Total | 497 | 84 | 0 | -32 | 0 | 549 |

Notes to the consolidated financial statements

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| 17. INVENTORIES | | |
| Raw materials and supplies | 1 137 | 1 035 |
| Work in progress | 190 | 97 |
| Finished products | 862 | 472 |
| Other inventories | | 571 |
| Total | 2 190 | 2 175 |
| 18. TRADE AND OTHER RECEIVABLES (CURRENT) | | |
| Trade receivables | 16 590 | 51 233 |
| Receivables from construction contracts | 1 708 | 14 827 |
| Prepaid expenses and accrued income | 1 520 | 4 520 |
| Other receivables | 137 | 1 939 |
| Total | 19 956 | 72 518 |
| Receivables are valued at nominal value or probable current value, whichever is lower. During the financial year group has booked impairment losses from accounts receivable EUR 0,1 million (EUR 0,1 million 2014) | | |
| Age distribution of accounts receivable | | |
| Current | 11 295 | 34 820 |
| Aged Overdue Amounts | | |
| 0–3 months | 5 283 | 15 582 |
| 4–6 months | 0 | 807 |
| 7–12 months | 13 | 23 |
| > 12 months | | |
| Total | 16 590 | 51 233 |

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|--|------------------------|------------------------|
| 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | | |
| Currency derivatives | | |
| Balance sheet value on Jan. 1 | 0 | 90 |
| Additions | 67 | |
| Changes in fair-value | | -90 |
| Balance sheet value at the end of the period | 67 | 0 |
| Interest rate funds | | |
| Balance sheet value on Jan. 1 | 20 991 | 20 611 |
| Additions | 50 000 | |
| Disposals | -5 300 | |
| Changes in fair-value | 342 | 380 |
| Balance sheet value at the end of the period | 66 032 | 20 991 |
| Financial assets at fair value through profit or loss total | | |
| Balance sheet value on Jan. 1 | 20 991 | 20 702 |
| Additions | 50 067 | |
| Disposals | -5 300 | |
| Changes in fair-value | 342 | 289 |
| Balance sheet value at the end of the period | 66 100 | 20 991 |
| 20. CASH AND SHORT-TERM DEPOSITS | | |
| Cash and short-term deposits | 56 751 | 22 284 |
| Total | 56 751 | 22 284 |
| Cash and cash equivalents at consolidated cash flow statement consist of: | | |
| Interest rate funds | 66 032 | 20 991 |
| Cash and short-term deposits | 56 751 | 22 284 |
| Total | 122 783 | 43 275 |

Fair value of cash and cash equivalents does not significantly differ from the carrying amount.

Notes to the consolidated financial statements

21. ISSUED CAPITAL AND RESERVES

| | Shares 1000 PCS | Share premium 1000 EUR | Premium fund 1000 EUR | Invested non-restricted equity fund 1000 EUR | Total 1000 EUR |
|------------------------------|--------------------|------------------------------|-----------------------------|--|-------------------|
| On December 31, 2014 | 131 493 | 12 941 | 0 | 25 103 | 38 044 |
| Purchase of own shares | -97 245 | | | | |
| Share subscriptions pursuant | 1 352 | | | 820 | 820 |
| On December 31, 2015 | 35 600 | 12 941 | 0 | 25 923 | 38 864 |

Shares and the Share Capital

The shares of Elektrobit Corporation are listed on the NASDAQ OMX Helsinki Ltd. The Corporation has one series of shares. All the shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The company's shares have been entered into the Finnish Central Securities Depository Ltd's book-entry securities system.

At the end of the financial period, the fully paid share capital of the company entered into the Finnish Trade Register was EUR 12,941,269.00 and the total number of the shares was 35 600 168. The accounting per value of the company's share is EUR 0.10. The company is not in the possession of its own shares.

Translation differences

The translation reserve comprises all foreign exchange differences arising from the transition of the financial statements of foreign subsidiaries.

Dividends

Proposal by the Board of Directors on the use of the profit shown on the balance sheet and the distribution of funds is described in the report by the Board of Directors.

22. SHARE-BASED PAYMENT PLANS

Stock Options

The Annual General Meeting of March 14, 2008, decided to issue stock options to Bittium (former Elektrobit) key personnel. The maximum number of stock options shall be 4,200,000, of which 1,400,000 shall be marked with the symbol 2008A, 1,400,000 shall be marked with the symbol 2008B and 1,400,000 shall be marked with the symbol 2008C. The stock options entitle to subscription of a maximum total of 4,200,000 new shares of the company or

treasury shares. The proportion of the shares that can be subscribed using the stock options to be issued will be a maximum total of 3.1 per cent of the company's shares and associated voting rights after a possible share subscription, should new shares be issued in the subscription. The subscription price for the shares to be subscribed based on the stock options shall be based on the prevailing market value of the Bittium Corporation share at NAS-

DAQ OMX Helsinki Ltd. in January 2009, January 2010 and January 2011. The subscription price will be recorded in the fund for invested unrestricted equity. The share subscription period for stock options 2008A is 1 April 2012–31 March 2014, for stock options 2008B 1 April 2013–31 March 2015, and for stock options 2008C 1 April 2014–31 March 2016.

Notes to the consolidated financial statements

Share-option plan 2008A

Share-based options, granted for key personnel

| | |
|--|-----------------------|
| Nature of arrangement | Granted share-options |
| Grant date | 14.8.2009 |
| Number of instruments granted (1000 PCS) | 1168 |
| Exercise price, EUR | 0.07 |
| Share price at the grant date, EUR | 0.68 |
| Contractual life of the options (years) | 4.7 |
| Vesting conditions | |
| Settlement method | Shares |
| Expected volatility (%) | 43 % |
| Expected contractual life of the options (years) | 4.7 |
| Risk-free interest rate (%) | 2.65 % |
| Dividend yield (%) | 0 |
| Expected early exercise (at grant date) | 0 |
| Market conditions (at grant date) | |
| Fair-value of the options at the grant date | |
| Option pricing model | Black-Scholes |

| | Number of options 31.12.2015 1000 pcs | Number of options 31.12.2014 1000 pcs |
|--|--|--|
| Outstanding at the beginning of the year | | 627 |
| Granted during the year | | |
| Forfeited during the year | | |
| Exercised during the year | | -627 |
| Expired during the year | | |
| Outstanding at the end of the year | | 0 |
| Exercisable at the end of the year | | 0 |

SHARE-OPTION PLAN 2008B

Share-based options, granted for key personnel

| | |
|--|-----------------------|
| Nature of arrangement | Granted share-options |
| Grant date | 31.5.2010 |
| Number of instruments granted (1000 PCS) | 1134 |
| Exercise price, EUR | 0.73 |
| Share price at the grant date, EUR | 1.05 |
| Contractual life of the options (years) | 4.9 |
| Vesting conditions | |
| Settlement method | Shares |
| Expected volatility (%) | 44 % |
| Expected contractual life of the options (years) | 4.9 |
| Risk-free interest rate (%) | 2.65 % |
| Dividend yield (%) | 0 |
| Expected early exercise (at grant date) | 0 |
| Market conditions (at grant date) | |
| Fair-value of the options at the grant date | |
| Option pricing model | Black-Scholes |

| | Number of options 31.12.2015 1000 pcs | Number of options 31.12.2014 1000 pcs |
|--|--|--|
| Outstanding at the beginning of the period | 518 | 1 067 |
| Granted during the period | | |
| Forfeited during the period | | |
| Exercised during the period | -411 | -548 |
| Expired during the period | -107 | |
| Outstanding at the end of the period | 0 | 518 |
| Exercisable at the end of the period | 0 | 518 |

Notes to the consolidated financial statements

SHARE-OPTION PLAN 2008C

Share-based options, granted for key personnel

| | |
|--|-----------------------|
| Nature of arrangement | Granted share-options |
| Grant date | 19.8.2011 |
| Number of instruments granted (1000 PCS) | 740 |
| Exercise price, EUR | 0.61 |
| Share price at the grant date, EUR | 0.56 |
| Contractual life of the options (years) | 4.7 |
| Vesting conditions | |
| Settlement method | Shares |
| Expected volatility (%) | 45 % |
| Expected contractual life of the options (years) | 4.7 |
| Risk-free interest rate (%) | 2.07 % |
| Dividend yield (%) | 0 |
| Expected early exercise (at grant date) | 0 |
| Market conditions (at grant date) | |
| Fair-value of the options at the grant date | |
| Option pricing model | Black-Scholes |

| | Number of options 31.12.2015 1000 pcs | Number of options 31.12.2014 1000 pcs |
|--|--|--|
| Outstanding at the beginning of the period | 868 | 760 |
| Granted during the period | 300 | 325 |
| Forfeited during the period | | |
| Exercised during the period | -941 | -217 |
| Expired/void during the period | -167 | |
| Outstanding at the end of the period | 61 | 868 |
| Exercisable at the end of the period | 61 | 868 |

23. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

The pension arrangements of the Bittium Group are classified as defined contribution plans. The post-employment benefit plans and the pension liabilities reported in 2014 were connected to the discontinued operations.

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|--|------------------------|------------------------|
| Benefit pension plan liability consists of following items: | | |
| Present value of funded obligations | | 3 294 |
| Fair value of plan assets | | -324 |
| Net liability | | 2 970 |
| Net periodic pension cost in income statement: | | |
| Unrecognized net liability on Jan. 1 | | |
| Current service cost | | 68 |
| Interest cost | | 75 |
| Employee contributions | | -10 |
| Total | | 133 |
| Balance sheet reconciliation: | | |
| Net liability on Jan. 1 | | 2 086 |
| Remeasurements (IAS 19) | | 752 |
| Net periodic pension cost in income statement | | 133 |
| Net liability on Dec. 31 | | 2 970 |
| Principal actuarial assumptions: | | |
| Europe | | |
| Discount rate | | 2.45 |
| Expected return on plan assets | | 2.00 |
| Future pension increase | | 0.00 |

Sensitivity of defined benefit obligation to changes in actuarial assumptions

| | |
|--------------------------------------|-------|
| Impact on defined benefit obligation | |
| Discount rate, +0.25 % | 3 108 |
| Discount rate, -0.25 % | 3 494 |
| Future pension increase +0.25 % | 3 388 |
| Future pension increase -0.25 % | 3 205 |

24. PROVISIONS

| 1000 EUR | Guarantee provisions | Unprofitable rental agreements | Others | Total |
|--|-------------------------|--------------------------------------|--------------|--------------|
| December 31, 2014 | 613 | 304 | 1 912 | 2 828 |
| Increase in provisions | 147 | | 1 338 | 1 485 |
| Elimination of the provisions of the discontinued operations | | | -1145 | -1145 |
| Utilized provisions | | -47 | -288 | -335 |
| Reversal of unutilized provisions | | | -480 | -480 |
| Dec 31, 2015 | 760 | 257 | 1 337 | 2 354 |
| Non-current provisions | | 107 | 1 039 | 1 146 |
| Current provisions | 760 | 150 | 297 | 1 207 |
| Total | 760 | 257 | 1 337 | 2 354 |

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| 25. FINANCIAL LIABILITIES | | |
| Non-current loans | | |
| Bank loans | | 1 356 |
| Finance lease liabilities | 745 | 2 448 |
| Total | 745 | 3 803 |
| Current loans | | |
| Bank loans | | 3 000 |
| Finance lease liabilities | 658 | 1 513 |
| Repayments of non-current bank loans | | 8 |
| Total | 658 | 4 520 |
| Repayment schedule of long-term loans: | | |
| 2016 | | 1 905 |
| 2017 | 500 | 841 |
| 2018 | 167 | 370 |
| 2019 | 59 | 689 |
| Later | 19 | 0 |
| Total | 745 | 3 803 |

The interest on loans fall due every quarter. Their impact on the cash flow of the Group is not material.

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| The interest-bearing non-current loans are distributed by currency as follows: | | |
| EUR | 745 | 3 803 |
| Total | 745 | 3 803 |

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| The interest-bearing current loans are distributed by currency as follows: | | |
| EUR | 658 | 4 520 |
| Total | 658 | 4 520 |

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| Maturities of the finance lease liabilities: | | |
| Finance lease liabilities - minimum lease payments | 1 460 | 4 311 |
| Within one year | 694 | 1 643 |
| After one year but no more than five years | 766 | 2 668 |
| After five years | 0 | 0 |
| Finance lease liabilities - Present value of minimum lease payments | 1 403 | 3 960 |
| Within one year | 658 | 1 513 |
| After one year but no more than five years | 745 | 2 448 |
| After five years | 0 | 0 |
| Future finance charges | 57 | 351 |
| Total amount of finance lease liabilities | 1 460 | 4 311 |

Notes to the consolidated financial statements

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| 26. TRADE AND OTHER PAYABLES | | |
| Current liabilities | | |
| Trade and other payables | | |
| Trade liabilities | 3 714 | 19 128 |
| Accrued liabilities, deferred income | 5 417 | 16 683 |
| Other liabilities | 8 818 | 22 680 |
| Total | 17 948 | 58 491 |
| Material part of accrued expenses and deferred income consists of personnel expenses and other accruals. | | |
| Fair value of the other liabilities than derivatives doesn't significantly differ from the initial carrying value, because the impact on discounting is not significant when taking into account the maturities of the loans. | | |
| Financial liabilities at fair value through profit or loss | | |
| Liabilities based on derivatives | | |
| Balance sheet value on Jan. 1 | 248 | 0 |
| Changes in fair-value | -248 | 248 |
| Balance sheet value at the end of the period | 0 | 248 |

Notes to the consolidated financial statements

27. FINANCIAL RISK MANAGEMENT

Under its normal business activities, Bittium Corporation is exposed to several financial risks. The primary financial risks are foreign exchange rate risk, interest rate risk, investment risk and default risk. The goal of the Group's financial risk management function is to reduce adverse effects of price fluctuations and other uncertainties on earnings, balance sheet and cash flows as well as to ensure sufficient liquidity. In its risk management, the Group uses financial instruments such as forward exchange agreements, currency options and interest rate swaps. External professional portfolio managers are employed for investing activities.

The Group's general risk management principles are approved by the Board of Directors. The responsibility for their implementation lies with the parent company together with operational units. The parent company identifies and assesses risks and obtains relevant financial instruments for hedging them in close co-operation with the operative units. Management evaluates risk concentrations from the viewpoint of business activities, taking into consideration shared factors between underlying variables such as those arising from changes in economic conditions or other variables. Operations and funding programs executed in the financial markets are mainly concentrated into the parent company. Subsidiaries are mainly funded through intra-company loans and group account overdraft credit limits.

The Group's financial risks are divided into market, default and liquidity risk.

Market risks

Market risks are caused by changes in foreign exchange rates, interest rates and the price of securities. Fluctuations in these may have an impact on the Group's income statement, cash flow or balance sheet.

Foreign exchange rate risk

The Group operates globally and is exposed to transaction risk from foreign exchange positions as well as to risks due to the translation of investments in different currencies to the functional currency of the parent company. The most relevant currencies for the Group are the Euro and the US dollar. Foreign exchange rate risk is caused by commercial activities, monetary items on the balance sheet and net investments in foreign subsidiaries. A business unit's functional currency or generally used currencies (EUR, USD) are used as invoicing currency. Additional information on functional currency and foreign currency conversion is available in the accounting principles section of the consolidated financial statements.

The Group follows a currency strategy that aims at securing the margin of business activities in changing market conditions by minimizing the effect of fluctuations in foreign exchange rates. According to the principles of the currency strategy, surely considered and the most probable net cash flow in a particular currency is hedged. The cash flow is defined based on the net position of the trade receivables, trade payables, order intake and forecasted net currency cash flow. The Group does not apply hedge accounting as defined in the IAS 39 standard. According to the currency strategy the degree of hedging can vary from approximately 25% to 125% of the forecasted net position. At the end of the financial period the counter value of the hedged net position was EUR 2.5 million. During the financial year

the amount of the hedged position has been changing between EUR 2.5 – 12.5 million.

The Group has hedged the transaction risk related to its income statement and as a principal rule has not hedged the translation risk related to equity on the balance sheet. Foreign currencies denominated equities of foreign subsidiaries on December 31, 2015 was EUR 3.2 million (EUR 10.7 million in 2014) from which dollar denominated equities of foreign subsidiaries was EUR 1.8 million (EUR 8.6 million in 2014).

On the closing date, the Group had the following foreign exchange derivative contract nominal amounts outstanding (the nominal amounts do not represent the amounts exchanged by the parties):

Nominal value of currency derivatives

| 1000 EUR | 2015 | 2014 |
|-----------------------------------|-------|--------|
| <u>Forward contracts</u> | | |
| Market value | 67 | -146 |
| Nominal value | 2 500 | 3 000 |
| <u>Currency options purchased</u> | | |
| Market value | | 22 |
| Nominal value | | 5 000 |
| <u>Sold currency options</u> | | |
| Market value | | -124 |
| Nominal value | | 10 000 |

Dollar denominated assets and liabilities translated to euros using the closing date's value:

| 1000 EUR | 2015 | 2014 |
|------------------------------|-------|--------|
| <u>Long-term assets</u> | | |
| | 5 | 441 |
| <u>Long-term liabilities</u> | | |
| | 735 | 988 |
| <u>Current assets</u> | | |
| | 2 964 | 15 761 |
| <u>Current liabilities</u> | | |
| | 392 | 6 642 |

The table below describes the 10% appreciation or depreciation of the Euro against the US dollar, other variables remaining constant. The sensitivity analysis is based on foreign currency denominated assets and liabilities as of the closing date. The change in dollar denominated trade receivables and debt would primarily have been due to fluctuations in the foreign exchange rate.

| 1000 EUR | Changes in income statement before tax | | Changes in equity before tax | |
|-----------------|--|-------|------------------------------|-------|
| | 2015 | 2014 | 2015 | 2014 |
| EUR appreciates | -200 | -800 | -200 | -800 |
| EUR depreciates | 200 | 1 000 | 200 | 1 000 |

Interest rate risk

Part of the Group's debt is tied to fixed interest rates. At the closing date, the Group had the following fixed interest rate debts outstanding:

| | 2015 1000 EUR | 2014 1000 EUR |
|---------------------------|------------------|------------------|
| Fixed interest rate debts | 1 403 | 5 324 |

The table below describes the interest rate risk of debts should there have been a $\pm 1\%$ change in interest rates of short term reference interest rate debts, other variables remaining constant. The figures presented indicate the change in yearly interest expense calculated using the average amount of debt during the financial period.

| 1000 EUR | Changes in income statement before tax | | Changes in equity before tax | |
|-------------------------|--|-------|------------------------------|-------|
| | 2015 | 2014 | 2015 | 2014 |
| Loan stock January, 1 | 8 300 | 5 300 | | |
| Loan stock December, 31 | 1 400 | 8 300 | | |
| Average loan stock | 4 900 | 6 800 | | |
| Change in interest | +/- 0 | +/- 0 | +/- 0 | +/- 0 |

Notes to the consolidated financial statements

Market risk of investment activities

The Group's interest investments result in interest rate exposure, but their effect is not considered significant. The Group's revenue and operative cash flows are mainly independent of market rate fluctuations.

The Group invests in low-risk interest rate funds and therefore it has not been exposed to security price risk of fluctuations in the stock markets. According to the Group's principles, investments related to cash management are made in liquid and low-risk money market or bond instruments and thus have not been hedged using derivatives.

The table below describes the distribution of investments in securities at the closing date.

| | 2015 | 2014 |
|--------------------------|---------|---------|
| Stock shares | 0.0 % | 0.0 % |
| Bonds | 68.3 % | 71.6 % |
| Money market investments | 31.7 % | 28.4 % |
| Total | 100.0 % | 100.0 % |

The combined value of the above instruments during the financial period has ranged from approximately EUR 15.8 to EUR 66.1 million. At closing date their value was approximately EUR 66.0 million. This risk concentration has been managed by investing in well spread and low-risk money market funds.

The table below describes the price risk of the investments if they had exhibited a $\pm 1\%$ change in a market rate of interest, other variables remaining constant. Financial assets that are recognized at market value in the income statement affect net income. Changes in the value of for-sale financial assets affect equity. In the calculations it is presumed that the Group's investments change with the interest rate level in question. The sensitivity analysis describes the total market risk of investment activity because all investments are in the interest rate instruments.

| 1000 EUR | Changes in income statement before tax | | Changes in equity before tax | |
|----------------------|--|---------|------------------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| Interest investments | +/- 400 | +/- 200 | +/- 400 | +/- 200 |

Default risk

Bittium's credit risks are mainly related to accounts receivable, cash, financial investments and derivatives used in hedging. In its deposit, financial investment and hedging activities Bittium operates only with well-known partners who have good credit rating.

About 90 % of the Group's trade receivables are from ten customers. The other trade receivables are distributed among a wide customer base and across several geographical areas. Credit risk is mitigated for example by documentary credits or bank guarantees when needed. Default risk concentration is mainly assessed as a single customer's share of total trade receivables but also according to the receivable's date of maturity.

Bittium's significant default risk concentration is EUR 0.0 million which represents approximately 0.1 % of the total accounts receivable.

During the past financial year the amount of recognized credit losses was approximately EUR 0.1 million (EUR 0.1 million in 2014). Group did not have capital loans granted to outside Group at the end of 2015 (EUR 0.0 million in 2014).

The amount of the Group's counterparty default risk is consistent with the book value of financial assets at the closing date. For the maturity distribution of trade receivables, see note 18.

Liquidity risk

The Group and business segments strive to continuously evaluate and monitor the amount of liquid funds needed for business operations and loan repayments. The Group strives to guarantee the availability and flexibility of financing by its strong financial position and liquid investments. The Group has also EUR 10.0 million credit facility agreement with Nordea Bank Finland Plc and EUR 10.0 million credit facility agreement with Pohjola Bank Plc. These agreements, intended for general financing purposes, are valid until further notice and include conventional covenants that are, among others, related to equity ratio, transfer and pledge of the assets. Transfer of assets covenant was breached at the sale of the Automotive business on July 1, 2015 but banks have informed Bittium that they will not use their rights to terminate the agreements related to the sale of the Automotive business. These credit facilities were not in use at the end of the reporting period. For the maturity distribution of the Group's debt, see note 25.

Capital structure management

The Group strives to optimize its capital structure and thus support business activities by ensuring normal operating conditions under all circumstances. An optimal capital structure also ensures that the cost of capital is minimized.

The capital structure is affected by dividend policy and share issuance. The Group can alter and adjust dividends paid to shareholders as well as share repurchases. The Group can also alter and adjust the amount of shares issued, or make decisions on the sale of assets.

The management has continuously monitored the development of the Group's net gearing and solvency ratio. The Group's interest bearing net debt at the end of 2015 was EUR -121.4 million (EUR -35.0 million in 2014) and net gearing was -88.2 % (-37.4 % in 2014). The Group's solvency ratio at the end of 2015 was 90.5 % (62.3 % in 2014).

Notes to the consolidated financial statements

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

This section presents the Group's fair valuing principles for all financial instruments. The table below presents book values for each item in detail. Their fair values are not considered to materially differ from the book values presented in the consolidated balance sheets.

| 1000 EUR | Note | Book value | Fair value | Book value | Fair value |
|---|-------|------------|------------|------------|------------|
| | | 2015 | 2015 | 2014 | 2014 |
| Financial assets | | | | | |
| Other financial assets | 15 | 122 | 122 | 123 | 123 |
| Trade receivables and other receivables | 18 | 19 956 | 19 956 | 72 518 | 72 518 |
| Financial assets at fair value through profit or loss | 19 | 66 032 | 66 032 | 20 991 | 20 991 |
| Cash and cash equivalents | 20 | 56 751 | 56 751 | 22 284 | 22 284 |
| Currency forwards and options | 19 | 67 | 67 | | |
| Financial liabilities | | | | | |
| Bank loans | 25 | | | 4 363 | 4 366 |
| Finance lease liabilities | 25 | 1 403 | 1 403 | 3 960 | 3 960 |
| Trade payables and other debts | 23-26 | 20 392 | 20 392 | 64 839 | 64 839 |
| Currency forwards and options | 26 | | | 248 | 248 |

Investments in shares and funds and other investments

For-sale financial assets consist mainly of money market investments that fair values are based on the quotes of the closing day (IFRS 7 fair value hierarchy level 1; quoted prices (unadjusted) in active markets for identical assets or liabilities).

Derivatives

The fair values of forward exchange and option contracts are defined based on publicly quoted currency and interest rate information and using commonly accepted valuation methods (IFRS 7 fair value hierarchy level 2; instruments whose fair value is observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)). These calculations have been carried out by an outside professional party.

Bank loans

Book values are considered to closely approximate fair values.

Finance lease liabilities

Book values are considered to closely approximate fair values.

Trade receivables and other receivables

The original book value of receivables is considered to equal their fair values, since the effect of discounting is non-significant considering the maturities of the receivables.

Trade payables and other debts

The original book value of payables and other debts is considered to equal their fair values, since the effect of discounting is non-significant considering the maturities of the receivables.

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|--|------------------------|------------------------|
| 28. ADJUSTMENTS TO NET CASH FROM OPERATING ACTIVITIES | | |
| Business transactions without payments | | |
| Depreciations | 5 686 | 8 748 |
| Employee benefits | 63 | 84 |
| Shares in subsidiaries | -538 144 | |
| Other adjustments | 670 | 1 516 |
| Total | -531 725 | 10 348 |

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|--|------------------------|------------------------|
| 29. OPERATING LEASE AGREEMENTS | | |
| The Group as lessee | | |
| The total of future minimum lease payments under non-cancellable operating leases for each of the following periods: | | |
| Not later than one year | 2 267 | 7 225 |
| Later than one year and not later than five years | 2 303 | 11 736 |
| Later than five years | 0 | 1 249 |

The Group has rented all of its facilities. In average the maturities of the lease agreements are from 1 month to 10 years and normally they include an option to extend the rental period from originally agreed end date.

The Group as lessor

The Group has leased the excess office and production facilities with lease agreements valid until further notice.

Notes to the consolidated financial statements

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|--|------------------------|------------------------|
| 30. SECURITIES AND CONTINGENT LIABILITIES | | |
| Against own liabilities | | |
| Floating charges | 3 009 | 1 000 |
| Guarantees | 3 670 | 6 395 |
| Rental liabilities | | |
| Falling due in the next year | 2 267 | 7 225 |
| Falling due after one year | 2 303 | 12 985 |
| Other contractual liabilities | | |
| Falling due in the next year | 2 157 | 2 112 |
| Falling due after one year | 409 | 718 |
| Mortgages are pledged for liabilities totaled | | |
| Loans from financial institutions | 2 | 2 608 |

31. RELATED PARTY DISCLOSURES

The Group has the following structure:

| | Country of incorporation | Owned by Parent % | Owned by Group % |
|--------------------------------------|-----------------------------|----------------------|---------------------|
| Parent | | | |
| Bittium Oyj | Finland | | |
| Subsidiaries | | | |
| Bittium Technologies Oy | Finland | 100.00 | 100.00 |
| Bittium Wireless Oy | Finland | 0.00 | 100.00 |
| Bittium Safemove Oy | Finland | 0.00 | 100.00 |
| Bittium USA, Inc. | USA | 0.00 | 100.00 |
| Bittium Technology (Beijing) Co. Ltd | China | 0.00 | 100.00 |
| Bittium Singapore Pte. Ltd | Singapore | 0.00 | 100.00 |

Notes to the consolidated financial statements

| | 2015 1000 EUR | 2014 1000 EUR |
|---|------------------|------------------|
| Employee benefits for key management | | |
| Salaries and remuneration | | |
| Managing director of the parent | | |
| Hannu Huttunen 7.8.–31.12.2015 | 82 | |
| Jukka Harju 1.1.–6.8.2015 and 1.1.–31.12.2014 | 470 | 347 |
| Total | 552 | 347 |
| Remuneration of the members of the board of the parent, the financial committee and the managing directors of the business segments | | |
| Jorma Halonen 1.1.–4.11.2015 and 1.1.–31.12.2014 | 20 | 40 |
| Kai Hilden 1.1.–31.12.2014 | 0 | 15 |
| Lainema Matti 1.1.–4.11.2015 | 5 | |
| Juha Hulkko 1.1.–4.11.2015 and 1.1.–31.12.2014 | 20 | 39 |
| Seppo Laine 1.1.–4.11.2015 and 1.1.–31.12.2014 | 37 | 60 |
| Staffan Simberg 1.1.–31.12.2015 and 1.1.–31.12.2014 | 34 | 44 |
| Erkki Veikkolainen 1.1.–31.12.2015 and 1.1.–31.12.2014 | 36 | 28 |
| Kirsi Komi 5.11.–31.12.2015 | 4 | |
| Juha Putkiranta 5.11.–31.12.2015 | 4 | |
| Seppo Mäkinen 5.11.–31.12.2015 | 4 | |
| Total | 164 | 226 |
| There has not been any business transactions or open balances between the related parties. | | |
| Members of the group executive board | 852 | 539 |
| Loans and guarantees to related party | | |
| There are no loans or guarantees granted between the related parties | | |
| Stock option expenses | 17 | 3 |

32. SUBSEQUENT EVENTS

The Group management is not aware of any significant events after balance sheet date, that would have had impact on the consolidated financial statements.

33. KEY RATIOS

| | IFRS 31.12.2015 Continuing operations | IFRS 2014 Continuing operations | IFRS 2013 | IFRS 2012 | IFRS 2011 |
|--|--|--|--------------|--------------|--------------|
| Income statement, MEUR | | | | | |
| Net sales, MEUR *) | 56.8 | 52.7 | 199.3 | 173.9 | 148.0 |
| Net sales change, % | 7.8 | | 14.6 | 17.5 | 0.3 |
| Operating profit/loss, MEUR *) | 2.3 | 0.8 | 8.1 | 1.1 | -5.5 |
| % of net sales | 4.1 | 1.5 | 4.1 | 0.6 | -3.7 |
| Profit/loss for continuing operations before taxes, MEUR | 2.1 | 0.6 | 7.2 | 1.1 | -5.9 |
| % of net sales | 3.7 | 1.2 | 3.6 | 0.6 | -4.0 |
| Profit for the year from continuing operations, MEUR | 2.3 | 1.3 | 6.7 | 1.1 | -6.5 |
| % of net sales | 4.1 | 2.4 | 3.3 | 0.6 | -4.4 |
| Profit after tax for the year from discontinued operations, MEUR | 539.0 | 11.2 | 24.3 | 1.2 | 1.5 |
| % of net sales | 948.7 | 21.3 | 12.2 | 0.7 | 1.0 |
| Profit for the year attributable to equity holders of the parent, MEUR | 541.3 | 12.5 | 30.9 | 2.3 | -5.3 |
| % of net sales | 952.8 | 23.7 | 15.5 | 1.3 | -3.6 |
| Balance sheet, MEUR | | | | | |
| Non-current assets | 14.4 | 48.8 | 46.1 | 46.8 | 43.7 |
| Inventories | 2.2 | 2.2 | 0.8 | 0.4 | 1.8 |
| Current assets | 142.8 | 115.8 | 97.4 | 77.3 | 66.8 |
| Assets classified as held for sale | | | | 7.7 | |
| Shareholders' equity | 137.6 | 93.4 | 81.7 | 66.0 | 65.8 |
| Non-current liabilities | 2.0 | 7.6 | 6.1 | 8.5 | 6.6 |
| Current liabilities | 19.8 | 65.8 | 56.5 | 53.2 | 40.0 |
| Liabilities classified as held for sale | | | | 4.5 | |
| Balance sheet total | 159.4 | 166.8 | 144.4 | 132.2 | 112.3 |
| Profitability and other key figures | | | | | |
| Return on equity % (ROE) **) | 2.0 | | 9.0 | 1.6 | -9.4 |
| Return on investment % (ROI) **) | 2.5 | | 9.2 | 1.7 | -6.6 |
| Interest-bearing net liabilities, (MEUR) | -121.4 | -35.0 | -37.7 | 4.0 | -0.9 |
| Net gearing, % | -88.2 | -37.4 | -46.1 | 6.1 | -1.4 |
| Equity ratio, % | 90.5 | 62.3 | 65.1 | 54.5 | 62.9 |
| Gross investments, (MEUR) *) | 7.4 | 4.5 | 7.9 | 11.4 | 12.4 |
| Gross investments, % of net sales | 13.1 | 8.5 | 4.0 | 6.5 | 7.7 |
| R&D costs, (MEUR) *) | 7.3 | 6.9 | 18.5 | 22.0 | 22.1 |
| R&D costs, % of net sales | 12.9 | 13.0 | 9.3 | 12.6 | 15.0 |
| Average personnel during the period, parent and subsidiaries *) | 511 | 486 | 1627 | 1528 | 1553 |
| Average personnel during the period, jointly owned company | | | 300 | 132 | |

*) Continuing operations. Excluding Automotive business income statements from periods 1.1.-1.7.2015 and 2014.

**) comparable key figures for 2014 N/A

Notes to the consolidated financial statements

| | IFRS 31.12.2015 | IFRS 2014 | IFRS 2013 | IFRS 2012 | IFRS 2011 |
|--|--------------------|--------------|--------------|--------------|--------------|
| Stock-related financial ratios | | | | | |
| Earnings per share from continuing operations, EUR | | | | | |
| Basic earnings per share | 0.020 | 0.010 | 0.051 | 0.008 | -0.05 |
| Diluted earnings per share | 0.020 | 0.010 | 0.051 | 0.008 | -0.05 |
| Earnings per share from discontinued operations, EUR | | | | | |
| Basic earnings per share | 4.687 | 0.086 | 0.188 | 0.009 | 0.01 |
| Diluted earnings per share | 4.685 | 0.085 | 0.187 | 0.009 | 0.01 |
| Earnings per share from continuing and discontinued operations, EUR | | | | | |
| Basic earnings per share | 4.708 | 0.096 | 0.239 | 0.018 | -0.04 |
| Diluted earnings per share | 4.706 | 0.095 | 0.238 | 0.017 | -0.04 |
| Equity per share, EUR | 3.86 | 0.71 | 0.63 | 0.51 | 0.51 |
| Dividend per share EUR *) | 0.3 | 0.04 | 0.02 | 0.01 | |
| Dividend per earnings, % | 6.4 | 42.7 | 38.9 | 119.7 | |
| P/E ratio | 344.3 | 35.9 | 51.8 | 77.8 | -9.2 |
| Effective dividend yield, % | 4.3 | 1.2 | 0.8 | 1.5 | |
| Market values of shares (EUR) | | | | | |
| Highest | 7.80 | 3.83 | 2.90 | 0.79 | 0.76 |
| Lowest | 3.27 | 2.30 | 0.64 | 0.38 | 0.36 |
| Average | 4.92 | 2.85 | 1.55 | 0.64 | 0.55 |
| At the end of period | 7.01 | 3.36 | 2.66 | 0.65 | 0.38 |
| Market value of the stock, (MEUR) | 249.6 | 441.8 | 346.1 | 84.1 | 49.2 |
| Trading value of shares | | | | | |
| MEUR | 837.1 | 188.0 | 72.0 | 6.9 | 5.0 |
| 1000 pcs | 169 993 | 66 019 | 46 483 | 10 750 | 9 169 |
| Related to average number of shares % | 147.8 | 50.4 | 35.9 | 8.3 | 7.1 |
| Adjusted number of the shares at the end of the period (1000 PCS) | 35 600 | 131 493 | 130 101 | 129 413 | 129 413 |
| Adjusted number of the shares average for the period (1000 PCS) | 114 983 | 130 975 | 129 528 | 129 413 | 129 413 |
| Adjusted number of the shares average for the period diluted with stock options (1000 PCS) | 115 037 | 131 663 | 130 092 | 130 238 | 130 051 |

*) Proposal of the BoD for 2015

CALCULATION OF KEY RATIOS

| | | |
|-------------------------------------|---|--|
| Return on equity % (ROE) | = | $\frac{\text{Profit for the year} \times 100}{\text{Total equity (average for the accounting period)}}$ |
| Return on investment % (ROI) | = | $\frac{\text{Profit before tax} + \text{interest and other financial expenses} \times 100}{\text{Balance sheet total} - \text{interest-free liabilities (average for the accounting period)}}$ |
| Net gearing, % | = | $\frac{\text{Interest-bearing liabilities} - \text{cash and deposits and short-term investments} \times 100}{\text{Total equity}}$ |
| Equity ratio, % | = | $\frac{\text{Total equity} \times 100}{\text{Balance sheet total} - \text{advances received}}$ |
| Earnings per share | = | $\frac{\text{Profit attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares average for the period}}$ |
| Equity per share | = | $\frac{\text{Equity attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares average for the period}}$ |
| Dividend per share | = | $\frac{\text{Dividend for the period (Board's proposal) per share}}{\text{Adjustment coefficient of post-fiscal share issues}}$ |
| Dividend per earnings, % | = | $\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$ |
| P/E ratio | = | $\frac{\text{Share issue adjusted share price at the end of the period}}{\text{Earnings per share}}$ |
| Effective dividend yield, % | = | $\frac{\text{Dividend per share} \times 100}{\text{Share issue adjusted share price at the end of the period}}$ |

Notes to the consolidated financial statements

34. SHAREHOLDINGS AND SHARES

Breakdown of Shares by Shareholding, December 31, 2015

| Number of shares | Percentage of shareholders | Number of shares | Percentage of shares and votes |
|---------------------|----------------------------|-------------------|--------------------------------|
| 1-100 | 41.6 | 421 484 | 1.2 |
| 101-500 | 32.2 | 1 814 652 | 5.1 |
| 501-1000 | 11.2 | 1 874 134 | 5.3 |
| 1001-5000 | 11.7 | 5 600 210 | 15.7 |
| 5001-10000 | 1.7 | 2 703 850 | 7.6 |
| 10001-50000 | 1.3 | 5 485 283 | 15.4 |
| 50001-100000 | 0.1 | 1 866 375 | 5.2 |
| 100001-500000 | 0.1 | 5 478 594 | 15.4 |
| 500001-999999999999 | 0.0 | 10 355 586 | 29.1 |
| Total | 100.0 | 35 600 168 | 100.0 |
| nominee-registered | | 2 543 953 | 7.1 |

Breakdown of Shareholders by Shareholder Type, December 31, 2015

| Shareholders by shareholder type | Number of shareholders | Number of shares | Percentage of shares and votes |
|----------------------------------|------------------------|-------------------|--------------------------------|
| Corporations | 2.7 | 1 935 913 | 5.4 |
| Financial sector | 0.1 | 2 050 648 | 5.8 |
| Public sector | 0.0 | 1 826 599 | 5.1 |
| Non-profit organizations | 0.2 | 299 351 | 0.8 |
| Households | 96.6 | 26 622 659 | 74.8 |
| Foreign owners | 0.4 | 321 045 | 0.9 |
| Nominee-registered shares | 0.0 | 2 543 953 | 7.1 |
| Total | 100.0 | 35 600 168 | 100.0 |

Largest Shareholders, December 31, 2015

| | Number of shares | Percentage of shares and votes |
|---|---------------------|-----------------------------------|
| Number of shares total | 35 600 168 | 100,0 |
| 1. Harju Jukka | 1 724 100 | 4,8 |
| 2. Hulkko Juha | 1 700 000 | 4,8 |
| 3. Veikkolainen Erkki, Chairman of the Board | 1 500 000 | 4,2 |
| 4. Keskinäinen eläkevakuutusyhtiö Ilmarinen | 1 316 203 | 3,7 |
| 5. Nordea Pankki Suomi Oyj | 1 214 978 | 3,4 |
| 6. Skandinaviska Enskilda Banken AB (publ) Helsingin sivukonttori | 970 857 | 2,7 |
| 7. Sijoitusrahasto EVLI Suomi pienyhtiöt | 735 448 | 2,1 |
| 8. Hilden Kai | 658 000 | 1,8 |
| 9. Fondita Nordic Micro Cap Placeringsfund | 536 000 | 1,5 |
| 10. Keskinäinen Työeläkevakuutusyhtiö ELO | 500 000 | 1,4 |
| Total | 10 855 586 | 30,5 |
| Others (including nominee-registered) | 24 744 582 | 69,5 |

The Board and CEO

| | | |
|---|------------------|------------|
| Veikkolainen Erkki, Chairman of the Board | 1 500 000 | 4,2 |
| Komi Kirsi, Member of the Board | | 0,0 |
| Putkiranta Juha, Member of the Board | 10 000 | 0,0 |
| Mäkinen Seppo, Member of the Board | | 0,0 |
| Simberg Staffan, Member of the Board* | 50 000 | 0,1 |
| Huttunen Hannu, CEO | | 0,0 |
| Total | 1 560 000 | 4,4 |

* Including the shareholdings of a company controlled by Staffan Simberg.

Income statement, Parent Company

| | NOTES | 2015 1000 EUR | 2014 1000 EUR |
|--|-------|------------------|------------------|
| Net sales | 1, 2 | 892 | 1 200 |
| Other operating income | 3 | 3 | 1 |
| Personnel expenses | 4 | -1 310 | -1 356 |
| Depreciation and reduction in value | 5 | -15 | -30 |
| Other operating expenses | 6 | -1 461 | -1 634 |
| Operating profit | | -1 891 | -1 820 |
| Financial income and expenses | 7 | - 414 | -629 |
| Profit before extraordinary items | | -2 305 | -2 449 |
| Extraordinary income | 8 | 547 909 | |
| Profit (loss) before appropriations and taxes | | 545 604 | -2 449 |
| Income tax | 9 | 0 | 0 |
| Net profit for the financial year | | 545 604 | -2 449 |

Balance Sheet, Parent Company

| | NOTES | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|-------|------------------------|------------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 10 | 0 | 101 |
| Tangible assets | 11 | 73 | 72 |
| Investments | 12 | 39 750 | 86 471 |
| Non-current assets total | | 39 823 | 86 644 |
| Current assets | | | |
| Receivables | | | |
| Non-current receivables | 13 | 0 | 0 |
| Current receivables | 14 | 526 | 2 480 |
| Receivables total | | 526 | 2 480 |
| Financing securities | 15 | 66 032 | 20 991 |
| Cash and bank deposits | | 53 515 | 939 |
| Current assets total | | 120 074 | 24 410 |
| Total assets | | 159 896 | 111 054 |
| Shareholders' equity and liabilities | | | |
| Shareholder's equity | 16 | | |
| Share capital | | 12 941 | 12 941 |
| Invested non-restricted equity fund | | 25 923 | 25 103 |
| Retained earnings* | | -433 412 | 67 137 |
| Net profit/loss for the year | | 545 604 | -2 449 |
| Shareholders' equity total | | 151 056 | 102 732 |
| Provisions | 17 | | |
| Provisions, non-current | | 1 000 | |
| Provisions, current | | 288 | 73 |
| Liabilities | 18 | | |
| Non-current liabilities | | | |
| Current liabilities | | 7 552 | 7 869 |
| Liabilities total | | 7 552 | 8 249 |
| Shareholders' equity and liabilities total | | 159 896 | 111 054 |

*) Retained earnings includes the purchase of own shares, which was executed after the interim financial statements for the period of 1.1–1.7.2015.

Cash Flow, Parent Company

| | 2015 1000 EUR | 2014 1000 EUR |
|---|------------------|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before extraordinary items | -2 305 | -2 449 |
| Adjustments: | | |
| Depreciation according to plan | 15 | 30 |
| Effects of non-cash business activities | 302 | 252 |
| Financial income and expenses | 414 | 629 |
| Cash flow before change in net working capital | -1 575 | -1 537 |
| Change in net working capital | | |
| Change in interest-free short-term receivables | 159 | -78 |
| Change in interest-free short-term payables | -644 | 262 |
| Cash flow before financing activities | -2 060 | -1 353 |
| Interest paid | -2 088 | -1 286 |
| Dividends received | 1 | 0 |
| Interest received | 1 606 | 755 |
| Income taxes paid | 0 | -0 |
| Net cash from operating activities | -2 541 | -1 884 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of tangible and intangible assets | -1 | -1 |
| Sale of property, plant and equipment and sale of intangible assets | | 1 |
| Proceeds from sale of other investments | | 5 |
| Proceeds from sale of subsidiaries | 595 764 | |
| Net cash used in investing activities | 595 763 | 4 |
| CASH FLOW FROM FINANCIAL ACTIVITIES | | |
| Share option plans exercised | 820 | 569 |
| Proceeds from borrowing | | 3 000 |
| Repayment of borrowing | -3 000 | |
| Change in interest-free short-term receivables in Group | 1 862 | 1 327 |
| Change in interest-free short-term payables in Group | 2 814 | -4 445 |
| Capital repayment received | -492 810 | |
| Dividend paid and capital repayment | -5 290 | -2 621 |
| Net cash used in financial activities | -495 605 | -2 170 |
| Net change in cash and cash equivalents | 97 617 | -4 050 |
| Cash and cash equivalents at beginning of period | 21 930 | 25 980 |
| Cash and cash equivalents at end of period | 119 547 | 21 930 |
| Change in cash and cash equivalents in balance sheet | 97 617 | -4 050 |

Cash and cash equivalents include liquid and low risk financing securities.

Accounting Principles for the Preparation of Financial Statements of the Parent Company

The financial statements have been prepared in accordance with the Finnish Accounting Act.

Valuation Principles

Valuation of Non-current Assets

Non-current assets are capitalized in the balance sheet at the original acquisition cost deducted by accumulated depreciation. Depreciations according to the plan is calculated either using the straight-line method or the reducing balance method, taking into consideration of the useful life of assets.

The depreciation periods are:

Intangible assets 3–10 years

Tangible assets 3–5 years

Valuation of Financial Securities

Financial securities are valued at fair value. The fair value of forward exchange are defined based on forward exchange prices on balance sheet date and option contracts are defined based on market prices on balance sheet date.

Pensions

The Company has organized pension coverage for its personnel through independent pension insurance companies. The pension insurance expenditures are included into personnel expenses.

Leasing Agreements

Leasing agreements and fixed-term rental agreements are reported as contingent liabilities on the balance sheet.

Income Tax

Taxes of the financial year have been reported in the income statement as income taxes. Deferred tax or liabilities or receivables has not been recorded on the financial statement.

Foreign Currency Items

The transactions in the income statement have been converted into euro using the exchange rate of the transaction date. Receivables and payables denominated in foreign currency have been converted into euro by using the exchange rate of the European Central Bank at the balance sheet date.

Net Sales

Sales of goods is recorded when goods have been handed over to the customer or the services have been rendered. Sales are shown net of indirect sales taxes and discounts.

Notes to the Financial Statements of the Parent Company

| | 2015 1000 EUR | 2014 1000 EUR |
|--|------------------|------------------|
| 1. NET SALES BY SEGMENTS | | |
| Support functions | 892 | 1200 |
| Total | 892 | 1200 |
| 2. NET SALES BY MARKET AREAS | | |
| Europe | 851 | 1113 |
| America | 35 | 73 |
| Asia | 6 | 13 |
| Total | 892 | 1200 |
| 3. OTHER OPERATING INCOME | | |
| Other operating income | 3 | 1 |
| Total | 3 | 1 |
| 4. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES | | |
| Average number of personnel during the fiscal period | | |
| Common functions | 7 | 9 |
| Total | 7 | 9 |
| Number of personnel at year end | 6 | 8 |
| Personnel expenses | | |
| Managing Directors' salaries | 552 | 347 |
| Board of Directors | 76 | 211 |
| Other salaries and wages | 530 | 579 |
| Total | 1158 | 1137 |
| Pension expenses | 133 | 188 |
| Other social expenses | 19 | 32 |
| Total | 1310 | 1356 |
| 5. DEPRECIATION AND REDUCTION IN VALUE | | |
| Intangible rights | 15 | 29 |
| Other capitalized long-term expenditures | | 1 |
| Machinery and equipment | -0 | 0 |
| Total | 15 | 30 |

Notes to the Financial Statements of the Parent Company

| | 2015 1000 EUR | 2014 1000 EUR |
|---|------------------|------------------|
| 6. OTHER OPERATING CHARGES | | |
| IT equipment and SW expenses | -68 | -255 |
| Premises expenses | -58 | -45 |
| Administrative services | -448 | -822 |
| Travel expenses | -89 | -115 |
| Voluntary staff expenses | -21 | -13 |
| Other business expenses | -778 | -383 |
| Total | -1 461 | -1 634 |
| Auditors charges | | |
| Auditing | 17 | 17 |
| Tax advice | 13 | 6 |
| Other services | 6 | 4 |
| Total | 36 | 27 |
| 7. FINANCIAL INCOME AND EXPENSES | | |
| Income from investments | | |
| From others | 507 | 380 |
| Total | 507 | 380 |
| Other interest and financial income | | |
| From Group companies | 117 | 246 |
| From others | 1 298 | 376 |
| Total | 1 415 | 623 |
| Other interest and financial income | | |
| To Group companies | -0 | 0 |
| To others | -2 336 | -1 632 |
| Total | -2 336 | -1 632 |
| Net financial income and expenses | -414 | -629 |
| Net financial income and expenses includes exchange gains and losses | -930 | -1 146 |
| 8. EXTRAORDINARY INCOME | | |
| Extraordinary income | 553 192 | |
| Extraordinary costs | -5 283 | |
| Total | 547 909 | 0 |
| The extraordinary income consists of the profit of the sale of the Automotive-segment. The extraordinary costs are charges related to the sale of Automotive business segment and the costs of the planned partial demerger process, which was cancelled. | | |
| 9. INCOME TAX | | |
| Other direct taxes | -0 | -0 |
| Total | -0 | -0 |

10. INTANGIBLE ASSETS**Intangible rights**

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| Acquisition cost Jan. 1 | 289 | 289 |
| Disposals during the period | -87 | |
| Acquisition cost at the end of the period | 203 | 289 |
| Accumulated depreciations Jan. 1 | -188 | -159 |
| Depreciation for the period | -14 | -29 |
| Book value at the end of the period | 0 | 101 |

Other capitalized long-term expenditures

| | | |
|---|--|-----|
| Acquisition cost Jan. 1 | | 27 |
| Acquisition cost at the end of the period | | 27 |
| Accumulated depreciations Jan. 1 | | -27 |
| Book value at the end of the period | | 0 |

Intangible assets total

| | | |
|---|------|------|
| Acquisition cost Jan. 1 | 289 | 316 |
| Investments during the period | -87 | |
| Acquisition cost at the end of the period | 203 | 316 |
| Accumulated depreciations Jan. 1 | -188 | -186 |
| Depreciation for the period | -14 | -29 |
| Book value at the end of the period | 0 | 101 |

Notes to the Financial Statements of the Parent Company

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| 11. TANGIBLE ASSETS | | |
| Machinery and equipment | | |
| Acquisition cost Jan. 1 | 2 | 11 |
| Investments during the period | 1 | 1 |
| Disposals during the period | | -1 |
| Acquisition cost at the end of the period | 3 | 11 |
| Accumulated depreciations Jan. 1 | -1 | -9 |
| Depreciation for the period | -0 | -1 |
| Book value at the end of the period | 2 | 1 |
| Other tangible assets | | |
| Acquisition cost Jan. 1 | 71 | 71 |
| Acquisition cost Dec. 31 | 71 | 71 |
| Book value at the end of the period | 71 | 71 |
| Tangible assets total | | |
| Acquisition cost Jan. 1 | 73 | 82 |
| Investments during the period | 1 | 1 |
| Deduction during the period | | -1 |
| Acquisition cost at the end of the period | 74 | 82 |
| Accumulated depreciations Jan. 1 | -1 | -9 |
| Depreciation for the period | -0 | -1 |
| Book value at the end of the period | 73 | 72 |
| 12. INVESTMENTS | | |
| Investments in subsidiaries | | |
| Acquisition cost Jan. 1 | 86 470 | 86 470 |
| Disposals during the period | -46 721 | |
| Book value at the end of the period | 39 749 | 86 470 |
| Investments in other shares | | |
| Acquisition cost Jan. 1 | 1 | 9 |
| Disposals during the period | | -8 |
| Book value at the end of the period | 1 | 1 |
| Investments total | | |
| Acquisition cost Jan. 1 | 86 471 | 86 479 |
| Disposals during the period | -46 721 | -8 |
| Book value at the end of the period | 39 750 | 86 471 |

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| 13. NON-CURRENT RECEIVABLES | | |
| Loan receivables | | |
| From Group companies | | |
| Total | | |
| Long-term receivables total | | |
| 14. CURRENT RECEIVABLES | | |
| Accounts receivable | | |
| From Group companies | 375 | 553 |
| Total | 375 | 553 |
| Other receivables | | |
| From Group companies | 0 | 1 862 |
| From others | 76 | 64 |
| Total | 76 | 1 926 |
| Prepaid expenses and accrued income | | |
| From others | 76 | 1 |
| Total | 76 | 1 |
| Current receivables total | 526 | 2 480 |
| 15. FINANCING SECURITIES | | |
| Cash and cash equivalents include liquid and low risk financing securities. | | |
| Financial assets at fair value through profit or loss | 66 032 | 20 991 |
| 16. SHAREHOLDERS' EQUITY | | |
| Share capital at the beginning of the period | 12 941 | 12 941 |
| Share capital at the end of the period | 12 941 | 12 941 |
| Invested unrestricted equity fund at the beginning of the period | 25 103 | 24 533 |
| Share issue | 820 | 569 |
| Invested unrestricted equity fund at the end of the period | 25 923 | 25 103 |
| Retained earnings at the beginning of period | 64 688 | 69 759 |
| Dividend distribution | -5 290 | -2 621 |
| Purchase of own shares | -492 810 | |
| Net profit for the period | 545 604 | -2 449 |
| Retained earnings at the end of period | 112 192 | 64 688 |
| Distributable earnings at the end of the period | 138 114 | 89 791 |
| Shareholders' equity total | 151 056 | 102 732 |

Notes to the Financial Statements of the Parent Company

| | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|---|------------------------|------------------------|
| 17. PROVISIONS | | |
| Provisions | | |
| Provisions, non-current | 1 000 | |
| Provisions, current | 288 | 73 |
| Total | 1 288 | 73 |
| 18. NON-CURRENT | | |
| Non-current loans | | |
| Non-current loans | | |
| Loans from financial institutions | | 0 |
| Total | | 0 |
| Non-current liabilities total | | 0 |
| Current liabilities | | |
| Current loans | | |
| Loans from financial institutions | | 3 000 |
| Total | | 3 000 |
| Accounts payable | | |
| To Group companies | 50 | 15 |
| To others | 190 | 124 |
| Total | 240 | 139 |
| Other short-term liabilities | | |
| To Group companies | 7 043 | 4 233 |
| To others | 52 | 41 |
| Total | 7 095 | 4 274 |
| Accrued expenses and deferred income | | |
| To others | 218 | 837 |
| Total | 218 | 837 |
| Current liabilities total | 7 552 | 8 249 |

| | | 31.12.2015 1000 EUR | 31.12.2014 1000 EUR |
|--|----------------------|------------------------|------------------------|
| 19. SECURITIES AND CONTINGENT LIABILITIES | | | |
| On behalf of Group companies | | | |
| Guarantees | | 3 453 | 8 183 |
| Leasing liabilities | | | |
| Falling due in the next year | | 1 064 | 912 |
| Falling due after one year | | 1 396 | 1 120 |
| Rental liabilities | | | |
| Falling due in the next year | | 24 | 22 |
| Contractual liabilities | | | |
| Falling due in the next year | | 140 | 156 |
| 20. NOMINAL VALUE OF CURRENCY DERIVATES | | | |
| Foreign exchange forwards | | | |
| Market value | | 67 | -146 |
| Nominal value | | 2 500 | 3 000 |
| Options | | | |
| Currency options purchased | | | |
| Market value | | | 22 |
| Nominal value | | | 5 000 |
| Sold options | | | |
| Market value | | | -124 |
| Nominal value | | | 10 000 |
| 21. SHARES AND HOLDINGS | | | |
| | Owned by Parent % | Owned by Group % | Book value 1000 EUR |
| Subsidiaries | | | |
| Bittium Technologies Oy | 100,00 | 100,00 | 39 749 |
| Other holdings by Parent | | | |
| Partnera Oy | | | |

Auditor's report

To the Annual General Meeting of Bittium Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Bittium Oyj for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall

presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

In Oulu on February 17, 2016

Ernst & Young Oy
Authorized Public Accounting Firm



Juhani Rönkkö
Authorized Public Accountant



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