

FINANCIAL SUMMARY 2016



OUR YEAR IN SHORT

The Handheld Group is a manufacturer of rugged mobile computers, PDAs and tablets. Handheld and its partners worldwide deliver complete mobility solutions to businesses in industries such as geomatics, logistics, forestry, public transportation, utilities, construction, maintenance, mining, military and security. The Handheld Group of Sweden has subsidiaries in Finland, the U.K., the Netherlands, Italy, Germany, Switzerland, Australia and the USA.

MARKET AT A GLANCE

- The global market for rugged computing was approximately \$5 billion in 2016
- Steady single digit percentage growth year on year
- An increased demand for tablet format
- A large increase in demand for Android based operating system

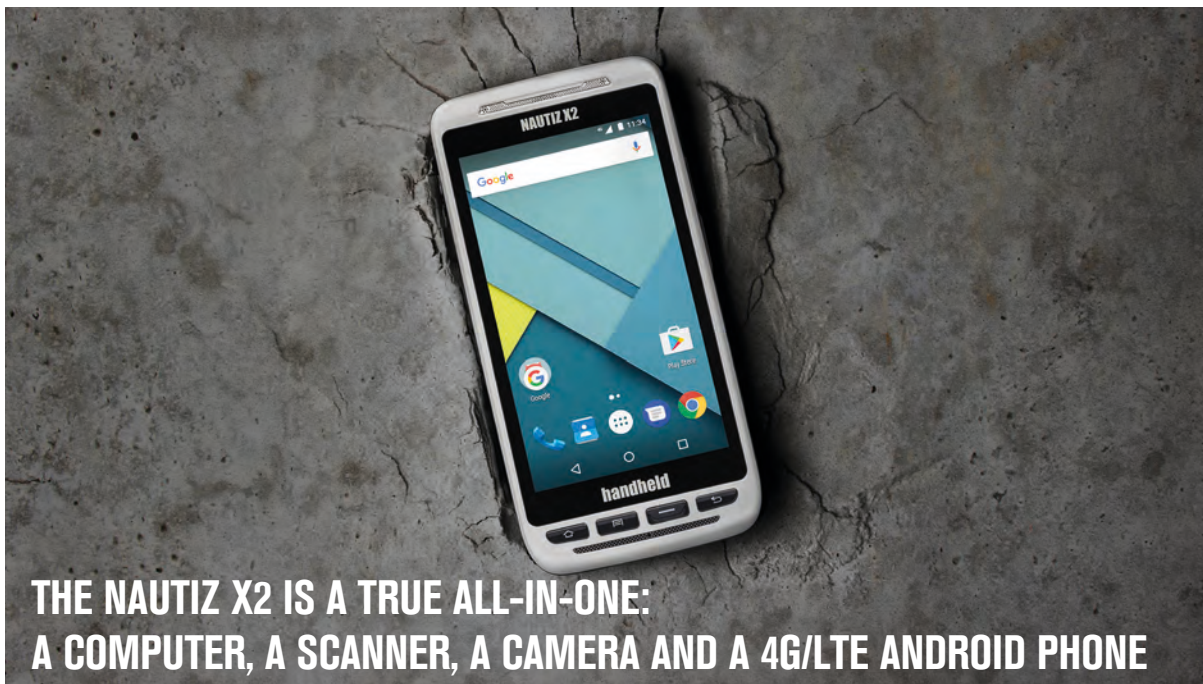


ROBERT BROSTRÖM
appointed new
Service & Support Manager

NEW RUGGED HANDHELD LAUNCHED IN 2016

“The brilliance of the Nautiz X2 is that it has that tangible in-the-hand sense of form and fit of high-end technology device, and we are still able to offer it at an impressive value.”

*Johan Hed,
Director Product Management*



**THE NAUTIZ X2 IS A TRUE ALL-IN-ONE:
A COMPUTER, A SCANNER, A CAMERA AND A 4G/LTE ANDROID PHONE**



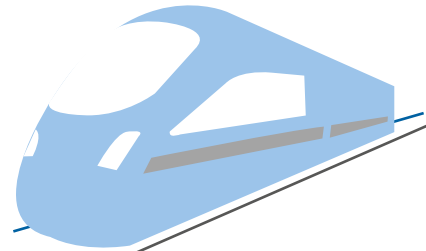
RUGGED MOBILE COMPUTER SPONSOR OF THE LIFE MOVIE, PREMIERING IN 2017

**22%
GROWTH**

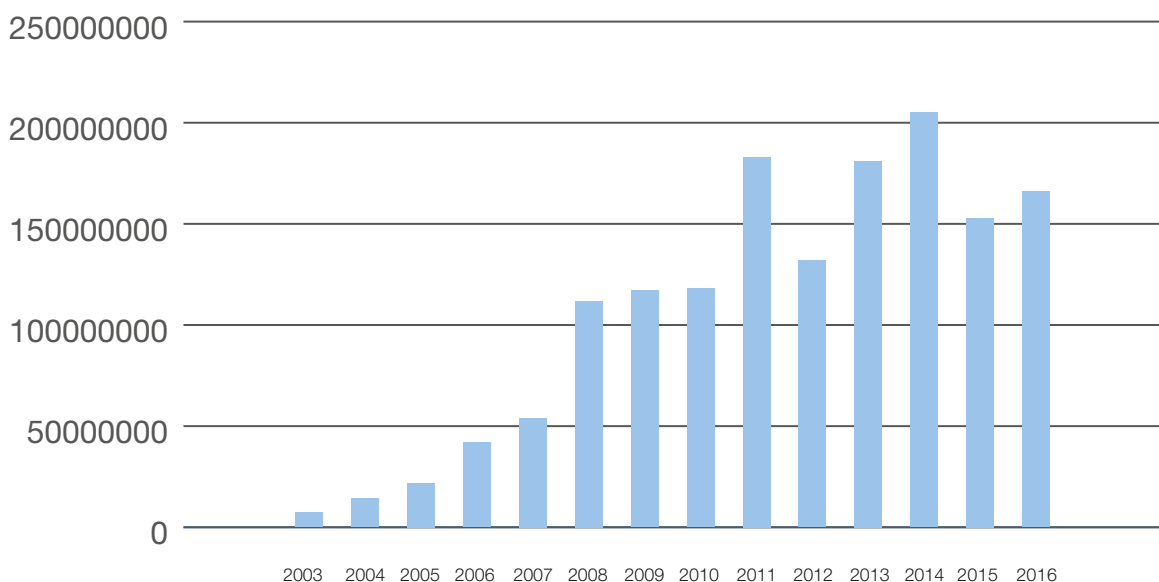
IN SALES ORDERS



Handheld secures
major contracts
with two
European
Railways
worth **\$2million**



REVENUE SEK 2003-2016





CONTENT

Our Year in Short	2
Word from the CEO	6
This is Handheld.....	8
- Our Story.....	9
- Business Idea.....	10
- Value Proposition	10
- Vision	10
- Goals.....	11
- Values.....	11
Why “Rugged”?.....	12
The Total Cost of Ownership Equation.....	14
Business Verticals	16
Our Products	18
- Product Line Selection.....	18
- MaxCare.....	18
Service & Support	20
Case Study:	
Drilling surveyors increase ROI with ultra-rugged tablets ..	22
Meet an Employee.....	24
Handheld Business Partner Conference	25
The CFO Has the Floor.....	26
Financial Overview	28
Board of Directors	33
Handheld Management	34
Contact Us	35



AN EXCITING YEAR OF GROWTH AND CHANGE

“After a very successful last year, we enter 2017 excited by new possibilities and prepared to adapt.”

The Handheld team has worked tirelessly in the past year to improve our business, and our efforts have paid off. In 2016, we grew our bottom line, introduced exciting new products to great reception, and made structural changes that will benefit our company and our customers well into the future.

Our work to control operational costs continued in 2016, resulting in a significantly lower cost base than in previous years. We also increased revenue by 7% from 2015, and both factors significantly improved our net earnings. We had our second-best order year ever, and entered 2017 with a record large orderstock. Orders included two sizable placements by customers in the European railway industry, as well as large orders for the first users of our newest products.

Last year we introduced the brand-new Nautiz X2 and an updated and reworked Algiz 10X. The Nautiz X2 is a very exciting new product — an enterprise PDA with built-in ruggedness and all the features modern field workers need. It has garnered lots of interest, and we expect it to become one of our best sellers. The Algiz 10X's upgrade includes a new capacitive touchscreen and a sleeker, more modern design. Our product lineup will continue to expand in 2017, with several new and exciting options in the works.

We launched the “CEO World Tour” in 2016 in lieu of our Business Partner Conference, which will take place biannually moving forward. I had the privilege of traveling all over the world — four continents in six weeks! — to meet with our customers, learn more about their businesses, and become an even better

partner and supplier. The tour was received very well, and it was an invaluable opportunity for me to gain first-hand knowledge about our customers' challenges and needs.

2016 also brought the reorganization of our subsidiaries in Australia, the Netherlands and Italy, including Handheld Group AB gaining full ownership of our Dutch and Italian subsidiaries. These changes have provided greater consistency among our team and facilitated more effective planning, which in turn has allowed us to intensify our focus on strategic decision-making to enhance our opportunities ahead.

We have been in this industry for a long time. We've seen trends and companies come and go, and we believe in the importance of clear direction and continuity. Since our inception, we have focused on rugged mobility, strong business partnerships and long-term strategy. As we move into a new year still emphasizing these priorities, we also welcome changes — even uncomfortable ones — that will ensure we continue in a positive direction.

And so, after a very successful last year, we enter 2017 excited by new possibilities and prepared to adapt in order to strengthen Handheld as a workplace, supplier and partner. Let's continue to improve together, and together create another memorable year.

Jerker Hellström
CEO

Lidköping, April 2017

COMMUNICATION
military grade **TOUGH**
outdoor **RUGGED** data collection
FIELD SERVICE
COMPUTERS
extreme temperatures **tablets** **DUST**
TOUGH ENVIRONMENTS
vibration **GIS** rain and wind
SAND



THE HANDHELD STORY



“Handheld holds a strong position within rugged mobility, with a specific focus on the most rugged segment of the industry.”

Handheld is a privately held manufacturer and supplier of rugged handhelds and tablets, and one of the fastest-growing companies in the rugged device sector. In partnership with numerous resellers and software companies around the globe, we offer products for the toughest conditions and provide technology solutions for almost any application imaginable.

Handheld was founded in 1997. At that time, products from the British company Husky Computers Ltd. were marketed and distributed to Scandinavian markets. In 2003, there was an ownership change. With ambitions of building a leading company in the worldwide rugged industry, a two-fold strategy was formed – to expand globally and begin to develop, produce, market and sell unique products under Handheld’s own brand.

The vision to build best-in-class rugged computers came to fruition in our lean and efficient virtual production model which enables Handheld to quickly bring new products to market in order to meet current demands, while minimizing production costs and maximizing design flexibility.

Over the past ten years, we have invested significantly in product development and established our efficient virtual production model with carefully selected engineering and production partners. We provide a unique customer proposition with a full line-up of affordable and high-quality products that help improve efficiency for end-users operating in the toughest of environments.

All of Handheld’s devices hold IP65-rating or higher, combined with slim designs and fully integrated features to ensure speedy and precise computing. They operate on the Android, Windows Mobile or Windows

7/8/10 platforms, are PC-compatible and offer memory and storage capacity to handle any application.

Handheld holds a strong position within rugged mobility, with a specific focus on the most rugged segment of the industry. Our products are designed to handle harsh environments, but they are also compact and ergonomic. They come standard with a generous list of integrated features, and are compatible with industry-specific software to improve efficiency in a wide range of industries.

In addition, a channel-centric approach allows Handheld to focus on building a strong worldwide network of resale and distribution partners. To truly fulfill our goals and the ambition of being a global company with a local mindset, we have built an extensive partner network with more than 1,000 authorized partners covering all territories. Numerous local subsidiaries also support our growth and allow Handheld to offer better, more personalized service to our customers. Handheld is headquartered in Lidköping, Sweden, and has subsidiaries in Finland, the United States, Italy, the Netherlands, Australia, Germany, Switzerland and the United Kingdom.

Handheld’s journey so far has been marked by great achievement and success. We have won numerous awards for growth and excellence and we continually attract top talent to our management team, which is made up by some of the most experienced people within the industry of rugged handheld devices.

From our founding to the present, we have built our legacy upon pioneering new methods, expanding our reach and producing the very best rugged computers in the world.

BUSINESS IDEA

Our business idea is to manufacture state of the art rugged mobile computers and together with our partners supply them to end-users worldwide.

VALUE PROPOSITION

To provide advanced rugged equipment through innovative design and continuous product development in order to support customers using mobile computers in any environment.

VISION

Our vision is to become one of the world's leading companies in rugged mobile computing.



GOALS



FINANCIAL

To reach a sustainable EBITDA level of 15 percent or higher.



GROWTH

To grow faster than the market and reach an annual growth of 20 percent or higher.



ORGANIZATIONAL

Handheld should be a challenging, rewarding and fun work place that focuses on achievement and teamwork with the goal to create a working environment that sustains an operational excellence.

VALUES

PROFESSIONALISM

At all times and in all situations, employees and stakeholders are expected to act and perform in a professional manner and not leave things to chance. Whether it regards internal or external matters, the people within Handheld believe that by setting a standard of professionalism, we will receive the same courtesy in return.

HONESTY

Shared between all our employees is a mutual belief in an honest approach to running our business. In all situations, we prefer to keep a transparent working environment and to explain things matter-of-factly. All our employees are expected to act in an honest manner towards both co-workers and external contacts.

COURAGE

As part of our vision to become one of the leading companies in our industry, we have set the bar high. To achieve this, our organization and employees must display courage. We have to strive towards generating new and creative ideas in order to succeed in growing as a business and increase our market share.

LOYALTY

We believe loyalty and strong long-term relationships to be amongst the most important factors behind our historical and current success, resulting from loyal employees and partners. To build and maintain a close relationship is something we regard as an essential part of any sound business relation.

ENTREPRENEURIAL SPIRIT

Handheld is an entrepreneurially oriented company – this entrepreneurial spirit keeps us motivated to work faster and smarter than our competitors. We have to dare to be different in order to outpace the market. All our employees are encouraged to share this spirit and to believe that with extra effort, anything is possible.

TEAMWORK

Organization-wise, Handheld aims to continuously keep building a strong team, both internally and together with our partners. Our internal approach is team- and project-oriented, and we coordinate with our partners to make sure we create the best possible opportunities to succeed. Together we can do it!

WHY RUGGED?



“From a user perspective, ruggedness describes a computer’s ability to operate in any type of exposed working condition.”

Walk into any mobile phone storefront today, and you can purchase a water protected smartphone right off the shelf. At first, that may seem easier and more economical than ordering a purpose-built rugged device from a manufacturer. But field workers who rely on technology for enhanced productivity, efficiency, safety and cost savings in the workplace require a different kind of mobile device: one that’s truly rugged.

However, depending upon the kind of work being performed, what is rugged for one user may not be rugged for another. For example, a mobile computer in a warehouse is likely to be dropped often and may be exposed to a lot of dust, but is unlikely to face extreme temperatures or rain. On the other hand, a forester will need a unit with protection against water and a wide temperature spec, but is probably not too concerned about dust.

What does rugged mean?

From a user perspective, ruggedness describes a computer’s ability to operate in any type of exposed working condition. Rugged devices are not regular consumer units wrapped in tough shells. Rather, these computers are designed from the inside out to operate in very tough environments and they undergo stringent testing in order to specify the level of resistance to harsh conditions.

MIL-STD Testing

The United States military issues MIL-STD-810G ratings on equipment. These ratings are based on tests performed in a variety of environments which

ensure that the equipment can handle low pressure at high altitudes; exposure to sand and dust, high and low temperatures including temperature shocks, rain, humidity, leakage, shock and vibration. In general, the more tests a unit passes, the more rugged it is.

Temperature

Temperature specifications define a device’s operational temperature range. Handheld purposely targets a large variety of environments by offering products that can operate in temperatures ranging from -30 °C up to 60 °C.

IP-rating

IP stands for Ingress Protection. An IP-rating consists of two numbers which describe a device’s level of protection: the first digit indicates the level of protection against dust whereas the second digit reflects the level of protection against liquids. All of Handheld’s rugged computers are IP65 or IP67-rated, which means they are completely dustproof and can withstand jets of water or even be submerged.

Aside from being adapted for performance in extended temperature- and humidity-ranges, resistant to water, dust, vibration and tested for drops, all of Handheld’s devices also include features such as an exceptional display visibility in both indoor and outdoor conditions, extended battery life and solid-state disk drive components that support performance in adverse conditions.

In short, every single detail of a Handheld device is researched, selected and developed to make the computer as rugged as possible.





TOTAL COST OF OWNERSHIP - MAKING A COST-EFFECTIVE PURCHASE

“Choosing a device that’s rugged enough to handle a harsh work environment may cost more up front, but has the potential to save a remarkable amount of money over time.”

The complete cost of a product over its entire lifecycle is known as the Total Cost of Ownership (TCO). TCO, not initial cost, is the most appropriate figure to use when comparing mobile device pricing. When it comes to choosing mobile computers for an organization, final decisions are usually made based on cost. Technology is a significant expense for today’s businesses, and IT departments are some of the first places that are audited for potential cost savings – but too often, these calculations take the short view, leaving out critical information about the lifespan of computer equipment and increasing long run expenses. Understanding TCO, you’ll see that rugged computers actually cost less than consumer grade devices.

The mobile products field workers use are often exposed to hard falls and rough handling, extreme temperatures, water, moisture, dust and dirt. Choosing a device that’s rugged enough to handle a harsh work environment may cost more up front, but has the potential to save a remarkable amount of money over time.

Consumer, durable, semi or fully rugged?

Mobile computers can be placed into four categories of ruggedness: commercial, durable, semi-rugged and fully rugged. A commercial unit has little or no protection. Durable devices generally have rubber bumpers and perhaps shock-mounted hard drives, while semi-rugged computers are actually tested to some MIL-STD-810G and IP specifications. Fully rugged units are the only mobile units that are completely tested against MIL-STD-810G and totally resistant to both water and dust.

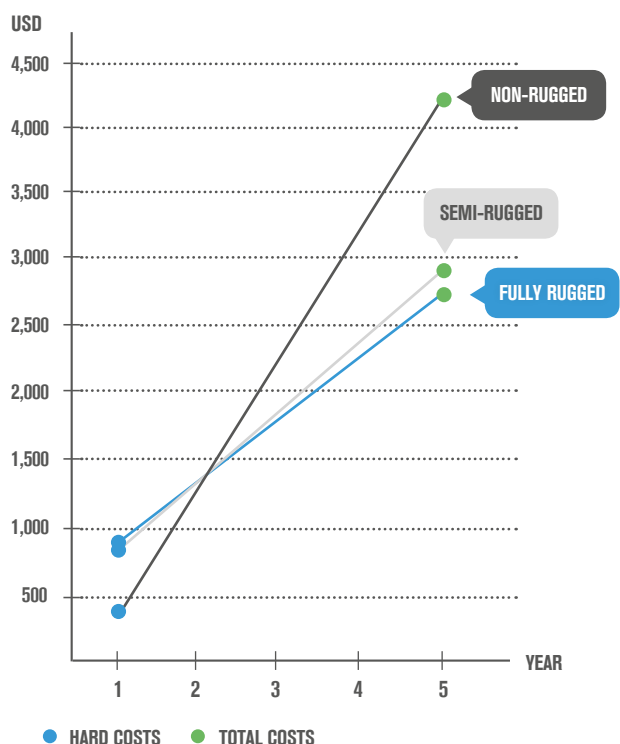
A cost-effective purchase

VDC Research Group, a firm that provides market research to technology executives, computed the total cost of each level of ruggedness over a unit’s five-year lifespan and categorized expenses into hard costs

and soft costs (see figure below). This data shows that in the long run, a commercial or non-rugged device will cost about 65 percent more per year than a fully rugged device.

Carefully evaluating each unique situation to determine TCO is a smart step toward making a cost-effective purchase. Equipping teams for their work means accounting for environmental challenges and selecting the best possible tools – and thanks to the magic of TCO, choosing the best can also mean preserving your bottom line.

ANNUALIZED FIVE-YEAR TCO COSTS



Source: VDC Research Group

BUSINESS VERTICALS

Regardless of mobile application and whether our customers are moving from pen and paper, upgrading from a consumer-grade computer or already on the cutting edge of mobile field technology, Handheld can provide rugged mobile computers to get the work done faster, more consistently and with greater efficiency. Designed for anyone who works in tough environments such as extreme weather and temperatures or harsh conditions, our products measure up to it. We are constantly working on new solutions together with our partners and customers and always looking for new challenges. Here below are some of the markets where our products can be found.

AGRICULTURE

Whether its use is mission-critical or just to make the job a little easier, agricultural demand for rugged mobile technology is increasing. Our handhelds keep up with the latest agriculture technology innovations and our customers are using them to help track livestock with RFID, manage farm inventory, run irrigation control systems and more. We offer affordable rugged options that you can depend on.

CONSTRUCTION

It isn't hard to see why construction workers require rugged equipment – what might not be so obvious is how construction workers can use rugged computers. From carrying blueprints to the field and not having to worry about wind or rain making a mess of the paper, or doing on-site job calculations, to keeping track of on-site inventory, rugged mobile computers can increase efficiency and decrease costs.

ENVIRONMENTAL WORK

One could say that all the work our computers do is environmental since holding up to any environment is exactly what these handhelds are made to do. With the help of our fully rugged mobile computers, biologists, scientists and environmental consultants have journeyed to one of the coldest places on earth in order to collect sea ice samples, used precise GPS information to speed cleanup of oil spill sites after a tornado, and inspected stormwater assets to comply with federal reporting requirements. No matter the environment, our devices have it covered.

FIELD SERVICE

The efficiency and effectiveness of field service workers have taken a quantum leap over the past few years with all the advantages of rugged mobile computers. Gone are the days of shuffling through piles of work orders and calling back to the home office for driving directions or schedule updates. Handhelds with integrated barcode scanners can help ensure that each truck is stocked with all parts that might be required on a call.

FORESTRY

Forestry, by its very nature, takes workers into tough outdoor environments. We've had customers use our devices for timber cruising, GPS navigation, wildlife surveying and various types of forest management. From silviculture to wildfire management, the mapping, imaging and reporting capabilities of today's rugged handhelds are an essential part of keeping our forests healthy – and foresters efficient.

GIS/MAPPING

Geographic Information Systems (GIS) capture, manage and analyze geographically referenced data. To gather data or to create maps with GIS commonly requires users to be out in the field and often in remote locations. Moreover, companies and government agencies are increasingly using GIS data to track the location, features and quality of their assets. Either situation warrants a device tough enough to withstand the conditions and long work days, and is feature-rich enough to get the job done.

INDUSTRIAL

In tough industrial environments, our rugged, lightweight computers are a perfect fit for data collection, inventory management, merchandising and communication tasks. From manufacturing to warehousing applications, our handhelds can send data wirelessly in real-time, create robust reports that sync seamlessly with office technology, integrate with on-site machinery for status tracking and help assist customers with a wealth of information right at their fingertips.

LOGISTICS AND WAREHOUSING

Logistics and warehouse management applications call for units that can withstand drops to concrete, temperature fluctuations and dust. Along with many other tasks, rugged mobile computers can help in tracking inventory and carrying PDF versions of maintenance manuals. With fast processors and powerful scanning capabilities, our computers are reliable in even the toughest environments. All around the world within distribution, supply chain management, refrigerated warehouses and other industrial settings, customers are trusting our truly portable handheld devices to bring key information to the palm of their hand.

MINING

Mining and drilling naturally takes place in an extremely harsh environment, so the computer solution has to be tough enough to withstand challenges like vibrations, dust, moisture and temperature fluctuations. The mining and drilling industry uses handheld computers to handle timekeeping, vehicle tracking, maintenance, supplies deliveries and real-time communication with the back office. The advantages over a paper-based system are obvious: data collectors greatly streamline job functions, data errors are reduced and labor costs are minimized.

PUBLIC SAFETY

Public safety workers broke ground long ago on getting computers out in the field. Vehicle-mounted notebooks are an expected part of police working forces nowadays – an innovation that continues with rugged PDAs for tracking ambulance patient data, rugged tablets for navigating unfamiliar routes and pre-planning for fire departments. Whether it's for fire, police, Emergency Medical Services (EMS) or other areas of public safety, Handheld can provide form factors and features for top performance.

PUBLIC TRANSPORTATION

Conductors taking cash or electronic payments, bus drivers following complicated or changing routes, municipal mechanics using diagnostic tools and referencing trouble-shooting manuals – these are only a few examples of how rugged mobile computers are making work easier and more productive for employees in the world of public transportation.

ROAD AND RAILWAY MAINTENANCE

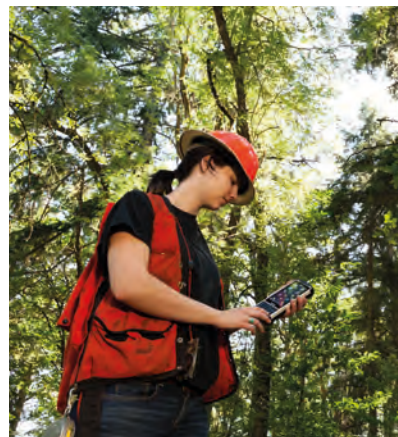
Like construction, the maintenance of roads and railways is obviously the domain of rugged tools, including rugged computers. Professionals in this market can communicate project progress with a central office, carry design plans without worrying about protecting them from the elements, and perform complex job calculations on the fly.

SECURITY

In security applications, every minute counts – and no one wants security personnel to be fumbling with technology when there's an important job to be done. With reliable real-time communication capabilities, long battery life, easy-to-use features, multiple connectivity options and fully rugged construction in a compact, ergonomic body, our handhelds protect the data so the staff can focus on protecting the community.

WASTE MANAGEMENT

Another market for which it isn't too hard to see why ruggedness should be essential is waste management. Dirty, wet and dusty conditions are an accepted part of each day out in the field. GPS navigation, tracking carts and recording data on routes are just a few areas where rugged mobile computers can help getting the job done faster, better and easier.



OUR PRODUCTS

Handheld's high-performing and fully rugged products are marketed and sold under the brands **ALGIZ** and **NAUTIZ**. The **ALGIZ** family covers large form factors, like rugged and the **NAUTIZ** family covers small form factors including handhelds and PDAs.

These are some of our most popular devices.



NAUTIZ X2 RUGGED MOBILITY OPTIMIZED

The NAUTIZ X2 is a true all-in-one: a computer, a scanner, a camera and a phone. You can easily accomplish all your daily tasks on the go with the power of an advanced quad-core processor and the easy-to-use Android OS. Then add a high-quality, high-speed 1-D/2-D scanner and integrated camera with autofocus and flash. And, to top it off, the NAUTIZ X2 has the kind of phone capabilities and voice quality you would expect from a consumer smartphone. Google GMS sets the NAUTIZ X2 apart from other enterprise handhelds allowing you to download apps from the Play Store and use Google Maps.



NAUTIZ X4 WORK-READY, FIELD-TOUGH

The NAUTIZ X4 rugged handheld is a durable tool designed with field work in mind – it's compact and truly portable, packed with features and offers a reliable computing solution for challenging worksite environments. The NAUTIZ X4 runs either Windows Embedded Handheld or Android for ultimate versatility and has all you need for work on the go. It features a high-brightness resistive touchscreen for a generous and practical mobile workspace and comes complete with either a high-performance laser scanner or 2D imager for super-fast and detailed scanning and barcoding tasks. A valuable tool for warehousing, logistics, field service, security, public safety and similar sectors, the NAUTIZ X4 rugged handheld is built for mobility. An eTicketing version, with a built-in Arcontia smart card reader makes this unit an extremely fast and accurate tool for contactless payment data collection.

MAXCARE

Handheld MaxCare is a comprehensive service plan available for newly purchased Handheld devices worldwide. Our objective is to provide customers with the best choice of a cost-effective and efficient service plan for our products. Handheld products are designed for those who work in less-than-gentle environments. Whether the challenges come from weather, extreme temperatures or tough work environments, all our devices are made to rise to the challenge. However, in case something does go wrong, we've developed the MaxCare service concept: multiple extended coverage options that provide you with peace of mind on future service costs and add the advantage of a lower total cost of ownership for our devices.

Handheld's rugged computers are made to last longer than consumer units – and that includes repairs and service. We carry spare parts longer and offer longer warranty options for our already long-lasting products, making our offerings even more cost efficient. The Handheld MaxCare service plan is a comprehensive package of add-on service options that will help protect technology investments and offer additional security for our customers. Both MaxCare service plans are valid for a period of either three or five years from the product's purchase date to ensure extended life-cycle protection. We offer both a standard plan and an all-inclusive plan.

NAUTIZ X8

LEADING THE WAY

A front-runner in the new generation of handheld computers, the ergonomic NAUTIZ X8 delivers the largest, most brilliant capacitive touchscreen in its class, along with an unprecedented combination of processing power, connectivity and field ruggedness. Each detail of the NAUTIZ X8 is meticulously designed for field use, without sacrificing style or ergonomics. A choice of operating systems — Windows Embedded Handheld or Android — allows you to choose the most suitable platform. NAUTIZ X8 comes ready for your team with application possibilities in forestry, public safety, field service and GIS/surveying, and it's adaptable to your work environment and performance requirements. Carry it, wear it in a holster, toss it in your bag or mount it on your vehicle — but whatever you do, keep the rugged, reliable NAUTIZ X8 close at hand. You'll wonder what you ever did without it. The NAUTIZ X8 won't just keep up with you — it'll lead the way.



ALGIZ RT7

HEAVYWEIGHT FIELD PERFORMANCE

The ALGIZ RT7 is a powerful, ultra-lightweight, easy-to-carry 7-inch tablet designed for reliable performance in demanding environments. Whether you're collecting data, crunching numbers or viewing graphics, the ALGIZ RT7's powerful Qualcomm quad-core processor provides reliable, uninterrupted work performance. The ALGIZ RT7 runs Android 6.0 (Marshmallow) while providing a range of features and exceptional value to mobile workforces. The beautiful capacitive display is made for use even in direct sunlight. Industry-leading technology and quad-core processor powers the ALGIZ RT7 for impressive speed, ultra-fast connectivity and long battery life. It boasts NFC functionality, an integrated GPS receiver, accelerometer, gyroscope, eCompass, dual cameras and dual SIM card slots, plus an optional dedicated barcode scanner and eTicket RFID reader.



ALGIZ 10X

EXTREME FIELD PERFORMANCE

The Algiz 10X, ultra-rugged tablet features a crisp and bright 10.1 inch full HD projected capacitive touchscreen. The display's ambient light sensor adjusts backlighting automatically — so collecting data in bright sunlight is no problem. This tablet has integrated LTE/3G modem, u-blox® GPS/GLONASS, and multiple connectivity options. It comes standard with Windows 10 Enterprise LTSB (64-bit) and operates on a powerful quad-core processor, with a 128 GB SSD and 4 GB of RAM. The Algiz 10X is slim and lightweight and built to withstand the harsh conditions that comes with fieldwork. It carries an IP65-rating and meets MIL-STD-810G military standards for withstanding dust, water, vibrations, drops, extreme temperatures.



MaxCare Standard

The standard option of MaxCare is a straightforward service plan for the user who wishes to extend our standard warranty coverage and free outgoing shipping service for three or five years. This efficient warranty-extension plan makes repairs easy and fast, adds cost effectiveness to the product and provides the customers with a greater sense of security.

MaxCare All-Inclusive

The all-inclusive option of MaxCare is our no-questions-asked coverage plan designed for the mission critical user. This includes coverage for all repairs required as a result of accidental damage, including non-warranty repairs — all at one low, fixed cost. It also includes free return shipping, a service meeting and an annual service report. In short, the MaxCare All-Inclusive offers our best value, covering any necessary repairs during the extended warranty period of three or five years.





A CLOSER LOOK AT OUR SERVICE AND SUPPORT DEPARTMENT

Handheld's products are designed for work in harsh conditions. Whether the challenges are due to weather elements, extreme temperatures or rough handling, our devices are built to operate reliably in any application.

With the help of Handheld service and support, our products are made even more trustworthy. For general product-related questions, assistance with software, and any issue that could arise with your device, the service and support department can provide the necessary tools and information to keep your team running efficiently. Multiple extended warranty coverage options through the MaxCare service plan provide additional peace of mind and further lower the total cost of ownership for Handheld devices.

Our service and support department is divided into two teams:

The service team performs hardware repairs in 49 different locations worldwide, from Australia in

the east to the United States in the west. These locations include four Handheld service centers and 45 authorized service partners, and are strategically positioned all over the world to ensure a personal level of assistance, as well as quick turnaround time for any repairs. The primary service department, which manages all inquiries related to warranty, hardware repair and product maintenance, is located at Handheld headquarters in Lidköping, Sweden.

The support team operates out of Handheld Germany and handles inquiries related to software, development and programming. Most frequently, these questions come from customers who have integrated their own software into Handheld's devices.



THE SERVICE PROCESS

To begin the service process, a customer fills out a service inquiry form on the Handheld website. The customer then receives instructions about how to proceed with the request and how to send the device in for service.

If a repair is not eligible for warranty coverage, Handheld will send a quote for service costs. Otherwise, the service center will repair the device within days and return it to the customer.

Prioritizing a strong service and support department is one way that Handheld works to provide excellent customer service to our clients. Resulting from continuous improvements, our customers can now follow the service status of their device directly online by entering a case number. They can also see their computer's guarantee level by entering the serial

number of their device. Furthermore, working with service centers in many parts of the world allows us to maintain closer relationships with customers and also helps to keep the repair process as smooth and efficient as possible, minimizing unnecessary downtime for the customer and saving associated downtime costs.

Service and support are also closely linked to our product development efforts. The service and support teams pay close attention to product issues and customer feedback, and pass them along to the product development team. Handheld is always striving to improve internal processes in order to create better, more efficient solutions – and that's something we believe is best done together with our partners and customers.

**CHALLENGE**

Pair geological surveying equipment with a handheld computer that can process data quickly and withstand extremely harsh underground mining environments.

**SOLUTION**

Employ ALGIZ 7 and ALGIZ 10X ultra-rugged tablets from Handheld as part of a modular, complete surveying kit.

**RESULT**

A portable, powerful borehole surveying solution that provides accurate data quickly, saving time, energy and money.

DRILLING SURVEYORS INCREASE ROI WITH ULTRA-RUGGED TABLETS

ALGIZ 10X and ALGIZ 7 ultra-rugged tablets assist drillers as part of a complete portable borehole surveying solution.

Portability. Reliability. Precision. These qualities are essential for tools used by mining and tunneling crews, who need their technology to do its job correctly the first time, every time — all while being easy to transport and operate.

Engineers and geologists are maximizing time, energy efficiency and accuracy with complete portable hole surveying solutions from GyroMax. The Australian directional surveying and equipment provider packages Handheld Algiz 7 and Algiz 10X ultra-rugged tablets with its isAnalysis software and gyroscopic surveying probes in order to collect critical information about the geological composition of drilling sites.

Making gyroscopic surveying simple

Gyroscopic probes, or “gyros,” measure the directional paths of test boreholes drilled in geological structures prior to excavation. The amount and direction that holes deviate from a planned path can indicate important changes in surface material and pressure.

GyroMax’s TwinGyro and SlimGyro surveying kits are extremely simple to set up and use, allowing drillers to collect and display measurement data in seconds.

By simply pushing a gyro through a borehole, the probe records measurements and the Algiz field controllers receive survey data via Bluetooth. The isAnalysis software then allows users to visualize, edit, correct, group and export data, which can be displayed via table or graph.

Algiz ultra-rugged tablets stand up to the toughest of conditions

Algiz 7 and Algiz 10X tablets are IP65-rated and compliant with MIL-STD-810G military standards, built from the inside out to perform powerful processing tasks quickly and reliably in challenging environments.

“There’s a good reason why GyroMax uses Handheld tablets: because they stand up to the toughest of conditions,” says Lee Webb, GyroMax Business Development Manager.

“Dust, water, vibrations, salt, bouncing around in the back of utes — you name it. The equipment cops a real battering. Yet we have rental units that are still in service after more than 4 years. Any manager would be delighted with the ROI.”

For hole survey teams planning costly drilling projects, profit preservation depends on the ruggedness and reliability of field tools.

“We use both the Handheld Algiz 7 and Algiz 10X to operate our survey tools because they can handle everything we throw at them,” Webb says.



HELMUT FEURHUBER,

MANAGING DIRECTOR AT HANDHELD GERMANY

Helmut has worked in the rugged mobile computer industry for several decades. Prior to joining Handheld, he spent 21 years working for Latschbacher, a rugged mobile computer supplier in Germany, Austria and Switzerland. Helmut was Managing Director of Latschbacher Germany, as well as Managing Director of Abies ITS, a subsidiary of Latschbacher. His educational background is in electronics and electrical engineering.

- Describe your role with Handheld.

As Managing Director, I am responsible for all areas within Handheld Germany. I create business goals and objectives and coordinate my team's activities to align with those goals and objectives.

- What would you say is the single most important factor behind Handheld's success?

The most important thing I have learned during my career is to love my job and to identify myself with the products and the organization I am working for. I can see that each member of the Handheld team does that well. Handheld is a big family, and our members are great at their jobs. We all work hard and have fun.

- From a sales perspective, what makes Handheld stand out to your customers?

Handheld provides superior rugged mobile computers at an excellent value, and we offer a wide range of accessories for each product. Clients appreciate that we're flexible enough to create custom accessories and to find new and creative solutions for individual applications. We also know that when we roll out a customer solution, after-sales service is every bit as important as selling and support. Our MaxCare Service Plan provides a way for us to meet clients' service expectations.

- What would you say is Handheld's competitive advantage?

Handheld's strong partner network helps us consistently provide the best selection of rugged mobile computers

available. We partner with many different resellers to create turnkey solutions for end customers, and we provide our partners with hardware and software support. Handheld is small enough to be flexible, and big enough to be strong in the market — a very good combination.

- What is your most memorable moment at Handheld?

My most memorable moment was not at Handheld, but it was with Handheld. It was when I met Handheld for the first time at CeBIT 2004. At the time, I was Managing Director at Latschbacher Germany. Latschbacher had just shifted from manufacturing mobile computers to distributing units, and I was looking for the right manufacturing partner.

At CeBIT, Handheld showed a small range of rugged computers. We exhibited our own products in the same hall. So on one hand, they were the competition — but on the other hand, we were looking for a partnership. I visited the Handheld stand several times, and it took some discussion to convince Thomas and Jerker that we were really interested in partnering with Handheld.

At the end of CeBIT, I told Thomas and Jerker, "When you trust that we're interested in becoming partners, give me a demo unit to show my team." Two hours later, they handed over two units, and that was the beginning of a great relationship.

- How do you like to fill your leisure time?

I love soccer and motorcycling. Each Friday evening I play soccer in the "old men's" team Union Tiefgraben. After a long workweek, it's nice to get a workout and meet friends. When I have time on Saturdays, I watch my local soccer team play. From April until October or November, when the weather is nice, I like to drive my motorcycle through the Alps in Austria. I can take a short tour in one day, but once or twice a year I do a longer four- or five-day tour to explore new places. My girlfriend Elisabeth loves to drive with me, so it's also time we can spend together. And of course, as a typical Austrian, I enjoy skiing in the winter.





“It’s where we come together to network, drive progress and identify new opportunities for profitability.”



HANDHELD BUSINESS PARTNER CONFERENCE

Since 2008, we host our Handheld Business Partner Conference (HBPC) for reselling members of the Handheld business partner network. This event provides a chance for our partners to come together to connect, network and drive progress for our industry as well as identify new opportunities for profitability – but the HBPC isn’t all business! We also enjoy good food, conversation and entertainment. The conference always includes an evening complete with dinner and plenty of time to mingle with rugged-industry professionals from all over the world.

At the conference, rugged industry- and market experts share the latest news and updates about products from Handheld and other companies within the rugged mobile computer industry. Many partners

and suppliers also showcase their latest products and solutions in a mini-exhibition, – where Handheld has been known to offer first glimpses of our own unreleased offerings.

We at Handheld value personal interaction and our employees love the opportunity this conference offers to meet our business partners and users face to face. We encourage attendees to take advantage of this time to exchange ideas, information and hands-on solutions with us and with the other partners in attendance.

For information of the next upcoming Handheld Business Partner Conference, see

www.handheldgroup.com/HBPC




REVENUE / GM HISTORY



Historical gross margin growth
- Transformation from share-based to cash-based (~20% gross margin improvement)

A STRONG FINANCIAL FOUNDATION FOR OUR FUTURE GROWTH



“Diligent and intensive work by the Handheld team yielded excellent improvement in results for our business and built momentum for a strong and successful 2017.”

Last year, we continued the work we started in 2015 to streamline our organization and improve efficiency in all aspects of our business, placing a high focus on lowering operational costs. During the second half of 2016, we saw a significant increase in activity and incoming sales orders for our products. We expanded our business in new markets and verticals, and strengthened our position in existing ones. Our latest developed products gained high interest in many markets as we continued to develop and deepen our product portfolio, and as we increased our marketing and sales efforts in the global market.

Handheld Group revenues amounted to 164 million SEK, an increase of 7% compared to last fiscal year. During the fall, our order intake increased even more, and we ended up with both higher sales numbers and significant order stock growth. Our gross margin stayed strong at 42,6% for 2016, in line with our expectations, and we anticipate that it will keep increasing. Our planned work to reduce operational costs also had an important impact on these results: We reduced our fixed operating expenses before depreciation by 11,2 million SEK, a decrease of more than 16% from the previous year.

Our EBITDA totaled to 14,4 million SEK, a significant and important increase from 2015 figures. This was the result of higher sales and higher cost efficiency

and awareness within the organization. We reduced our balance sheet to 91,9 million SEK, a decrease of 5,6% from last year, and cash flow from business operations amounted to 12,3 million SEK, a significant improvement over 2015.

Investments in our product portfolio continued as planned, totaling 9,15 million SEK for the year, and all were financed within Handheld Group's cash flow. During 2016, we launched one completely new product and released several updated devices. We expect a busy launch schedule of exciting new products in 2017, which will make our portfolio even more complete and competitive for future growth.

We saw a significant turnaround in sales last year, and we also stayed competitive by making important organizational changes. Diligent and intensive work by the Handheld team yielded excellent improvement in results for our business and built momentum for a strong and successful 2017.

Christer Florén
CFO

Lidköping, April 2017

FINANCIAL OVERVIEW



COMPARATIVE FIGURES COVERING SEVERAL YEARS

CONSOLIDATED FIGURES IN THOUSANDS SEK	2016	2015	2014	2013	2012
Sales	164 143	153 635	200 067	180 808	131 918
Result before tax	-1 831	-12 732	18 500	23 488	4 595
Balance sheet total	91 904	97 276	118 528	84 880	55 644
Employed	41	50	48	42	36
Solidity	34	34	41	46	45
Return on assets, %	neg	neg	17	28	10
Return on equity, %	neg	neg	41	59	20

2016

INCOME STATEMENTS	Note	2016	2015
Sales			
Net sales		164 142 659	153 635 375
Other operating income	3	-	24 631
Work performed by the company for its own use and capitalised		2 681 991	2 337 195
Total sales		166 824 650	155 997 201
Operating expenses			
Cost of sold goods		-94 267 730	-86 173 206
Other external expenses	4, 5	-20 835 444	-26 737 981
Personnel costs	6	-37 232 969	-42 515 746
Depreciations and amortizations	21	-15 798 576	-12 755 963
Total operating expenses		-168 134 719	-168 182 896
Operating profit/loss		-1 310 069	-12 185 695
Profit/loss from financial items			
Interest received	7	170 415	180 284
Interest paid		-691 702	-726 775
Total profit/loss from financial items		-521 287	-546 491
Profit/loss after financial items		-1 831 356	-12 732 186
Tax on profit for the year	8	-658 176	1 514 217
Net profit for the year		-2 489 532	-11 217 969

2016

BALANCE SHEETS	Note	2016-12-31	2015-12-31
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenditure for development work	9	26 862 459	32 596 791
Trademark, license and similar rights	10	1 139 866	1 361 794
Goodwill	11	-	102 520
		28 002 325	34 061 105
Tangible fixed assets			
Equipment, tools, fixtures and fittings	12	326 039	445 677
Total fixed assets		28 328 364	34 506 782
Current assets			
Inventories, etc.			
Goods for resale		26 171 472	23 834 909
Advance payments to suppliers		35 191	93 362
		26 206 663	23 928 271
Current receivables			
Accounts receivable - trade		29 433 134	29 128 474
Tax receivables		-	42 998
Other current receivables		3 342 228	2 448 627
Prepaid expenses and accrued income	13	3 657 465	5 201 177
		36 432 827	36 821 276
Cash and bank balances		936 018	2 019 730
Total current assets		63 575 508	62 769 277
Total assets		91 903 872	97 276 059

2016

BALANCE SHEETS	Note	2016-12-31	2015-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		520 200	515 280
Other added capital		8 494 000	7 309 920
Development capital		9 070 030	-
Other equity inclusive P/L for the year		13 236 666	24 806 448
Equity assignable to owner		31 320 896	32 631 648
Total equity		31 320 896	32 631 648
Provisions			
Deferred taxes	14	-	2 726 680
Total provisions		0	2 726 680
Non-current liabilities			
Liabilities to credit institutions		14 062 500	20 500 000
Total non-current liabilities		14 062 500	20 500 000
Current liabilities			
Liabilities to credit institutions	15	6 250 000	4 500 000
Bank overdraft facilities	15, 16, 17	6 493 471	6 915 961
Advance payments from customers		90 457	45 706
Accounts payable - trade		14 488 873	8 153 872
Tax liabilities		1 396 387	2 036 124
Other current liabilities		4 531 590	2 905 837
Accrued expenses and deferred income	18	13 269 698	16 860 231
Total current liabilities		46 520 476	41 417 731
Total equity and liabilities		91 903 872	97 276 059

2016

CONSOLIDATED CASH FLOW STATEMENTS	Note	2016	2015
Operating business			
Operating profit/loss		-1 310 069	-12 185 695
Adjustment for depreciation / amortization	19	15 657 597	12 755 963
Received interest		170 415	180 284
Paid interest		-691 702	-726 775
Tax		-3 384 856	106 217
		10 441 385	129 994
Inventory change		-2 278 392	7 682 871
Customer receivables change		-304 660	14 078 022
Short term receivables change		693 109	769 516
Vendors change		6 379 752	-10 481 515
Short term liabilities change		-2 604 518	-9 054 895
Cash flow from operating business		12 326 676	3 123 993
Business Investments			
Intangible assets investments		-9 543 231	-14 858 627
Tangible assets investments		-8 817	-360 224
Sold tangible assets		81 900	-
Investments in subsidiaries		-19 250	-
Cash flow from investments		-9 489 398	-15 218 851
Finance			
New share issue		1 189 000	3 127 000
Bank loan		-4 687 500	25 000 000
Bank credit change		-82 658	-7 150 193
Reclassification bank credit		-339 832	-1 445 537
Dividend to minority		-	-352 000
Dividend		-	-8 000 000
Cash flow from financing operations		-3 920 990	11 179 270
Cash flow		-1 083 712	-915 588
Bank statement year start		2 019 730	2 728 007
Currency changes		-	207 311
Bank statement year end		936 018	2 019 730

NOTES, FOR PARENT COMPANY AND THE GROUP

Note 1

Accounting and Valuation Principles

The company's annual report has been prepared in accordance with the Annual Accounts Act and BFNAR 2012: 1 (K3 regulations). The accounting policies are unchanged compared with the previous year.

Consolidated Accounts

The consolidated financial statements have been prepared using the purchase method. The consolidated accounts include subsidiaries where the parent company holds more than 50% of the voting rights or otherwise has a controlling influence. Consolidated financial statements for the Handheld Group AB with subsidiaries Handheld Europe AB (org nr 556635-3495), Handheld Scandinavia AB (org nr 556643-9526), Handheld Finance AB (org nr 556835-0259), HHCS Handheld Finland Oy (org nr 2089502-4), Handheld US Inc (org nr 262128172), Handheld Italia SRL (org nr 10065441007), Handheld Benelux BV (org nr 153 7360), Handheld Apac Pty Ltd (org nr 146 981 526), Handheld Germany GmbH (9163 128 11085) Handheld Swiss GmbH (org nr 422 378 549) and Handheld UK & Ireland Ltd (nr 7847370).

All the Company's foreign subsidiaries are classified as independent subsidiaries, the current method is applied when translating their accounts. This means that the foreign subsidiaries assets and liabilities are translated at the closing rate. All items in profit/loss are translated at the average rate. Translation differences are taken directly to consolidated equity.

Foreign Currencies

Receivables and payables in foreign currencies are translated at the closing rate. Gains and losses on receivables and liabilities are recognized in operating income

Income

Sales of goods are recognized when products are delivered to the customer in accordance with the terms of sale. Sales are reported net after VAT, discounts and exchange differences on sales in foreign currency.

Warranty costs

The company's suppliers are responsible for any warranty costs, with no guarantee risk reserve are not included in the balance sheet.

Income taxes

Reported income tax includes tax to be paid or received for the current year and adjustments to previous years' taxes. Tax liabilities / assets are valued at what the company's assessment payable to or receivable from the tax authorities. The assessment is made according to the tax rules and tax rates decided or announced and likely to be adopted.

For items reported in the income statement, related tax effects in the income statement. Tax effects of items recognized directly in equity are recognized in equity.

Deferred tax assets relating to loss carryforwards or other future tax deductions are recognized to the extent that it is probable that the deduction can be offset against future taxable profits.

Capitalized development expenditure / Tangible assets

Expenditure on development projects (relating to the design and testing of new or improved products) is capitalized in the Group as intangible assets to the extent that they are expected to generate future economic benefits. Other development costs are expensed as incurred.

Development costs that are capitalized are depreciated over the period that the expected benefits are estimated to company and from the time when commercial production begins. The amortization period is three years.

Trademarks, licenses and similar rights and goodwill

Other intangible assets are stated at cost less depreciation. Depreciation is calculated systematically over their estimated useful lives. The following depreciation periods apply: Handheld Group AB 14 556556-2799

	Number of Years
Trademark	15
Goodwill	5
License	5

Adjusting for currency changes in the Group both for cost and depreciation. Changes are not expected to have a significant effect.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is linear over the estimated useful lives. The following depreciation periods apply:

Equipment, tools, fixtures and fittings 5 years

Adjusting for currency changes in the Group both for cost and depreciation. Changes are not expected to have a material impact.

Inventories

Inventories are valued using the first-in-first-out principle at the lower of cost and fair value on the balance sheet date.

Receivables

Receivables with maturities greater than 12 months after the balance sheet date are recognized as fixed assets, others as current assets. Receivables are recognized at the amount at which they are expected to be paid.

Key ratio definitions

Solidity

Shareholders' equity, minority interest and untaxed reserves (net of deferred tax) in relation to total assets (TA).

Return on assets

Earnings before Financial Expenses in relation to total assets.

Return on Equity

Profit after financial items in relation to shareholders' equity, minority interest and untaxed reserves (less deferred tax).

handheld

BOARD OF DIRECTORS

ANNA HELLSTRÖM
Board Member

THOMAS BJÖRKMAN
Chairman of the Board

THOMAS LÖFBLAD
Board Member

JERKER HELLSTRÖM
Founder and Board Member

SOFIA LÖFBLAD
Board Member

OWNERS

JERKER HELLSTRÖM

CEO and Founder
Handheld Group AB



THOMAS LÖFBLAD

Vice President Global Sales
Handheld Group AB



MIKE ZELMAN

President & CEO
HHCS Handheld USA Inc.



CHRISTER FLORÉN

CFO
Handheld Group AB



JUHANI SALAS

Managing Director
HHCS Handheld Finland Oy



SOFIA LÖFBLAD

Marketing Director
Handheld Group AB



MYRA LONG

Director of Business Development
Handheld Group AB



JOHAN HED

Director Product Management
Handheld Group AB



ANNA HELLSTRÖM

Director Supply Chain Manager
Handheld Group AB



CARSTEN BILLESCHOU

Managing Director
Handheld Europe AB
Handheld APAC Pty Ltd.



HELMUT FEURHUBER

Managing Director
Handheld Germany GmbH



DAVE CAWSEY

Managing Director
Handheld UK & Ireland Ltd



ANDREAS HITZ

Managing Director
Handheld Swiss GmbH



JIM RIMAY

Vice President Sales
HHCS Handheld USA Inc.

CONTACT US

Handheld headquarters is in western Sweden in the town of Lidköping. We have subsidiaries in Finland, United Kingdom, Germany, Switzerland, USA, Italy, The Netherlands and in Australia. Having these remote branches helps Handheld maintain a close relationship with and offer better service to our customers.

For contact details see:

www.handheldgroup.com/contact-us

Or general email: info@handheldgroup.com

FOLLOW OUR SOCIAL MEDIA CHANNELS

We are present on LinkedIn, Twitter and YouTube. You will find us at:



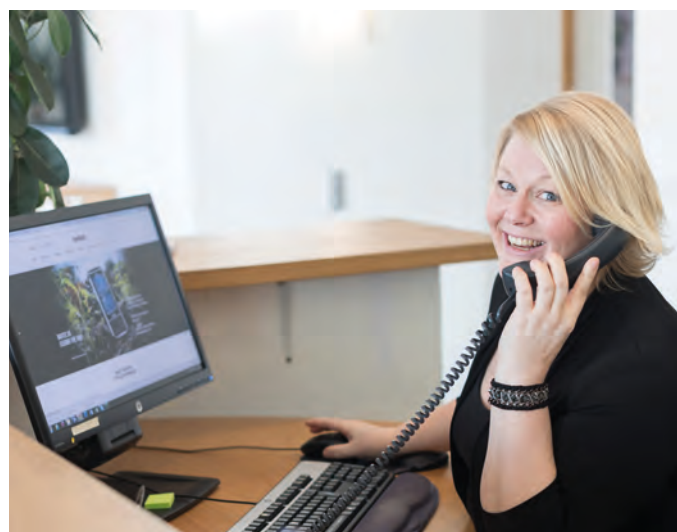
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