

Bittium Corporation Half Year Financial Report January-June 2019

CEO Hannu Huttunen | CFO Pekka Kunnari
August 8, 2019

Bittium

Forward-looking Statements

Some statements made in this material relating to future circumstances or status, including, without limitation, future performance of the company, expectations regarding market growth, trend projections as well as any statements preceded by the words “expect”, “believe”, “foresee” or similar expressions are forward-looking statements.

By their nature, forward-looking statements involve risk and uncertainty and actual results may, therefore, differ materially from the results that are expressed or implied by these forward-looking statements.

Bittium Corporation disclaims all obligations to update such forward-looking statements except as required by mandatory law.

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Highlights January- June 2019

CEO Hannu Huttunen

An aerial night view of a city skyline, likely Chicago, with a digital grid overlay. The grid consists of white lines forming a grid pattern over the city buildings. The sky is dark blue, and the city lights are illuminated. The Bittium logo is in the bottom right corner.

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Main Events in 1H 2019

The share of product-based net sales grew to 56.1% of net sales

Strong investments in own products and product platforms continued

Launch of the new ultra secure Bittium Tough Mobile™ 2

New Multicontainer Feature for Bittium Tough Mobile smartphone

New software release for Bittium SafeMove with important new cyber security features

Product development for Bittium Tough SDR™ continued

Customization work for the new Austrian Defense Forces' tactical communication system was started

Cooperation with the Finnish Defense Forces continued strong:

- Maintenance and further development order of Bittium TAC WIN™ and Bittium Tough VoIP™ systems
- Order of Bittium TAC WIN™ products and Bittium Tough Comnode™ terminals
- Order to port the ESSOR waveform to the Bittium Tough SDR™ tactical radios

Continued product deliveries of Bittium Faros™ ECG device and Bittium Fast Fix™ patches to customers

Bittium Holter Plus™ cardiac monitoring solution was launched

Continued R&D services for customers in 5G technology and other connectivity solutions

ISO 27001:2013 Information Security Management Certificate received

Bittium Tough Mobile™ 2 Smartphone for Ultra Secure Use



- Bittium Tough Mobile product family was expanded with Bittium Tough Mobile 2 on May 27th, 2019
- The ultra secure smartphone is designed and built for professionals with the highest security requirements
- Together with Bittium Secure Suite™ it provides comprehensive end-to-end mobile security
- It is designed and manufactured in Finland

Bittium's Products and Services



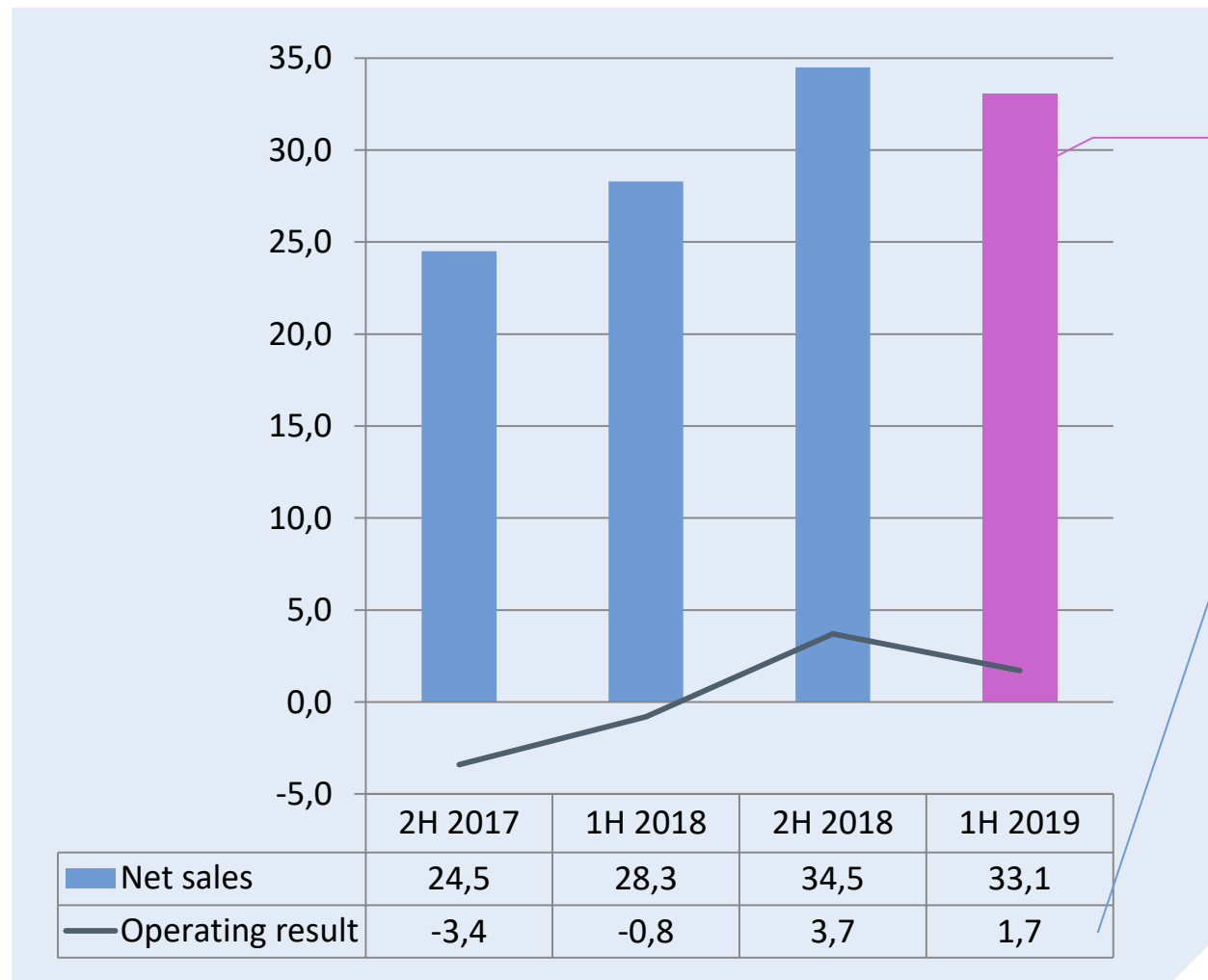
Financial Review

CFO Pekka Kunnari



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Net Sales and Operating Profit



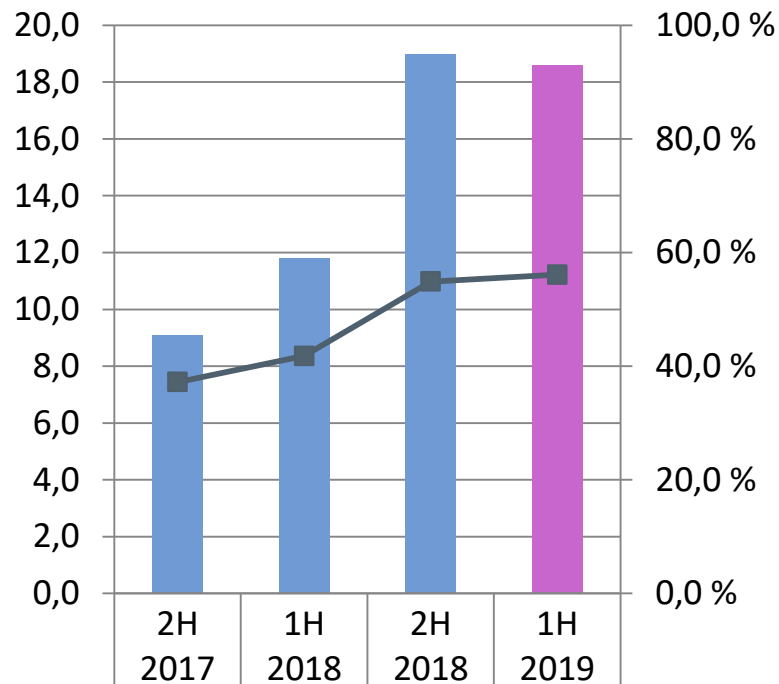
- Net sales increased by 16.8 % to MEUR 33.1 (MEUR 28.3)

- Operating result was MEUR 1.7 (MEUR -0.8)

Product-Based Net Sales Grew

Products

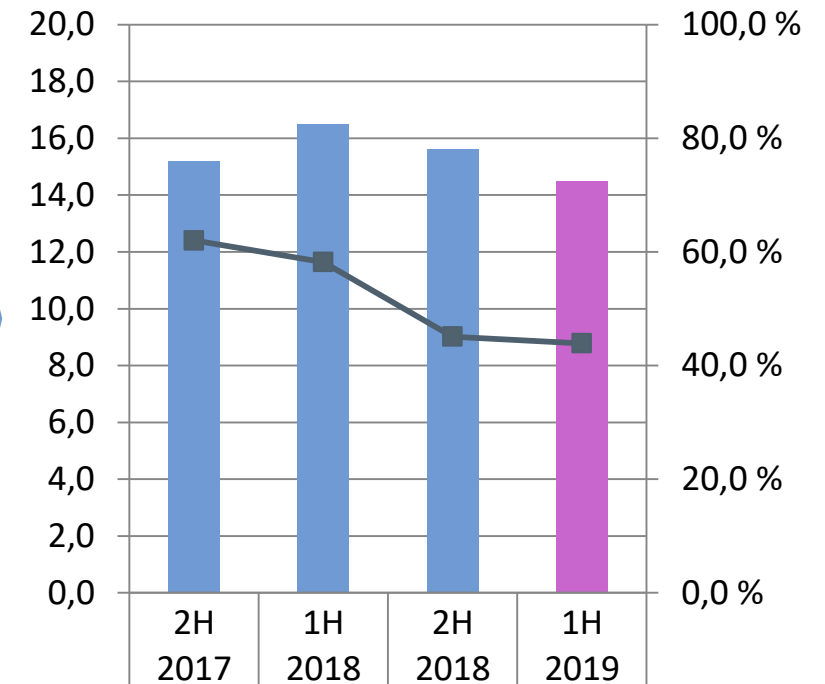
Product-based net sales grew by 57.6 %



Products Net Sales	9,1	11,8	19,0	18,6
% of Net Sales	37,2 %	41,8 %	54,9 %	56,1 %

Services

Service-based net sales declined by 12.1 %



Services Net Sales	15,2	16,5	15,6	14,5
% of Net Sales	62,0 %	58,2 %	45,1 %	43,9 %

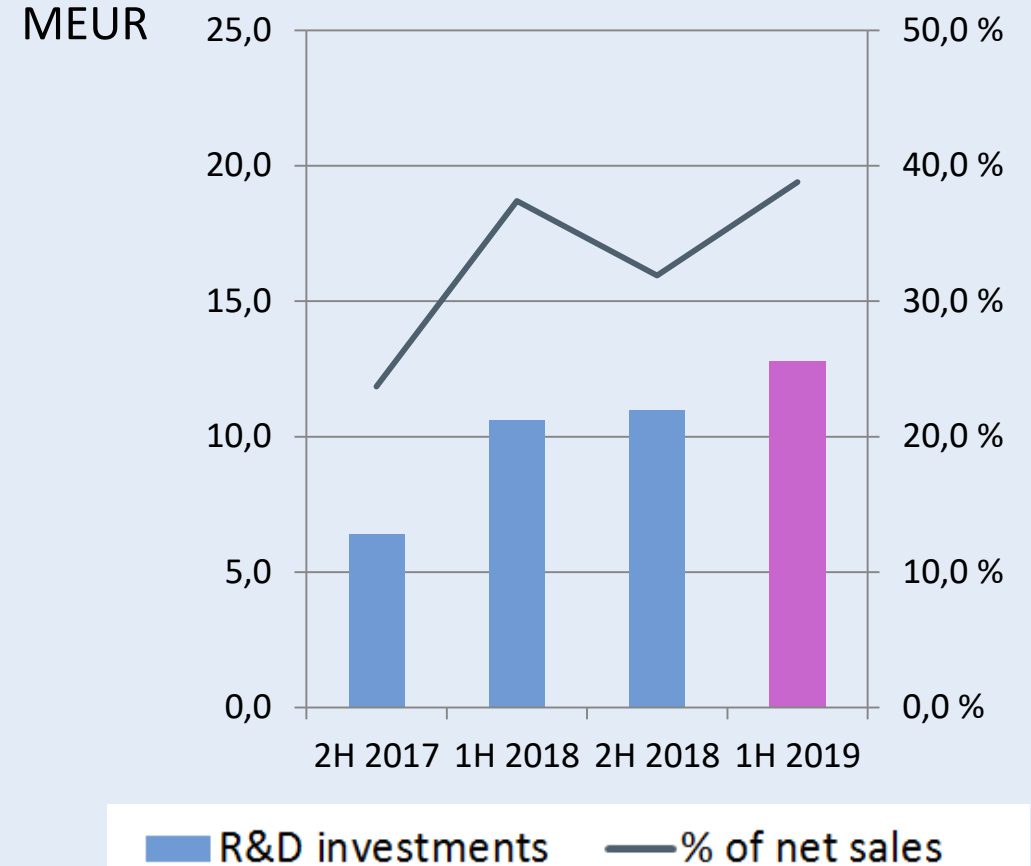
Strong R&D Investments

R&D investments stayed at high level and were MEUR 12.8 equaling 38.8% of the net sales (MEUR 10.6 equaling 37.4% of the net sales)

- MEUR 8.6 was capitalized (MEUR 7.4)
- Depreciations of R&D investments were MEUR 0.7 (MEUR 0.1)
- R&D costs in the P&L was MEUR 4.9 (MEUR 3.3)

The main focus in the R&D investments was in the following products

- New tactical communication radios: Bittium Tough SDR product family (soldier and vehicle radios)
- The continued development of secure smartphones and related security software
- Further development of products intended for biosignal measuring and monitoring



Cash Flow

MEUR	1H 2019	1H 2018	2018
Net profit +/- adjustment of accrual basis items	4.7	1.5	7.9
Change in net working capital	-5.7	-12.0	-8.4
Interests and taxes	-0.2	-0.0	-0.0
NET CASH FROM OPERATING ACTIVITIES	-1.2	-10.5	-0.5
Net cash from investing activities	-10.1	-10.7	-19.8
Net cash from financing activities	13.9	-11.2	-11.7
NET CHANGE IN CASH AND CASH EQUIVALENTS	2.6	-32.4	-32.0

- The net working capital in the operating cash flow increased because of the growth in inventories and accounts receivables
- The net cash from investing activities include investments made into own product development of MEUR 8.6
- The net cash from financing activities include MEUR 20.0 borrowings and MEUR 5.4 dividend payment

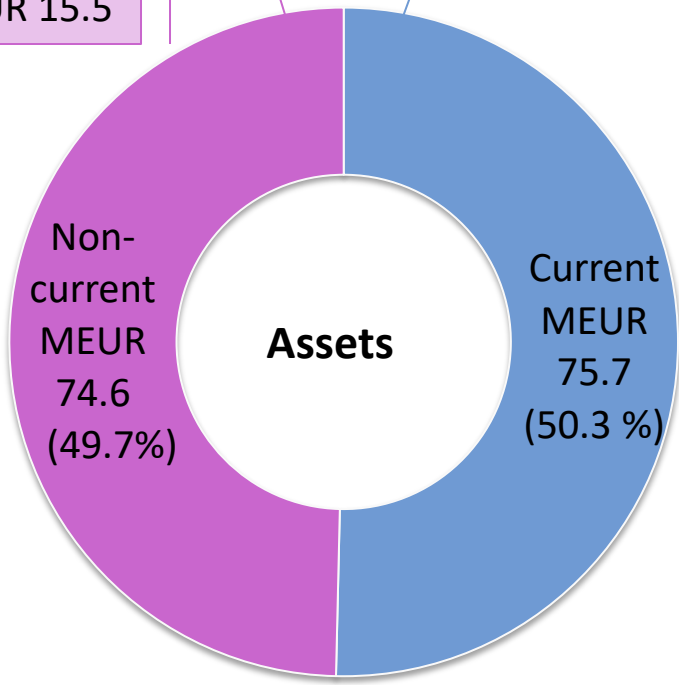
Assets and Liabilities

Balance sheet per 30th of June, 2019 was total MEUR 150.3

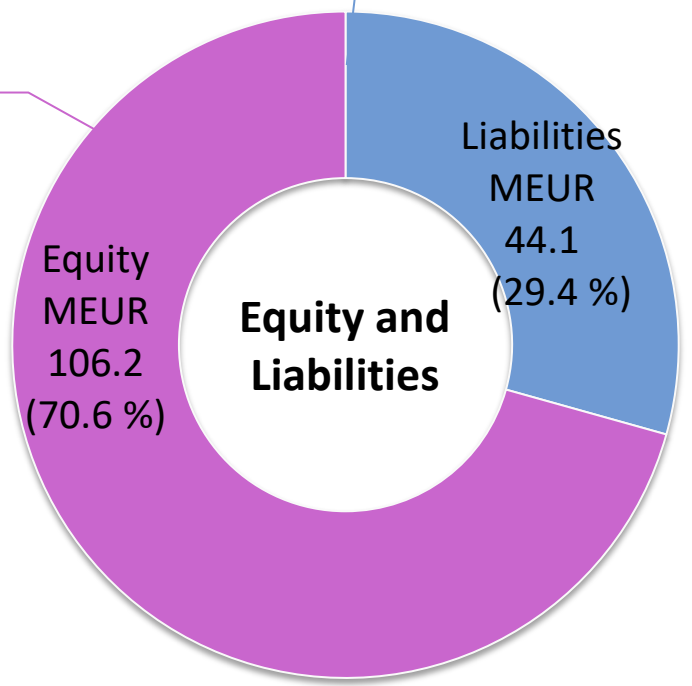
- Property, plant and equipment MEUR 24.6
- Capitalized R&D costs MEUR 34.5
- Other assets MEUR 15.5

- Inventories MEUR 17.7
- Trade and other receivables MEUR 24.5
- Cash and liquid assets MEUR 33.4

- Trade and other payables MEUR 18.9
- Interest bearing debt MEUR 22.7
- Other liabilities MEUR 2.5
- Net gearing -10.1 %



- Equity ratio 71.7 %



Outlook for 2019

CEO Hannu Huttunen



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Outlook for 2019

The amount of wireless data transfer applications is expanding and diversifying. Also the amount of data transfer and the need for secure data transfer are growing. These create demand for Bittium's leading edge technology products and solutions.

The digitalization of healthcare and remote care are becoming more common, enhancing the healthcare services and creating demand for Bittium's medical technology products and solutions.

In order to enable strong international growth in a long term, Bittium invests significantly in developing its own products and solutions as well as its sales network, aiming at further growing its net sales based on its products and product platforms.

Bittium expects that the net sales in 2019 will grow from previous year (EUR 62.8 million in 2018) and the operating profit to be better (2.8 million in 2018). Due to the product deliveries focusing on the second half of the year, the accumulation of the operating result is expected during the second half of the year like in the previous year, but not as strongly as in 2018.

In addition the level of operating result in 2019 will be impacted by the investments in own products and product platforms started in 2017.



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