

Bittium

Bittium Corporation Half-Year Financial Report January-June 2021

Net sales

39.7 MEUR

Net sales growth

-6.8 %

Operating result

-0.7 MEUR

Operating result, % of net sales

-1.8 %

Bittium's Operating Result Turned Positive During the Second Quarter of the Year

Unless otherwise mentioned, the figures in brackets refer to the corresponding period in the previous year.

Summary April-June 2021

- Net sales was EUR 22.6 million (EUR 25.3 million), representing 10.4 percent decrease year-on-year.
- The share of product-based net sales was EUR 16.7 million (EUR 18.4 million), representing 73.8 percent of the net sales. The share of Medical Technologies products was EUR 5.6 million (EUR 3.4 million) and the share of Defense & Security products was EUR 11.2 million (EUR 15.0 million).
- The share of services-based net sales was EUR 5.9 million (EUR 6.8 million), representing 26.2 percent of the net sales.
- EBITDA was EUR 3.2 million (EUR 5.6 million).
- Operating result was EUR 0.7 million (EUR 2.7 million).
- Result for the period was EUR 0.5 million and earnings per share were EUR 0.015 (result for the period EUR 2.7 million and earnings per share EUR 0.076).
- Cash flow from operating activities was EUR 2.6 million (EUR -0.8 million).
- Net cash flow was EUR -1.1 million (EUR -5.1 million).

GROUP (MEUR)	4-6/2021 3 months	4-6/2020 3 months
NET SALES	22.6	25.3
Change of net sales, %	-10.4 %	6.8 %
EBITDA	3.2	5.6
EBITDA, % of net sales	14.3 %	22.3 %
OPERATING PROFIT / LOSS	0.7	2.7
Operating profit / loss, % of net sales	3.3 %	10.7 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	0.5	2.7
CASH AND OTHER LIQUID ASSETS	18.9	26.3
EQUITY RATIO (%)	71.3 %	71.8 %
EARNINGS PER SHARE (EUR)	0.015	0.076

Summary January-June 2021

- Net sales was EUR 39.7 million (EUR 42.5 million), representing 6.8 percent decrease year-on-year.

- The share of product-based net sales was EUR 27.9 million (EUR 30.1 million), representing 70.3 percent of the net sales. The share of Medical Technology products was EUR 13.5 million (EUR 9.5 million) and the share of Defense & Security products was EUR 14.5 million (EUR 20.6 million).
- The share of services-based net sales was EUR 11.8 million (EUR 12.5 million), representing 29.7 percent of the net sales.
- EBITDA was EUR 4.2 million (EUR 8.4 million).
- Operating profit was EUR -0.7 million (EUR 2.9 million).
- Result for the period was EUR -1.0 million and earnings per share were EUR -0.029 (result for the period EUR 2.5 million and earnings per share EUR 0.071).
- Cash flow from operating activities was EUR 1.2 million (EUR 0.3 million).
- Net cash flow was EUR -5.8 million (EUR -8.8 million).

GROUP (MEUR)	1-6/2021 6 months	1-6/2020 6 months
NET SALES	39.7	42.5
Change of net sales, %	-6.8 %	28.7 %
EBITDA	4.2	8.4
EBITDA, % of net sales	10.6 %	19.7 %
OPERATING PROFIT / LOSS	-0.7	2.9
Operating profit / loss, % of net sales	-1.8 %	6.7 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	-1.0	2.5
CASH AND OTHER LIQUID ASSETS	18.9	26.3
EQUITY RATIO (%)	71.3 %	71.8 %
EARNINGS PER SHARE (EUR)	-0.029	0.071

Outlook for 2021

The spread of new variants of the coronavirus and the global disruption in the availability of electronic components have a significant impact on the global market, also causing uncertainty for the development of Bittium's business towards the end of the year.

Bittium expects the net sales in 2021 to grow from the previous year (EUR 78.4 million in 2020) and the operating result to improve from the previous year (EUR 2.1 million in 2020).

More information about Bittium's market outlook is presented in this report in the section "Market outlook".

More information about other uncertainties regarding the outlook is presented in this report in the section "Risks and uncertainties" and on the company's internet pages at www.bittium.com.

Bittium's CEO Hannu Huttunen

The year 2021 has developed according to our expectations, and the second quarter's net sales and operating result improved from the first quarter. The markets are slowly recovering from the coronavirus pandemic, but the spread of the new virus variants creates uncertainty in the future outlook. In addition, further uncertainty is caused by the global disruption in the availability of electronic

components, which has prevented us from delivering some of the product deliveries to our customers on time. It is possible that the shortage of the components will affect the development of our product business also during the rest of the year.

In the first half of the year, we expanded our product portfolio in all our product areas and launched, among others, the home sleep apnea testing solution Bittium Respiro™, Bittium OmegaSnap™ electrode for long-term ECG measurements, the advanced device and network management system Bittium Tactical Management Suite™, and the secure communication application Bittium Secure Call™ for public authorities and companies.

Cooperation with our largest customers both in Finland and abroad continued to be good. Due to the shortage of components, we had to postpone deliveries of tactical communication products, which was also reflected in the first half net sales compared to the corresponding period of the previous year. Bittium Tough SDR™ vehicle radio product development project was completed. The Finnish Army has adopted the Bittium Tactical Wireless IP Network™ (TAC WIN) wireless backbone network used in the M18 management system for operational use. In addition, the Finnish Army has acquired Bittium Tough SDR™ radios for testing use and will continue the development and implementation of the radio family as a part of the M18 management system. We expect further orders for hand and vehicle radios during 2022. The development of radio waveforms in the Bittium Tough SDR™ product family continues in co-operation with the Finnish Defense Forces.

The tender for the Spanish Army's project for new vehicle radios was completed, and despite a very good pilot phase, we did not win the tender itself. However, as the coronavirus situation eases, the international market for tactical communications is slowly beginning to normalize and we will be able to continue piloting with potential new customers.

Continuous security attacks are increasing the authorities' interest in secure phones, which was partly reflected in the growing demand for secure phones. We received important security approvals for our terminals and their back-end systems, which is an excellent demonstration of our strong security expertise. Sales of Bittium Tough Mobile™ 2 C have developed positively during the first half of the year.

The reseller cooperation regarding the Mexsat satellite phones, which started at the beginning of the year with a Mexican telecommunications solution provider Inmosat, has progressed well and product deliveries have begun. Cooperation with a reliable local operator facilitates the sale and maintenance of the equipment. The reseller agreement covers the exclusive sale of Mexsat satellite phones to Mexican state authorities and national security organizations.

Demand for medical technology products in the first half of the year increased significantly from the corresponding period of the previous year. In particular, demand increased for Bittium Faros™ devices, which measure the electrical activity of the heart. The market for medical neurophysiology products has reopened as the need for hospital care due to the coronavirus pandemic eases. Testing of the new devices has begun, and we have delivered several Bittium BrainStatus™ EEG measuring devices to customers in Austria, Finland, and Germany, as well as in Asia. The medical device approval process for the sleep apnea measuring device, launched at the beginning of the year, is underway and the goal is to start selling the devices later this year. All Bittium's cardiology and neurophysiology solutions, also including sleep apnea measurement devices, operate on the same cloud-based service and analytics platform, meeting the market's needs to digitize remote diagnostic service processes more widely than before.

Demand for R&D services remained stable. We continued to provide connectivity solutions to our customers in wireless communication, medical technology, and industrial manufacturing markets. The goal is to further increase the number of R&D service projects and expand the customer base.

We have gained several new customers during the first half of the year and the business has developed positively. The market is recovering despite the spread of coronavirus variants worldwide. The biggest risk of achieving this year's targets is the availability of electronic components, but we will continue our efforts to procure the necessary components in our products.

Financial Performance in January-June 2021

Bittium's net sales in January-June 2021 decreased by 6.8 percent year-on-year to EUR 39.7 million (EUR 42.5 million).

The share of product-based net sales was 70.3 percent and was EUR 27.9 million (EUR 30.1 million). The share of Medical Technologies products was EUR 13.5 million (EUR 9.5 million) and the share of Defense & Security products and systems was EUR 14.5 million (EUR 20.6 million).

million). The decrease in product-based net sales was due to the postponement of Defense business product deliveries to the second half of the year.

The share of services-based net sales was EUR 11.8 million (EUR 12.5 million), representing 29.7 percent of the net sales.

Operating result in January-June 2021 was EUR -0.7 million (EUR 2.9 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR	1-6 2021	1-6 2020
	6 months	6 months
Net sales	39.7	42.5
Operating profit / loss	-0.7	2.9
Financial income and expenses	-0.3	-0.3
Result before tax	-1.0	2.5
RESULT FOR THE PERIOD	-1.0	2.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-1.0	2.5
Result for the period attributable to:		
Equity holders of the parent	-1.0	2.5
Total comprehensive income for the period attributable to:		
Equity holders of the parent	-1.0	2.5
Earnings per share from continuing operations, EUR	-0.029	0.071

- Cash flow from operating activities was EUR 1.2 million (EUR 0.3 million).
- Net cash flow during the period was EUR -5.8 million, including as the most significant items EUR 4.4 million R&D investments into own products and EUR 1.1 million dividend payment (EUR -8.8 million, including as the most significant item EUR 7.4 million R&D investments into own products, no dividends was paid during the comparison period).
- Equity ratio was 71.3 percent (71.8 percent).
- Net gearing was 3.2 percent (-3.5 percent).

Half Year Figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	1H/21	2H/20	1H/20	2H/19
Net sales	39.7	35.8	42.5	42.2
Operating profit (loss)	-0.7	-0.8	2.9	4.7
Result before taxes	-1.0	-0.9	2.5	4.4
Result for the period	-1.0	-0.4	2.5	6.1

DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR AND %	1H/21	2H/20	1H/20	2H/19
Product-based net sales	27.9 70.3 %	23.0 64.3 %	30.1 70.7 %	30.8 73.1 %
Services-based net sales	11.8 29.7 %	12.8 35.7 %	12.5 29.3 %	11.4 27.1 %

DISTRIBUTION OF PRODUCT-BASED NETSALES, MEUR AND %	1H/21	2H/20	1H/20
Defense & Security products	14.5 51.8 %	15.1 65.5 %	20.6 68.6 %
Medical Technologies products	13.5 48.2 %	8.0 34.5 %	9.5 31.4 %

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	1H/21	2H/20	1H/20	2H/19
Asia	0.3 0.6 %	0.2 0.5 %	0.2 0.4 %	0.1 0.3 %
Americas	14.4 36.4 %	6.4 17.8 %	7.1 16.7 %	12.7 30.2 %
Europe	25.0 62.9 %	29.3 81.7 %	35.2 82.8 %	29.3 69.6 %

Quarterly Figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	2Q/21	1Q/21	4Q/20	3Q/20	2Q/20
Net sales	22.6	17.0	21.8	14.0	25.3
Operating profit (loss)	0.7	-1.5	0.3	-1.0	2.7
Result before taxes	0.5	-1.6	0.2	-1.0	2.7
Result for the period	0.5	-1.6	0.7	-1.0	2.7

DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR AND %	2Q/21	1Q/21	4Q/20	3Q/20	2Q/20
Product-based net sales	16.7 73.8 %	11.2 65.7 %	14.5 66.5 %	8.5 60.9 %	18.4 73.0 %
Services-based net sales	5.9 26.2 %	5.9 34.3 %	7.3 33.5 %	5.5 39.1 %	6.8 27.0 %

DISTRIBUTION OF PRODUCT-BASED NET SALES, MEUR AND %	2Q/21	1Q/21	4Q/20	3Q/20	2Q/20
Defense & Security products	11.2 66.8 %	3.3 29.5 %	10.7 73.6 %	4.4 51.6 %	15.0 81.3 %
Medical Technologies products	5.6 33.2 %	7.9 70.5 %	3.8 26.4 %	4.1 48.4 %	3.4 18.7 %

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	2Q/21	1Q/21	4Q/20	3Q/20	2Q/20
Asia	0.1 0.6 %	0.1 0.7 %	0.1 0.5 %	0.1 0.5 %	0.1 0.4 %
America	7.2 31.9 %	7.2 42.5 %	2.9 13.3 %	3.5 24.8 %	2.2 8.8 %
Europe	15.3 67.5 %	9.7 56.9 %	18.8 86.2 %	10.5 74.7 %	22.9 90.8 %

Research and Development

Bittium continued to make significant investments to develop its own products and product platforms. In January-June 2021, the R&D investments were EUR 11.0 million (EUR 12.0 million), representing 27.8 percent of the net sales (28.3 percent).

The R&D investments focused mainly on developing tactical communication system and its products for the defense industry, developing different types of special terminal products for authorities and their related security software, as well as developing medical technology products.

The capitalized R&D investments are related to the investments in developing the software defined radio based tactical radios, Bittium Tough SRD™ product family, further development of tactical communication networks, and development of medical technology products.

R&D INVESTMENTS, (MEUR)

	1-6 2021 6 months	1-6 2020 6 months
Total R&D investments	11.0	12.0
Capitalized R&D investments	-4.4	-7.4
Depreciations and impairment of R&D investments	2.5	2.9
Cost impact on income statement	9.1	7.6
R&D investments, % of net sales	27.8 %	28.3 %

CAPITALIZED R&D INVESTMENTS IN BALANCE SHEET, MEUR

	1-6 2021 6 months	1-6 2020 6 months
Balance sheet value in the beginning of the period	46.6	39.1
Additions during the period	4.4	7.4

Depreciations and impairment of R&D investments	-2.5	-2.9
Balance sheet value at the end of the period	48.5	43.6

Business Development in January-June 2021

The exceptional circumstances caused by the coronavirus pandemic still have some impact on the global market situation, but the recovery from the pandemic has already begun. The global shortage of components has become, which is slowing down the manufacturing and thus causing delays in the delivery of products.

In the first half of the year, Bittium expanded its product and service offering for the defense market by launching the advanced Bittium Tactical Management Suite™, which includes separate device and network management systems. The systems enable easy and secure management of Bittium's tactical communication devices and networks during the deployment phase and during and after operations.

In the domestic defense market, co-operation with the Finnish Defense Forces has remained strong. Bittium received orders under framework agreements for the software-defined radio-based Bittium Tactical Wireless IP Network™ (TAC WIN) system's products and Bittium Tough Comnode™ equipment, as well as a purchase order for system support for TAC WIN software radio and Bittium Tough VoIP™ systems.

The product development project for Bittium Tough SDR™ vehicular radios was completed. The Finnish Army has adopted the Bittium Tactical Wireless IP Network (TAC WIN) wireless backbone network for the operational use of the M18 management system. In addition, the Finnish Army has acquired Bittium Tough SDR™ radios for testing use and will continue the development and implementation of the radio family as a part of the M18 management system. Bittium expects further orders for both handheld and vehicular radios during 2022. The development of waveforms for the radios in the Bittium Tough SDR™ product family continues in cooperation with the Finnish Defense Forces.

In the international defense and authority markets, Bittium continued to supply and integrate its tactical communications system products with its Austrian, Estonian, and other international customers. In May, a4ESSOR S.A.S (Alliance for ESSOR), a joint venture to develop European secure software-defined radio technology, in which Bittium is involved, received an official approval for the ESSOR High Data Rate Base Waveform developed by the joint venture. The approval is the result of two and a half years of development work involving all the industrial partners of the ESSOR project, which are Bittium (Finland), Indra (Spain), Leonardo (Italy), Radmor (Poland) and Thales (France). Bittium has adapted the waveform to its own Bittium Tough SDR™ radios in cooperation with the Finnish Defense Forces.

The security approval for the Bittium Tough Mobile™ 2 C and related back-end system obtained in the second quarter has increased the authorities' interest in secure smartphones. Phone sales increased, new customers were gained, and new pilot projects were launched. The approval granted by the Finnish Transport and Communications Agency Traficom's National Cyber Security Centre allows the official Confidential classification level information to be created and processed and transferred between smartphone and connected back-end solutions. Also, the Bittium SafeMove® Mobile VPN software, which secures connections between mobile devices and services, received a security approval by the Spanish Security Authority, which corresponds to the international Restricted security level. The approval enables the transfer of encrypted material with Bittium SafeMove Mobile VPN software when used on a trusted platform.

Bittium expanded its secure communication solution offering and launched a secure Bittium Secure Call™ communication application targeted for authorities, companies, and private persons. Security of the Bittium Secure Call communication application covers end-to-end encrypted voice and video calls, group calls, messages with attachments, group messaging, push-to-talk voice messages, and a feature that destroys messages after a predefined time. The user organization can easily integrate Bittium's complete information security solution into its own back-end system, keeping the terminals and the communication between them under its own control. This protects users from security attacks and ensures that confidential information is not leaked to third parties.

Bittium entered into a reseller partnership with Inmosat, a Mexican provider of telecommunications solutions, concerning Mexsat satellite phones used in the Mexsat satellite communications system designed for the Mexican state. The agreement covers the exclusive sale of Mexsat satellite phones to Mexican state authorities and national security organizations. The first order related to the resale agreement was worth approximately EUR 5 million, of which approximately half has already been delivered to the customer during the first half of the year, and the rest of the order will be delivered by the end of this year.

Demand for Bittium's Faros™ ECG measuring devices increased during the review period. Most of product deliveries were made to Preventice, a customer providing remote monitoring services in the U.S. ECG market. Deliveries of the disposable Bittium OmegaSnap™ patch electrode, which was launched for Faros devices at the beginning of the year, started as planned and the electrode has received positive feedback from customers. The electrode is specially designed for long-term ECG measurements.

The market for medical neurophysiology products is reopening again as the coronavirus pandemic eases. Hospitals and care facilities are also able to start testing new technological devices, and several Bittium BrainStatus™ EEG measuring devices were delivered to customers for pilot use. The medical device certificated Bittium BrainStatus™ measures and monitors the electrical activity of the brain, which improves treatment and facilitates and speeds up the work of nursing staff, especially in the intensive care unit. Continuous monitoring of brain electrical activity is an important method for assessing the state of consciousness. In neurological emergencies, rapid initiation of treatment is essential to prevent potential permanent harm.

As a follow-up to remote diagnostic solutions for measuring electrical activity in the brain and heart, Bittium launched a new home-based sleep apnea testing solution in the early part of the year. Bittium Respiro™ is a modern sleep apnea research device and analysis service solution for service providers, hospitals, clinics, and health centers. The solution focuses on testing sleep apnea at home by recording and analyzing typical sleep-related respiratory disorders. In addition to the recording device, this system includes analysis software that utilizes artificial intelligence, which significantly speeds up the work of doctors. The total solution utilizes Bittium's cloud-based and data-secure service platform, which enables analyzes to be performed regardless of time and place.

Bittium's cloud-based MedicalSuite™ service platform now includes all of the company's cardiology and neurophysiology solutions, including sleep apnea measurement solutions, enabling service operators to further digitize their remote diagnostic service processes. Alongside the aging population, the global coronavirus pandemic has provided a strong incentive to streamline and digitize primary and specialist health care functions. In addition, the avoidance of physical contacts has accelerated the transition to remote diagnostics and care. Together, these factors increase the demand for both hardware and total service solutions in the medical technology market.

Demand for Bittium's R&D services remained stable. Bittium continued to deliver services and connectivity solutions to customers in wireless telecommunications, medical technology and industrial manufacturing, and new international customers were won in various industries. In the automotive software market, the pilot project for the set-up of the first 5G connection was successfully completed and the company participated in the automotive Car HMI trade fair in Germany. Demand for R&D services is growing, especially in the areas of wireless communications and the Open Radio Access Network (ORAN), an open radio access network architecture. The goal is to further increase the number of product development service projects and expand the customer base.

Other Significant Events during the Reporting Period

February 11, 2021 Bittium Corporation's Financial Statement Bulletin January-December 2020

February 11, 2021: Change in the Bittium Corporation's Annual Report 2020 Release Date

February 11, 2021: Notice to the General Meeting of Bittium Corporation

February 11, 2021: Bittium Corporation: New Period in the Share-Based Incentive Scheme for the Management of Bittium

February 24, 2021: Correction to the Notice to the General Meeting of Bittium Corporation

March 2, 2021: Bittium Corporation: The Finnish Defence Forces Order Bittium TAC WIN™ Products and Bittium Tough Comnode™ Devices Based on Framework Agreements on the Purchase of the Products

March 19, 2021: Bittium Corporation's Annual Report, Sustainability Report, Corporate Governance Statement and Remuneration Report from 2020 Have Been Published

March 22, 2021: Bittium Corporation's Three Largest Shareholders Have Changed Their Proposal to the Annual General Meeting to Be Held on April 14, 2021

March 22, 2021: Bittium Cancels the Notice to the Annual General Meeting Published on February 11, 2021, and Publishes a New Notice to the Annual General Meeting to Be Held on April 14, 2021

March 24, 2021: Bittium Corporation's Directed Share Issue without Consideration to Implement the Share-Based Incentive Scheme

March 29, 2021: New Shares of Bittium Corporation Registered in the Trade Register

April 14, 2021: Decisions of the Annual General Meeting of Bittium Corporation; General Meeting Decided to Distribute a Minority Dividend

April 29, 2021: Bittium Corporation's Business Review January-March 2021

May 17, 2021: Change in Bittium Corporation's Management Group

Significant Events after the Reporting Period

There were no significant events after the reporting period.

Market Outlook and the Implications of the Coronavirus Pandemic for Bittium

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 quality and secure data transfer. Due to the technology competences accrued over time and the long history in developing mobile communication solutions, Bittium is in a good position to offer customized solutions to its customers. Over thirty years of experience and extensive competence in measuring biosignals also act as a basis for medical technology solutions.

In 2020 and 2021, the global coronavirus pandemic has significantly affected the global economy and market situation. Bittium's business sales cycles are long by their nature, but the pandemic has also affected Bittium's business, among others, by slowing down existing projects and postponing new projects. The market is slowly beginning to recover from the effects of the pandemic, but the global shortage of components will affect product manufacturing and thus the ability to deliver products to customers on schedule.

The factors affecting the demand for Bittium's products and services and the effects of the coronavirus pandemic on them are described below:

Defense, Public Safety, and Information Security Markets

- In the defense market's tactical communications sector, the governments' defense forces and other authorities need networks that troops, who are more and more constantly on the move, can use and transfer growing amounts of data securely. This creates demand for Bittium Tactical Wireless IP Network™ (TAC WIN) broadband network, Bittium Tough SDR™ handheld and vehicular radios, and for other Bittium's IP-based (Internet Protocol) tactical communication solutions that fulfill the needs of data transfer of moving troops and individual soldiers. Bittium continues efforts to bring its defense market targeted products and services also to the international defense markets and aims to get new international customers for its tactical communication system in 2021. Due to the long sales cycles driven by purchasing programs of national governments, it will take time to receive purchase orders.
- The financial difficulties caused by the coronavirus pandemic affect the budgets of public finances such as states and public authorities and has required postponing of procurement. This has somewhat delayed the launch of new projects and receiving orders. Especially in the defense and authorities' markets testing and piloting of products and systems are typical phases before receiving orders of larger entities, and current circumstances due to the pandemic situation have caused delays in them. However, market has begun to recover from the effects of the pandemic. The global shortage of components affects the availability of various components used in products, which affects the company's ability to deliver products to its customers on time.
- The use of LTE technology, smartphones, and applications continue to increase in special verticals, such as public safety, creating demand for Bittium Tough Mobile™ secure LTE smartphone and other customized special terminals based on Bittium's own product platform. The awareness of mobile security risks is growing, and the interest towards secure mobile devices is increasing. The sales of the secure terminal products are expected to develop moderately according to the nature of public safety markets.

- The smartphone sales process often involves testing and piloting systems and equipment, possibly integrating third-party technologies, and possible local regulatory approvals, which are typically lengthy processes. Exceptional circumstances caused by the coronavirus pandemic may have a significant impact on the progress of projects, which slows down the closings of larger transactions.

Telecommunication and Digitalization

- In the mobile telecommunications, the implementation of 5G is accelerating in pace. Investments in developing new features continue and the importance of software development in the 5G network development expands. This creates demand for Bittium's R&D services. There is a wide range of frequencies allocated for the 5G technology, thus creating the need to develop multiple products to cover the market and creating demand for R&D services for development of product variants. The different solution needs of the open radio frequency network architecture, Open Radio Access Network (ORAN), will increase the demand for Bittium's R&D expertise as new players enter into the traditional supplier network. Also, the development of new devices utilizing 5G technology increases the demand for Bittium's services.
- As digitalization evolves, secure IoT (Internet of Things) has become a significant development area in almost every industry. The increasing need for companies to digitalize their operations, collect data wirelessly, and transfer it to the internet and cloud services generate need for Bittium's services and customized solutions. To this end, the market needs secure devices, for both demanding industrial and leisure applications, which collect information from the sensors used by the device and create a reliable wireless connection to the Internet and cloud services. New radio systems customized to IoT are being used all over the world, and the number of digitalized devices increases continuously. Along with the 5G technology being used, there will also be new features in the IoT that enable, i.e., remote control of machines. Therefore, the integration of different systems and technologies play an important role in enabling complete digitalization services. There are several learning systems and devices under development that use different kinds of artificial intelligence (AI) technologies to ease and speed up the processing of large data amounts.
- Changes in the digitalization of the automotive industry and new business models as well as the automation of automotive operations create a need for technological development. Most significant technology trends, such as intelligent mobility, self-driving cars, electric cars, and connectivity, are guiding needs for innovative software development. The share of software in cars quickly is increasing, and software is becoming a major enabler and a differentiator. The use of Android™ Automotive operating system in the In-Vehicle Infotainment (IVI) systems is strongly entering the market. Several carmakers have announced the launch of cars with Android Automotive. Bittium's more than a decade of experience with the Android operating system and the Google ecosystem combined with security know-how create good business opportunities for this market.
- Travel restrictions caused by the coronavirus pandemic have slowed down the sale of product development services. Even though the adaptation to the new circumstances and operating methods has gone well, the restrictions have somewhat slowed down the progress of the projects and gaining new customers. However, the market is clearly recovering from the effects of the pandemic and new projects have been launched.

Medical ECG, EEG, and Sleep Apnea Remote Monitoring Market

- The medical technology market is undergoing significant development in patient care, especially outside hospitals. There is an increasing focus on the prevention of diseases and health problems through early diagnosis and the discharge of patients at an earlier stage to reduce hospital and treatment days. These actions significantly increase efficiency in health care processes and lower costs.
- A prerequisite for early hospital discharge is the enabling of accurate and precise follow-up and measurement opportunities in home conditions, which would be enabled through remote monitoring. Remote monitoring and remote diagnostics also enable specialists' diagnoses regardless of time and place. Also, evolving artificial intelligence-based algorithms become more common in supporting physicians in making diagnoses. Remote monitoring and remote diagnostics make it possible and faster to obtain more accurate diagnoses, which, in turn, speeds up the start of the right kind of treatment. The market change will enable several new providers to join the overall care service chain, without compromising the quality of specialist services.
- For remote monitoring and remote diagnostics, Bittium provides its Bittium Faros™ product family for remote heart monitoring, Bittium BrainStatus™ for measuring the electrical activity of the brain, home sleep apnea testing solution Bittium Respiro™, and different kind of diagnostics software offered by Bittium.

- As the coronavirus pandemic spread, the number of non-emergency patients going to treatments and tests to healthcare providers decreased. Several hospitals and medical care facilities have postponed their non-emergency tests and examinations and focused on the treatment of the pandemic patients as well as on the actions aimed to prevent the virus from spreading. The pandemic situation varies from country to country, but generally the market is beginning to get back to normal again. In the long-term, the pandemic will accelerate the use of remote services in hospitals and medical care facilities, and thus create positive development on the demand of the remote monitoring products and services.
- The global shortage of components affects the availability of various components used in products and can affect the company's ability to deliver products to its customers on time.

Risks and Uncertainties

Bittium has identified several business, market and finance related risk factors and uncertainties that can affect the level of sales and profits.

The coronavirus pandemic has caused changes in the company's operating environment. The company management has been actively following and anticipating the development of the pandemic and taken measures to prevent and remedy the impacts of the pandemic. It is difficult to estimate the length of the situation or its impacts on business operations and financial results.

The global disruption in the availability of electronic components has also caused fast changes in the company's operating environment. The company monitors the development of the situation and actively strives to ensure the availability of components required for product deliveries. Poor availability of components can have a detrimental effect on the progress of customer projects and the ability to deliver products.

Market Risks

The 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. Growing political uncertainty may also affect the demand for Bittium's services, solutions, and products and the price competitiveness in the different geographical areas. Bittium is also increasingly exposed to legal, economic, political, and regulatory risks related to the countries in which its suppliers and other cooperation partners are located. Such risks may result in delays in deliveries or in situations where there will be no orders in the forecast quantities, currency losses, elevated costs, or litigations and related costs.

As Bittium's customer base includes, among others, companies operating in the field of telecommunication, defense, and other authorities, as well as companies delivering products to them and companies operating in the healthcare sector, the company is exposed to market changes in these industries.

A significant part of Bittium's net sales accumulates from selling products and R&D services to defense and other authorities, as well as companies delivering products to them. Deviation in anticipated business development with such customer concentrations may translate as a significant deviation in 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 would thereby be mainly affected by the general business climate in the industries of the companies belonging to Bittium's customer base instead of the development of individual customer relationships. The more specific market outlook has been presented in this report in the "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 commercially 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, and risks related to the ramp-up of product manufacturing. 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 also result in 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 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 also be 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. Bittium has EUR 20.0 million senior loan and EUR 10.0 million committed overdraft credit facility agreement with Nordea Bank Plc. Maturity date for the senior loan is May 24, 2024, and the credit limit agreement is valid until May 24, 2024. Bittium has EUR 10.0 million committed overdraft credit facility agreement with OP Corporate Bank Plc valid until May 24, 2022.

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 investments, networking capital needs, or 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.

Statement of Financial Position and Financing

The figures presented in the statement of financial position of June 30, 2021, are compared with the statement of the financial position of December 31, 2020 (MEUR).

	Jun 30, 2021	Dec 31, 2020
Non-current assets	87.0	86.4
Current assets	74.3	71.7
Total assets	161.3	158.0
Share capital	12.9	12.9
Other capital	99.3	101.3
Total equity	112.3	114.2

Non-current liabilities	21.8	21.9
Current liabilities	27.3	21.8
Total equity and liabilities	161.3	158.0
Cash flow of the review period:		
	1-6/2021	1-12/2020
+ profit of the period +/- Adjustment of accrual basis items	5.2	14.1
+/- Change in net working capital	-3.7	-6.8
- interest, taxes and dividends	-0.3	-0.5
= net cash from operating activities	1.2	6.9
- net cash from investing activities	-5.2	-15.9
- net cash from financing activities	-1.8	-1.5
= net change in cash and cash equivalents	-5.8	-10.5

The amount of gross investments in the period under review was EUR 5.8 million. Net investments for the review period totaled to EUR 5.6 million. The total amount of depreciation during the period under review was EUR 4.9 million. The amount of interest-bearing debt, including finance lease liabilities, was EUR 22.4 million at the end of the reporting period (EUR 22.5 million). Bittium's equity ratio at the end of the period was 71.3 percent (73.1 percent).

The Group's liquidity remained good despite the uncertainty caused by the coronavirus pandemic and the global disruption in the availability of electronic components. Securing cash flow has not required any special adjustment measures and no significant changes have been identified in the credit risks of trade receivables.

Cash and other liquid assets at the end of the reporting period were EUR 18.9 million (EUR 24.7 million). Net cash flow during the period was EUR -5.8 million. The net cash flow resulted from EUR 4.4 million investments made into own product development and EUR 1.1 million dividend payment as the most significant items (EUR -10.5 million including EUR 13.6 million investments made into own product development, no dividends were paid in the corresponding period).

Bittium has a EUR 20.0 million senior loan and a EUR 10.0 million committed overdraft credit facility agreement with Nordea Bank Finland Plc. Maturity date for the senior loan is May 24, 2024, and the credit limit agreement is valid until May 24, 2024. Bittium has EUR 10.0 million committed overdraft credit facility agreement with OP Corporate Bank Plc valid until May 24, 2022. At the end of the review period, no limits from these facilities were in use.

Bittium follows a hedging strategy that has an objective to ensure the business margins in changing market circumstances by minimizing the influence of exchange rates. According to the hedging strategy principles, the net position in the currency is hedged when it exceeds the euro limit defined in the hedging strategy. The net position is determined based on accounts receivable, accounts payable, order book, and budgeted net currency cash flow.

Personnel

The Bittium group employed an average of 670 people in January-June 2021. At the end of June 2021, the company had 664 employees (684 employees at the end of 2020).

Changes in the Company's Management

On May 17, 2021, Bittium announced that Mr. Sammy Loitto, Senior Vice President, Sales and a member of Bittium Corporation's Management Group, will transfer to another company. Mr. Loitto acted as Senior Vice President, Sales at Bittium for three years, and successfully developed Bittium's sales and sales management processes, environment, and systems during his career.

The company decided that it will divide its sales management and development into the Company's three product and service areas, which are Defense & Security, Medical Technologies, and Connectivity Solutions. Dividing the sales activities into product and service areas in this context enables even stronger sales management and development. After the change, Bittium has product and service area specific sales management, which reports to the heads of the product and service areas in their positions. As a result, sales development is better targeted to the needs of each product and service areas. The changes have taken effect on June 1, 2021.

As of June 1, 2021, Bittium Corporation's management group consists of the following persons: Mr. Hannu Huttunen, CEO (Chairman); Mr. Pekka Kunnari, CFO; Mr. Kari Jokela, CLO; Mrs. Karoliina Malmi, Vice President Communications and Marketing; Mr. Arto Pietilä, Senior Vice President Medical Technologies; Mr. Jari Sankala, Senior Vice President Defense & Security; Mr. Tommi Kangas, Senior Vice President Connectivity Solutions; and Mr. Jari-Pekka Innanen, Vice President, Engineering.

Flagging Notifications

There were no changes in the ownership during the period under review that would have caused flagging notifications which are obligations for disclosure in accordance with Chapter 2, section 9 of the Securities Market Act.

Notifications of Managers' Transactions

February 17, 2021: Name of the person subject to the notification requirement: Erkki Veikkolainen, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: February 12, 2021. Venue: XHEL. Aggregated transactions: volume 21,273 shares, volume weighted average price: EUR 6.69477. Venue DHEL: Aggregated transactions: volume 6,653 shares, volume weighted average price: EUR 6.71062. Venue TQM: Aggregated transactions: volume 425 shares, volume weighted average price: EUR 6.66000. Venue BEUP: Aggregated transactions: volume 1,126, volume weighted average price: EUR 6.75197. Venue CEUD: Aggregated transactions: volume 523, volume weighted average price: EUR 6.73000.

April 6, 2021: Name of the person subject to the notification requirement: Hannu Huttunen, CEO. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: March 30, 2021. Venue: not applicable. Aggregated transactions: volume 3,142 shares, volume weighted average price: EUR 0.00.

April 6, 2021: Name of the person subject to the notification requirement: Sammy Loitto, other senior manager. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: March 30, 2021. Venue: not applicable. Aggregated transactions: volume 993 shares, volume weighted average price: EUR 0.00.

April 6, 2021: Name of the person subject to the notification requirement: Arto Pietilä, other senior manager. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: March 30, 2021. Venue: not applicable. Aggregated transactions: volume 993 shares, volume weighted average price: EUR 0.00.

April 6, 2021: Name of the person subject to the notification requirement: Tommi Kangas, other senior manager. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: March 30, 2021. Venue: not applicable. Aggregated transactions: volume 993 shares, volume weighted average price: EUR 0.00.

April 6, 2021: Name of the person subject to the notification requirement: Jari Sankala, other senior manager. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: March 30, 2021. Venue: not applicable. Aggregated transactions: volume 993 shares, volume weighted average price: EUR 0.00.

May 4, 2021: Name of the person subject to the notification requirement: Erkki Veikkolainen, Member of the Board. Notification type: initial notification. Nature of transaction: Purchase. Transaction date: April 30, 2021. Venue: XHEL. Aggregated transactions: volume 10,000 shares, volume weighted average price: EUR 6.99261.

May 5, 2021: Name of the person subject to the notification requirement: Hannu Huttunen, CEO. Notification type: initial notification. Nature of transaction: Purchase. Transaction date: May 3, 2021. Venue: XHEL. Aggregated transactions: volume 633 shares, volume weighted average price: EUR 6.83490. Venue: XTXE. Aggregated transactions: volume 367 shares, volume weighted average price: EUR 6.84000.

May 17, 2021: Name of the person subject to the notification requirement: Veli-Pekka Paloranta, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: May 12, 2021. Venue: XHEL. Aggregated transactions: volume 1,505 shares, volume weighted average price: EUR 6.57415.

May 17, 2021: Name of the person subject to the notification requirement: Riitta Tiuraniemi, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: May 12, 2021. Venue: XHEL. Aggregated transactions: volume 1,505 shares, volume weighted average price: EUR 6.57398.

May 17, 2021: Name of the person subject to the notification requirement: Petri Toljamo, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: May 12, 2021. Venue: XHEL. Aggregated transactions: volume 1,505 shares, volume weighted average price: EUR 6.57406.

May 17, 2021: Name of the person subject to the notification requirement: Pekka Kempainen, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: May 12, 2021. Venue: XHEL. Aggregated transactions: volume 1,505 shares, volume weighted average price: EUR 6.57403.

May 17, 2021: Name of the person subject to the notification requirement: Erkki Veikkolainen, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: May 12, 2021. Venue: XHEL. Aggregated transactions: volume 2,635 shares, volume weighted average price: EUR 6.57403.

Decisions of the Annual General Meeting of Bittium Corporation

Bittium's Annual General Meeting was held on April 14, 2021, at 1.00 pm at the company's headquarters in Oulu, Finland. Shareholders and their proxy representatives could participate in the meeting and exercise their rights only by voting in advance and by making counterproposals and presenting questions in advance. The meeting could not be attended on-site. The Annual General Meeting was arranged in accordance with an exceptional meeting procedure based on the temporary legislation to limit the spread of the Covid-19 pandemic (677/2020) approved by the Finnish Parliament.

Use of the Profits Shown on the Balance Sheet and Authorizing the Board of Directors to Decide on Distribution of Dividend

Based on the shareholder vote concerning minority dividend, the Annual General Meeting decided in deviation from the proposal of the Board of Directors that a minority dividend corresponding to half of the profit for the financial period shall be paid in accordance with Chapter 13, Section 7 of the Companies Act. The Board of Directors of the company had proposed to the Annual General Meeting that no dividend be distributed by the Annual General Meeting based on the adopted balance sheet for the financial period of January 1, 2020 - December 31, 2020. The total amount of the minority dividend to be distributed was EUR 1,110,327.74, corresponding to EUR 0.0311 per share.

The dividend was paid to shareholders who on the dividend record date April 16, 2021, were registered in the company's shareholders' register held by Euroclear Finland Oy. The dividend was paid on April 23, 2021. All the shares in the company were entitled to the dividend with the exception of shares possibly held by the Company on the dividend record date.

Election and Remuneration of the Members of the Board of Directors

The Annual General Meeting decided that the Board of Directors shall comprise five (5) members. Mr. Erkki Veikkolainen, Ms. Riitta Tiuraniemi, Mr. Veli-Pekka Paloranta, and Mr. Pekka Kempainen were re-elected as members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting. Further, Mr. Petri Toljamo was elected as a new member of the Board of Directors for a corresponding term of office.

At its assembly meeting held on April 14, 2021, the Board of Directors elected Mr. Erkki Veikkolainen as the Chairman of the Board of Directors. Further, the Board has resolved to keep the Audit Committee. Ms. Riitta Tiuraniemi (Chairman of the committee), Mr. Petri Toljamo, and Mr. Veli-Pekka Paloranta were elected as members of the Audit Committee.

The Annual General Meeting resolved that the following monthly remuneration shall be paid to the members of the Board of Directors: to the chairman of the Board of Directors EUR 3,150 and to the other members of the Board of Directors EUR 1,800 each. In addition, the members of the Board of Directors are entitled to compensation for attending Board meetings as follows: the chairman of the Board EUR 875 for each meeting and other members EUR 500 for each meeting. In addition, the members of the Board of Directors are entitled to compensation for attending Committee meetings as follows: the chairman of the Committee EUR 600 for each meeting and other Committee members EUR 400 for each meeting. Travel expenses of the members of the Board of Directors shall be reimbursed in accordance with the Company's travel policy. The General Meeting also decided that 50 percent of the total amount of the monthly remuneration of the members of the Board of Directors will be paid at once as Bittium Corporation's shares acquired for the price formed in public trading, through share issue or, in special circumstances if share based remuneration cannot be paid for some reason, in money. The shares will be acquired according to the share purchase program of the company. A member of the Board of Directors may not transfer the shares received as remuneration before his/her membership in the Board of Directors has ended.

Election and Remuneration of the Auditor

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

Authorizing the Board of Directors to Decide on the Repurchase of the Company's own Shares

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

The number of own shares to be repurchased shall not exceed 3,500,000 shares, which corresponds to approximately 9.80 percent of all of the shares in the company as at the date of the Annual General Meeting. 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 Annual General Meeting on June 15, 2020, to decide on the repurchase of the company's own shares.

The authorization is effective until June 30, 2022.

Authorizing the Board of Directors to Decide on the Issuance of Shares as well as the Issuance of Special Rights Entitling to Shares

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

The number of shares to be issued shall not exceed 3,500,000 shares, which corresponds to approximately 9.80 percent of all of the shares in the company as at the date of the Annual General Meeting.

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 June 15, 2020 to decide on the issuance of shares as well as the issuance of special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act.

The authorization is effective until June 30, 2022.

Annual Report, Sustainability Report, Corporate Governance Statement and Salary and Remuneration Report from 2020

On March 19, 2021 Bittium Corporation published its Annual Report, Sustainability Report, Corporate Governance Statement, and Salary and Remuneration Report from the year 2020.

The reports are available at <https://www.bittium.com> both in Finnish and in English. Annual Report, Sustainability Report, and Corporate Governance are available also at <https://annualreport.bittium.com>.

Invitation to a Press Conference

Bittium will hold a webcast regarding the Half-Year Financial Report January-June 2021 for media, analysts, and institutional investors on Friday, August 6, 2021, at 9.00 am (CEST+1). The conference will be held in Finnish. Bittium will also hold a webcast for media, analysts, and institutional investors in English on the same day at 11.00 am (CEST+1).

Link to the Finnish webcast: <https://bittium.videosync.fi/2021-08-06-bittium-q2-fin>

Link to the English webcast: <https://bittium.videosync.fi/2021-08-06-bittium-q2-eng>

Recordings of both webcasts and the presentation will be available after the conference on Bittium's website at www.bittium.com/investors.

Oulu, August 6, 2021

Bittium Corporation
The Board of Directors

Further Information:

Hannu Huttunen
CEO
Tel. +358 40 344 5466

Pekka Kunnari
CFO
Tel. +358 40 344 2229

Distribution:

Nasdaq Helsinki
Major media

Bittium Corporation Condensed Financial Statements and Notes January - June 2021

(unaudited)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-6/2021	1-6/2020	1-12/2020
Continuing operations	6 months	6 months	12 months
NET SALES	39.7	42.5	78.4
Other operating income	1.3	0.3	0.9
Work performed by the undertaking for its own purpose and capitalized	0.3	0.1	0.3
Raw materials	-10.1	-11.2	-21.2
Personnel expenses	-20.5	-17.2	-32,5
Depreciation	-4.9	-5.5	-11.4
Other operating expenses	-6.5	-6.1	-12.5
Share of profits in associated companies	-0.0	0.0	0.0
OPERATING PROFIT (LOSS)	-0.7	2.9	2.1
Financial income and expenses	-0.3	-0.3	-0.4
PROFIT BEFORE TAX	-1.0	2.5	1.6
Income tax	0.0	0.0	0.5
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	-1.0	2.5	2.2
Discontinued operations			
Profit for the year from discontinued operations			
PROFIT FOR THE PERIOD	-1.0	2.5	2.2
Other comprehensive income:			
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations	0.1	0.0	-0.2
Other comprehensive income for the period total	0.1	0.0	-0.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-1.0	2.5	1.9
Profit for the year attributable to			
Equity holders of the parent	-1.0	2.5	2.2
Total comprehensive income for the period attributable to			
Equity holders of the parent	-1.0	2.5	1.9

Earnings per share from continuing operations, EUR			
Basic earnings per share	-0.029	0.071	0.061
Diluted earnings per share	-0.029	0.071	0.061
Earnings per share from discontinued operations, EUR			
Basic earnings per share			
Diluted earnings per share			
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	-0.029	0.071	0.061
Diluted earnings per share	-0.029	0.071	0.061
Average number of shares, 1000 pcs	35,698	35,693	35,693
Average number of shares, diluted, 1000 pcs	35,698	35,693	35,693

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	June 30. 2021	June 30. 2020	Dec. 31. 2020
ASSETS			
Non-current assets			
Property, plant and equipment	21.9	23.0	22.8
Goodwill	5.8	5.8	5.8
Intangible assets	50.6	46.3	49.0
Other financial assets	1.5	1.6	1.6
Other non-current receivables	1.1	1.3	1.2
Deferred tax assets	6.0	5.5	6.0
Non-current assets total	87.0	83.6	86.4
Current assets			
Inventories	20.1	21.4	20.9
Trade and other receivables	35.4	30.9	26.1
Financial assets at fair value through profit or loss	5.7	5.6	5.7
Cash and short-term deposits	13.1	20.7	19.0
Current assets total	74.3	78.7	71.7
TOTAL ASSETS	161.3	162.3	158.0
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12.9	12.9	12.9
Invested non-restricted equity fund	26.0	26.0	26.0
Translation difference	1.0	1.1	0.9
Retained earnings	72.4	74.9	74.5
Total equity	112.3	114.9	114.2

Non-current liabilities			
Deferred tax liabilities	0.2	0.3	0.3
Provisions			
Interest-bearing liabilities	21.3	21.2	21.4
Other non-current liabilities	0.2	0.3	0.3
Advances received			
Non-current liabilities total	21.8	21.8	21.9
Current liabilities			
Trade and other payables	23.1	22.3	18.1
Provisions	3.1	2.2	2.6
Interest-bearing loans and borrowings	1.1	1.2	1.1
Current liabilities total	27.3	25.6	21.8
Total liabilities	49.1	47.4	43.8
TOTAL EQUITY AND LIABILITIES	161.3	162.3	158.0

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)	1-6/2021	1-6/2020	1-12/2020
	6 months	6 months	12 months
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year from continuing operations	-1.0	2.5	2.2
Profit for the year from discontinued operations			
Adjustment of accrual basis items	6.2	6.1	12.0
Change in net working capital	-3.7	-8.0	-6.8
Interest paid on operating activities	-0.4	-0.4	-0.6
Interest received from operating activities	0.1	0.1	0.1
Income taxes paid	-0.0	-0.0	-0.0
NET CASH FROM OPERATING ACTIVITIES	1.2	0.3	6.9
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	-0.5	-0.4	-1.4
Purchase of intangible assets	-4.6	-8.0	-14.5
Purchase of investments/associated companies		-0.0	-0.0
Sale of investments/associated companies		0.0	
Sale of property, plant and equipment			
Sale of intangible assets		0.0	
NET CASH FROM INVESTING ACTIVITIES	-5.2	-8.4	-15.9
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings			
Repayment of borrowing			
Payment of finance liabilities	-0.7	-0.7	-1.5

Dividend paid	-1.1		
NET CASH FROM FINANCING ACTIVITIES	-1.8	-0.7	-1.5
NET CHANGE IN CASH AND CASH EQUIVALENTS	-5.8	-8.8	-10.5
Cash and cash equivalents at beginning of period	24.7	35.2	35.2
Cash and cash equivalents at end of period	18.9	26.3	24.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

A = Share capital

B = Invested non-restricted equity fund

C = Translation difference

D = Retained earnings

E = Non-controlling interests

F = Total equity

	A	B	C	D	E	F
Shareholders equity on Jan. 1, 2020	12.9	26.0	1.1	72.3		112.3
Comprehensive income for the period						
Profit/loss for the period				2.5		2.5
Exchange differences on translating foreign operations			0.0			0.0
Total comprehensive income for the period			0.0	2.5		2.5
Transactions between the shareholders						
Distribution of dividends						
Share-related compensation				0.0		0.0
Total transactions between the shareholders				0.0		0.0
Other changes				-0.0		-0.0
Shareholders equity on June 30, 2020	12.9	26.0	1.1	74.9		114.9

	A	B	C	D	E	F
Shareholders equity on Jan. 1, 2021	12.9	26.0	0.9	74.5		114.2
Comprehensive income for the period						
Profit/loss for the period				-1.0		-1.0
Exchange differences on translating foreign operations			0.1			0.1
Total comprehensive income for the period			0.1	-1.0		-1.0

Transactions between the shareholders					
Distribution of dividends				-1.1	-1.1
Share-related compensation				0.1	0.1
Total transactions between the shareholders				-1.0	-1.0
Other changes				0.0	0.0
Shareholders equity on June 30, 2021	12.9	26.0	1.0	72.4	112.3

NOTES TO THE HALF YEAR FINANCIAL REPORTING

ACCOUNTING PRINCIPLES FOR THE HALF YEAR FINANCIAL REPORTING:

The Half Year Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting. Bittium Corporation has applied the same accounting principles in the preparation of this Half Year Report as in its Financial Statements for 2020, except for the adoption of new standards and interpretations effective during 2021. The forthcoming revisions or amendments of the standards are not expected to have significant impact on the consolidated financial statements.

ALTERNATIVE PERFORMANCE MEASURES

In this report, Bittium uses alternative performance measures in accordance with the guidelines issued by the European Securities and Markets Authority (ESMA). Alternative performance measures are derived from performance measures reported in accordance to International Financial Reporting Standards (IFRS). Alternative performance measures are used to better reflect the operational business performance and to enhance comparability between financial periods. They are reported in addition to, but not substituting, the performance measures reported in accordance with the IFRS. The definitions of the common alternative performance measures are listed below.

EBITDA = Operating profit + depreciations

Net gearing % =
$$\frac{\text{Interest-bearing liabilities - cash and deposits and short-term investments} \times 100}{\text{Total equity}}$$

Equity per share =
$$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares at the end of the period}}$$

SEGMENT-INFORMATION (MEUR)

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

NET SALES OF GEOGRAPHICAL AREAS (MEUR)	1-6/2021	1-6/2020	1-12/2020
	6 months	6 months	12 months
Net sales			
Europe	25.0	35.2	64.5
Americas	14.4	7.1	13.5
Asia	0.3	0.2	0.4
Net sales total	39.7	42.5	78.4

RELATED PARTY TRANSACTIONS	1-6/2021	1-6/2020	1-12/2020
	6 months	6 months	12 months
Employee benefits for key management and stock options expenses total, continuing operations	1.1	0.8	1.5

New Share-Based Incentive Scheme for the Management of Bittium Corporation started in 2020. The Performance Share Plan consists of three annually commencing three-year performance share plans, PSP 2020-2022, PSP 2021-2023, and PSP 2022-2024, each with a one-year performance period, which is followed by the payment of the share reward and a two-year transfer restriction period. The commencement of the following two plans, PSP 2021-2023, and PSP 2022-2024, is, however, subject to a separate Board decision. The members of Bittium's Management Group are eligible to participate in the second PSP 2021-2023 plan. The performance measures based on which the potential share reward under PSP 2021-2023 will be paid are the revenue growth and cash flow before financial items of Bittium. A precondition for the payment of the share reward is, in addition, that the employment relationship of the participant with Bittium continues at the time the reward is paid. The potential reward will be paid in shares of Bittium.

SHARE-BASED REMUNARATION OF THE MANAGEMENT

Form of the reward	Shares
Grant date	Feb 10, 2021
Total amount of the shares at the most	111 900
Share price at the grant date, EUR	6.87
Total expenses of the reward at the most, EUR million	0.7
Execution	In shares

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR) Continuing operations	4-6/2021	1-3/2021	10-12/2020	7-9/2020	4-6/2020
	3 months	3 months	3 months	3 months	3 months
NET SALES	22.6	17.0	21.8	14.0	25.3
Other operating income	0.7	0.6	0.3	0.3	0.2
Work performed by the undertaking for its own purpose and capitalized	0.1	0.2	0.1	0.1	0.1
Raw materials	-6.4	-3.7	-6.0	-3.9	-8.0
Personnel expenses	-10.3	-10.1	-9.0	-6.3	-8.8
Depreciation	-2.5	-2.5	-3.0	-2.9	-3.0

Other operating expenses	-3.5	-3.0	-4.0	-2.3	-3.1
Share of profits in associated companies	0.0	-0.0	-0.0	-0.0	0.0
OPERATING PROFIT (LOSS)	0.7	-1.5	0.3	-1.0	2.7
Financial income and expenses	-0.2	-0.1	-0.1	-0.0	0.0
PROFIT BEFORE TAX	0.5	-1.6	0.2	-1.0	2.7
Income tax	-0.0	0.0	0.5	0.0	0.0
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	0.5	-1.6	0.7	-1.0	2.7
Discontinued operations					
Profit for the period from discontinued operations					
PROFIT FOR THE PERIOD	0.5	-1.6	0.7	-1.0	2.7
Other comprehensive income	-0.0	0.1	-0.1	-0.1	-0.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	0.5	-1.4	0.6	-1.2	2.6
Profit for the period attributable to:					
Equity holders of the parent	0.5	-1.6	0.7	-1.0	2.7
Total comprehensive income for the period attributable to:					
Equity holders of the parent	0.5	-1.4	0.6	-1.2	2.6

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	4-6/2021	1-3/2021	10-12/2020	7-9/2020	4-6/2020
	3 months	3 months	3 months	3 months	3 months
Net cash from operating activities	2.6	-1.4	5.1	1.5	-0.8
Net cash from investing activities	-2.3	-2.9	-4.1	-3.4	-3.9
Net cash from financing activities	-1.5	-0.3	-0.4	-0.4	-0.4
Net change in cash and cash equivalents	-1.1	-4.6	0.6	-2.3	-5.1

FINANCIAL PERFORMANCE RELATED RATIOS	1-6/2021	1-6/2020	1-12/2020
	6 months	6 months	12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Net sales	39.7	42.5	78.4
Operating profit (loss)	-0.7	2.9	2.1
Operating profit (loss), % of net sales	-1.8	6.7	2.7

Profit before taxes	-1.0	2.5	1.6
Profit before taxes, % of net sales	-2.6	5.9	2.1
Profit for the period from continuing operations	-1.0	2.5	2.1
PROFITABILITY AND OTHER KEY FIGURES			
Interest-bearing net liabilities, (MEUR)	3.6	-4.0	-2.1
Net gearing, %	3.2	-3.5	-1.9
Equity ratio, %	71.3	71.8	73.1
Gross investments, (MEUR)	5.8	9.0	17.4
Average personnel during the period, continuing operations	670	666	673
Personnel at the period end, continuing operations	664	680	684

AMOUNT OF SHARE ISSUE ADJUSTMENT (1.000 pcs)	Jun. 30. 2021	Jun. 30. 2020	Dec. 31. 2020
At the end of period	35 702	35 693	35 693
Average for the period	35 698	35 693	35 693
Average for the period diluted with stock options	35 698	35 693	35 693

STOCK-RELATED FINANCIAL RATIOS (EUR)	1-6/2021 6 months	1-6/2020 6 months	1-12/2020 12 months
Earnings per share from continuing operations. EUR			
Basic earnings per share	-0,029	0.071	0.061
Diluted earnings per share	-0.029	0.071	0.061
Earnings per share from discontinued operations. EUR			
Basic earnings per share			
Diluted earnings per share			
Earnings per share from continuing and discontinued operations. EUR			
Basic earnings per share	-0,029	0.071	0.061
Diluted earnings per share	-0.029	0.071	0.061
Equity *) per share	3.14	3.22	3.20
*) Equity attributable to equity holders of the parent			

MARKET VALUES OF SHARES (EUR)	1-6/2021 6 months	1-6/2020 6 months	1-12/2020 12 months
Highest	7.89	7.47	7.67
Lowest	5.79	3.40	3.40
Average	6.59	5.40	5.74

At the end of period	6.36	6.22	5.79
Market value of the stock, (MEUR)	227.1	222.0	206.7
Trading value of shares, (MEUR)	48.3	63.5	117.9
Number of shares traded, (1.000 pcs)	7 323	11 750	20 557
Related to average number of shares %	20.5	32.9	57.6

SECURITIES AND CONTINGENT LIABILITIES (MEUR)	Jun. 30. 2021	Jun. 30. 2020	Dec. 31. 2020
AGAINST OWN LIABILITIES			
Floating charges			
Mortgages are pledged for liabilities totaled			
Guarantees	3.0	0.1	0.1
Rental liabilities			
Falling due in the next year	0.1	0.1	0.1
Falling due after one year			
Other contractual liabilities			
Falling due in the next year	2.1	0.9	2.3
Falling due after one year	0.8	1.1	1.2
Material purchase commitments	15.6	12.3	11.5

NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	Jun. 30. 2021	Jun. 30. 2020	Dec. 31. 2020
Foreign exchange forward contracts			
Market value	-0.1	0.0	0.0
Nominal value	1.4	1.0	0.6