

Bittium Corporation Financial Statement 2021

CEO Hannu Huttunen | CFO Pekka Kunnari
February 10, 2022

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 2021

CEO Hannu Huttunen

An aerial night view of a city skyline, likely Chicago, with a prominent skyscraper in the center. The image is overlaid with a semi-transparent blue grid pattern, suggesting a digital or data theme. The sky is dark blue, and the city lights are illuminated.

Bittium

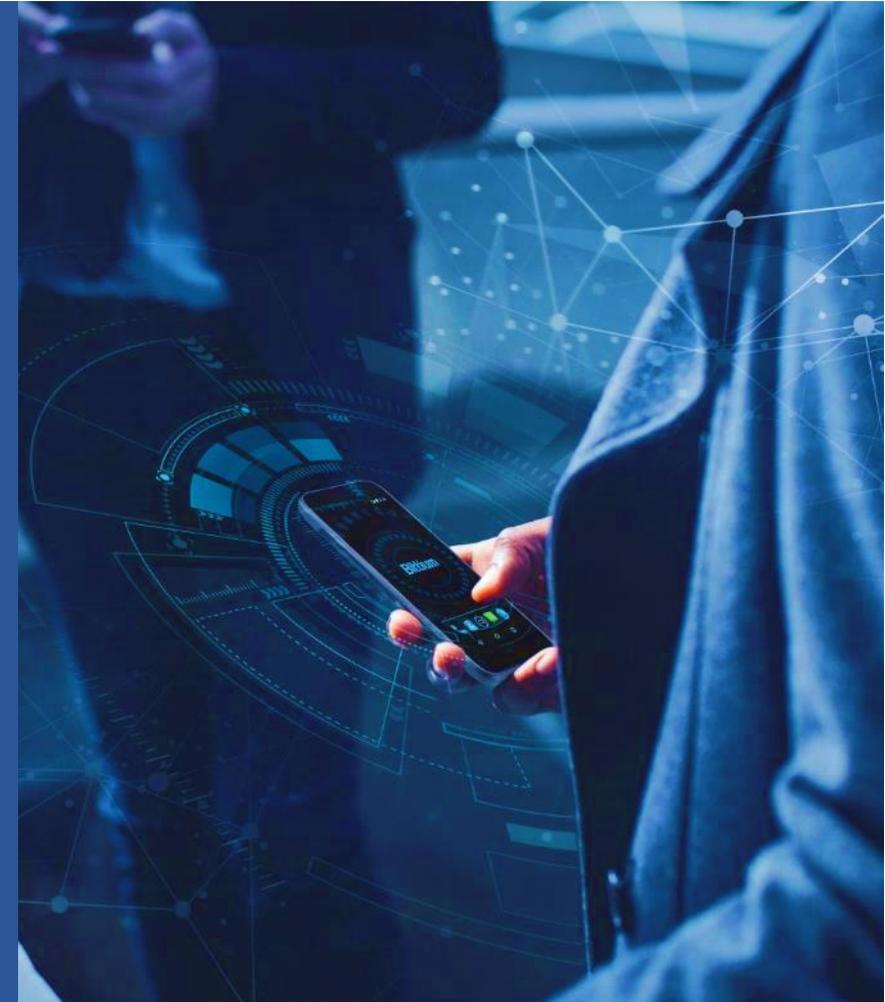
Tactical Communication – Highlights 2021

- The global shortage of electronic components is affecting product deliveries of tactical communication systems. The corona pandemic also affected the progress of government procurement programs for tactical communication systems, which had an impact on the acquisition of new customer projects.
- Domestic defense markets – cooperation with the Finnish Defence Forces (FDF):
 - Deliveries of the first phase of the Bittium Tough SDR™ handheld and in-vehicle radios and equipment under the purchase agreement signed in December 2018, almost completed
 - FDF launched the Field Radio 2020 project for testing and operational deployment of Bittium Tough SDR equipment and its waveforms, and is preparing the acquisition of the next batch of equipment to expand the Defense Forces' testing activities and preparations for the commissioning of radios.
 - The annual order volumes under the letter of intent to acquire new tactical radios, signed in August 2017, are expected to be reached from 2024 onwards.
 - Orders based on existing framework agreements: Bittium Tactical Wireless IP Network™ system products, Bittium Tough Comnode™ products, system support for Bittium TAC WIN and Tough VoIP™ systems
 - Bittium TAC WIN system, used in the M18 management system, was adopted for operational use and the development of the Software Defined Radio system was continued in cooperation as planned.
- International defense markets:
 - Continued deliveries and integration work of tactical communication system products for Austrian and Estonian customers
 - Tactical communication product deliveries for other international customers.
 - a4ESSOR achieved acceptance for ESSOR HDR Base Waveform (deployed in Bittium Tough SDR™ radios) and started new project to develop three new ESSOR waveforms, where Bittium will focus on the development of terrestrial and air-to-ground waveforms.



Secure Communications – Highlights 2021

- The importance of mobile security in communications has increased
 - Demand for secure Bittium Tough Mobile™ 2 C smartphones and Bittium Secure Call™ communication application increased during 2021
 - Bittium Tough Mobile™ 2 C and related Bittium Secure Suite™ back-end system received official Confidential level encryption product classification (NCSC-FI)
 - Bittium SafeMove® Mobile VPN data encryption software received a Spanish National Security Rating
- The cooperation with the Inmosat, covering the exclusive sale of Bittium's Mexsat satellite phones to the Mexican authorities and national security entities has started well and all products of the first order has been delivered to the customers in Mexico



Medical Technologies – Highlights 2021

- **The recovery of the markets from the coronavirus pandemic: demand for Bittium medical technology products increased**
- New home sleep apnea testing device Bittium Respiro™ has gained a lot of interest in the market, however, the European MDR approval still pending due to the delays in processing of applications
- Increased deliveries of Bittium Faros™ ECG devices , mainly for the US customer Preventice
- Growing demand for New Bittium OmegaSnap™ product family ECG electrodes
- Intensive care units are temporarily overloaded by patients with Covid-19, which has slowed down the capability of piloting Bittium BrainStatus™ EEG devices
- All Bittium's cardiac and neuro (incl. sleep apnea) solutions operate in same cloud-based backend system Bittium Medical Suite™ enabling wider digitalization of remote diagnostic service processes
- The share ownership agreement between Bittium and Technomed Ltd was terminated, but the cooperation in the measurement and monitoring of biosignals and the development of analysis software remains, and a new distributor agreement was signed for Bittium Faros™ and Bittium Respiro™



R&D Services - Highlights 2021

- **R&D markets are slowly recovering from the coronavirus pandemic, however, acquiring new customers has been challenging**
- The development of Bittium's R&D services remained stable although exceptional circumstances continued to prevail in the markets during 2021
 - Growth in the demand for R&D projects in O-RAN (Open Radio Access Network) development and in satellite communication technology resulted in new international customers in these areas
 - Decline in the demand for R&D projects in industrial and automotive markets
 - The demand for R&D work in new medical technology solutions remained stable
- The goal is to further increase the number of product development service projects and expand the customer base
- The competition especially for SW professionals has intensified.



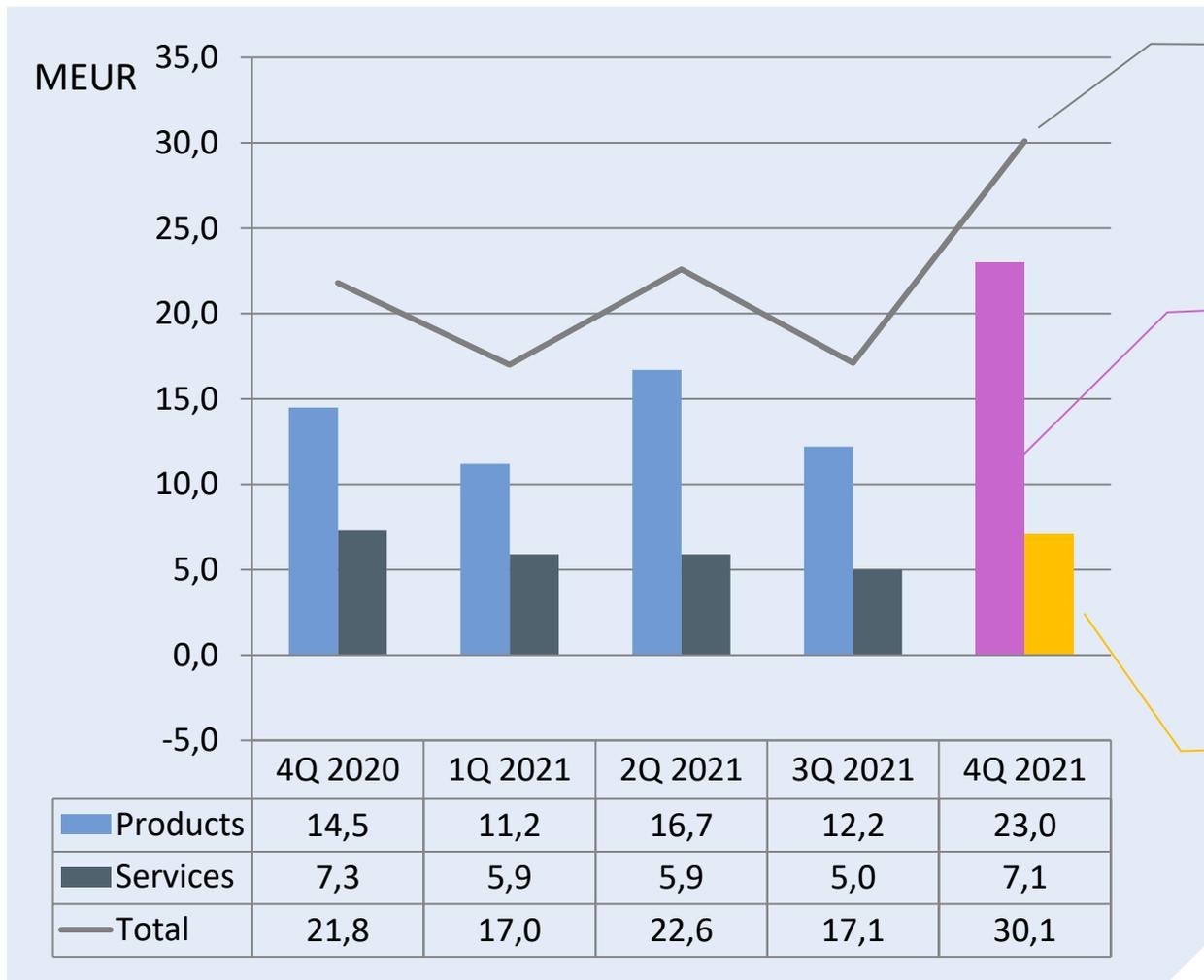
Financial Review

CFO Pekka Kunnari



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Quarterly Development of Net Sales

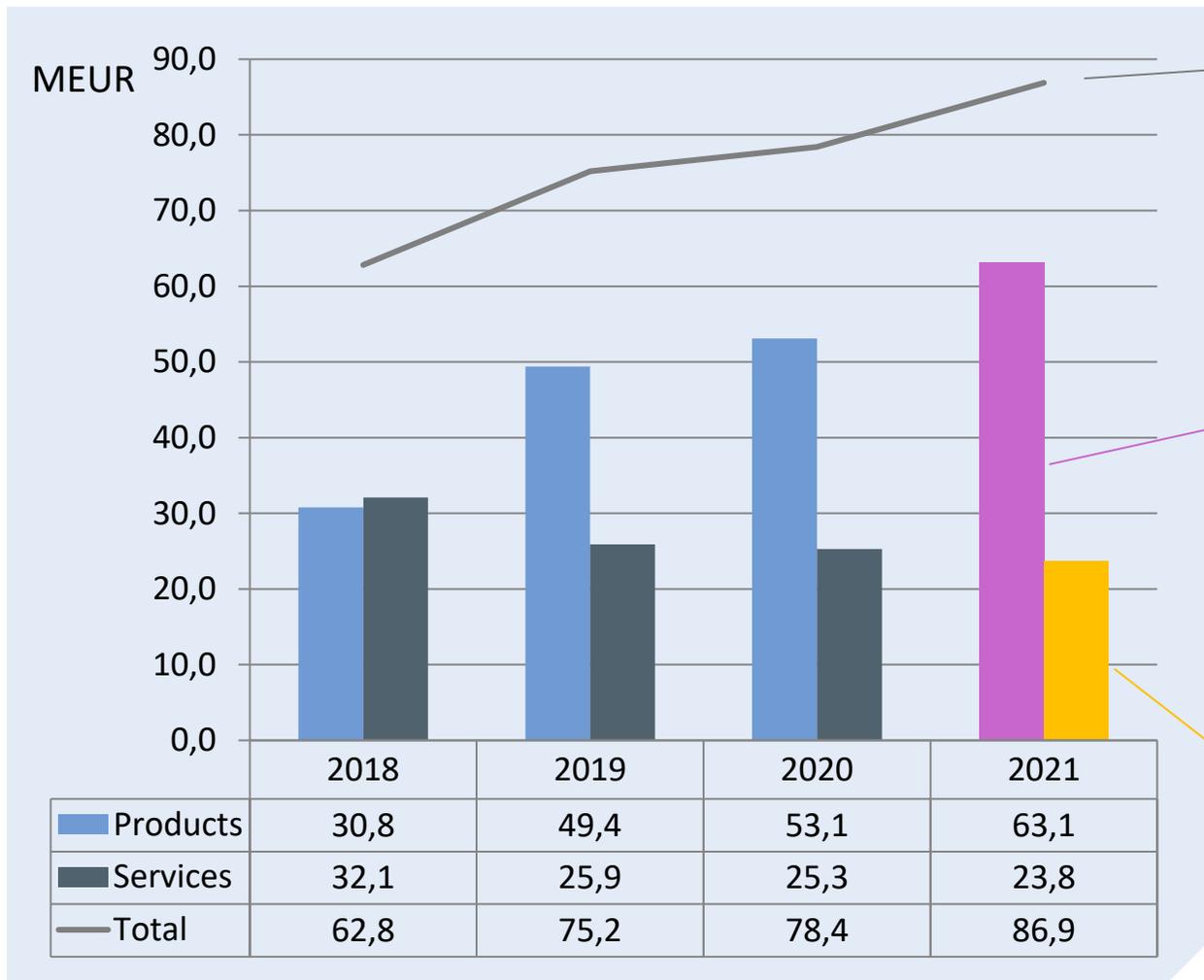


- Total net sales increased by 37.8 % to MEUR 30.1 (MEUR 21.8)

- Product-based net sales was MEUR 23.0 (MEUR 14.5)
- The share of Medical Technology products was MEUR 7.4 (MEUR 3.8)
- The share of Defense & Security products was MEUR 15.5 (MEUR 10.7)

- Service-based net sales was MEUR 7.1 (MEUR 7.3)
- The share of Connectivity Solutions R&D services was MEUR 4.6 (MEUR 4.4)

Yearly Development of Net Sales

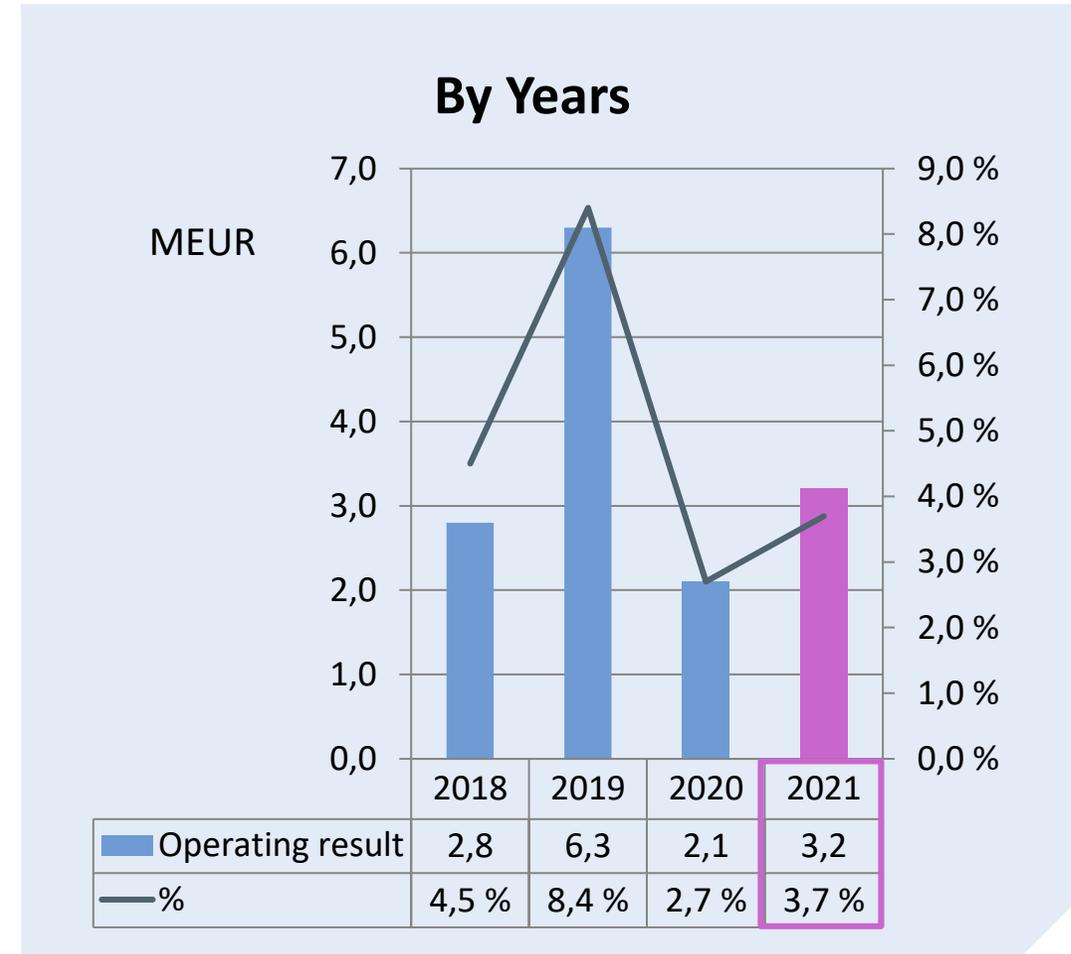
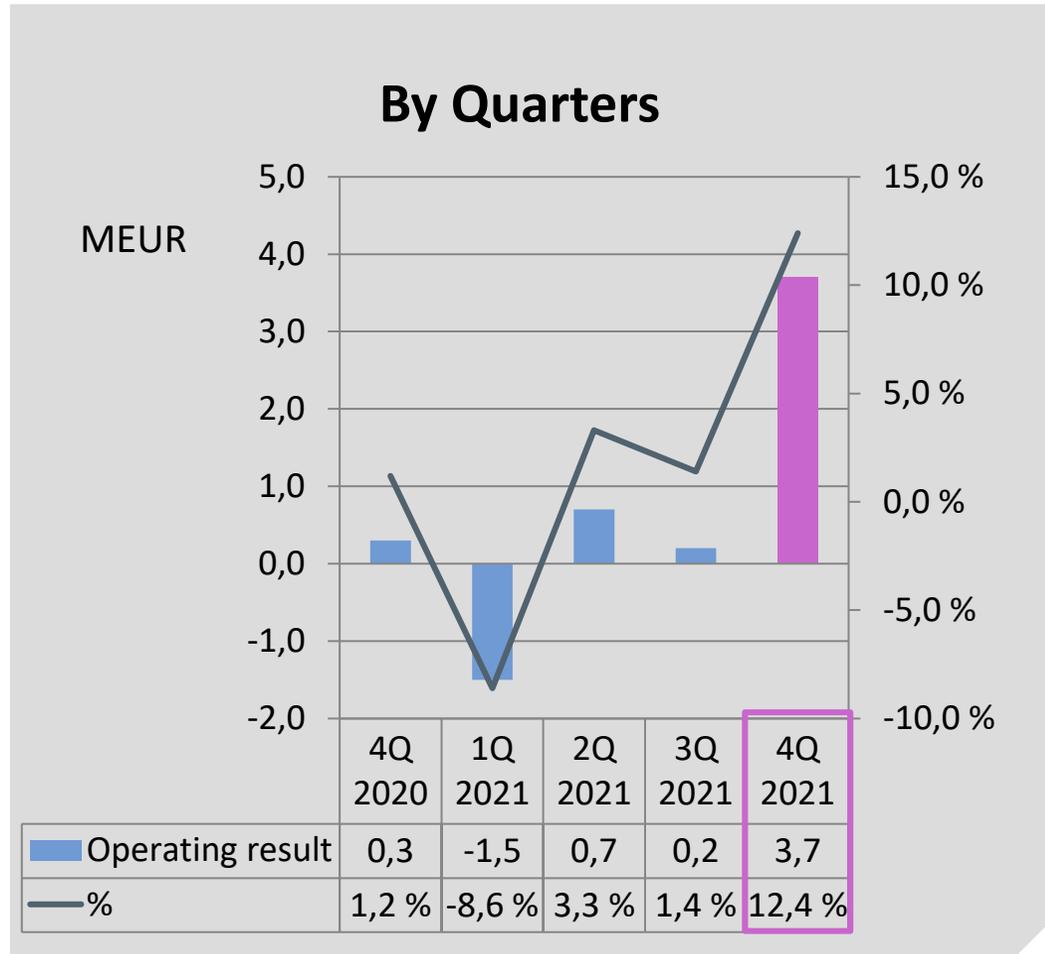


- Total net sales increased by 10.8 % to MEUR 86.9 (MEUR 78.4)

- Product-based net sales was MEUR 63.1 (MEUR 53.1)
- Share of the Medical Technology products was MEUR 27.8 (MEUR 17.4)
- Share of the Defense and Security products was MEUR 35.3 (MEUR 35.8)

- Service based net sales was MEUR 23.8 (MEUR 25.3)
- The share of Connectivity Solutions R&D services was MEUR 15.5 (MEUR 15.9)

Operating Result Development



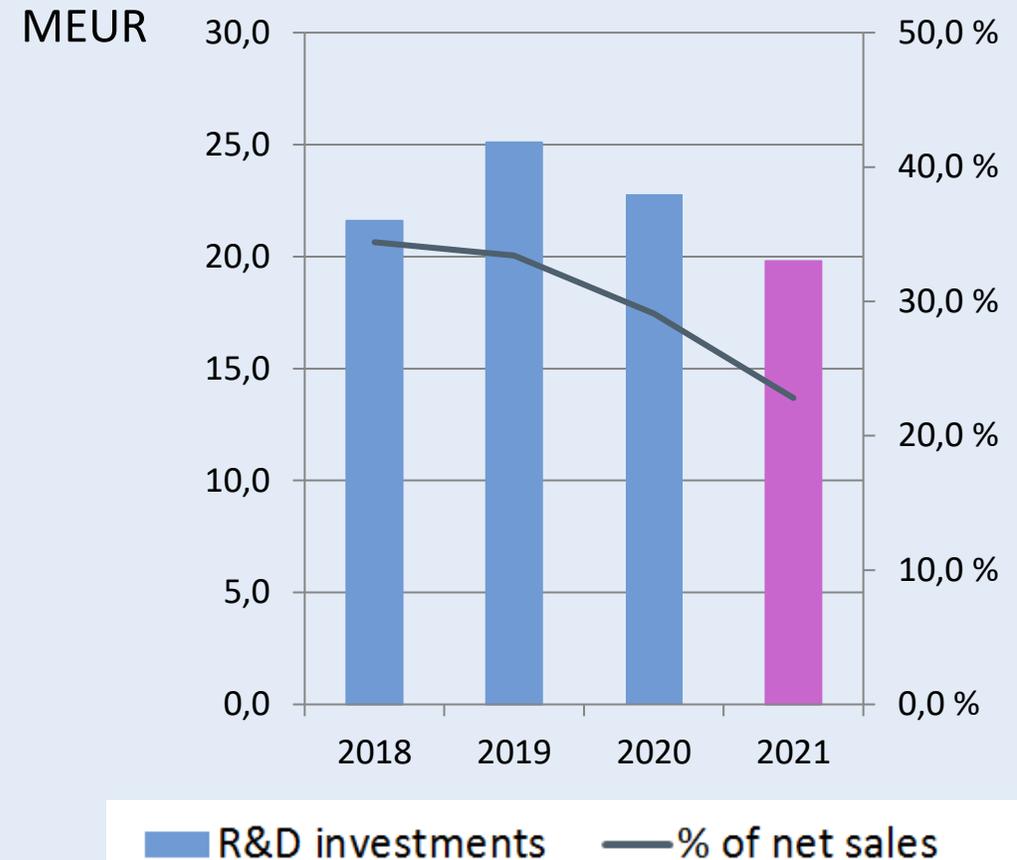
R&D Investments

R&D investments declined, however, stayed at high level and were MEUR 19.8 equaling 22.8% of the net sales (MEUR 22.8 equaling 29.1% of the net sales)

- MEUR 7.0 was capitalized (MEUR 13.6)
- Depreciations of R&D investments were MEUR 5.5 (MEUR 6.1)
- Total R&D costs and depreciations in the P&L was MEUR 18.3 (MEUR 15.4)

The focus of the R&D investments changed more into the development of medical technology products. The main focus in the R&D investments were

- Biosignal measuring and monitoring products
- Bittium Tough SDR™ soldier and vehicle radios
- Tactical communication system networks
- Bittium Tough Mobile™ 2 smartphone and related security software



Cash Flow

MEUR	2021	2020
Net profit +/- adjustment of accrual basis items	15.2	14.1
Change in net working capital	-6.2	-6.8
Interests and taxes	-0.7	-0.5
NET CASH FROM OPERATING ACTIVITIES	8.3	6.9
Net cash from investing activities	-8.4	-15.9
Net cash from financing activities	-2.5	-1.5
NET CHANGE IN CASH AND CASH EQUIVALENTS	-2.6	-10.5

- The net cash from investing activities include investments made into own product development of MEUR 7.0
- The net cash from financing activities include dividend payment of MEUR 1.1

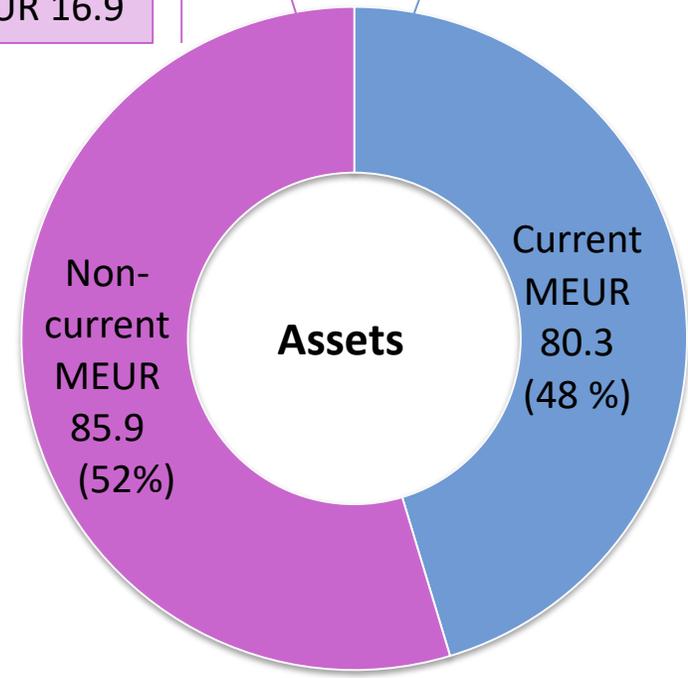
Assets and Liabilities

Balance sheet per December 31, 2021 was total MEUR 166.1

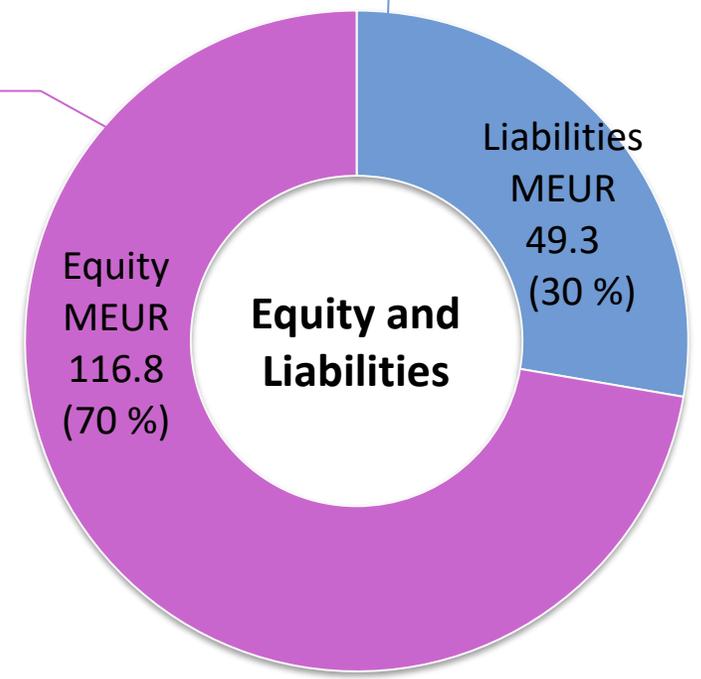
- Property, plant and equipment MEUR 20.9
- Capitalized development costs MEUR 48.1
- Other assets MEUR 16.9

- Inventories MEUR 18.8
- Trade and other receivables MEUR 39.4
- Cash and liquid assets MEUR 22.0

- Trade and other payables MEUR 23.1
- Interest bearing debt MEUR 22.3
- Other liabilities MEUR 0.4
- Net gearing 0.2 %



- Equity ratio 72.4 %



Outlook for 2022

CEO Hannu Huttunen



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Outlook for 2022

The global disruption in the availability of electronic components and the spread of new variants of the coronavirus are having a significant impact on the global market.

More than 70 percent of Bittium's net sales accumulate from products and related systems, and the prevailing shortage of components is causing significant uncertainty to the development of Bittium's product-based net sales in 2022.

Due to these uncertainties, at this point of the year, the company will exceptionally publish only the first half-year outlook instead of the full-year outlook.

Bittium expects the net sales in January-June 2022 to be at the same level as in the previous year (EUR 39.7 million in January-June 2021) and the operating result to be negative (operating loss of EUR -0.7 million in January-June 2021).



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