

Bittium Corporation Financial Statement 2022

CEO Hannu Huttunen | CFO Pekka Kunnari
February 10, 2023

Bittium

Forward-looking Statements

Some statements made in this material relating to future circumstances or status, including, without limitation, the 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.

Contents

- Highlights 2022
- Financial Review 4Q and 1-12 2022
- Outlook for 2023

Bittium

Highlights 2022

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 blue semi-transparent triangle on the left side and a network grid of white lines across the city. The word "Bittium" is written in large white letters in the bottom right corner.

Bittium

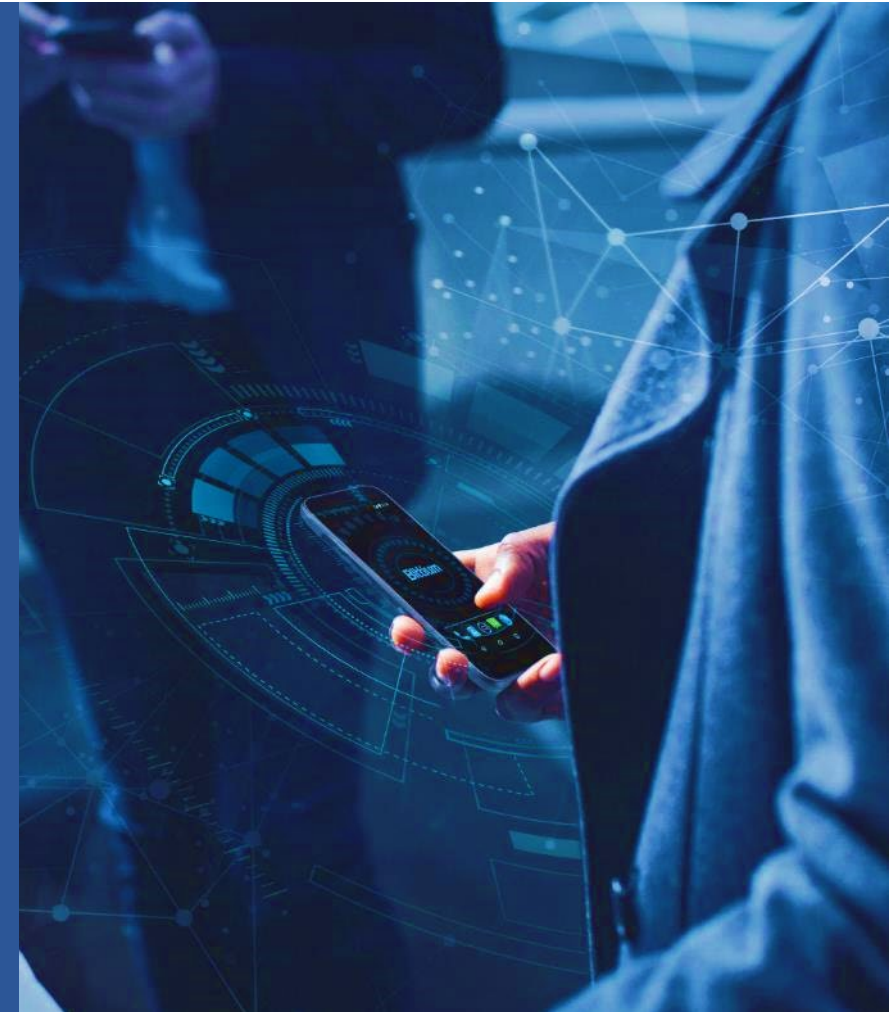
Tactical Communication – Highlights 2022

- Russia's invasion of Ukraine has led the states to increase their defense budgets and new projects to modernize the defense forces of different states are starting
 - In the first phase, the increased defense appropriations have been allocated mainly to consumables
 - Bittium is also participating in several tenders concerning the modernization of tactical communications and secure communication systems
- Finland has started the process of joining the military alliance NATO
 - This would strengthen Bittium's market position, especially in the NATO countries' tenders
- The global shortage of electronic components is affecting the product deliveries of tactical communication systems
- Bittium launched a new, modern Bittium Tough VoIP Field Phone™
- Domestic defense markets – cooperation with the Finnish Defence Forces (FDF)
 - Field testing of Bittium Tough SDR™ radios and their waveforms, as well as preparations for the large-scale deployment of the radios, continued
 - New orders: Bittium Tough SDR™ handheld and vehicle radios and multi-year development of the waveform of the radios
 - Several orders based on existing framework agreements regarding tactical communication system and products
- International defense markets
 - Continued deliveries and integration work of tactical communication system products for existing customers in Austria and Estonia
 - New tactical communication system deliveries to international air defense and sensor system suppliers
 - New Bittium Tough SDR™ pilot projects in several countries started
 - Successful interoperability testing of the new ESSOR High Data Rate Waveform by a4ESSOR countries



Secure Communications – Highlights 2022

- The numerous information security attacks observed recently have increased the interest of government actors in secure communication systems
- Demand for Bittium Tough Mobile™ security phones and security-related software has continued to grow
- Many pilot projects are ongoing in several countries, however, pilot phases were extended and larger orders are still pending
- Bittium Tough Mobile™ 2 smartphones were delivered to a large Swedish authority
- A new Bittium Tough Mobile™ 2 Tactical solution was launched, targeted at the defense market
 - The solution is compatible with various battle management systems, and enables real-time and efficient sharing of situational awareness in tactical networks
- The features of the Bittium Tough Mobile™ 2 smartphone and related security software were further developed
- Bittium has applied for NATO security approval for its solution, which is expected to be received during 2023



Medical Technologies – Highlights 2022

- The demand for Bittium Faros™ ECG devices increased, especially in Europe
 - However, most of the product deliveries were made to the US customer Preventice Solutions (subsidiary of the Boston Scientific Group)
- Bittium Respiro™, a home sleep apnea test solution, received European medical device certification MDR (Medical Device Regulation) approval in December
- The US medical device certificate FDA (Food and Drug Administration) approval for Bittium Respiro™ is expected during the first half of 2023
- The component shortage significantly slowed down the manufacturing and delivery of devices
 - Due to strict delivery time requirements, also the order intake was delayed
- New Bittium Faros™ 180L was launched
- Markets for Bittium BrainStatus™ EEG measuring device are opening and pilot projects with Bittium BrainStatus™ are proceeding well
- Clinical Advisory Board was established to strengthen the Medical business



R&D Services – Highlights 2022

- The R&D services market has recovered from the coronavirus pandemic and active sales and marketing work was started again
- Expanding 5G implementations generate good demand for R&D services in the Industrial IoT, Telecom and MedTech technology markets, where companies seek wireless connectivity for their products
- Several customer projects were completed and new ones started
- The goal of the Connectivity Solutions business is to focus on growing the international customer base
- A new Cellular IoT solution was launched to the market, which offers IoT devices direct connectivity to cloud services over mobile networks
 - The solution can be used to update the local connectivity of existing IoT devices to 4G/5G connectivity or to integrate 4G/5G connectivity into new IoT devices being developed
- The competition especially for SW professionals continued
 - During the past year, the company has invested in strengthening the employer image, which has contributed positively to the recruitment of new employees.



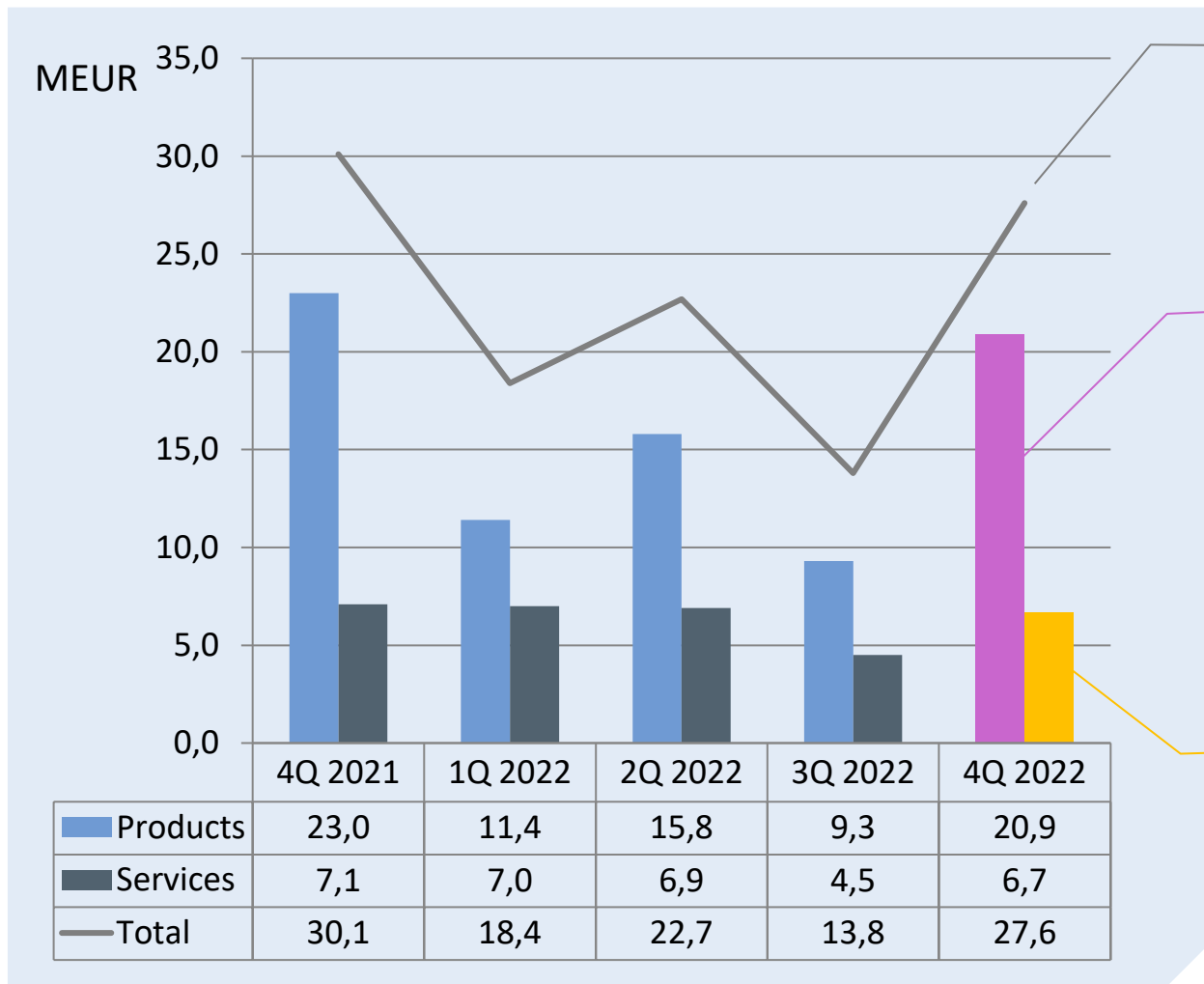
Financial Review

CFO Pekka Kunnari



Bittium

Quarterly Development of Net Sales

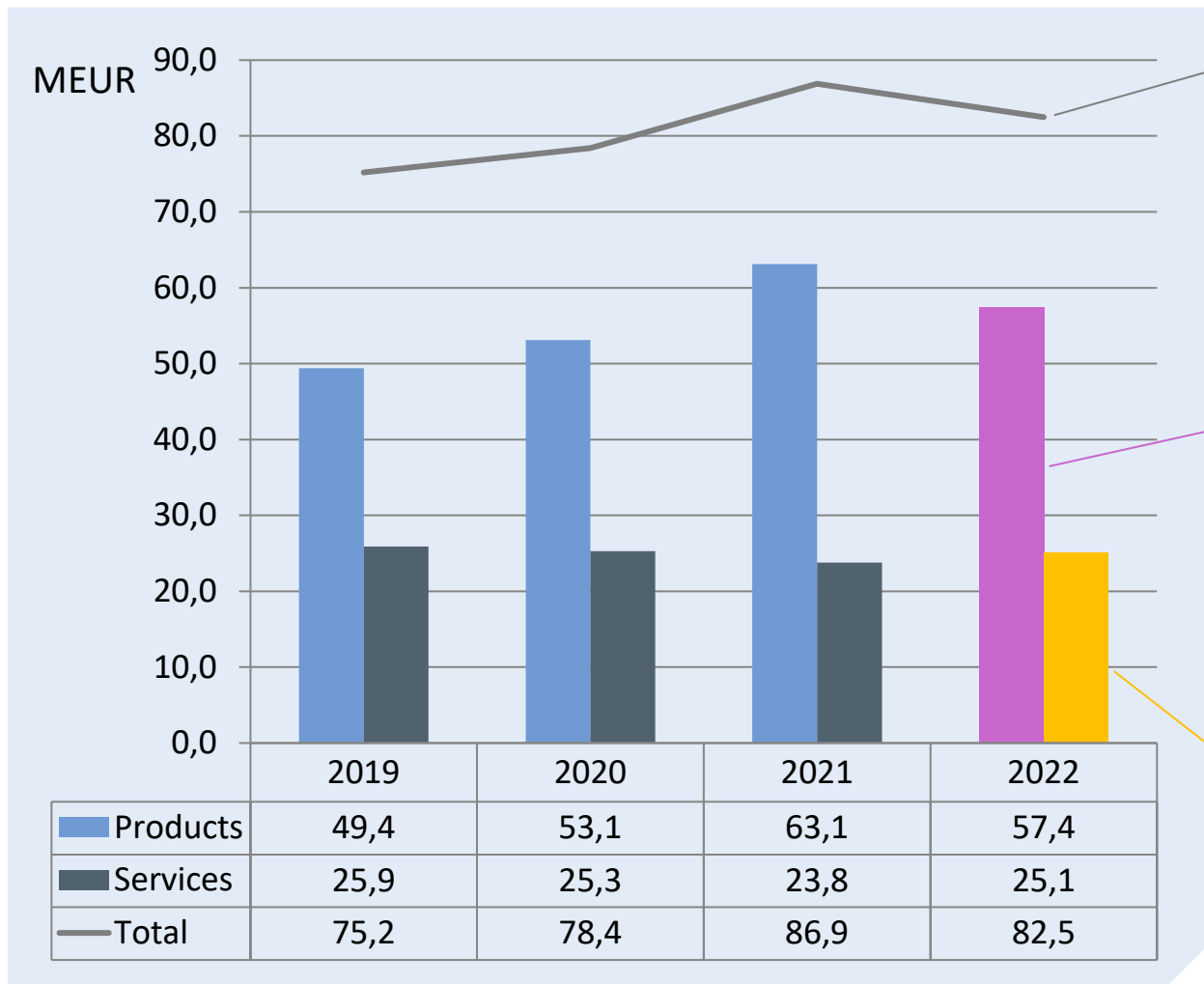


- Total net sales decreased by 8.1 % to MEUR 27.6 (MEUR 30.1)

- Product-based net sales were MEUR 20.9 (MEUR 23.0)
- The share of Medical Technology products was MEUR 5.1 (MEUR 7.4)
- The share of Defense & Security products was MEUR 15.8 (MEUR 15.5)

- Service-based net sales were MEUR 6.7 (MEUR 7.1)
- The share of Connectivity Solutions R&D services was MEUR 4.2 (MEUR 4.6)

Yearly Development of Net Sales



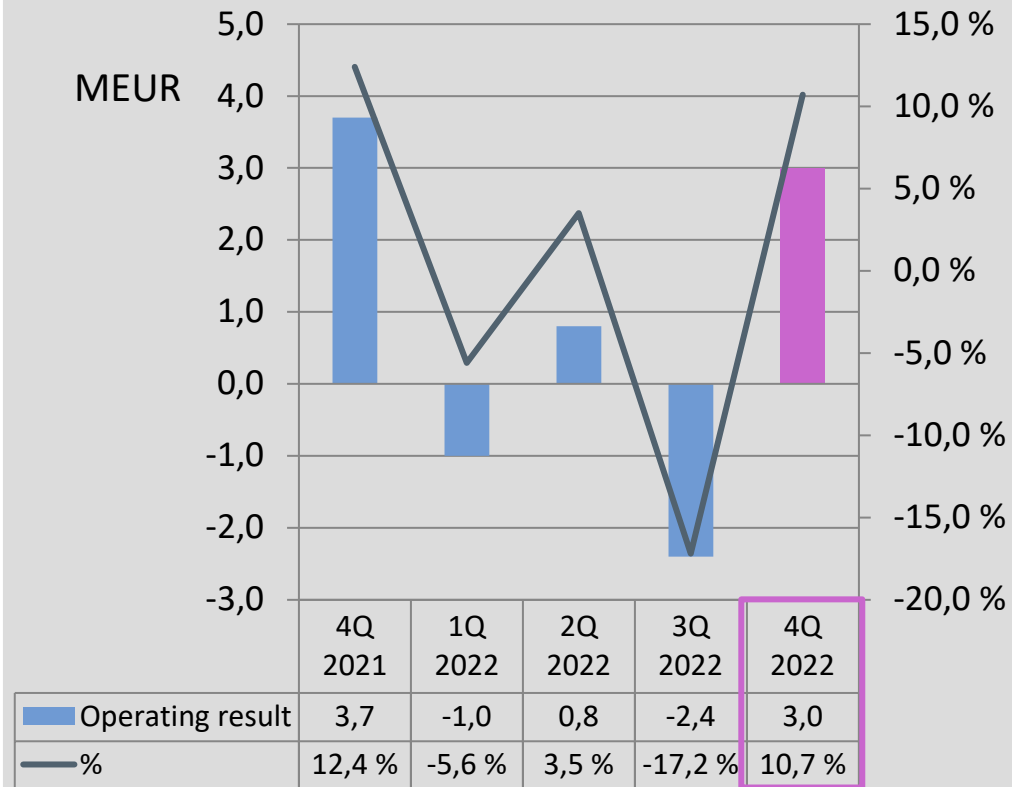
- Total net sales decreased by 5.1 % to MEUR 82.5 (MEUR 86.9)

- Product-based net sales were MEUR 57.4 (MEUR 63.1)
- Share of the Medical Technology products was MEUR 22.6 (MEUR 27.8)
- Share of the Defense and Security products was MEUR 34.8 (MEUR 35.3)

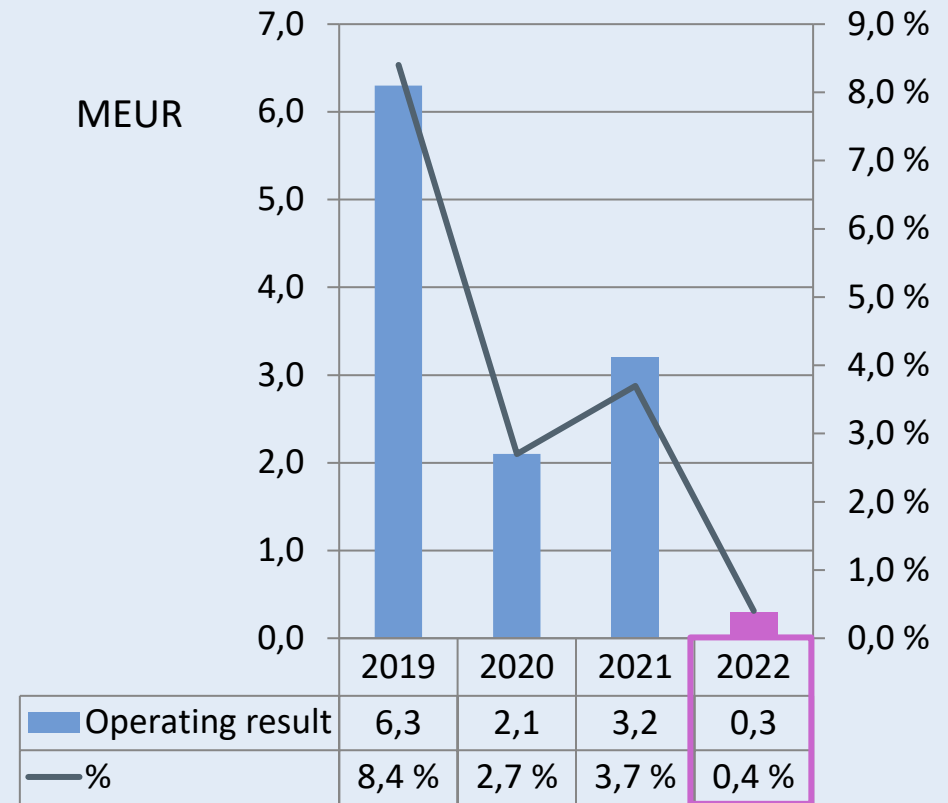
- Service-based net sales were MEUR 25.1 (MEUR 23.8)
- The share of Connectivity Solutions R&D services was MEUR 15.2 (MEUR 15.5)

Operating Result Development

By Quarters



By Years



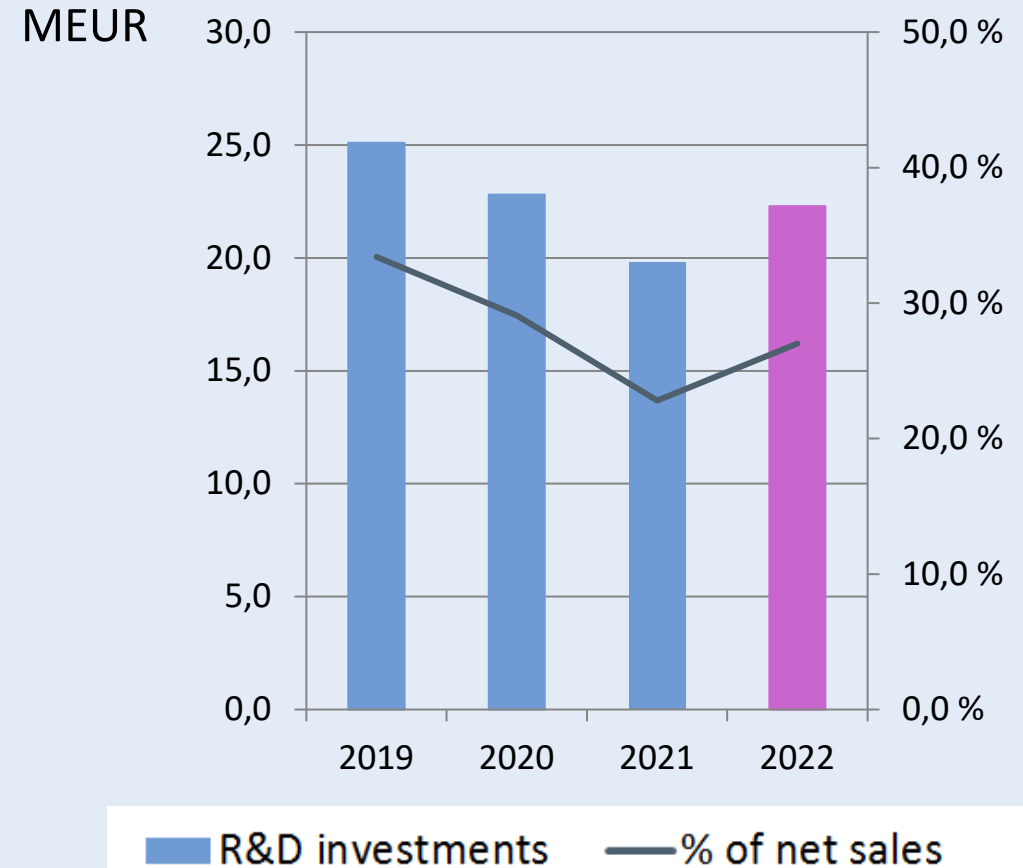
R&D Investments

R&D investments increased y-on-y and were MEUR 22.3 equaling 27.0% of the net sales (MEUR 19.8 equaling 22.8% of the net sales)

- MEUR 6.6 was capitalized (MEUR 7.0)
- Depreciations of R&D investments were MEUR 5.9 (MEUR 5.5)
- Total R&D costs and depreciations in the P&L was MEUR 21.5 (MEUR 18.3)

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

- ECG measuring and monitoring devices
- Bittium Respiro™ home sleep apnea test device
- Bittium Medical Suite™ and analysis software
- Bittium Tough SDR™ soldier and vehicle radios
- Tactical communication system networks



Cash Flow

MEUR	2022	2021
Net profit +/- adjustment of accrual basis items	11.7	15.2
Change in net working capital	-2.9	-6.2
Interests and taxes	-0.8	-0.7
NET CASH FROM OPERATING ACTIVITIES	8.0	8.3
Net cash from investing activities	-8.0	-8.4
Net cash from financing activities	-3.0	-2.5
NET CHANGE IN CASH AND CASH EQUIVALENTS	-3.0	-2.6

- The net cash from investing activities includes investments made into own product development of MEUR 6.6
- The net cash from financing activities includes dividend payment of MEUR 1.4

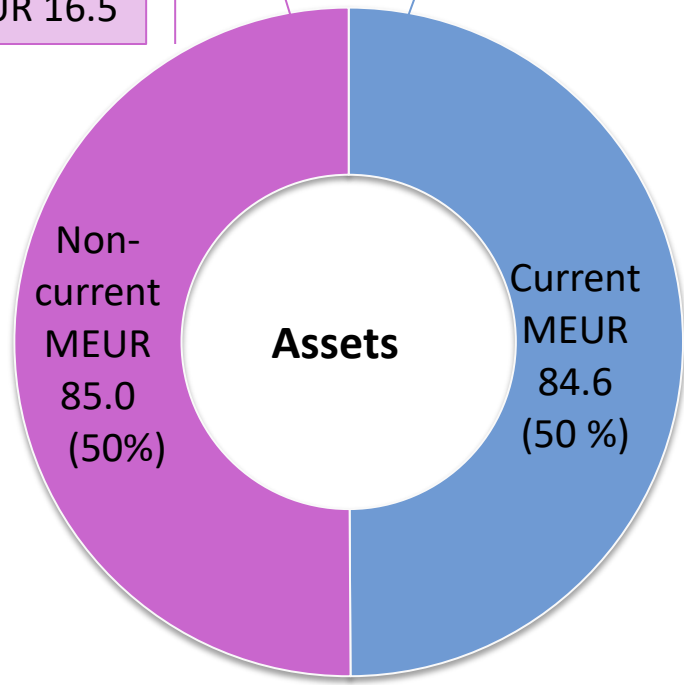
Assets and Liabilities

The balance sheet of December 31, 2022 was total of MEUR 169.7

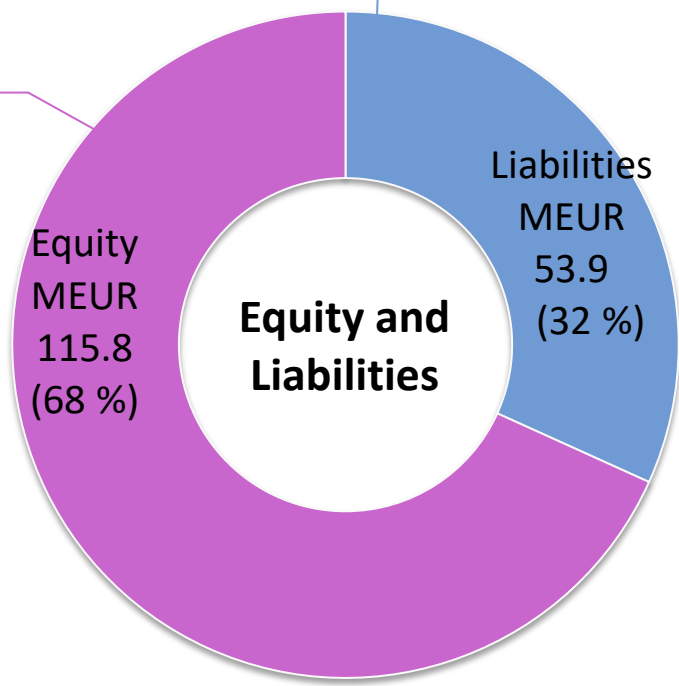
- Property, plant and equipment MEUR 19.7
- Capitalized development costs MEUR 48.8
- Other assets MEUR 16.5

- Inventories MEUR 24.2
- Trade and other receivables MEUR 41.4
- Cash and liquid assets MEUR 19.0

- Trade and other payables MEUR 26.4
- Interest-bearing debt MEUR 22.4
- Other liabilities MEUR 0.3
- Net gearing 3.0 %



- Equity ratio 69.7 %



Outlook for 2023

CEO Hannu Huttunen



Bittium

Outlook for 2023

Market Outlook

- The global disruption in the availability of electronic components that followed the coronavirus pandemic has had a slowing effect on the development of the company's business and sales in 2021 and 2022. The company estimates that the market is recovering and that the component shortage will ease during 2023.
- About 70 percent of Bittium's net sales in total is generated from products and related systems, and the uncertainties related to product deliveries cause significant uncertainty for the accumulation of Bittium's net sales and operating result during the year 2023.

Financial Outlook for 2023

- In 2023, Bittium expects the net sales to grow and operating result to be better than in the previous year (turnover 82.5 million euros in 2022, operating profit 0.3 million euros in 2022). In 2023, cash flow is expected to be positive. Due to the component shortage, the first quarter of 2023 will be weak.

Long-term Financial Targets

- Bittium aims for an average annual net sales growth of more than 10 percent and an operating profit level of 10 percent, and estimates that it will achieve these goals in 2024.



Contact us.

www.bittium.com

investor.relations@bittium.com

Bittium