

Bittium Corporation Half-Year Financial Report January-June 2022

CEO Hannu Huttunen | CFO Pekka Kunnari
August 5, 2022

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.

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Highlights 2Q 2022

CEO Hannu Huttunen

An aerial night view of a city skyline, likely Chicago, with a prominent blue grid overlay. The grid consists of horizontal and vertical lines that create a perspective effect, suggesting a digital or data-driven environment. The city lights are visible through the grid, and the sky is a deep blue. The overall aesthetic is modern and technological.

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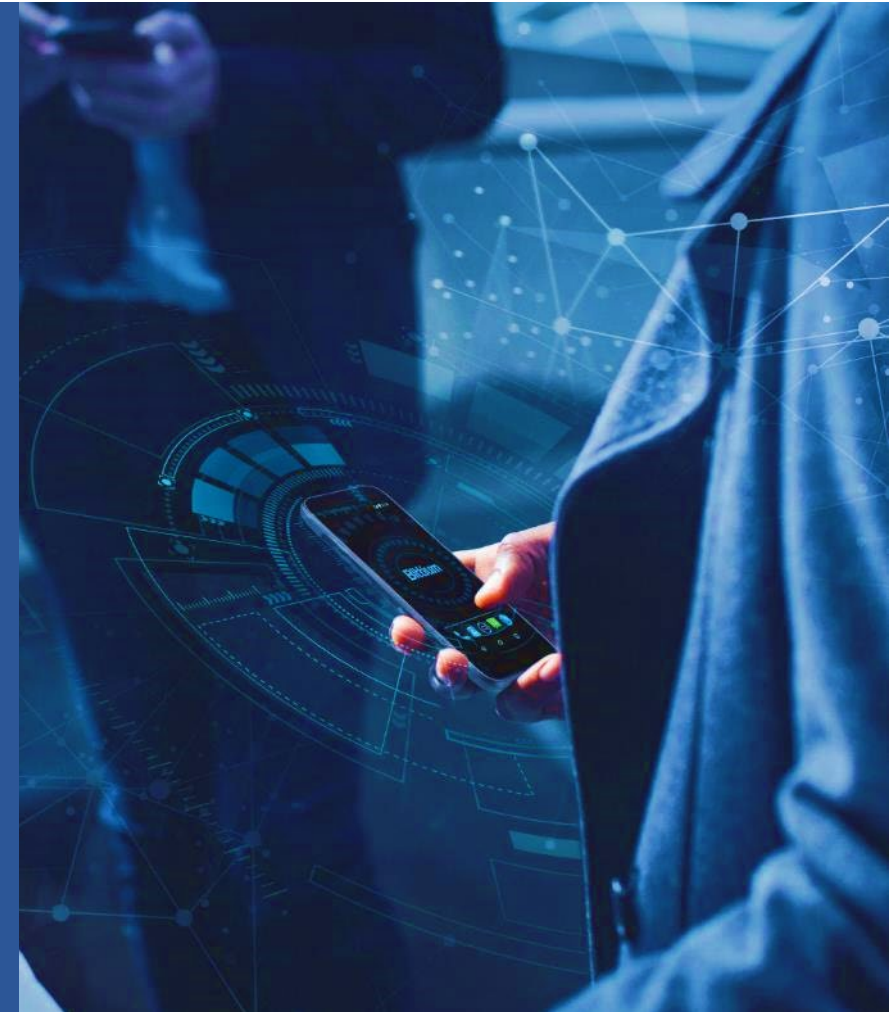
Tactical Communication – 2Q Highlights

- 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
 - Bittium will participate in several new tenders concerning the modernization of tactical communications and the supply of secure phone 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
 - Bittium would have the opportunity, to port NATO waveforms and crypto solutions to its radios and to participate in the research programs
- 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)
 - The field tests of the Bittium Tough SDR™ handheld and in-vehicle radios are ongoing and the Defence Forces are developing an operational method of use for the large-scale deployment of radios
 - Several orders based on existing framework agreements regarding tactical communication system and products
 - A new order for the development of a narrowband waveform for the future use of Bittium Tough SDR radios
 - A new order for further development of a new software version for the TAC WIN system
- International defense markets
 - Continued deliveries and integration work of tactical communication system products for Austrian and Estonian customers
 - New tactical communication system deliveries to international air defense and sensor system suppliers
 - New Bittium Tough SDR™ pilot projects in several countries started
 - In June, the a4ESSOR, successfully completed interoperability tests with the new ESSOR High Data Rate Waveform



Secure Communications – 2Q Highlights

- 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
- Secure terminals and systems have already been delivered to the authorities of several countries. The number of users of the delivered systems is relatively moderate in the first phase, but offers an excellent opportunity for growth as the number of users increases
- A new Bittium Tough Mobile™ 2 Tactical solution targeted at the defense market was launched
 - The solution is based on the secure and durable Bittium Tough Mobile™ 2 smartphone, which can be connected to either the Bittium Tough SDR Handheld™ radio or third-party tactical radios
 - The solution is compatible with various battle management systems, and enables real-time and efficient sharing of situational awareness in tactical networks



Medical Technologies – 2Q Highlights

- Medical technology market has recovered from the coronavirus pandemic
- Bittium has several applications in the European medical device certification (MDR, Medical Device Regulation) process for its products but there are significant delays due to the application backlog
 - Bittium operations are already in accordance with the New European MDR certificate
- Bittium started the process to apply for the US medical device certificate FDA (Food and Drug Administration) for Bittium Respiro™, a sleep apnea measuring device
 - Both FDA and MDR approvals of Bittium Respiro™ are expected at the end of this year, after which the first product deliveries to customers in the US and Europe can begin
- The demand for Bittium Faros™ ECG device increased, however, the deliveries were slowed by the shortage of components
 - Most of the product deliveries were made to the US customer Preventice Solutions (subsidiary of the Boston Scientific Group)
- New Bittium Faros™ 180L launched
- Pilot projects with Bittium BrainStatus™ EEG measuring device are going well



R&D Services – 2Q Highlights

- R&D and digitalization market has recovered from the coronavirus pandemic
- The demand for R&D services focused on telecommunications and O-RAN (Open Radio Access Network) solutions, mobile communication satellite technology and connectivity solutions for embedded wireless devices in various industrial areas
- New customers were won and customer projects were started for the development of embedded systems
- 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 continues



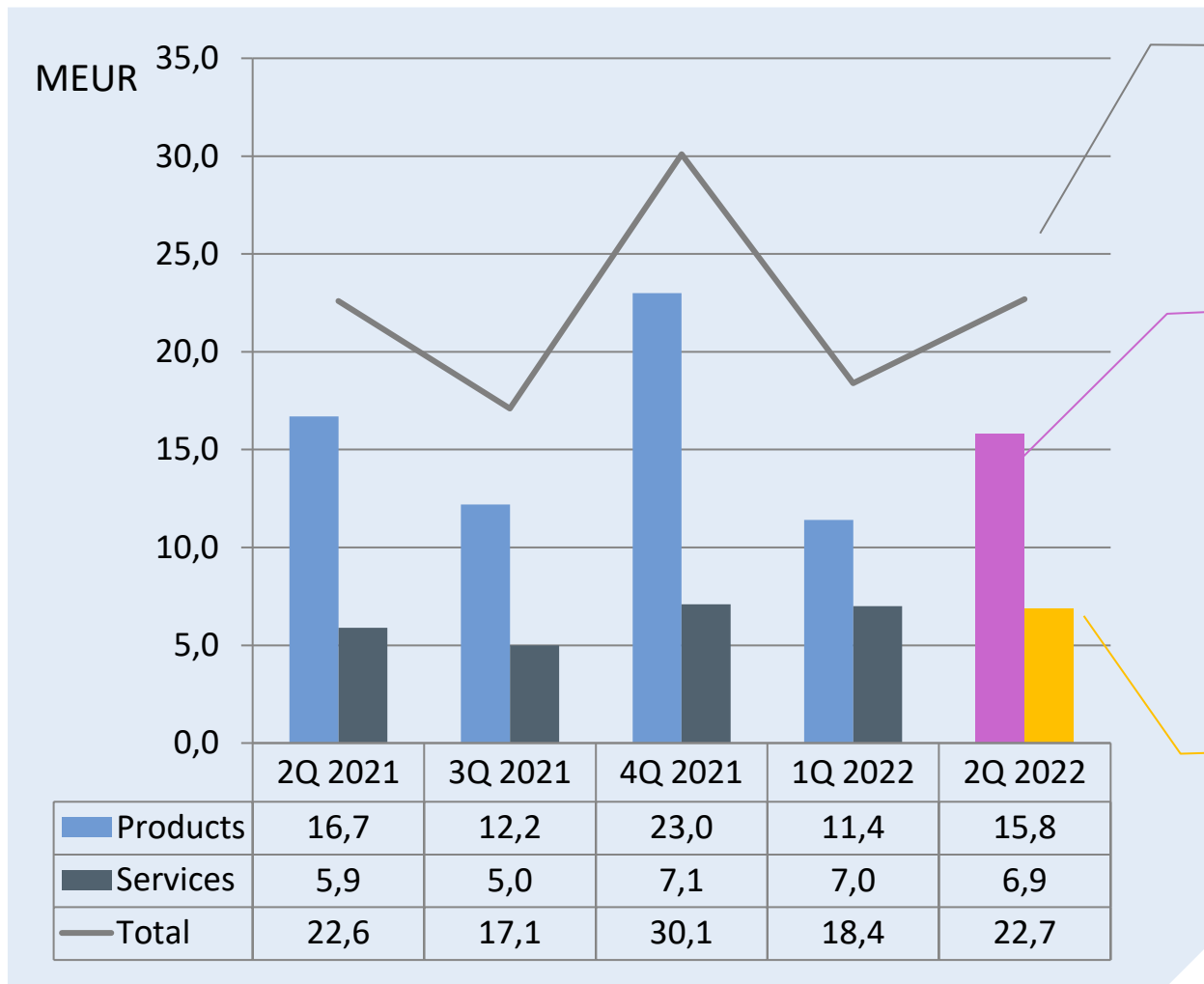
Financial Review

CFO Pekka Kunnari



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Quarterly Development of Net Sales

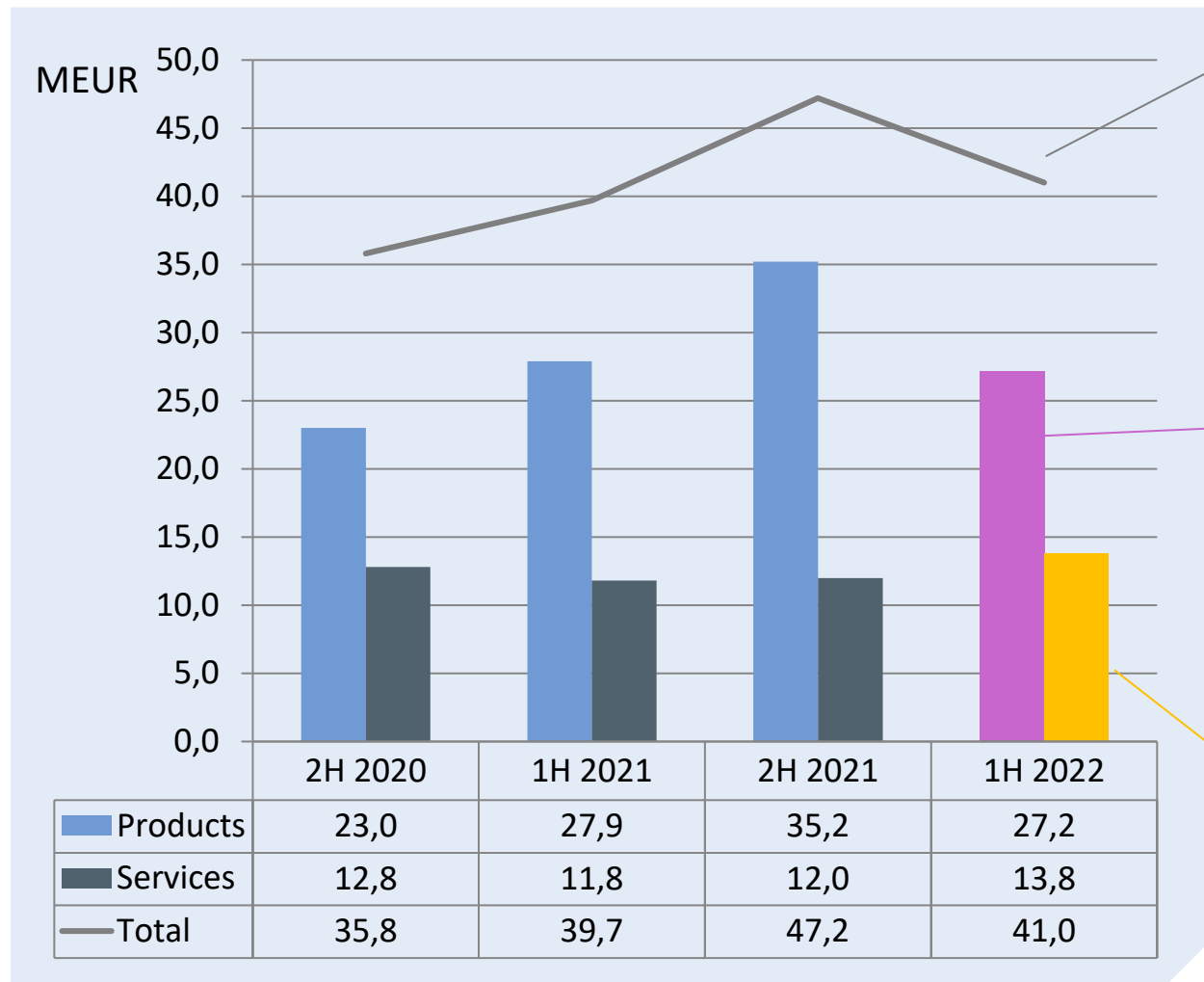


- Total net sales remained at the same level as in the previous year and were MEUR 22.7 (MEUR 22.6)

- Product-based net sales were MEUR 15.8 (MEUR 16.7)
- The share of Medical Technology products was MEUR 7.7 (MEUR 5.6)
- The share of Defense & Security products was MEUR 8.2 (MEUR 11.2)

- Service-based net sales were MEUR 6.9 (MEUR 5.9)
- The share of Connectivity Solutions R&D services was MEUR 3.7 (MEUR 3.8)

Half-Yearly Development of Net Sales

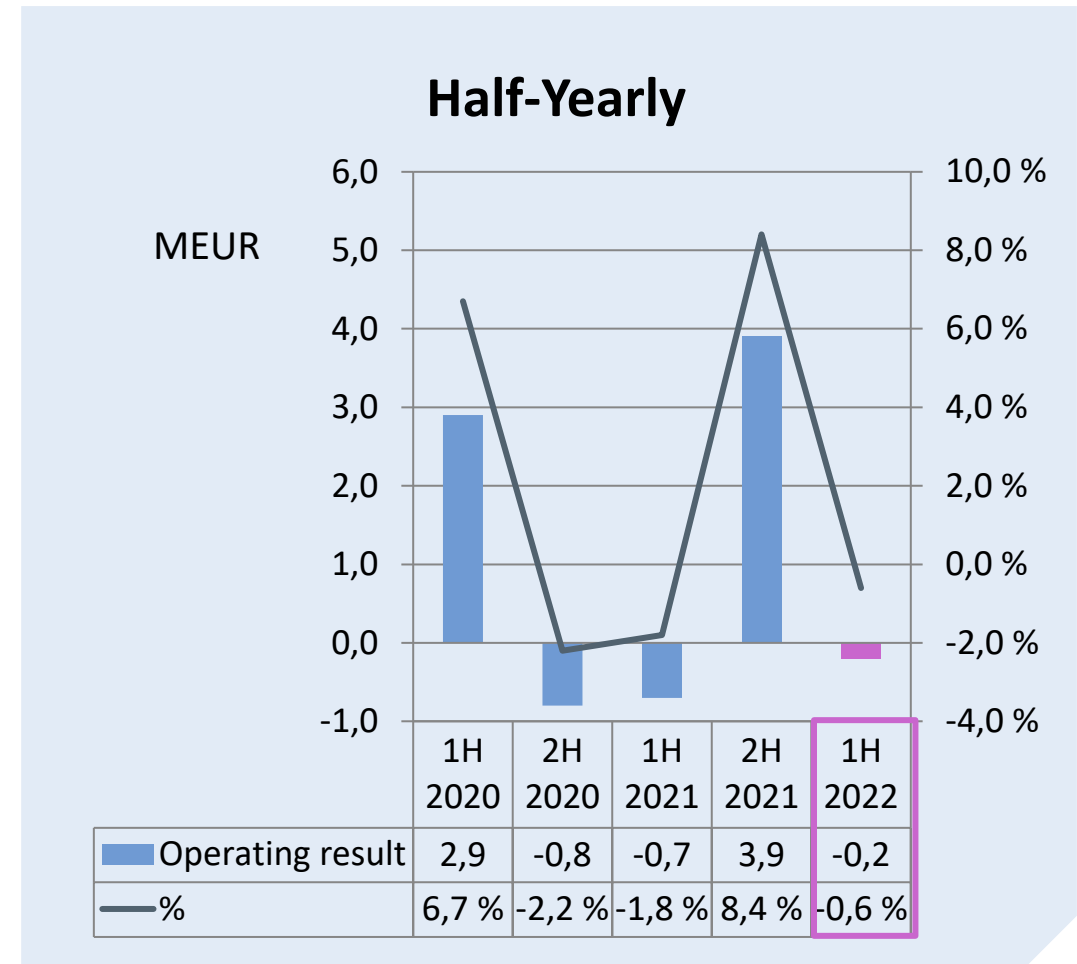
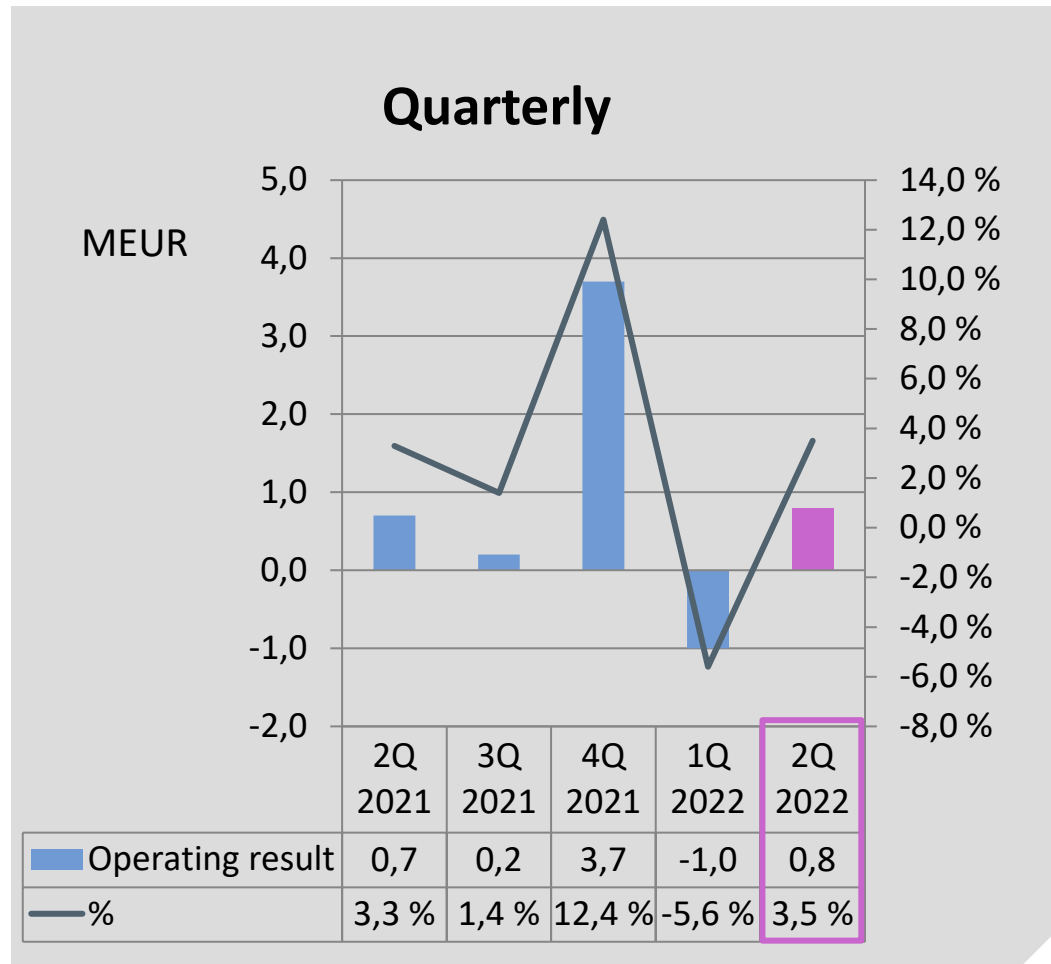


- Total net sales increased by 3.4 % to MEUR 41.0 (MEUR 39.7)

- Product-based net sales were MEUR 27.2 (MEUR 27.9)
- Share of the Medical Technology products was MEUR 11.3 (MEUR 13.5)
- Share of the Defense and Security products was MEUR 15.9 (MEUR 14.5)

- Service-based net sales were MEUR 13.8 (MEUR 11.8)
- The share of Connectivity Solutions R&D services was MEUR 8.0 (MEUR 7.8)

Operating Result Development



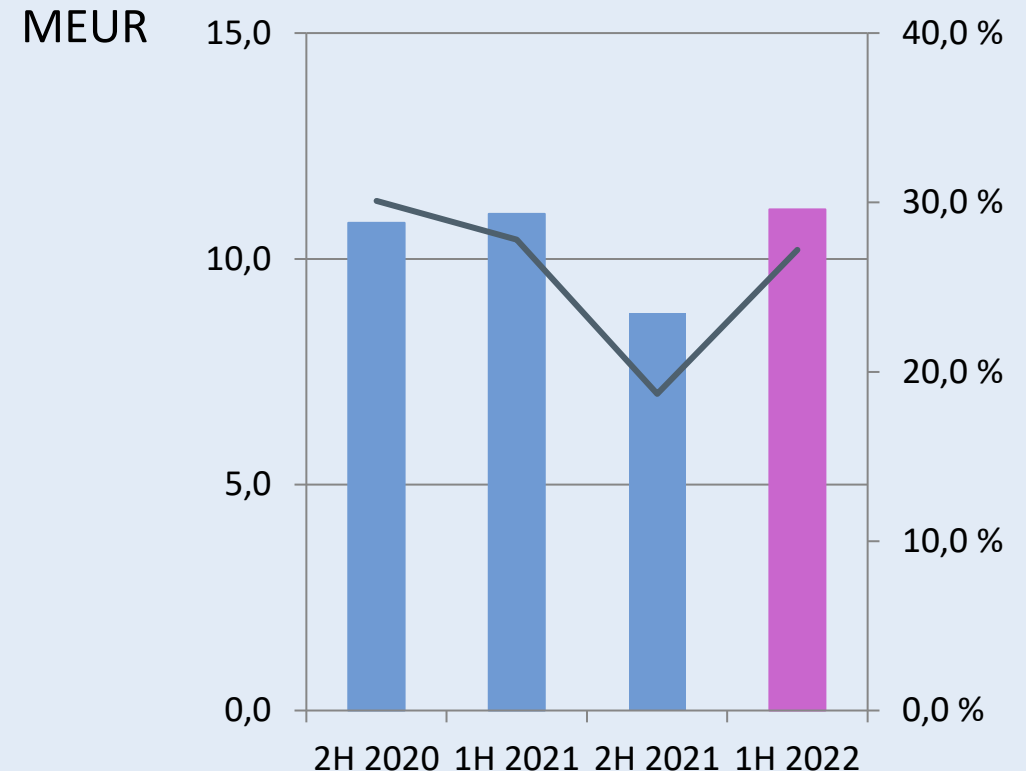
R&D Investments

R&D investments remained at the same level y-on-y and were MEUR 11.1 equaling 27.2% of the net sales (MEUR 11.0 equaling 27.8% of the net sales)

- MEUR 3.0 was capitalized (MEUR 4.4)
- Depreciations of R&D investments were MEUR 2.8 (MEUR 2.5)
- Total R&D costs and depreciations in the P&L was MEUR 11.0 (MEUR 9.1)

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



■ R&D investments — % of net sales

Cash Flow

MEUR	1H 2022	1H 2021
Net profit +/- adjustment of accrual basis items	6.4	5.2
Change in net working capital	0.0	-3.7
Interests and taxes	-0.5	-0.3
NET CASH FROM OPERATING ACTIVITIES	6.0	1.2
Net cash from investing activities	-3.7	-5.2
Net cash from financing activities	-2.3	-1.8
NET CHANGE IN CASH AND CASH EQUIVALENTS	0.0	-5.8

- The net cash from investing activities include investments made into own product development of MEUR 3.0
- The net cash from financing activities include dividend payment of MEUR 1.4

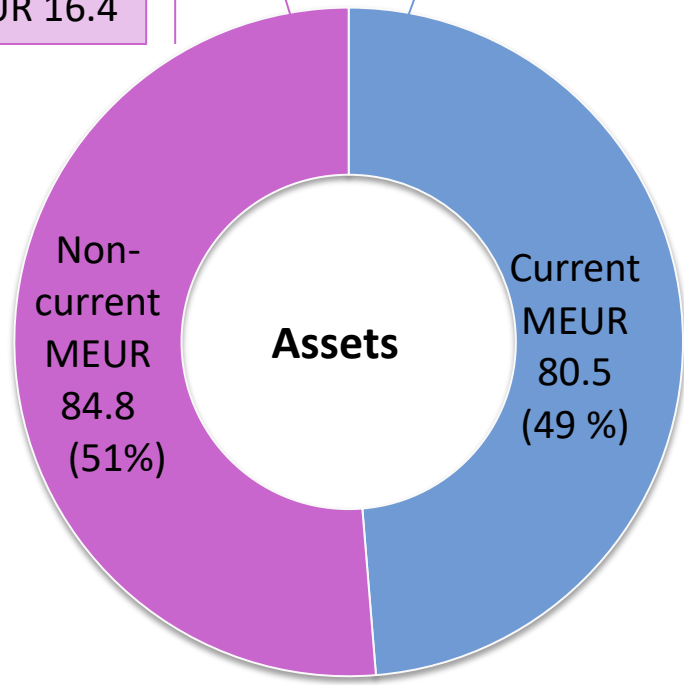
Assets and Liabilities

The balance sheet of June 30, 2022 was total of MEUR 165.3

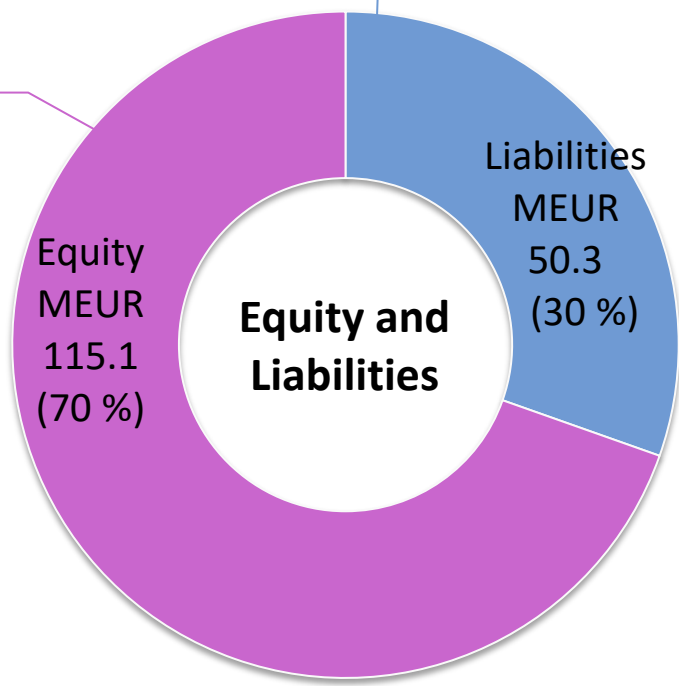
- Property, plant and equipment MEUR 20.2
- Capitalized development costs MEUR 48.2
- Other assets MEUR 16.4

- Inventories MEUR 21.6
- Trade and other receivables MEUR 36.9
- Cash and liquid assets MEUR 22.0

- Trade and other payables MEUR 23.6
- Interest-bearing debt MEUR 22.4
- Other liabilities MEUR 0.4
- Net gearing 0.3 %



- Equity ratio 70.9 %



Outlook for 2022

CEO Hannu Huttunen



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Outlook for 2022

The world's geopolitical situation, problems in logistics chains, inflation, and deteriorating economic development create uncertainty in future outlook.

About 70 percent of Bittium's net sales accumulates from products and related systems. The global disruption in the availability of electronics components still causes significant uncertainty and poor visibility in the development of Bittium's product-based net sales and operating result by the end of 2022.

Bittium expects the net sales of 2022 to be at the same level as in the previous year (EUR 86.9 million in 2021). Even though the operating result of the third quarter is expected to be negative, the operating result of the whole year 2022 is expected to be positive (EUR 3.2 million in 2021).

More information on the market outlook and risks and uncertainties is available on the company's website at www.bittium.com.



Contact us.

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