

# Bittium

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## Bittium Corporation Business Review January-March 2023

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Net sales

**14.9**

MEUR

Net sales growth

**-18.6** %

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Operating result

**-3.5**

MEUR

Operating result, % of net sales

**-23.6** %

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## Business Review January-March 2023

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

### Summary January-March 2023

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- The net sales declined by 18.6 percent year-on-year to EUR 14.9 million (EUR 18.4 million).
- The share of product-based net sales was EUR 8.0 million (EUR 11.4 million), representing 53.7 percent of the net sales (62.0 percent). The share of Defense & Security products was EUR 4.5 million (EUR 7.8 million) and the share of Medical Technologies products was EUR 3.6 million (EUR 3.6 million).
- The share of services-based net sales was EUR 6.9 million (EUR 7.0 million), representing 46.3 percent of the net sales (38.0 percent). The share of Connectivity Solutions R&D services business was EUR 4.5 million (EUR 4.3 million).
- EBITDA was EUR -1.0 million (EUR 1.6 million).
- The operating result was EUR -3.5 million (EUR -1.0 million).
- The order backlog was EUR 28.7 million (EUR 33.3 million).

### Bittium's CEO Johan Westermarck: The first quarter was challenging for the company, now we are focusing on improving the operating result

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The net sales of the first quarter of the year decreased approximately 19 percent from the corresponding period last year, due to which the operating result was negative. The decrease in the net sales was mainly caused by the low product-based net sales in the Defense & Security business, which in turn was affected by the quarterly cyclical nature of the accumulation of net sales. The net sales of Medical Technologies products remained at a low level, as in the previous year. The growth of the net sales was slowed by the component shortage, which affected our ability to deliver products to our customers. Service-based net sales remained at the same level compared to the previous year. The demand for R&D services in the Connectivity Solutions business unit developed positively, and the net sales increased by approximately 7 percent from last year. R&D investments were at the same level compared to the corresponding period in the previous year. The order backlog decreased by approximately 14 percent compared to the corresponding period last year and was EUR 28.7 million.

In March, we launched the Seamless and Secure Connectivity program, the purpose of which is to develop and enable reliable, secure, and resilient connectivity architectures and products. Business Finland has granted the Program development funding of EUR 10 million, and EUR 20 million to the ecosystem companies and research partners surrounding the program in the Challenger competition of leading companies (Veturi). The four-year program led by Bittium will last until 2026. For Bittium, the project enables the comprehensive development of the company's strategically significant themes, such as encryption and information security technologies and remote medical diagnostics.

The world's political situation caused by Russia's invasion of Ukraine is still reflected in the defense market. Bittium has no business in Russia, Ukraine, or Belarus. Increasing the states' defense budgets affects the demand for the defense industry's products and services. After the start of new tactical communication modernization projects the interest in Bittium's tactical communication system products and information security solutions has grown, and the beginning of the year continued to be active with numerous customer and partner meetings. The bidding stages of new modernization projects are quite slow and can take several years.

In the domestic defense market, we continued to supply the Finnish Defense Forces with products needed for the tactical communication system. Delivery volumes in the first quarter were low due to the cyclical nature of deliveries between quarters. Waveform development of software radios and development of new functionalities for the customer continued as planned.

Finland has joined the military alliance NATO, which is expected to strengthen our competitive position, especially in tenders for NATO countries. In the international defense and authority markets, we continued to deliver tactical communication system products and integrate and test products and systems for our customers. The cooperation with the Austrian customer continued well, and the deployment of Bittium's systems by the local army progressed as planned.

Interest in Bittium Tough Mobile™ security phones and security software has remained at a high level affected by the Russian war of aggression against Ukraine and numerous information security attacks. Deliveries of the phones to our customers continued, mainly in Europe. We have applied for NATO security approval for our Tough Mobile 2 solution, and we expect to receive the approval during 2023.

In the medical technology market, the demand for Bittium Faros™ ECG measuring devices continued to grow, but component shortages significantly affected our ability to deliver products to our customers, and product deliveries remained at a low level compared to orders. A significant part of the product deliveries was made to our US customer Preventice, a subsidiary of Boston Scientific.

In the neurophysiology market, the piloting of Bittium BrainStatus™ EEG measurement devices continued. There are Finnish and other European university hospitals currently testing the use of BrainStatus in their intensive care units. The market regarding BrainStatus is just opening up as the recommendations in intensive care are changing in a more demanding direction regarding EEG measurement.

The sale of Bittium Respiro™, our home sleep apnea test device, was started when we received European medical device approval (MDR) for the device at the end of the year. The first product deliveries were made to our customers, who have started their clinical trials in their own customer environments.

Bittium has medical device approvals in progress in several countries. We have applied for the medical device 510k clearance by the US Food and Drug Administration (FDA) for Bittium Respiro and its analysis software, but the process will delay from the previously expected schedule. Currently, we are waiting for the authority's interpretation of possible additional material needs, which will affect the processing time of the application.

The net sales of the R&D services increased from last year focusing on the Industrial IoT, Telecom, and MedTech technology markets, where companies seek wireless connectivity for their products. During the first quarter, our customer portfolio expanded, e.g., in the transport industry market, where we started to design a remotely managed system and its connectivity solution for our new customer. The availability of labor in the market is still challenging. We need more personnel for our customer projects, especially in embedded system design for existing and new product development service projects.

### **Thoughts by the new CEO Johan Westermarck, who started at Bittium on April 1, 2023: Looking towards the future**

Bittium has a comprehensive and high-quality product and service portfolio that corresponds well to the prevailing megatrends in the markets. The company has strong competence in all its business areas and unique technology expertise. This combination made me interested in the company, its goals, and strategy.

Over the past year, the company has been developed towards more independent business units, which both strengthens their position on their markets and improves the transparency of their business operations. With the exception of last year, the company has been on a growth path for several years and we have all the potential to return on the growth path. Next, we will invest in focusing our operations and thus improving efficiency and ability to produce results. With this, we strengthen our organization and operations for future growth. The biggest challenge for this year is caused by the component shortage, which, however, we see as temporary, and we expect it to recede during this year.

As CEO, it is important for me to build functional and good cooperation within the organization as well as with our partners, customers, investors, and authorities. At Bittium, stakeholder cooperation has been built over the years, which provides a good basis when going forward. The company's customer satisfaction is at an excellent level in all its business areas, which is the result of long-term and good customer work and high-quality and innovative products and services.

Bittium's goal is to be a major international player in its chosen areas: a supplier of secure and reliable communication solutions for the defense and authority markets, a leading supplier of industrial connectivity solutions and R&D services, and a major supplier of measurement and remote diagnostic solutions for the biosignals' measurement and analysis. We will continue to work systematically to achieve these goals.

## Outlook for 2023

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### Market Outlook 2023

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 markets are recovering and that the component shortage will ease during 2023.

About 70 percent of Bittium's net sales in total are 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.

More information about Bittium's market outlook is presented on the company's internet pages at [www.bittium.com](http://www.bittium.com).

### Financial Outlook 2023

Bittium expects the net sales in 2023 to grow and the operating result to improve from the previous year (net sales EUR 82.5 million in 2022 and operating result EUR 0.3 million in 2022). Cash flow in 2023 is expected to be positive.

### 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.

## Risks and Uncertainties

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

Russia's war of aggression against Ukraine and the subsequent global geopolitical instability combined with high inflation, supply chain challenges, and European energy market problems have caused various supply and demand-related risks and increased uncertainty.

Especially the global disruption in the availability of electronic components and their price development has 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 the ability to deliver products.

More information about risks and uncertainties is described on the company's internet pages at [www.bittium.com](http://www.bittium.com).

## Key Figures

GROUP (MEUR)	1-3/2023 3 months	1-3/2022 3 months
NET SALES	14.9	18.4
Change of the net sales, %	-18.6 %	7.7 %
EBITDA	-1.0	1.6
EBITDA, % of net sales	-6.8 %	8.8 %
OPERATING PROFIT / LOSS	-3.5	-1.0
Operating profit / loss, % of net sales	-23.6 %	-5.6 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	-3.7	-1.2
EARNINGS PER SHARE (EUR)	-0.104	-0.034
TOTAL R&D INVESTMENTS	5.6	5.4
R&D INVESTMENTS, % FROM NET SALES	37.4 %	29.6 %
CAPITALIZED R&D INVESTMENTS	2.1	1.3
NET CASH FROM OPERATING ACTIVITIES	1.1	3.0
NET CASH FROM INVESTING ACTIVITIES	-2.4	-1.7
NET CASH FROM FINANCING ACTIVITIES	-0.4	-0.4
NET CHANGE IN CASH AND CASH EQUIVALENTS	-1.6	1.0
CASH AND OTHER LIQUID ASSETS	17.4	23.0
NET GEARING (%)	4.3 %	-0.5 %
EQUITY RATIO (%)	71.3 %	72.6 %
AVERAGE PERSONNEL DURING THE PERIOD	610	651
PERSONNEL AT THE END OF THE PERIOD	607	645

Oulu, April 27, 2023

Bittium Corporation  
The Board of Directors

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**About Bittium**

Bittium specializes in the development of reliable, secure communications and connectivity solutions leveraging its over 35-year legacy of expertise in advanced radio communication technologies. Bittium provides innovative products and services, customized solutions based on its product platforms and R&D services. Complementing its communications and connectivity solutions, Bittium offers proven information security solutions for mobile devices and portable computers. Bittium also provides healthcare technology products and services for biosignal measuring in the areas of cardiology and neurophysiology. Net sales in 2022 were EUR 82.5 million and operating profit was EUR 0.3 million. Bittium is listed on Nasdaq Helsinki. [www.bittium.com](http://www.bittium.com)