

Bittium

Bittium Corporation Business Review January-March 2021

Net sales

17.0 MEUR

Net sales growth

-1.5 %

Operating result

-1.5 MEUR

Operating result, % of net sales

-8.6 %

Business Review January-March 2021

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

Summary January-March 2021

- The net sales decreased by 1.5 percent year-on-year to EUR 17.0 million (EUR 17.3 million).
- The share of the product-based net sales was EUR 11.2 million (EUR 11.7 million), representing 65.7 percent of the net sales. The share of Medical Technologies products was EUR 7.9 million.
- The share of the services-based net sales was EUR 5.9 million (EUR 5.6 million), representing 34.3 percent of the net sales.
- EBITDA was EUR 1.0 million (EUR 2.7 million).
- Operating result was EUR -1.5 million (EUR 0.2 million).

Bittium's CEO Hannu Huttunen

The year 2021 started as expected. The net sales of the first quarter decreased slightly compared to previous year and was EUR 17.0 million. The level of net sales was affected especially by the timing of product deliveries. Due to the cyclical nature of product deliveries, the first quarter of the year is typically weaker than the other quarters.

Product sales in the first quarter consisted primarily of sales of secure Bittium Tough Mobile™ smartphones and Bittium Faros™ ECG devices that measure cardiac electrical activity. Sales of tactical communication systems and products did not materialize significantly in the first quarter. The volume of product deliveries is also affected by the challenges related to the availability of components due to the coronavirus pandemic.

Sales of R&D services continued to grow slightly. The growth was enabled by the release of our experts from our own product development projects for the customer projects. Until last year, we were not able to fully meet the demand for R&D services due to our own development projects, which required our experts' focus.

Operating result of the first quarter decreased from previous year and was negative. The result of the first quarter of last year was improved by a non-recurring license income of EUR 1.4 million, which was obtained when Germany joined the ESSOR consortium.

In the domestic defense market, cooperation with the Finnish Defence Forces has remained strong. We received orders under framework agreements for Bittium Tactical Wireless IP Network™ (TAC WIN) software radio system products and Bittium Tough Comnode™ devices. In the early part of the year, we continued to supply Bittium Tough SDR™ vehicle radios for pilot use for the Defence Forces. Product development of the vehicle radios will be finalized based on pilot user experience. We aim to start volume deliveries of the products this year.

In the international defense and governmental markets, we continued the integration and testing of our tactical communications system products with our Austrian, Estonian, and other international customers. Travel restrictions due to the coronavirus pandemic are delaying the progress of customer projects, especially in the international markets.

Demand for secure Bittium Tough Mobile™ smartphones increased in the early part of the year. We gained new customers and several pilot projects were launched. Bittium Tough Mobile™ 2 C has received excellent feedback from customers, especially regarding the unique data security and phone usability. To some extent, the global shortage of components has become a challenge, due to high demand for capacity from semiconductor suppliers. The shortage of components has shifted some product orders and it is possible that it will even lead to cancellations of some orders.

After the review period, we signed a distributor agreement with Mexican telecommunications solutions provider Inmosat, which exclusively covers the sale of Bittium's Mexsat satellite phones to Mexican state authorities and national security organizations. The Android™-based Mexsat phones that we developed for the Mexican state, was designed for the Mexsat satellite communications system of the Mexican state. The development of the devices was completed in 2017 and several small batches have been delivered since to our customers in Mexico. As a local company, Inmosat has an excellent and extensive support network that covers the territories of individual Mexican states. In addition, they have their own certified laboratory in Mexico, where the maintenance of the devices can be taken care of locally, if necessary. We believe that with this agreement, we will be able to serve our customers in Mexico more comprehensively, which will strengthen the growth potential of our Mexsat business.

Alongside an aging population, the global coronavirus pandemic has provided a strong incentive to streamline and digitize primary health care and specialist care functions. In addition, avoiding physical contact has accelerated the transition to remote diagnostics and remote care. Together, these factors are driving demand in the medical technology market for both device and total service solutions. We are responding to this growth by expanding our product and solution portfolio. We have introduced a new home-based sleep apnea testing solution as a follow-up to our remote diagnostic solutions that measure the electrical activity of the heart and brain. Bittium Respiro™ is a modern sleep apnea screening device and analysis service solution for service providers, hospitals, clinics, and health centers. The solution focuses on Home Sleep Apnea Testing (HSAT) and is intended to record PG-level data and analyze typical sleep-related breathing disorders. The service is estimated to be on the market in the third quarter of 2021. In addition to a recording device, the total solution for measuring sleep apnea includes Respiro Analyst™ analysis software, which utilizes artificial intelligence and significantly speeds up the work of doctors. The total solution is also included in Bittium's cloud based and secure Bittium MedicalSuite™ service platform, which enables analyzes to be performed regardless of time and place. The MedicalSuite service platform now includes all Bittium's neurophysiology and cardiology solutions, enabling service operators to further digitize remote diagnostic service processes.

Demand for Bittium Faros™ ECG measuring devices increased during the review period. Demand growth was accelerated in particular by the cooperation with our customer Preventice, a leading U.S. provider of remote monitoring services in the U.S. ECG market, as product deliveries of BodyGuardian® MINI devices that monitor cardiac arrhythmias continued as planned. We launched a new disposable Bittium OmegaSnap™ patch electrode for our Faros devices, specifically designed for long-term ECG measurements. The new electrode is based on the popular Bittium FastFix™ electrode, which has been further developed into an even more user-friendly shape based on feedback from users, without compromising the excellent signal quality.

We were able to proceed in the market for medical neurophysiology products in the early part of the year and delivered several Bittium BrainStatus™ EEG measuring devices to our customers for pilot use. Demand for new technology devices such as BrainStatus has been slowed down by the exceptional circumstances caused by the coronavirus pandemic. Hospitals have focused on pandemic management and postponed testing and deployment of new equipment to a later future. However, it seems at the moment, that demand and interest are starting to wake up again and the first devices have been sold for clinical use.

We continued to provide connectivity solutions to our customers in the wireless telecommunications, medical technology, and industrial markets. With the gradual completion of the company's own product development projects, we have been able to free up our experts for these new customer projects and even more will be freed up in the future, which will enable an increase in the amount of customer projects. We have also succeeded in recruiting more skilled staff with strengths in wireless technologies. Our goal is to further increase the number of product development service projects and expand the customer base.

In the automotive software market, we have received the first pilot project related to 5G wireless connection. Early in the year, we joined the global GENIVI Alliance, which aims to develop vehicles faster and more cost-effectively by promoting standardized approaches to interoperability, integration, and connectivity across different operating systems. We bring strong security expertise and experience to both the Android and Linux operating systems to the community. With these competencies we contribute to the goal of integrating different vehicle systems in the centralized, digital cockpit.

The coronavirus pandemic continues to have some impact on our operating environment. The prevailing restrictions affect the progress of international projects in particular and there have been delays in the availability of components in all our business areas. However, given the prevailing global circumstances, we have made good progress towards our strategic goals. The first quarter of the year was weak, as expected, but we believe the second quarter to be clearly better than the first quarter.

Outlook for 2021

The world-wide coronavirus (SARS-CoV-2) pandemic significantly affects the global economy and market situation. The prevailing uncertainties in the markets cause weak visibility to the market situation.

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). The net sales and operating result of the second quarter 2021 are expected to be clearly better than in the first quarter.

More information about Bittium's market outlook regarding the outlook is presented on the company's internet pages at www.bittium.com.

Risks and Uncertainties

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

The coronavirus pandemic has caused fast changes in the company's operating environment. The company's management monitors the development of the pandemic and has taken measures to prevent and correct the effects of the pandemic. It is difficult to estimate the length of the situation or its impacts on business operations and financial results. In particular, the potential challenges in the global availability of components can affect the progress of customer projects and the delivery capacity of products.

More information about uncertainties is presented on the company's internet pages at www.bittium.com.

Key Figures

GROUP (MEUR)	1-3/2021 3 months	1-3/2020 3 months
NET SALES	17.0	17.3
Change of the net sales, %	-1.5 %	83.8 %
EBITDA	1.0	2.7
EBITDA, % of net sales	5.8 %	15.9 %
OPERATING PROFIT / LOSS	-1.5	0.2
Operating profit / loss, % of net sales	-8.6 %	0.9 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	-1.6	-0.2
EARNINGS PER SHARE (EUR)	-0.044	-0.005
TOTAL R&D INVESTMENTS	5.6	6.1
R&D INVESTMENTS, % FROM NET SALES	32.7 %	35.2 %
CAPITALIZED R&D INVESTMENTS	2.5	3.7

NET CASH FROM OPERATING ACTIVITIES	-1.4	1.2
NET CASH FROM INVESTING ACTIVITIES	-2.9	-4.5
NET CASH FROM FINANCING ACTIVITIES	-0.3	-0.4
NET CHANGE IN CASH AND CASH EQUIVALENTS	-4.6	-3.7
CASH AND OTHER LIQUID ASSETS	20.0	31.5
NET GEARING (%)	2.2 %	-8.0 %
EQUITY RATIO (%)	72.7 %	73.0 %
AVERAGE PERSONNEL DURING THE PERIOD	675	657
PERSONNEL AT THE END OF THE PERIOD	673	665

Oulu, April 29, 2021

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, neurology, rehabilitation, occupational health and sports medicine. Net sales in 2020 were EUR 78.4 million and operating profit was EUR 2.1 million. Bittium is listed on Nasdaq Helsinki. www.bittium.com