

Bittium

Bittium Corporation

Business Review

January-September 2021

Net sales

56.8

MEUR

Net sales growth

0.4 %

Operating result

-0.5

MEUR

Operating result, % of net sales

-0.9 %

Business Review January-September 2021

Third Quarter Net Sales Grew and Operating Result Was Positive

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

Summary January-September 2021

- The net sales grew by 0.4 percent year-on-year to EUR 56.8 million (EUR 56.6 million).
- The share of product-based net sales was EUR 40.1 million (EUR 38.6 million), representing 70.5 percent of the net sales. The share of Medical Technologies products was EUR 20.3 million (EUR 13.6 million) and the share of Defense & Security products was EUR 19.7 million (EUR 25.0 million).
- The share of services-based net sales was EUR 16.8 million (EUR 18.0 million), representing 29.5 percent of the net sales.
- EBITDA was EUR 7.1 million (EUR 10.2 million).
- Operating result was EUR -0.5 million (EUR 1.8 million).

Summary July-September 2021

- The net sales grew by 22.2 percent year-on-year to EUR 17.1 million (EUR 14.0 million).
- The share of product-based net sales was EUR 12.2 million (EUR 8.5 million), representing 71.0 percent of the net sales. The share of Medical Technologies products was EUR 6.9 million (EUR 4.1 million) and the share of Defense & Security products was EUR 5.3 million (EUR 4.4 million).
- The share of services-based net sales was EUR 5.0 million (EUR 5.5 million), representing 29.0 percent of the net sales.
- EBITDA was EUR 2.9 million (EUR 1.8 million).
- Operating result was EUR 0.2 million (EUR -1.0 million).

Bittium's CEO Hannu Huttunen

The net sales of the third quarter grew compared to previous year and was EUR 17.1 million. Due to the global shortage of components, net sales and operating result fell short of targets due to the postponement of some product deliveries to the next year. Third quarter product sales consisted primarily of sales of secure Bittium Tough Mobile™ smartphones, tactical communication systems and products, and Bittium Faros™ devices that measure cardiac electrical activity. Sales of product development services decreased slightly from the previous year. This was caused by a fixed-price service project whose schedule was extended causing longer-term recognition of revenue. The operating result of the third quarter improved from the previous year and was positive.

The net sales of January-September 2021 grew by 0.4 percent year-on-year. The operating result remained slightly negative due to the weak first quarter of the year. The net sales grew in product business from previous year and decreased slightly in service business.

During the third quarter, we continued the development of the tactical wireless network system used by the Finnish Defense Forces and the deliveries of the products related to the system continued in accordance with the Defense Forces' equipment plan. Field testing, further development, and planning of operational usage of Bittium Tough SDR™ vehicle radios progressed forward. The declining availability of components makes the deliveries more difficult, and some deliveries have been postponed to next year.

Our strategic target is to grow our business in the international defense market with the help of local integrators. We made progress towards the target as tactical communication projects that were at a standstill due to the corona pandemic are slowly opening. The international defense market projects are very long by their nature and it can take several years to progress to the actual competition.

Together with our important customer Austrian Defense Forces, we continued the integration and testing of the tactical communication system products. In Estonia, our partner signed a framework agreement with the Estonian Defense Forces for the next four years. The framework agreement concerns a reform aimed at developing the IP data transmission of the Estonian Army, which will also include third-party products, such as Bittium TAC WIN system products used by the Estonian Defense Forces.

The demand for secure Bittium Tough Mobile™ smartphones increased from the previous year. The information security market is strongly country-specific, and the states typically have their own operators who take care of the state's information security. We are working to establish collaboration with these local operators, with the goal of building mobile security for local authorities on top of Bittium's secure smartphone. Since the market has opened, we have been able to continue piloting our products for the customers. The global shortage of components has caused delays in the deliveries of the phones as well as in receiving orders. If the shortage of components continues, the quantities of products to be delivered will be lower than anticipated for the whole year.

The distribution cooperation of Mexsat satellite phones with the Mexican telecommunications solutions' provider Inmosat has progressed well. In addition to the actual product deliveries, we will also provide the customer with security software solutions.

With regards to Bittium's medical technology products, the business relies strongly on cooperation with service providers in the market. One of the goals of our medical business is to acquire more minority holdings in European companies providing remote cardiology services. In the third quarter, we signed an agreement with Technomed Ltd in the United Kingdom under which Bittium will acquire a 25 percent stake in Technomed. The company is one of the largest ECG service providers in the UK and has been using Bittium Faros™ ECG measuring devices in its service offering for several years. Cooperation will also be strengthened with the introduction of other Bittium medical technologies. Bittium also has minority holdings in Evismo, a Swiss provider of remote medical diagnostic services, and Coronaria Analysipalvelut Oy, a Finnish provider of analysis services for cardiac arrhythmias, sleep apnea and hypertension.

We continued to develop our own products. In cardiac product line we released a new version of the Bittium Cardiac Navigator™ cardiac analysis software with features that take the software in an even more efficient and user-friendly direction. Cardiac Navigator is used by numerous customers of our Faros ECG measuring devices that measure the electrical activity of the heart. We also launched new ECG electrodes that support both single, dual, and three-channel ECG measurements with the Faros device. According to several medical studies, the diagnostic yield is significantly higher in long-term ECG measurements than in short-term measurements. The quality and properties of the ECG electrodes in our Bittium OmegaSnap™ product family of electrodes make long-term measurements more reliable, cost-effective, and easier for both patients and healthcare professionals.

The demand for our Faros devices continued to grow during the review period. The growth was driven in particular by the cooperation with Preventice, a leading U.S. remote monitoring service provider in the U.S. ECG market. Product sales also increased in the European ECG markets. The global shortage of components is also slowing down Faros' product deliveries and we will not be able to deliver all orders this year.

The medical device approvals of Bittium Respiro™, which focus on research and analysis of sleep apnea at home, are progressing. In the third quarter, we received medical device approval for the first customer variant of a sleep apnea device, targeted to the Finnish market, and its deliveries began. The sleep apnea device version for international sales is expected to be more widely on the market in early 2022.

All in all, the demand for our medical technology products and services grew well and our strategic goal to grow into an international manufacturer of outside-hospital medical devices and a provider of platform technology is progressing steadily. The global streamlining and digitalization of primary healthcare and specialist care functions continues, and the transition to remote diagnostics and care is taking place all the time. Together, these factors are driving the demand in the medical technology market for both device and end-to-end service solutions.

We continued to provide product development services to our customers in the markets for wireless telecommunications, medical technology, automotive and manufacturing industry, and gained new international customers from various industries. The demand for product development services in the areas of wireless communications, especially in O-RAN (Open Radio Access Network) is growing and we are increasing our expertise in this area. Our goal is to further increase the product development service projects and expand the customer base as the number of the Bittium's own product development projects decreases.

The biggest risk in achieving this year's targets is the availability of electronic components related to product deliveries. It seems that the shortage of components will continue until the next year and will significantly affect our ability to deliver products during 2022 as well. We will continue our efforts to acquire components needed for the product deliveries. However, given the prevailing global circumstances, we have made good progress towards our strategic goals.

Outlook for 2021

The spread of new variants of the coronavirus and the global disruption in the availability of electronic components have a significant impact on the global market, also causing uncertainty for the development of Bittium's business towards the end of the year.

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).

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

Risks and Uncertainties

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

The coronavirus pandemic has caused changes in the company's operating environment. The company management has been actively following and anticipating the development of the pandemic and taken measures to prevent and remedy the impacts of the pandemic. It is difficult to estimate the length of the situation or its impacts on business operations and financial results.

The global disruption in the availability of electronic components and their price development have 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 customer projects and the ability to deliver products.

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

Key Figures

GROUP (MEUR)	7-9/2021 3 months	7-9/2020 3 months	1-9/2021 9 months	1-9/2020 9 months
NET SALES	17.1	14.0	56.8	56.6
Change of the net sales, %	22.2 %	-7.8 %	0.4 %	17.2 %
EBITDA	2.9	1.8	7.1	10.2
EBITDA, % of net sales	16.8 %	13.2 %	12.5 %	18.1 %
OPERATING PROFIT / LOSS	0.2	-1.0	-0.5	1.8
Operating profit / loss, % of net sales	1.4 %	-7.4 %	-0.9 %	3.2 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	0.1	-1.0	-1.0	1.5
EARNINGS PER SHARE (EUR)	0.002	-0.029	-0.027	0.042

TOTAL R&D INVESTMENTS	3.8	4.9	14.9	16.9
R&D INVESTMENTS, % FROM NET SALES	22.4 %	34.7 %	26.2 %	29.9 %
CAPITALIZED R&D INVESTMENTS	1.2	2.8	5.6	10.1
NET CASH FROM OPERATING ACTIVITIES	2.9	1.5	4.1	1.8
NET CASH FROM INVESTING ACTIVITIES	-1.6	-3.4	-6.8	-11.8
NET CASH FROM FINANCING ACTIVITIES	-0.3	-0.4	-2.1	-1.1
NET CHANGE IN CASH AND CASH EQUIVALENTS	1.0	-2.3	-4.8	-11.1
CASH AND OTHER LIQUID ASSETS	19.8	24.1	19.8	24.1
NET GEARING (%)	2.2 %	-1.4 %	2.2 %	-1.4 %
EQUITY RATIO (%)	73.2 %	74.8 %	73.2 %	74.8 %
AVERAGE PERSONNEL DURING THE PERIOD	661	669	667	669
PERSONNEL AT THE END OF THE PERIOD	660	677	660	677

Oulu, October 22, 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