

# Bittium Corporation Half Year Financial Report January – June 2020

CEO Hannu Huttunen | CFO Pekka Kunnari  
August 6, 2020

**Bittium**



# Forward-looking Statements

Some statements made in this material relating to future circumstances or status, including, without limitation, 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 January- June 2020

CEO Hannu Huttunen

An aerial night view of a city skyline, likely Chicago, with a digital grid overlay. The grid consists of white lines forming a mesh over the city buildings. The sky is dark blue, and the city lights are illuminated. The Bittium logo is in the bottom right corner.

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# Main Events 1H 2020

The deliveries of software-defined Bittium Tough SDR™ handheld radios for the Finnish Defence Forces (FDF) started

Multiple purchase orders from FDF: ESSOR waveform porting to Bittium Tough SDR™ radios; Bittium TAC WIN™ system products; Bittium Tough Comnode™ products

Bittium develops capabilities for autonomous systems in a project under the European Defense Industrial Development Programme (EDIDP)

Germany (Rohde & Schwarz) joins the ESSOR Programme

Active negotiations continued with Mexico about the Mexsat phones to enable a wider use of the Mexsat system, but so far the prevailing exceptional circumstances have slowed down the progress of the project

Bittium Tough Mobile™ 2C launched for Confidential communications

eMBMS with ENENSYS' Middleware was enabled in Bittium Tough Mobile™ 2

Virve Tuotteet ja Palvelut was selected as a Reseller for Bittium Tough Mobile™ 2 Smartphones and Bittium Secure Suite™ Management System

Cooperation with the US cardiac monitoring services provider Preventice continued as planned

Remote medical monitoring solution Bittium MedicalSuite™ platform was launched

Bittium BrainStatus™ Product Family received medical device approval in Europe

Bittium introduces intelligent HMI features on Android™ Automotive Platform built by using RightWare Kanzi UI tools



# Possible Implications of the Coronavirus Pandemic to Bittium

- Bittium's sales cycles are long by their nature and therefore the implications of coronavirus pandemic have not yet been significant. However, the outlook towards the end of the year include significant uncertainties.
- Examples of possible implications of coronavirus pandemic to Bittium:
  - Financial difficulties caused by the pandemic may affect public budgets
  - Delays in offering phases may slow down larger deals
  - Delays in the progress of projects
  - Delays in customer's final product approvals and therefore to product deliveries
  - Challenges in gaining new customers
  - Challenges in the availability of various components possibly affecting the product deliveries
  - Possible illnesses of own personnel
  - Non-emergency patients reduced their access to treatment and examinations due to the fear of getting infected
  - Several hospitals and treatment facilities postponed conducting non-critical treatment focusing on the treatment of pandemic patients and measures to prevent the spread of the virus
  - Delays in testing and deploying new products and technologies (especially in the medical sector)
  - Increase in the deployment of digital remote services in medical sector expected in a long run
  - Increase in the need for secure wireless communication

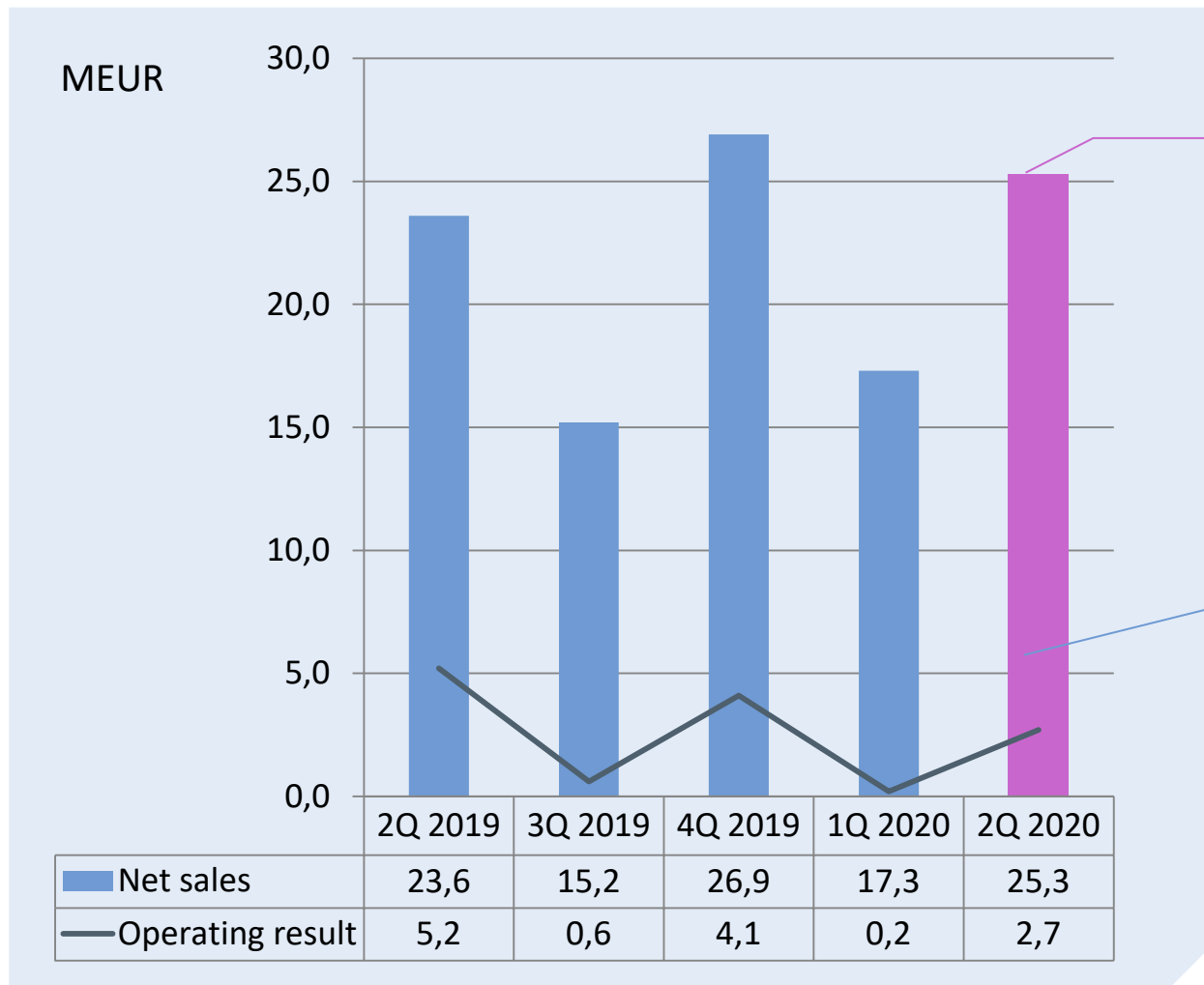
# Financial Review

CFO Pekka Kunnari



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# Quarterly Net Sales and Operating Profit



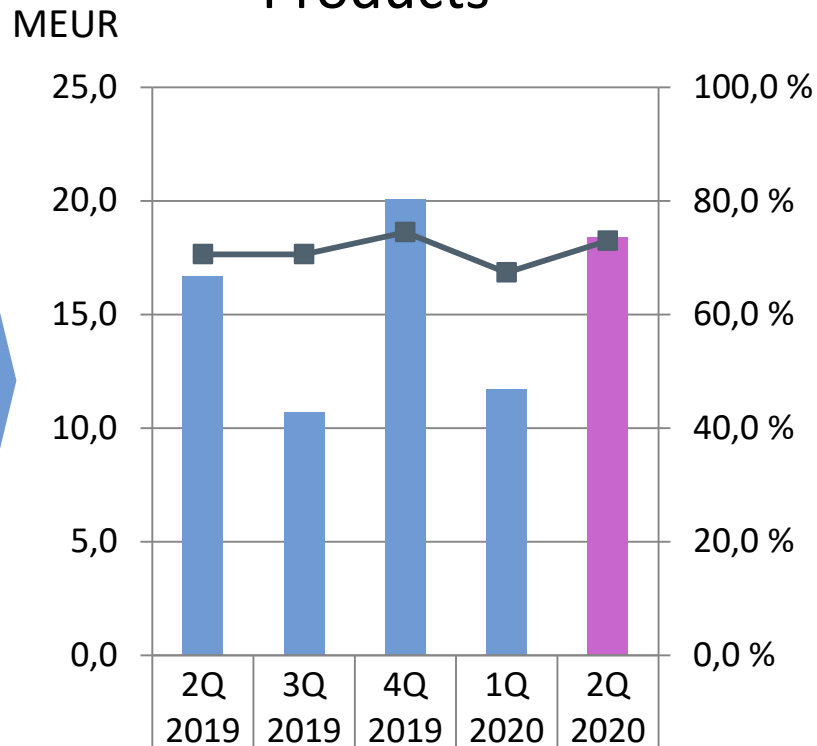
- Net sales grew by 6.8 % to MEUR 25.3 (MEUR 23.6)

- Operating result was MEUR 2.7 (MEUR 5.2) equaling 10.7 % of net sales (22.0 %)



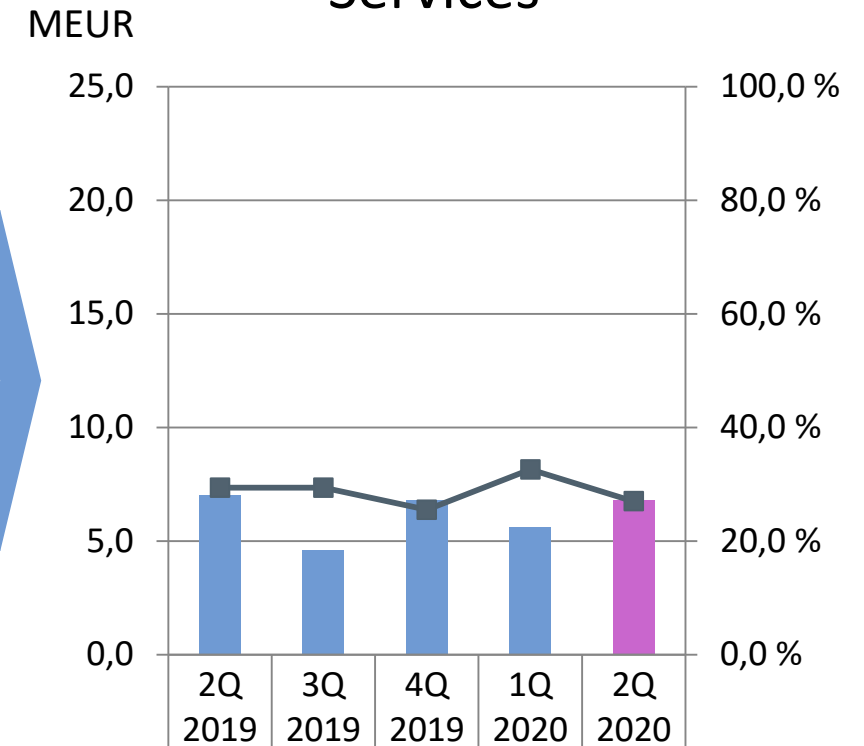
# Quarterly Net Sales by Products and Services

## Products



Product-based net sales grew by 10.4 %

## Services



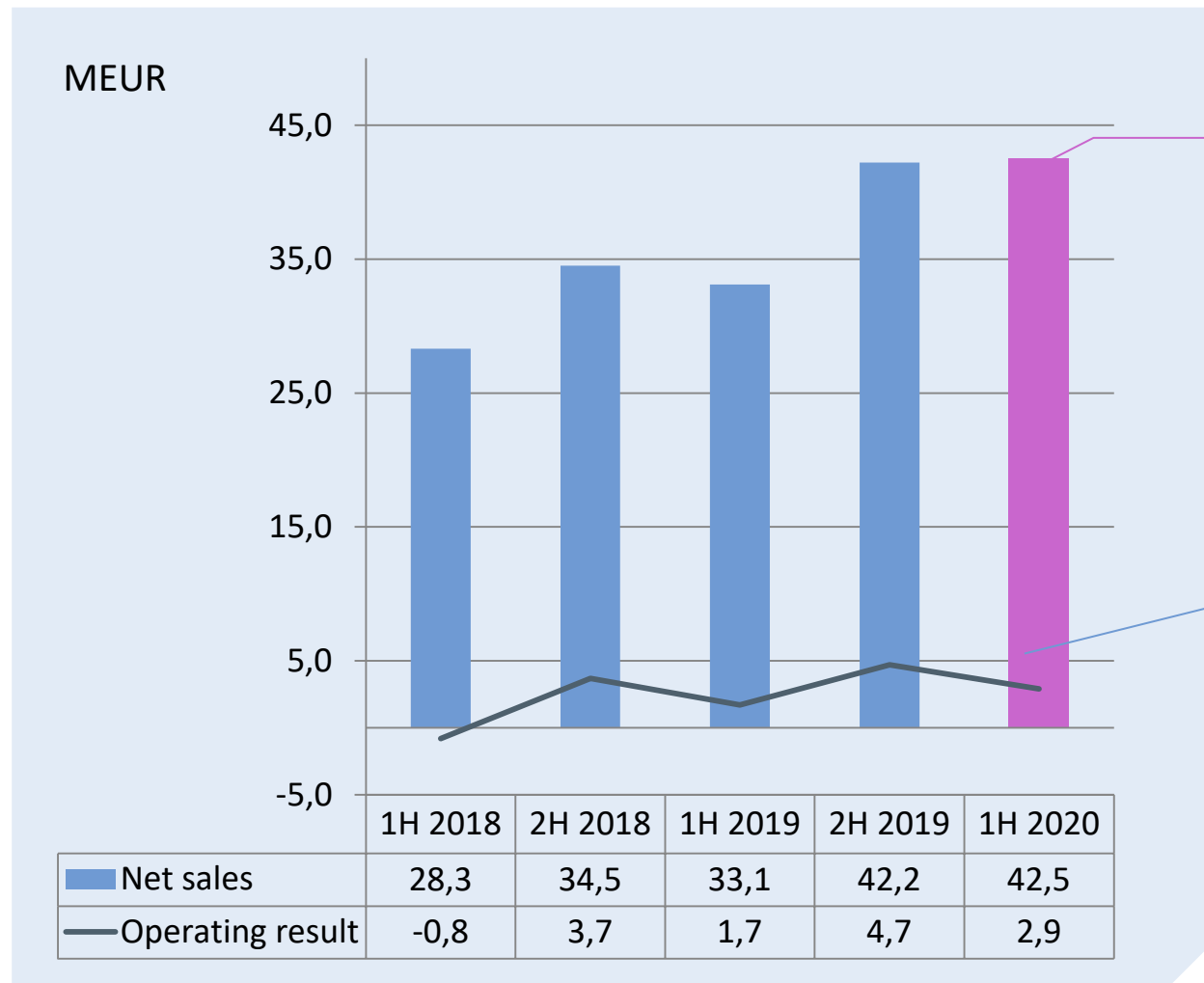
Service-based net sales declined by 2.2 %

Products Net Sales	16,7	10,7	20,1	11,7	18,4
% of Net Sales	70,6 %	70,6 %	74,5 %	67,4 %	73,0 %

Services Net Sales	7,0	4,6	6,8	5,6	6,8
% of Net Sales	29,4 %	29,4 %	25,5 %	32,6 %	27,0 %



# Half-Yearly Net Sales and Operating Profit



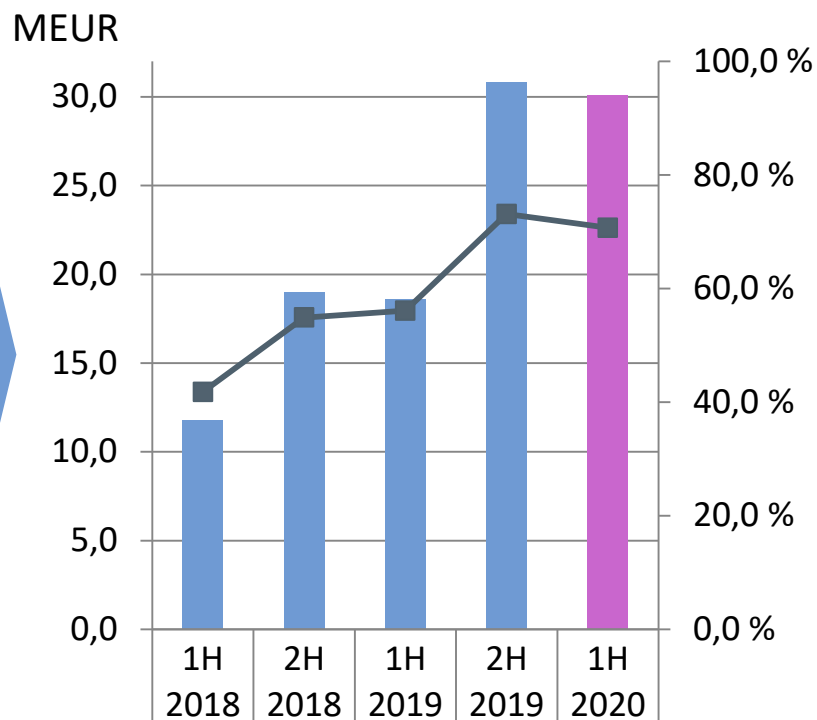
- Net sales grew by 28.7 % to MEUR 42.5 (MEUR 33.1)

- Operating result was MEUR 2.9 (MEUR 1.7) equaling 6.7 % of net sales (5.0 %)



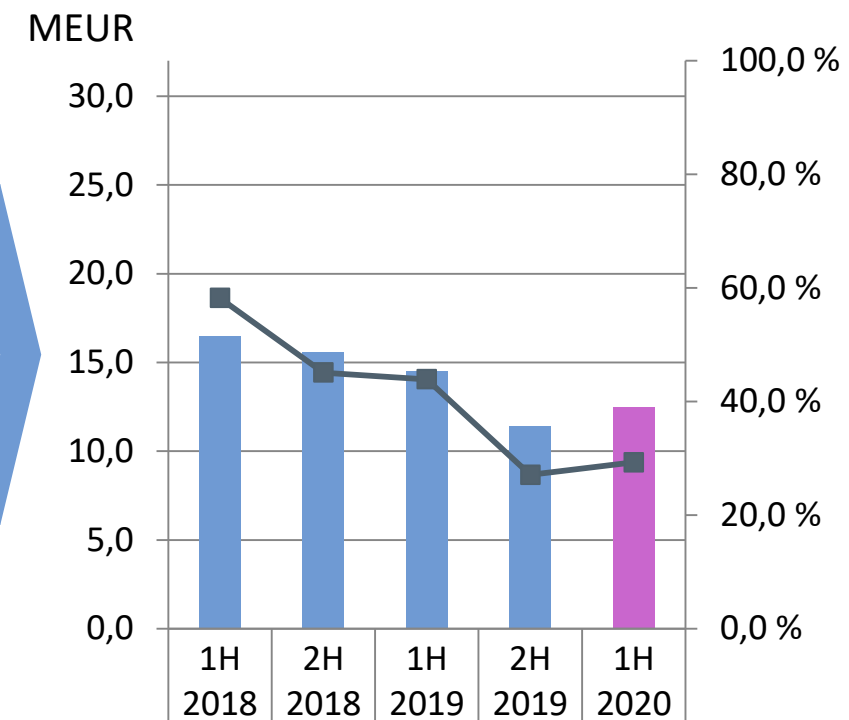
# Half-Yearly Net Sales by Products and Services

## Products



Products Net Sales	11,8	19,0	18,6	30,8	30,1
% of Net Sales	41,8 %	54,9 %	56,1 %	73,1 %	70,7 %

## Services



Services Net Sales	16,5	15,6	14,5	11,4	12,5
% of Net Sales	58,2 %	45,1 %	43,9 %	27,1 %	29,3 %



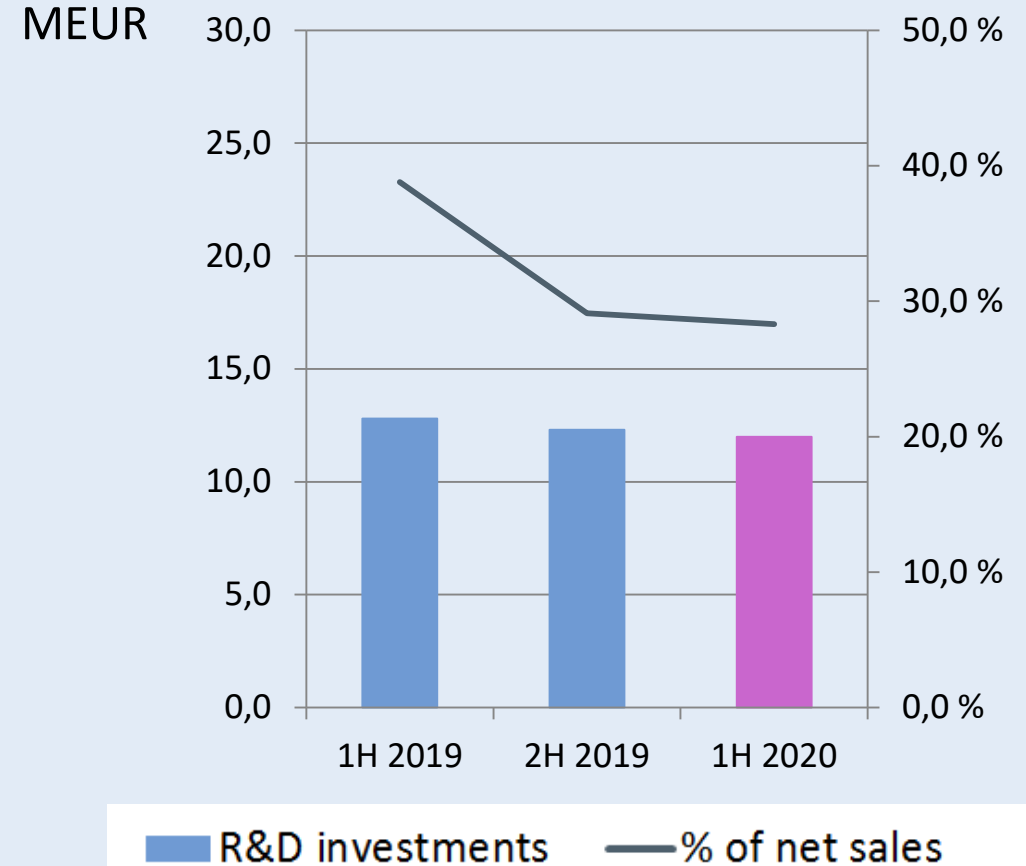
# Strong R&D Investments

R&D investments declined, however, stayed at high level and were MEUR 12.0 equaling 28.3% of the net sales (MEUR 12.8 equaling 38.8% of the net sales)

- MEUR 7.4 was capitalized (MEUR 8.6)
- Depreciations of R&D investments were MEUR 2.9 (MEUR 0.7)
- R&D costs in the P&L were MEUR 7.6 (MEUR 4.9)

The main focus in the R&D investments were

- The new Bittium Tough SDR™ soldier and vehicle radios
- Tactical communication system networks
- Bittium Tough Mobile™ 2 smartphone and related security software
- Biosignal measuring and monitoring products



# Cash Flow

MEUR	1H 2020	1H 19	2019
Net profit +/- adjustment of accrual basis items	8.7	4.7	14.3
Change in net working capital	-8.0	-5.7	-4.2
Interests and taxes	-0.4	-0.2	-0.4
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>0.3</b>	<b>-1.2</b>	<b>9.6</b>
Net cash from investing activities	-8.4	-10.1	-18.6
Net cash from financing activities	-0.7	13.9	13.2
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-8.8</b>	<b>2.6</b>	<b>4.3</b>

- The net working capital in the operating cash flow increased because of the growth in receivables and inventories
- The net cash from investing activities include investments made into own product development of MEUR 7.4



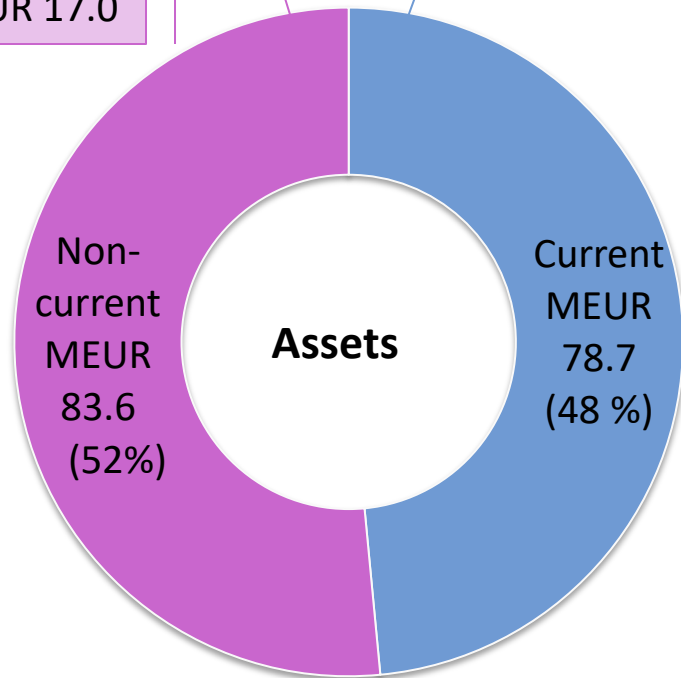
# Assets and Liabilities

Balance sheet per 30<sup>th</sup> of June, 2020 was total MEUR 162.3

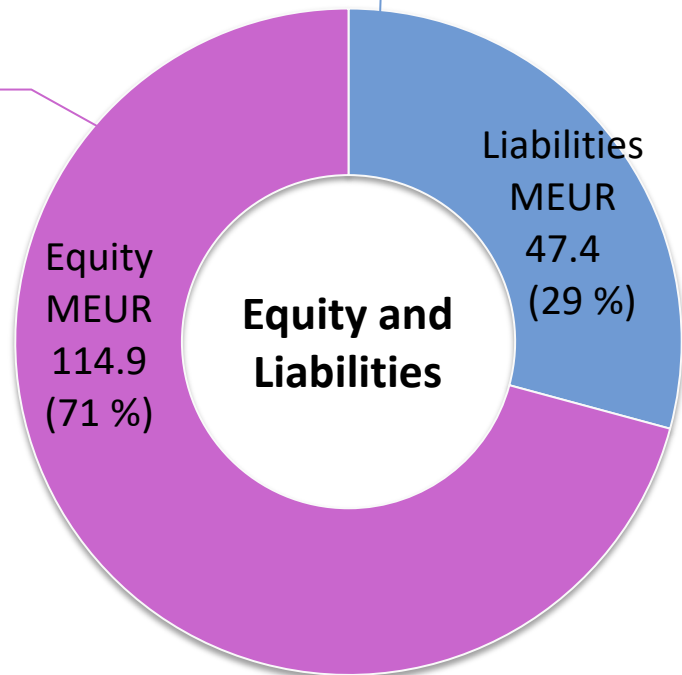
- Property, plant and equipment MEUR 23.0
- Capitalized R&D investments MEUR 43.6
- Other assets MEUR 17.0

- Inventories MEUR 21.4
- Trade and other receivables MEUR 30.9
- Cash and liquid assets MEUR 26.3

- Trade and other payables MEUR 24.5
- Interest bearing debt MEUR 22.4
- Other liabilities MEUR 0.6
- Net gearing -3.5 %



- Equity ratio 71.8 %



# Outlook for 2020

CEO Hannu Huttunen





# Outlook for 2020

The world-wide coronavirus pandemic significantly affects the global economy and market situation. The prevailing uncertainties in the markets cause week visibility to the market situation.

Despite the delays in the business development in general and the significant increase of the risks and uncertainties, the effects of the pandemic have not significantly affected Bittium's business operations yet. However, the prolongation of the situation may affect Bittium's financial development negatively, which is currently difficult to evaluate.

Based on the current information the company sees no reason to change the financial outlook for 2020, published in the company's Financial Statement Bulletin 2019. The company will monitor the development of the market situation constantly and if the outlook should weaken, the company may need to re-evaluate the situation.

Bittium expects that the net sales in 2020 will grow from the previous year (EUR 75.2 million in 2019) and the operating profit will be at the same level than in the previous year (6.3 million in 2019).

The level of the operating profit in 2020 will be impacted by the investments in the international growth and depreciations of the R&D investments.





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