

Bittium

Bittium Corporation Business Review January- September 2024

Net sales

52.0 MEUR

Net sales growth

4.9 %

Operating result

2.6 MEUR

Operating result, % of net sales

5.1 %

Business Review January-September 2024

Net sales, operating result and cash flow improved from last year. Order backlog grew significantly.

As of January 1, 2024, Bittium Corporation has started segment-based financial reporting. There are four reportable segments: the company's three business segments; Defense & Security, Medical, and Engineering Services, and Group Functions segment.

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

Summary July-September 2024

- Net sales were EUR 14.0 million (EUR 13.9 million), representing a 0.8 percent increase year-on-year.
- Product-based net sales were EUR 7.0 million (EUR 7.6 million), representing 50.1 percent of the total net sales (54.9 percent).
- Services-based net sales were EUR 7.0 million (EUR 6.3 million), representing 49.9 percent of the total net sales (45.1 percent).
- Operating result was EUR -0.3 million (EUR -2.1 million), representing -2.0 percent of net sales (-14.9 percent).
- The result for the period was EUR -0.6 million, and earnings per share were EUR -0.016 (result for the period EUR -2.4 million and earnings per share EUR -0.066).
- Cash flow from operating activities was EUR 7.9 million (EUR 5.2 million).
- Net cash flow was EUR 5.9 million (EUR 2.9 million).
- Implementation of the strategy and measures to improve the profitability of the company continued systematically.

Summary January-September 2024

- Net sales were EUR 52.0 million (EUR 49.5 million), representing a 4.9 percent increase year-on-year.
- Product-based net sales were EUR 29.6 million (EUR 29.0 million), representing 57.0 percent of the total net sales (58.6 percent).
- Services-based net sales were EUR 22.3 million (EUR 20.5 million), representing 43.0 percent of the total net sales (41.4 percent).
- Operating result was EUR 2.6 million (EUR -5.3 million), representing 5.1 percent of net sales (-10.7 percent).
- Result for the period was EUR 1.7 million, and earnings per share were EUR 0.048 (result for the period EUR -6.0 million and earnings per share EUR -0.168).
- Cash flow from operating activities was EUR 10.8 million (EUR 0.6 million).
- Net cash flow was EUR 3.0 million (EUR -9.4 million).
- Order backlog was EUR 39.4 million (EUR 21.3 million)
- Personnel at the end of the period was 503 employees (604 employees).

Key Figures

GROUP (MEUR)	7-9/2024 3 months	7-9/2023 3 months	1-9/2024 9 months	1-9/2023 9 months	1-12/2023 12 months
NET SALES	14.0	13.9	52.0	49.5	75.2
Change of the net sales, %	0.8 %	0.8 %	4.9 %	-9.7 %	-8.8 %
EBITDA	1.3	0.3	8.7	1.9	5.2
EBITDA, % of net sales	9.2 %	2.0 %	16.7 %	3.8 %	6.9 %
OPERATING PROFIT / LOSS	-0.3	-2.1	2.6	-5.3	-4.3
Operating profit / loss, % of net sales	-2.0 %	-14.9 %	5.1 %	-10.7 %	-5.7 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	-0.6	-2.4	1.7	-6.0	-5.4
EARNINGS PER SHARE (EUR)	-0.016	-0.066	0.048	-0.168	-0.153
TOTAL R&D EXPENSES	2.8	3.9	10.6	15.1	20.2
R&D EXPENSES, % FROM NET SALES	19.8 %	27.9 %	20.4 %	30.4 %	26.9 %
CAPITALIZED R&D EXPENSES	0.9	1.4	4.8	5.7	7.2
NET CASH FROM OPERATING ACTIVITIES	7.9	5.2	10.8	0.6	1.2
NET CASH FROM INVESTING ACTIVITIES	-1.7	-1.4	-5.8	-6.1	-7.7
NET CASH FROM FINANCING ACTIVITIES	-0.3	-0.9	-2.0	-3.8	-4.2
NET CHANGE IN CASH AND CASH EQUIVALENTS	5.9	2.9	3.0	-9.4	-10.7
CASH AND OTHER LIQUID ASSETS	11.4	9.7	11.4	9.7	8.3
NET GEARING (%)	10.0 %	12.2 %	10.0 %	12.2 %	13.2 %
EQUITY RATIO (%)	71.2 %	71.0 %	71.2 %	71.0 %	69.6 %
AVERAGE PERSONNEL DURING THE PERIOD	500	609	506	611	601
PERSONNEL AT THE END OF THE PERIOD	503	604	503	604	526

Bittium's CEO Johan Westermarck

The third quarter of the year realized as expected. Net sales were at the same level as in the corresponding period last year totaling to EUR 14.0 million. Operating result continued to improve as a result from the measures to improve the efficiency and profitability. Net sales in January-September 2024 grew to EUR 52.0 million. Operating result was EUR 2.6 million, which was a significant improvement compared to the year before. In addition to the measures to improve the efficiency and profitability, lower R&D investments effected the development of the operating result. Order backlog grew significantly.

In the current strategy period, our goal is profitable growth. The world's geopolitical situation has a positive effect on the development of demand in our Defense & Security Business Segment, creating good growth opportunities in the international tactical communications market. In the Medical Business Segment, growth has been challenged by the slow progress of medical device approvals, and in the Engineering Services Business Segment by the cost-saving pressures in the operating environment.

Defense & Security Business Segment

Net sales of the Defense & Security Business Segment in the third quarter grew by 44.0 percent from last year and was EUR 7.0 million. Operating result improved and was EUR -0.3 million. Net sales in January-September 2024 grew by 38.4 percent from last year and was EUR 27.9 million. Operating profit was EUR 2.1 million, corresponding to 7.5 percent of the net sales. The growth of the industry's demand and the increased number of product deliveries have affected to the development of net sales during this current year. The timing of product deliveries in the Defense business is substantial factor in the development of the Business Segment's net sales causing variation between the quarters. Our focus during the rest of the year will be on ensuring the product deliveries. The order book improved significantly from the previous year.

Cooperation with the Finnish Defense Forces continued strong. Partnership agreement negotiations progressed as planned, and the goal is to sign the agreement during the current year. The partnership agreement covers management system solutions used in all branches of defense, such as Bittium's tactical communication system and related products. The agreement will provide a clear framework for planned cooperation for the years 2025–2036.

In the international defense market, cooperation with our customers proceeded as planned. We received new orders from our customers in Croatia and Estonia, among others. The cooperation with the US customer Lockheed Martin continued, and the consortium led by us signed another framework agreement with Lockheed Martin as part of the indirect industrial cooperation for Finland's F-35 program. The framework agreement concerns the development of the cyber situational awareness of tactical networks.

Medical Business Segment

Net sales of the Medical Business Segment in the third quarter decreased by 22.8 percent from last year and was EUR 4.1 million. Operating result was EUR -0.5 million. Net sales in January-September 2024 decreased by 17.4 percent from last year and was EUR 13.8 million. Operating result was EUR -0.2 million, corresponding to -1.7 percent of the net sales. The decrease in net sales was influenced by the slow progress of medical device approvals for new products and product variants, thus challenging the increase of the sales. The order backlog decreased from the previous year.

We have invested in strengthening the necessary regulatory expertise by recruiting and using external experts. This has resulted in additional costs totaling approximately to EUR 0.7 million for the company during the current year.

A significant part of the sales of ECG measuring devices was accumulated from the ECG measuring devices sold to our US customer Boston Scientific Cardiac Diagnostics. The first commercial deliveries of the Bittium Respiro recording device, which is used to detect sleep apnea, have been made. Respiro has a sales license for the European market (MDR approval), but some European countries have additional local requirements that have taken us longer time to respond than expected. As part of the strategy work, we have continued market-related research and will reevaluate the target market for Respiro products.

Engineering Services Business Segment

Net sales of the Engineering Services Business Segment in the third quarter decreased by 21.2 percent from last year and was EUR 3.0 million. Operating result was EUR 0.0 million. Net sales in January-September 2024 decreased by 19.1 percent from last year and was EUR 10.3 million. Operating profit was EUR 0.5 million, corresponding to 4.9 percent of the net sales. The decline in the net sales was affected by the challenging market situation and the lower number of chargeable R&D projects than in the comparison period. The order backlog remained at the same level.

The market situation for winning new projects has continued to be challenging, as cost-saving needs limit our customers' ability to start new R&D projects. However, the cooperation with our long-term key customers continued to be good and we succeeded to win new deals from the telecom market and the defense industry. Since the number of R&D service projects is low, we have used the free capacity of the Engineering Services Business Segment experts in the Defense & Security Business Segment's projects. This opportunity to use experts across the Business Segments and has kept the employment of the personnel at high level. Simultaneously, the projects in the Defense & Security Business Segment have benefitted from the extra resources and the projects are progressing well. The market situation for R&D services is still challenging and we do not expect any changes in demand this year.

Changing Bittium from a R&D house into a sales-oriented product company has been the focus of the current year, and the work has progressed well. The commitment of our personnel in the development of the operating methods has been an essential part in

implementing the changes. At this point, I would like to thank our personnel for that. The systematic progress of the changes has made it possible to turn our focus towards the next goal, creating the future growth.

Key Figures of the Reportable Segments

The key figures to be reported are net sales, EBITDA, EBITDA % of net sales, operating result, operating result of net sales, R&D expenses, capitalized R&D expenses, new orders and order backlog, and the number of personnel. The Group Functions segment includes expenses related to group administration and listed company administration, as well as to real estate rental operations.

In connection with the transition to segment reporting, the company has reviewed and specified the definition and processing of order backlog in its customer management system. The company's order backlog consists of the undelivered portion of sales orders. In this report, the company has corrected the order backlog key figures of the 2023 to reflect the calculation according to the new process.

GROUP ORDER BACKLOG IN 2023 (MEUR)	1Q/23	2Q/23	3Q/23	4Q/23
Corrected order backlog	25.6	23.1	21.3	27.6
Previously reported order backlog	28.7	28.0	25.3	27.6

KEY FIGURES OF THE REPORTED SEGMENTS

DEFENSE & SECURITY BUSINESS SEGMENT, MEUR	7-9/2024 3 months	7-9/2023 3 months	1-9/2024 9 months	1-9/2023 9 months	1-12/2023 12 months
NET SALES	7.0	4.8	27.9	20.2	36.2
EBITDA	0.5	-1.1	5.4	-1.3	1.9
EBITDA, % of net sales	6.9 %	-23.1 %	19.2 %	-6.3 %	5.3 %
OPERATING PROFIT / LOSS	-0.3	-2.4	2.1	-5.2	-3.2
Operating profit / loss, % of net sales	-4.4 %	-49.1 %	7.5 %	-25.6 %	-8.7 %
R&D EXPENSES	1.2	1.9	5.2	8.0	10.8
Capitalized R&D expenses	-0.5	-0.9	-3.1	-4.0	-5.0
New orders	9.2	2.2	34.1	13.6	38.6
ORDER BACKLOG	27.6	8.5	27.6	8.5	17.5
PERSONNEL AT THE END OF THE PERIOD	230	260	230	260	230

MEDICAL BUSINESS SEGMENT, MEUR	7-9/2024 3 months	7-9/2023 3 months	1-9/2024 9 months	1-9/2023 9 months	1-12/2023 12 months
NET SALES	4.1	5.3	13.8	16.7	22.0
EBITDA	-0.2	0.6	0.9	1.1	0.8
EBITDA, % of net sales	-4.9 %	10.7 %	6.8 %	6.8 %	3.8 %
OPERATING PROFIT / LOSS	-0.5	0.1	-0.2	-0.1	-0.9
Operating profit / loss, % of net sales	-11.4 %	2.0 %	-1.7 %	-0.6 %	-4.0 %

R&D EXPENSES	1.2	1.5	3.9	5.7	7.7
Capitalized R&D expenses	-0.3	-0.3	-1.3	-1.5	-1.9
New orders	4.1	6.7	13.9	19.6	23.1
ORDER BACKLOG	5.6	7.3	5.6	7.3	5.5
PERSONNEL AT THE END OF THE PERIOD	101	126	101	126	107

ENGINEERING-SERVICES BUSINESS SEGMENT, MEUR	7-9/2024 3 months	7-9/2023 3 months	1-9/2024 9 months	1-9/2023 9 months	1-12/2023 12 months
NET SALES	3.0	3.8	10.3	12.7	17.0
EBITDA	0.0	0.6	0.5	1.4	1.7
EBITDA, % of net sales	1.3 %	16.6 %	5.0 %	10.9 %	9.8 %
OPERATING PROFIT / LOSS	0.0	0.6	0.5	1.4	1.7
Operating profit / loss, % of net sales	1.3 %	16.6 %	4.9 %	10.9 %	9.7 %
R&D EXPENSES	0.1	0.1	0.4	0.2	0.3
Capitalized R&D expenses	0.0	0.0	0.0	0.0	0.0
New orders	2.3	3.3	10.9	11.1	14.6
ORDER BACKLOG	6.2	5.5	6.2	5.5	4.7
PERSONNEL AT THE END OF THE PERIOD	125	143	125	143	131

GROUP FUNCTIONS SEGMENT, MEUR	7-9/2024 3 months	7-9/2023 3 months	1-9/2024 9 months	1-9/2023 9 months	1-12/2023 12 months
NET SALES	0.0	0.0	0.0	0.0	0.0
EBITDA	1.0	0.2	1.9	0.6	0.8
EBITDA, % of net sales					
OPERATING PROFIT / LOSS	0.5	-0.4	0.3	-1.4	-1.9
Operating profit / loss, % of net sales					
R&D EXPENSES	0.3	0.4	1.1	1.1	1.3
Capitalized R&D expenses	-0.1	-0.1	-0.4	-0.3	-0.4
New orders	47	75	47	75	59

Outlook for 2024 (unchanged)

Bittium expects the net sales in 2024 to be EUR 85 – 95 million (EUR 75.2 million in 2023) and the operating result to be EUR 7.0 – 9.5 million (operating loss of EUR -4.3 million in 2023).

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 global geopolitical instability has caused various risks related to demand and supply and increased uncertainty.

Further information on risks and uncertainties is presented at the company's internet pages at www.bittium.com.

Oulu, Finland, October 18, 2024

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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 2023 were EUR 75.2 million and operating loss was EUR -4.3 million. Bittium is listed on Nasdaq Helsinki. www.bittium.com