

Bittium

Bittium Corporation Financial Statement Bulletin 2018

Net sales

Net sales growth

62.8

MEUR

+21.7 %

Operating result

Operating result, % of net sales

2.8

MEUR

+4.5 %

Net sales and operating result grew in January-December 2018

Summary July-December 2018

- The net sales increased by 41.0 percent year-on-year to EUR 34.5 million (EUR 24.5 million, 2H 2017).
- The share of the product-based net sales grew significantly to 54.9 percent and was EUR 19.0 million (EUR 9.1 million, 2H 2017) and the share of the services-based net sales decreased to 45.1 percent and was EUR 15.6 million (EUR 15.2 million, 2H 2017).
- EBITDA was EUR 6.2 million (EUR -1.4 million, 2H 2017).
- Operating profit was EUR 3.7 million (operating loss of EUR -3.4 million, 2H 2017).
- Net cash flow was EUR 0.3 million (EUR -10.5 million, 2H 2017).
- Result for the period was EUR 4.8 million and earnings per share were EUR 0.135 (result for the period EUR -2.4 million from continuing operations and earnings per share EUR -0.066, 2H 2017).

GROUP (MEUR)	7-12/2018 6 months	7-12/2017 6 months
NET SALES	34.5	24.5
Change of net sales, %	41.0 %	-25.9 %
EBITDA	6.2	-1.4
EBITDA, % of net sales	17.8 %	-5.9 %
OPERATING PROFIT / LOSS	3.7	-3.4
Operating profit / loss, % of net sales	10.6 %	-14.0 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	4.8	-2.4
CASH AND OTHER LIQUID ASSETS	30.9	62.9
EQUITY RATIO (%)	84.7 %	85.6 %
EARNINGS PER SHARE (EUR)	0.135	-0.066

Summary January-December 2018

- The net sales increased by 21.7 percent year-on-year to EUR 62.8 million (EUR 51.6 million, in 2017).
- The share of the product-based net sales grew significantly to 49.0 percent and was EUR 30.8 million (EUR 16.3 million, in 2017) and the share of the services-based net sales decreased to 51.0 percent and was EUR 32.1 million (EUR 34.9 million, in 2017).
- EBITDA was EUR 7.5 million (EUR -2.3 million, in 2017).
- Operating profit was EUR 2.8 million (EUR -6.2 million, in 2017).
- Net cash flow was EUR -32.0 million (EUR -32.0 million, in 2017).

- Result for the period was EUR 4.0 million and earnings per share were EUR 0.113 (result for the period from continuing operations EUR -4.8 million and earnings per share EUR -0.133, in 2017).
- The Board of Directors proposes that the Annual General Meeting to be held on April 10, 2019 resolve to pay EUR 0.05 per share as dividend based on the adopted balance sheet for the financial period of January 1, 2018 - December 31, 2018, representing approximately half of the result of the financial period, and in addition EUR 0.10 per share as additional dividend, totaling altogether to EUR 0.15 per share.

GROUP (MEUR)	2018	2017
	12 months	12 months
NET SALES	62.8	51.6
Change of net sales, %	21.7 %	-19.6 %
EBITDA	7.5	-2.3
EBITDA, % of net sales	11.9 %	-4.5 %
OPERATING PROFIT / LOSS	2.8	-6.2
Operating profit / loss, % of net sales	4.5 %	-12.0 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	4.0	-4.8
CASH AND OTHER LIQUID ASSETS	30.9	62.9
EQUITY RATIO (%)	84.7 %	85.6 %
EARNINGS PER SHARE (EUR)	0.113	-0.133

In this report, Bittium uses alternative performance measures in accordance with the guidelines issued by the European Securities and Markets Authority (ESMA). Alternative performance measures are derived from performance measures reported in accordance to International Financial Reporting Standards (IFRS). Alternative performance measures are used to better reflect the operational business performance and to enhance comparability between financial periods. They are reported in addition to, but not substituting, the performance measures reported in accordance with the IFRS.

Bittium's CEO Hannu Huttunen

The second half of 2018 was very strong. The net sales grew 41 percent from the corresponding period last year and was EUR 34.5 million. The share of product based net sales doubled and was EUR 19.0 million, which was EUR 9.8 million more than in the corresponding period last year. This was resulted mainly from the product deliveries of tactical communication systems and deliveries of biosignal measuring and monitoring devices. Operating profit in the second half of the year was EUR 3.7 million, which was 10.6 percent of the net sales.

The net sales in 2018 grew by 21.7 percent from previous year and was EUR 62.8 million. The share of the product-based net sales grew significantly and was EUR 30.8 million which was EUR 14.5 million more than in the corresponding period last year. The product-based net sales resulted mainly from the product deliveries of tactical communication systems, the deliveries of biosignal measuring and monitoring devices, deliveries of Bittium Tough Mobile smartphones and Mexsat phones, and their related security software deliveries.

The net sales of service business decreased from previous year and was EUR 32.1 million being EUR 2.8 million less than in the last year. The decrease in the services business net sales was mainly caused by the variation of the timing of R&D projects' starts and ends which is typical for the nature of the business, as well as the company's own significant large R&D projects that tie experts into internal product development.

Resulting from the growth of the net sales the company's operating result was EUR 2.8 million. The growth of the operating profit was affected especially by the growth of the product based net sales.

During 2018, the cooperation with Finnish Defence Forces strengthened further. In the spring they ordered products related to the Software Defined Radio based Bittium Tactical Wireless IP Network™ (TAC WIN) system, which is meant for tactical communications. The value of the order was EUR 14.3 million (excl. VAT). The order is based on the Framework Agreement signed earlier by Bittium and the Finnish Defence Forces. In the fall, we signed a Framework Agreement with the Finnish Defense Forces on the purchase of Bittium Tough Comnode™ terminals and related accessories. The maximum value of the purchase for the Framework Agreement is EUR 8.3 million (excl. VAT). At the end of the year we signed a significant agreement with the Finnish Defence Forces on the purchase of the new Bittium Tough SDR™ handheld and vehicle radios, and their related accessories. The value of the Purchase Agreement is approximately EUR 10.5 million (excl. VAT) at the maximum. The purchase agreement includes terms for optional additional purchase, according to which, the Finnish Defence Forces have an option to purchase additional tactical radios and their related accessories, training and system management based on the prices agreed in the Purchase Agreement. If these optional additional purchase amounts would materialize in full, the total value of the purchase would be approximately EUR 207 million (excl. VAT) at the maximum.

The year 2018 was significant year for Bittium's tactical communication product portfolio also from international point of view. We received the first big international tactical communication deal, as our Austrian cooperation partner Kapsch Business AG won the competitive bidding of Austrian Defence Administration on the new tactical communication system for Austrian Defence Forces. The core for the new communication system will be Software Defined Radio based Bittium Tactical Wireless IP Network™ (TAC WIN) system and their related Bittium Tough Comnode™ and Bittium Tough VoIP™ terminal products. When materialized in full, Bittium's share of the total offering is approximately EUR 30 million.

Bittium has made several international tactical communication pilot deliveries. In 2018, most significant pilot delivery was to Spain, where we delivered new tactical Bittium Tough SDR Vehicular™ radios for the Spanish Army's vehicle pilot program.

In the beginning of the year we made important international break through with our ECG measuring devices as we signed a three-year supply agreement with a major US remote monitoring provider under which Bittium will supply the Bittium Faros™ 360 and customized Bittium Faros™ 360 cardiac ECG signal measuring and monitoring devices. When materialized in full, the total value of the agreement is USD 21 million.

In line with our strategy, we continued investments into our product business. The R&D investments in own products and product platforms were high, 34.4 percent of net sales. The investments focused mainly on extending the tactical communication product offering targeted for defense industry as well as on different terminal products and their related software development targeted for Mobile Security and Public Safety markets. We also continued further developing our products for measuring and monitoring of biosignals. We will continue investing significantly in our product development also in 2019 in order to finalize the ongoing R&D projects.

Significant part of Bittium's strategy includes strengthening company's position in the international markets. In regards to this, the year 2018 was remarkable year for us. Bittium is in a good position to continue growing also in the future.

Outlook for 2019

The amount of wireless broadband data transfer applications is expanding and diversifying. Also the amount of data transfer and the need for secure data transfer are growing. These all create demand for Bittium's leading edge technology products and solutions.

The digitalization of healthcare and remote care are becoming more common, enhancing the healthcare services and creating demand for Bittium's medical technology products and solutions. In order to enable strong international growth in a long term, Bittium invests significantly in developing its own products and solutions and aims at growing its net sales based on its products and product platforms.

Bittium expects that the net sales in 2019 will grow from previous year (EUR 62.8 million in 2018) and the operating profit to be better than in the previous year (2.8 million in 2018). Due to the product deliveries focusing on the second half of the year, the accumulation of the operating result is expected during the second half of the year, as in the previous year. In addition, the level of operating result in 2019 will be impacted by the investments in own products and product platforms started in 2017.

More information about Bittium's market outlook is presented in the section "Market outlook" in this Financial Statement Bulletin.

More information about other uncertainties regarding the outlook is presented in this Financial Statement Bulletin in the section "Risks and uncertainties" and on the company's internet pages at www.bittium.com.

Invitation to a Press Conference

Bittium will hold a press conference on the Financial Statement 2018 for media, analysts and institutional investors in Restaurant Savoy, Eteläesplanadi 14, Helsinki, Finland, on Thursday, February 21, 2019 at 9.30am (CEST+1). The press conference will be held in Finnish.

Bittium will also hold a webcast and telephone conference on the same day at 11.00am. The dial-in number for the conference call is +358981710310 (PIN: 59477240#). The live webcast is accessible at <https://bittium.videosync.fi/2018-financial-statement-teleconference>. The conference call will be held in English. A recording of the webcast and the presentation will be available after the conference on Bittium's website at www.bittium.com/investors.

Bittium

Bittium specializes in the development of reliable, secure communications and connectivity solutions leveraging its over 30 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 2018 were EUR 62.8 million and operating profit was EUR 2.8 million. Bittium is listed on Nasdaq Helsinki. www.bittium.com

Bittium Corporation's Financial Statement Bulletin 2018

Financial Performance in January-December 2018

Bittium's net sales in January-December 2018 grew by 21.7 percent year-on-year to EUR 62.8 million (EUR 51.6 million, in 2017).

The share of the product-based net sales increased significantly to 49.0 percent and was EUR 30.8 million (EUR 16.3 million, in 2017), which resulted mainly from the product deliveries of the tactical communication system, deliveries of products for measuring and monitoring biosignals, and product deliveries of Bittium Tough Mobile smartphones and Mexasat phones and their related security software.

The share of the services-based net sales decreased to 51.0 percent and was EUR 32.1 million (EUR 34.9 million, in 2017). The decrease in the services business net sales was caused by the typical variation of timing of R&D project's beginning and ending, as well as the company's own significant large R&D projects that tie experts into internal product development.

Operating profit was EUR 2.8 million (operating loss of EUR -6.2 million, in 2017).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR	2018	2017
	12 months	12 months
Net sales	62.8	51.6
Operating profit / loss	2.8	-6.2
Financial income and expenses	-0.1	0.4
Result before tax	2.7	-5.8
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	4.0	-4.8
RESULT FOR THE PERIOD FROM DISCONTINUING OPERATIONS	0.0	1.7
RESULT FOR THE PERIOD	4.0	-3.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4.1	-3.2
Result for the period attributable to:		
Equity holders of the parent	4.0	-3.1
Total comprehensive income for the period attributable to:		
Equity holders of the parent	4.1	-3.2
Earnings per share from continuing operations, EUR	0.113	-0.133

- Cash flow from operating activities was EUR -0.5 million (EUR -0.0 million, in 2017).
- Net cash flow during the period was EUR -32.0 million. As the most significant item the net cash flow includes EUR 15.1 million investments made into own product development and the EUR 10.7 million dividend payment (EUR -32.0 million, in 2017,

including EUR 5.8 million investments in own R&D and EUR 10.7 million dividend payment as well as investments into the new premises in Oulu, as the most significant item).

- Equity ratio was 84.7 percent (85.6 percent, December 31, 2017).
- Net gearing was -26.7 percent (-52.9 percent, December 31, 2017).

Half Year Figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	2H/18	1H/18	2H/17	1H/17
Net sales	34.5	28.3	24.5	27.1
Operating profit (loss)	3.7	-0.8	-3.4	-2.8
Result before taxes	3.5	-0.8	-3.4	-2.4
Result for the period	4.8	-0.8	-2.4	-2.4

DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR AND %	2H/18	1H/18	2H/17	1H/17
Product based net sales	19.0 54.9 %	11.8 41.8 %	9.1 37.2 %	7.2 26.5 %
Services based net sales	15.6 45.1 %	16.5 58.2 %	15.2 62.0 %	19.7 72.7 %
Other net sales			0.2 0.8 %	0.2 0.7 %

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	2H/18	1H/18	2H/17	1H/17
Asia	0.4 1.1 %	0.5 1.7 %	1.0 4.2 %	0.3 1.1 %
Americas	5.0 14.6 %	3.0 10.6 %	1.4 5.8 %	4.5 16.4 %
Europe	29.1 84.3 %	24.8 87.7 %	22.0 90.0 %	22.4 82.5 %

Research and Development

Bittium continued significant investments in its own products and product platforms. In January-December 2018 the investments were 34.4 percent of net sales.

The investments focused mainly on expanding the tactical communication product portfolio targeted to defense industry and on the development of different terminal products and their related software targeted for Mobile Security and Public Safety markets. In 2017, Bittium started to develop new software-defined radio based Bittium Tough SDR™ product family that includes tactical Bittium Tough SDR handheld and Bittium Tough SDR vehicle radios. In addition, Bittium continued to develop secure smartphones and the related security software. The investments were also continued into the further development of the products intended for measuring and monitoring of biosignals.

A significant part of the capitalized R&D investments is related to developing tactical communication handheld and vehicle radios and investments related to the further development of the secure smartphones and the related security software, as well as from the investments related to the further development of products intended for biosignal measuring and monitoring.

The depreciation plan of the capitalized R&D investments has been updated starting from November 2017 onwards. The depreciations are now made based on time. Previously part of the investments was depreciated based on the forecasted production amounts of the capitalized R&D asset. The update improves the allocation of the depreciations for the periods under review. The update of the depreciation plan has no effect on the evaluation of comparative periods.

R&D INVESTMENTS, MEUR	2018	2017
	12 months	12 months
Total R&D investments	21.6	15.0
Capitalized R&D investments	-15.1	-5.8
Depreciations and impairment of R&D investments	0.4	0.3
Cost impact on income statement	6.9	9.6
R&D investments, % of net sales	34.4 %	29.1 %

CAPITALIZED R&D INVESTMENTS IN BALANCE SHEET, MEUR	2018	2017
	12 months	12 months
Balance sheet value in the beginning of the period	11.9	6.4
Additions during the period	15.1	5.8
Acquisitions of the business		
Depreciations and impairment of R&D investments	-0.4	-0.3
Balance sheet value at the end of the period	26.6	11.9

Business Development in July-December 2018

July 12, 2018 – Bittium expanded its medical technology offering to Switzerland by investing in a Swiss remote diagnostics service company. Bittium and evismo will jointly provide customers with full-scale remote diagnostics service that at this stage includes remote diagnostics service platform, monitoring the electrical activity of the heart, wireless measurement data transfer, and analysis and diagnostics of measurements. The investment was carried out by subscribing new shares in evismo AG, the subscription is carried out in two phases. After the share subscription on July 11th, Bittium's holding of evismo was 17.4 percent and, subject to certain commercial terms by March 31, 2019, Bittium's holding will be 25 percent. The investment did not change Bittium's financial outlook for the year 2018.

August 9, 2018 – Bittium expanded its operations in Central Europe by opening a new office in Munich, Germany. Bittium's local presence in Germany enables high quality customer support for the local customers, and helps in developing and supporting Bittium's international sales network.

August 23, 2018 – Bittium launched new waterproof Bittium Faros™ ECG device and Bittium FastFix™ patch electrode for ECG measurement at ESC Congress 2018 on August 25-29 in Munich, Germany. The new waterproof Bittium Faros 180 and Bittium Faros 360 ECG devices together with the Bittium FastFix patch electrodes make the patient's life easier during long-term (3-30 days) ECG recordings. Bittium Faros ECG device together with the Bittium FastFix patch electrode is meant for wireless ECG measurement. The chest-attachable patch electrode can be used for 3 to 7 days at a time, after which measurement can be continued by replacing the patch electrode with a new one. ECG recordings with the waterproof Bittium Faros ECG devices and Bittium FastFix patch electrodes enable the monitored person to be active, do sports and shower without having to remove the device and thus stop the recording.

September 27, 2018 – Bittium announced that it will supply its tactical Bittium Tough SDR Vehicular radios together with the ESSOR High Data Rate Waveform (ESSOR HDR WF) to the pilot vehicles of the Spanish Army's VCR 8x8 vehicle programme (Vehículo de Combate sobre Ruedas). In the scope of the VCR 8x8 programme the Spanish Army will acquire new combat vehicles and related data transfer systems to replace their current, long-lived combat vehicles. Bittium Tough SDR Vehicular radios will be delivered to the temporary joint venture UTE 8x8 (Unión Temporal de Empresas) formed by the Spanish companies GDELS Santa Bárbara Sistemas, Indra and SAPA. After the pilot phase, the programme will continue with another phase during which a separate procurement decision will be made for the supply of vehicular radios to the combat vehicles that will be deployed by the Spanish Army. Participation in the pilot phase of the programme does not automatically guarantee participation in the following phase of the programme.

November 5, 2018 – Bittium Wireless Ltd, a subsidiary of Bittium Corporation, and Finnish Defence Forces signed a Framework Agreement on Bittium Tough Comnode™ terminals and related accessories. The Framework Agreement covers the years 2018-2022. The maximum value of the Framework Agreement is EUR 8.3 million (excl. VAT). The Finnish Defence Forces will issue separate purchase orders in several batches during the validity of the Framework Agreement. The Framework Agreement did not change Bittium's financial outlook for the year 2018. Bittium announced on October 3, 2018 that the Finnish Minister of Defence Jussi Niinistö had authorized the Finnish Defence Forces Logistics Command to enter into a Framework Agreement with Bittium Wireless Ltd on the purchase of Bittium Tough Comnode™ terminals and related accessories.

November 23, 2018 – Bittium announced that its cooperation partner, Austrian information technology company Kapsch BusinessCom AG, was informed by the Austrian defense administration (Bundesministerium für Landesverteidigung, BMLV) today that it should be selected as the provider of the new IP-based tactical communication system for the Austrian defense forces, in case no appeals by the losing parties of the competitive bidding will be filed during the next 10-days appeal period. This is a typical process in such public competitive bidding. Bittium's products for tactical communications are a significant part of Kapsch BusinessCom's bid, including the Software Defined Radio based Bittium Tactical Wireless IP Network™ (TAC WIN) system, which will be the core of the new communication system, as well as Bittium Tough Comnode™ and Bittium Tough VoIP™ products. On December 4, 2018 Bittium was informed that the 10-day appeal period has expired and no appeals have been made. The signing of the contract was scheduled to December 2018. Bittium's share of the total value is around EUR 30 million (excl. VAT). The product deliveries are expected to take place during the years 2019-2021 and the majority of the net sales is estimated to realize during the years 2020 and 2021. This did not change Bittium's financial outlook for the year 2018.

December 10, 2018 – The new waterproof Bittium Faros™ ECG devices, Bittium Cardiac Navigator™ and Bittium Cardiac Explorer™ analysis software received FDA 510(k) medical device clearances in United States. The FDA 510(k) clearance received by the Bittium Faros ECG device includes the built-in algorithms for detection of arrhythmias. The algorithms can be used to automatically identify sequences in the heart measurement data that include atrial fibrillation, tachycardia, bradycardia, and pauses in the operation of the heart. The received FDA 510(k) clearance also allows the use of Bittium Faros ECG measuring devices for pediatric ECG measurements. The received clearance allows the use of Bittium Faros either in long-term ECG recording or in remote wireless cardiac monitoring. The received FDA 510(k) clearance allows cardiologists to use the Bittium Cardiac Navigator and Bittium Cardiac Explorer software solutions for official analysis of ECG-recordings collected with the Bittium Faros ECG monitoring devices.

December 13, 2018 – Bittium Wireless Ltd, a subsidiary of Bittium Corporation and Finnish Defence Forces Logistics Command signed an Agreement on the purchase of Bittium Tough SDR™ handheld and vehicle radios, and their related accessories. The value of the Purchase Agreement is approximately EUR 10.5 million (excl. VAT) at the maximum. The new software-defined-radio based tactical radios will be used at the first phase by the Army and the delivery will be completed at the latest by the end of the year 2020. This purchase agreement did not change Bittium Corporation's financial outlook for the year 2018.

The Purchase Agreement is based on the Letter of Intent for purchase of new tactical radios, signed by Bittium and Finnish Defence Forces on August 8, 2017. The Purchase Agreement signed today is a natural continuum to the Letter of Intent. Bittium issued a stock exchange release on the Letter of Intent on August 8, 2017. The Finnish Minister of Defence Jussi Niinistö authorized the Finnish Defence Forces Logistics Command to enter into an Agreement with Bittium Wireless Ltd on December 11, 2018.

The purchase agreement includes terms for optional additional purchase, according to which, the Finnish Defence Forces have an option to purchase additional tactical radios and their related accessories, training and system management for the use of Army, Air Force and Navy, based on the prices agreed in the Purchase Agreement. If these optional additional purchase amounts would materialize in full, the total value of the purchase would be approximately EUR 207 million (excl. VAT) at the maximum. As agreed in the Letter of Intent, the Finnish Defence Forces aim at making these additional purchases during the next ten years. The materialization of the purchase is affected by the yearly state budget allocations for the administrative of the Ministry of Defence. There will be separate purchase orders for these optional additional purchases.

During 2018, Bittium showcased its products and services at several exhibitions around the world.

Significant Events during the Reporting Period

February 13, 2018 – Bittium Biosignals Ltd, a subsidiary of Bittium Corporation, and a major US remote monitoring provider, concluded a three-year supply agreement under which Bittium will supply the Bittium Faros™ 360 and customized Bittium Faros™ 360 cardiac ECG signal measuring and monitoring devices. In addition, Bittium will supply disposable electrodes for attaching Bittium Faros ECG devices.

When materialized in full, the total value of the agreement was USD 21 million (approximately EUR 17,1 million based on an exchange rate of February 12, 2018) with revenues recognized gradually during the years 2018, 2019, 2020 and 2021 depending on the progress of the product deliveries, with estimated emphasis on 2019 and 2020. This agreement did not change the Company's long term financial outlook (published in the Half Year Financial Report January-June 2017 on August 9, 2017).

April 13, 2018 – Bittium Wireless Ltd, a subsidiary of Bittium Corporation received a purchase order from the Finnish Defence Forces for products included in the Software Defined Radio based Bittium Tactical Wireless IP Network™ (TAC WIN) system, which is meant for tactical communications. The value of the purchase order was EUR 14.3 million (excl. VAT). The purchase order did not change Bittium's financial outlook for the year 2018 (published in the Financial Statement Bulletin 2017 on February 22, 2018). The purchase order is based on the Framework Agreement signed by Bittium and the Finnish Defence Forces on August 9, 2017, according to which the Finnish Defence Forces will order products included in the Software Defined Radio based Bittium TAC WIN system during the years 2018-2020. According to the Framework Agreement, Finnish Defence Forces will issue separate purchase orders for the products each year. The products ordered now will be delivered to the Finnish Defence Forces during the year 2018. If materialized in full, the total value of the Framework Agreement is EUR 30 million (excl. VAT). Bittium announced the Framework Agreement on August 9, 2017.

September 11, 2018 – Mr. Sammy Loitto (MBA and Master of Engineering in Industrial Management) was appointed as Senior Vice President, Sales in Bittium Corporation as of October 1, 2018. Previously he has been responsible for sales and business development activities at Bittium. Prior to that, he has worked in several sales and management positions at Jolla, Gryphon Secure and Airbus. Mr. Loitto reports to Mr. Hannu Huttunen, CEO of Bittium Corporation. As of October 1, 2018 Bittium management group consists of following persons: Mr. Hannu Huttunen, CEO (chairman); Mr. Pekka Kunnari, CFO; Mr. Kari Jokela, CLO; Ms. Karoliina Fyrstén, Director, Corporate Communications and Marketing, Mr. Sammy Loitto, Senior Vice President Sales, and heads of product and service areas: Mr. Jari Sankala, Senior Vice President, Defense and Security; Mr. Klaus Mäntysaari, Senior Vice President, Connectivity Solutions; and Mr. Arto Pietilä, Senior Vice President, Medical Technologies; and Mr. Jari-Pekka Innanen, Vice President, Engineering.

October 3, 2018 – the Finnish Minister of Defence Jussi Niinistö has authorized the Finnish Defence Forces Logistics Command to enter into a Framework Agreement with Bittium Wireless Ltd on the purchase of Bittium Tough Comnode™ terminals and related accessories. The Framework Agreement was signed on November 11, 2018. It covers the years 2018-2020 and the maximum value of the purchase authorization for the Framework Agreement is EUR 8.3 million (excl. VAT). Based on the Framework Agreement, the Finnish Defence Forces will issue separate purchase orders in several batches during the validity of the Framework Agreement. The Framework Agreement did not change Bittium's financial outlook for the year 2018. Bittium Tough Comnode™ will fulfil the data transfer needs of the Finnish Defence Forces' mobile troops by functioning for example as a VoIP phone (Voice over IP), an IP router (Internet Protocol), and an SHDSL repeater (Symmetrical High-speed Digital Subscriber Line). The terminals will be used by all three military branches.

November 23, 2018 – Bittium announced that its cooperation partner, Austrian information technology company Kapsch BusinessCom AG was informed by the Austrian defense administration (Bundesministerium für Landesverteidigung BMVL) that it should be selected as the provider of the new IP-based tactical communication system for the Austrian defense forces in case no appeals by the losing parties of the competitive bidding will be filed during the next 10-days appeal period. This is a typical process in such public competitive bidding. Bittium's products for tactical communications are a significant part of Kapsch BusinessCom's winning bid, including the Software Defined Radio based Bittium Tactical Wireless IP Network™ (TAC WIN) system, which will be the core of the new communication system, as well as Bittium Tough Comnode™ and Bittium Tough VoIP™ products. On December 4, 2018 Bittium announced to have been informed that the 10-days appeal period has expired and no appeals have been filed. The signing of the contract was scheduled to December 2018. If materialized, Bittium's share of the total value of the winning bid will be around EUR 30 million (excl. VAT). The product deliveries are expected to take place during the years 2019-2021 and the majority of the net sales is estimated to realize during the years 2020 and 2021. This did not change Bittium's financial outlook for the year 2018.

December 11, 2018 – The Finnish Minister of Defence Jussi Niinistö authorized the Finnish Defence Forces Logistics Command to enter into an Agreement with Bittium Wireless Ltd on the purchase of Bittium Tough SDR™ handheld and vehicle radios, and their related accessories. The Agreement was signed on December 12, 2018. The value of the Purchase Agreement is approximately EUR 10.5 million (excl. VAT) at the maximum. The new software-defined-radio based tactical radios will be used at the first phase by the Army and the delivery will be completed at the latest by the end of the year 2020. This purchase agreement did not change Bittium Corporation's financial outlook for

the year 2018. The Purchase Agreement is based on the Letter of Intent for purchase of new tactical radios, signed by Bittium and Finnish Defence Forces on August 8, 2017. The Purchase Agreement signed today is a natural continuum to the Letter of Intent. Bittium issued a stock exchange release on the Letter of Intent on August 8, 2017.

The purchase agreement includes terms for optional additional purchase, according to which, the Finnish Defence Forces have an option to purchase additional tactical radios and their related accessories, training and system management for the use of Army, Air Force and Navy, based on the prices agreed in the Purchase Agreement. If these optional additional purchase amounts would materialize in full, the total value of the purchase would be approximately EUR 207 million (excl. VAT) at the maximum. As agreed in the Letter of Intent, the Finnish Defence Forces aim at making these additional purchases during the next ten years. The materialization of the purchase is affected by the yearly state budget allocations for the administrative of the Ministry of Defence. There will be separate purchase orders for these optional additional purchases.

Significant Events after the Reporting Period

February 14, 2019 – Bittium Wireless Ltd, a subsidiary of Bittium Corporation, received a purchase order from the Finnish Defence Forces for products included in the Software Defined Radio based Bittium Tactical Wireless IP Network™ (TAC WIN) system and Bittium Tough Comnode™ terminals, which are meant for tactical communications. The total value of the purchase order is EUR 11.5 million (excl. VAT) of which the share of the Bittium TAC WIN system's products is EUR 9.9 million and the share of the Bittium Tough Comnode terminals is EUR 1.6 million.

The share of the purchase order including Bittium TAC WIN system's products is based on the Framework Agreement signed by Bittium and the Finnish Defence Forces on August 9, 2017. According to the Framework Agreement, the Finnish Defence Forces will order products included in the Software Defined Radio based Bittium TAC WIN system during the years 2018-2020. If materialized in full, the total value of the Framework Agreement is EUR 30 million (excl. VAT). Finnish Defence Forces will issue separate purchase orders for the products each year. The products ordered now will be delivered to the Finnish Defence Forces during the year 2019.

The share of the purchase order including Bittium Tough Comnode terminals is based on the Framework Agreement signed by Bittium and the Finnish Defence Forces on November 5, 2018. According to the Framework Agreement, the Finnish Defence Forces will order Bittium Tough Comnode terminals and related accessories during the years 2018-2022. If materialized in full, the total value of the Framework Agreement is EUR 8.3 million (excl. VAT). Finnish Defence Forces will issue separate purchase orders in several batches during the validity of the Framework Agreement. The products ordered now will be delivered to the Finnish Defence Forces during the year 2019.

Outlook for 2019

The amount of wireless broadband data transfer applications is expanding and diversifying. Also the amount of data transfer and the need for secure data transfer are growing. These all create demand for Bittium's leading edge technology products and solutions.

The digitalization of healthcare and remote care are becoming more common, enhancing the healthcare services and creating demand for Bittium's medical technology products and solutions. In order to enable strong international growth in a long term, Bittium invests significantly in developing its own products and solutions and aims at growing its net sales based on its products and product platforms.

Bittium expects that the net sales in 2019 will grow from previous year (EUR 62.8 million in 2018) and the operating profit to be better than in the previous year (2.8 million in 2018). Due to the product deliveries focusing on the second half of the year, the accumulation of the operating result is expected during the second half of the year, as in the previous year. In addition, the level of operating result in 2019 will be impacted by the investments in own products and product platforms started in 2017.

More information about Bittium's market outlook is presented in the section "Market outlook" in this Financial Statement Bulletin.

More information about other uncertainties regarding the outlook is presented in this Financial Statement Bulletin in the section "Risks and uncertainties" and on the company's internet pages at www.bittium.com.

Market Outlook

Bittium's customers operate in various industries, each of them having their own industry specific factors driving the demand. A common factor creating demand among the whole customer base is the growing need for higher quality and secure data transfer. Due to the technology competences accrued over time and long history in developing mobile communication solutions, Bittium is in a good position to offer customized solutions for its customers. Over thirty years of experience and extensive competence in measuring of biosignals also act as a basis for medical technology solutions.

The following factors are expected to create demand for Bittium's products and services in 2019 and beyond:

- In the mobile telecommunications, development of 5G technology has decreased significantly and the implementation is accelerating in pace. Investments in developing new features continue and the importance of software development in the 5G network development expands. This creates demand for Bittium's R&D services. There is a wide range of frequencies allocated for the 5G technology thus creating the need to develop multiple products to cover the market and creating demand for R&D services for development of product variants. Also the development of new devices utilizing 5G technology increases the demand for Bittium's services.
- As the digitalization evolves, the secure IoT (Internet of Things) has become a significant development area in many industries. The increasing need of companies to digitalize their operations, collect data wirelessly and transfer it to the internet and cloud services generate need for Bittium's services and customized solutions. For this there is a need for secure connected devices for consumers' free-time applications and demanding industrial usage that collect information through their sensors and connect the devices securely to the internet and cloud services. New IoT radio systems are being used all over the world and the amount of digitalized devices continuously increases. The devices have new further developed features that generate demand for R&D services. Along with the 5G technology is being used, there will also be new features in the IoT that enable i.e. remote control of machines. Therefore the integration of different systems and technologies play an important role in enabling the complete digitalization service. To ease and speed up the processing of large data amounts there are different kinds of learning systems and devices under development that use different kinds of artificial intelligence (AI) technologies.
- The use of LTE technology, smartphones and applications continue to increase in special verticals such as public safety creating demand for Bittium Tough Mobile secure LTE smartphone and other customized special terminals based on Bittium's own product platform. The awareness of mobile security risks is growing and the interest towards secure mobile devices is increasing. Also the interest towards LTE-SAT-hybrid devices with terrestrial and satellite connections has grown to further improve the functionality of authorities' critical connections. The implementation of LTE-based devices in Public Safety markets has been slower than expected due to the delay of the device functionalities required by the authorities and due to the slow progress of the market. The sale of the secure terminal products is expected to develop moderately according to the nature of public safety markets.
- Using public network connections in portable devices is increasing also in demanding professional use, such as in the public sector. This creates requirements for network connections to be easy to use and secure. The products in the Bittium SafeMove product family enable the ease of use of the devices and security in demanding use.
- In the defense sector's tactical communication market the governments' defense forces and other authorities need networks that troops, who are more and more constantly on the move, can use for transferring growing amounts of data securely. This creates demand for Bittium Tactical Wireless IP Network (TAC WIN) broadband network and for other Bittium's IP-based (Internet Protocol) tactical communications solutions, as well as for Bittium's new tactical communication handheld and vehicle radios that fulfill the needs of data transfer of moving troops or individual soldiers. Bittium continues its efforts to bring its defense market targeted products and services also to the international defense markets and aims to get new international customers for its tactical communication system in 2019. Due to the long sales cycles driven by purchasing programs of national governments, it takes time to receive significant purchase orders.
- The heart and brain failures are among the most frequent causes of serious complications and recognizing those symptoms early on, based on information gathered by measuring, enable the start of the effective treatment in time. Also the prevention of diseases and health problems are being increasingly invested in. In the healthcare technology market there is ongoing a significant change in the patient care both inside the hospitals as well as in homecare. The repatriation of patients is being pursued earlier than before which may enable significant cost savings in the healthcare. A prerequisite for early repatriation is the enabling of accurate and precise follow-up and measurement in home conditions through remote monitoring. For this purpose Bittium offers its Bittium Faros product family for remote heart monitoring and Bittium BrainStatus for measuring the electrical activity of the brain. One of the growing application areas in the wireless and remote systems is healthcare technology that enables implementing these changes for its part. Remote monitoring and remote diagnostics together with wireless and remote-

controllable systems bring effectiveness to the healthcare performance and cut costs as the diagnosis from specialists are available regardless of time and place. This enables also new service providers to enter the chain of medical treatment services offering wider availability of medicine, without bargaining the quality of specialists i.e. cardiologists and neurologists.

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.

Market Risks

The global economic uncertainty may affect the demand for Bittium's services, solutions and products and provide pressure on e.g. pricing. In the short term such uncertainty may affect, in particular, the utilization and chargeability levels and average hourly prices of R&D services. Growing political uncertainty may also affect the demand for Bittium's services, solutions and products and the price competitiveness in the different geographical areas. Bittium is also increasingly exposed to legal, economic, political and regulatory risks related to the countries in which its suppliers and other cooperation partners are located. Such risks may result in delays in deliveries, currency losses, elevated costs, or litigations and related costs.

Bittium's customer base includes, among others, companies operating in the field of telecommunication, defense and other authorities, as well as companies delivering products to them, the company is exposed to market changes in these industries.

A significant part of Bittium's net sales accumulates from selling products and R&D services to defense and other authorities, as well as companies delivering products to them. Deviation in anticipated business development with such customer concentrations may translate as a significant deviation in Bittium's outlook, both in terms of net sales and operating result, during the ongoing financial period and thereafter.

Bittium seeks to expand its customer base on a longer term and reduce dependence on individual companies and hence the company would thereby be mainly affected by the general business climate in the industries of the companies belonging to Bittium's customer base instead of the development of individual customer relationships. The more specific market outlook has been presented in this Financial Statement Bulletin in the "Market outlook" section.

Business Related Risks

Bittium's operative business risks are mainly related to following items: uncertainties and short visibility on customers' product program decisions, their make or buy decisions and on the other hand, their decisions to continue, downsize or terminate current product programs, execution and management of large customer projects, ramping up and down project resources, availability of personnel in labor markets, accessibility on commercially acceptable terms and on the other hand successful utilization of the most important technologies and components, competitive situation and potential delays in the markets, timely closing of customer and supplier contracts with reasonable commercial terms, delays in R&D projects, realization of expected return on capitalized R&D investments, obsolescence of inventories and technology risks in product development causing higher than planned R&D costs, and risks related to the ramp-up of product manufacturing. Revenues expected to come from either existing or new products and customers include normal timing risks. Bittium has certain significant customer projects and deviation in their expected continuation could result also significant deviations in the company's outlook. In addition, there are typical industry warranty and liability risks involved in selling Bittium's services, solutions and products.

Bittium's product delivery business model faces such risks as high dependency on actual product volumes, timing risks and potential delays in the markets. The above-mentioned risks may manifest themselves as lower amounts of products delivered or higher costs of production, and ultimately, as lower profit. Bringing Bittium's products to international defense and other authorities markets may take longer than anticipated because the projects are typically long and the purchasing programs are prepared in the lead of national governments and within the available financing. Once a supplier has been selected, product deliveries are typically executed over several years.

Some of Bittium's businesses operate in industries that are heavily reliant on patent protection and therefore face risks related to management of intellectual property rights, on the one hand related to accessibility on commercially acceptable terms of certain technologies in the Bittium's products and services, and on the other hand related to an ability to protect technologies that Bittium develops or licenses from others from claims that third parties' intellectual property rights are infringed. Additionally, parties outside of the industries operate actively in order to protect and commercialize their patents and therefore in their part increase the risks related to the management of intellectual property rights. At worst, claims that third parties' intellectual property rights are infringed, could lead to

substantial liabilities for damages. In addition, the progress of the customer projects and delivery capability may be also affected by potential challenges in global accessibility of key technologies and components on commercially acceptable terms, as well as by the acceptance of the necessary export licenses. The company changed its name to Bittium Corporation as of July 1, 2015 and started using the new trademark. The registration and the use of the new trademark can include customary risks involved in taking in use a new trademark.

Financing Risks

Global economic uncertainty may lead to payment delays, increase the risk for credit losses and weaken the availability and terms of financing. To fund its operations, Bittium relies mainly on income from its operative business and may from time to time seek additional financing from selected financial institutions. Currently Bittium has a committed overdraft credit facility agreement of EUR 30.0 million. From these agreements intended for general financing purposes, EUR 20.0 million are valid until December 31, 2021 and EUR 10.0 million until December 31, 2019.

These agreements include customary covenants related to, among other things, equity ratio, transferring property and pledging. There is no assurance that additional financing will not be needed in case of investments, networking capital needs or clearly weaker than expected development of Bittium's businesses. Customer dependency in some parts of Bittium's business may translate as an accumulation of risk with respect to outstanding receivables and ultimately with respect to credit losses.

Statement of Financial Position and Financing

The figures presented in the statement of financial position of December 31, 2018, are compared with the statement of the financial position of December 31, 2017 (MEUR).

	31.12.2018	31.12.2017
Non-current assets	65.9	46.7
Current assets	66.5	91.6
Total assets	132.4	138.4
Share capital	12.9	12.9
Other capital	97.1	103.7
Total equity	110.0	116.7
Non-current liabilities	1.9	1.5
Current liabilities	20.5	20.2
Total equity and liabilities	132.4	138.4
Cash flow of the review period :		
	1-12/2018	1-12/2017
+ profit of the period +/- Adjustment of accrual basis items	7.9	-2.4
+/- Change in net working capital	-8.4	2.0
- interest, taxes and dividends	0.0	0.3
= net cash from operating activities	-0.5	-0.0
- net cash from investing activities	-19.8	-18.5
- net cash from financing activities	-11.7	-13.4
= net change in cash and cash equivalents	-32.0	-32.0

Net cash from operating activities in 2017 includes operative cash flows from both continuing and discontinuing operations.

The amount of gross investments in the period under review was EUR 21.2 million. Net investments for the review period totaled to EUR 21.2 million. The total amount of depreciation during the period under review was EUR 4.6 million. The amount of interest-bearing debt, including finance lease liabilities, was at the end of the reporting period EUR 1.5 million (EUR 1.2 million on December 31, 2017). Bittium's equity ratio at the end of the period was 84.7 percent (85.6 percent on December 31, 2017).

Cash and other liquid assets at the end of the reporting period were EUR 30.9 million (EUR 62.9 million on December 31, 2017). Net cash flow during the period was EUR -32.0 million. The net cash flow resulted as the most significant items from the EUR 15.1 million investments made into own product development and the EUR 10.7 million dividend payment (EUR -32.0 million, in 2017, including EUR 5.8 million investments made into own product development, EUR 10.7 million dividend payment and investments in the new premises in Oulu as the most significant items).

Bittium has a total of EUR 30.0 million committed credit facility agreements. In December 2018, Bittium renewed one EUR 10.0 million credit facility agreement so that the amount of the credit limit was raised to EUR 20.0 million. This new credit facility agreement is valid until December 31, 2021. The other EUR 10.0 million credit facility agreement, signed in 2017, is valid until December 31, 2019. At the end of the review period, EUR 0.0 million of these facilities were in use.

Bittium follows a hedging strategy that has an objective to ensure the business margins in changing market circumstances by minimizing the influence of exchange rates. According to the hedging strategy principles, the net position in the currency is hedged when it exceeds the euro limit defined in the hedging strategy. The net position is determined on the basis of accounts receivable, accounts payable, order book and budgeted net currency cash flow.

Personnel

The Bittium group employed an average of 660 people in between January and December 2018. At the end of December 2018, the company had 674 employees (619 employees at the end of 2017). A significant part of Bittium's personnel are R&D engineers.

Changes in the Company's Management

September 9, 2018 – Mr. Sammy Loitto (MBA and Master of Engineering in Industrial Management) was appointed as Senior Vice President, Sales in Bittium Corporation as of October 1, 2018. Previously he has been responsible for sales and business development activities at Bittium. Prior to that, he has worked in several sales and management positions at Jolla, Gryphon Secure and Airbus. Mr. Loitto reports to Mr. Hannu Huttunen, CEO of Bittium Corporation.

As of October 1, 2018 Bittium management group consists of following persons: Mr. Hannu Huttunen, CEO (chairman); Mr. Pekka Kunnari, CFO; Mr. Kari Jokela, CLO; Ms. Karoliina Fyrstén, Director, Corporate Communications and Marketing, Mr. Sammy Loitto, Senior Vice President Sales, and heads of product and service areas: Mr. Jari Sankala, Senior Vice President, Defense and Security; Mr. Klaus Mäntysaari, Senior Vice President, Connectivity Solutions; and Mr. Arto Pietilä, Senior Vice President, Medical Technologies; and Mr. Jari-Pekka Innanen, Vice President, Engineering.

Flagging Notifications

There were no changes in the ownership during the period under review that would have caused flagging notifications which are obligations for disclosure in accordance with Chapter 2, section 9 of the Securities Market Act.

Notifications of Managers' Transactions

November 30, 2018: Name of the person subject to the notification requirement: Erkki Veikkolainen, member of the Board of Directors. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: November 28, 2018. Aggregated transactions: volume 2 514 shares, volume weighted average price: EUR 6.68000.

November 30, 2018: Name of the person subject to the notification requirement: Petri Toljamo, member of the Board of Directors. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: November 28, 2018. Aggregated transactions: volume 1 437 shares, volume weighted average price: EUR 6.68000.

November 30, 2018: Name of the person subject to the notification requirement: Riitta Tiuraniemi, member of the Board of Directors. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: November 28, 2018. Aggregated transactions: volume 1 437 shares, volume weighted average price: EUR 6.68000.

November 30, 2018: Name of the person subject to the notification requirement: Juha Putkiranta, member of the Board of Directors. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: November 28, 2018. Aggregated transactions: volume 1 437 shares, volume weighted average price: EUR 6.68000.

November 30, 2018: Name of the person subject to the notification requirement: Tero Ojanperä, member of the Board of Directors. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: November 28, 2018. Aggregated transactions: volume 1 437 shares, volume weighted average price: EUR 6.68000.

November 30, 2018: Name of the person subject to the notification requirement: Seppo Mäkinen, member of the Board of Directors. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: November 28, 2018. Aggregated transactions: volume 1 437 shares, volume weighted average price: EUR 6.68000.

Proposal by the Board of Directors on the Use of the Profit Shown on the Balance Sheet and the Payment of the Dividend

According to the parent company's balance sheet at December 31, 2018, the distributable assets of the parent company are EUR 117 353 042.28 of which the profit of the financial year is EUR 6 220 716.85. The Board of Directors proposes that the Annual General Meeting to be held on April 10, 2019 resolve to pay EUR 0.05 per share as dividend based on the adopted balance sheet for the financial period of January 1, 2018 - December 31, 2018, representing approximately half of the result of the financial period, and in addition, EUR 0.10 per share as additional dividend, totaling altogether to EUR 0.15 per share.

The dividend will be paid to the shareholders who are registered as shareholders in the company's register of shareholders as maintained by Euroclear Finland Ltd on the dividend record date, April 12, 2019. The Board of Directors proposes that the dividend be paid on April 23, 2019.

Bittium Corporation follows a dividend policy that takes into account the Corporation's net income, financial situation, need for capital and financing of growth. There have not been any substantial changes in the company's financial position after the financial year. Company has good liquidity and according to the Board of Directors, the proposed distribution of profits does not danger the company's solvency.

Annual General Meeting and Annual Report

Bittium Corporation's Annual General Meeting will be held on Wednesday, April 10, 2019, at 1.00pm (CET+1) at the University of Oulu, Saalastinsali, Pentti Kaiteran katu 1, 90570 Oulu, Finland. Bittium Corporation's Annual Report, including the Annual Accounts, the report by the Board of Directors and the Auditor's report as well as Corporate Governance Statement and Sustainability Report, is available on the

company's website no later than on Wednesday, March 20, 2019.

Oulu, February 21, 2019

Bittium Corporation
The Board of Directors

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Major media

Bittium Corporation Condensed Financial Statements and Notes January – December 2018

The consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS). The Financial Statement of 2018 has been audited and the auditing report has been dated on February 20, 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-12/2018	1-12/2017
Continuing operations	12 months	12 months
NET SALES	62.8	51.6
Other operating income	1.3	2.1
Work performed by the undertaking for its own purpose and capitalized	0.3	0.7
Raw materials	-10.2	-5.9
Personnel expenses	-29.7	-33.0
Depreciation	-4.6	-3.9
Other operating expenses	-17.1	-17.8
Share of results of the associated companies	0.1	0.0
OPERATING PROFIT (LOSS)	2.8	-6.2
Financial income and expenses	-0.1	0.4
PROFIT BEFORE TAX	2.7	-5.8
Income tax	1.3	1.1
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	4.0	-4.8
Discontinued operations		
Profit for the year from discontinued operations		1.7
PROFIT FOR THE PERIOD	4.0	-3.1
Other comprehensive income:		
Items that may be reclassified subsequently to the statement of income		
Exchange differences on translating foreign operations	0.0	-0.1
Other comprehensive income for the period total	0.0	-0.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4.1	-3.2
Profit for the year attributable to		
Equity holders of the parent	4.0	-3.1
Total comprehensive income for the period attributable to		

Equity holders of the parent	4.1	-3.2
Earnings per share from continuing operations, EUR		
Basic earnings per share	0.113	-0.133
Diluted earnings per share	0.113	-0.133
Earnings per share from discontinued operations, EUR		
Basic earnings per share		0.046
Diluted earnings per share		0.046
Earnings per share from continuing and discontinued operations, EUR		
Basic earnings per share	0.113	-0.087
Diluted earnings per share	0.113	-0.087
Average number of shares, 1000 pcs	35 693	35 693
Average number of shares, diluted, 1000 pcs	35 693	35 693

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)

	Dec 31, 2018	Dec 31, 2017
ASSETS		
Non-current assets		
Property, plant and equipment	23.4	21.9
Goodwill	5.8	5.8
Intangible assets	29.7	15.0
Other financial assets	1.6	1.4
Other long-term receivables	1.6	0.2
Deferred tax assets	3.7	2.5
Non-current assets total	65.9	46.7
Current assets		
Inventories	14.6	10.6
Trade and other receivables	21.1	18.2
Financial assets at fair value through profit or loss	21.6	56.4
Cash and short term deposits	9.3	6.5
Current assets total	66.5	91.6
TOTAL ASSETS	132.4	138.4
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	12.9	12.9
Invested non-restricted equity fund	26.0	26.0
Translation difference	1.1	1.0

Retained earnings	70.1	76.7
Total equity	110.0	116.7
Non-current liabilities		
Deferred tax liabilities	0.4	0.4
Provisions		
Interest-bearing liabilities	0.8	0.5
Other non-current liabilities	0.5	0.5
Advances received	0.2	0.2
Non-current liabilities total	1.9	1.5
Current liabilities		
Trade and other payables	18.1	18.3
Provisions	1.6	1.1
Interest-bearing loans and borrowings	0.7	0.7
Current liabilities total	20.5	20.2
Total liabilities	22.4	21.7
TOTAL EQUITY AND LIABILITIES	132.4	138.4

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)

	1-12/2018	1-12/2017
	12 months	12 months
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year from continuing operations	4.0	-4.8
Profit for the year from discontinued operations		1.7
Adjustment of accrual basis items	3.8	0.7
Change in net working capital	-8.4	2.0
Interest paid on operating activities	-1.4	-0.5
Interest received from operating activities	1.3	0.8
Income taxes paid	0.1	-0.1
NET CASH FROM OPERATING ACTIVITIES	-0.5	-0.0
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of business unit, net of cash acquired		
Purchase of property, plant and equipment	-3.7	-11.4
Purchase of intangible assets	-16.0	-6.7
Purchase of investments/associated companies	-0.2	-0.7
Sale of property, plant and equipment	0.0	0.1
Sale of intangible assets	0.0	0.1
NET CASH FROM INVESTING ACTIVITIES	-19.8	-18.5
CASH FLOW FROM FINANCING ACTIVITIES		

Borrowings	0.1	
Repayment of borrowing	-0.1	-1.7
Payment of finance liabilities	-0.9	-1.0
Dividend paid and repayment of capital	-10.7	-10.7
NET CASH FROM FINANCING ACTIVITIES	-11.7	-13.4
<hr/>		
NET CHANGE IN CASH AND CASH EQUIVALENTS	-32.0	-32.0
Cash and cash equivalents at beginning of period	62.9	94.9
Cash and cash equivalents at end of period	30.9	62.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

A = Share capital

B = Invested non-restricted equity fund

C = Translation difference

D = Retained earnings

E = Non-controlling interests

F = Total equity

	A	B	C	D	E	F
Shareholders equity on Jan. 1, 2017	12.9	26.0	1.2	90.6		130.6
Comprehensive income for the period						
Profit for the period				-3.1		-3.1
Exchange differences on translating foreign operations			-0.1			-0.1
Total comprehensive income for the period			-0.1	-3.1		-3.2
Transactions between the shareholders						
Distribution of dividends				-10.7		-10.7
Total transactions between the shareholders				-10.7		-10.7
Shareholders equity on Dec. 31, 2017	12.9	26.0	1.0	76.7		116.7

	A	B	C	D	E	F
Shareholders equity on Jan. 1, 2018	12.9	26.0	1.0	76.7		116.7
Comprehensive income for the period						
Profit for the period				4.0		4.0
Exchange differences on translating foreign operations			0.0			0.0
Total comprehensive income for the period			0.0	4.0		4.1
Transactions between the shareholders						
Distribution of dividends				-10.7		-10.7
Total transactions between the shareholders				-10.7		-10.7
Other changes				-0.0		-0.0
Shareholders equity on Dec. 31, 2017	12.9	26.0	1.1	70.1		110.0

NOTES TO FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENT:

The consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS).

ALTERNATIVE PERFORMANCE MEASURES

In addition to the key ratios defined in the IFRS standards, Bittium may use some alternative performance measures in the financial reporting.

IAS 1 Presentation of Financial Statements standard does not specify the concept of operating profit. Bittium has defined the operating profit as follows: The operating profit is the net of turnover added with other operating income, subtracted with the raw materials and external services, adjusted with the change in stocks and work performed by the undertaking for its own purpose, subtracted with the personnel expenses, depreciations and possible reductions in value as well as other business expenses. All other items are presented below the operating profit. The share of profits in associated companies, currency changes and changes in derivative instruments are included in the operating profit if they arise from the business; otherwise they are presented in the financial income and expenses.

The definitions of the other common alternative performance measures are listed below.

EBITDA = Operating profit + depreciations

Net gearing % =
$$\frac{\text{Interest-bearing liabilities - cash and deposits and short-term investments} \times 100}{\text{Total equity}}$$

Equity per share =

Equity attributable to equity holders of the parent

Share issue adjusted number of the shares at the end of the period

SEGMENT-INFORMATION (MEUR)

Bittium Corporation does not have segments that require reporting according to IFRS 8 standard.

NET SALES OF GEOGRAPHICAL AREAS (MEUR)	1-12/2018 12 months	1-12/2017 12 months
Net sales		
Europe	53.9	44.4
Americas	8.0	5.9
Asia	0.9	1.3
Net sales total	62.8	51.6

RELATED PARTY TRANSACTIONS	1-12/2018 12 months	1-12/2017 12 months
Employee benefits for key management and stock options expenses total, continuing operations	1.5	1.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY HALF (MEUR) Continuing operations	7-12/2018 6 months	1-6/2018 6 months	7-12/2017 6 months	1-6/2017 6 months
NET SALES	34.5	28.3	24.5	27.1
Other operating income	0.7	0.6	1.1	1.0
Work performed by the undertaking for its own purpose and capitalized	0.2	0.1	0.5	0.1
Raw materials	-6.5	-3.7	-3.7	-2.2
Personnel expenses	-13.2	-16.5	-15.1	-18.0
Depreciation	-2.5	-2.2	-2.0	-1.9
Other operating expenses	-9.6	-7.5	-8.8	-9.0
OPERATING PROFIT (LOSS)	3.7	-0.8	-3.4	-2.8
Financial income and expenses	-0.1	0.0	0.0	0.3
PROFIT BEFORE TAX	3.5	-0.8	-3.4	-2.4
Income tax	1.3	0.0	1.0	0.0

PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	4.8	-0.8	-2.4	-2.4
Discontinued operations				
Profit for the period from discontinued operations			0.4	1.3
PROFIT FOR THE PERIOD	4.8	-0.8	-2.0	-1.1
Other comprehensive income	0.0	0.0	-0.1	-0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4.8	-0.8	-2.1	-1.2
Profit for the period attributable to:				
Equity holders of the parent	4.8	-0.8	-2.0	-1.1
Total comprehensive income for the period attributable to:				
Equity holders of the parent	4.8	-0.8	-2.1	-1.2

CONSOLIDATED STATEMENT OF CASH FLOWS BY HALF	7-12/2018	1-6/2018	7-12/2017	1-6/2017
	6 months	6 months	6 months	6 months
Net cash from operating activities	10.0	-10.5	-0.5	0.4
Net cash from investing activities	-9.2	-10.7	-9.5	-9.0
Net cash from financing activities	-0.5	-11.2	-0.5	-12.9
Net change in cash and cash equivalents	0.3	-32.4	-10.5	-21.5

FINANCIAL PERFORMANCE RELATED RATIOS	1-12/2018	1-12/2017
	12 months	12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)		
Net sales	62.8	51.6
Operating profit (loss)	2.8	-6.2
Operating profit (loss). % of net sales	4.5	-12.0
Profit before taxes	2.7	-5.8
Profit before taxes. % of net sales	4.3	-11.3
Profit for the period from continuing operations	4.0	-4.8
PROFITABILITY AND OTHER KEY FIGURES		
Interest-bearing net liabilities. (MEUR)	-29.4	-61.7
Net gearing. -%	-26.7	-52.9
Equity ratio. %	84.7	85.6
Gross investments. (MEUR)	21.2	20.1
Average personnel during the period. continuing operations	660	614
Personnel at the period end. continuing operations	674	619

AMOUNT OF SHARE ISSUE ADJUSTMENT (1.000 pcs)	Dec. 31. 2018	Dec. 31. 2017
At the end of period	35 693	35 693
Average for the period	35 693	35 693
Average for the period diluted with stock options	35 693	35 693

STOCK-RELATED FINANCIAL RATIOS (EUR)	1-12/2018	1-12/2017
	12 months	12 months
Earnings per share from continuing operations. EUR		
Basic earnings per share	0.113	-0.133
Diluted earnings per share	0.113	-0.133
Earnings per share from discontinued operations. EUR		
Basic earnings per share		0.046
Diluted earnings per share		0.046
Earnings per share from continuing and discontinued operations. EUR		
Basic earnings per share	0.113	-0.087

Diluted earnings per share	0.113	-0.087
Equity *) per share	3.08	3.27
*) Equity attributable to equity holders of the parent		

MARKET VALUES OF SHARES (EUR)	1-12/2018	1-12/2017
	12 months	12 months
Highest	8.10	7.88
Lowest	4.71	5.55
Average	5.98	6.55
At the end of period	7.61	5.65
Market value of the stock. (MEUR)	271.6	201.7
Trading value of shares. (MEUR)	75.4	83.1
Number of shares traded. (1.000 pcs)	12 608	12 684
Related to average number of shares %	35.3	35.5

SECURITIES AND CONTINGENT LIABILITIES (MEUR)	Dec. 31. 2018	Dec. 31. 2017
AGAINST OWN LIABILITIES		
Floating charges	1.0	1.0
Mortgages are pledged for liabilities totaled	0.1	1.2
Guarantees	0.1	1.2
Rental liabilities		
Falling due in the next year	0.6	0.5
Falling due after one year	0.9	1.0
Other contractual liabilities		
Falling due in the next year	2.4	1.9
Falling due after one year	2.3	1.0
Material purchase commitments	12.6	9.9

NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	Dec. 31. 2018	Dec. 31. 2017
Foreign exchange forward contracts		

Market value	0.0	0.0
Nominal value	0.0	0.0