

Bittium

Bittium Corporation Half Year Financial Report January-June 2020

Net sales

42.5

MEUR

Net sales growth

+28.7 %

Operating result

2.9

MEUR

Operating result, % of net sales

6.7 %

Net sales and operating result grew in January-June 2020

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

Summary April-June 2020

- The net sales increased by 6.8 percent year-on-year to EUR 25.3 million (EUR 23.6 million).
- The share of the product-based net sales grew to EUR 18.4 million, representing 73.0 percent of the net sales (EUR 16.7 million) and the share of the services-based net sales was EUR 6.8 million, representing 27.0 percent of the net sales (EUR 7.0 million).
- EBITDA was EUR 5.6 million (EUR 6.8 million).
- Operating profit was EUR 2.7 million (EUR 5.2 million).
- Cash flow from operating activities was EUR -0.8 million (EUR 4.5 million).
- Net cash flow was EUR -5.1 million (EUR 13.2 million).
- Result for the period was EUR 2.7 million and earnings per share were EUR 0.076 (result for the period EUR 5.0 million and earnings per share EUR 0.141).

GROUP (MEUR)	4-6/2020 3 months	4-6/2019 3 months
NET SALES	25.3	23.6
Change of net sales, %	6.8 %	28.2 %
EBITDA	5.6	6.8
EBITDA, % of net sales	22.3 %	29.0 %
OPERATING PROFIT / LOSS	2.7	5.2
Operating profit / loss, % of net sales	10.7 %	22.0 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	2.7	5.0
CASH AND OTHER LIQUID ASSETS	26.3	33.4
EQUITY RATIO (%)	71.8 %	71.7 %
EARNINGS PER SHARE (EUR)	0.076	0.141

Summary January-June 2020

- The net sales increased by 28.7 percent year-on-year to EUR 42.5 million (EUR 33.1 million).
- The share of the product-based net sales was EUR 30.1 million, representing 70.7 percent of the net sales (EUR 18.6 million) and the share of the services-based net sales was EUR 12.5 million, representing 29.3 percent of the net sales (EUR 14.5 million).

- EBITDA was EUR 8.4 million (EUR 4.7 million).
- Operating profit was EUR 2.9 million (EUR 1.7 million).
- Cash flow from operating activities was EUR 0.3 million (EUR -1.2 million).
- Net cash flow was EUR -8.8 million (EUR 2.6 million).
- Result for the period was EUR 2.5 million and earnings per share were EUR 0.071 (result for the period EUR 1.5 million from continuing operations and earnings per share EUR 0.042).

GROUP (MEUR)	1-6/2020 6 months	1-6/2019 6 months
NET SALES	42.5	33.1
Change of net sales, %	28.7 %	16.8 %
EBITDA	8.4	4.7
EBITDA, % of net sales	19.7 %	14.3 %
OPERATING PROFIT / LOSS	2.9	1.7
Operating profit / loss, % of net sales	6.7 %	5.0 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	2.5	1.5
CASH AND OTHER LIQUID ASSETS	26.3	33.4
EQUITY RATIO (%)	71.8 %	71.7 %
EARNINGS PER SHARE (EUR)	0.071	0.042

Outlook for 2020

The world-wide new coronavirus (SARS-CoV-2) 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 monitors 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) and the operating profit will be at the same level than in the previous year (6.3 million). 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.

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

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

Bittium's CEO Hannu Huttunen

The net sales in the second quarter of 2020 as well as in the whole first half of the year developed according to our plans well. The net sales in the second quarter grew by 6.8 percent year-on-year and in the whole first half by 28.7 percent. The increase in net sales was due to the growth in product sales, which accounted for more than 70 percent of net sales. The product sales include the sale of the tactical communication systems and products, secure Bittium Tough Mobile™ smartphones and Bittium Faros™ ECG devices.

Our significant customer projects and cooperation continued successfully despite the exceptional circumstances caused by the coronavirus pandemic. The development work of tactical communication system for Austrian Defense Forces continued according to our plans. The deliveries of tactical Bittium Tough SDR™ handheld radios to Finnish Defence Forces were started in April, and the deliveries of tactical Bittium Tough SDR™ vehicle radios are expected to start by the end of this year. The cooperation with Preventice, the leading provider of remote medical monitoring services in the US, continued as planned in the US cardiac market. The development of the sales channel for Bittium's Faros ECG products and related software also developed well outside the USA. The advanced Bittium BrainStatus™ EEG measuring device, a new type of technology measuring the electrical activity of the brain, received medical device approval in Europe.

The active negotiations with the State of the Mexico about the Mexsat phones to enable a wider use of the Mexsat system continued. The prevailing exceptional circumstances due to the coronavirus pandemic in the Middle America have slowed down the progress of the negotiations significantly, and we have no information on how the coronavirus pandemic will affect the budgets of the State of Mexico yet.

During the first half of 2020 the sale of product development services decreased by 14 percent year-on-year. The decrease in the net sales was caused by the company's own significant large R&D projects that tie experts into internal product development. Also the restrictions due to the coronavirus pandemic have reflected acquiring new customers. As the demand for 5G technology development leveled off, we have continued to invest in new customers and application areas. As a new application area for product development services, we have introduced our own OEM application management and security solutions implemented on the Android Automotive platform.

Measures to ensure the health and safety of staff and to ensure business continuity were started already in March as the coronavirus pandemic reached Europe. We are happy to be able to say that the coronavirus pandemic has so far not affected the health of our employees and that work has continued as planned. The first half of the year has materialized according to our plans and we believe that the effects of the coronavirus pandemic are temporary and that in the long run the company has excellent opportunities for international growth.

Financial Performance in January-June 2020

Bittium's net sales in January-June 2020 grew by 28.7 percent year-on-year to EUR 42.5 million (EUR 33.1 million).

The share of the product-based net sales increased to 70.7 percent and was EUR 30.1 million (EUR 18.6 million). The net sales resulted mainly from the deliveries of the tactical communication systems and products, Bittium Faros ECG devices, and secure Bittium Tough Mobile smartphones and their related security software.

The share of the services-based net sales decreased to 29.3 percent and was EUR 12.5 million (EUR 14.5 million). The decrease in the services business net sales was caused by the company's own significant large R&D projects that tie experts into internal product development. Also the restrictions due to the coronavirus pandemic have reflected acquiring new customers.

Operating profit was EUR 2.9 million (EUR 1.7 million). The level of operating profit was affected by increased depreciation of product development capitalizations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR

	1-6 2020	1-6 2019
	6 months	6 months
Net sales	42.5	33.1
Operating profit / loss	2.9	1.7

Financial income and expenses	-0.3	-0.2
Result before tax	2.5	1.5
RESULT FOR THE PERIOD	2.5	1.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2.5	1.5
Result for the period attributable to:		
Equity holders of the parent	2.5	1.5
Total comprehensive income for the period attributable to:		
Equity holders of the parent	2.5	1.5
Earnings per share from continuing operations, EUR	0.071	0.042

- Cash flow from operating activities was EUR 0.3 million (EUR -1.2 million).
- Net cash flow during the period was EUR -8.8 million. The company did not pay dividends in the period under review and as the most significant item the net cash flow included EUR 7.4 million investments into own product development (EUR 2.6 million, including as the most significant items withdrawing a EUR 20.0 million bank loan, EUR 8.6 million investments made into own product development, and the EUR 5.4 million dividend payment).
- Equity ratio was 71.8 percent (71.1 percent).
- Net gearing was -3.5 percent (-10.1 percent).

Half Year Figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	1H/20	2H/19	1H/19	2H/18
Net sales	42.5	42.2	33.1	34.5
Operating profit (loss)	2.9	4.7	1.7	3.7
Result before taxes	2.5	4.4	1.5	3.5
Result for the period	2.5	6.1	1.5	4.8

DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR AND %	1H/20	2H/19	1H/19	2H/18
Product based net sales	30.1	30.8	18.6	19.0
	70.7 %	73.1 %	56.1 %	54.9 %
Services based net sales	12.5	11.4	14.5	15.6
	29.3 %	27.1 %	43.9 %	45.1 %
Other net sales				

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	1H/20	2H/19	1H/19	2H/18
Asia	0.2 0.4 %	0.1 0.3 %	0.2 0.5 %	0.4 1.1 %
Americas	7.1 16.7 %	12.7 30.2 %	5.8 17.5 %	5.0 14.6 %
Europe	35.2 82.8 %	29.3 69.6 %	27.1 82.0 %	29.1 84.3 %

Quarterly Figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	2Q/20	1Q/20	4Q/19	3Q/19	2Q/19
Net sales	25.3	17.3	26.9	15.2	23.6
Operating profit (loss)	2.7	0.2	4.1	0.6	5.2
Result before taxes	2.7	-0.2	3.9	0.6	5.0
Result for the period	2.7	-0.2	5.6	0.6	5.0

DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR AND %	2Q/20	1Q/20	4Q/19	3Q/19	2Q/19
Product based net sales	18.4 73.0 %	11.7 67.4 %	20.1 74.5 %	10.7 70.6 %	16.7 70.6 %
Services based net sales	6.8 27.0 %	5.6 32.6 %	6.8 25.5 %	4.6 29.4 %	7.0 29.4 %
Other net sales					

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	2Q/20	1Q/20	4Q/19	3Q/19	2Q/19
Asia	0.1 0.4 %	0.1 0.4 %	0.1 0.3 %	0.0 0.3 %	0.1 0.5 %
America	2.2 8.8 %	4.9 28.3 %	5.0 18.7 %	7.7 50.5 %	5.4 22.7 %
Europe	22.9 90.8 %	12.3 71.3 %	21.8 81.0 %	7.5 49.3 %	18.2 76.8 %

Research and Development

Bittium continued to make significant investments to develop its own products and product platforms. In January-June 2020 the investments were 28.3 percent of net sales (38.8 percent).

The investments focused mainly on expanding the defense market targeted product portfolio in tactical communication and on the development of authorities' and special terminal products and their related software. In 2017, Bittium started to develop the 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 and medical technology products.

A significant part of the capitalized R&D investments is related to developing software defined radio based tactical communication handheld and vehicle radios, development of the secure smartphones and related security software, as well as development of medical technology products.

	1-6 2020 6 months	1-6 2019 6 months
Total R&D investments	12.0	12.8
Capitalized R&D investments	-7.4	-8.6
Depreciations and impairment of R&D investments	2.9	0.7
Cost impact on income statement	7.6	4.9
R&D investments, % of net sales	28.3 %	38.8 %

CAPITALIZED R&D INVESTMENTS IN BALANCE SHEET, MEUR	1-6 2020 6 months	1-6 2019 6 months
Balance sheet value in the beginning of the period	39.1	26.6
Additions during the period	7.4	8.6
Acquisitions of the business		
Depreciations and impairment of R&D investments	-2.9	-0.7
Balance sheet value at the end of the period	43.6	34.5

Business Development in January-June 2020

During the first half of 2020, the net sales grew by 28.7 percent and was EUR 42.5 million. The growth was caused by the growth in product sales. The share of the product based net sales was more than 70 percent from the whole, and the share of the services based net sales remained under 30 percent.

Cooperation with the Finnish Defence Forces continued strong during the first half. Despite of the exceptional circumstances caused by the coronavirus pandemic, the volume deliveries of the new Bittium Tough SDR hand held radios started in April. The development of Bittium Tough SDR vehicle radios is nearing completion, and the first deliveries to the customers are aimed at the end of this year. The development work of the radios has taken slightly longer than expected because of their unique frequency range and because they have been designed to operate under extreme conditions.

In February Bittium received a purchase order from Finnish Defence Forces to continue porting the European ESSOR (European Secure Software-defined Radio) programme's OC1 (Operational Capability 1) wideband waveform to the Bittium Tough SDR radios that will be delivered to the Finnish Defence Forces. A significant European player in the defense industry, Germany, joined the ESSOR programme, which strengthened ESSOR's position in the market and affected positively the deployment of the ESSOR waveform in the future. The

Finnish Defence Forces also ordered tactical communication products of the software defined Bittium Tactical Wireless IP Network™ (TAC WIN) system and Bittium Tough Comnode™ terminals.

During the reporting period Bittium also announced to be a part of the iMUGS (integrated Modular Unmanned Ground System) project that is operating under the European Defence Industrial Development Programme (EDIDP). The iMUGS project is developing new capabilities for European defense forces based on autonomous systems. In the project, Bittium is responsible for the execution of resilient and networked data transfer, including both tactical communications and data transfer over commercial 4G and 5G cellular networks.

The demand for Bittium Tough Mobile™ smartphones remained stable in the beginning of the year. In June Bittium launched a new, even more secure variant of its smartphone: Bittium Tough Mobile™ 2 C. The unique new variant is based on the previously launched Bittium Tough Mobile 2 and is meant for CONFIDENTIAL level authority communication. The new smartphone variant is complemented with Bittium Secure Suite™ management software, enabling remote management of devices and applications, as well as encrypted IP-based data transfer.

The active negotiations with the State of the Mexico about the Mexsat phones to enable a wider use of the Mexsat system continued. The prevailing exceptional circumstances due to the coronavirus pandemic in the Middle America have significantly slowed down the progress of the negotiations, and we have no information on how the coronavirus pandemic will affect the budgets of the State of Mexico yet.

Bittium and ENENSYS Technologies, a leading provider of media delivery and public safety solutions, announced that evolved Multimedia Broadcast Multicast Solution (eMBMS) with ENENSYS' Middleware, which is intended for public authority LTE networks, can now be deployed in the highly secure Bittium Tough Mobile™ 2 smartphone. With this cooperation, LTE Broadcast features are now enabled in rugged public safety Bittium Tough Mobile 2.

Bittium and Virve Tuotteet ja Palvelut, a long-term operator of sales and maintenance of equipment suitable for Tetra networks, started a cooperation covering the resale of secure Bittium Tough Mobile 2 smartphones complemented with Bittium Secure Suite management software to critical communications organizations in Finland. Through the cooperation, Virve Tuotteet ja Palvelut is able to deliver a complete solution to the end customer, which includes state of the art secure devices and related additional services such as maintenance and support.

Demand for Bittium's medical technology products for remote monitoring and remote diagnostics remained steady. Based on the delivery agreement signed in 2018, during the first half Bittium continued to deliver tailored ECG measuring devices to the major US remote monitoring provider as planned.

In May Bittium BrainStatus™ product family received medical device approval in Europe (directive 93/42/EEC). Bittium BrainStatus product family is a compact wireless EEG measurement system for the brain's real-time electrical activity monitoring. It is designed for emergency, acute and intensive care use. Its ease of use enables high-quality EEG measurements by both paramedics and clinicians quickly and easily.

In May Bittium launched an advanced remote monitoring service platform that utilizes wireless data transfer to enhance medical remote diagnostics services. Bittium MedicalSuite™ web-based service platform is mainly aimed at service providers to facilitate secure information sharing and workflow management between service providers, clinics and specialists. Currently the system supports cardiac monitoring services, but the same technology can be applied to any biosignal measurements, such as brain monitoring and home sleep apnea testing services. Data transfer is secured with Bittium SafeMove® VPN software, which uses strong encryption algorithms to guarantee the confidentiality, privacy, and integrity of communications.

The sales of product development services decreased in the beginning of the year. The decrease in the net sales was caused by the company's own significant large R&D projects that tie experts into internal product development. Also the restrictions due to the coronavirus pandemic have reflected acquiring new customers.

As the demand for 5G technology development leveled off, Bittium has continued to invest in new customers and application areas. The company also continued to deliver different kind of connectivity solutions to its customers and aims at growing the amount of product development projects and widening its customer base. As a new application area for product development services, Bittium joined Rightware's Kanzi partner program and has introduced its own OEM application management and security solutions implemented on the Android Automotive platform. Bittium brings deep Android system experience to the automotive industry, from the hardware level all the way up the software stack.

Other Significant Events during the Reporting Period

On February 13, 2020 Bittium published its Financial Statement Bulletin 2019.

On February 13, 2020 Bittium gave a notice to the General Meeting of Bittium Corporation.

On March 2, 2020 the Board of Directors of Bittium Corporation decided on the establishment of a new share-based long-term incentive scheme for the Company's management. It comprises a Performance Share Plan. The objectives of the Performance Share Plan are to align the interests of Bittium's management with those of the Company's shareholders and, thus, to promote shareholder value creation in the long term, to commit the management to achieving Bittium's strategic targets and the retention of Bittium's management.

On March 11, 2020 Bittium Corporation's Annual Report, Sustainability Report, Corporate Governance Statement and Salary and Remuneration Report from 2019, and Remuneration Policy 2020 was published.

On March 18, 2020 Bittium cancelled the Annual General Meeting from Wednesday April 1, 2020 and postponed it to a later date.

On March 30, 2020 Bittium published its Business Review from January-March 2020.

On May 14, 2020 Bittium gave a notice to the General Meeting of Bittium Corporation.

On June 15, 2020 the decisions of the Annual General Meeting of Bittium Corporation were announced.

Significant Events after the Reporting Period

There were no significant events after the reporting period.

Market Outlook and the Implications of the Coronavirus Pandemic to Bittium

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 the 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.

In 2020, the global coronavirus pandemic significantly affects the global economy by weakening the visibility of the market situation. The general delay in business development caused by the pandemic and the significant increase in risks and uncertainties cause poor visibility into the market situation. Bittium's business sales cycles are long by their nature, and so far, the negative impacts caused by the pandemic have not significantly affected Bittium's business operations yet. However, the outlook towards the end of the year includes significant uncertainties.

The factors affecting the demand for Bittium's products and services and the effects of the coronavirus pandemic on them are described below:

Defense and Public Safety Market

- 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 to transfer 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 2020. Due to the long sales cycles driven by purchasing programs of national governments, it takes time to receive purchase orders.

- The financial difficulties caused by the coronavirus pandemic may affect the budgets of public finances such as states and public authorities and may require postponing of procurement. This may delay receiving new orders. Especially in the defense and authorities markets testing and piloting of products and systems are typical phases before receiving orders of larger entities. Current circumstances may postpone the materialization of some orders from their planned schedule. In addition, due to the travelling restrictions, the acceptance tests may need to be rescheduled, which may affect the final product acceptances and thereby the actual product deliveries. The coronavirus pandemic may also somewhat affect the availability of some components used in the products, which may affect the company's capability to deliver products to its customers.
- 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. The implementation of LTE-based devices in Public Safety markets has been slower than expected because of the delay in the device functionalities required by the authorities and because of the slow progress of the market. The sales of the secure terminal products are expected to develop moderately according to the nature of public safety markets.
- The smartphone sales process often involves testing and piloting systems and equipment, possibly integrating third-party technologies, and possible local regulatory approvals, which are typically long-lasting. Exceptional circumstances due to the coronavirus pandemic have a significant impact on the progress of projects, which slows down the completion of larger transactions.
- 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. Demand for the Bittium SafeMove product family has not been affected by the coronavirus pandemic.

Telecommunication and Digitalization

- In the mobile telecommunications, the demand for 5G technology development work has stabilized and the implementation of 5G 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 almost every industry. 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. The new radio systems customized to IoT are being used all over the world, and the amount of digitalized devices increases continuously. Along with the 5G technology 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. There are several learning systems and devices under development that use different kinds of artificial intelligence (AI) technologies to ease and speed up the processing of large data amounts.
- Changes in the digitalization of the automotive industry and new business models and the automation of automotive operations create need for technological development. Most significant technology trends such as intelligent mobility, self-driving cars, electric cars and connectivity are guiding need for innovative software development. The share of software in cars is increasing in speed and software is becoming a major enabler and a differentiator. The use of Android™ Automotive operating system in the In-Vehicle Infotainment (IVI) systems is strongly entering the market. Several carmakers have announced the launch of cars with Android Automotive. Bittium's more than a decade of experience with the Android operating system and the Google ecosystem combined with security know-how create good business opportunities for this market.
- The coronavirus pandemic has not significantly affected the overall development of the telecommunications market or digitalization. Travel and other restrictions due to the pandemic have somewhat slowed down the progress of projects and gaining new customers.

- Possible illnesses of own personnel due to the coronavirus could have a significant impact on Bittium's business, especially with regard to product development services. The company began taking measures to ensure the health and safety of its personnel and to ensure business continuity as soon as the coronavirus pandemic reached Europe in March. So far, the pandemic has not affected the health of Bittium employees.

Medical ECG and EEG Remote Monitoring Market

- The medical technology market is undergoing significant developments in patient care, especially outside hospitals. There is an increasing focus on the prevention of diseases and health problems through early diagnosis and the repatriation of patients at an earlier stage in order to reduce hospital and treatment days. These actions significantly increase efficiency in health care processes and lower costs.
- A prerequisite for early repatriation is the enabling of accurate and precise follow-up and measurement in home conditions through remote monitoring. Remote monitoring and remote diagnostics also enable specialist diagnoses regardless of time and place. Also evolving artificial intelligence-based algorithms are increasing to support physicians in making diagnoses. Remote monitoring and remote diagnostics make it possible and faster to obtain more accurate diagnoses, which, in turn, speeds up the start of the right kind of treatment. The market change will also enable several new providers to join the overall care service chain, offering greater accessibility to medicine for the clientele, without compromising the quality of specialist services in areas such as cardiology and neurophysiology.
- For remote monitoring and remote diagnostics Bittium provides its Bittium Faros product family for remote heart monitoring and Bittium BrainStatus for measuring the electrical activity of the brain, as well as different kind of software for diagnostics.
- As the coronavirus pandemic spread the number of non-emergency patients going to treatments and tests to healthcare providers decreased. Several hospitals and medical care facilities have postponed their non-emergency tests and examinations and focused on the treatment of the pandemic patients as well as on actions preventing the virus from spreading. However, several countries have already returned to normal treatment and research, and emergency measures due to the coronavirus in hospitals and health care facilities have been discontinued. In a long term the pandemic will accelerate the use of remote services in hospitals and medical care facilities, and thus creates positive development on the demand of the remote monitoring products and services.

Risks and Uncertainties

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

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

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 or that there will be no orders in the forecast quantities, currency losses, elevated costs, or litigations and related costs. In particular, these aforementioned risks apply to Bittium currently in Mexico, where exceptional circumstances due to the coronavirus pandemic have significantly slowed the progress of negotiations, and it is not yet known how the pandemic may affect the Mexican state budget.

As 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, and companies operating in the healthcare sector, 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 report 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 also result 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 also be 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. In May 2019 Bittium Corporation has agreed with Nordea Bank Finland Plc and OP Corporate Bank Plc on financing arrangement where total financing amount has been raised from EUR 30.0 million to EUR 40.0 million. With the financing arrangement, Bittium has EUR 20.0 million senior loan and EUR 10.0 million committed overdraft credit facility agreement with Nordea. Maturity date for the senior loan is May 24, 2024 and the credit limit agreement is valid until May 24, 2024. Bittium has EUR 10.0 million committed overdraft credit facility agreement with OP Corporate Bank Plc valid until May 24, 2022. 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 June 30, 2020, are compared with the statement of the financial position of December 31, 2019 (MEUR).

	30.6.2020	31.12.2019
Non-current assets	83.6	80.5
Current assets	78.7	73.8
Total assets	162.3	154.2
Share capital	12.9	12.9
Other capital	101.9	99.4
Total equity	114.9	112.3
Non-current liabilities	21.8	22.1
Current liabilities	25.6	19.9
Total equity and liabilities	162.3	154.2
	1-6/2020	1-12/2019
Cash flow of the review period :		
+ profit of the period +/- Adjustment of accrual basis items	8.7	14.3
+/- Change in net working capital	-8.0	-4.2
- interest, taxes and dividends	-0.4	-0.4
= net cash from operating activities	0.3	9.6
- net cash from investing activities	-8.4	-18.6
- net cash from financing activities	-0.7	13.2
= net change in cash and cash equivalents	-8.8	4.3

The amount of gross investments in the period under review was EUR 9.0 million. Net investments for the review period totaled to EUR 8.7 million. The total amount of depreciation during the period under review was EUR 5.5 million. The amount of interest-bearing debt, including finance lease liabilities, was EUR 22.4 million at the end of the reporting period (EUR 22.6 million). Bittium's equity ratio at the end of the period was 71.8 percent (73.4 percent).

The Group's liquidity remained good in the first half of the year despite the uncertainty caused by the coronavirus pandemic. Securing cash flow has not required any special adjustment measures and no significant changes have been identified in the credit risks of trade receivables.

Cash and other liquid assets at the end of the reporting period were EUR 26.3 million (EUR 35.2 million). Net cash flow during the period was EUR -8.8 million. The company did not pay dividends in the period under review and the net cash flow resulted from EUR 7.4 million investments made into own product development as the most significant item (EUR 4.3 million including as the most significant items the withdrawal of a EUR 20.0 million bank loan, EUR 15.6 million investments made into own product development and the EUR 5.4 million dividend payment).

Bittium has a EUR 20.0 million senior loan and a EUR 10.0 million committed overdraft credit facility agreement with Nordea Bank Finland Plc. Maturity date for the senior loan is May 24, 2024 and the credit limit agreement is valid until May 24, 2024. Bittium has EUR 10.0 million committed overdraft credit facility agreement with OP Corporate Bank Plc valid until May 24, 2022. At the end of the review period, no limits from 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 666 people in January-June 2020. At the end of June 2020, the company had 680 employees (655 employees at the end of 2019).

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

March 23, 2020: Name of the person subject to the notification requirement: Hannu Huttunen, CEO. Notification type: initial notification. Nature of transaction: Purchase. Transaction date: March 19, 2020. Aggregated transactions: volume 2 000 shares, volume weighted average price: EUR 3.61250.

March 23, 2020: Name of the person subject to the notification requirement: Erkki Veikkolainen, Member of the Board. Notification type: initial notification. Nature of transaction: Purchase. Transaction date: March 19, 2020. Venue: XHEL: Aggregated transactions: volume 69650 shares, volume weighted average price: EUR 3.67315. Venue XPOS: Aggregated transactions: volume 1 925 shares, volume weighted average price: EUR 3.62500. Venue TRQM: Aggregated transactions: volume 1 030 shares, volume weighted average price: EUR 3.72250. Venue XUBS: Aggregated transactions: volume 1 105, volume weighted average price: EUR 3.62500.

March 23, 2020: Name of the person subject to the notification requirement: Riitta Tiuraniemi, Member of the Board. Notification type: initial notification. Nature of transaction: Purchase. Transaction date: March 19, 2020. Aggregated transactions: volume 5 534 shares, volume weighted average price: EUR 3.60960.

March 23, 2020: Name of the person subject to the notification requirement: Erkki Veikkolainen, Member of the Board. Notification type: initial notification. Nature of transaction: Purchase. Transaction date: March 20, 2020. Venue: XHEL: Aggregated transactions: volume 50420 shares, volume weighted average price: EUR 4.18526. Venue XPOS: Aggregated transactions: volume 3 840 shares, volume weighted average price: EUR 4.18810.

May 27, 2020: Name of the person subject to the notification requirement: Riitta Tiuraniemi, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: May 25, 2020. Aggregated transactions: volume 764 shares, volume weighted average price: EUR 5.94000.

May 27, 2020: Name of the person subject to the notification requirement: Erkki Veikkolainen, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: May 25, 2020. Aggregated transactions: volume 1 338 shares, volume weighted average price: EUR 5.94000.

June 29, 2020: Name of the person subject to the notification requirement: Veli-Pekka Paloranta, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: June 26, 2020. Aggregated transactions: volume 1 386 shares, volume weighted average price: EUR 6.41000.

June 29, 2020: Name of the person subject to the notification requirement: Riitta Tiuraniemi, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: June 26, 2020. Aggregated transactions: volume 1 386 shares, volume weighted average price: EUR 6.41000.

June 29, 2020: Name of the person subject to the notification requirement: Pekka Kemppainen, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: June 26, 2020. Aggregated transactions: volume 1 386 shares, volume weighted average price: EUR 6.41000.

June 29, 2020: Name of the person subject to the notification requirement: Juha Putkiranta, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: June 26, 2020. Aggregated transactions: volume 1 386 shares, volume weighted average price: EUR 6.41000.

June 29, 2020: Name of the person subject to the notification requirement: Seppo Mäkinen, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: June 26, 2020. Aggregated transactions: volume 1 386 shares, volume weighted average price: EUR 6.41000.

June 29, 2020: Name of the person subject to the notification requirement: Erkki Veikkolainen, Member of the Board. Notification type: initial notification. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: June 26, 2020. Aggregated transactions: volume 2 426 shares, volume weighted average price: EUR 6.41000.

Decisions of the Annual General Meeting of Bittium Corporation

Bittium Corporation's Annual General Meeting was originally convened on April 1, 2020. However, as a result of the development of the coronavirus situation and the guidelines issued by the Finnish Government on March 16, 2020, Bittium Corporation's Board of Directors canceled the meeting on March 18, 2020 and postponed it.

Bittium's Annual General Meeting was held on June 15, 2020 at the company's headquarters in Oulu, Finland. Shareholders and their proxy representatives could participate in the meeting and exercise their rights only by voting in advance and by making counterproposals and presenting questions in advance. The meeting could not be attended on-site. The Annual General Meeting was arranged in accordance with an exceptional meeting procedure based on the temporary legislation to limit the spread of the Covid-19 pandemic approved by the Finnish Parliament.

The Annual General Meeting adopted the financial statements for the financial year 2019, discharged the company's management from liability and resolved to support the remuneration policy for governing bodies.

Use of the Profits Shown on the Balance Sheet and Authorizing the Board of Directors to Decide on Distribution of Dividend

The Annual General Meeting decided in accordance with the proposal of the Board of Directors that no dividend will be distributed by the General Meeting and to authorize the Board of Directors to decide at a later stage and in its discretion on dividend distribution not exceeding the aggregate maximum amount of EUR 3.6 million in one or several instalments, which corresponds to approximately EUR 0.10 per share with the current number of shares. The authorization is effective until the beginning of the next Annual General Meeting, however, no longer than until June 30, 2021. The Company will publish the Board of Directors' possible decisions on dividend distribution, and simultaneously confirm the applicable record and payment dates for such dividend payments. Dividends paid on the basis of this authorization will be paid to shareholders who on the applicable record date for such dividend payment are recorded in the shareholders' register held by Euroclear Finland Oy.

Election and remuneration of the Members of the Board of Directors

The Annual General Meeting decided that the Board of Directors shall comprise six (6) members. Ms. Riitta Tiuraniemi, Mr. Seppo Mäkinen, Mr. Juha Putkiranta, Mr. Pekka Kemppainen and Mr. Erkki Veikkolainen were re-elected as members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting. Further, Mr. Veli-Pekka Paloranta was elected as the new member of the Board of Directors for a corresponding term of office.

At its assembly meeting held on June 15, 2020, the Board of Directors elected Mr. Erkki Veikkolainen as the Chairman of the Board. Further, the Board resolved to keep the Audit Committee. Ms. Riitta Tiuraniemi (Chairman of the committee), Mr. Juha Putkiranta and Mr. Veli-Pekka Paloranta were elected as members of the Audit Committee.

The following monthly remuneration shall be paid to the members of the Board of Directors: to the chairman of the Board of Directors EUR 3,150 and to the other members of the Board of Directors EUR 1,800 each. In addition, the members of the Board of Directors are entitled to compensation for attending Board meetings as follows: the chairman of the Board EUR 875 for each meeting and other members EUR 500 for each meeting. In addition, the members of the Board of Directors are entitled to compensation for attending Committee meetings as follows: the chairman of the Committee EUR 600 for each meeting and other Committee members EUR 400 for each meeting. Travel expenses of the members of the Board of Directors shall be reimbursed in accordance with the Company's travel policy. The General Meeting also decided that 50 percent of the total amount of the monthly remuneration of the members of the Board of Directors will be paid at once as Bittium Corporation's shares acquired for the price formed in public trading, through share issue or, in special circumstances if share based remuneration cannot be paid for some reason, in money. The shares will be acquired according to the share purchase program of the company. A member of the Board of Directors may not transfer the shares received as remuneration before his/her membership in the Board of Directors has ended.

Election and Remuneration of the Auditor

Ernst & Young Oy, authorized public accountants, was re-elected as the auditor of the company for a term of office ending at the end of the next Annual General Meeting. Ernst & Young Oy has notified that Mr. Jari Karppinen, APA, will act as responsible auditor. It was decided that the remuneration to the auditor shall be paid against the auditor's reasonable invoice.

Authorizing the Board of Directors to Decide on the Repurchase of the Company's own Shares

The General Meeting authorized the Board of Directors to decide on the repurchase of the Company's own shares as follows.

The amount of own shares to be repurchased shall not exceed 3,500,000 shares, which corresponds to approximately 9.81 percent of all of the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorization.

Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market.

The Board of Directors decides how own shares will be repurchased. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase).

The authorization canceled the authorization given by the General Meeting on April 10, 2019 to decide on the repurchase of the company's own shares.

The authorization is effective until June 30, 2021.

Authorizing the Board of Directors to Decide on the Issuance of Shares as well as the Issuance of Special Rights Entitling to Shares

The General Meeting authorized the Board of Directors to decide on the issuance of shares and special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act as follows.

The amount of shares to be issued shall not exceed 3,500,000 shares, which corresponds to approximately 9.81 percent of all of the shares in the company.

The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The authorization canceled the authorization given by the General Meeting on April 10, 2019 to decide on the issuance of shares as well as the issuance of special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act.

The authorization is effective until June 30, 2021.

Annual Report, Sustainability Report, Corporate Governance Statement and Salary and Remuneration Report 2019, and Remuneration Policy 2020

On March 11, 2020 Bittium published its Annual Report, Sustainability Report, Corporate Governance Statement and Remuneration Report from 2019, and Remuneration Policy from 2020.

The reports are available at the company's internet pages at <https://www.bittium.com> both in Finnish and in English. The Annual Report and Sustainability Report are available also at <https://annualreport.bittium.com>.

Invitation to a Press Conference

Bittium will hold a webcast regarding the Half Year Financial Report 2020 for media, analysts and institutional investors on August 6, 2020, at 9.00 am (CEST+1). The conference will be held in Finnish. Bittium will also hold a webcast for media, analysts and institutional investors in English on the same day at 10.30 am (CEST+1).

Link to the Finnish webcast: <https://bittium.videosync.fi/2020-q2-tulokset>

Link to the English webcast: <https://bittium.videosync.fi/2020-q2-results>

Recordings of the both webcasts and the presentation will be available after the conference on Bittium's website at www.bittium.com/investors.

Oulu, August 6, 2020

Bittium Corporation
The Board of Directors

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Bittium Corporation Condensed Financial Statements and Notes January – June 2020

(unaudited)

The Half-year Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-6/2020	1-6/2019	1-12/2019
Continuing operations	6 months	6 months	12 months
NET SALES	42.5	33.1	75.2
Other operating income	0.3	0.4	0.9
Work performed by the undertaking for its own purpose and capitalized	0.1	0.1	0.2
Raw materials	-11.2	-6.1	-17.1
Personnel expenses	-17.2	-16.1	-31.5
Depreciation	-5.5	-3.0	-8.0
Other operating expenses	-6.1	-6.7	-13.4
Share of profits in associated companies	0.0	0.1	0.1
OPERATING PROFIT (LOSS)	2.9	1.7	6.3
Financial income and expenses	-0.3	-0.2	-0.4
PROFIT BEFORE TAX	2.5	1.5	5.9
Income tax	0.0	0.0	1.7
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	2.5	1.5	7.6
Discontinued operations			
Profit for the year from discontinued operations			
PROFIT FOR THE PERIOD	2.5	1.5	7.6
Other comprehensive income:			
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations	0.0	0.0	0.0
Other comprehensive income for the period total	0.0	0.0	0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2.5	1.5	7.7
Profit for the year attributable to			
Equity holders of the parent	2.5	1.5	7.6
Total comprehensive income for the period attributable to	2.5	1.5	7.6

Equity holders of the parent	2.5	1.5	7.7
Earnings per share from continuing operations, EUR			
Basic earnings per share	0.071	0.042	0.214
Diluted earnings per share	0.071	0.042	0.214
Earnings per share from discontinued operations, EUR			
Basic earnings per share			
Diluted earnings per share			
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share	0.071	0.042	0.214
Diluted earnings per share	0.071	0.042	0.214
Average number of shares, 1000 pcs	35 693	35 693	35 693
Average number of shares, diluted, 1000 pcs	35 693	35 693	35 693

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	June 30. 2020	June 30. 2019	Dec. 31. 2019
ASSETS			
Non-current assets			
Property, plant and equipment	23.0	24.6	24.2
Goodwill	5.8	5.8	5.8
Intangible assets	46.3	37.3	41.8
Other financial assets	1.6	1.8	1.8
Other non-current receivables	1.3	1.4	1.4
Deferred tax assets	5.5	3.7	5.5
Non-current assets total	83.6	74.6	80.5
Current assets			
Inventories	21.4	17.7	18.2
Trade and other receivables	30.9	24.5	20.4
Financial assets at fair value through profit or loss	5.6	5.7	5.7
Cash and short term deposits	20.7	27.8	29.5
Current assets total	78.7	75.7	73.8
TOTAL ASSETS	162.3	150.3	154.2
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12.9	12.9	12.9
Invested non-restricted equity fund	26.0	26.0	26.0
Translation difference	1.1	1.1	1.1
Retained earnings	74.9	66.2	72.3

Total equity	114.9	106.2	112.3
Non-current liabilities			
Deferred tax liabilities	0.3	0.4	0.3
Provisions			
Interest-bearing liabilities	21.2	21.5	21.4
Other non-current liabilities	0.3	0.4	0.4
Advances received		0.1	
Non-current liabilities total	21.8	22.3	22.1
Current liabilities			
Trade and other payables	22.3	18.9	16.9
Financial liabilities at fair value through profit or loss			
Provisions	2.2	1.7	1.8
Interest-bearing loans and borrowings	1.2	1.2	1.2
Current liabilities total	25.6	21.8	19.9
Total liabilities	47.4	44.1	41.9
TOTAL EQUITY AND LIABILITIES	162.3	150.3	154.2

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)	1-6/2020	1-6/2019	1-12/2019
	6 months	6 months	12 months
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year from continuing operations	2.5	1.5	7.6
Profit for the year from discontinued operations			
Adjustment of accrual basis items	6.1	3.2	6.7
Change in net working capital	-8.0	-5.7	-4.2
Interest paid on operating activities	-0.4	-0.5	-0.7
Interest received from operating activities	0.1	0.3	0.4
Income taxes paid	-0.0	-0.0	-0.0
NET CASH FROM OPERATING ACTIVITIES	0.3	-1.2	9.6
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	-0.4	-1.2	-2.3
Purchase of intangible assets	-8.0	-8.8	-16.1
Purchase of investments/associated companies	-0.0	-0.3	-0.4
Sale of investments/associated companies	0.0	0.1	0.2
Sale of property, plant and equipment			0.0
Sale of intangible assets	0.0	0.0	0.0
NET CASH FROM INVESTING ACTIVITIES	-8.4	-10.1	-18.6
CASH FLOW FROM FINANCING ACTIVITIES			

Borrowings		20.0	20.0
Repayment of borrowing			
Payment of finance liabilities	-0.7	-0.7	-1.4
Dividend paid		-5.4	-5.4
NET CASH FROM FINANCING ACTIVITIES	-0.7	13.9	13.2
NET CHANGE IN CASH AND CASH EQUIVALENTS	-8.8	2.6	4.3
Cash and cash equivalents at beginning of period	35.2	30.9	30.9
Cash and cash equivalents at end of period	26.3	33.4	35.2

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, 2019	12.9	26.0	1.1	70.1		110.0
Comprehensive income for the period						
Profit/loss for the period				1.5		1.5
Exchange differences on translating foreign operations			0.0			0.0
Total comprehensive income for the period			0.0	1.5		1.5
Transactions between the shareholders						
Distribution of dividends				-5.4		-5.4
Total transactions between the shareholders				-5.4		-5.4
Other changes				-0.0		-0.0
Shareholders equity on June 30, 2019	12.9	26.0	1.1	66.2		106.2

	A	B	C	D	E	F
Shareholders equity on Jan. 1, 2020	12.9	26.0	1.1	72.3		112.3
Comprehensive income for the period						

Profit/loss for the period				2.5		2.5
Exchange differences on translating foreign operations			0.0			0.0
Total comprehensive income for the period			0.0	2.5		2.5
Transactions between the shareholders						
Distribution of dividends						
Share-related compensation				0.0		0.0
Total transactions between the shareholders				0.0		0.0
Other changes				-0.0		-0.0
Shareholders equity on June 30, 2020	12.9	26.0	1.1	74.9		114.9

NOTES TO THE HALF YEAR FINANCIAL REPORTING

ACCOUNTING PRINCIPLES FOR THE HALF YEAR FINANCIAL REPORTING:

The Half Year Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting. Bittium Corporation has applied the same accounting principles in the preparation of this Half Year Report as in its Financial Statements for 2019, except for the adoption of new standards and interpretations effective during 2020. The forthcoming revisions or amendments of the standards are not expected to have significant impact on the consolidated financial statements.

ALTERNATIVE PERFORMANCE MEASURES

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. The definitions of the 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 =
$$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares at the end of the period}}$$

SEGMENT-INFORMATION (MEUR)

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

NET SALES OF GEOGRAPHICAL AREAS (MEUR)	1-6/2020	1-6/2019	1-12/2019
	6 months	6 months	12 months
Net sales			
Europe	35.2	27.1	56.4
Americas	7.1	5.8	18,5
Asia	0.2	0.2	0.3
Net sales total	42.5	33.1	75.2

RELATED PARTY TRANSACTIONS	1-6/2020	1-6/2019	1-12/2019
	6 months	6 months	12 months
Employee benefits for key management and stock options expenses total, continuing operations	0.8	0.6	1.5

New Share-Based Incentive Scheme for the Management of Bittium Corporation has started. The Performance Share Plan (PSP) consists of three annually commencing three-year performance share plans, PSP 2020-2022, PSP 2021-2023 and PSP 2022-2024, each with a one-year performance period, which is followed by the payment of the share reward and a two-year transfer restriction period. The commencement of the following two plans, PSP 2021-2023 and PSP 2022-2024, is, however, subject to a separate Board decision. The performance measures based on which the potential share reward under PSP 2020-2022 will be paid are the revenue growth and cash flow before financial items of Bittium. A precondition for the payment of the share reward is, in addition, that the employment relationship of the participant with Bittium continues at the time the reward is paid. The potential reward will be paid in shares of Bittium.

SHARE-BASED REMUNARATION OF THE MANAGEMENT

Form of the reward	Shares
Grant date	4.3.2020
Total amount of the shares at the most	110 000
Share price at the grant date, EUR	5.63
Total expenses of the reward at the most, EUR million	0.6
Execution	In shares

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR)	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
	3 months	3 months	3 months	3 months	3 months
Continuing operations					
NET SALES	25.3	17.3	26.9	15.2	23.6
Other operating income	0.2	0.1	0.3	0.3	0.2
Work performed by the undertaking for its own purpose and capitalized	0.1	0.0	0.0	0.1	0.1
Raw materials	-8.0	-3.3	-7.6	-3.4	-5.3

Personnel expenses	-8.8	-8.4	-8.2	-7.3	-8.2
Depreciation	-3.0	-2.6	-2.8	-2.2	-1.6
Other operating expenses	-3.1	-3.0	-4.6	-2.1	-3.5
Share of profits in associated companies	0.0	0.0	0.0	0.0	0.0
OPERATING PROFIT (LOSS)	2.7	0.2	4.1	0.6	5.2
Financial income and expenses	0.0	-0.3	-0.2	-0.0	-0.2
PROFIT BEFORE TAX	2.7	-0.2	3.9	0.6	5.0
Income tax	0.0	0.0	1.7	0.0	0.0
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	2.7	-0.2	5.6	0.6	5.0
Discontinued operations					
Profit for the period from discontinued operations					
PROFIT FOR THE PERIOD	2.7	-0.2	5.6	0.6	5.0
Other comprehensive income	-0.1	0.1	-0.1	0.1	0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2.6	-0.1	5.5	0.7	5.0
Profit for the period attributable to:					
Equity holders of the parent	2.7	-0.2	5.6	0.6	5.0
Total comprehensive income for the period attributable to:					
Equity holders of the parent	2.6	-0.1	5.5	0.7	5.0

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
	3 months	3 months	3 months	3 months	3 months
Net cash from operating activities	-0.8	1.2	9.8	1.1	4.5
Net cash from investing activities	-3.9	-4.5	-4.4	-4.1	-5.6
Net cash from financing activities	-0.4	-0.4	-0.4	-0.3	14.3
Net change in cash and cash equivalents	-5.1	-3.7	5.0	-3.3	13.2

FINANCIAL PERFORMANCE RELATED RATIOS	1-6/2020	1-6/2019	1-12/2019
	6 months	6 months	12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Net sales	42.5	33.1	75.2

Operating profit (loss)	2.9	1.7	6.3
Operating profit (loss), % of net sales	6.7	5.0	8.4
Profit before taxes	2.5	1.5	5.9
Profit before taxes, % of net sales	5.9	4.5	7.9
Profit for the period from continuing operations	2.5	1.5	7.6
PROFITABILITY AND OTHER KEY FIGURES			
Interest-bearing net liabilities, (MEUR)	-4.0	-10.7	-12.6
Net gearing, %	-3.5	-10.1	-11.2
Equity ratio, %	71.8	71.7	73.4
Gross investments, (MEUR)	9.0	12.2	21.3
Average personnel during the period, continuing operations	666	674	665
Personnel at the period end, continuing operations	680	680	655

AMOUNT OF SHARE ISSUE ADJUSTMENT (1.000 pcs)	Jun. 30. 2020	Jun. 30. 2019	Dec. 31. 2019
At the end of period	35 693	35 693	35 693
Average for the period	35 693	35 693	35 693
Average for the period diluted with stock options	35 693	35 693	35 693

STOCK-RELATED FINANCIAL RATIOS (EUR)	1-6/2020 6 months	1-6/2019 6 months	1-12/2019 12 months
Earnings per share from continuing operations. EUR			
Basic earnings per share	0.071	0.042	0.214
Diluted earnings per share	0.071	0.042	0.214
Earnings per share from discontinued operations. EUR			
Basic earnings per share			
Diluted earnings per share			
Earnings per share from continuing and discontinued operations. EUR			
Basic earnings per share	0.071	0.042	0.214
Diluted earnings per share	0.071	0.042	0.214
Equity *) per share	3,22	2.97	3.15
*) Equity attributable to equity holders of the parent			

MARKET VALUES OF SHARES (EUR)	1-6/2020	1-6/2019	1-12/2019
	6 months	6 months	12 months
Highest	7.47	8.03	8.03
Lowest	3.40	6.08	5.91
Average	5.40	6.98	6.70
At the end of period	6.22	6.24	6.50
Market value of the stock, (MEUR)	222.0	222.7	232.0
Trading value of shares, (MEUR)	63.5	31.0	51.5
Number of shares traded, (1.000 pcs)	11 750	4 448	7 689
Related to average number of shares %	32.9	12.5	21.5

SECURITIES AND CONTINGENT LIABILITIES (MEUR)	Jun. 30. 2020	Jun. 30. 2019	Dec. 31. 2019
AGAINST OWN LIABILITIES			
Floating charges			
Mortgages are pledged for liabilities totaled			
Guarantees	0.1	0.1	0.1
Rental liabilities			
Falling due in the next year	0.1	0.0	0,0
Falling due after one year			
Other contractual liabilities			
Falling due in the next year	0.9	2.4	1.9
Falling due after one year	1.1	1.6	0.8
Material purchase commitments	12.3	9.8	16.0

NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	Jun. 30. 2020	Jun. 30. 2019	Dec. 31. 2019
Foreign exchange forward contracts			
Market value	0.0	0.0	0.0
Nominal value	1.0	1.5	1.5