

Bittium

Bittium Corporation Half-Year Financial Report January-June 2022

Net sales

41.0 MEUR

Net sales growth

3.4 %

Operating result

-0.2 MEUR

Operating result, % of net sales

-0.6 %

Second Quarter Net Sales and Operating Profit Remained at the Same Level as in the Previous Year

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

Summary April-June 2022

- Net sales were EUR 22.7 million (EUR 22.6 million), representing a 0.2 percent increase year-on-year.
- The share of product-based net sales was EUR 15.8 million (EUR 16.7 million), representing 69.7 percent of the net sales. The share of Medical Technologies products was EUR 7.7 million (EUR 5.6 million) and the share of Defense & Security products was EUR 8.2 million (EUR 11.2 million).
- The share of services-based net sales was EUR 6.9 million (EUR 5.9 million), representing 30.3 percent of the net sales. The share of Connectivity Solutions R&D services was EUR 3.7 million (EUR 3.8 million).
- EBITDA was EUR 3.4 million (EUR 3.2 million).
- The operating result was EUR 0.8 million (EUR 0.7 million).
- The result for the period was EUR 0.6 million and earnings per share were EUR 0.016 (the result for the period EUR 0.5 million and earnings per share EUR 0.015).
- Cash flow from operating activities was EUR 2.9 million (EUR 2.6 million).
- Net cash flow was EUR -1.0 million (EUR -1.1 million).

Summary January-June 2022

- Net sales were EUR 41.0 million (EUR 39.7 million), representing a 3.4 percent increase year-on-year.
- The share of product-based net sales was EUR 27.2 million (EUR 27.9 million), representing 66.3 percent of the net sales. The share of Medical Technologies products was EUR 11.3 million (EUR 13.5 million) and the share of Defense & Security products was EUR 15.9 million (EUR 14.5 million).
- The share of services-based net sales was EUR 13.8 million (EUR 11.8 million), representing 33.7 percent of the net sales. The share of Connectivity Solutions R&D services was EUR 8.0 million (EUR 7.8 million).
- EBITDA was EUR 5.0 million (EUR 4.2 million).
- The operating result was EUR -0.2 million (EUR -0.7 million).
- The result for the period was EUR -0.6 million and earnings per share were EUR -0.018 (the result for the period EUR -1.0 million and earnings per share EUR -0.029).
- Cash flow from operating activities was EUR 6.0 million (EUR 1.2 million).
- Net cash flow was EUR 0.0 million (EUR -5.8 million).
- The order backlog was EUR 29.6 million (EUR 29.5 million on December 31, 2021).

GROUP (MEUR)	4-6/2022	4-6/2021	1-6/2022	1-6/2021
	3 months	3 months	6 months	6 months
NET SALES	22.7	22.6	41.0	39.7
Change of net sales, %	0.2 %	-10.4 %	3.4 %	-6.8 %
EBITDA	3.4	3.2	5.0	4.2
EBITDA, % of net sales	15.2 %	14.3 %	12.3 %	10.6 %
OPERATING PROFIT / LOSS	0.8	0.7	-0.2	-0.7
Operating profit / loss, % of net sales	3.5 %	3.3 %	-0.6 %	-1.8 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	0.6	0.5	-0.6	-1.0
CASH AND OTHER LIQUID ASSETS	22.0	18.9	22.0	18.9
EQUITY RATIO (%)	70.9 %	71.3 %	70.9 %	71.3 %
EARNINGS PER SHARE (EUR)	0.016	0.015	-0.018	-0.029

Bittium's CEO Hannu Huttunen

The second quarter development was according to our expectations. The net sales resulted in EUR 22.7 million, which was at the same level as in the previous year. The relative share of the product-based net sales decreased slightly from the previous year due to the component shortage. The sales of medical technology products increased from the previous year, and the sales of tactical communication and security smartphones fell short of the corresponding time of the previous year. Service-based net sales increased by 15.8 percent year-on-year resulting from the growth in sales of services in the Defense & Security business area. Sales of Connectivity Solutions R&D services were at the same level as in the previous year.

The second quarter operating result was EUR 0.8 million, corresponding to 3.5 percent of the net sales. The operating result improved slightly from the previous year. The order backlog was EUR 29.6, which was at the same level as in the end of last year.

The worldwide disruption in the availability of electronic components continues to still have a significant impact on the development of product business revenue. The general price increase of components and the additional material costs of component purchases from the spot market affect the development of the operating result. To improve the situation, we have started internal development projects in which we replace the hard-to-find components used in our products with those with better availability.

The war in Ukraine and the sanctions against Russia have not had a direct financial impact on Bittium's business. Bittium has no business in Russia, Ukraine, or Belarus. The world's political situation caused by the war can be seen in the defense market when states increase their defense budgets and new projects to modernize the defense forces are starting again. We believe that this will also have a positive effect on the demand for Bittium's tactical communication system products and information security solutions. We will participate in several new tenders regarding the modernization of tactical communications in different countries and the supply of secure mobile phone systems. However, the tendering stages of new projects are quite slow and can take several years.

Finland has started the process to join the military alliance NATO. We believe that joining NATO will strengthen our competitive position, especially in tenders of NATO countries.

In the Defense & Security business area, we released two new products in the second quarter of the year. The product range of tactical communication was expanded with the new Bittium Tough VoIP Field Phone™ 2 device, which is suitable for use on the battlefield, in vehicles, and in command posts due to its versatile connectivity features, accessories, and power supply options. We expanded the secure Bittium Tough Mobile™ smartphone product family with the new Bittium Tough Mobile™ 2 Tactical solution, which is targeted at the defense market. The comprehensive solution enabling the soldier's mobile communication can be connected either to the Bittium Tough SDR Handheld™ radio or to third-party tactical radios.

We continued the deliveries of tactical communication products to the Finnish Defence Forces; however, the shortage of components was slowing down the delivery schedule. We received also orders for Bittium Tactical Wireless IP Network™ (TAC WIN) software radio system products, Bittium Tough Comnode™ devices, and system support for Bittium TAC WIN and Bittium Tough VoIP™ systems according to the

existing framework agreements. The Defense Forces also placed an order for the further development of the new software version of the Bittium TAC WIN software radio system for the year 2022.

The field tests of Bittium Tough SDR™ radios and their waveforms continued, and the Finnish Defence Forces is developing an operational capability of use for the large-scale deployment of the radios. The Defence Forces ordered the development of a narrowband waveform for the future use of Bittium Tough SDR radios. The waveform development work will be multi-year.

In the international defense and security markets, we continued product deliveries of tactical communication system products as well as integration and testing work with our customers in Austria and Estonia, as well as with our other international customers, including international companies supplying air defense and sensor systems. We have also started several pilots of Tough SDR radios in many countries.

In June, the multinational joint venture a4ESSOR, which develops secure European software radio technology, successfully completed interoperability tests with the new ESSOR High Data Rate Waveform. We participated in interoperability tests with our new Bittium Tough SDR™ radios. The performance of the ESSOR waveform proved to be excellent and tests showed that it can handle several operational usage scenarios.

The numerous data security attacks detected recently have increased the interest of government actors in data secure mobile systems. Demand for Bittium Tough Mobile™ security phones and security-related software has continued to grow.

The medical technology market has recovered from the coronavirus pandemic. The demand for Bittium Faros™ EKG measuring devices increased, but the component shortage significantly slowed down both the reception of new orders and product deliveries. Most of the product deliveries were made to Preventice, a customer offering remote monitoring services in the US ECG market.

We expanded the Bittium Faros product family with the new Bittium Faros™ 180L ECG measuring device, which measures the ECG continuously for at least 14 days with one battery charge. The solution enables earlier discharge of patients and even better conditions to quickly detect and react to possible arrhythmias.

We have several medical device approvals in progress in different countries. The new European product safety regulation for medical devices, the MDR (Medical Device Regulation), has caused a backlog of quality system audits and device approvals and thus a significant delay in application turnaround times. Our operations already comply with the MDR requirements, but despite this, the backlog is also visible in the turnaround times for applications for our devices. We also started the process to apply for FDA (Food and Drug Administration) medical device approval for the North American market for the Bittium Respiro™ device used to measure sleep apnea. Respiro's MDR and FDA approvals are expected at the end of this year, after which the first product deliveries to customers in the European and American markets can begin.

In the neurophysiology market, the pilots of the Bittium BrainStatus™ EEG measurement devices progressed well, and new pilots started.

In the second quarter, the net sales of R&D services remained at the same level as in the previous year. In the Connectivity Solutions business, the market is recovering from the coronavirus pandemic, and customer meetings were held as usual, which has positively affected the business and the start of projects. We won new customers and started customer projects for the development of embedded systems.

In May, we introduced a new Cellular IoT solution to the market, which offers IoT devices direct connectivity to cloud services over mobile networks. The solution is based on software modules, the reuse of which improves the competitiveness of Bittium's design services, enabling the implementation of connectivity projects for the customer faster and more cost-effectively.

The availability of labor in the market is still a challenge. In particular, there are too few software experts compared to the demand, and the competition for employees has increased the mobility of the workforce.

Despite the uncertainties in the market, we made good progress in implementing our strategy. We have strengthened and focused our organization and focused on building international sales, continuously improving business, and ensuring customer satisfaction and quality.

Outlook for 2022

The world's geopolitical situation, problems in logistics chains, inflation, and deteriorating economic development create uncertainty in future outlook. About 70 percent of Bittium's net sales accumulates from products and related systems. The global disruption in the

availability of electronics components still causes significant uncertainty and poor visibility in the development of Bittium's product-based net sales and operating result by the end of 2022.

Bittium expects the net sales of 2022 to be at the same level as in the previous year (EUR 86.9 million in 2021). Even though the operating result of the third quarter is expected to be negative, the operating result of the whole year 2022 is expected to be positive (EUR 3.2 million in 2021).

More information about Bittium's market outlook, risks, and uncertainties are presented in this report in the sections "Market Outlook" and "Risks and Uncertainties" as well as on the company's internet pages at www.bittium.com.

Market Environment and Business Development in January-June 2022

Defense & Security Business Area

The world's political situation changed significantly in February when Russia attacked Ukraine. The states are increasing their defense budgets and new projects to modernize the defense forces of different states are starting again. Bittium will participate in several new tenders regarding the modernization of tactical communications in different countries and the supply of secure mobile phone systems. However, the tendering stages of new projects are quite slow and can take several years.

Finland has started the process to join the military alliance NATO. Bittium's tactical communication products have very high-quality technical solutions for use in NATO countries, and NATO countries have been potential customers of Bittium even without Finland joining the NATO. Finland's possible future accession to NATO will not cause changes to Bittium's product portfolio but will strengthen the company's market position, especially in tenders for NATO countries. If Finland becomes a NATO member, Bittium would have the opportunity, if necessary, to adopt NATO waveforms and encryption solutions in its products and to participate in the research programs of NATO countries.

In April, the tactical communication product range was expanded with the new Bittium Tough VoIP Field Phone™ 2. It is a new generation VoIP phone that enables reliable communication in demanding operating environments. Designed for military use, the Field Phone 2 is suitable for use on the battlefield, in vehicles, and command posts due to its versatile connectivity features, accessories, and power supply options. Bittium Tough VoIP Field Phone 2 complements the existing Tough VoIP product family, responding to customers' need for a new generation field phone designed for demanding military use.

Deliveries of products needed for tactical communication to the Finnish Defence Forces continued, however, the shortage of components had a slowing effect on the delivery schedule. Bittium received the orders in accordance with the framework agreements for both Bittium Tactical Wireless IP Network™ (TAC WIN) software radio system products and Bittium Tough Comnode™ devices. The devices will be delivered to the Defence Forces in 2022. In addition, the Finnish Defence Forces placed orders for 2022 system support regarding Bittium TAC WIN and Bittium Tough VoIP™ systems. The support includes technical support of the systems and the devices that belong to them, software support, maintenance of system support readiness, and management of system support. The Defence Forces also ordered further development work of the new software version of the Bittium TAC WIN software radio system for the year 2022. The development work continues to improve the performance of the waveform and radio platform software of the TAC WIN system based on the observations made in field tests and training use, as well as the waveform research conducted by Bittium.

Field testing of Bittium Tough SDR™ radios and their waveforms continued, and the Finnish Defence Forces is developing an operational capability of use for the large-scale deployment of the radios. In April, the Finnish Minister of Defense authorized the Logistics Department of the Finnish Defence Forces to order from Bittium the development of a narrowband waveform for the future use of Bittium Tough SDR radios. The development of the waveform has started, and the project will be multi-year.

In the international defense and authority markets, Bittium continued product deliveries of tactical communication system products as well as integration and testing to its customers in Austria and Estonia, as well as to its other international customers, including international companies supplying air defense and sensor systems. In addition, several Bittium Tough SDR radio pilots began.

In June, the multinational joint venture a4ESSOR, which develops secure European software radio technology, successfully completed interoperability tests with its new ESSOR High Data Rate Waveform. The testing was performed in Poland with the ESSOR waveform-

equipped software radios of the industry-representing a4ESSOR consortium partners (Bittium, Indra, Leonardo, Radmor, and Thales), each connected to an automated test environment. Bittium participated in interoperability tests with the new Bittium Tough SDR™ radios. The radios flexibly use Bittium's own broadband and narrowband waveforms as well as the ESSOR waveform for tactical data transmission. The performance of the ESSOR waveform proved to be excellent and the tests showed that it can handle several operational usage scenarios, demonstrating full interoperability.

The numerous data security attacks detected recently have increased the interest of government actors in data secure mobile communication systems. Demand for Bittium Tough Mobile™ security phones and security-related software has continued to grow. The Data Security classification of the phone and the related system is key, especially in the authorities' market, and secure terminals and systems have already been delivered to the authorities of several countries. The number of users of the delivered systems is relatively moderate in the first phase, however, there is an excellent opportunity for growth as the number of users increases.

The secure Bittium Tough Mobile™ smartphone product family was extended with the new Bittium Tough Mobile™ 2 Tactical solution released in June. The solution is targeted at the defense market. The comprehensive solution enabling soldier's mobile communication is based on the secure and durable Bittium Tough Mobile™ 2 smartphone, which can be connected either to the Bittium Tough SDR Handheld™ radio or to third-party tactical radios. The solution is compatible with different battle management systems, which enables real-time and efficient sharing of situational awareness in tactical networks. The Tough Mobile 2 smartphone offers the soldier a larger number of applications for use in tactical networks, and the phone's large screen enables a better user interface compared to traditional military radios.

Medical Technologies Business Area

The medical technology market has recovered from the uncertainty caused by the coronavirus pandemic. The importance of remote care and remote monitoring is still developing with the insufficiency of medical care resources and cost pressures. Remote monitoring and remote diagnostics solutions bring help to these problems, which will in the future support the positive development of sales of Bittium's medical remote diagnostics solutions.

Bittium has several medical device approvals in progress in different countries. The new European medical device product safety regulation, or MDR (Medical Device Regulation, EU 2017/745), entered into full force on May 26, 2021. The regulation harmonizes European legislation in the health sector and replaces the old MD and AIMD directives concerning medical and implantable devices. The change has caused a backlog of quality system audits and equipment approvals, and thus a significant delay in application turnaround times, which is also reflected in Bittium's product approval turnaround times. Bittium's business is in accordance with the MDR regulation.

In the North American market, Bittium has started the medical FDA (Food and Drug Administration) approval process for the Bittium Respiro™ device used to measure sleep apnea. Respiro's MDR and FDA approvals are expected by the end of this year, after which the first product deliveries to customers in Europe and America can begin. Product registrations have been started in July 2022 for both the EU region (MDR) and the US market (FDA/510k). Awareness of the health issues of sleep apnea and its effects on quality of life has grown, and the feedback on Bittium's at-home measurement solution has been very promising.

The demand for Bittium Faros™ ECG measuring devices increased, but both the receipt of orders and the actual device deliveries were significantly slowed down by a component shortage. Most of the product deliveries were made to the US customer Preventice Solutions (a fully owned subsidiary of Boston Scientific), which offers remote monitoring services in the US ECG market. In February, Bittium and Preventice signed an agreement, according to which Bittium will continue the supply of the BodyGuardian® MINI ECG devices that monitor cardiac arrhythmias to Preventice. In addition, the cooperation in the development of new ECG technology tailored to the use of Preventice Solutions continues. If the minimum volumes required for exclusivity according to the agreement are fulfilled, the total value of the agreement will be approximately 40–45 million US dollars, with turnover accruing during the years 2022–2025.

The Bittium Faros product family was expanded with the new Bittium Faros™ 180L ECG measuring device, which measures ECG continuously for at least 14 days with one battery charge. The device streamlines long-term ECG monitoring of stroke patients and improves diagnostic yield and patient satisfaction. The solution enables earlier discharge of patients and even better conditions to quickly detect and react to possible arrhythmias.

In the neurophysiology market, the pilots of the Bittium BrainStatus™ EEG measurement devices progressed well. New pilots have been started, including e.g., European university hospitals that test the use of BrainStatus in intensive care.

The Medical Technologies business unit continued to strengthen its own sales organization and to expand its international distribution network to promote international sales. The strengthening and development of product management, product development, and

manufacturing organizations continued. In addition, the quality system and operating processes reached the level of compliance with MDR requirements in June 2022.

Connectivity Solutions Business Area

In the second quarter, the net sales of R&D services remained at the same level as in the previous year. In the Connectivity Solutions business, the market has recovered from the coronavirus pandemic, and customer meetings have returned to normal speed, which has a positive effect on the business and the start of projects. The demand is focused on telecommunications and open radio frequency network architecture (Open Radio Access Network, O-RAN) solutions, wireless communication satellite technology, and connectivity solutions for embedded wireless devices in various industrial areas. New customers were won, and customer projects were started for the development of embedded systems.

In May, Bittium introduced a new Cellular IoT solution to the market, which offers IoT devices direct connectivity to cloud services over mobile networks. The solution can be used to update the local connectivity of existing IoT devices to 4G/5G connectivity or to integrate 4G/5G connectivity into new IoT devices being developed. The solution is based on software modules, the reuse of which improves the competitiveness of Bittium's R&D services, enabling the implementation of connectivity projects for the customer faster and more cost-effectively.

The availability of labor in the market is still a challenge. In particular, there are too few software experts compared to the demand, and the competition for employees has increased the mobility of the workforce. Bittium develops its expertise, especially in the areas of wireless communication and embedded wireless connectivity solutions.

Financial Performance in January-June 2022

The net sales in January-June 2022 increased by 3.4 percent year-on-year to EUR 41.0 million (EUR 39.7 million).

The share of product-based net sales was EUR 27.2 million (EUR 27.9 million), representing 66.3 percent of the net sales. The share of Medical Technologies products was EUR 11.3 million (EUR 13.5 million) and the share of Defense & Security products and systems was EUR 15.9 million (EUR 14.5 million). The decline in product-based net sales was caused by component availability difficulties.

The share of services-based net sales was EUR 13.8 million (EUR 11.8 million), representing 33.7 percent of the net sales. The share of Connectivity Solutions R&D services was EUR 8.0 million (EUR 7.8 million), resulting mainly from R&D services for wireless telecommunication customers.

EBITDA was EUR 5.0 million (EUR 4.2 million).

The R&D investments were EUR 11.1 million (EUR 11.0 million), representing 27.2 percent of net sales (27.8 percent). EUR 3.0 million in R&D costs were capitalized to the balance sheet, which was EUR 1.4 million less than a year ago. Maintaining the expanding product portfolio competitive increases the annual continuing product development costs.

The operating result in January-June 2022 was EUR -0.2 million (EUR -0.7 million).

Cash flow from operating activities was EUR 6.0 million (EUR 1.2 million). Net cash flow during the period was EUR 0.0 million (EUR -5.8 million), including the most significant items EUR 3.0 million R&D investments into own products and EUR 1.4 million dividend payment (EUR -5.8 million, including the most significant items EUR 4.4 million R&D investments into own products, and EUR 1.1 million dividend payment).

The equity ratio was 70.9 percent (71.3 percent).

Net gearing was 0.3 percent (3.2 percent).

The order backlog at the end of the year was EUR 29.6 million (EUR 29.5 million on December 31, 2021).

Half Year Figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	1H/22	2H/21	1H/21	2H/20
Net sales	41.0	47.2	39.7	35.8
Operating profit (loss)	-0.2	3.9	-0.7	-0.8
Result before taxes	-0.7	3.6	-1.0	-0.9
Result for the period	-0.6	4.4	-1.0	-0.4

DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR, AND %	1H/22	2H/21	1H/21	2H/20
Product-based net sales	27.2	35.2	27.9	23.0
	66.3 %	74.5 %	70.3 %	64.3 %
Services-based net sales	13.8	12.0	11.8	12.8
	33.7 %	25.5 %	29.7 %	35.7 %

DISTRIBUTION OF PRODUCT-BASED NET SALES, MEUR, AND %	1H/22	2H/21	1H/21	2H/20
Defense & Security products	15.9	20.8	14.5	15.1
	58.5 %	59.3 %	51.8 %	65.5 %
Medical Technologies products	11.3	14.3	13.5	8.0
	41.5 %	40.7 %	48.2 %	34.5 %

DISTRIBUTION OF SERVICES-BASED NET SALES, MEUR, AND %	1H/22	2H/21	1H/21	2H/20
Connectivity Solutions R&D services	8.0	7.7	7.8	8.0
	57.8 %	63.8 %	66.6 %	62.4 %
Other service-based net sales	5.8	4.4	3.9	4.8
	42.2 %	36.2 %	33.4 %	37.6 %

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR, AND %	1H/22	2H/21	1H/21	2H/20
Asia	0.5	0.3	0.3	0.2
	1.3 %	0.6 %	0.6 %	0.5 %
North and South America	10.4	14.9	14.4	6.4
	25.4 %	31.5 %	36.4 %	17.8 %
Europe	30.1	32.0	25.0	29.3
	73.3 %	67.9 %	62.9 %	81.7 %

Quarterly Figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	2Q/22	1Q/22	4Q/21	3Q/21	2Q/21
Net sales	22.7	18.4	30.1	17.1	22.6
Operating profit (loss)	0.8	-1.0	3.7	0.2	0.7
Result before taxes	0.6	-1.2	3.5	0.1	0.5
Result for the period	0.6	-1.2	4.3	0.1	0.5

DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR, AND %	2Q/22	1Q/22	4Q/21	3Q/21	2Q/21
Product-based net sales	15.8 69.7 %	11.4 62.0 %	23.0 76.5 %	12.2 71.0 %	16.7 73.8 %
Services-based net sales	6.9 30.3 %	7.0 38.0 %	7.1 23.5 %	5.0 29.0 %	5.9 26.2 %

DISTRIBUTION OF PRODUCT-BASED NET SALES, MEUR, AND %	2Q/22	1Q/22	4Q/21	3Q/21	2Q/21
Defense & Security products	8.2 51.6 %	7.8 68.2 %	15.5 67.6 %	5.3 43.4 %	11.2 66.8 %
Medical Technologies products	7.7 48.4 %	3.6 31.8 %	7.4 32.4 %	6.9 56.6 %	5.6 33.2 %

DISTRIBUTION OF SERVICES-BASED NET SALES, MEUR, AND %	2Q/22	1Q/22	4Q/21	3Q/21	2Q/21
Connectivity Solutions R&D services	3.7 54.6 %	4.3 60.9 %	4.6 64.8 %	3.1 62.5 %	3.8 63.7 %
Other service-based net sales	3.1 45.4 %	2.7 39.1 %	2.5 35.2 %	1.9 37.5 %	2.2 36.3 %

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR, AND %	2Q/22	1Q/22	4Q/21	3Q/21	2Q/21
Asia	0.2 0.9 %	0.3 1.7 %	0.2 0.6 %	0.1 0.5 %	0.1 0.6 %
North and South America	6.6 29.1 %	3.8 20.8 %	8.8 29.2 %	6.1 35.7 %	7.2 31.9 %
Europe	15.9 70.0 %	14.2 77.4 %	21.1 70.2 %	10.9 63.8 %	15.3 67.5 %

Statement of Financial Position and Financing

The figures presented in the statement of financial position of June 30, 2022, are compared with the statement of the financial position of December 31, 2021 (MEUR).

	Jun 30, 2022	Dec 31, 2021
Non-current assets	84.8	85.9
Current assets	80.5	80.3
Total assets	165.3	166.1
Share capital	12.9	12.9
Other capital	102.1	103.9
Total equity	115.1	116.8
Non-current liabilities	21.6	21.5
Current liabilities	28.7	27.8
Total equity and liabilities	165.3	166.1
Cash flow of the review period:	1-6/2022	1-12/2021
+ profit of the period +/- Adjustment of accrual basis items	6.4	15.2
+/- Change in net working capital	0.0	-6.2
- interest, taxes, and dividends	-0.5	-0.7
= net cash from operating activities	6.0	8.3
- net cash from investing activities	-3.7	-8.4
- net cash from financing activities	-2.3	-2.5
= net change in cash and cash equivalents	0.0	-2.6

The number of gross investments in the period under review was EUR 4.5 million. Net investments for the review period totaled EUR 4.3 million. The total amount of depreciation during the period under review was EUR 5.3 million. The amount of interest-bearing debt, including finance lease liabilities, was EUR 22.4 million at the end of the reporting period (EUR 22.3 million). Bittium's equity ratio at the end of the period was 70.9 percent (72.4 percent).

The Group's liquidity remained good despite the uncertainty caused by the global disruption in the availability of electronic components. 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 22.0 million (EUR 22.0 million). Net cash flow during the period was EUR 0.0 million. The net cash flow resulted from EUR 3.0 million investments made into own product development and EUR 1.4 million dividend payment as the most significant items (EUR -2.6 million including EUR 7.0 million investments made into own product development and dividend payment of EUR 1.1 million as the most significant items).

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. The 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 September 30, 2025. At the end of the review period, no limits on 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 based on accounts receivable, accounts payable, order book, and budgeted net currency cash flow.

Research and Development

Bittium continued to make significant investments to develop its own products and product platforms. In January-June 2022, the R&D investments were EUR 11.1 million (EUR 11.0 million), representing 27.2 percent of the net sales (27.8 percent).

The R&D investments focused mainly on developing medical technology products, tactical communication systems, and products for the defense industry, different types of special terminal products for authorities, and their related security software. In 2021, the focus of investments has gradually shifted from tactical communications to the development of new medical technology products.

The capitalized R&D investments are related to the investments in developing the software-defined radio-based tactical radios, Bittium Tough SRD™ product family, further development of tactical communication networks, and development of medical technology products.

R&D INVESTMENTS, (MEUR)

	1-6 2022 6 months	1-6 2021 6 months
Total R&D investments	11.1	11.0
Capitalized R&D investments	-3.0	-4.4
Depreciation and impairment of R&D investments	2.8	2.5
The cost impact on the income statement	11.0	9.1
R&D investments, % of net sales	27.2 %	27.8 %

CAPITALIZED R&D INVESTMENTS IN BALANCE SHEET, MEUR

	1-6 2022 6 months	1-6 2021 6 months
Balance sheet value at the beginning of the period	48.1	46.6
Additions during the period	3.0	4.4
Depreciation and impairment of R&D investments	-2.8	-2.5
Balance sheet value at the end of the period	48.2	48.5

Personnel

The Bittium group employed an average of 648 people in January-June 2022 (670 people in January-June 2021). At the end of June 2022, the company had 649 employees (664 employees at the end of June 2021).

Changes in the Company's Management

Mr. Antti Näykki (45 years), B.Eng. Embedded Systems, was appointed as Senior Vice President, Medical Technologies Product and Service Area in Bittium Corporation and as a member of Bittium Corporation's Management Group, effective on February 1, 2022. Mr. Näykki has worked at Bittium since 2019, among other things, as responsible for business development, and as the head of the Medical Technologies product management. In his new position as Senior Vice President of Medical Technologies Product and Service Area, he will report to Mr. Hannu Huttunen, CEO of Bittium Corporation. Prior to Bittium, Mr. Näykki worked as Managing Director of Jutel Oy and in various sales and management positions at Exfo and Nethawk.

Mr. Arto Pietilä, Senior Vice President of Medical Technologies Product and Service Area and a member of Bittium Corporation's Management Group, retired in March 2022.

As of February 1, 2022, Bittium Corporation's management group consisted of the following persons: Mr. Hannu Huttunen, CEO (Chairman); Mr. Pekka Kunnari, CFO; Mr. Kari Jokela, CLO; Mrs. Karoliina Malmi, Vice President Communications and Marketing; Mr. Jari Sankala, Senior Vice President Defense & Security; Mr. Tommi Kangas, Senior Vice President Connectivity Solutions; Mr. Antti Näykki, Senior Vice President Medical Technologies; and Mr. Jari-Pekka Innanen, Vice President, Engineering.

Share and Share Capital

The shares of Bittium Corporation are quoted on Nasdaq Helsinki. The Company has one series of shares. All shares entitle their holders to dividends of equal value. Each share has one vote. The share does not have a nominal value. The Company's shares have been entered into Euroclear Finland Ltd.'s book-entry securities system.

At the end of the financial period, the fully paid share capital of the Company entered into the Finnish Trade Register was EUR 12,941,269.00 and the total number of shares was 35,702,264. The accounting par value of the Company's share is EUR 0.10. The Company does not have its own shares in its possession.

MARKET VALUES OF SHARES (EUR)	1-6/2022	1-6/2021
	6 months	6 months
Highest	6.08	7.89
Lowest	4.46	5.79
Average	5.22	6.59
At the end of period	5.12	6.36
Market value of the stock, (MEUR)	182.8	227.1
Trading value of shares, (MEUR)	28.0	48.3
Number of shares traded, (1.000 pcs)	5 359	7 323
Related to average number of shares, %	15.0	20.5

Incentive Systems

The company has three valid incentive systems on June 30, 2022: the management's share-based incentive system, the variable pay, and the profit-sharing plan.

Management Share-Based Incentive Plan

The management of the Bittium group's share-based long-term incentive scheme comprises a Performance Share Plan ("PSP"). 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, commit the management to achieving Bittium's strategic targets, and the retention of Bittium's management. The Performance Share Plan 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 each plan is, however, subject to a separate Board decision. Further information can be found on the company's internet pages at the address www.bittium.com.

On February 10, 2022, the Board of Directors of Bittium Corporation decided on the new period in the share-based long-term incentive scheme for the Bittium group's management. The members of Bittium's Management Group are eligible to participate in the third PSP 2022–2024 plan. The performance measures based on which the potential share reward under PSP 2022–2024 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. If all the performance targets set for the third plan, PSP 2022 – 2024, are fully achieved, the aggregate maximum number of shares to be paid based on this second plan is approximately 122,100 shares (gross before the withholding of the applicable payroll tax). The aggregate gross value of PSP 2022 – 2024, estimated based on the volume-weighted average quotation of Bittium's share during the period H2/2021, is approximately EUR 0.7 million.

On March 24, 2022, Bittium Corporation's Board of Directors decided on the payment of the Company's share-based incentive system's share bonuses to the Company's management. Share premiums are paid in Bittium Corporation shares that can be acquired at the price formed in public trading. The decision was about the second Performance Share Plan (PSP 2021-2023) of the share-based incentive scheme. In the Share Issue, 13,467 new shares of the Company were issued without consideration to the management entitled to share rewards according to the terms and conditions of the share-based incentive scheme. A total of eight (8) persons of the Company's management group were in the target group of the payment.

In addition, the company has a **variable pay**, the reward of which is paid based on the achievement of goals, as well as a **profit-sharing plan**, which applies to all personnel, excluding those covered by other short-term bonus systems.

These incentive programs are described in more detail in the company's 2021 financial statements.

Shareholders

Largest Shareholders as of June 30, 2022

	Number of shares	% of shares
1. Veikkolainen Erkki	1 767 665	4.95 %
2. Ponato Oy	1 501 300	4.21 %
3. Hulkko Juha	1 419 370	3.98 %
4. Mutual Pension Insurance Company Varma	1 365 934	3.83 %
5. Mutual Pension Insurance Company Ilmarinen	1 296 529	3.63 %
6. OP-Suomi Mikroyhtiöt - special investment company	746 514	2.09 %
7. Investment Fund Taaleritehdas Mikro Markka	700 000	1.96 %
8. Hilden Kai Jalmari	658 000	1.84 %
9. Skandinaviska Enskilda Banken AB	552 336	1.55 %
10. Citibank Europe PLC	506 684	1.42 %

At the end of June 2022, Bittium Corporation had 21,612 shareholders. The ten largest shareholders owned 29.5 percent of the shares. Private ownership was 69.0 percent. The percentage of foreign and nominee-registered shareholders was 3.6 percent at the end of June 2022.

Flagging Notifications

During the review period, there were no changes related to ownership relationships that would have led to the notification obligation required by Section 2:9 of the Securities Market Act, i.e., the so-called flagging notification.

Decisions of the Annual General Meeting 2022 of Bittium Corporation

Bittium Corporation's Annual General Meeting was held on April 6, 2022, at 1.00 pm 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 (375/2021) approved by the Finnish Parliament.

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

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided that, based on the balance sheet for the financial year January 1, 2021 - December 31, 2021, a dividend of EUR 0.04 per share will be distributed. The dividend was paid to shareholders who on the dividend record date of April 8, 2022, were registered in the company's shareholders' register held by Euroclear Finland Oy. The dividend was paid on April 19, 2022. All the shares in the company were entitled to the dividend with the exception of shares possibly held by the company on the dividend record date.

Election and Remuneration of the Members of the Board of Directors

The Annual General Meeting decided that the Board of Directors shall comprise five (5) members. Mr. Erkki Veikkolainen, Ms. Riitta Tiuraniemi, Mr. Veli-Pekka Paloranta, Mr. Petri Toljamo, and Mr. Pekka Kemppainen 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.

At its assembly meeting held on April 6, 2022, the Board of Directors elected Mr. Erkki Veikkolainen as the Chairman of the Board of Directors. Further, the Board has resolved to keep the Audit Committee. Ms. Riitta Tiuraniemi (Chairman of the committee), Mr. Petri Toljamo, and Mr. Veli-Pekka Paloranta were elected as members of the Audit Committee.

The Annual General Meeting resolved that 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 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 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 number of own shares to be repurchased shall not exceed 3,500,000 shares, which corresponds to approximately 9.80 percent of all of the shares in the company as of the date of the General Meeting. Only the unrestricted equity of the company can be used to repurchase its shares based on 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 their 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 cancels the authorization given by the General Meeting on April 14, 2021, to decide on the repurchase of the company's own shares.

The authorization is effective until June 30, 2023.

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 number of shares to be issued shall not exceed 3,500,000 shares, which corresponds to approximately 9.80 percent of all of the shares in the company as of the date of the General Meeting. The Board of Directors decides on all the conditions of the issuance of shares and 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 special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The authorization cancels the authorization given by the General Meeting on April 14, 2021, 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, 2023.

Significant Events after the Reporting Period

There were no significant events after the reporting period.

Risks and Uncertainties

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

Russia's war of aggression against Ukraine and the subsequent global geopolitical instability combined with high inflation, supply chain challenges, and European energy market problems have caused various supply and demand-related risks and increased uncertainty.

Especially the global disruption in the availability of electronic components and their price development has caused fast changes in the company's operating environment. The company monitors the development of the situation and actively strives to ensure the availability of components required for product deliveries. Poor availability of components can have a detrimental effect on the progress of the ability to deliver products.

The spread of the coronavirus around the world is still ongoing, and the resulting sick leave may affect the development of Bittium's business. It is difficult to estimate the duration of the pandemic and its effects on business 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 in situations where there will be no orders in the forecast quantities, currency losses, elevated costs, or litigations and related costs.

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 in the 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 the 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, a 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 in 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 the management of intellectual property rights, on the one hand, related to accessibility on commercially acceptable terms of certain technologies in 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 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 on July 1, 2015, and started using the

new trademark. The registration and the use of the new trademark can include customary risks involved when taking a new trademark into use.

Financing Risks

Global economic uncertainty may lead to payment delays, increase the risk of 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. Bittium has a EUR 20.0 million senior loan and EUR 10.0 million committed overdraft credit facility agreement with Nordea Bank Plc. The 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 September 30, 2025.

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.

Outlook for 2022

The world's geopolitical situation, problems in logistics chains, inflation, and deteriorating economic development create uncertainty in future outlook. About 70 percent of Bittium's net sales accumulates from products and related systems. The global disruption in the availability of electronics components still causes significant uncertainty and poor visibility in the development of Bittium's product-based net sales and operating result by the end of 2022.

Bittium expects the net sales of 2022 to be at the same level as in the previous year (EUR 86.9 million in 2021). Even though the operating result of the third quarter is expected to be negative, the operating result of the whole year 2022 is expected to be positive (EUR 3.2 million in 2021).

More information about Bittium's market outlook, risks, and uncertainties are presented in this report in the sections "Market Outlook" and "Risks and Uncertainties" as well as on the company's internet pages at www.bittium.com.

Market Outlook

Bittium's customers operate in various industries, each of them having its 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 competencies accrued over time and the long history of developing mobile communication solutions, Bittium is in a good position to offer customized solutions to its customers. Over thirty years of experience and extensive competence in measuring biosignals also act as a basis for medical technology solutions.

In 2020 and 2021, the global coronavirus pandemic has significantly affected the global economy and market situation, however, the market has slowly recovered from the effects of the pandemic.

The global shortage of components will affect product manufacturing and thus the ability to deliver products to customers on schedule. In addition, the world's geopolitical situation, problems with logistics chains, inflation and deteriorating economic development create uncertainty in the market outlook.

The factors affecting the demand for Bittium's products and services are described below:

Defense, Public Safety, and Information Security Markets

- In the defense market's tactical communications sector, the governments' defense forces and other authorities need networks that troops, who are more and more constantly on the move, can use and transfer growing amounts of data securely. This creates demand for Bittium Tactical Wireless IP Network™ (TAC WIN) broadband network, Bittium Tough SDR™ handheld, and vehicular radios, and other Bittium's IP-based (Internet Protocol) tactical communication solutions. 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 2022. Due to the long sales cycles driven by purchasing programs of national governments, it will take time to receive purchase orders.
- The use of smartphones, and applications continues to increase in public safety market, creating demand for Bittium Tough Mobile™ secure smartphone and other customized special terminals based on Bittium's own product platform. The awareness of mobile security risks is growing, and the interest in secure mobile devices is increasing. The sales of secure terminal products is expected to develop moderately according to the nature of public safety markets.
- The coronavirus pandemic has delayed the start of new projects and receiving orders. Especially in the defense and security markets, testing and piloting of products and systems are typical steps before orders from larger entities. These steps could not be carried out under exceptional circumstances. However, the market has clearly started to recover from the effects of the pandemic and projects are starting again.
- The global shortage of components affects the availability of various components used in products, which affects the company's ability to deliver products to its customers on the agreed schedule.

Telecommunication and Digitalization

- In mobile telecommunications, 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 the development of product variants. The different kinds of needs for solutions in the open radio frequency network architecture, Open Radio Access Network (ORAN), and satellite communication increase the demand for Bittium's R&D expertise as new players enter the traditional supplier network. Also, the development of new devices utilizing 5G technology increases the demand for Bittium's services.
- As digitalization evolves, secure IoT (Internet of Things) has become a significant development area in almost every industry. The increasing need for companies to digitalize their operations, collect data wirelessly, and transfer it to the internet and cloud services generate a need for Bittium's services and customized solutions. To this end, the market needs secure devices, for both demanding industrial and leisure applications, which collect information from the sensors used by the device and create a reliable wireless connection to the Internet and cloud services. The deployment of 5G technology is expanding and the number of digitalized devices increases continuously. The devices will also feature new and more advanced features that will create demand for R&D services. Therefore, the integration of different systems and technologies plays an important role in enabling complete digitalization services. 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.
- Technological development and new innovations enable the development of new devices for monitoring health and well-being, which increases the demand for Bittium's product development service expertise. Bittium's experience with various wearable and medical devices, combined with wireless connectivity expertise, enables competitiveness also in providing design services for health and well-being devices.
- In the wireless communication and digitization market, the coronavirus pandemic is causing only mild caution and a little slowness.
- Labor competition is expected to continue in the market during 2022.

Medical ECG, EEG, and Sleep Apnea Remote Monitoring Market

- The medical technology market is undergoing significant development in patient care, especially outside hospitals. There is an increasing focus on the prevention of diseases and health problems through early diagnosis and the discharge of patients at an earlier stage to reduce hospital and treatment days. These actions significantly increase efficiency in health care processes and lower costs.

- A prerequisite for early hospital discharge is the enabling of accurate and precise follow-up and measurement opportunities in home conditions, which would be enabled through remote monitoring. Remote monitoring and remote diagnostics also enable specialists' diagnoses regardless of time and place. Also, evolving artificial intelligence-based algorithms become more common in supporting physicians in making diagnoses. These 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 enable several new providers to join the overall care service chain, without compromising the quality of specialist services.
- For measuring biosignals, remote monitoring and remote diagnostics, Bittium provides its Bittium Faros™ product family for remote heart monitoring, Bittium BrainStatus™ for measuring the electrical activity of the brain, home sleep apnea testing solution Bittium Respiro™, and different kinds of diagnostics software.
- During the coronavirus pandemic, non-urgent patients seeking treatment and examinations decreased. Several hospitals, treatment facilities, and health care service providers switched to using remote diagnostics solutions more widely. In the longer term, the pandemic will speed up the introduction of digital remote services in hospitals and care facilities, creating a positive development in the demand for remote monitoring products and services.
- The global shortage of components affects the availability of various components used in products and can affect the company's ability to deliver products to its customers on time.

Annual Report, Sustainability Report, Corporate Governance and Remuneration Report from the Year 2021

On March 16, 2022, Bittium published the 2021 Annual Report, the Sustainability Report, the Corporate Governance, and the Remuneration Report.

The publications can be read on the company's website at <https://www.bittium.com> in both Finnish and English. The Annual Report, the Sustainability Report, and the Corporate Governance statement can also be found at <https://annualreport.bittium.com>.

Invitation to a Press Conference

Bittium will hold a webcast regarding the Half Year Financial Report 2022 for media, analysts, and institutional investors on Friday, August 5, 2022, 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 11.00 am (CEST+1).

Link to the Finnish webcast: <https://bittium.videosync.fi/2022-puolivuosikatsaus>

Link to the English webcast: <https://bittium.videosync.fi/2022-h1-results>

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

Oulu, August 5, 2022

Bittium Corporation

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Bittium Corporation Condensed Financial Statements and Notes January – June 2022

(unaudited)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-6/2022	1-6/2021	1-12/2021
Continuing operations	6 months	6 months	12 months
NET SALES	41.0	39.7	86.9
Other operating income	1.4	1.3	2.6
Work performed by the undertaking for its own purpose and capitalized	0.4	0.3	0.5
Raw materials	-9.0	-10.1	-23.3
Personnel expenses	-21.6	-20.5	-39.0
Depreciation	-5.3	-4.9	-10.5
Other operating expenses	-7.0	-6.5	-13.9
Share of profits in associated companies	-0.2	-0.0	-0.1
OPERATING PROFIT (LOSS)	-0.2	-0.7	3.2
Financial income and expenses	-0.4	-0.3	-0.7
PROFIT BEFORE TAX	-0.7	-1.0	2.5
Income tax	0.0	0.0	0.8
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	-0.6	-1.0	3.3
Discontinued operations			
Profit for the year from discontinued operations			
PROFIT FOR THE PERIOD	-0.6	-1.0	3.3
Other comprehensive income:			
Items that may be reclassified subsequently to the statement of income			
Exchange differences in translating foreign operations	0.4	0.1	0.2
Other comprehensive income for the period total	0.4	0.1	0.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-0.3	-1.0	3.6
Profit for the year attributable to			
Equity holders of the parent	-0.6	-1.0	3.3
Total comprehensive income for the period attributable to	-0.3	-1.0	3.6

Equity holders of the parent	-0.3	-1.0	3.6
Earnings per share from continuing operations, EUR			
Basic earnings per share	-0.018	-0.029	0.093
Diluted earnings per share	-0.018	-0.029	0.093
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	-0.018	-0.029	0.093
Diluted earnings per share	-0.018	-0.029	0.093
Average number of shares, 1000 pcs	35 702	35 698	35 700
Average number of shares, diluted, 1000 pcs	35 702	35 698	35 700

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	June 30. 2022	June 30. 2021	Dec. 31. 2021
ASSETS			
Non-current assets			
Property, plant, and equipment	20.2	21.9	20.9
Goodwill	5.8	5.8	5.8
Intangible assets	49.9	50.6	49.9
Other financial assets	1.1	1.5	1.4
Other non-current receivables	1.0	1.1	1.1
Deferred tax assets	6.8	6.0	6.7
Non-current assets total	84.8	87.0	85.9
Current assets			
Inventories	21.6	20.1	18.8
Trade and other receivables	36.9	35.4	39.4
Financial assets at fair value through profit or loss	5.7	5.7	5.7
Cash and short-term deposits	16.4	13.1	16.3
Current assets total	80.5	74.3	80.3
TOTAL ASSETS	165.3	161.3	166.1
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	1.5	1.0	1.1
Retained earnings	74.7	72.4	76.8

Total equity	115.1	112.3	116.8
Non-current liabilities			
Deferred tax liabilities	0.2	0.2	0.2
Provisions			
Interest-bearing liabilities	21.2	21.3	21.1
Other non-current liabilities	0.2	0.2	0.2
Advances received			
Non-current liabilities total	21.6	21.8	21.5
Current liabilities			
Trade and other payables	23.6	23.1	23.1
Provisions	3.9	3.1	3.5
Interest-bearing loans and borrowings	1.1	1.1	1.2
Current liabilities total	28.7	27.3	27.8
Total liabilities	50.3	49.1	49.3
TOTAL EQUITY AND LIABILITIES	165.3	161.3	166.1

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)	1-6/2022	1-6/2021	1-12/2021
	6 months	6 months	12 months
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year from continuing operations	-0.6	-1.0	3.3
Profit for the year from discontinued operations			
Adjustment of accrual basis items	7.1	6.2	11.9
Change in net working capital	0.0	-3.7	-6.2
Interest paid on operating activities	-0.4	-0.4	-0.8
Interest received from operating activities	0.0	0.1	0.1
Income taxes paid	-0.0	-0.0	-0.1
NET CASH FROM OPERATING ACTIVITIES	6.0	1.2	8.3
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant, and equipment	-0.4	-0.5	-1.0
Purchase of intangible assets	-3.3	-4.6	-7.5
Purchase of investments/associated companies			-0.0
Sale of investments/associated companies			
Sale of property, plant, and equipment			
Sale of intangible assets			
NET CASH FROM INVESTING ACTIVITIES	-3.7	-5.2	-8.4
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings			

Repayment of borrowing			
Payment of finance liabilities	-0.7	-0.7	-1.4
Dividend paid	-1.4	-1.1	-1.1
Purchases of own shares	-0.1		
NET CASH FROM FINANCING ACTIVITIES	-2.3	-1.8	-2.5
NET CHANGE IN CASH AND CASH EQUIVALENTS	0.0	-5.8	-2.6
Cash and cash equivalents at the beginning of period	22.0	24.7	24.7
Cash and cash equivalents at the end of period	22.0	18.9	22.0

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, 2021	12.9	26.0	0.9	74.5		114.2
Comprehensive income for the period						
Profit/loss for the period				-1.0		-1.0
Exchange differences in translating foreign operations			0.1			0.1
Total comprehensive income for the period			0.1	-1.0		-1.0
Transactions between the shareholders						
Distribution of dividends				-1.1		-1.1
Share-related compensation				0.1		0.1
Total transactions between the shareholders				-1.0		-1.0
Other changes				0.0		0.0
Shareholders' equity on June 30, 2021	12.9	26.0	1.0	72.4		112.3
Shareholders' equity on Jan. 1, 2022	12.9	26.0	1.1	76.8		116.8
Comprehensive income for the period						
Profit/loss for the period				-0.6		-0.6

Exchange differences in translating foreign operations			0.4			0.4
Total comprehensive income for the period			0.4	-0.6		-0.3
Transactions between the shareholders						
Distribution of dividends				-1.4		-1.4
Purchases of own shares				-0.1		-0.1
Share-related compensation				0.1		0.1
Total transactions between the shareholders				-1.5		-1.5
Other changes				-0.0		-0.0
Shareholders' equity on June 30, 2022	12.9	26.0	1.5	74.7		115.1

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's Report as in its Financial Statements for 2021, except for the adoption of new standards and interpretations effective during 2022. The forthcoming revisions or amendments to the standards are not expected to have a 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 with 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 substitute, the performance measures reported in accordance with the IFRS. The definitions of the common alternative performance measures are listed below.

EBITDA = $\text{Operating profit} + \text{depreciations}$

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

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)	1-6/2022	1-6/2021	1-12/2021
	6 months	6 months	12 months
Net sales			
Europe	30.1	25.0	57.0
Americas	10.4	14.4	29.3
Asia	0.5	0.3	0.5
Net sales total	41.0	39.7	86.9

RELATED PARTY TRANSACTIONS	1-6/2022	1-6/2021	1-12/2021
	6 months	6 months	12 months
Employee benefits for key management and stock options expenses total, continuing operations	0.9	1.1	1.4

The Management of Bittium Corporation has a Share-Based Incentive Scheme. The Performance Share Plan 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 each plan, is, however, subject to a separate Board decision. The performance measures based on which the potential share reward under PSP 2022-2024 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 REMUNERATION OF THE MANAGEMENT

Form of the reward	Shares
Grant date	9.2.2022
Total amount of the shares at the most	122 100
Share price at the grant date, EUR	5.20
Total expenses of the reward at the most, EUR million	0.7
Execution	In shares

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY QUARTER (MEUR)	4-6/2022	1-3/2022	10-12/2021	7-9/2021	4-6/2021
	3 months	3 months	3 months	3 months	3 months
Continuing operations					
NET SALES	22.7	18.4	30.1	17.1	22.6
Other operating income	0.7	0.7	0.8	0.5	0.7
Work performed by the undertaking for its own purpose and capitalized	0.3	0.1	0.1	0.1	0.1

Raw materials	-5.9	-3.1	-9.1	-4.1	-6.4
Personnel expenses	-10.4	-11.2	-10.5	-8.1	-10.3
Depreciation	-2.6	-2.6	-2.9	-2.6	-2.5
Other operating expenses	-3.8	-3.2	-4.7	-2.7	-3.5
Share of profits in associated companies	-0.1	-0.1	-0.1	-0.0	0.0
OPERATING PROFIT (LOSS)	0.8	-1.0	3.7	0.2	0.7
Financial income and expenses	-0.2	-0.2	-0.2	-0.2	-0.2
PROFIT BEFORE TAX	0.6	-1.2	3.5	0.1	0.5
Income tax	0.0	0.0	0.8	0.0	-0.0
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	0.6	-1.2	4.3	0.1	0.5
Discontinued operations					
Profit for the period from discontinued operations					
PROFIT FOR THE PERIOD	0.6	-1.2	4.3	0.1	0.5
Other comprehensive income	0.3	0.1	0.0	0.1	-0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	0.9	-1.1	4.3	0.2	0.5
Profit for the period attributable to:					
Equity holders of the parent	0.6	-1.2	4.3	0.1	0.5
Total comprehensive income for the period attributable to:					
Equity holders of the parent	0.9	-1.1	4.3	0.2	0.5

CONSOLIDATED STATEMENT OF CASH FLOWS BY QUARTER	4-6/2022	1-3/2022	10-12/2021	7-9/2021	4-6/2021
	3 months	3 months	3 months	3 months	3 months
Net cash from operating activities	2.9	3.0	4.2	2.9	2.6
Net cash from investing activities	-2.0	-1.7	-1.6	-1.6	-2.3
Net cash from financing activities	-1.9	-0.4	-0.3	-0.3	-1.5
The net change in cash and cash equivalents	-1.0	1.0	2.2	1.0	-1.1

FINANCIAL PERFORMANCE-RELATED RATIOS	1-6/2022	1-6/2021	1-12/2021
	6 months	6 months	12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)			
Net sales	41.0	39.7	86.9
Operating profit (loss)	-0.2	-0.7	3.2

Operating profit (loss), % of net sales	-0.6	-1.8	3.7
Profit before taxes	-0.7	-1.0	2.5
Profit before taxes, % of net sales	-1.6	-2.6	2.9
Profit for the period from continuing operations	-0.6	-1.0	3.3
PROFITABILITY AND OTHER KEY FIGURES			
Interest-bearing net liabilities, (MEUR)	0.3	3.6	0.2
Net gearing, %	0.3	3.2	0.2
Equity ratio, %	70.9	71.3	72.4
Gross investments, (MEUR)	4.6	5.8	9.6
Average personnel during the period, continuing operations	648	670	664
Personnel at the period end, continuing operations	649	664	653

AMOUNT OF SHARE ISSUE ADJUSTMENT (1.000 pcs)	Jun. 30. 2022	Jun. 30. 2021	Dec. 31. 2021
At the end of period	35 702	35 702	35 702
Average for the period	35 702	35 698	35 700
Average for the period diluted with stock options	35 702	35 698	35 700

STOCK-RELATED FINANCIAL RATIOS (EUR)	1-6/2022 6 months	1-6/2021 6 months	1-12/2021 12 months
Earnings per share from continuing operations. EUR			
Basic earnings per share	-0.018	-0.029	0.093
Diluted earnings per share	-0.018	-0.029	0.093
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	-0.018	-0.029	0.093
Diluted earnings per share	-0.018	-0.029	0.093
Equity *) per share	3.22	3.14	3.27
*) Equity attributable to equity holders of the parent			

MARKET VALUES OF SHARES (EUR)	1-6/2022	1-6/2021	1-12/2021
	6 months	6 months	12 months
Highest	6.08	7.89	7.89
Lowest	4.46	5.79	4.93
Average	5.22	6.59	6.18
At the end of period	5.12	6.36	5.30
Market value of the stock, (MEUR)	182.8	227.1	189.2
Trading value of shares, (MEUR)	28.0	48.3	83.2
Number of shares traded, (1.000 pcs)	5 359	7 323	13 464
Related to average number of shares %	15.0	20.5	37.7

SECURITIES AND CONTINGENT LIABILITIES (MEUR)	Jun. 30. 2022	Jun. 30. 2021	Dec. 31. 2021
AGAINST OWN LIABILITIES			
Floating charges			
Mortgages are pledged for liabilities totaled			
Guarantees	3.0	3.0	3.0
Rental liabilities			
Falling due in the next year	0.1	0.1	0.0
Falling due after one year			
Other contractual liabilities			
Falling due in the next year	2.1	2.1	1.4
Falling due after one year	0.3	0.8	1.4
Material purchase commitments	17.3	15.6	18.2

NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	Jun. 30. 2022	Jun. 30. 2021	Dec. 31. 2021
Foreign exchange forward contracts			
Market value	-0.1	-0.1	0.0
Nominal value	2.5	1.4	5.0