



Bittium Corporation

Business Review

January-March 2024

Net sales

18.2

MEUR

Net sales growth

21.5 %

Operating result

1.0

MEUR

Operating result, % of net sales

5.7 %



Business Review January-March 2024

Net Sales and Operating Profit Grew Year-on-Year. Strategy Implementation Proceeds as Planned.

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

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

Summary January-March 2024

- Net sales were EUR 18.2 million (EUR 14.9 million), representing a 21.5 percent increase year-on-year.
- The share of product-based net sales was EUR 10.7 million (EUR 8.0 million), representing 59.1 percent of the net sales (53.7 percent).
- The share of services-based net sales was EUR 7.4 million (EUR 6.9 million), representing 40.9 percent of the net sales (46.3 percent).
- EBITDA was EUR 3.2 million (EUR -1.0 million), representing 17.6 percent of net sales (-6.8 percent).
- The operating result was EUR 1.0 million (EUR -3.5 million), representing 5.7 percent of net sales (-23.6 percent).
- The order backlog was EUR 31.6 million (EUR 25.6 million).
- Personnel at the end of the period was 513 employees (607 employees).
- Implementation of the strategy and measures to improve the profitability company continued as planned.
- The Finnish Minister of Defence Antti Häkkänen authorized the Finnish Defence Forces to negotiate and sign a partnership agreement with Bittium.
- The members of a research and business consortium led by Bittium signed a framework agreement for indirect industrial cooperation related to the procurement of F-35 fighter jets with the US Lockheed Martin.
- Medical device approval schedules in the Medical business, timing of product deliveries in the Defense business, and customer cost-saving pressures in the Engineering Services business create uncertainties in the operating environment.

Key Figures January-March 2024

GROUP (MEUR)	1-3/2024	1-3/2023
	3 months	3 months
NET SALES	18.2	14.9
Change of the net sales, %	21.5 %	-18.6 %
EBITDA	3.2	-1.0



EBITDA, % of net sales	17.6 %	-6.8 %
OPERATING PROFIT / LOSS	1.0	-3.5
Operating profit / loss, % of net sales	5.7 %	-23.6 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	0.7	-3.7
EARNINGS PER SHARE (EUR)	0.019	-0.104
TOTAL R&D EXPENSES	4.0	5.6
R&D EXPENSES, % FROM NET SALES	21.9 %	37.4 %
CAPITALIZED R&D EXPENSES	1.9	2.1
NET CASH FROM OPERATING ACTIVITIES	5.2	1.1
NET CASH FROM INVESTING ACTIVITIES	-2.1	-2.4
NET CASH FROM FINANCING ACTIVITIES	-0.3	-0.4
NET CHANGE IN CASH AND CASH EQUIVALENTS	2.8	-1.6
CASH AND OTHER LIQUID ASSETS	11.2	17.4
NET GEARING (%)	10.5 %	4.3 %
EQUITY RATIO (%)	70.9 %	71.3 %
AVERAGE PERSONNEL DURING THE PERIOD	514	610
PERSONNEL AT THE END OF THE PERIOD	513	607

Bittium's CEO Johan Westermark

The year 2024 started as expected. Net sales grew 21.5 percent from previous year and were EUR 18.2 million. Net sales grew in the Defense & Security and Medical Business Segments, however, in the Engineering Services Business Segment, which provides R&D services, the net sales declined due to the challenging market situation. Operating result improved and was positive in all our Business Segments. The results of the measures to improve the profitability and gain cost savings are reflected in the development of the operating result.

Our goal for the current strategy period is to achieve profitable growth. In the Defense & Security Business Segment, the multi-year efforts to achieve growth are progressing and the world's geopolitical situation increases the opportunities in international markets. Currently, uncertainties in our operating environment are caused by the schedules of medical device approvals in the Medical business, timing of product deliveries in Defense business, and customers' cost-saving pressures in the Engineering Services business. We will systematically continue to implement our strategy by investing strongly in sales and improving the operational efficiency.

The first quarter in the **Defense & Security Business Segment** was good, as expected. Net sales increased by 40.0 percent from the previous year and was EUR 9.3 million. The increase in net sales was caused by the timing of product deliveries and the growth of R&D services, as well as by increased sales of security software and special terminal devices compared to the previous period.

Cooperation with the Finnish Defence Forces continued as planned in the beginning of the year. The field tests of the Tough SDR radios and preparations for deployment proceeded as expected, and product deliveries of the tactical communication system continued as planned. We started the development of a new IP routing protocol intended for tactical communications of the Defence Forces' mobile ad hoc networks, enabling unified, even more comprehensive, and flexible communication network to support real-time situational awareness and effective command of troops on the battlefield.

After the reporting period, the Finnish Minister of Defence, Mr. Antti Häkkänen authorized the Finnish Defence Forces to negotiate and sign a partnership agreement with Bittium for the years 2025–2036. This is a significant milestone for us, and the aim is to sign the agreement during this year. The partnership agreement covers command and control systems used by all branches of the Defence Forces, including Bittium's tactical communications system and related products. When realized, the partnership agreement will enable systematic planning and execution of cooperation in a cost-efficient manner that benefits both parties.

In the international defense market, cooperation with our customers proceeded well. The members of the research and business consortium we lead signed a framework agreement as part of the indirect industrial cooperation related to the procurement of F-35 fighter jets with US Lockheed Martin. The three-year project develops methods and capabilities for spectrum usage, which improves the ability to form a tactical situational picture also strengthening the data transmission capacity of our tactical communication systems in even more demanding combat situations. The responsibility of leading this consortium is a significant step in the internationalization strategy of the Defense & Security Business Segment and offers a good starting point for other possible cooperation projects in the future.

The Windows version of Bittium's encryption software SafeMove Mobile VPN received national approval for securing data classified nationally as RESTRICTED. With the approval in place, national authorities can transfer data classified as RESTRICTED over wireless networks. The sales of security software, especially for the communication of authorities and secret services, increased from the previous year. Also, the deliveries of secure Mexsat satellite phones to our partner in Mexico continued.

The operating profit of Defense & Security Business Segment was EUR 0.5 million, which corresponds to 5.4 percent of net sales. In addition to the measures taken to improve the efficiency and profitability, the development of operating profit was influenced by lower R&D expenses than the previous year.

Net sales of **Medical Business Segment** grew 36.8 percent year-on-year and was EUR 5.2 million. The increase in net sales was affected by the timing of product deliveries and the low net sales in the comparison period, which was caused by the shift of deliveries due to the shortage of components. The demand for ECG measuring devices in the European market developed weaker than expected and a significant part of the net sales accumulated from the devices sold to our US customer.

Medical device approvals for HSAT device Bittium Respiro progressed in different countries. The requirements of the authorities have increased and therefore the processes are slower than before. Obtaining official approvals and sales permits is a prerequisite for customers' own pilots to start.

The pilots of Bittium BrainStatus EEG measuring devices in intensive care units have continued. Based on the pilots, the product will be further developed to be better implemented in the operations and systems of intensive care units.

We continued to implement the partnership strategy and expanded the offering of ECG analysis software to artificial intelligence-based cardiac diagnostic software.

The operating profit of Medical Business Segment was EUR 0.2 million, corresponding to 4.8 percent of net sales. In addition to the measures taken to improve the efficiency and profitability, the development of operating profit was influenced by lower R&D expenses than in the previous year.

Net sales of **Engineering Services Business Segment** decreased by 17.9 percent from previous year and was EUR 3.7 million. The decline was influenced by the lower number of billable projects compared to the previous year and the weak order backlog at the end of last year.

Cooperation with our existing key customers has continued well. We completed a project for our customer, manufacturing smart digital locking systems, and won new customers from e.g. the electric car charging market.

Due to cost-saving pressures, customers' R&D budgets are under constant scrutiny which has already caused postponements in the start of some projects. It seems that the market situation will continue to be challenging throughout the current year. In the R&D service business, the visibility into the future projects is very short and fluctuations in the market situation can cause significant changes in a short time frame.

Despite the decline in the net sales of Engineering Business Segment, operating profit remained positive and was EUR 0.3 million corresponding to 8.3 percent of the net sales. The operating result was affected by the measurements implemented to improve the efficiency and profitability.



Key Figures of the Reportable Segments (with extended comparison data)

Bittium's segment information is based on the group's management structure and management reporting. The new reporting structure is consistent with how the company monitors the operational development of its segments. The company does not follow assets and liabilities by segment.

The financial key figures to be reported for the new segments are presented for the applicable parts of each segment for the reporting period under review and the four preceding quarters. The key figures to be reported are net sales, EBITDA, EBITDA % of net sales, operating result, operating result of net sales, R&D expenses, capitalized R&D expenses, new orders and order backlog, and the number of personnel.

Due to the change of the segments in the beginning of the year, Bittium will publish the comparison data according to the new reporting structure exceptionally for all quarters of 2023 in this business review. In the future, comparison figures will only be presented from the corresponding period of the period under review.

The Group Functions segment includes expenses related to group administration and listed company administration, as well as to real estate rental operations. The segment-specific costs of rental operations have been revised for the year 2024, and the rental costs allocated to the business segments will be higher in 2024 than in the comparison periods in 2023.

In connection with the transition to segment reporting, the company has reviewed and specified the definition and processing of order backlog in its customer management system. The company's order backlog consists of the undelivered portion of sales orders. In this report, the company has corrected the order backlog key figures of the 2023 to reflect the calculation according to the new process. The company has reported the group's order backlog for the first time in its 2021 Financial Statement Bulletin.

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

KEY FIGURES OF THE REPORTED SEGMENTS

DEFENSE & SECURITY BUSINESS SEGMENT, MEUR	1Q/24	4Q/23	3Q/23	2Q/23	1Q/23
NET SALES	9.3	16.1	4.8	8.7	6.6
EBITDA	1.6	3.2	-1.1	1.0	-1.2
EBITDA, % of net sales	17.8	19.8	-23.1	11.8	-17.9
OPERATING PROFIT / LOSS	0.5	2.0	-2.4	-0.2	-2.6
Operating profit / loss, % of net sales	5.4	12.5	-49.1	-2.4	-39.1
R&D EXPENSES	1.9	2.8	1.9	3.0	3.2
Capitalized R&D expenses	-1.3	-1.0	-0.9	-1.5	-1.5
New orders	10.2	24.9	2.2	7.6	3.9
ORDER BACKLOG	18.5	17.5	8.5	11.1	12.3
PERSONNEL AT THE END OF THE PERIOD	230	230	260	263	266



MEDICAL BUSINESS SEGMENT, MEUR	1Q/24	4Q/23	3Q/23	2Q/23	1Q/23
NET SALES	5.2	5.3	5.3	7.6	3.8
EBITDA	0.7	-0.3	0.6	1.3	-0.8
EBITDA, % of net sales	13.9	-5.6	10.7	17.7	-20.7
OPERATING PROFIT / LOSS	0.2	-0.8	0.1	0.9	-1.2
Operating profit / loss, % of net sales	4.8	-14.6	2.0	12.4	-30.6
R&D EXPENSES	1.5	2.0	1.5	2.0	2.2
Capitalized R&D expenses	-0.4	-0.4	-0.3	-0.5	-0.6
New orders	6.1	3.5	6.7	4.7	8.1
ORDER BACKLOG	6.4	5.5	7.3	5.9	8.3
PERSONNEL AT THE END OF THE PERIOD	99	107	126	127	124

ENGINEERING-SERVICES BUSINESS SEGMENT, MEUR	1Q/24	4Q/23	3Q/23	2Q/23	1Q/23
NET SALES	3.7	4.3	3.8	4.3	4.6
EBITDA	0.3	0.3	0.6	0.2	0.6
EBITDA, % of net sales	8.3	6.3	16.6	3.5	13.3
OPERATING PROFIT / LOSS	0.3	0.3	0.6	0.2	0.6
Operating profit / loss, % of net sales	8.3	6.3	16.6	3.5	13.2
R&D EXPENSES	0.2	0.1	0.1	0.1	0.0
Capitalized R&D expenses	0	0	0	0	0
New orders	5.7	3.5	3.3	5.4	2.4
ORDER BACKLOG	6.7	4.7	5.5	6.1	5.0
PERSONNEL AT THE END OF THE PERIOD	128	131	143	151	146

GROUP FUNCTIONS SEGMENT, MEUR	1Q/24	4Q/23	3Q/23	2Q/23	1Q/23
NET SALES	NA	NA	NA	NA	NA
EBITDA	0.5	0.2	0.2	0.1	0.3
EBITDA, % of net sales	NA	NA	NA	NA	NA
OPERATING PROFIT / LOSS	-0.0	-0.5	-0.4	-0.6	-0.4
Operating profit / loss, % of net sales	NA	NA	NA	NA	NA
R&D EXPENSES	0.4	0.2	0.4	0.4	0.3
Capitalized R&D expenses	-0.2	-0.1	-0.1	-0.1	-0.0
PERSONNEL AT THE END OF THE PERIOD	56	59	75	75	71



Outlook for 2024

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

More information about Bittium's market outlook is presented on the company's internet pages at www.bittium.com.

Risks and Uncertainties

Bittium has identified several business, market, and finance-related risk factors and uncertainties that can affect the level of sales and profits. The world's geopolitical uncertainty combined with high inflation, and challenges in supply chains have caused various risks related to demand and supply and increased uncertainty. More about the risks and uncertainties are presented at the company's internet pages at www.bittium.com.

Oulu, April 26, 2024

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Bittium

Bittium specializes in the development of reliable, secure communications and connectivity solutions leveraging its over 35-year legacy of expertise in advanced radio communication technologies. Bittium provides innovative products and services, customized solutions based on its product platforms and R&D services. Complementing its communications and connectivity solutions, Bittium offers proven information security solutions for mobile devices and portable computers. Bittium also provides healthcare technology products and services for biosignal measuring in the areas of cardiology and neurophysiology. Net sales in 2023 were EUR 75.2 million and operating loss was EUR -4.3 million. Bittium is listed on Nasdaq Helsinki.

www.bittium.com