
Bittium

Bittium Corporation Financial Statement Bulletin January-December 2019

Net sales

Net sales growth

75.2

MEUR

+19.7 %

Operating result

Operating result, % of net sales

6.3

MEUR

8.4 %

Net sales and operating result grew in January-December 2019

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

Summary July-December 2019

- The net sales increased by 22.0 percent year-on-year to EUR 42.2 million (EUR 34.5 million).
- The share of the product-based net sales grew to EUR 30.8 million, representing 73.1 percent of the net sales (EUR 19.0 million) and the share of the services-based net sales was EUR 11.4 million, representing 27.1 percent of the net sales (EUR 15.6 million).
- EBITDA was EUR 9.6 million (EUR 6.2 million).
- Operating profit was EUR 4.7 million (EUR 3.7 million).
- Cash flow from operating activities was EUR 10.8 million (EUR 10.0 million).
- Net cash flow was EUR 1.7 million (EUR 0.3 million).
- Result for the period was EUR 6.1 million and earnings per share were EUR 0.172 (result for the period EUR 4.8 million from continuing operations and earnings per share EUR 0.135).

GROUP (MEUR)	7-12/2019 6 months	7-12/2018 6 months
NET SALES	42.2	34.5
Change of net sales, %	22.0 %	41.0 %
EBITDA	9.6	6.2
EBITDA, % of net sales	22.8 %	17.8 %
OPERATING PROFIT / LOSS	4.7	3.7
Operating profit / loss, % of net sales	11.0 %	10.6 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	6.1	4.8
CASH AND OTHER LIQUID ASSETS	35.2	30.9
EQUITY RATIO (%)	73.4 %	84.7 %
EARNINGS PER SHARE (EUR)	0.172	0.135

Summary January-December 2019

- The net sales increased by 19.7 percent year-on-year to EUR 75.2 million (EUR 62.8 million).
- The share of the product-based net sales was EUR 49.4 million, representing 65.6 percent of the net sales (EUR 30.8 million) and the share of the services-based net sales was EUR 25.9 million, representing 34.4 percent of the net sales (EUR 32.1 million).

- EBITDA was EUR 14.3 million (EUR 7.5 million). The adoption of IFRS 16 standard increased EBITDA by EUR 0.5 million.
- Operating profit was EUR 6.3 million (EUR 2.8 million).
- Cash flow from operating activities was EUR 9.6 million (EUR -0.5 million).
- Net cash flow was EUR 4.3 million (EUR -32.0 million). Net cash flow included a withdrawal of a EUR 20.0 million bank loan, EUR 15.6 million R&D investments into own products, and EUR 5.4 million dividend payment.
- Result for the period was EUR 7.6 million and earnings per share were EUR 0.214 (result for the period EUR 4.0 million from continuing operations and earnings per share EUR 0.113).
- The Board of Directors proposes that the Annual General Meeting to be held on April 1, 2020 resolve to pay EUR 0.10 per share as dividend based on the adopted balance sheet for the financial period of January 1, 2019 – December 31, 2019.

GROUP (MEUR)	1-12/2019 12 months	1-12/2018 12 months
NET SALES	75.2	62.8
Change of net sales, %	19.7 %	21.7 %
EBITDA	14.3	7.5
EBITDA, % of net sales	19.0 %	11.9 %
OPERATING PROFIT / LOSS	6.3	2.8
Operating profit / loss, % of net sales	8.4 %	4.5 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	7.6	4.0
CASH AND OTHER LIQUID ASSETS	35.2	30.9
EQUITY RATIO (%)	73.4 %	84.7 %
EARNINGS PER SHARE (EUR)	0.214	0.113

Outlook for 2020

The amount of wireless data transfer applications is expanding and diversifying. Also the amount of data transfer and the need for secure data transfer are growing. These all create demand for Bittium's leading edge technology products and solutions. The digitalization of healthcare and the increasing use of remote care, make the healthcare services more efficient, creating demand for Bittium's medical technology products and solutions. During the next years, Bittium aims at strong growth especially in the international markets.

Bittium expects that the net sales in 2020 will grow from the previous year (EUR 75.2 million in 2019) and the operating profit to be at the same level than in the previous year (6.3 million in 2019). The level of the operating profit in 2020 will be impacted by the investments in the international growth and depreciations of the R&D investments.

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

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

Bittium's CEO Hannu Huttunen

The year 2019 represented an important year of growth to Bittium. Our strategy of investing in internationalization began to be seen in business. We started the deliveries of tactical communication system to the Austrian Defence Forces. This was an important step in the internationalization of our tactical communications product portfolio targeted to the defense market. In the field of medical technology products, growth in the international market last year was reflected in significant deliveries of remote cardiac monitoring devices to our customer in the United States.

The net sales during the second half of 2019 grew 22 percent and operating result was 11 percent of the net sales. The good development was also reflected in the performance throughout the year. The net sales in 2019 grew almost 20 percent and operating profit was over 8 percent of the net sales.

In order to enable the growth, we continued significant investments in the development of our own products. This year we aim at decline in the level of the R&D investments relative to the net sales.

The development of the new Bittium Tough SDR soldier and vehicle radios has taken slightly longer than expected. Field tests of the products have been conducted during the last half of 2019, and we aim to start the actual product deliveries to the customers in the early 2020. The products have been designed to operate under extreme conditions. They have a very wide frequency range with unique interference tolerance and strong security.

In May we launched a new ultra secure Bittium Tough Mobile 2 smartphone. The product deliveries started in the second half of the year. Modern smartphone design combined with world's highest security attracted the market interest. Continuous cyber security attacks raise awareness of the importance of mobile security.

The delivery volumes of the satellite smartphone developed to the Mexican authorities fell short of last year's target. We aim at volume deliveries during 2020.

The sale of the product development services decreased year-on-year affected by the company's own significant large R&D projects that tie experts into internal product development. During 2020 we have developed our ways of working as well as our organization to become more self-directing, which is expected to bring greater operational efficiency. We aim to grow the amount of product development projects and expand our customer base.

Our vision is to be a significant international provider of secure and safe communication and connectivity solutions especially in the defense and public safety markets, as well as a significant international provider of outside hospitals' biosignal's measuring and analytics solutions. First steps towards this vision have been taken, which creates a good foundation for the future growth. We will continue to invest in our strategy to enable the company to grow internationally, both in product development and in the development of our operations.

I would like to thank our customers and partners for the past year and their trust in our company. I would like to thank our personnel for the hard work and commitment to our mutual goals. I would also like to thank our owners for their perseverance and confidence. Together we can enable also our future success.

Financial Performance in January-December 2019

Bittium's net sales in January-December 2019 grew by 19.7 percent year-on-year to EUR 75.2 million (EUR 62.8 million).

The share of the product-based net sales increased to 65.6 percent and was EUR 49.4 million (EUR 30.8 million). The net sales resulted mainly from the deliveries of the tactical communication system and products, Bittium Faros ECG devices, and secure Bittium Tough Mobile smartphones and their related security software. The growth of the product-based net sales was driven in particular by increased sales of Faros devices.

The share of the services-based net sales decreased to 34.4 and was EUR 25.9 million (EUR 32.1 million). The decrease in the services business net sales was caused by the company's own significant large R&D projects that tie experts into internal product development.

Operating profit was EUR 6.3 million (EUR 2.8 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR

	1-12 2019 12 months	1-12 2018 12 months
Net sales	75.2	62.8
Operating profit / loss	6.3	2.8
Financial income and expenses	-0.4	-0.1
Result before tax	5.9	2.7
RESULT FOR THE PERIOD	7.6	4.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7.7	4.1
Result for the period attributable to:		
Equity holders of the parent	7.6	4.0
Total comprehensive income for the period attributable to:		
Equity holders of the parent	7.7	4.1
Earnings per share from continuing operations, EUR	0.214	0.113

- Cash flow from operating activities was EUR 9.6 million (EUR -0.5 million).
- Net cash flow during the period was EUR 4.3 million. As the most significant items the net cash flow includes withdrawing a EUR 20.0 million bank loan, EUR 15.6 million investments made into own product development and the EUR 5.4 million dividend payment (EUR -32.0 million, including as the most significant items EUR 15.1 million investments made into own product development and the EUR 10.7 million dividend payment).
- Equity ratio was 73.4 percent (84.7 percent).
- Net gearing was -11.2 percent (-26.7 percent).

Half Year Figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	2H/19	1H/19	2H/18	1H/18
Net sales	42.2	33.1	34.5	28.3
Operating profit (loss)	4.7	1.7	3.7	-0.8
Result before taxes	4.4	1.5	3.5	-0.8
Result for the period	6.1	1.5	4.8	-0.8

DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR AND %

	2H/19	1H/19	2H/18	1H/18
Product based net sales	30.8	18.6	19.0	11.8
	73.1 %	56.1 %	54.9 %	41.8 %
Services based net sales	11.4	14.5	15.6	16.5
	27.1 %	43.9 %	45.1 %	58.2 %
Other net sales				

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	2H/19	1H/19	2H/18	1H/18
Asia	0.1 0.3 %	0.2 0.5 %	0.4 1.1 %	0.5 1.7 %
Americas	12.7 30.2 %	5.8 17.5 %	5.0 14.6 %	3.0 10.6 %
Europe	29.3 69.6 %	27.1 82.0 %	29.1 84.3 %	24.8 87.7 %

Research and Development

Bittium continued significant investments in its own products and product platforms. In January-December 2019 the investments were EUR 25.1 million, representing a 33.4 percent of net sales.

The investments focused mainly on the development of the tactical communication system and its products targeted to the defense industry, and different authorities' and special terminal products and their related security software, and medical technology products.

A significant part of the capitalized R&D investments is related to developing software defined radio based tactical communication handheld and vehicle radios (Bittium Tough SDR product family), further development of tactical networks, development of the secure smartphones and related security software, as well as development of medical technology products.

R&D INVESTMENTS, MEUR	1-12 2019 12 months	1-12 2018 12 months
Total R&D investments	25.1	21.6
Capitalized R&D investments	-15.6	-15.1
Depreciations and impairment of R&D investments	3.1	0.4
Cost impact on income statement	12.6	6.9
R&D investments, % of net sales	33.4 %	34.4 %

CAPITALIZED R&D INVESTMENTS IN BALANCE SHEET, MEUR	1-12 2019 12 months	1-12 2018 12 months
Balance sheet value in the beginning of the period	26.6	11.9
Additions during the period	15.6	15.1
Acquisitions of the business		
Depreciations and impairment of R&D investments	-3.1	-0.4
Balance sheet value at the end of the period	39.1	26.6

Business Development in July-December 2019

In the defense business the product deliveries of tactical communication system to Austrian Defence Forces began in the second half of the year. This cooperation has been a major step in the internationalization of Bittium's tactical communication product portfolio. Bittium's tactical backbone network forms the core of the Austrian Defence Forces' new tactical communication system. In addition, Bittium also deploys Bittium Tough Comnode and Bittium Tough VoIP products.

Cooperation with the Finnish Defence Forces continued strong and Bittium received an order for narrowband waveform development work for the tactical Bittium Tough SDR radios. Along with the ordered waveform development work, the Finnish Defence Forces can start field tests with the radios and further waveform development in co-operation with Bittium for the needs of the Finnish Defence Forces.

In September Bittium received an order from the Estonian Defence Forces for the Bittium Tough SDR radios and Bittium TAC WIN system products. Bittium Tough SDR radios and Bittium TAC WIN products complement the tactical communications system that has been delivered to the Estonian Defence Forces already previously.

The development work of the new Bittium Tough SDR soldier and vehicle radios has taken slightly longer than expected. Field tests of the products have been conducted during the last half of 2019, and the actual product deliveries to the customers are expected to begin in the early 2020. The products have been designed to operate under extreme conditions. They have a very wide frequency range with unique interference tolerance and strong security.

The customer deliveries of the ultra secure Bittium Tough Mobile 2 smartphone, launched in May, started during the second half of the year. Modern smartphone design combined with the world's highest security has attracted market interest. Continuous cyber security attacks raise awareness of the importance of mobile security.

The deliveries of the first generation Bittium Tough Mobile smartphone continued to the customers. The delivery volumes of the satellite smartphone developed to the Mexican authorities fell short of last year's target. However, in 2020, Bittium aims at volume deliveries of the products.

Cooperation with the major US cardiac remote monitoring provider Preventice continued to be significant. Bittium and Preventice have together developed a solution that enhances doctor and patient experience in remote cardiac monitoring. The deliveries of ECG devices based on Bittium Faros ECG technology to Preventice for this complete solution, continued to be significant during the second half of the year.

Bittium continued to develop 5G technology and various connectivity solutions for its customers. Along with its innovative product development services, Bittium launched a software robotics solution based on its own secure platform. Robotic Process Automation (RPA) is a method for streamlining business processes by automating laborious manual tasks, which are time-consuming, repetitive and prone to errors.

The sale of the product development services decreased year-on-year affected by the company's own significant large R&D projects that tie experts into internal product development.

Significant Events during the Reporting Period

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

Mr. Klaus Mäntysaari, Senior Vice President Connectivity Solutions of Bittium Corporation, a member of Bittium Management Group, decided to leave to another company. (Further information in the stock exchange release on March 1, 2019)

Mr. Tommi Kangas (48) was appointed as Senior Vice President, Connectivity Solutions of Bittium Corporation and a member of Bittium Management Group as of September 5, 2019. (Further information in the stock exchange release on September 5, 2019)

Significant Events after the Reporting Period

There were no significant events after the reporting period.

Market Outlook

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

The following factors are expected to create demand for Bittium's products and services in 2020 and beyond:

- In the defense sector's tactical communication market the governments' defense forces and other authorities need networks that troops, who are more and more constantly on the move, can use for transferring growing amounts of data securely. This creates demand for Bittium Tactical Wireless IP Network (TAC WIN) broadband network and for other Bittium's IP-based (Internet Protocol) tactical communications solutions, as well as for Bittium's new tactical communication handheld and vehicle radios that fulfill the needs of data transfer of moving troops or individual soldiers. Bittium continues its efforts to bring its defense market targeted products and services also to the international defense markets and aims to get new international customers for its tactical communication system in 2020. Due to the long sales cycles driven by purchasing programs of national governments, it takes time to receive purchase orders.
- The use of LTE technology, smartphones and applications continue to increase in special verticals such as public safety creating demand for Bittium Tough Mobile secure LTE smartphone and other customized special terminals based on Bittium's own product platform. The awareness of mobile security risks is growing and the interest towards secure mobile devices is increasing. The implementation of LTE-based devices in Public Safety markets has been slower than expected due to the delay of the device functionalities required by the authorities and due to the slow progress of the market. The sale of the secure terminal products is expected to develop moderately according to the nature of public safety markets.
- Using public network connections in portable devices is increasing also in demanding professional use, such as in the public sector. This creates requirements for network connections to be easy to use and secure. The products in the Bittium SafeMove product family enable the ease of use of the devices and security in demanding use.
- In the mobile telecommunications, the demand for 5G technology development work has stabilized and the implementation of 5G is accelerating in pace. Investments in developing new features continue and the importance of software development in the 5G network development expands. This creates demand for Bittium's R&D services. There is a wide range of frequencies allocated for the 5G technology thus creating the need to develop multiple products to cover the market and creating demand for R&D services for development of product variants. Also the development of new devices utilizing 5G technology increases the demand for Bittium's services.
- As the digitalization evolves, the secure IoT (Internet of Things) has become a significant development area in almost every industry. The increasing need of companies to digitalize their operations, collect data wirelessly and transfer it to the internet and cloud services generate need for Bittium's services and customized solutions. The new radio systems customized to IoT are being used all over the world and the amount of digitalized devices increase continuously. Along with the 5G technology is being used, there will also be new features in the IoT that enable i.e. remote control of machines. Therefore the integration of different systems and technologies play an important role in enabling the complete digitalization service. To ease and speed up the processing of large data amounts there are different kinds of learning systems and devices under development that use different kinds of artificial intelligence (AI) technologies.
- Changes in the digitalization of the automotive industry and new business models and automation of automotive operations create a need for technological development. Most significant technology trends such as intelligent mobility, self-driving cars,

electric cars and connectivity are guiding need for innovative software development. The share of software in cars is increasing in speed and software is becoming a major enabler and a differentiator. The use of Android™ Automotive operating system in the In-Vehicle Infotainment (IVI) systems is strongly entering the market. Several carmakers have announced the launch of cars with Android Automotive. Bittium's more than a decade of experience with the Android operating system and the Google ecosystem combined with security know-how creates good business opportunities for this market.

- The heart and brain failures are among the most frequent causes of serious complications and recognizing those symptoms early on, based on information gathered by measuring, enable the start of the effective treatment in time. Also the prevention of diseases and health problems are being increasingly invested in. In the healthcare technology market there is ongoing a significant change in the patient care both inside the hospitals as well as in homecare. The repatriation of patients is being pursued earlier than before which may enable significant cost savings in the healthcare. A prerequisite for early repatriation is the enabling of accurate and precise follow-up and measurement in home conditions through remote monitoring. For this purpose Bittium offers its Bittium Faros product family for remote heart monitoring and Bittium BrainStatus for measuring the electrical activity of the brain. One of the growing application areas in the wireless and remote systems is healthcare technology that enables implementing these changes for its part. Remote monitoring and remote diagnostics together with wireless and remote-controllable systems bring effectiveness to the healthcare performance and cut costs as the diagnosis from specialists are available regardless of time and place. Various diagnostic solutions have been introduced to facilitate and speed up the work of physicians. These are for example Bittium's analytics software in the field of cardiology and neurology. This enables also new service providers to enter the chain of medical treatment services offering wider availability of medicine, without bargaining the quality of specialists i.e. cardiologists and neurologists.

Risks and Uncertainties

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

Market Risks

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

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

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

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

Business Related Risks

Bittium's operative business risks are mainly related to following items: uncertainties and short visibility on customers' product program decisions, their make or buy decisions and on the other hand, their decisions to continue, downsize or terminate current product programs, execution and management of large customer projects, ramping up and down project resources, availability of personnel in labor markets, accessibility on commercially acceptable terms and on the other hand successful utilization of the most important

technologies and components, competitive situation and potential delays in the markets, timely closing of customer and supplier contracts with reasonable commercial terms, delays in R&D projects, realization of expected return on capitalized R&D investments, obsolescence of inventories and technology risks in product development causing higher than planned R&D costs, and risks related to the ramp-up of product manufacturing. Revenues expected to come from either existing or new products and customers include normal timing risks. Bittium has certain significant customer projects and deviation in their expected continuation could result also significant deviations in the company's outlook. In addition, there are typical industry warranty and liability risks involved in selling Bittium's services, solutions and products.

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

Some of Bittium's businesses operate in industries that are heavily reliant on patent protection and therefore face risks related to management of intellectual property rights, on the one hand related to accessibility on commercially acceptable terms of certain technologies in the Bittium's products and services, and on the other hand related to an ability to protect technologies that Bittium develops or licenses from others from claims that third parties' intellectual property rights are infringed. Additionally, parties outside of the industries operate actively in order to protect and commercialize their patents and therefore in their part increase the risks related to the management of intellectual property rights. At worst, claims that third parties' intellectual property rights are infringed, could lead to substantial liabilities for damages. In addition, the progress of the customer projects and delivery capability may be also affected by potential challenges in global accessibility of key technologies and components on commercially acceptable terms, as well as by the acceptance of the necessary export licenses. The company changed its name to Bittium Corporation as of July 1, 2015 and started using the new trademark. The registration and the use of the new trademark can include customary risks involved in taking in use a new trademark.

Financing Risks

Global economic uncertainty may lead to payment delays, increase the risk for credit losses and weaken the availability and terms of financing. To fund its operations, Bittium relies mainly on income from its operative business and may from time to time seek additional financing from selected financial institutions. In May 2019 Bittium Corporation has agreed with Nordea Bank Finland Plc and OP Corporate Bank Plc on financing arrangement where total financing amount has been raised from EUR 30.0 million to EUR 40.0 million. With the financing arrangement, Bittium has EUR 20.0 million senior loan and EUR 10.0 million committed overdraft credit facility agreement with Nordea. Maturity date for the senior loan is May 24, 2024 and the credit limit agreement is valid until May 24, 2024. Bittium has EUR 10.0 million committed overdraft credit facility agreement with OP Corporate Bank Plc valid until May 24, 2022. These agreements include customary covenants related to, among other things, equity ratio, transferring property and pledging. There is no assurance that additional financing will not be needed in case of investments, networking capital needs or clearly weaker than expected development of Bittium's businesses. Customer dependency in some parts of Bittium's business may translate as an accumulation of risk with respect to outstanding receivables and ultimately with respect to credit losses.

Statement of Financial Position and Financing

The figures presented in the statement of financial position of December 31, 2019, are compared with the statement of the financial position of December 31, 2018 (MEUR).

	31.12.2019	31.12.2018
Non-current assets	80.5	65.9
Current assets	73.8	66.5
Total assets	154.2	132.4
Share capital	12.9	12.9
Other capital	99.4	97.1
Total equity	112.3	110.0

Non-current liabilities	22.1	1.9
Current liabilities	19.9	20.5
Total equity and liabilities	154.2	132.4
Cash flow of the review period :		
	1-12/2019	1-12/2018
+ profit of the period +/- Adjustment of accrual basis items	14.3	7.9
+/- Change in net working capital	-4.2	-8.4
- interest, taxes and dividends	-0.4	-0.0
= net cash from operating activities	9.6	-0.5
- net cash from investing activities	-18.6	-19.8
- net cash from financing activities	13.2	-11.7
= net change in cash and cash equivalents	4.3	-32.0

The amount of gross investments in the period under review was EUR 21.3 million. Net investments for the review period totaled to EUR 21.3 million. The total amount of depreciation during the period under review was EUR 8.0 million. The amount of interest-bearing debt, including finance lease liabilities, was at the end of the reporting period EUR 22.6 million (EUR 1.5 million). Bittium's equity ratio at the end of the period was 73.4 percent (84.7 percent).

Cash and other liquid assets at the end of the reporting period were EUR 35.2 million (EUR 30.9 million). Net cash flow during the period was EUR 4.3 million. The net cash flow resulted as the most significant items from the withdrawal of a EUR 20.0 million bank loan, the EUR 15.6 million investments made into own product development and the EUR 5.4 million dividend payment (EUR -32.0 million including EUR 15.1 million investments made into own product development and the EUR 10.7 million dividend payment as 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. Maturity date for the senior loan is May 24, 2024 and the credit limit agreement is valid until May 24, 2024. Bittium has EUR 10.0 million committed overdraft credit facility agreement with OP Corporate Bank Plc valid until May 24, 2022. At the end of the review period, EUR 0.0 million of these facilities were in use.

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

Personnel

The Bittium group employed an average of 665 people in 2019. At the end of December 2019, the company had 655 employees (674 employees at the end of 2018).

Changes in the Company's Management

On March 1, 2019 Mr. Klaus Mäntysaari, Senior Vice President Connectivity Solutions of Bittium Corporation, a member of Bittium Management Group, decided to leave to another company. Mr. Mäntysaari has been working for Bittium since 2004 in several positions in the wireless services business. He continued at Bittium until April 30, 2019. Temporarily Mr. Hannu Huttunen, CEO of the company, was leading the Connectivity Solutions business. As of May 1, 2019 Bittium management group consisted of following persons: Mr. Hannu Huttunen, CEO (chairman); Mr. Pekka Kunnari, CFO; Mr. Kari Jokela, CLO; Ms. Karoliina Fyrstén, Director, Corporate Communications and

Marketing, Mr. Sammy Loitto, Senior Vice President Sales, and heads of product and service areas: Mr. Jari Sankala, Senior Vice President, Defense and Security; Mr. Arto Pietilä, Senior Vice President, Medical Technologies; and Mr. Jari-Pekka Innanen, Vice President, Engineering.

On September 5, 2019 Mr. Tommi Kangas (48) was appointed as Senior Vice President, Connectivity Solutions product and services area at Bittium Corporation and as a member of the Bittium Corporation's Management Group, effective immediately. Previously at Bittium, he has been responsible for Connectivity Solutions product and services area's significant key customers as well as worked in several management positions in telecom business and sales. Mr. Kangas reports to Mr. Hannu Huttunen, CEO of Bittium Corporation. As of September 5, 2019 Bittium management group consists of following persons: Mr. Hannu Huttunen, CEO (chairman); Mr. Pekka Kunnari, CFO; Mr. Kari Jokela, CLO; Ms. Karoliina Fyrstén, Director, Corporate Communications and Marketing, Mr. Sammy Loitto, Senior Vice President Sales, and heads of product and service areas: Mr. Jari Sankala, Senior Vice President, Defense and Security; Connectivity Solutions; Mr. Arto Pietilä, Senior Vice President, Medical Technologies; and Mr. Tommi Kangas, Senior Vice President, Connectivity Solutions, and Mr. Jari-Pekka Innanen, Vice President, Engineering.

Flagging Notifications

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

Notifications of Managers' Transactions

There were no managers' transactions during the reporting period.

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

According to the parent company's balance sheet at December 31, 2019, the distributable assets of the parent company are EUR 116 759 025.98 of which the profit of the financial year is EUR 4 759 958.60. The Board of Directors proposes that the Annual General Meeting to be held on April 1, 2020 resolve to pay EUR 0.10 per share as dividend based on the adopted balance sheet for the financial period of January 1, 2019 - December 31, 2019. The dividend will be paid to the shareholders who are registered as shareholders in the company's register of shareholders as maintained by Euroclear Finland Ltd on the dividend record date, April 3, 2020. The Board of Directors proposes that the dividend be paid on April 14, 2020.

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

Annual General Meeting, Annual Report and Remuneration Policy

Bittium Corporation's Annual General Meeting will be held on Wednesday, April 1, 2020, at 1.00pm (CET+1) at the University of Oulu, Saalastinsali, Pentti Kaiteran katu 1, 90570 Oulu, Finland.

Bittium Corporation's Annual Report, including the Annual Accounts, the report by the Board of Directors, Auditor's Report, Corporate Governance Statement and Sustainability Report, as well as the company's Remuneration Policy are available on the company's website at <https://www.bittium.com> no later than on Wednesday, March 11, 2020.

Invitation to a Press Conference

Bittium will hold a webcast regarding the Financial Statement 2019 for media, analysts and institutional investors on February 13, 2020, at 9.00 am (CET+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 (CET+1).

Link to the Finnish webcast: <https://bittium.videosync.fi/2019-q4-tilinpaatos>

Link to the English webcast: <https://bittium.videosync.fi/2019-financial-statement>

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

Oulu, February 13, 2020

Bittium Corporation
The Board of Directors

Further Information:

Hannu Huttunen
CEO
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Pekka Kunnari
CFO
Tel. +358 40 344 2229

Distribution:

Nasdaq Helsinki
Major media

Bittium Corporation Condensed Financial Statements and Notes January – December 2019

The consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS). The Financial Statement of 2019 has been audited and the auditing report has been dated on February 12, 2020.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MEUR)	1-12/2019	1-12/2018
Continuing operations	12 months	12 months
NET SALES	75.2	62.8
Other operating income	0.9	1.3
Work performed by the undertaking for its own purpose and capitalized	0.2	0.3
Raw materials	-17.1	-10.2
Personnel expenses	-31.5	-29.7
Depreciation	-8.0	-4.6
Other operating expenses	-13.4	-17.1
Share of results of the associated companies	0.1	0.1
OPERATING PROFIT (LOSS)	6.3	2.8
Financial income and expenses	-0.4	-0.1
PROFIT BEFORE TAX	5.9	2.7
Income tax	1.7	1.3
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	7.6	4.0
Discontinued operations		
Profit for the year from discontinued operations		
PROFIT FOR THE PERIOD	7.6	4.0
Other comprehensive income:		
Items that may be reclassified subsequently to the statement of income		
Exchange differences on translating foreign operations	0.0	0.0
Other comprehensive income for the period total	0.0	0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7.7	4.1
Profit for the year attributable to		
Equity holders of the parent	7.6	4.0
Non-controlling interests		

Total comprehensive income for the period attributable to		
Equity holders of the parent	7.7	4.1
Non-controlling interests		
Earnings per share from continuing operations, EUR		
Basic earnings per share	0.214	0.113
Diluted earnings per share	0.214	0.113
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	0.214	0.113
Diluted earnings per share	0.214	0.113
Average number of shares, 1000 pcs	35 693	35 693
Average number of shares, diluted, 1000 pcs	35 693	35 693

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR)	Dec 31, 2019	Dec 31, 2018
ASSETS		
Non-current assets		
Property, plant and equipment	24.2	23.4
Goodwill	5.8	5.8
Intangible assets	41.8	29.7
Other financial assets	1.8	1.6
Other long-term receivables	1.4	1.6
Deferred tax assets	5.5	3.7
Non-current assets total	80.5	65.9
Current assets		
Inventories	18.2	14.6
Trade and other receivables	20.4	21.1
Financial assets at fair value through profit or loss	5.7	21.6
Cash and short term deposits	29.5	9.3
Current assets total	73.8	66.5
TOTAL ASSETS	154.2	132.4
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	12.9	12.9

Invested non-restricted equity fund	26.0	26.0
Translation difference	1.1	1.1
Retained earnings	72.3	70.1
Total equity	112.3	110.0
Non-current liabilities		
Deferred tax liabilities	0.3	0.4
Provisions		
Interest-bearing liabilities	21.4	0.8
Other non-current liabilities	0.4	0.5
Advances received		0.2
Non-current liabilities total	22.1	1.9
Current liabilities		
Trade and other payables	16.9	18.1
Provisions	1.8	1.6
Interest-bearing loans and borrowings	1.2	0.7
Current liabilities total	19.9	20.5
Total liabilities	41.9	22.4
TOTAL EQUITY AND LIABILITIES	154.2	132.4

CONSOLIDATED STATEMENT OF CASH FLOWS (MEUR)

	1-12/2019	1-12/2018
	12 months	12 months
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year from continuing operations	7.6	4.0
Profit for the year from discontinued operations		
Adjustment of accrual basis items	6.7	3.8
Change in net working capital	-4.2	-8.4
Interest paid on operating activities	-0.7	-1.4
Interest received from operating activities	0.4	1.3
Income taxes paid	-0.0	0.1
NET CASH FROM OPERATING ACTIVITIES	9.6	-0.5
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of business unit, net of cash acquired		
Purchase of property, plant and equipment	-2.3	-3.7
Purchase of intangible assets	-16.1	-16.0
Purchase of investments/associated companies	-0.2	-0.2
Sale of property, plant and equipment	0.0	0.0
Sale of intangible assets	0.0	0.0

NET CASH FROM INVESTING ACTIVITIES	-18.6	-19.8
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings	20.0	0.1
Repayment of borrowing		-0.1
Payment of finance liabilities	-1.4	-0.9
Dividend paid and repayment of capital	-5.4	-10.7
NET CASH FROM FINANCING ACTIVITIES	13.2	-11.7
NET CHANGE IN CASH AND CASH EQUIVALENTS	4.3	-32.0
Cash and cash equivalents at beginning of period	30.9	62.9
Cash and cash equivalents at end of period	35.2	30.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (MEUR)

A = Share capital

B = Invested non-restricted equity fund

C = Translation difference

D = Retained earnings

E = Non-controlling interests

F = Total equity

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

	A	B	C	D	E	F
Shareholders equity on Jan. 1, 2019	12.9	26.0	1.1	70.1		110.0
Comprehensive income for the period						
Profit for the period				7.6		7.6
Exchange differences on translating foreign operations			0.0			0.0
Total comprehensive income for the period			0.0	7.6		7.7
Transactions between the shareholders						
Distribution of dividends				-5.4		-5.4
Total transactions between the shareholders				-5.4		-5.4
Other changes				-0.0		-0.0
Shareholders equity on Dec. 31, 2019	12.9	26.0	1.1	72.3		112.3

NOTES TO FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENT:

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

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

EBITDA = Operating profit + depreciations

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

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

SEGMENT-INFORMATION (MEUR)

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

NET SALES OF GEOGRAPHICAL AREAS (MEUR)	1-12/2019	1-12/2018
	12 months	12 months
Net sales		
Europe	56.4	53.9
Americas	18.5	8.0
Asia	0.3	0.9
Net sales total	75.2	62.8

RELATED PARTY TRANSACTIONS	1-12/2019	1-12/2018
	12 months	12 months
Employee benefits for key management and stock options expenses total, continuing operations	1.5	1.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY HALF (MEUR) Continuing operations	7-12/2019	1-6/2019	7-12/2018	1-6/2018
	6 months	6 months	6 months	6 months
NET SALES	42.2	33.1	34.5	28.3
Other operating income	0.5	0.4	0.7	0.6
Work performed by the undertaking for its own purpose and capitalized	0.1	0.1	0.2	0.1
Raw materials	-11.1	-6.1	-6.5	-3.7
Personnel expenses	-15.4	-16.1	-13.2	-16.5
Depreciation	-5.0	-3.0	-2.5	-2.2
Other operating expenses	-6.8	-6.7	-9.6	-7.5
Share of profits in associated companies	0.1	0.1	0.0	0.1
OPERATING PROFIT (LOSS)	4.7	1.7	3.7	-0.8
Financial income and expenses	-0.2	-0.2	-0.1	0.0
PROFIT BEFORE TAX	4.4	1.5	3.5	-0.8
Income tax	1.7	0.0	1.3	0.0
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	6.1	1.5	4.8	-0.8

Discontinued operations				
Profit for the period from discontinued operations				
PROFIT FOR THE PERIOD	6.1	1.5	4.8	-0.8
Other comprehensive income	0.0	0.0	0.0	0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6.2	1.5	4.8	-0.8
Profit for the period attributable to:				
Equity holders of the parent	6.1	1.5	4.8	-0.8
Non-controlling interests				
Total comprehensive income for the period attributable to:				
Equity holders of the parent	6.2	1.5	4.8	-0.8
Non-controlling interests				

CONSOLIDATED STATEMENT OF CASH FLOWS BY HALF	7-12/2019	1-6/2019	7-12/2018	1-6/2018
	6 months	6 months	6 months	6 months
Net cash from operating activities	10.8	-1.2	10.0	-10.5
Net cash from investing activities	-8.4	-10.1	-9.2	-10.7
Net cash from financing activities	-0.7	13.9	-0.5	-11.2
Net change in cash and cash equivalents	1.7	2.6	0.3	-32.4

FINANCIAL PERFORMANCE RELATED RATIOS	1-12/2019	1-12/2018
	12 months	12 months
STATEMENT OF COMPREHENSIVE INCOME (MEUR)		
Net sales	75.2	62.8
Operating profit (loss)	6.3	2.8
Operating profit (loss). % of net sales	8.4	4.5
Profit before taxes	5.9	2.7
Profit before taxes. % of net sales	7.9	4.3
Profit for the period from continuing operations	7.6	4.0
PROFITABILITY AND OTHER KEY FIGURES		
Interest-bearing net liabilities. (MEUR)	-12.6	-29.4
Net gearing. -%	-11.2	-26.7

Equity ratio. %	73.4	84.7
Gross investments. (MEUR)	21.3	21.2
Average personnel during the period. continuing operations	665	660
Personnel at the period end. continuing operations	655	674

AMOUNT OF SHARE ISSUE ADJUSTMENT (1.000 pcs)	Dec. 31. 2019	Dec. 31. 2018
At the end of period	35 693	35 693
Average for the period	35 693	35 693
Average for the period diluted with stock options	35 693	35 693

STOCK-RELATED FINANCIAL RATIOS (EUR)	1-12/2019 12 months	1-12/2018 12 months
Earnings per share from continuing operations. EUR		
Basic earnings per share	0.214	0.113
Diluted earnings per share	0.214	0.113
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	0.214	0.113
Diluted earnings per share	0.214	0.113
Equity *) per share	3.15	3.08
*) Equity attributable to equity holders of the parent		

MARKET VALUES OF SHARES (EUR)	1-12/2019 12 months	1-12/2018 12 months
Highest	8.03	8.10
Lowest	5.91	4.71
Average	6.70	5.98

At the end of period	6.50	7.61
Market value of the stock. (MEUR)	232.0	271.6
Trading value of shares. (MEUR)	51.5	75.4
Number of shares traded. (1.000 pcs)	7 689	12 608
Related to average number of shares %	21.5	35.3

SECURITIES AND CONTINGENT LIABILITIES (MEUR)	Dec. 31. 2019	Dec. 31. 2018
AGAINST OWN LIABILITIES		
Floating charges		1.0
Mortgages are pledged for liabilities totaled		0.1
Guarantees	0.1	0.1
Rental liabilities		
Falling due in the next year	0.0	0.6
Falling due after one year		0.9
Other contractual liabilities		
Falling due in the next year	1.9	2.4
Falling due after one year	0.8	2.3
Material purchase commitments	16.0	12.6

NOMINAL VALUE OF CURRENCY DERIVATIVES (MEUR)	Dec. 31. 2019	Dec. 31. 2018
Foreign exchange forward contracts		
Market value	0.0	0.0
Nominal value	1.5	0.0