

Bittium

Bittium Corporation Business Review January-March 2020

Net sales

17.3

MEUR

Net sales growth

+83.8 %

Operating result

0.2

MEUR

Operating result, % of net sales

0.9 %

Business Review January-March 2020

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

Summary January-March 2020

- The net sales increased by 83.8 percent year-on-year to EUR 17.3 million (EUR 9.4 million).
- The share of the product-based net sales grew to EUR 11.7 million, representing 67.4 percent of the net sales (EUR 1.9 million) and the share of the services-based net sales was EUR 5.6 million, representing 32.6 percent of the net sales (EUR 7.5 million).
- EBITDA was EUR 2.7 million (EUR -2.1 million).
- Operating profit was EUR 0.2 million (EUR -3.5 million).

Bittium's CEO Hannu Huttunen

The year 2020 started at Bittium according to our plans very strongly. During the first quarter, the net sales grew 83.8 per cent to EUR 17.3 million. The growth of the net sales was caused by the growth of the product sales. The product sales include the sales of the tactical communication systems and products, secure Bittium Tough Mobile™ smartphones and Bittium Faros™ ECG devices.

The sales of the product development services decreased by 25 percent from the previous year. The decrease in the net sales was caused by the company's own significant large R&D projects that tie experts into internal product development.

The global new corona virus (SARS-CoV-2) pandemic affects the global economy by weakening the visibility of the market situation. Bittium's business sales cycles are long by their nature, and so far, the negative impacts caused by the pandemic have not yet significantly affected Bittium's business operations. However, the outlook towards the end of the year includes significant uncertainties. Due to the exceptional conditions caused by the pandemic, the building up the order book is rather challenging, which may, in a long run, affect the requiring of new customers and thereby also closing of new deals.

In the defense and authorities markets testing and piloting of products and systems are typical phases before receiving orders of larger entities. These phases usually require physical presence in order to adapt and integrate the products and systems to customer's own systems. In the current circumstances these test phases cannot be started, which may postpone the materialization of some orders from their planned schedule. In addition, due to the travelling restrictions, the acceptance tests may need to be rescheduled, which may affect the final product acceptances and thereby the actual product deliveries. The corona virus pandemic affects also somewhat the availability of some components used in the products, which may affect the company's capability to deliver products to its customers.

Despite of these exceptional circumstances the cooperation with the Finnish Defence Forces has continued strongly during the first quarter. We were able to start the volume deliveries of the new Bittium Tough SDR™ hand held radios. The development of the radios has taken slightly longer than expected, due to their unique wide frequency range and ability to operate under extreme conditions. During the first quarter we also received few other tactical communication system product orders from the Finnish Defence Forces.

The demand for the Bittium Faros™ ECG devices remained stable. The medical approval of the Bittium BrainStatus™ EEG device is in the final phase. The cooperation with Preventice, the leading provider of remote medical monitoring services in the US, continued as planned in the US cardiac market. Bittium's medical technology products are designed to measure and monitor biosignals remotely, where human contacts remain very low. Thereby they are perfectly suited to be used in situations like prevailing corona virus pandemic. On the other hand the pandemic has reduced the number of non-emergency patients going to treatments and tests to healthcare providers. In addition several hospitals and medical care facilities have postponed their non-emergency tests and examinations, and focused on the treatment of the pandemic patients as well as on actions preventing the virus from spreading. In a short term these actions may slow down the sales of the Bittium medical products, however, in a long term we believe that the pandemic will accelerate the use of the remote services in hospitals and medical care facilities, and thus create positive development on the demand of the remote monitoring products and services.

Especially in the services business operations, the possible infections of our own personnel may have negative impact to Bittium's business operations. Therefore, immediately as the corona virus pandemic reached Europe in March 2020, we started actions to protect our people and secure the business operations. Travelling was strongly restricted and large part of the employees changed fast to the remote working model. However, due to the very high security requirements, some of the work tasks needed to be continued at Bittium's facilities. Therefore also actions to secure the safety of our employees were strengthened at the company's offices. So far the pandemic has not affected the personnel's health and the work has continued mainly according to our plans.

We have continued delivering connectivity solutions to our customers, aiming at growing the amount of our product development projects and widening our customer base. As of a new application area for the product development services, Bittium joined in the beginning of the year Rightware's Kanzi Partner Program and showcased its customers its own OEM application management and secure solutions built on Android™ Automotive platform. Bittium brings deep Android system experience to the automotive industry, from the hardware level all the way up the software stack. In addition to automotive market, other strong development areas are telecom, medical technology and manufacturing industry.

The demand of the secure Bittium Tough Mobile™ smartphones has remained stable in the beginning of the year. We gained new customers and several new pilot projects started. Piloting phases are typically long due to the many stages of the integration work. The prevailing exceptional circumstances affect the progress of the projects, which may slow down the closing of the deals.

We have actively negotiated with the State of the Mexico about the Mexsat phones to enable a wider use of the Mexsat system, but so far the prevailing exceptional circumstances have slowed down the progress of the project. We don't have information on how the corona virus pandemic will affect the budgets of the State of Mexico yet.

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. The first quarter of the year has materialized according to our plans and we believe that the impacts of the corona virus pandemic are temporary and that in a long run the company has good opportunities to grow internationally.

Outlook for 2020

The world-wide new corona virus (SARS-CoV-2) pandemic affects significantly to the global economy and market situation. The prevailing uncertainties in the markets cause week visibility to the market situation.

Despite of the delays in the business development in general and significant increase of the risks and uncertainties, the effects of the pandemic has not yet significantly affected Bittium's business operations. However, the prolongation of the situation may affect negatively Bittium's financial development, which is currently difficult to evaluate.

Based on the current information the company sees no reason to change the financial outlook for 2020, published in the company's financial Statement Bulletin 2019. The company will constantly monitor the development of the market situation and if the outlook should weaken, the company may need to re-evaluate the situation.

Bittium expects that the net sales in 2020 will grow from the previous year (EUR 75.2 million 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.

Risks and Uncertainties

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

The new corona virus (SARS-CoV-2) pandemic has caused fast changes in the company's operating environment. The company management has actively aimed at following and anticipating the development of the pandemic, and began preventing activities and corrective activities related to the impacts of the pandemic. It is impossible to estimate the length of the situation or its impacts on business operations and financial results.

More information about other uncertainties regarding the outlook is presented in the Report by the Board of Directors 2019 and on the company's internet pages at www.bittium.com.

Key Figures

GROUP (MEUR)	1-3/2020 3 months	1-3/2019 3 months
NET SALES	17.3	9.4
Change of the net sales, %	83.8 %	-4.5 %
EBITDA	2.7	-2.1
EBITDA, % of net sales	15.9 %	-22.6 %
OPERATING PROFIT / LOSS	0.2	-3.5
Operating profit / loss, % of net sales	0.9 %	-37.6 %
RESULT OF THE PERIOD FROM CONTINUING OPERATIONS	-0.2	-3.5
EARNINGS PER SHARE (EUR)	-0.005	-0.099
TOTAL R&D INVESTMENTS	6.1	6.1
R&D INVESTMENTS, % FROM NET SALES	35.2 %	65.3 %
CAPITALIZED R&D INVESTMENTS	3.7	4.2
NET CASH FROM OPERATING ACTIVITIES	1.2	-5.7
NET CASH FROM INVESTING ACTIVITIES	-4.5	-4.6
NET CASH FROM FINANCING ACTIVITIES	-0.4	-0.4
NET CHANGE IN CASH AND CASH EQUIVALENTS	-3.7	-10.7
CASH AND OTHER LIQUID ASSETS	31.5	20.2
NET GEARING (%)	-8.0 %	-16.3 %
EQUITY RATIO (%)	73.0 %	85.3 %
AVERAGE PERSONNEL DURING THE PERIOD	657	669
PERSONNEL AT THE END OF THE PERIOD	665	672

Oulu, April 30, 2020

Bittium Corporation
The Board of Directors

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About Bittium

Bittium specializes in the development of reliable, secure communications and connectivity solutions leveraging its 30 year legacy of expertise in advanced radio communication technologies. Bittium provides innovative products and services, customized solutions based on its product platforms and R&D services. Complementing its communications and connectivity solutions, Bittium offers proven information security solutions for mobile devices and portable computers. Bittium also provides healthcare technology products and services for biosignal measuring in the areas of cardiology, neurology, rehabilitation, occupational health and sports medicine. Net sales in 2019 were EUR 75.2 million and operating profit was EUR 6.3 million. Bittium is listed on Nasdaq Helsinki. www.bittium.com