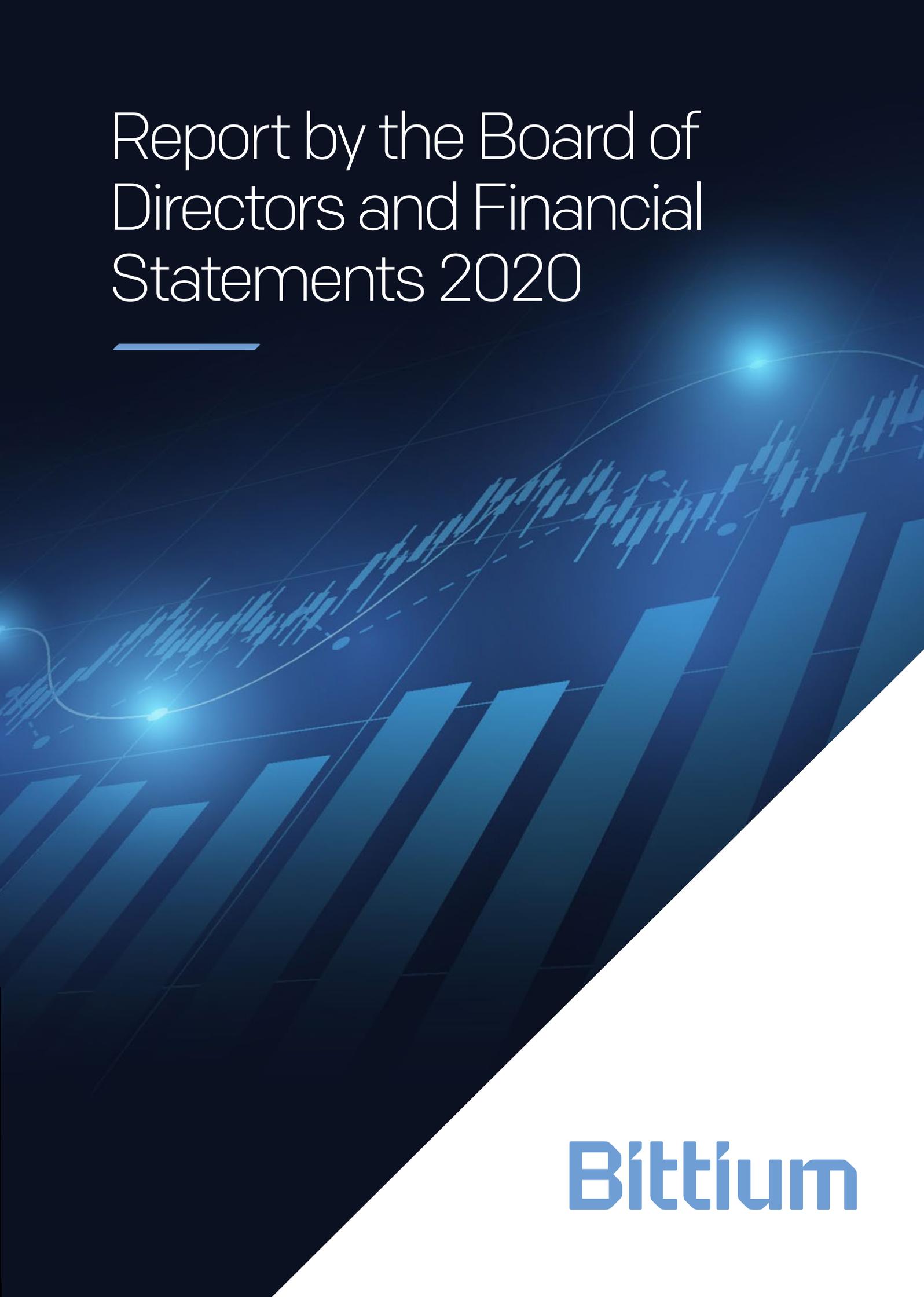


# Report by the Board of Directors and Financial Statements 2020

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**Bittium**



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# Report by the Board of Directors 2020

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

## Year 2020 in Short

### Net Sales Grew in 2020

Bittium's net sales in January–December 2020 grew by 4.2 percent year-on-year to EUR 78.4 million (EUR 75.2 million).

The share of the product-based net sales increased to 67.8 percent and was EUR 53.1 million (EUR 49.4 million). The share of Medical Technologies products was EUR 17.4 million and that of the tactical and secure communication products and systems EUR 35.7 million.

The share of the services-based net sales was EUR 25.3 million (EUR 25.9 million) representing 32.2 percent of the net sales.

Operating profit in January–December 2020 was EUR 2.1 million (EUR 6.3 million).

## Significant Events during the Reporting Period

### On February 13, 2020

Bittium published its Financial Statement Bulletin 2019.

### On February 13, 2020

Bittium gave a notice to the Annual General Meeting 2019 of Bittium Corporation.

### On March 2, 2020

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

### On March 11, 2020

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

### On March 18, 2020

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

### On March 30, 2020

Bittium published its Business Review from January–March 2020.

**On May 14, 2020**

Bittium gave a notice to the General Meeting of Bittium Corporation.

**On June 15, 2020**

The decisions of the Annual General Meeting of Bittium Corporation were announced.

**On August 6, 2020**

The Half-Year Financial Report January–June 2020 was published.

**On September 10, 2020**

Bittium Biosignals Ltd, a subsidiary of Bittium Corporation and Preventice Technologies Ltd signed a continuance for the agreement concerning the delivery of ECG measuring devices.

**On October 30, 2020**

Business Review from January–September 2020 was published.

**On November 27, 2020**

Bittium Corporation lowered its financial guidance for the year 2020.

**On November 27, 2020**

The Board of Directors of Bittium Corporation decided that no dividend from the year 2019 will be paid.

**On November 27, 2020**

Bittium Corporation confirmed its strategy and long-term financial targets.

**On December 15, 2020**

Financial calendar for 2021 was published.

**On December 22, 2020**

Bittium Corporation announced that the Finnish Defense Forces plans to purchase Bittium TAC WIN™ software defined radio system products.

## Financial Performance in January–December 2020

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR</b>	<b>2020 12 months</b>	<b>2019 12 months</b>
Net sales	78.4	75.2
Operating profit / loss	2.1	6.3
Financial income and expenses	-0.4	-0.4
Result before tax	1.6	5.9
<b>Result for the period</b>	<b>2.2</b>	<b>7.6</b>
<b>Total comprehensive income for the period</b>	<b>1.9</b>	<b>7.7</b>
Result for the period attributable to:		
Equity holders of the parent	2.2	7.6
Total comprehensive income for the period attributable to:		
Equity holders of the parent	1.9	7.7
Earnings per share from continuing operations, EUR	0.061	0.214

- Cash flow from operating activities was EUR 6.9 million (EUR 9.6 million).
- Net cash flow during the period was EUR -10.5 million, including the most significant item as EUR 13.6 million R&D investments into own products (EUR 4.3 million, including the most significant items as withdrawal of a EUR 20.0 million bank loan, EUR 15.6 million R&D investments into own products, and the EUR 5.4 million dividend payment).
- Equity ratio was 73.1 percent (73.4 percent).
- Net gearing was -1.9 percent (-11.2 percent).

## Half Year Figures

<b>GROUP'S NET SALES AND OPERATING RESULT, MEUR</b>	<b>2H/20</b>	<b>1H/20</b>	<b>2H/19</b>	<b>1H/19</b>
Net sales	35.8	42.5	42.2	33.1
Operating profit (loss)	-0.8	2.9	4.7	1.7
Result before taxes	-0.9	2.5	4.4	1.5
Result for the period	-0.4	2.5	6.1	1.5

<b>DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR AND %</b>	<b>2H/20</b>	<b>1H/20</b>	<b>2H/19</b>	<b>1H/19</b>
Product based net sales	23.0	30.1	30.8	18.6
	64.3%	70.7%	73.1%	56.1%
Services based net sales	12.8	12.5	11.4	14.5
	35.7%	29.3%	27.1%	43.9%

<b>DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %</b>	<b>2H/20</b>	<b>1H/20</b>	<b>2H/19</b>	<b>1H/19</b>
Asia	0.2	0.2	0.1	0.2
	0.5%	0.4%	0.3%	0.5%
Americas	6.4	7.1	12.7	5.8
	17.8%	16.7%	30.2%	17.5%
Europe	29.3	35.2	29.3	27.1
	81.7%	82.8%	69.6%	82.0%

## Quarterly Figures

<b>GROUP'S NET SALES AND OPERATING RESULT, MEUR</b>	<b>4Q/20</b>	<b>3Q/20</b>	<b>2Q/20</b>	<b>1Q/20</b>	<b>4Q/19</b>
Net sales	21.8	14.0	25.3	17.3	26.9
Operating profit (loss)	0.3	-1.0	2.7	0.2	4.1
Result before taxes	0.2	-1.0	2.7	-0.2	3.9
Result for the period	0.7	-1.0	2.7	-0.2	5.6

<b>DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR AND %</b>	<b>4Q/20</b>	<b>3Q/20</b>	<b>2Q/20</b>	<b>1Q/20</b>	<b>4Q/19</b>
Product based net sales	14.5	8.5	18.4	11.7	20.1
	66.5%	60.9%	73.0%	67.4%	74.5%
Services based net sales	7.3	5.5	6.8	5.6	6.8
	33.5%	39.1%	27.0%	32.6%	25.5%

<b>DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %</b>	<b>4Q/20</b>	<b>3Q/20</b>	<b>2Q/20</b>	<b>1Q/20</b>	<b>4Q/19</b>
Asia	0.1	0.1	0.1	0.1	0.1
	0.5%	0.5%	0.4%	0.4%	0.3%
Americas	2.9	3.5	2.2	4.9	5.0
	13.3%	24.8%	8.8%	28.3%	18.7%
Europe	18.8	10.5	22.9	12.3	21.8
	86.2%	74.7%	90.8%	71.3%	81.0%

## Research and Development

Bittium continued to make significant investments to develop its own products and product platforms. In January–December 2020 the investments were EUR 22.8 million, representing 29.1 percent of the net sales.

The investments focused mainly on developing the tactical communication system and its products for defense industry, different kind of special terminal products for authorities and their related security software, as well as on developing 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 networks, secure smartphones and software, as well as to the investments in developing medical technology products.

<b>R&amp;D INVESTMENTS, MEUR</b>	<b>2020</b> <b>12 months</b>	<b>2019</b> <b>12 months</b>
<b>Total R&amp;D investments</b>	<b>22.8</b>	<b>25.1</b>
Capitalized R&D investments	-13.6	-15.6
Depreciations and impairment of R&D investments	6.1	3.1
Cost impact on income statement	15.4	12.6
<b>R&amp;D investments, % of net sales</b>	<b>29.1%</b>	<b>33.4%</b>

<b>CAPITALIZED R&amp;D INVESTMENTS IN BALANCE SHEET, MEUR</b>	<b>2020</b> <b>12 months</b>	<b>2019</b> <b>12 months</b>
Balance sheet value in the beginning of the period	39.1	26.6
Additions during the period	13.6	15.6
Acquisitions of the business		
Depreciations and impairment of R&D investments	-6.1	-3.1
Balance sheet value at the end of the period	46.6	39.1

## Statement of Financial Position and Financing

The figures presented in the statement of financial position of December 31, 2020, are compared with the statement of the financial position of December 31, 2019 (MEUR).

	Dec. 31, 2020	Dec. 31, 2019
Non-current assets	86.4	80.5
Current assets	71.7	73.8
<b>Total assets</b>	<b>158.0</b>	<b>154.2</b>
Share capital	12.9	12.9
Other capital	101.3	99.4
Total equity	114.2	112.3
Non-current liabilities	21.9	22.1
Current liabilities	21.8	19.9
<b>Total equity and liabilities</b>	<b>158.0</b>	<b>154.2</b>

	Jan.–Dec. 2020	Jan.–Dec. 2019
<b>CASH FLOW OF THE REVIEW PERIOD</b>		
+ profit of the period +/- adjustment of accrual basis items	14.1	14.3
+/- change in net working capital	-6.8	-4.2
- interest, taxes and dividends	-0.5	-0.4
= net cash from operating activities	6.9	9.6
- net cash from investing activities	-15.9	-18.6
- net cash from financing activities	-1.5	13.2
= net change in cash and cash equivalents	-10.5	4.3

The amount of gross investments in the period under review was EUR 17.4 million. Net investments for the review period totaled to EUR 17.0 million. The total amount of depreciation during the period under review was EUR 11.4 million. The amount of interest-bearing debt, including finance lease liabilities, was EUR 22.5 million at the end of the reporting period (EUR 22.6 million). Bittium's equity ratio at the end of the period was 73.1 percent (73.4 percent).

The Group's liquidity remained good despite the uncertainty caused by the Covid-19 pandemic. Securing cash flow has not required any special adjustment measures and no significant changes have been identified in the credit risks of trade receivables.

Cash and other liquid assets at the end of the reporting period were EUR 24.7 million (EUR 35.2 million). Net cash flow during the period was EUR -10.5 million. The net cash flow resulted from EUR 13.6 million investments made into own product development as the most significant item (EUR 4.3 million including as the most significant items the withdrawal of a EUR 20.0 million bank loan, EUR 15.6 million investments made into own product development and the EUR 5.4 million dividend payment).

Bittium has a EUR 20.0 million senior loan and a EUR 10.0 million committed overdraft credit facility agreement with Nordea Bank Finland Plc. Maturity date for the senior loan is May 24, 2024 and the credit limit agree-

ment is valid until May 24, 2024. Bittium has EUR 10.0 million committed overdraft credit facility agreement with OP Corporate Bank Plc valid until May 24, 2022. At the end of the review period, no limits from these facilities were in use.

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

## Business Development in January–December 2020

In 2020, the exceptional circumstances caused by the Covid-19 pandemic had a significant impact on the global market situation. At the end of the year, the effects began to be seen more widely in Bittium's business as well. Completion of some projects delayed and some of them were moved entirely to 2021. Acquisition of new projects and customers was clearly slower than normally.

Despite the exceptional circumstances the cooperation with the Finnish Defense Forces continued very well. The volume deliveries of the new Bittium Tough SDR handheld radios started in April and, at the end of the year, the first pilot series of Bittium Tough SDR Vehicular™ radios was delivered to the customer. The development of vehicular radios will continue also in 2021. The development work of the radios has taken slightly longer than expected because of their unique frequency range and because they have been designed to operate under extreme conditions.

In February, Bittium received a purchase order from Finnish Defence Forces to continue porting the European ESSOR (European Secure Software-defined Radio) programme's OC1 (Operational Capability 1) wideband waveform to the Bittium Tough SDR radios that will be delivered to the Finnish Defence Forces. A significant European player in the defense industry, Germany, joined the ESSOR programme, which strengthened ESSOR's position in the market and affected positively the deployment of the ESSOR waveform in the future. The Finnish Defence Forces also ordered tactical communication products of the software defined Bittium Tactical Wireless IP Network™ (TAC WIN) system and Bittium Tough Comnode™ terminals.

Cooperation regarding the renewal of the Finnish Defense Forces command control and communication system continued, and in accordance with the framework agree-

ment for 2018–2020, and the last batch of products of the Bittium Tactical Wireless IP Network™ (TAC WIN) software defined radio system meant for tactical communication was delivered. In December, the Finnish Minister of Defense authorized the Finnish Defense Forces to procure products of the Bittium TAC WIN™ system, and a new framework agreement for 2021–2024 is being prepared. The value of the agreement is at the maximum about EUR 30 million.

In November, the Finnish Defense Forces ordered Bittium Tactical Power Pack™ battery units as accessories for portable Bittium Tough Comnode™ devices already in use. The battery unit was launched in October. The ordered products, with the value of approximately EUR 1.1 million, will be delivered to the Defense Forces during the first half of 2021.

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

In the governmental market, the interest in the mobile security and secure Bittium Tough Mobile™ 2 phones grew. Continuous security attacks raise awareness of the importance of security. In June, Bittium launched a new, even more secure variant of its smartphone: Bittium Tough Mobile™ 2 C. The unique new variant is based on the previously launched Bittium Tough Mobile 2 and is meant for CONFIDENTIAL level authority communication. The new smartphone variant is complemented with Bittium Secure Suite™ management software, enabling remote management of devices and applications, as well as encrypted IP-based data transfer.

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

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

At the end of the year, the company began cooperating with Tutus Data AB, a Swedish expert in certified web encryption solutions. The collaboration will create a high-security mobile solution that combines Tutus' strong security expertise with Bittium's ultra secure Bittium Tough Mobile™ 2 smartphone platform. Designed for a mobile work environment, this solution provides data security, especially as a critical communication tool. Tutus is the main supplier of IT security products approved and certified by the Swedish government in Sweden, and the co-developed solution will be part of Tutus' product offering.

Bittium released a new streams feature for Bittium SafeMove® Mobile VPN security software. It enables optimized, durable and encrypted connection even when the network connections in use are unreliable and sensitive for interference. The strong connection of Bittium SafeMove® Streams technology enables the protecting of several applications and their different connections. Encryption and security adapt to the changing needs of different applications,

and the special needs of real-time voice and video applications, for example, are taken into account.

The active negotiations with the State of the Mexico about the Mexsat phones to enable a wider use of the Mexsat system continued. The prevailing exceptional circumstances due to the Covid-19 pandemic in the Middle America have significantly slowed down the progress of the negotiations. Deliveries of mobile satellite phones developed for the Mexican state authorities fell short of target last year. However, the delivery volumes are expected to grow in 2021.

Demand for Bittium's medical technology products for remote monitoring and remote diagnostics remained steady. Based on the delivery agreement signed in 2018, Bittium continued to deliver tailored Body Guardian® MINI ECG measuring devices to the major US remote monitoring provider Preventice as planned. In September, Bittium and Preventice signed an extension to the agreement, under which Bittium will continue to supply BodyGuardian® MINI devices for the years 2021–2024. When fully implemented, the total value of the agreement will be approximately USD 22.9 million.

In May, Bittium BrainStatus™ product family received medical device approval in Europe (directive 93/42/EEC). Bittium BrainStatus product family is a compact wireless EEG measurement system for the brain's real-time electrical activity monitoring. It is designed for emergency, acute and intensive care use. Its ease of use enables high-quality EEG measurements by both paramedics and clinicians quickly and easily. At the end of the year Cerenion's C-Trend® analysis software, which is integrated in Bittium BrainStatus™ EEG system, was granted medical device approval in the European Union. With Cerenion C-Trend® analysis, the status of the brain is presented as simple and easy-to-interpret numerical values by utilizing advanced machine learning algorithms and artificial intelligence. The aim of the solution is to improve medical care and make the work of

nursing staff in the intensive care unit easier and faster.

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

In December, Bittium released a new version of its Bittium Cardiac Navigator™ cardiac analysis software. The new software version introduces improvements in, among other things, P-wave detection, which further increases the analytical accuracy of measuring the atrial fibrillation. Cardiac Navigator is used by several customers of Bittium Faros™ ECG devices that measure the electrical activity of the heart.

Demand for R&D services remained stable. The development of R&D service offering continued, especially for the telecommunications, medical technology, automotive and industrial Internet markets. The development of operating methods and organization also continued, which has brought more efficiency in operations. Bittium continued to provide connectivity solutions to its customers with the goal of further increasing the number of R&D service projects and expanding the customer base.

As the demand for 5G technology development leveled off, Bittium has continued to invest in new customers and application areas. The company also continued to deliver different kind of connectivity solutions to its customers and aims at growing the amount of product development projects

and widening its customer base. As a new application area for product development services, Bittium joined Rightware's Kanzi partner program and has introduced its own OEM application management and security solutions implemented on the Android Automotive platform. Bittium brings deep Android system experience to the automotive industry, from the hardware level all the way up the software stack.

## Significant Events after the Reporting Period

There were no significant events after the reporting period.

## Outlook for 2021

The world-wide new Covid-19 pandemic (SARS-CoV-2) significantly affects the global economy and market situation. The prevailing uncertainties in the markets cause weak visibility to the market situation.

Bittium expects the net sales in 2021 to grow from the previous year (EUR 78.4 million in 2020) and the operating result to improve from the previous year (EUR 2.1 million in 2020).

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

More information about other uncertainties regarding the outlook is presented in this report in the section "Risks and uncertainties" and on the company's website at [www.bittium.com](http://www.bittium.com).

## Market Outlook and the Implications of the Covid-19 Pandemic to Bittium

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

In 2020, the global Covid-19 pandemic significantly affected the global economy and market situation. The general delay in the business development and significant increase of risks and uncertainties caused by the pandemic weakens the visibility into the market situation. Bittium's business sales cycles are long by their nature, but the effects of the pandemic have begun to be seen also in Bittium's business, such as slowdown of existing projects and the transition of new projects. In addition, the restrictions due to the pandemic will slow down new customer acquisition.

The factors affecting the demand for Bittium's products and services and the effects of the Covid-19 pandemic on them are described below:

### Defense and Public Safety Market

- In the defense sector's tactical communication market, the governments' defense forces and other authorities need networks that troops, who are more and more constantly on the move, can use 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 vehicle radios and for

other Bittium's IP-based (Internet Protocol) tactical communication solutions that fulfill the needs of data transfer of moving troops and individual soldiers. Bittium continues 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 2021. Due to the long sales cycles driven by purchasing programs of national governments, it will take time to receive purchase orders.

- The financial difficulties caused by the Covid-19 pandemic affect the budgets of public finances, such as states and public authorities, and may require postponing of procurement. This may delay receiving new orders. Especially in the defense and authorities' market's testing and piloting of products and systems are typical phases before receiving orders of larger entities. Current circumstances may postpone the materialization of some orders from their planned schedule. In addition, due to the travelling restrictions, the acceptance tests may need to be rescheduled, which may affect the final product acceptances and thereby the actual product deliveries. The Covid-19 pandemic may also somewhat affect the availability of some components used in the products, which may affect the company's capability to deliver products to its customers.
- The use of LTE technology, smartphones, and applications continue to increase in special verticals such as public safety creating demand for Bittium Tough Mobile™ secure LTE smartphone and other customized special terminals based on Bittium's own product platform. The awareness of mobile security risks is growing and the interest towards secure mobile devices is increasing. The implementation of LTE-based devices in use in the Public Safety markets has been slower than expected because of the delay in the device functionalities required by the authorities and because of the slow progress of the market. The sales of the secure terminal products are expected to develop moderately according to the nature of public safety markets.

- The smartphone sales process often involves testing and piloting systems and equipment, possibly integrating third-party technologies, and possible local regulatory approvals, which are typically long-lasting. Exceptional circumstances caused by the Covid-19 pandemic may have a significant impact on the progress of projects, which slows down the closings of larger transactions.
- Using public network connections in portable devices is increasing also in demanding professional use, for instance in the public sector. This creates requirements for network connections to be easy to use and secure. The products in the Bittium SafeMove® product family enable the ease of use of the devices and security in demanding use. Demand for the Bittium SafeMove® product family has not been affected by the Covid-19 pandemic.

### Telecommunication and Digitalization

- In the mobile telecommunications, the demand for 5G technology development work has stabilized and the implementation of 5G is accelerating in pace. Investments in developing new features continue and the importance of software development in the 5G network development expands. This creates demand for Bittium's R&D services. There is a wide range of frequencies allocated for the 5G technology thus creating the need to develop multiple products to cover the market and creating demand for R&D services for development of product variants. Also, the development of new devices utilizing 5G technology increases the demand for Bittium's services.
- As the digitalization evolves, the secure IoT (Internet of Things) has become a significant development area in almost every industry. The increasing need of companies to digitalize their operations, collect data wirelessly, and transfer it to the internet and cloud services generate need for Bittium's services and customized solutions. 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 con-

nection to the Internet and cloud services. New radio systems customized to IoT are being used all over the world, and the number of digitalized devices increases continuously. Along with the 5G technology being used, there will also be new features in the IoT that enable i.e. remote control of machines. Therefore, the integration of different systems and technologies play an important role in enabling 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.

- Changes in the digitalization of the automotive industry and new business models and the automation of automotive operations create need for technological development. Most significant technology trends such as intelligent mobility, self-driving cars, electric cars and connectivity are guiding need for innovative software development. The share of software in cars is increasing in speed and software is becoming a major enabler and a differentiator. The use of Android™ Automotive operating system in the In-Vehicle Infotainment (IVI) systems is strongly entering the market. Several carmakers have announced the launch of cars with Android Automotive. Bittium's more than a decade of experience with the Android operating system and the Google ecosystem combined with security know-how create good business opportunities for this market.
- Travel restrictions caused by the Covid-19 pandemic have slowed down the sale of product development services. Even though the adaptation to new conditions and operating methods has gone well, the restrictions have somewhat slowed down the progress of the projects and gaining new customers.
- Possible illnesses of own personnel due to the Covid-19 pandemic could have a significant impact on Bittium's business, especially with regard to product development services. The company began taking measures to ensure the health and safety of its personnel and to ensure business continuity as soon as the Covid-19 pandemic

reached Europe in March 2020. So far, the pandemic has not yet significantly affected the health of Bittium employees.

#### Medical ECG and EEG

##### 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 repatriation of patients at an earlier stage in order to reduce hospital and treatment days. These actions significantly increase efficiency in health care processes and lower costs.
- A prerequisite for early repatriation is the enabling of accurate and precise follow-up and measurement opportunities in home conditions which would be enabled through remote monitoring. Remote monitoring and remote diagnostics also enable specialist's diagnoses regardless of time and place. Also evolving artificial intelligence-based algorithms are increasing to support physicians in making diagnoses. Remote monitoring and remote diagnostics make it possible and faster to obtain more accurate diagnoses, which, in turn, speeds up the start of the right kind of treatment. The market change will enable several new providers to join the overall care service chain, without compromising the quality of specialist services in areas such as cardiology and neurophysiology.
- For remote monitoring and remote diagnostics Bittium provides its Bittium Faros™ product family for remote heart monitoring and Bittium BrainStatus™ for measuring the electrical activity of the brain, as well as different kind of software for diagnostics.
- As the Covid-19 pandemic spread the number of non-emergency patients going to treatments and tests to healthcare providers decreased. Several hospitals and medical care facilities have postponed their non-emergency tests and examinations and focused on the treatment of the pandemic patients as well as on actions preventing the virus from spreading. The situation varies from country to country and in some countries the pandemic sit-

uation is worse than in others. In a long term the pandemic will accelerate the use of remote services in hospitals and medical care facilities, and thus creates positive development on the demand of the remote monitoring products and services.

## Risks and Uncertainties

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

The Covid-19 pandemic has caused fast changes in the company's operating environment. The company management has been actively following and anticipating the development of the pandemic and taken measures to prevent and remedy the impacts of the pandemic. It is impossible to estimate the length of the situation or its impacts on business operations and financial results.

#### Market Risks

The global economic uncertainty may affect the demand for Bittium's services, solutions, and products and provide pressure on e.g. pricing. In the short term, such uncertainty may affect, in particular, the utilization and chargeability levels and average hourly prices of R&D services. Growing political uncertainty may also affect the demand for Bittium's services, solutions, and products and the price competitiveness in the different geographical areas. Bittium is also increasingly exposed to legal, economic, political, and regulatory risks related to the countries in which its suppliers and other cooperation partners are located. Such risks may result in delays in deliveries or that there will be no orders in the forecast quantities, currency losses, elevated costs, or litigations and related costs. In particular, these aforementioned risks apply to Bittium currently in Mexico, where exceptional circumstances due to the Covid-19 pandemic have significantly slowed the progress of negotiations, and it is not yet known how the pandemic may affect the Mexican state budget.

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

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

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

#### **Business Related Risks**

Bittium's operative business risks are mainly related to following items: uncertainties and short visibility on customers' product program decisions, their make or buy decisions and on the other hand, their decisions to continue, downsize or terminate current product programs, execution and management of large customer projects, ramping up and down project resources, availability of personnel in labor markets, accessibility on commercially acceptable terms and on the other hand, successful utilization of the most important technologies and components, competitive situation and potential delays in the markets, timely closing of customer and supplier contracts with reasonable commercial terms, delays in R&D projects, realization of expected return on capitalized R&D investments, obsolescence of inventories and technology risks in

product development causing higher than planned R&D costs, and risks related to the ramp-up of product manufacturing. Revenues expected to come from either existing or new products and customers include normal timing risks. Bittium has certain significant customer projects and deviation in their expected continuation could also result significant deviations in the company's outlook. In addition, there are typical industry warranty and liability risks involved in selling Bittium's services, solutions and products.

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

Some of Bittium's businesses operate in industries that are heavily reliant on patent protection and therefore face risks related to management of intellectual property rights, on the one hand related to accessibility on commercially acceptable terms of certain technologies in the Bittium's products and services, and on the other hand related to an ability to protect technologies that Bittium develops or licenses from others from claims that third parties' intellectual property rights are infringed. Additionally, parties outside of the industries operate actively 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 challeng-

es 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. Bittium has EUR 20.0 million senior loan and EUR 10.0 million committed overdraft credit facility agreement with Nordea Bank 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.

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 Non-Financial Information

Bittium is an international technology company specializing in the development of reliable and secure communication and connectivity solutions. The company offers high information security mobile solutions to the defense industry and public administration and healthcare operators, among others. The company is committed to responsible and sustainable business through its sustainability program. The sustainability program is based on the company's strategy, values, stakeholder expectations and megatrends in the operating environment, which include digitalization and aging of the population, as well as information security.

Sustainability is part of Bittium's organizational culture and way of work. The company identifies and manages risks related to sustainability as part of the company's risk management, which emphasizes the role of the company's management group and the Board of Directors in implementing measures in day-to-day operations.

### Key Operating Principles

Bittium's operations are guided by good corporate governance, ethical principles, and codes of conduct. Bittium monitors the achievement of the targets set for the sustainability focus areas set in the Sustainability Program for 2020–2022 with various indicators. Bittium's sustainability focus areas are personnel development, confidential customer relationships and information security products, corporate citizenship and responsible business practices, and environmental responsibility. The priorities of the program are reflected in relation to the UN Sustainable Development Goals.

Bittium's partners are expected to comply with Bittium's Code of Conduct, Supplier Guidelines and Bittium Supplier Manual and Bittium Supplier Requirements, which include, for example, Bittium's policies and supplier selection and quality control requirements. Bittium reviews the principles of responsible operations of suppliers and partners and audits them in accordance with defined criteria.

Export control is an important part of the company's operations and a prerequisite for cooperation between authorities and customers. The company has always followed the instructions and rules of export control when operating in areas such as the defense and information security industries, and closely monitors changing legislation in various market areas. During 2020, the company has further developed internal processes related to export control, for example in cooperation with authorities.

### Environmental Topics

Responsibility for the environment, climate change mitigation and resource-efficient solutions are an important part of Bittium's operations and development. Bittium's business mainly focuses on product design, assembly and sale of products of manufactured by partners, and marketing, which accounts for a small portion of the environmental impact of product life cycles. The biggest environmental impacts are caused by product recycling. The overall life cycle impacts of a product are affected by optimizing the life span and recyclability of the products.

The company's (group's) scope 1 CO<sub>2</sub> emissions in 2020 were 104.5 tCO<sub>2</sub> (travelling and waste) and scope 2 emissions 649 tCO<sub>2</sub> (heating and electricity). The share of renewable energy in Bittium group's operations was 17 percent in 2020 (17%).

As part of the 2020–2022 environmental program, Bittium develops environmental data management, which aims to improve the usability and availability of monitored data for both traditional indicators and new monitoring targets. In addition, Bittium aims to improve the climate awareness of its employees by providing information on the effects of everyday choices on mitigating climate change.

### Social Responsibility and Corporate Citizenship

Bittium's equality plan is based on the Equality and Gender Equality Act. The Company does not allow discrimination or unequal treatment based on gender, age, origin, religion or belief, opinion, sexual ori-

entation, disability, or any other personal reason. The implementation of equality is examined, for example, through personnel surveys and surveys from the perspective of pay, career development and recruitment. In addition to the annual personnel surveys, in 2020, the company introduced the bi-weekly Pulssi survey, which inspects personnel's resilience during the Covid-19 pandemic.

The most typical work ability risks in the industry are musculoskeletal disorders, as well as coping at work and mental well-being. Bittium invests in good occupational ergonomics and occupational health care services that support the well-being of its employees, as well as other employee benefits. In 2020, three accidents at work were reported in Bittium's Finnish companies.

Bittium is an active player in its local community. The company cooperates with local educational institutions in the form of educational visits. Due to the Covid-19 pandemic in 2020, it has not been possible to organize student visits.

### Respect for Human Rights and the Fight against Corruption and Bribery

In all its business activities, Bittium respects human rights, avoids violating the human rights of others, and intervenes in the potential negative human rights impacts of its activities in accordance with the UN Guiding Principles on Business and Human Rights. At Bittium, monitoring the implementation of human rights is mainly related to the activities of subcontractors and suppliers. Bittium takes care of the responsibility of the company's supply chain with regards to, among other things, supplier requirements and material reports related to materials and components. Staff training is part of ensuring responsible sourcing. During 2020, no doubts were reported to Bittium regarding minerals in conflict areas.

Due to Bittium's market and business areas, corruption is one of the key risks related to social responsibility. Bittium does not accept any form of bribery or corruption in its own activities or in the activities of its part-

ners. The company has internal and external guidelines for preventing anti-corruption activities, and staff receives training related to the guidelines. The company has a monitoring tool in place to identify corruption or other ambiguities in its partners, and the company has a channel for its stakeholders to report breaches of anti-corruption rules anonymously. In 2020, the company didn't become aware of any suspicions of corruption.

## Personnel

The Bittium group employed an average of 673 people in January–December 2020. At the end of December 2020, the company had 684 employees (655 employees at the end of 2019).

## Incentive Systems

### Employee Profit-Sharing Plan

In 2020, Bittium had an employee profit-sharing plan that applies to all employees, excluding those covered by other short-term bonus plans. According to the 2020 profit-sharing plan, a separately defined part of Bittium's operating profit will be distributed to employees as a profit-sharing bonus in proportion to salaries. The goal of the system is to enable the company's success to be shared with employees and to engage employees.

### Variable Pay

The variable pay is paid based on the achievement of goals. In 2020, earning period for the variable pay was the calendar year. The targets are determined separately for each earning period. The setting of targets and the review of their achievement is decided on a one-over-one basis. The criteria for the short-term merit pay are the financial and strategic targets of the Company. In 2020, operating result formed the financial targets. In addition, part of the targets may be other Company objectives or personal targets. Personal targets vary between duties.

### Management Share-Based Incentive Plan

The management of Bittium group share-based long-term incentive scheme which 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, to promote shareholder value creation in the long term, to commit the management to achieving Bittium's strategic targets and the retention of Bittium's management. 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 the following two plans, PSP 2021–2023 and PSP 2022–2024, is, however, subject to a separate Board decision. Further information can be found at the company's website at the address [www.bittium.com](http://www.bittium.com).

## Authorizations of the Board of Directors at the End of the Reporting Period

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

The General Meeting held on June 6, 2020, authorized the Board of Directors to decide on the repurchase of the Company's own shares as follows:

The amount of own shares to be repurchased shall not exceed 3,500,000 shares, which corresponds to approximately 9.81 percent of all of the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorization. Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market.

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

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

The authorization is effective until June 30, 2021.

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

The General Meeting held on June 15, 2020, authorized the Board of Directors to decide on the issuance of shares and special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act as follows:

The amount of shares to be issued shall not exceed 3,500,000 shares, which corresponds to approximately 9.81 percent of all of the shares in the company. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

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

The authorization is effective until June 30, 2021.

## Shares and Shareholders

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 the 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 the shares was 35,693,166. The accounting par value of the Company's share is EUR 0.10. The Company does not have its own shares in its possession.

Shareholding and control related information is presented in section 36 of the notes to the Financial Statement.

## Flagging Notifications

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

## Notifications of Managers' Transactions

March 23, 2020:

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

March 23, 2020:

Name of the person subject to the notification requirement: Erkki Veikkolainen, Member of the Board. Notification type: initial notification. Nature of transaction: Purchase. Transaction date: March 19, 2020. Aggregated transactions (XHEL): volume 69,650 shares, volume weighted average price: EUR 3.67315. Aggregated transactions (XPOS): volume 1,925 shares, volume weighted average price: EUR 3.62500. Aggregated transactions (TRQM): volume 1,030 shares, volume weighted average price: EUR 3.72250. Aggregated transactions (XUBS): volume 1 105, volume weighted average price: EUR 3.62500.

March 23, 2020:

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

March 23, 2020:

Name of the person subject to the notification requirement: Erkki Veikkolainen, Member of the Board. Notification type: initial notification. Nature of transaction: Purchase. Transaction date: March 20, 2020. Aggregated transactions (XHEL): volume 50,420 shares, volume weighted average price: EUR 4.18526. Aggregated transactions (XPOS): volume 3,840 shares, volume weighted average price: EUR 4.18810.

May 27, 2020:

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

May 27, 2020:

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

June 29, 2020:

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

June 29, 2020:

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

June 29, 2020:

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

June 29, 2020:

Name of the person subject to the notification requirement: Juha Putkiranta, Member of the Board. Notification type: initial noti-

fication. Nature of transaction: Receipt of a Share-Based Incentive. Transaction date: June 26, 2020. Aggregated transactions: volume 1,386 shares, volume weighted average price: EUR 6.41000.

June 29, 2020:

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

June 29, 2020:

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

August 12, 2020:

Name of the person subject to the notification requirement: Erkki Veikkolainen, Member of the Board. Notification type: initial notification. Nature of transaction: Purchase. Transaction date: August 7, 2020. Aggregated transactions (XHEL): volume 17,271 shares, volume weighted average price: EUR 6.50940. Aggregated transactions (CHIX): volume 512 shares, volume weighted average price: EUR 6.53156. Aggregated transactions (BATE): volume 343 shares, volume weighted average price: EUR 6.54219. Aggregated transactions (DHEL): volume 1 874 shares, volume weighted average price: EUR 6.49480.

September 17, 2020:

Name of the person subject to the notification requirement: Jari-Pekka Innanen, other senior manager. Notification type: initial notification. Nature of transaction: Disposal. Transaction date: September 15, 2020. Aggregated transactions (BATE): volume 15 shares, volume weighted average price: EUR 7.05000. Transaction date: September 16, 2020. Aggregated transactions (XHEL): volume 985 shares, volume weighted average price: EUR 7.13000.

## The Board, Board Committees and the Auditor

The Annual General Meeting held on June 15, 2020 decided that the Board of Directors shall comprise six (6) members. Ms. Riitta Tiuraniemi, Mr. Seppo Mäkinen, Mr. Juha Putkiranta, Mr. Pekka Kempainen and Mr. Erkki Veikkolainen were re-elected as members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting. Further, Mr. Veli-Pekka Paloranta was elected as the new member of the Board of Directors for a corresponding term of office.

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

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, authorized public accountant, will act as responsible auditor.

## Corporate Governance Statement

The Board of Directors has issued the corporate governance statement separate from this report.

## Dividend from 2019

The Annual General Meeting held on June 15, 2020, decided, in accordance with the proposal of the Board of Directors, that no dividend be distributed by the General Meeting and to authorize the Board of Directors to decide at a later stage and in its discretion on dividend distribution not exceeding the aggregate maximum amount of EUR 3.6 million in one or several instalments, which corresponds to approximately EUR 0.10 per share with the current number of shares. The authorization is effective until the beginning of the next Annual General Meeting, however, no longer than until June 30, 2021.

On November 27, 2020, under the authorization of the Annual General Meeting held on June 15, 2020, the Board of Directors of Bittium Corporation decided, that no dividend based on the distributable assets of the adopted balance sheet for the financial period of January 1, 2019–December 31, 2019 shall be paid. This decision strengthened the company's ability to invest in line with its strategy to enable future growth.

# Consolidated Statement of Comprehensive Income

Continuing operations, 1000 EUR	Notes	Jan. 1– Dec. 31, 2020	Jan. 1– Dec. 31, 2019
<b>NET SALES</b>	1, 3	<b>78,385</b>	<b>75,216</b>
Other operating income	4	852	923
Change in work in progress and finished goods			
Work performed by the undertaking for its own purpose and capitalized		342	170
Raw materials		-21,189	-17,148
Personnel expenses	7	-32,484	-31,531
Depreciation	6	-11,400	-7,999
Other operating expenses	5	-12,459	-13,447
Share of results of the associated companies	15	33	143
<b>OPERATING PROFIT</b>		<b>2,079</b>	<b>6,326</b>
Financial income and expenses	9	-434	-415
<b>PROFIT BEFORE TAX</b>		<b>1,644</b>	<b>5,912</b>
Income tax	10	537	1,733
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>2,181</b>	<b>7,644</b>
Profit for the year from discontinued operations	2		
<b>PROFIT FOR THE YEAR</b>		<b>2,181</b>	<b>7,644</b>
<b>Other comprehensive income:</b>			
Items that will not be reclassified to statement of income			
Re-measurement gains (losses) on defined benefit plans			
Income tax effect			
Items that may be reclassified subsequently to the statement of income			
Exchange differences on translating foreign operations		-237	29
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,944</b>	<b>7,673</b>
<b>Profit for the year attributable to</b>			
Equity holders of the parent		2,181	7,644
<b>Total</b>		<b>2,181</b>	<b>7,644</b>
<b>Total comprehensive income for the year attributable to</b>			
Equity holders of the parent		1,944	7,673
<b>Total</b>		<b>1,944</b>	<b>7,673</b>
<b>Earnings per share for profit attributable to the shareholders of the parent company</b>	11		
<b>Earnings per share from continuing operations, EUR</b>			
Basic earnings per share		0.061	0.214
Diluted earnings per share		0.061	0.214
<b>Earnings per share from discontinued operations, EUR</b>			
Basic earnings per share			
Diluted earnings per share			
<b>Earnings per share from continuing and discontinued operations, EUR</b>			
Basic earnings per share		0.061	0.214
Diluted earnings per share		0.061	0.214
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

1000 EUR	Notes	Dec. 31, 2020	Dec. 31, 2019
<b>Non-current assets</b>			
Property, plant and equipment	12	22,810	24,238
Goodwill	13	5,807	5,825
Intangible assets	13	48,953	41,803
Investments in associated companies	15	1,507	1,661
Other financial assets	16	112	112
Non-current receivables	19	1,207	1,353
Deferred tax assets	17	5,961	5,473
<b>Total</b>		<b>86,358</b>	<b>80,465</b>
<b>Current assets</b>			
Inventories	18	20,939	18,219
Trade and other receivables	19	26,080	20,412
Financial assets at fair value through profit or loss	20	5,689	5,675
Cash and short-term deposits	21	18,968	29,479
<b>Total</b>		<b>71,676</b>	<b>73,785</b>
<b>Total assets</b>		<b>158,033</b>	<b>154,250</b>
<b>Equity and liabilities</b>			
Equity attributable to equity holders of the parent	22		
Share capital		12,941	12,941
Translation differences		874	1,112
Invested non-restricted equity fund		25,953	25,953
Retained earnings		74,478	72,321
<b>Total</b>		<b>114,247</b>	<b>112,327</b>
Non-controlling interests			
<b>Total equity</b>		<b>114,247</b>	<b>112,327</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	273	337
Interest-bearing loans and borrowings (non-current)	25	21,391	21,351
Other non-current liabilities, non-interest bearing	27	281	374
<b>Total</b>		<b>21,945</b>	<b>22,062</b>
<b>Current liabilities</b>			
Trade and other payables	27	18,131	16,859
Provisions	24	2,580	1,754
Interest-bearing loans and borrowings (current)	25	1,130	1,247
<b>Total</b>		<b>21,841</b>	<b>19,861</b>
<b>Total liabilities</b>		<b>43,786</b>	<b>41,922</b>
<b>Total equity and liabilities</b>		<b>158,033</b>	<b>154,250</b>

# Consolidated Statement of Cash Flows

1000 EUR	Notes	Jan. 1– Dec. 31, 2020	Jan. 1– Dec. 31, 2019
<b>Cash flow from operating activities</b>			
<b>Profit for the year from continuing operations</b>		<b>2,181</b>	<b>7,644</b>
<b>Profit for the year from discontinued operations</b>			
Adjustments			
Effects of non-cash business activities	29	12,056	8,003
Finance costs	9	579	765
Finance income	9	-144	-350
Income tax	10	-537	-1,733
Change in net working capital			
Change in short-term receivables	19	-5,503	870
Change in inventories	18	-2,395	-3,545
Change in interest-free short-term liabilities	27	1,139	-1,572
Interest paid on operating activities		-579	-741
Interest and dividend received from operating activities		144	350
Income taxes paid		-38	-43
<b>Net cash from operating activities</b>		<b>6,903</b>	<b>9,649</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	12	-1,388	-2,277
Purchase of intangible assets	13	-14,537	-16,141
Sale of property, plant and equipment	12		8
Sale of intangible assets	13		15
Purchase of investments/associated companies	15	0	-182
<b>Net cash from investing activities</b>		<b>-15,925</b>	<b>-18,578</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	25		20,000
Payment of finance lease liabilities	25, 26	-1,475	-1,444
Dividend paid and capital repayment			-5,354
<b>Net cash from financing activities</b>		<b>-1,475</b>	<b>13,202</b>
<b>Net change in cash and cash equivalents</b>	21	<b>-10,497</b>	<b>4,273</b>
Cash and cash equivalents at 1 January		35,154	30,881
Change in fair value of investments			
<b>Cash and cash equivalents at the end of the year</b>		<b>24,657</b>	<b>35,154</b>

Cash and cash equivalents include liquid and low risk financing securities.

# Consolidated Statement of Changes in Equity

## Equity attributable to equity holders of the parent

1000 EUR	Share capital	Invested non- restricted equity fund	Translation difference	Retained earnings	Non- controlling interests	Total
<b>Shareholders' equity Jan. 1, 2020</b>	12,941	25,953	1,112	72,321	0	112,327
<b>Comprehensive income for the period</b>						
Profit for the period				2,181		2,181
Exchange differences on translating foreign operations			-237			-237
<b>Total comprehensive income for the period</b>	0	0	-237	2,181	0	1,944
<b>Transactions between the shareholders</b>						
Share-related compensation				40		40
<b>Other changes</b>				-64		-64
<b>Shareholders' equity Dec. 31, 2020</b>	12,941	25,953	874	74,478	0	114,247
<b>Shareholders' equity Jan. 1, 2019</b>	12,941	25,953	1,083	70,058	0	110,035
<b>Comprehensive income for the period</b>						
Profit for the period				7,644		7,644
Exchange differences on translating foreign operations			29			29
<b>Total comprehensive income for the period</b>	0	0	29	7,644	0	7,673
<b>Transactions between the shareholders</b>						
Dividend distribution				-5,354		-5,354
<b>Other changes</b>				-27		-27
<b>Shareholders' equity Dec. 31, 2019</b>	12,941	25,953	1,112	72,321	0	112,327

# Notes to the Consolidated Financial Statements

## Corporate Information

The company's field of activities is the development, production and selling of software, equipment and other products for the automotive and electronics industry, the production of R&D services and other services as well as other industrial operations. The company may administer product and other rights and conduct research and development operations, hold and trade securities and real-estate, and conduct other investment activities.

The parent company of the Group is Bittium Corporation, which is a Finnish public company. The parent company is domiciled in Oulu and its registered address is Ritaharjuntie 1, 90590 Oulu.

## Accounting Principles for the Consolidated Accounts

### Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the SIC and IFRIC interpretations in force at December 31, 2020. The financial statements are presented in thousands of euro. The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated.

## Consolidation Principles

The consolidated financial statements of Bittium include the financial statements of the parent company Bittium Corporation and its subsidiaries.

## Subsidiaries

The consolidated financial statements include Bittium Corporation and its subsidiaries financial statements. Subsidiaries are companies in which the Bittium Corporation has a controlling interest. A controlling interest arises when the Group holds more than half of the voting rights or it otherwise has the power to govern the financial and operating policies of the entity. The existence of potential voting rights is taken into account in assessing the conditions under which control arises whenever instruments conferring potential voting rights can be exercised at the review date.

## Associated Companies

An associated company is a company in which the Group has a significant influence. A significant influence exists, when the Group has a right to participate in the decision making in regards of financing or operative business of the associated company but has no sole or common control of such decisions. In the consolidated financial statements the investments in the associated companies are accounted for using the equity method according to the IFRS 11 Joint Arrangements standard. The investment in associated companies is recorded using the acquisition price, adjusted for the Groups' share of changes in the associated companies' equity after the date of acquisition. If the Groups' share of associated companies' losses exceeds the carrying amount of the investment, the investment in the associated company in the balance sheet shall be written off. The losses exceeding the carrying amount are consolidated only if the Group has a binding obligation of covering the associated companies' liabilities. Investments in the associated companies include the goodwill emerging upon the acquisition. The unre-

alized profits or losses between the Group and the associated companies are eliminated according to the share of Groups' ownership.

The Groups' share of results in the associated companies is recorded as an item above the operating result if the result arises from the operative business. The Groups' share of associated companies' other comprehensive income is recorded in the other items of comprehensive income in the consolidated statement of profit and loss.

The carrying value of investments in the associated companies is tested by comparing the carrying amount and the recoverable amount of the associated companies. An impairment loss is recognized if the carrying amount of the investment in associated companies exceeds the recoverable amount. An impairment loss is recognized in the income statement.

## Elimination of Intra-Group Transactions

Intra-Group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group has obtained control, and divested subsidiaries up to the time when control ceases. The excess of the acquisition cost of the subsidiary shares over fair value of the net assets acquired is allocated partly to the identifiable assets and liabilities. Any excess is recorded as goodwill. Business combinations that occurred before the implementation of IFRS, in 2004, the carrying amount of the goodwill has been treated according to the Finnish GAAP in accordance with the exemption under IFRS 1. According to IFRS

goodwill is not amortized but tested annually for impairment.

Intra-Group transactions, receivables, liabilities and margins are eliminated in preparation of the consolidated financial statements.

## Foreign Currency Transactions

Figures relating to the financial statements of Group entities are measured in the currency that is the currency of each entity's main operating environment ("functional currency"). The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company.

Transactions denominated in foreign currency are recorded in euros using the exchange rate on the date of the transaction. Monetary items denominated in foreign currency are translated to euros using the European Central Bank exchange rates at the balance sheet date. Gains and losses arising from transactions denominated in foreign currency and the translation of monetary items are recorded in the income statement.

Income statements and cash flows of subsidiaries, whose functional and reporting currency is not the euro, are translated into euros at the average exchange rates during the financial period. Their balance sheets are translated at the exchange rates prevailing at the balance sheet date. Translating the profit for the period using different rates in the income statement and the balance sheet leads to a translation difference that is recorded in equity. The translation differences arising from the elimination of the cost of foreign subsidiaries are recorded in equity. When a subsidiary is sold, the cumulative translation differences are entered in the income statement as part of the capital gain or loss.

Cumulative exchange differences arising from the translation of internal long term loans, which are in actual terms net investments in foreign operations, are taken directly to a separate component of equity.

The goodwill arising from the acquisition of foreign operations as well as fair value adjustments made to the carrying amounts of the assets and liabilities of said foreign operations in connection with an acquisition are treated as the assets and liabilities of said foreign operations and translated to euros using the exchange rates at the balance sheet date.

## Property, Plant and Equipment

Property, plant and equipment are measured at historical cost less depreciation and impairment losses. Assets of acquired companies are stated at their fair values at the date of acquisition.

Assets are depreciated using the straight-line or reducing balance method over their useful life.

The residual value of assets and their useful life are reviewed periodically in connection with each set of financial statements and the interim report and, if necessary, they are adjusted to reflect changes that have occurred in the expectations for the asset's useful life. Ordinary repair and maintenance costs are charged to the income statement during the financial year in which they incurred. Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in operating profit.

## Intangible Assets

### Goodwill

After January 1st, 2004 the cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets. The goodwill arising from the busi-

ness combinations prior to this represents the amount recorded under previous GAAP, which has been used as the deemed cost. The classification and accounting treatment of these business combinations has not been adjusted when the Group's opening IFRS balance sheet has been prepared.

Goodwill is tested annually or, if necessary, more frequently to determine any impairment. For this purpose, goodwill has been allocated to cash-generating units. The recoverable amount of a cash generating unit is compared to its carrying amount and an impairment loss is recognized if the carrying amount of the assets exceeds the recoverable amount. An impairment loss is recognized in the income statement.

### Research and Development Expenditure

Research expenditures are recorded as an expense as they are incurred. Expenditure on development activities is capitalized if they meet the criteria defined in IAS 38 Intangible Asset. Capitalized development expenses include mainly materials, supplies and direct labor costs. They are amortized on a systematic basis over their expected useful lives.

Capitalized development expenses are reviewed for potential impairment regularly by comparing the carrying amount to their recoverable amount. Significant changes in the technological environment are taken into account. If the carrying amount of the development expenses is greater than the recoverable amount, an impairment loss is recognized immediately.

### Other Intangible Assets

Patents, trademarks, licenses and other intangible assets having a finite useful life are entered in the balance sheet and the amortized expense is recorded in the income statement over their useful life. If indications on possible impairment exist, the recoverable amount is determined and an impairment loss is recognized if necessary. Intangible assets with an indefinite useful

life are not amortized but tested annually or, if necessary, more frequently to determine any impairment.

## Inventories

Inventories are stated at the lower of initial cost or net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of sale. The value of raw material inventory is determined using a weighted average cost formula. The initial cost of finished and semi-finished products comprises of raw material, direct labor and other direct expenses as well an appropriate share of fixed and variable production overheads, based on the normal capacity of the production facilities.

## Borrowing Costs

Borrowing costs are recognized in the income statement as they accrue according to the IFRS standards.

## Government Grants

Government grants are recognized when there is reasonable assurance that Group will comply with the conditions attaching to them and the grant will be received. Government grants received from public corporations are presented as other income in the income statement.

## Leases

According to the IFRS 16 Leases standard, in principle all lease contracts of the Group are recognized as assets and liabilities in Group's Balance Sheet. When the Group is a lessee, lease liabilities are recognized at the present value of the future lease payments at the contact date which the leased asset is available for use by the group. Lease payments are discounted by using lessee's incremental borrowing rate. Corresponding asset to the lease liability is recognized on

the historical cost basis. According to the historical cost basis model, depreciation and amortization costs are deducted from the initially recognized right-of-use asset. When adjustments to lease payments take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The Group determines the lease term as a period when a lease contract cannot be terminated. In determining the lease term, all facts and circumstances are considered that create an economic incentive to exercise an extension option, or not exercise a termination option. The Group adjusts the lease term if the period when a lease contract cannot be terminated changes. Payments associated with short-term leases and all leases of low-value assets may be recognized on a straight-line or other systematic basis as an expense in profit or loss.

The right-of-use assets are presented within the same line item as the corresponding underlying assets would be presented if they were owned. Lease liabilities are included in interest-bearing liabilities.

## Impairment of Assets

At each balance sheet date (including interim reports) the Group estimates whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is estimated annually regardless of any indication of impairment to the following assets: investments, goodwill, intangible assets with an indefinite useful life and for intangible assets which are not yet ready for use. The recoverable amount is based on the future discounted net cash flows, which are equivalent with the expected cash flows generated by the asset.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable value. The loss is booked to the

income statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill will under no circumstances be reversed.

## Employee Benefits

### Pension Liabilities

Group companies in different countries have pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans.

In Finland, the Group has organized pension coverage for its staff through independent pension insurance companies. The Finnish system under the Employees' Pensions Act and the disability portion are treated as a defined contribution plan. The contributions to defined contribution plans are charged to the income statement in the year to which they relate. After this the Group has no other obligations for additional payment. Also the pension arrangements of the foreign subsidiaries are classified as defined contribution plans.

### Share-Based Payment

The Group has applied IFRS 2 Share-Based Payment standard. The Group has incentive plans in which part of the remuneration for the Board of Directors is paid in shares of Bittium. The managing directors of the Group also have an incentive plan in which the fair value of equity-settled share-based payments granted is recognized as an employee expense with a corresponding increase in equity. The fair value of cash-settled share-based payments is valued at each reporting period closing date and the changes in fair value of liability are recog-

nized as expense when incurred. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the awards. Share-based incentives are measured at fair value at the time they are granted and entered as an expense in the income statement when right is granted.

## Provisions

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that a payment obligation will be realized or cause a financial loss and the amount of the obligation can be estimated reliably. Provisions can arise from restructuring plans, onerous contracts, warranty repairs and allowances and from environmental, litigation or tax risks.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the time value of money is material, provisions will be discounted.

If a reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate asset when it is virtually certain that the reimbursement will be received.

## Taxes

Tax expense in the Group's income statement comprises the current tax and change in deferred taxes of each group company. Current tax is calculated based on the taxable income using the tax rate that is enacted in each country at the balance sheet date.

Deferred tax liability is calculated on the temporary differences between the carrying amounts and the amounts used for taxation purposes. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it

is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. In calculating deferred tax liabilities and assets, the tax base which is in force at the time of preparing the financial statements or which has been enacted by the balance sheet date for the following period, has been applied.

## Revenue Recognition

Bittium identifies and reviews the customer contracts and the revenue recognition principles for the different contract elements using the five step method presented in IFRS 15. According to Bittium principles, the signed contracts and purchase orders are customer contracts in accordance with IFRS 15. Frame contracts and Letters of intent can be classified as customer contracts only when the conditions of the contract are otherwise fully in accordance with the IFRS 15.

Bittium has recognized following IFRS 15 contract elements: product and license sales, sales of R&D services, maintenance and support services of products and extended warranties of the products. Bittium has listed prices for the products and their maintenance and support services as well as for their extended warranties. If the contract does not define a single price of a contract element, the price can be estimated using the market price method or using a cost base method. The prices for the sales of services are defined in each service contract. Bittium has not activated any costs of gaining a contract nor has it allocated them for the projects or products as part of the revenue to be recognized. These additional costs have been minor and the possible assets borne as a result would have a depreciable lifetime of less than one year.

The revenue of the services is recognized as the service has been performed. In this case, the contract element is delivered over

time. Revenue from long-term construction contracts is recognized based on the stage of completion when the outcome of the project can be reliably measured. The stage of completion is measured by using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs.

This requires an accurate forecasting of future sales and costs during the lifetime of the contract. The forecasts are a basis for the revenue recognized and they contain the latest estimates of the contract sales, costs, and the risks related to the contract. The forecasts are also subject to remarkable changes due to possible changes in contract scope, cost estimate changes and change in customers' plans as well as other factors affecting the forecast.

The revenue of product sales is recognized when the significant risks and rewards normally connected with ownership, have been transferred to the buyer. Neither the Group retains a continuing managerial involvement to the degree usually associated with ownership, nor effective control of these goods. In this case, the contract element is transferred in a point in time. Sales are presented net of indirect sales taxes and discounts.

In case Bittium receives prepayments from customers, the income related to them is recognized according to abovementioned principles. For the product warranties Bittium makes warranty provisions that are reversed over time during the warranty periods. The extended warranties paid separately are accrued as income over time during the warranty period.

The following matrix states the different aspects of estimating and classifying the revenue recognition of different contract elements:

Type of Contract	Contract Element	The Principle for Revenue Recognition and Possible Estimates
Sales of services	Customer contract, fixed price	Percentage of completion defined as the ratio of costs incurred to total estimated costs.
Sales of services	Customer contract based on time, price per hours	Revenue based on the work performed, recognition based on regular invoicing.
Product/licence sales	Product, off the shelf	The revenue based on product delivery as the customer has achieved the control of the goods delivered.
Product/licence sales	Product, customized	The revenue based on product delivery as the customer has achieved the control of the goods delivered. The customization work is accrued over time according to the percentage of completion or based on the time as mentioned above in the sales of services.
Product/licence sales	Product + maintenance	The revenue based on product delivery as the customer has achieved the control of the goods delivered. Maintenance accrued over the maintenance period.
Product/licence sales	Product support services	Over time, based on the work done.
Other contracts	Rental agreements	During the rental period, according to the rental agreement.

## Assets Held for Sale and Discontinued Operations

The Group classifies a non-current asset or disposal as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and asset items related to discontinued operations, which are classified as held for sale, are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation and amortization on these asset items is discontinued at the time of classification.

## Financial Assets, Financial Liabilities and Derivative Contracts

The hedge accounting according to the IFRS 9 Financial Instruments standard has not been applied for the financial statement period or for the comparative period.

As presented in IFRS 9, Bittium has three classes of financial assets and liabilities: those measured at amortized cost, financial assets and liabilities at fair value through other comprehensive income and financial assets, and liabilities at fair value through statement of income. The classification is made based on the business models and based on the analysis of cash flows. The financial assets and liabilities are classified as they are initially recorded. After this no reclassifications are made unless the business model of asset management changes. At the financial statement date Bittium had a marginal amount of financial assets other than those measured at amortized cost.

As an exception to this, the cash and short-term deposits include a low risk short-term investment portfolio that is assessed at fair value through statement of income.

The financial assets are written off when:

- The agreement based right for the cash flows of the financial asset is terminated or;
- The group has either transferred all the relevant risks and rewards related to the financial assets or it has transferred their control outside the group.

## The Impairment of Financial Assets

IFRS 9 has a small effect on assessment of group financial assets. Based on the simplified approach allowed by IFRS 9 standard the group assesses and writes off the amount of expected credit losses from accounts receivables. There are no significant financing components contained into Bittiums' accounts receivables.

For assessing the expected credit losses, Bittium applies a provision matrix that is based on historical realized loss rates adjusted by forward looking estimates of lifetime of accounts receivables. All the components of the provision matrix are updated for each reporting date. The expected credit losses are presented in the group of provisions in the balance sheet. The changes in the expected credit losses are presented in the profit and loss statement.

## Cash and Short-Term Deposits

Cash comprises cash on hand, bank deposits and other highly liquid investments with low risk. Assets classified as cash and short-term deposits have a maximum maturity of three months from the date of acquisition. Cash and bank deposits are measured at amortized cost, the short-term investment portfolio is assessed at fair value through statement of income.

## Financial Liabilities

Financial liabilities include trade and other payables, loans and other financial liabilities. All financial liabilities are measured at amortized cost. The loans are initially recognized at fair value. Transaction costs are entered in the profit and loss. Subsequently the loans are measured at the amortized cost by using the effective interest rate.

Financial liabilities are not reclassified after the initial recognition. Non-current financial liabilities are due after one year whereas the current financial liabilities are due within one year.

Financial liabilities are disposed as the liability related to the contract is declared void, cancelled or due. As the terms of the financial liability are substantially changed or when a new contract with the existing creditor is made, the change is entered as disposal of the old liability and as an entry of a new liability. The changes in the balance sheet values are entered through profit and loss.

## Significant Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions about the future that affects the reported amounts. Used estimates and assumptions are based on prior experience and presumptions, which reflect the circumstances and expectations prevailing at the time of the preparation of the financial statements. Materiality and judgment in assessing the effect of uncertainties and the application of accounting principles have been observed in the preparation of the financial statements.

The management has exercised judgment during the financial year in applying e.g. in assessing the future cost forecasts in the percentage of completion projects, assessing the value of intangible assets in business acquisitions and also when assessing the future prospects of Group companies in conjunction with standards IAS 12 Income Taxes and IAS 36 Impairment of Assets. Based on the management judgment, the majority of the capitalized R&D investments are depreciated over their expected useful lives. Part of the capitalized R&D investments is depreciated based on production amounts of the goods.

Financial statements may include non-recurring income or expenses that are not related to normal operative business or that occur only infrequently. Such items are, among others, sales profits or losses, substantial changes in asset values, like impairment or reversal of impairment, substantial restructuring costs or other substantial items that are considered as non-recurring by the management. Substantiality of the item is based on the item's euro amount and the relative share of total value of the asset.

## The Application of New and Revised IFRS Regulations

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) effective at the end of the period. The new, revised or amended IFRS regulations did not have significant impact on the consolidated financial statements during the period. The other forthcoming revisions or amendments of the standards are not expected to have significant impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1. OPERATING SEGMENTS

Bittium has one reporting business segment, the Wireless business, that includes three product and service areas supporting each other. These areas are as follows: Defence & Security, Connectivity Solutions and Medical Technologies.

Wireless business is focused on creating reliable and secure communication and connectivity solutions, as well as on developing healthcare techno-

logy solutions for biosignal measuring. For its customers Bittium offers innovative products and solutions based on its product platforms, and R&D services. Bittium also offers high quality information security solutions for mobile devices and portable computers. For customers in biosignal measuring in the areas of cardiology, neurology, rehabilitation, occupational health and sports medicine, Bittium offers healthcare technology products and services.

The highest operative decision-making body of the company is the Board of Directors of Bittium which is responsible for allocating resources to and evaluating the results of Bittium's operating segment. Income statement and balance sheet information of the Wireless business are equivalent to corresponding information of the Bittium group.

## Wireless

### Geographical areas

Bittium operates in three geographical areas which are Europe, Americas and Asia. In presenting the geographical information, the revenue is based on the geographical location of customers. Geographical assets are based on the geographical location of the assets.

### Geographical areas

Jan. 1–Dec. 31, 2020

1000 EUR	Finland	Other Europe	Americas	Asia	Eliminations	Group total
<b>Net sales</b>						
Sales to external customers	38,315	26,209	13,499	362		78,385
Non-current assets	80,163		233			80,396
<b>Total non-current assets *)</b>	<b>78,956</b>		<b>233</b>			<b>79,190</b>
*) does not include deferred tax assets						
<b>Capital expenditure</b>						
Tangible assets	-1,321		-107			-1,428
Intangible assets	7,151					7,151
Investments	-154					-154
Goodwill			-18			-18
Non-current receivables	-146					-146

### Geographical areas

Jan. 1–Dec. 31, 2019

1000 EUR	Finland	Other Europe	Americas	Asia	Eliminations	Group total
<b>Net sales</b>						
Sales to external customers	41,389	15,039	18,501	288		75,216
Non-current assets	74,632		359			74,991
<b>Total non-current assets *)</b>	<b>74,632</b>		<b>359</b>			<b>74,991</b>
*) does not include deferred tax assets						
<b>Capital expenditure</b>						
Tangible assets	733		56			790
Intangible assets	12,113					12,113
Investments	181					181
Goodwill			3			3
Non-current receivables	-225					-225

### Information of primary customers

Group's revenues from the 10 largest customers in period Jan. 1–Dec. 31, 2020 were EUR 64.2 million (EUR 65.0 million in 2019) representing 82.0 per cent of the net sales (86.4 per cent in 2019).

# Notes to the Consolidated Financial Statements

## 2. DISCONTINUED OPERATIONS

In 2020, or in the comparative period 2019, the Group did not have discontinued operations to be reported according to the IFRS standards.

## 3. NET SALES

1000 EUR	2020	2019
Services	25,261	25,849
Products	53,124	49,368
Other		
<b>Total</b>	<b>78,385</b>	<b>75,216</b>

The services include the project sales with fixed prices and with hourly rates.

The product sales includes all the sales affected by products:

the sales of products, the product maintenance, extended warranties and licence sales.

### Construction contracts

The contract revenue is recognized in the income statement in proportion to the stage of completion of the contract. The stage of completion is defined as the ratio of costs incurred to total estimated costs. The turnover of construction contracts is, depending on the contract elements, recognized over time or at point in time. The principles of revenue recognition based on IFRS 15 are presented in detail in the accounting principles of the consolidated financial statements.

Income recognized from construction contracts	11,246	11,638
Net sales other	67,138	63,578
<b>Total</b>	<b>78,385</b>	<b>75,216</b>
Income recognized over time based on the stage of completion of long-term construction contracts	11,246	11,638
Revenue recognized from long-term construction contracts in progress amounted to	7,364	9,943
Advances received from long-term construction contracts recognized in the balance sheet amounted to	661	246
Receivables recognized from long-term construction contracts amounted to	2,539	2,505

The net sales by geographical areas is presented in the Note 1.

**4. OTHER OPERATING INCOME**

<b>1000 EUR</b>	<b>2020</b>	<b>2019</b>
Government grants	792	816
Other income	59	106
<b>Total</b>	<b>852</b>	<b>923</b>

**5. OTHER OPERATING EXPENSES**

External services	1,792	2,077
Voluntary staff expenses	794	1,027
Premises expenses	870	863
Travel expenses	381	1,426
IT expenses	3,001	2,989
Other expenses	5,622	5,065
<b>Total</b>	<b>12,459</b>	<b>13,447</b>
Expense relating to short-term leases under IFRS 16	100	15
<b>Auditor's charges</b>		
<b>Ernst &amp; Young</b>		
Auditing	65	66
Tax advice	12	
Other services	2	15
<b>Total</b>	<b>79</b>	<b>81</b>
<b>Others</b>		
Auditing	20	26
Tax advice	3	7
Other services		
<b>Total</b>	<b>23</b>	<b>33</b>

# Notes to the Consolidated Financial Statements

1000 EUR	2020	2019
<b>6. DEPRECIATIONS AND IMPAIRMENTS</b>		
<b>Depreciations</b>		
Intangible assets		
Capitalized development expenditure	6,145	3,117
Intangible rights	442	456
Customer relations and technology	234	253
Other intangible assets	352	187
Tangible assets		
Buildings and constructions	829	879
Machinery and equipment	3,398	3,107
<b>Total</b>	<b>11,400</b>	<b>7,999</b>
<b>Depreciation on property, plant and equipment acquired by leases</b>		
Buildings and constructions	434	440
Machinery and equipment	1,028	980
<b>7. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL</b>		
<b>Number of personnel</b>		
Average number of personnel during the fiscal period		
Continuing operations	673	665
<b>Personnel expenses 1000 EUR</b>		
Personnel expenses		
Managing Director	274	322
Board of Directors *	214	169
Other salaries and wages	25,674	24,283
<b>Total</b>	<b>26,163</b>	<b>24,774</b>
Pension expenses, defined contribution plans	5,150	5,776
Other personnel expenses	1,171	981
<b>Total</b>	<b>32,484</b>	<b>31,531</b>

\*Including the share-based incentives. Further information in the Note 32.

1000 EUR	2020	2019
<b>8. RESEARCH AND DEVELOPMENT EXPENSES</b>		
The research and development expenses total	22,821	25,112
Capitalized to the balance sheet	-13,579	-15,641
Recognition as an asset	6,145	3,135
<b>The expensed research and development expenses recognized in the income statement amounted to</b>	<b>15,388</b>	<b>12,606</b>
<b>9. FINANCIAL EXPENSES (NET)</b>		
Interest expenses	-321	-225
Interest income	0	0
Dividend income	0	0
Exchange gains and losses	-35	-126
Change of financial assets and liabilities at fair value through profit or loss	3	275
Other financial expenses	-223	-414
Other financial income	141	75
<b>Total</b>	<b>-434</b>	<b>-415</b>
Interest expenses on lease liabilities under IFRS 16	25	38
<b>10. INCOME TAXES</b>		
Income taxes, current year	-3	-118
Other taxes	-12	-24
Income taxes, previous years	-16	-13
Deferred taxes	573	1,888
<b>Total</b>	<b>542</b>	<b>1,733</b>
A reconciliation between the effective tax rate and domestic tax rate (20.0 percent) of the Group:		
<b>Profit before taxes</b>	<b>1,644</b>	<b>5,912</b>
Tax at the domestic tax rate	-665	-1,250
Effect of tax rates of foreign subsidiaries	-2	-5
Taxes for prior years	-16	-13
Tax free income	214	202
Non-deductible expenses	-605	-206
Utilization of deferred tax assets from previous years	971	1,220
Reassessment of deferred tax assets	651	1,888
The deferred tax assets from tax losses		-79
Others	-12	-24
<b>Income taxes in the consolidated income statement</b>	<b>537</b>	<b>1,733</b>

# Notes to the Consolidated Financial Statements

	2020	2019
<b>11. EARNINGS PER SHARE</b>		
<b>Basic</b>		
Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.		
Profit attributable to the equity holders of the parent, continuing operations (1,000 EUR)	2,181	7,644
Profit attributable to the equity holders of the parent, discontinued operations (1,000 EUR)	0	0
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1,000 EUR)	2,181	7,644
Weighted average number of ordinary shares during the financial year (1,000 PCS)	35,693	35,693
<b>Basic earnings per share, continuing operations, EUR</b>	<b>0.061</b>	<b>0.214</b>
<b>Basic earnings per share, discontinued operations, EUR</b>	<b>0.000</b>	<b>0.000</b>
<b>Basic earnings per share, continuing and discontinued operations, EUR</b>	<b>0.061</b>	<b>0.214</b>
<b>Diluted</b>		
Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Group had no share-based payment schemes which would have a diluting effect on the number of shares.		
Profit attributable to the equity holders of the parent, continuing operations (1,000 EUR)	2,181	7,644
Profit attributable to the equity holders of the parent, discontinued operations (1,000 EUR)	0	0
Profit attributable to the equity holders of the parent, continuing and discontinued operations (1,000 EUR)	2,181	7,644
Weighted average number of ordinary shares during the financial year (1,000 PCS)	35,693	35,693
Effect of dilution (1,000 PCS)		
Weighted average number of ordinary shares during the financial year (1,000 PCS)	35,693	35,693
<b>Diluted earnings per share, continuing operations, EUR</b>	<b>0.061</b>	<b>0.214</b>
<b>Diluted earnings per share, discontinued operations, EUR</b>	<b>0.000</b>	<b>0.000</b>
<b>Diluted earnings per share, continuing and discontinued operations, EUR</b>	<b>0.061</b>	<b>0.214</b>

## 12. PROPERTY, PLANT AND EQUIPMENT

The Group has not revalued property, plant and equipment, hence the Group has not recognized any impairment losses directly to equity or recorded any reversals of those.

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>Land and water</b>		
Acquisition cost Jan. 1	1,091	1,091
Additions during the period		
<b>Acquisition cost at the end of the period</b>	<b>1,091</b>	<b>1,091</b>
<b>Carrying amount at the end of the period</b>	<b>1,091</b>	<b>1,091</b>
<b>Buildings and constructsures</b>		
Acquisition cost Jan. 1	19,081	17,445
Translation differences	-30	5
Additions during the period	385	1,631
Disposals during the period		
Acquisition of business unit		
Transfer to assets		
<b>Acquisition cost at the end of the period</b>	<b>19,436</b>	<b>19,081</b>
Accumulated depreciations Jan. 1	-4,265	-3,317
Translation differences	16	0
Depreciation for the period	-845	-855
Depreciations on disposals		-27
<b>Carrying amount at the end of the period</b>	<b>14,342</b>	<b>14,881</b>
No revaluations or capitalizations of interest costs have been done.		
<b>Machinery and equipment</b>		
Acquisition cost Jan. 1	57,744	54,603
Translation differences	12	-1
Additions during the period	2,442	3,180
Acquisition of business unit		
Disposals during the period		-39
Transfer to assets		
<b>Acquisition cost at the end of the period</b>	<b>60,197</b>	<b>57,744</b>
Accumulated depreciations Jan. 1	-49,503	-46,462
Translation differences	-17	3
Depreciation for the period	-3,388	-3,119
Depreciations on disposals		11
<b>Carrying amount at the end of the period</b>	<b>7,289</b>	<b>8,178</b>
<b>Other tangible assets</b>		
Acquisition cost Jan. 1	88	88
Additions during the period		
Disposals during the period		
<b>Acquisition cost at the end of the period</b>	<b>88</b>	<b>88</b>
Translation differences		
Accumulated depreciations Jan. 1		
Depreciation for the period		
<b>Carrying amount at the end of the period</b>	<b>88</b>	<b>88</b>

## Notes to the Consolidated Financial Statements

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>Property, plant and equipment total</b>		
Acquisition cost Jan. 1	78,003	73,227
Translation differences	-18	4
Additions during the period	2,827	4,811
Acquisition of business unit	0	0
Disposals during the period	0	-39
Transfer to assets	0	0
<b>Acquisition cost at the end of the period</b>	<b>80,812</b>	<b>78,003</b>
Accumulated depreciations Jan. 1	-53,767	-49,779
Translation differences	-2	3
Depreciation for the period	-4,233	-3,973
Depreciations on disposals	0	-16
<b>Carrying amount at the end of the period</b>	<b>22,810</b>	<b>24,238</b>
<b>Leases</b>		
The Group had the following amounts of property, plant and equipment acquired by finance leases:		
<b>Machinery and equipment</b>		
Acquisition cost	9,856	8,814
Accumulated depreciations	-8,322	-7,294
Carrying amount at the end of the period	1,533	1,520
<b>Buildings and constructsures</b>		
Acquisition cost	1,826	1,487
Accumulated depreciations	-868	-441
Carrying amount at the end of the period	958	1,046

Additions of property, plant and equipment include assets acquired by leases of EUR 1.4 million in Jan. 1–Dec. 31, 2020 (EUR 2.5 million in 2019).

## 13. INTANGIBLE ASSETS

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>Capitalized development expenses</b>		
Acquisition cost Jan. 1	47,366	31,724
Additions during the period	13,579	15,641
Acquisition of business unit		
<b>Acquisition cost at the end of the period</b>	<b>60,945</b>	<b>47,366</b>
Accumulated depreciations Jan. 1	-8,239	-5,122
Depreciation for the period	-6,145	-3,117
<b>Carrying amount at the end of the period</b>	<b>46,560</b>	<b>39,127</b>
<b>Intangible rights</b>		
Acquisition cost Jan. 1	5,107	4,888
Additions during the period	206	225
Disposals during the period		-7
Acquisition of business unit		
Transfer to assets		
<b>Acquisition cost at the end of the period</b>	<b>5,313</b>	<b>5,107</b>
Accumulated depreciations Jan. 1	-3,893	-3,437
Depreciation for the period	-442	-456
<b>Carrying amount at the end of the period</b>	<b>978</b>	<b>1,213</b>
<b>Customer relations and technology</b>		
Acquisition cost Jan. 1	1,780	1,780
Acquisition of business unit		
<b>Acquisition cost at the end of the period</b>	<b>1,780</b>	<b>1,780</b>
Accumulated depreciations Jan. 1	-888	-635
Depreciation for the period	-234	-253
<b>Carrying amount at the end of the period</b>	<b>659</b>	<b>892</b>

# Notes to the Consolidated Financial Statements

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>Other intangible assets</b>		
Acquisition cost Jan. 1	4,317	4,050
Translation differences	-9	2
Additions during the period	546	265
Transfer to assets		
<b>Acquisition cost at the end of the period</b>	<b>4,855</b>	<b>4,317</b>
Accumulated depreciations Jan. 1	-3,747	-3,558
Translation differences	9	-2
Depreciation for the period	-360	-187
<b>Carrying amount at the end of the period</b>	<b>757</b>	<b>570</b>
<b>Intangible assets total</b>		
Acquisition cost Jan. 1	58,570	42,443
Translation differences	-9	2
Additions during the period	14,332	16,131
Acquisition of business unit	0	0
Disposals during the period	0	-7
Transfer to assets	0	0
<b>Acquisition cost at the end of the period</b>	<b>72,893</b>	<b>58,570</b>
Accumulated depreciations Jan. 1	-16,767	-12,752
Translation differences	9	-2
Depreciation for the period	-7,181	-4,013
<b>Carrying amount at the end of the period</b>	<b>48,953</b>	<b>41,803</b>
<b>Goodwill</b>		
Acquisition cost Jan. 1	5,825	5,822
Translation differences	-18	3
Additions during the period		
Disposals during the period		
<b>Carrying amount at the end of the period</b>	<b>5,807</b>	<b>5,825</b>

### Impairment Test

The cash flow forecasts employed in impairment test calculations are based on the budgets for 2021 and the Long Range Plans (LRP) for 2022–2023, and management estimations for 2024–2025. Cash flows beyond five-year period are calculated by using the terminal value method. Future cash flows are exposed to the risks that are discussed in section 'Risks and uncertainties' in the Report by the Board of Directors.

The used discount rate in impairment testing is Weighted Average Cost of Capital (WACC) before tax defined for Bittium. WACC defines average costs of equity and debt by noticing the risks belonging to the each component. The components of WACC are risk-free interest rate, market risk premium, beta, cost of debt, corporate in-

come tax rate and target capital structure. WACC calculated according to these parameters amounted to 9.8% (9.8% in 2019).

In 2020 business did not reach the forecasted cash flow. This was mainly because of increase in working capital, greater than expected additions in capitalized development expenses, slower than expected growth and profitability in the business. The growth in business was delayed due to Covid-19 pandemic that started during the fiscal year. That results with lower expectations of future operating cash flow.

The impairment test is done when needed, but at least once a year. Impairment tests made in December 2020 did not indicate need for impairment bookings. Recovers-

able amounts exceed significantly the book value of goodwill and other assets. The terminal value represents 71% of business value. The growth in business was slower than expected due to Covid-19 pandemic, which move focus of forecasted net present value based cash flow from the near future to further in the future.

Sensitivity analysis was also carried out during the impairment test. Cash flow forecast was either decreased by 20% or the discount factor was increased by 5%. It was noticed that cash flows are relatively sensitive to increase in discount factor. However, there are no expectations for impairment losses in the future.

# Notes to the Consolidated Financial Statements

## 14. ACQUISITIONS

### Acquisitions in 2020

In 2020 or in the comparative period 2019 the Group did not have acquisitions to be reported according to the IFRS standards.

## 15. SHARES IN ASSOCIATED COMPANIES

Bittium Group owns 25% of Coronaria Analyysipalvelut Oy shares in the end of 2020. Through this joint ownership Bittium and Coronaria aim at gaining synergies from Bittium's device and system development and the interfaces formed by Coronaria's clinical medicine and services. Coronaria Analyysipalvelut Oy has been consolidated using the equity method using the information that was available for the Bittium financial statements. The domicile of the company is Oulu.

Bittium Group owns 25% of evismo AG shares in the end of 2020. Evismo AG provides medical remote diagnostics services in Switzerland. Evismo AG has been consolidated using the equity method using the information that was available for the Bittium financial statements. The domicile of the company is Zurich.

1000 EUR	2020	2019
<b>Shares in associated companies</b>		
Coronaria Analyysipalvelut Oy	1,241	1,347
evismo AG	244	292
Other associated companies	22	22
<b>Assets total</b>	<b>1,507</b>	<b>1,661</b>
Coronaria Analyysipalvelut Oy		
Current assets	1,525	1,237
Non-current assets	1,216	1,358
Non-current liabilities	127	153
Turnover	5,315	5,846
Net profit	663	1,203
evismo AG		
Current assets	75	93
Non-current assets	79	80
Non-current liabilities	43	24
Turnover	230	115
Net profit	-189	-247
<b>Shares in associated companies</b>		
Acquisition cost Jan. 1	1,661	1,480
Translation differences	0	-1
Additions during the period	99	372
Disposals during the period	-253	-190
<b>Carrying amount at the end of the period</b>	<b>1,507</b>	<b>1,661</b>

# Notes to the Consolidated Financial Statements

## 16. OTHER FINANCIAL ASSETS

1000 EUR	2020	2019
At 1 January	112	112
Additions		
Disposals		
<b>At the closing date</b>	<b>112</b>	<b>112</b>

## 17. DEFERRED TAX LIABILITIES AND ASSETS

1000 EUR	Jan. 1, 2020	Recognized in the income statement	Acquisitions and disposals of subsidiaries	Dec. 31, 2020
<b>Deferred tax assets</b>				
Unutilized losses in taxation	526			526
Other items	4,947	488		5,435
<b>Total</b>	<b>5,473</b>	<b>488</b>	<b>0</b>	<b>5,961</b>

On December 31, 2020, the Group had 72.8 million euros tax losses and non-depreciated depreciations of which it had nonbooked deferred tax receivables in full amount due to the uncertainty of the future profits, their timing, taxation or location. The amount of these nonbooked deferred tax receivables is approximately 14.6 million euros. The aging of these tax losses begins from year 2021.

1000 EUR	Jan. 1, 2020	Recognized in the income statement	Acquisitions and disposals of subsidiaries	Dec. 31, 2020
<b>Deferred tax liabilities</b>				
Customer and technology assets	337	-64	0	273
<b>Total</b>	<b>337</b>	<b>-64</b>	<b>0</b>	<b>273</b>

1000 EUR	Jan. 1, 2019	Recognized in the income statement	Acquisitions and disposals of subsidiaries	Dec. 31, 2019
<b>Deferred tax assets</b>				
Unutilized losses in taxation	523	3		526
Other items	3,224	1,723		4,947
<b>Total</b>	<b>3,747</b>	<b>1,726</b>	<b>0</b>	<b>5,473</b>

On December 31, 2019, the Group had 79.7 million euros tax losses and non-depreciated depreciations of which it had nonbooked deferred tax receivables in full amount due to the uncertainty of the future profits, their timing, taxation or location. The amount of these nonbooked deferred tax receivables is approximately 15.9 million euros. The aging of these tax losses begins from year 2020.

1000 EUR	Jan. 1, 2019	Recognized in the income statement	Acquisitions and disposals of subsidiaries	Dec. 31, 2019
<b>Deferred tax liabilities</b>				
Customer and technology assets	405	-68	0	337
<b>Total</b>	<b>405</b>	<b>-68</b>	<b>0</b>	<b>337</b>

# Notes to the Consolidated Financial Statements

## 18. INVENTORIES

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
Raw materials and supplies	13,419	11,210
Work in progress	4,785	4,760
Finished products	2,065	1,575
Other inventories	669	674
<b>Total</b>	<b>20,939</b>	<b>18,219</b>

## 19. TRADE AND OTHER RECEIVABLES (CURRENT)

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
Non-current receivables	1,207	1,353
<b>Non-current receivables total</b>	<b>1,207</b>	<b>1,353</b>
Current receivables:		
Trade receivables	20,486	15,397
Receivables from construction contracts	2,540	2,505
Prepaid expenses and accrued income	2,047	1,639
Other receivables	1,008	872
<b>Current receivables total</b>	<b>26,080</b>	<b>20,412</b>

Receivables are valued at nominal value or probable current value, whichever is lower.

During the financial year group has booked impairment losses from accounts receivable EUR 0.0 million (EUR 0.0 million 2019).

Age distribution of accounts receivable		
Current	18,417	14,877
Aged Overdue Amounts		
0-3 months	1,529	132
4-6 months	19	23
7-12 months	218	14
> 12 months	302	351
<b>Total</b>	<b>20,486</b>	<b>15,397</b>

**20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>Interest rate funds</b>		
Balance sheet value on Jan. 1	5,675	21,576
Disposals		-16,012
Changes in fair value	14	112
<b>Balance sheet value at the end of the period</b>	<b>5,689</b>	<b>5,675</b>
<b>Financial assets at fair value through profit or loss total</b>		
Balance sheet value on Jan. 1	5,675	21,576
Disposals		-16,012
Changes in fair value	14	112
<b>Balance sheet value at the end of the period</b>	<b>5,689</b>	<b>5,675</b>
<b>21. CASH AND SHORT-TERM DEPOSITS</b>		
Cash and short-term deposits	18,968	29,479
<b>Total</b>	<b>18,968</b>	<b>29,479</b>
<b>Cash and cash equivalents at consolidated cash flow statement consist of:</b>		
Interest rate funds	5,689	5,675
Cash and short-term deposits	18,968	29,479
<b>Total</b>	<b>24,657</b>	<b>35,154</b>

Fair value of cash and cash equivalents does not significantly differ from the carrying amount.

# Notes to the Consolidated Financial Statements

## 22. ISSUED CAPITAL AND RESERVES

	Shares 1000 PCS	Share premium 1000 EUR	Premium fund 1000 EUR	Invested non- restricted equity fund 1000 EUR	Total 1000 EUR
On December 31, 2019	35,693	12,941	0	25,953	38,894
On December 31, 2020	35,693	12,941	0	25,953	38,894

### Shares and the Share Capital

The shares of Bittium Corporation are listed on the NASDAQ OMX Helsinki Ltd. The Corporation has one series of shares. All the 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 the Finnish Central Securities Depository 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 the shares was 35,693,166. The accounting per value of the company's share is EUR 0.10. The company is not in the possession of its own shares.

### Translation Differences

The translation reserve comprises all foreign exchange differences arising from the transition of the financial statements of foreign subsidiaries.

### Dividends

The Board of Directors proposes that the Annual General Meeting resolve not to pay dividends based on the adopted balance sheet for the financial period of January 1, 2020–December 31, 2020.

### 23. SHARE-BASED PAYMENT PLANS

During the financial year 2020 the group has paid part of total remuneration of the Board of Directors of Bittium Plc by the shares of Bittium. The shares were acquired from the stock exchange. The main terms of the remuneration arrangement are presented in the table below.

#### Share-based Remuneration of the Board of Directors

Form of the reward	Shares
Grant date	May 25, 2020
Total amount of the executed shares	4,776
Share price at the grant date, EUR	5.94
Total expenses of the reward, EUR million	0.028
Vesting conditions	Ownership of the shares was transferred to the recipients at once but the recipients have agreed the lock-up undertaking until the membership in the board have ceased.
Execution	In shares

Form of the reward	Shares
Grant date	June 26, 2020
Total amount of the executed shares	9,356
Share price at the grant date, EUR	6.41
Total expenses of the reward, EUR million	0.060
Vesting conditions	Ownership of the shares was transferred to the recipients at once but the recipients have agreed the lock-up undertaking until the membership in the board have ceased.
Execution	In shares

#### Share-based Remuneration of the Management

The new Share-Based Incentive Scheme for the Management of Bittium Corporation has started.

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

Form of the reward	Shares
Grant date	March 2, 2020
Total amount of the shares at the most	110,000
Share price at the grant date, EUR	5.63
Total expenses of the reward at the most, EUR million	0.60
Execution	In shares

During the financial year 2019 the group did not have share-based payments.

# Notes to the Consolidated Financial Statements

## 24. PROVISIONS

1000 EUR	Guarantee provisions	Expected credit losses	Others	Total
December 31, 2019	1,604	151	0	1,754
Increase in provisions	1,220	51		1,271
Utilized provisions	-267			-267
Reversal of utilized provisions	-178			-178
<b>Dec. 31, 2020</b>	<b>2,379</b>	<b>202</b>	<b>0</b>	<b>2,580</b>
Current provisions	2,379	202	0	2,580
<b>Total</b>	<b>2,379</b>	<b>202</b>	<b>0</b>	<b>2,580</b>

## 25. FINANCIAL LIABILITIES

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>Non-current loans</b>		
Non-current loans from financial institutions	20,000	20,000
Finance lease liabilities	1,391	1,351
<b>Total</b>	<b>21,391</b>	<b>21,351</b>
<b>Current loans</b>		
Lease liabilities	1,130	1,247
<b>Total</b>	<b>1,130</b>	<b>1,247</b>
Repayment schedule of long-term loans:		
2021		747
2022	761	398
2023	296	108
2024	20,171	15
Later	164	20,083
<b>Total</b>	<b>21,391</b>	<b>21,351</b>

The interest-bearing non-current loans are distributed by currency as follows:

<b>1000 EUR</b>	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
EUR	21,391	21,315
MXN		36
<b>Total</b>	<b>21,391</b>	<b>21,351</b>

The interest-bearing current loans are distributed by currency as follows:

<b>1000 EUR</b>	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
EUR	1,098	1,191
MXN	32	57
<b>Total</b>	<b>1,130</b>	<b>1,247</b>

Maturities of the finance lease liabilities:

<b>1000 EUR</b>	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
Lease liabilities - Minimum lease payments		
Within one year	1,176	1,300
After one year but no more than five years	1,350	1,304
After five years	104	108
Lease liabilities - Present value of minimum lease payments	2,521	2,598
Within one year	1,130	1,247
After one year but no more than five years	1,311	1,267
After five years	81	83
Future finance charges	108	114
<b>Total amount of finance lease liabilities</b>	<b>2,630</b>	<b>2,711</b>

# Notes to the Consolidated Financial Statements

## 26. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

1000 EUR	Jan. 1, 2020	Cash flows	New leases	Dec 31, 2020
Lease and financing contracts	22,598	-1,475	1,399	22,521
<b>Total</b>	<b>22,598</b>	<b>-1,475</b>	<b>1,399</b>	<b>22,521</b>

## 27. TRADE AND OTHER PAYABLES

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>Non-current liabilities</b>		
<b>Other non-current liabilities, non-interest bearing</b>		
Non-current advances received		
Other non-current liabilities, non-interest bearing	281	374
<b>Total</b>	<b>281</b>	<b>374</b>
<b>Current liabilities</b>		
<b>Trade and other payables</b>		
Trade liabilities	6,028	4,747
Accrued liabilities, deferred income	8,434	8,674
Other liabilities	3,669	3,438
<b>Total</b>	<b>18,131</b>	<b>16,859</b>
Material of accrued expenses and deferred income consists of personnel expenses and other accruals.		
Fair value of the other liabilities than derivatives doesn't significantly differ from the initial carrying value, because the impact on discounting is not significant when the maturities of the loans are taken into account.		
<b>Financial liabilities at fair value through profit or loss</b>		
Liabilities based on derivatives		
Balance sheet value on Jan. 1		
Changes in fair value		
<b>Balance sheet value at the end of the period</b>	<b>0</b>	<b>0</b>

## 28. FINANCIAL RISK MANAGEMENT

Under its normal business activities, Bittium Corporation is exposed to several financial risks. The primary financial risks are foreign exchange rate risk, interest rate risk, investment risk and default risk. The goal of the Group's financial risk management function is to reduce adverse effects of price fluctuations and other uncertainties on earnings, balance sheet and cash flows as well as to ensure sufficient liquidity. In its risk management, the Group uses financial instruments such as forward exchange agreements and interest rate swaps. External professional portfolio managers are employed for investing activities.

The Group's general risk management principles are approved by the Board of Directors. The responsibility for their implementation lies with the group finance department together with operational units. The group finance department identifies and assesses risks and obtains relevant financial instruments for hedging them in close co-operation with the operative units. Management evaluates risk concentrations from the viewpoint of business activities, taking into consideration shared factors between underlying variables such as those arising from changes in economic conditions or other variables. Operations and funding programs executed in the financial markets are mainly concentrated into the parent company. Subsidiaries are mainly funded through intra-company loans and group account overdraft credit limits.

The Group's financial risks are divided into market, default and liquidity risk.

### Market risks

Market risks are caused by changes in foreign exchange rates, interest rates and the price of securities. Fluctuations in these may have an impact on the Group's income statement, cash flow or balance sheet.

#### Foreign exchange rate risk

The Group operates globally and is exposed to transaction risk from foreign exchange positions as well as to risks due to the translation of investments in different currencies to the functional currency of the parent company. The most relevant currencies for the Group are the Euro and the US dollar. Foreign exchange rate risk is caused by commercial activities, monetary items on the balance sheet and net investments in foreign subsidiaries. A business unit's functional currency or generally used currencies (EUR, USD) are used as invoicing currency. Additional information on functional currency and foreign currency conversion is available in the accounting principles section of the consolidated financial statements.

The Group follows a currency strategy that aims at securing the margin of business activities in changing market conditions by minimizing the effect of fluctuations in

foreign exchange rates. According to the principles of the currency strategy, surely considered and the most probable net cash flow in a particular currency is hedged as net position. The cash flow is defined based on the net position of the trade receivables, trade payables, order intake and forecasted net currency cash flow. According to the currency strategy, the degree of hedging can vary from approximately 50% to 100% of the forecasted net position when net position exceeds EUR 1 million. The Group could also apply hedge accounting as defined in the IFRS 9 standard. Hedge accounting was not applied during 2020. At the end of the financial period, the counter value of the hedged net position was EUR 0.6 million. During the financial year, the amount of the hedged position has been changing between EUR 0.6–1.5 million.

The Group has hedged the transaction risk related to its income statement and the translation risk related to equity on the balance sheet or economic risk has not hedged. Foreign currencies denominated equities of foreign subsidiaries on December 31, 2020 was EUR 2.6 million (EUR 2.8 million in 2019) from which dollar denominated equities of foreign subsidiaries was EUR 2.3 million (EUR 1.9 million in 2019).

## Notes to the Consolidated Financial Statements

On the closing date, the Group had the following foreign exchange derivative contract nominal amounts outstanding (the nominal amounts do not represent the amounts exchanged by the parties):

1000 EUR	2020	2019
Forward contracts		
Market value	17	26
Nominal value	600	1,500

Dollar denominated assets and liabilities translated to euros using the closing date's value:

1000 EUR	2020	2019
Long-term assets	0	0
Long-term liabilities	0	0
Current assets	4,590	4,007
Current liabilities	2,275	2,064

The table below describes the 10% appreciation or depreciation of the Euro against the US dollar, other variables remaining constant. The sensitivity analysis is based on foreign currency denominated assets and liabilities as of the closing date. The change in dollar denominated trade receivables and debt would primarily have been due to fluctuations in the foreign exchange rate.

1000 EUR	Changes in income statement before tax		Changes in equity before tax	
	2020	2019	2020	2019
EUR appreciates	-200	-200	-200	-200
EUR depreciates	300	200	300	200

### Interest Rate Risk

Part of the Group's debt is tied to fixed interest rates.

At the closing date, the Group had the following fixed interest rate debts outstanding:

1000 EUR	2020	2019
Fixed interest rate debts	2,521	2,598

The table below describes the interest rate risk of debts should there have been a  $\pm 1\%$  change in interest rates of short term reference interest rate debts, other variables remaining constant. The figures presented indicate the change in yearly interest expense calculated using the average amount of debt during the financial period.

1000 EUR	Changes in income statement before tax		Changes in equity before tax	
	2020	2019	2020	2019
Loan stock January, 1	22,600	1,500		
Loan stock December, 31	22,500	22,600		
Average loan stock	22,600	12,100		
Change in interest	+/- 200	+/- 100	+/- 200	+/- 100

### Market Risk of Investment Activities

The Group's interest investments result in interest rate exposure, but their effect is not considered significant. The Group's revenue and operative cash flows are mainly independent of market rate fluctuations.

The Group invests in low-risk interest rate funds and therefore it has not been exposed to security price risk of fluctuations in the stock markets. According to the Group's principles, investments related to cash management are made in liq-

uid and low-risk money market or bond instruments and thus have not been hedged using derivatives.

The table below describes the distribution of investments in securities at the closing date.

	2020	2019
Stock shares	0.0%	0.0%
Bonds	69.3%	61.5%
Money market investments	30.7%	38.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The combined value of the above instruments during the financial period has ranged from approximately EUR 5.5 to EUR 5.7 million. At closing date their value was approximately EUR 5.7 million. This risk concentration has been managed by investing in well spread and low-risk money market funds.

## Notes to the Consolidated Financial Statements

The table below describes the price risk of the investments if they had exhibited a  $\pm 1\%$  change in a market rate of interest, other variables remaining constant. Financial assets that are recognized at market value in the income statement affect net income. Changes in the value of for-sale financial assets affect equity. In the calculations it is presumed that the Group's investments change with the interest rate level in question. The sensitivity analysis describes the total market risk of investment activity because all investments are in the interest rate instruments.

1000 EUR	Changes in income statement before tax		Changes in equity before tax	
	2020	2019	2020	2019
Interest investments	+/- 0	+/- 0	+/- 0	+/- 0

### Default risk

Group's credit risks are mainly related to accounts receivable, cash, financial investments and derivatives used in hedging. In its deposit, financial investment and hedging activities Bittium operates only with well-known partners who have good credit rating.

About 85% of the Group's trade receivables are from ten customers. The other trade receivables are distributed among a wide customer base and across several geographical areas. Credit risk is mitigated for example by documentary credits or bank guarantees when needed. Default risk concentration is mainly assessed as a single customer's share of total trade receivables but also according to the receivable's date of maturity.

Bittium's significant default risk concentration is EUR 0.5 million which represents approximately 2.6% of the total accounts receivable.

During the past financial year the amount of recognized credit losses was approximately EUR 0.0 million (EUR 0.0 million in 2019). The amount of loans granted to affiliated companies were EUR 0.0 million at

the end of 2020 (EUR 0.0 million in 2019). Group did not have capital loans granted outside of the Group at the end of 2020 (EUR 0.0 million in 2019).

The amount of the Group's counterparty default risk is consistent with the book value of financial assets at the closing date. For the maturity distribution of trade receivables, see Note 19.

### Liquidity risk

The Group and business segments strive to continuously evaluate and monitor the amount of liquid funds needed for business operations and loan repayments. The Group strives to guarantee the availability and flexibility of financing by its strong financial position and liquid investments. Bittium has EUR 20.0 million senior loan and 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. These agreements include customary covenants related to, among other things, equity ratio,

interest bearing debt to EBITDA, and transferring property and pledging. These credit facilities were in use EUR 0.0 million at the end of the reporting period. For the maturity distribution of the Group's debt, see Note 25.

### Capital structure management

The Group strives to optimize its capital structure and thus support business activities by ensuring normal operating conditions under all circumstances. An optimal capital structure also ensures that the cost of capital is minimized.

The capital structure is affected by dividend policy and share issuance. The Group can alter and adjust dividends paid to shareholders as well as share repurchases. The Group can also alter and adjust the amount of shares issued, or make decisions on the sale of assets.

The management has continuously monitored the development of the Group's net gearing and solvency ratio. The Group's interest-bearing net debt at the end of 2020 was EUR -2.1 million (EUR -12.6 million in 2019) and net gearing was -1.9% (-11.2% in 2019). The Group's solvency ratio at the end of 2020 was 73.1% (73.4% in 2019).

## Fair Values of Financial Assets and Liabilities

This section presents the Group's fair valuing principles for all financial instruments. The table below presents book values for each item in detail. Their fair values are not considered to materially differ from the book values presented in the consolidated balance sheets.

1000 EUR	Note	Book value 2020	Fair value 2020	Book value 2019	Fair value 2019
<b>Financial assets</b>					
Other financial assets	16	112	112	112	112
Deferred tax assets	17	5,961	5,961	5,473	5,473
Non-current receivables	19	1,207	1,207	1,353	1,353
Trade receivables and other receivables	19	26,080	26,080	20,412	20,412
<b>Financial assets at fair value through profit or loss</b>					
Cash and cash equivalents	21	18,968	18,968	29,479	29,479
Currency forwards	20	17	17	26	26
<b>Financial liabilities</b>					
Bank loans	25	20,000	20,000	20,000	20,000
Finance lease liabilities	25	2,521	2,521	2,598	2,598
Trade payables and other debts	17, 24, 26	21,798	21,798	19,325	19,325
Currency forwards	27	0	0	0	0

## Investments in Shares and Funds and Other Investments

For-sale financial assets consist mainly of money market investments that fair values are based on the quotes of the closing day (IFRS 7 fair value hierarchy level 1; quoted prices (unadjusted) in active markets for identical assets or liabilities).

### Derivatives

The fair values of forward contracts are defined based on publicly quoted currency and interest rate information and using commonly accepted valuation methods (IFRS 7 fair value hierarchy level 2; instru-

ments whose fair value is observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)). These calculations have been carried out by an outside professional party.

### Bank Loans

Book values are considered to closely approximate fair values.

### Finance Lease Liabilities

Book values are considered to closely approximate fair values.

### Trade Receivables and Other Receivables

The original book value of receivables is considered to equal their fair values, since the effect of discounting is non-significant considering the maturities of the receivables.

### Trade Payables and Other Debts

The original book value of payables and other debts is considered to equal their fair values, since the effect of discounting is non-significant considering the maturities of the receivables.

# Notes to the Consolidated Financial Statements

## 29. ADJUSTMENTS TO NET CASH FROM OPERATING ACTIVITIES

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
Business transactions without payments		
Depreciations	11,400	7,999
Share of profits in associated companies	-33	-143
Other adjustments	690	147
<b>Total</b>	<b>12,056</b>	<b>8,003</b>

## 30. OPERATING LEASE AGREEMENTS

### The Group as Lessee

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

1000 EUR	Dec. 31, 2019	Dec. 31, 2018
Not later than one year	54	6
Later than one year and not later than five years		
After five years		

The Group owns its facilities in Oulu and Kuopio. The facilities in other locations are rented. In average the maturities of the lease agreements are from 1 month to 5 years and normally they include an option to extend the rental period from originally agreed end date. IFRS 16 Leases standard has come into force on January 1st, 2019. According to the standard, in principle all lease contracts of the Group are recognized as assets and liabilities in Group's Balance Sheet.

**31. SECURITIES AND CONTINGENT LIABILITIES**

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
Against own liabilities		
Floating charges		
Guarantee limits	117	108
Other contractual liabilities		
Falling due in the next year	2,281	1,921
Falling due after one year	1,175	847
Mortgages are pledged for liabilities totaled		
Other liabilities (guarantees issued)		
Material purchase commitments	11,483	16,020

**32. RELATED PARTY DISCLOSURES**

The Group has the following structure:

	Country of incorporation	Owned by Parent %	Owned by Group %
<b>Parent</b>			
Bittium Oyj	Finland		
<b>Subsidiaries</b>			
Bittium Technologies Oy	Finland	100.00	100.00
Bittium Wireless Oy	Finland	0.00	100.00
Bittium Safemove Oy	Finland	0.00	100.00
Bittium Biosignals Oy	Finland	0.00	100.00
Bittium Medanalytics Oy	Finland	0.00	100.00
Kiinteistöosakeyhtiö Oulun Ritaharjuntie 1	Finland	0.00	100.00
Bittium Germany GmbH	Germany	0.00	100.00
Bittium Mexico S.A. de C.V.	Mexico	0.00	100.00
Bittium USA, Inc.	USA	0.00	100.00
Bittium Singapore Pte. Ltd.	Singapore	0.00	100.00

Information on the associated companies is presented in the Note 15.

**Related party transactions and balances:**

1000 EUR		2020	2019
Associated companies			
	Net sales	493	489
	Receivables	1,458	1,692
	Debts	300	350

# Notes to the Consolidated Financial Statements

1000 EUR	2020	2019
<b>Employee benefits for key management</b>		
Salaries and remuneration		
Managing director of the parent		
Hannu Huttunen 1.1.–31.12.2019, 1.1.–31.12.2020	241	322
<b>Total</b>	<b>241</b>	<b>322</b>
Remuneration of the members of the board of the parent, the financial committee and the managing directors of the business segments		
Erkki Veikkolainen 1.1.–31.12.2019, 1.1.–31.12.2020	31	43
Riitta Tiuraniemi 11.4.–31.12.2019, 1.1.–31.12.2020	20	28
Pekka Kempainen 10.4.–31.12.2019, 1.1.–31.12.2020	18	21
Petri Toljamo 11.4.–31.12.2019, 1.1.–15.6.2020	6	24
Juha Putkiranta 1.1.–31.12.2019, 1.1.–31.12.2020	22	27
Seppo Mäkinen 1.1.–31.12.2019, 1.1.–31.12.2020	20	23
Veli-Pekka Paloranta 15.6.2020–31.12.2020	10	
Tero Ojanperä 1.1.–10.4.2019		4
<b>Total</b>	<b>126</b>	<b>169</b>
<b>Share-based incentives</b>		
Board of Directors	88	0
<b>Total</b>	<b>88</b>	<b>0</b>
There have not been any business transactions or open balances between the related parties.		
<b>Members of the group executive board</b>	<b>1,064</b>	<b>1,047</b>

## Loans and guarantees to related party

There are no loans or guarantees granted between the related parties.

### 33. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD 2020

#### On February 13, 2020

Bittium published its Financial Statement Bulletin 2019.

#### On February 13, 2020

Bittium gave a notice to the Annual General Meeting 2019 of Bittium Corporation.

#### On March 2, 2020

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

#### On March 11, 2020

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

#### On March 18, 2020

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

#### On March 30, 2020

Bittium published its Business Review from January–March 2020.

#### On May 14, 2020

Bittium gave a notice to the General Meeting of Bittium Corporation.

#### On June 15, 2020

The decisions of the Annual General Meeting of Bittium Corporation were announced.

#### On August 6, 2020

The Half-Year Financial Report January–June 2020 was published.

#### On September 10, 2020

Bittium Biosignals Ltd, a subsidiary of Bittium Corporation, and Preventice Technologies Ltd signed a continuance for the agreement concerning the delivery of ECG measuring devices.

#### On October 30, 2020

Business Review from January–September 2020 was published.

#### On November 27, 2020

Bittium Corporation lowered its financial guidance for the year 2020.

#### On November 27, 2020

The Board of Directors of Bittium Corporation decided that no dividend from the year 2019 will be paid.

#### On November 27, 2020

Bittium Corporation confirmed its strategy and long-term financial targets.

#### On December 15, 2020

Financial calendar for 2021 was published.

#### On December 22, 2020

Bittium Corporation announced that the Finnish Defense Forces plans to purchase Bittium TAC WIN™ software defined radio system products.

# Notes to the Consolidated Financial Statements

## 34. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

## 35. KEY RATIOS

	IFRS 2020	IFRS 2019	IFRS 2018	IFRS 2017	IFRS 2016
<b>INCOME STATEMENT, MEUR</b>					
Net sales, MEUR	78.4	75.2	62.8	51.6	64.2
Net sales change, %	4.2	19.7	21.7	-19.6	13.0
Operating profit/loss, MEUR	2.1	6.3	2.8	-6.2	2.5
% of net sales	2.7	8.4	4.5	-12.0	4.0
Profit/loss for continuing operations before taxes, MEUR	1.6	5.9	2.7	-5.8	3.1
% of net sales	2.1	7.9	4.3	-11.3	4.9
Profit for the year from continuing operations, MEUR	2.2	7.6	4.0	-4.8	3.5
% of net sales	2.8	10.2	6.4	-9.2	5.5
Profit after tax for the year from discontinued operations, MEUR				1.7	0.0
% of net sales	0.0	0.0	0.0	3.2	0.0
Profit for the year attributable to equity holders of the parent, MEUR	2.2	7.6	4.0	-3.1	3.5
% of net sales	2.8	10.2	6.4	-6.0	5.5
<b>BALANCE SHEET, MEUR</b>					
Non-current assets	86.4	80.5	65.9	46.7	30.3
Inventories	20.9	18.2	14.6	10.6	4.1
Current assets	50.7	55.6	51.9	81.1	118.9
Shareholders' equity	114.2	112.3	110.0	116.7	130.6
Non-current liabilities	21.9	22.1	1.9	1.5	3.1
Current liabilities	21.8	19.9	20.5	20.2	19.6
Balance sheet total	158.0	154.2	132.4	138.4	153.3

	IFRS 2020	IFRS 2019	IFRS 2018	IFRS 2017	IFRS 2016
<b>PROFITABILITY AND OTHER KEY FIGURES</b>					
Return on equity % (ROE)	1.9	6.9	3.6	-3.9	2.6
Return on investment % (ROI)	1.6	5.0	3.7	-4.5	2.6
Interest-bearing net liabilities, (MEUR)	-2.1	-12.6	-29.4	-61.7	-91.8
Net gearing, %	-1.9	-11.2	-26.7	-52.9	-70.3
Equity ratio, %	73.1	73.4	84.7	85.6	87.0
Gross investments, (MEUR)	17.4	21.3	21.2	20.1	18.5
Gross investments, % of net sales	22.2	28.3	33.8	38.8	28.8
R&D costs, (MEUR)	22.8	25.1	21.6	15.0	6.9
R&D costs, % of net sales	29.1	33.4	34.4	29.1	10.8
Average personnel during the period, parent and subsidiaries	673	665	660	614	569
<b>STOCK-RELATED FINANCIAL RATIOS</b>					
Earnings per share from continuing operations, EUR					
Basic earnings per share	0.061	0.214	0.113	-0.133	0.098
Diluted earnings per share	0.061	0.214	0.113	-0.133	0.098
Earnings per share from discontinued operations, EUR					
Basic earnings per share				0.046	0.000
Diluted earnings per share				0.046	0.000
Earnings per share from continuing and discontinued operations, EUR					
Basic earnings per share	0.061	0.214	0.113	-0.087	0.098
Diluted earnings per share	0.061	0.214	0.113	-0.087	0.098
Equity per share, EUR	3.20	3.15	3.08	3.27	3.66
Dividend per share EUR *)			0.15	0.3	0.3
Dividend per earnings, %			133.0	-344.6	305.3
P/E ratio	94.8	30.4	67.5	-64.9	57.7
Effective dividend yield, %			2.0	5.3	5.3
Market values of shares (EUR)					
Highest	7.67	8.03	8.10	7.88	7.40
Lowest	3.40	5.91	4.71	5.55	5.15
Average	5.74	6.70	5.98	6.55	6.05
At the end of period	5.79	6.50	7.61	5.65	5.67
Market value of the stock, (MEUR)	206.7	232.0	271.6	201.7	202.4
Trading value of shares					
MEUR	117.9	51.5	75.4	83.1	126.4
1000 PCS	20,557	7,689	12,608	12,684	20,888
Related to average number of shares %	57.6	21.5	35.3	35.5	58.6
Adjusted number of the shares					
at the end of the period (1000 PCS)	35,693	35,693	35,693	35,693	35,693
Adjusted number of the shares average for the period (1000 PCS)	35,693	35,693	35,693	35,693	35,670
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)	35,693	35,693	35,693	35,693	35,670

\*) Proposal of the Board of Directors for 2020.

# Notes to the Consolidated Financial Statements

## CALCULATION OF KEY RATIOS

<b>Return on equity % (ROE)</b>	=	$\frac{\text{Profit for the year} \times 100}{\text{Total equity (average for the accounting period)}}$
<b>Return on investment % (ROI)</b>	=	$\frac{\text{Profit before tax} + \text{interest and other financial expenses} \times 100}{\text{Balance sheet total} - \text{interest-free liabilities (average for the accounting period)}}$
<b>Net gearing, %</b>	=	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents} \times 100}{\text{Total equity}}$
<b>Equity ratio, %</b>	=	$\frac{\text{Total equity} \times 100}{\text{Balance sheet total} - \text{advances received}}$
<b>Earnings per share</b>	=	$\frac{\text{Profit attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares average for the period}}$
<b>Equity per share</b>	=	$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares at the end of the period}}$
<b>Dividend per share</b>	=	$\frac{\text{Dividend for the period (Board's proposal) per share}}{\text{Adjustment coefficient of post-fiscal share issues}}$
<b>Dividend per earnings, %</b>	=	$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$
<b>P/E ratio</b>	=	$\frac{\text{Share issue adjusted share price at the end of the period}}{\text{Earnings per share}}$
<b>Effective dividend yield, %</b>	=	$\frac{\text{Dividend per share} \times 100}{\text{Share issue adjusted share price at the end of the period}}$

### 36. SHAREHOLDINGS AND SHARES

#### Breakdown of Shares by Shareholding, December 31, 2020

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1 - 100	9,998	43.6	466,782	1.3
101 - 500	7,395	32.3	1,951,955	5.5
501 - 1000	2,360	10.3	1,853,306	5.2
1001 - 5000	2,379	10.4	5,418,142	15.2
5001 - 10000	391	1.7	2,847,605	8.0
10001 - 50000	323	1.4	6,343,959	17.8
50001 - 100000	32	0.1	2,198,373	6.2
100001 - 500000	26	0.1	5,994,407	16.8
500001 - 999999999999	7	0.0	8,618,637	24.1
<b>Total</b>	<b>22,911</b>	<b>100.0</b>	<b>35,693,166</b>	<b>100.0</b>
Nominee-registered	9		1,002,014	2.8

#### Breakdown of Shareholders by Shareholder Type, December 31, 2020

Shareholders by shareholder type	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
Non-financial corporations	545	2.4	3,288,399	9.2%
Financial sector and insurance corporations	24	0.1	2,046,598	5.7%
General government	5	0.0	3,162,817	8.9%
Non-profit institutions	26	0.1	112,474	0.3%
Households	22,241	97.1	26,100,295	73.1%
Foreign owners	60	0.3	70,014	0.2%
Nominee-registered shares	10	0.0	912,569	2.6%
<b>Total</b>	<b>22,911</b>	<b>100.0</b>	<b>35,693,166</b>	<b>100.0%</b>

# Notes to the Consolidated Financial Statements

## Major Shareholders, December 31, 2020

	Number of shares	Percentage of shares and votes
<b>Number of shares total</b>	<b>35,693,166</b>	<b>100.0</b>
1. Veikkolainen Erkki, Chairman of the Board	1,659,273	4.6
2. Ponato Oy	1,501,300	4.2
3. Hulkko Juha	1,419,370	4.0
4. Varma Mutual Pension Insurance Company	1,365,934	3.8
5. Ilmarinen Mutual Pension Insurance Company	1,296,529	3.6
6. Nordea Bank AB (PUBL), Finnish Branch	718,231	2.0
7. Hildén Kai	658,000	1.8
8. Special Investment Company Taaleri Mikro Markka Share	500,000	1.4
9. ELO Mutual Pension Insurance Company	500,000	1.4
10. OP-Suomi Mikroyhtiöt special investment company	500,000	1.4
<b>Total</b>	<b>10,118,637</b>	<b>28.3</b>
Others (incl. nominee-registered shares)	25,574,529	71.7

## The Board and CEO

Veikkolainen Erkki, Chairman of the Board	1,659,273	4.6
Kemppainen Pekka, Member of the Board	2,150	0.0
Mäkinen Seppo, Member of the Board	6,076	0.0
Putkiranta Juha, Member of the Board	16,458	0.0
Tiuraniemi Riitta, Member of the Board	9,121	0.0
Paloranta Veli-Pekka, Member of the Board	2,386	0.0
Toljamo Petri, Member of the Board	0	0.0
Huttunen Hannu, CEO	12,000	0.0
<b>Total</b>	<b>1,707,464</b>	<b>4.8</b>

# Income Statement, Parent

1000 EUR	Notes	2020	2019
<b>NET SALES</b>	1, 2	<b>894</b>	<b>811</b>
Other operating income	3	0	0
Personnel expenses	4	-1,293	-1,232
Depreciation and reduction in value	5	-13	-12
Other operating expenses	6	-767	-709
<b>OPERATING PROFIT</b>		<b>-1,178</b>	<b>-1,141</b>
Financial income and expenses	7	1,398	1,101
<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>		<b>221</b>	<b>-40</b>
<b>Appropriations</b>	8	<b>2,000</b>	<b>4,800</b>
<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>		<b>2,221</b>	<b>4,760</b>
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>		<b>2,221</b>	<b>4,760</b>

## Balance Sheet, Parent

1000 EUR	Notes	Dec. 31, 2020	Dec. 31, 2019
<b>ASSETS</b>			
Non-current assets			
Intangible assets	9	93	92
Tangible assets	10	71	72
Investments	11	39,750	39,750
Non-current assets total		39,914	39,913
Current assets			
Receivables			
Current receivables	12	92,939	81,425
Receivables total		92,939	81,425
Financing securities	13	5,689	5,675
Cash and bank deposits		16,243	26,973
Current assets total		114,871	114,073
<b>TOTAL ASSETS</b>		<b>154,785</b>	<b>153,986</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity			
Share capital	14	12,941	12,941
Invested non-restricted equity fund		25,953	25,953
Retained earnings		90,806	86,046
Net profit/loss for the year		2,221	4,760
Shareholders' equity total		131,921	129,700
Provisions			
Provisions, non-current	15		
Provisions, current			
Liabilities			
Non-current liabilities	16	20,000	20,000
Current liabilities		2,864	4,286
Liabilities total		22,864	24,286
<b>SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL</b>		<b>154,785</b>	<b>153,986</b>

## Cash Flow, Parent

1000 EUR	2020	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit (loss) before taxes +/-	2,221	4,760
Adjustments		
Depreciation according to plan +	13	12
Effects of non-cash business activities	-2,136	-4,993
Financial income and expenses +/-	-1,398	-1,101
Cash flow before change in net working capital	-1,300	-1,323
Change in net working capital		
Change in interest-free short-term receivables	94	-3
Change in interest-free short-term payables	-109	-49
Cash flow before financing activities	-1,316	-1,375
Interest paid -	-568	-654
Dividends received +	0	0
Interest received +	1,966	1,755
<b>Net cash from operating activities</b>	<b>82</b>	<b>-273</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of tangible and intangible assets -	-14	-32
<b>Net cash used in investing activities</b>	<b>-14</b>	<b>-32</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Change in interest-free short-term financial receivables in Group	-20,674	6,952
Change in interest-free short-term financial payables in Group	-1,210	2,281
Received Group contributions	11,100	540
Dividend paid and capital repayment	0	-5,354
<b>Net cash used in financial activities</b>	<b>-10,784</b>	<b>4,419</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-10,716</b>	<b>4,114</b>
Cash and cash equivalents at beginning of period	32,648	28,534
Cash and cash equivalents at end of period	21,932	32,648
Change in cash and cash equivalents in balance sheet	-10,716	4,114

Cash and cash equivalents include liquid and low risk financing securities.

# Accounting Principles for the Preparation of Financial Statements, Parent

The financial statements have been prepared in accordance with the Finnish Accounting Act.

## Valuation Principles

### Valuation of Non-current Assets

Non-current assets are capitalized in the balance sheet at the original acquisition cost deducted by accumulated depreciation. Depreciations according to the plan is calculated either using the straight-line method or the reducing balance method, taking into consideration of the useful life of assets. The depreciation periods are:

Intangible assets	3–10 years
Tangible assets	3–5 years

### Valuation of Financial Securities

Financial securities are valued at fair value. The fair value of forward exchange are defined based on forward exchange prices on balance sheet date and option contracts are defined based on market prices on balance sheet date.

### Pensions

The Company has organized pension coverage for its personnel through independent pension insurance companies. The pension insurance expenditures are included into personnel expenses.

### Leasing Agreements

Leasing agreements and fixed-term rental agreements are reported as contingent liabilities off the balance sheet.

### Income Tax

Taxes of the financial year have been reported in the income statement as income taxes. Deferred tax or liabilities or receivables has not been recorded on the financial statement.

### Foreign Currency Items

The transactions in the income statement have been converted into euro using the exchange rate of the transaction date. Receivables and payables denominated in foreign currency have been converted into Euro by using the exchange rate of the European Central Bank at the balance sheet date.

### Net Sales

Sales of goods is recorded when goods have been handed over to the customer or the services have been rendered. Sales are shown net of indirect sales taxes and discounts.

# Notes to the Financial Statements of the Parent Company

1000 EUR	2020	2019
<b>1. NET SALES BY SEGMENTS</b>		
Other functions	894	812
<b>Total</b>	<b>894</b>	<b>812</b>
<b>2. NET SALES BY MARKET AREAS</b>		
Europe	809	706
Americas	85	106
Asia		
<b>Total</b>	<b>894</b>	<b>812</b>
<b>3. OTHER OPERATING INCOME</b>		
Other operating income	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>4. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES</b>		
Average number of personnel during the period		
Other functions	8	8
<b>Total</b>	<b>8</b>	<b>8</b>
Number of personnel at the end of the year		
	8	8
Personnel expenses *		
Management salaries	241	322
Board of Directors	214	169
Other salaries and wages	678	577
<b>Total</b>	<b>1,133</b>	<b>1,068</b>
Pension expenses	140	153
Other social expenses	20	12
<b>Total</b>	<b>1,293</b>	<b>1,232</b>
* The Board of Directors salaries include the share-based compensation.		
<b>5. DEPRECIATION AND REDUCTION IN VALUE</b>		
Intangible rights	13	10
Other capitalized long-term expenditures	0	1
Machinery and equipment	0	1
<b>Total</b>	<b>13</b>	<b>12</b>

# Notes to the Financial Statements of the Parent Company

1000 EUR	2020	2019
<b>6. OTHER OPERATING CHARGES</b>		
IT equipment and SW expenses	78	89
Premises expenses	17	16
Administrative services	263	274
Travel expenses	21	74
Voluntary staff expenses	13	32
Other business expenses	376	224
<b>Total</b>	<b>767</b>	<b>709</b>
Auditor's charges		
Auditing	23	23
Tax advice	2	0
Other services	0	1
<b>Total</b>	<b>25</b>	<b>24</b>
<b>7. FINANCIAL INCOME AND EXPENSES</b>		
Income from investments		
From others	143	319
<b>Total</b>	<b>143</b>	<b>319</b>
Other interest and financial income		
From Group companies	1,717	1,404
From others	107	32
<b>Total</b>	<b>1,824</b>	<b>1,436</b>
Other interest and financial expenses		
To Group companies	0	4
To others	569	650
<b>Total</b>	<b>569</b>	<b>654</b>
Reduction in value of investment	0	0
<b>Net financial income and expenses</b>	<b>1,398</b>	<b>1,101</b>
Net financial income and expenses including exchange gains and losses	-24	0
<b>8. APPROPRIATIONS</b>		
Received Group contributions	2,000	4,800

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>9. INTANGIBLE ASSETS</b>		
<b>Intangible rights</b>		
Acquisition cost Jan. 1	320	288
Investments during the period	14	32
Disposals during the period		
<b>Acquisition cost at the end of the period</b>	<b>334</b>	<b>320</b>
Accumulated depreciations Jan. 1	-228	-218
Depreciation for the period	-13	-10
<b>Book value at the end of the period</b>	<b>93</b>	<b>92</b>
<b>Other capitalized long-term expenditures</b>		
Acquisition cost Jan. 1	6	6
Investments during the period		
<b>Acquisition cost at the end of the period</b>	<b>6</b>	<b>6</b>
Accumulated depreciations Jan. 1	-6	-5
Depreciation for the period		-1
<b>Book value at the end of the period</b>		
<b>Intangible assets total</b>		
Acquisition cost Jan. 1	326	295
Investments during the period	14	32
<b>Acquisition cost at the end of the period</b>	<b>340</b>	<b>326</b>
Accumulated depreciations Jan. 1	-235	-223
Depreciation for the period	-13	-11
<b>Book value at the end of the period</b>	<b>93</b>	<b>92</b>

# Notes to the Financial Statements of the Parent Company

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>10. TANGIBLE ASSETS</b>		
<b>Machinery and equipment</b>		
Acquisition cost Jan. 1	6	5
Investments during the period		1
Disposals during the period		
<b>Acquisition cost at the end of the period</b>	<b>6</b>	<b>6</b>
Accumulated depreciations Jan. 1	-5	-5
Depreciation for the period	0	-1
<b>Book value at the end of the period</b>	<b>0</b>	<b>0</b>
<b>Other tangible assets</b>		
Acquisition cost Jan. 1	71	71
<b>Acquisition cost Dec. 31</b>	<b>71</b>	<b>71</b>
<b>Book value at the end of the period</b>	<b>71</b>	<b>71</b>
<b>Tangible assets total</b>		
Acquisition cost Jan. 1	77	76
Investments during the period		1
<b>Acquisition cost at the end of the period</b>	<b>77</b>	<b>77</b>
Accumulated depreciations Jan. 1	-5	-5
Depreciation for the period	0	-1
<b>Book value at the end of the period</b>	<b>71</b>	<b>72</b>
<b>11. INVESTMENTS</b>		
<b>Investments in subsidiaries</b>		
Acquisition cost Jan. 1	39,749	39,749
<b>Book value at the end of the period</b>	<b>39,749</b>	<b>39,749</b>
<b>Investments in other shares</b>		
Acquisition cost Jan. 1	1	1
<b>Book value at the end of the period</b>	<b>1</b>	<b>1</b>
<b>Investments total</b>		
Acquisition cost Jan. 1	39,750	39,750
<b>Book value at the end of the period</b>	<b>39,750</b>	<b>39,750</b>

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>12. CURRENT RECEIVABLES</b>		
Accounts receivable		
From Group companies	27	71
<b>Total</b>	<b>27</b>	<b>71</b>
Other receivables		
From Group companies	90,845	70,170
From others	15	48
<b>Total</b>	<b>90,860</b>	<b>70,219</b>
Prepaid expenses and accrued income		
From Group companies	2,000	11,100
From others	51	33
<b>Total</b>	<b>2,051</b>	<b>11,134</b>
<b>Current receivables total</b>	<b>92,939</b>	<b>81,424</b>
<b>13. FINANCING SECURITIES</b>		
Cash and cash equivalents include liquid and low risk financing securities.		
Financial assets at fair value through profit or loss	5,689	5,675
<b>14. SHAREHOLDERS' EQUITY</b>		
Share capital at the beginning of the period	12,941	12,941
<b>Share capital at the end of the period</b>	<b>12,941</b>	<b>12,941</b>
Invested unrestricted equity fund at the beginning of the period	25,953	25,953
Share issue		
<b>Invested unrestricted equity fund at the end of the period</b>	<b>25,953</b>	<b>25,953</b>
Retained earnings at the beginning of the period	90,806	91,400
Dividend distribution	0	-5,354
Net profit for the period	2,221	4,760
<b>Retained earnings at the end of the period</b>	<b>93,026</b>	<b>90,806</b>
Distributable earnings at the end of the period	118,980	116,759
<b>Shareholders' equity total</b>	<b>131,921</b>	<b>129,700</b>

# Notes to the Financial Statements of the Parent Company

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>15. PROVISIONS</b>		
Provisions		
Provisions, current		
<b>Total</b>		
<b>16. LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable		
To Group companies	0	159
To others	77	40
<b>Total</b>	<b>77</b>	<b>200</b>
Other short-term liabilities		
To Group companies	2,450	3,660
To others	35	79
<b>Total</b>	<b>2,485</b>	<b>3,739</b>
Accrued expenses and deferred income		
To others	303	347
<b>Total</b>	<b>303</b>	<b>347</b>
<b>Current liabilities total</b>	<b>2,864</b>	<b>4,286</b>

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>17. SECURITIES AND CONTINGENT LIABILITIES</b>		
On behalf of Group companies		
Guarantee limits	117	115
of which guarantees in use total		
Leasing liabilities		
Falling due in the next year	1,133	1,155
Falling due after one year	1,318	1,275
Rental liabilities		
Falling due in the next year	8	9
Contractual liabilities		
Falling due in the next year	32	62
Falling due in 1–5 years		

1000 EUR	Dec. 31, 2020	Dec. 31, 2019
<b>18. NOMINAL VALUE OF CURRENCY DERIVATES</b>		
Foreign exchange forwards		
Market value	17	26
Nominal value	600	1,500

	Owned by Parent, %	Owned by Group, %	Book value 1000 EUR
<b>19. SHARES AND HOLDINGS</b>			
Subsidiaries			
Bittium Technologies Oy	100,00	100,00	39,749
Other holdings by Parent			
Partnera Oy			1

## 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, 2020, the distributable assets of the parent company are EUR 118 979 681.46 of which the profit of the financial year is EUR 2 220 655.48. The Board of Directors proposes that the Annual General Meeting to be held on April 14, 2021, resolve that no dividend shall be paid based on the adopted balance sheet for the financial period of January 1, 2020–December 31, 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.

In Oulu, February 10, 2021



Erkki Veikkolainen  
Chairman of the Board



Seppo Mäkinen  
Member of the Board



Pekka Kemppainen  
Member of the Board



Juha Putkiranta  
Member of the Board



Riitta Tiuraniemi  
Member of the Board



Veli-Pekka Paloranta  
Member of the Board



Hannu Huttunen  
CEO

## Auditor's Note

Auditor's Report has been issued today.

In Oulu February 11, 2021

Ernst & Young Oy  
Authorized Public Accountant Firm



Jari Karppinen, Authorized Public Accountant

# Auditor's Report

(Translation of the Finnish original)

## To the Annual General Meeting of Bittium Oyj

### Report on the Audit of Financial Statements

#### Opinion

We have audited the financial statements of Bittium Oyj (business identity code 1004129-5) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

#### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 5 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

**KEY AUDIT MATTER****Revenue Recognition**

*We refer to the Group's accounting policies and to the note 3*

Fixed price contracts in long-term construction contracts are part of the Group's business practice. These projects constitute a significant portion of the consolidated net sales. In the financial statements 2020 the revenue recognized from these projects was 11.2 million euro, which is 14 percentage of the total net sales. The group applies the percentage of completion method for recognizing revenue from long-term construction contracts, which involves the use of significant management estimates. E.g. the following estimates include significant management judgement for each project: stage of completion, total contract costs and the project margin. During the performance phase, the financial outcome of a project is based on the estimates made by the management and will come more accurate when the project advances.

In the group net sales is a key performance indicator, which might generate an incentive to prematurely recognition of revenue. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2), because of the risk related to correct timing of revenue.

**HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER**

Our audit procedures in which risk of material misstatement on revenue recognition has been taken into account included, among other:

- assessment of the accounting principles of the group on revenue recognition and comparing them with the applied accounting standards;
- examination of the nature of revenue, stage of completion and financial contract terms behind the revenue recognized in the long-term projects;
- tests of revenue recognition, which included testing of the calculations and the estimates used in the revenue recognition;
- analytical procedures on revenue and
- assessment of disclosures in respect of revenue.

## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to contin-

ue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they

could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements re-

garding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### Information on Our Audit Engagement

We were first appointed as auditors by the Annual General Meeting on April 12, 2002, and our appointment represents a total period of uninterrupted engagement of 19 years.

### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Oulu, February 11, 2021

Ernst & Young Oy  
Authorized Public Accountant Firm



Jari Karppinen  
Authorized Public Accountant

# Bittium

Connectivity to be trusted.  
[www.bittium.com](http://www.bittium.com)

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