Report by the Board of Directors and Financial Statements 2021

Bittium

Contents

Report by the Board of Directors 2021

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

Year 2021 in Short

Net Sales Increased over 10% in 2021

- Net sales were EUR 86.9 million (EUR 78.4 million), representing a 10.8 percent increase year-on-year.
- The share of product-based net sales was EUR 63.1 million (EUR 53.1 million), representing 72.6 percent of the net sales. The share of Medical Technologies products was EUR 27.8 million (EUR 17.4 million) and the share of Defense & Security products was EUR 35.3 million (EUR 35.8 million).
- The share of services-based net sales was EUR 23.8 million (EUR 25.3 million), representing 27.4 percent of the net sales. The share of Connectivity Solutions R&D services was EUR 15.5 million (EUR 15.9 million).
- EBITDA was EUR 13.7 million (EUR 13.5 million).
- Operating result was EUR 3.2 million (EUR 2.1 million).
- Result for the period was EUR 3.3 million and earnings per share were EUR 0.093 (result for the period EUR 2.2 million and earnings per share EUR 0.061).
- Cash flow from operating activities was EUR 8.3 million (EUR 6.9 million).
- Net cash flow was EUR -2.6 million (EUR -10.5 million).
- The order backlog was EUR 29.5 million (EUR 27.6 million)
- The Board of Directors of Bittium Corporation proposes to the Annual General Meeting of shareholders to be held on April 6, 2022, resolve to pay EUR 0.04 per share as dividend based on the adopted balance sheet for the financial period of January 1–December 31, 2021.

Bittium's net sales in January–December 2021 increased by 10.8 percent year-on-year to EUR 86.9 million (EUR 78.4 million).

The share of product-based net sales was EUR 63.1 million (EUR 53.1 million), representing 72.6 percent of the net sales. The share of Medical Technologies products was EUR 27.8 million (EUR 17.4 million) and the share of Defense & Security products and systems was EUR 35.3 million (EUR 35.8 million). The increase in product-based net sales resulted from the growth in the demand for Medical Technologies business' Faros ECG monitoring devices.

The share of services-based net sales was EUR 23.8 million (EUR 25.3 million), representing 27.4 percent of the net sales. The share of Connectivity Solutions R&D services was EUR 15.5 million (EUR 15.9 million), resulting mainly from R&D services for wireless telecommunication customers.

EBITDA for January–December 2021 was EUR 13.7 million (EUR 13.5 million). EBITDA was affected by increased production costs, which was mainly due to additional costs caused by the component shortages. The level of R&D investments decreased, which reflected as a decrease in R&D expenses capitalized in the balance sheet. Maintain-

ing the expanding product portfolio competitive increases the annual continuing product development costs.

Operating result in January–December 2021 was EUR 3.2 million (EUR 2.1 million).

Cash flow from operating activities was EUR 8.3 million (EUR 6.9 million). Net cash flow during the period was EUR -2.6 million, including as the most significant items EUR 7.0 million R&D investments into own products and EUR 1.1 million dividend payment (EUR -10.5 million, including as the most significant item EUR 13.6 million R&D investments into own products, no dividends was paid during the comparison period).

The equity ratio was 72.4 percent (73.1 percent).

Net gearing was 0.2 percent (-1.9 percent). The order backlog at the end of the year was EUR 29.5 million (EUR 27.6 million).

Financial Performance in January–December 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR	2021 12 months	2020 12 months
Net sales	86.9	78.4
Operating profit / loss	3.2	2.1
Financial income and expenses	-0.7	-0.4
Result before tax	2.5	1.6
Result for the period	**3.3**	**2.2**
Total comprehensive income for the period	**3.6**	**1.9**
Result for the period attributable to:		
Equity holders of the parent	3.3	2.2
Total comprehensive income for the period attributable to:		
Equity holders of the parent	3.6	1.9
Earnings per share from continuing operations, EUR	0.093	0.061

Half Year Figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	2H/21	1H/21	2H/20	1H/20
Net sales	47.2	39.7	35.8	42.5
Operating profit (loss)	3.9	-0.7	-0.8	2.9
Result before taxes	3.6	-1.0	-0.9	2.5
Result for the period	4.4	-1.0	-0.4	2.5

DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR AND %	2H/21	1H/21	2H/20	1H/20
Product based net sales	35.2	27.9	23.0	30.1
	74.5%	70.3%	64.3%	70.7%
Services based net sales	12.0	11.8	12.8	12.5
	25.5%	29.7%	35.7%	29.3%

DISTRIBUTION OF PRODUCT-BASED NET SALES, MEUR AND %	2H/21	1H/21	2H/20	1H/20
Defense & Security products	20.8	14.5	15.1	20.6
	59.3%	51.8%	65.5%	68.6%
Medical Technologies products	14.3	13.5	8.0	9.5
	40.7%	48.2%	34.5%	31.4%

DISTRIBUTION OF SERVICES-BASED NET SALES, MEUR AND %	2H/21	1H/21	2H/20	1H/20
Connectivity Solutions R&D services	7.7	7.8	8.0	7.4
	63.8%	66.6%	62.4%	58.9%
Other service-based net sales	4.4	3.9	4.8	5.1
	36.2%	33.4%	37.6%	41.1%

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	2H/21	1H/21	2H/20	1H/20
Asia	0.3	0.3	0.2	0.2
	0.6%	0.6%	0.5%	0.4%
Europe	32.0	25.0	29.3	35.2
	67.9%	62.9%	81.7%	82.8%
Americas	14.9	14.4	6.4	7.1
	31.5%	36.4%	17.8%	16.7%

Quarterly Figures

GROUP'S NET SALES AND OPERATING RESULT, MEUR	4Q/21	3Q/21	2Q/21	1Q/21	4Q/20
Net sales	30.1	17.1	22.6	17.0	21.8
Operating profit (loss)	3.7	0.2	0.7	-1.5	0.3
Result before taxes	3.5	0.1	0.5	-1.6	0.2
Result for the period	4.3	0.1	0.5	-1.6	0.7

DISTRIBUTION OF NET SALES BY PRODUCT AND SERVICES, MEUR AND %	4Q/21	3Q/21	2Q/21	1Q/21	4Q/20
Product based net sales	23.0	12.2	16.7	11.2	14.5
	76.5%	71.0%	73.8%	65.7%	66.5%
Services based net sales	7.1	5.0	5.9	5.9	7.3
	23.5%	29.0%	26.2%	34.3%	33.5%

DISTRIBUTION OF PRODUCT-BASED NET SALES. MEUR AND %	4Q/21	3Q/21	2Q/21	1Q/21	4Q/20
Defense & Security products	15.5	5.3	11.2	3.3	10.7
	67.6%	43.4%	66.8%	29.5%	73.6%
Medical Technologies products	7.4	6.9	5.6	7.9	3.8
	32.4%	56.6%	33.2%	70.5%	26.4%

DISTRIBUTION OF SERVICES-BASED NET SALES, MEUR AND %	4Q/21	3Q/21	2Q/21	1Q/21	4Q/20
Connectivity Solutions R&D services	4.6	3.1	3.8	4.1	4.3
	64.8%	62.5%	63.7%	69.6%	58.9%
Other service-based net sales	2.5	1.9	2.2	1.8	3.0
	35.2%	37.5%	36.3%	30.4%	41.1%

DISTRIBUTION OF NET SALES BY MARKET AREAS, MEUR AND %	4Q/21	3Q/21	2Q/21	1Q/21	4Q/20
Asia	0.2	0.1	0.1	0.1	0.1
	0.6%	0.5%	0.6%	0.7%	0.5%
Europe	21.1	10.9	15.3	9.7	18.8
	70.2%	63.8%	67.5%	56.9%	86.2%
Americas	8.8	6.1	7.2	7.2	2.9
	29.2%	35.7%	31.9%	42.5%	13.3%

Statement of Financial Position and Financing

The figures presented in the statement of financial position of December 31, 2021, are compared with the statement of the financial position of December 31, 2020 (MEUR).

	Dec. 31, 2021	Dec. 31, 2020
Non-current assets	85.9	86.4
Current assets	80.3	71.7
Total assets	**166.1**	**158.0**
Share capital	12.9	12.9
Other capital	103.9	101.3
Total equity	116.8	114.2
Non-current liabilities	21.5	21.9
Current liabilities	27.8	21.8
Total equity and liabilities	**166.1**	**158.0**

CASH FLOW OF THE REVIEW PERIOD	Dec. 31, 2021	Dec. 31, 2020
+ profit of the period +/- adjustment of accrual basis items	15.2	14.1
+/- change in net working capital	-6.2	-6.8
- interest, taxes and dividends	-0.7	-0.5
= net cash from operating activities	8.3	6.9
- net cash from investing activities	-8.4	-15.9
- net cash from financing activities	-2.5	-1.5
= net change in cash and cash equivalents	-2.6	-10.5

The number of gross investments in the period under review was EUR 9.6 million. Net investments for the review period totaled to EUR 9.3 million. The total amount of depreciation during the period under review was EUR 10.5 million. The amount of interest-bearing debt, including finance lease liabilities, was EUR 22.3 million at the end of the reporting period (EUR 22.5 million). Bittium's equity ratio at the end of the period was 72.4 percent (73.1 percent).

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

Cash and other liquid assets at the end of the reporting period were EUR 22.0 million (EUR 24.7 million). Net cash flow during the period was EUR -2.6 million. The net cash flow resulted from EUR 7.0 million investments made into own product development and EUR 1.1 million dividend payment as the most significant items (EUR -10.5 million including EUR 13.6 million investments made into own product development as the most significant item, no dividends were paid in the corresponding period).

Bittium has a EUR 20.0 million senior loan and a EUR 10.0 million committed overdraft credit facility agreement with Nordea Bank Finland Plc. The maturity date for the senior loan is May 24, 2024, and the credit limit agreement is valid until May 24, 2024. Bittium has EUR 10.0 million committed overdraft credit facility agreement with OP Corporate Bank Plc valid until 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.

Research and Development

Bittium continued to make significant investments to develop its own products and product platforms. In January-December 2021, the R&D investments were EUR 19.8 million (EUR 22.8 million), representing 22.8 percent of the net sales (29.1 percent).

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

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

R&D INVESTMENTS, (MEUR)	1-12/2021	1-12/2020
Total R&D investments	**19.8**	**22.8**
Capitalized R&D investments	-7.0	-13.6
Depreciations and impairment of R&D investments	5.5	6.1
Cost impact on income statement	18.3	15.4
R&D investments, % of net sales	22.8%	29.1%

CAPITALIZED R&D INVESTMENTS IN BALANCE SHEET, MEUR	1-12/2021	1-12/2020
Balance sheet value in the beginning of the period	46.6	39.1
Additions during the period	7.0	13.6
Depreciations and impairment of R&D investments	-5.5	-6.1
Balance sheet value at the end of the period	48.1	46.6

Market Environment and Business Development in January–December 2021

Defense & Security Business

Cooperation with the Finnish Defence Forces continued closely during 2021. Deliveries of products required for tactical communication continued, however, the shortage of components delayed the delivery schedule. Despite the challenging availability of components in the fourth quarter, a significant number of products were delivered to the customers, which was reflected in fourth-quarter revenue growth in Defense and Security products.

Deliveries of the first phase of the Bittium Tough SDR™ handheld and vehicle radios and related accessories, agreed under the purchase agreement between the Finish Defence Forces and Bittium, published in December 2018, were almost completed. The poor availability of components needed in production slowed down the final deliveries. The Finnish Defence Forces launched the Field Radio 2020 project, which serves the testing and operational implementation of Bittium Tough SDR products and their waveforms and is preparing the purchase of the next batch of products to expand the Defence Forces' testing activities and preparations for the commissioning of radios. Current understanding is that the annual order volumes stated in the letter of intent to acquire new tactical radios, published in August 2017, will be reached from 2024 onwards. The Defence Forces have been involved in defining the Bittium Tough SDR ™ system from the beginning of the project and believe to achieve a significant performance improvement through the system. Alongside the testing and introduction of the radios, the development of the waveforms used in the radios continued as planned.

The development of the Bittium Tactical Wireless IP Network™ software defined radio system continued in cooperation with the Finnish Defense Forces as planned. In March, the Defense Forces ordered products from the TAC WIN system and Bittium Tough Comnode™ products based on the existing framework agreements for the purchase of the products. The share of TAC WIN products was approximately EUR 8.5 million and the share of Bittium Tough Comnode was approximately EUR 1.7 million. All products have been delivered to the Defence Forces during 2021.

Cooperation with the Estonian Defense Forces continued closely in the supply of tactical communication products and systems, which complement the tactical communication system already delivered for the customer. The product deliveries are based on a framework agreement between Bittium's Estonian partner Telegrupp AS and the Estonian Defense Forces, and it covers the years 2021–2025. The deliveries, integration work and testing of tactical communication system products were also continued with the Austrian Defense Forces.

In November, a4ESSOR, a multinational joint venture developing secure European software defined radio technology, launched a new ESSOR New Capabilities (ENC) project to develop new ESSOR waveforms interoperable with partner countries' radios and to improve the existing system to enable the waveforms portability to the national radios. The new project aims to improve the interoperability and security of ground-to-ground, air-to-ground and satellite-based tactical data transmission. In this project, Bittium will focus on the development of ground-to-ground and air-to-ground waveforms. Earlier in May, a4ESSOR received official approval for its ESSOR High Data Rate Base Waveform.

The importance of mobile security in communications has increased and the demand for the secure Bittium Tough Mobile™ 2 smartphones grew steadily over the past year. The security classification of the phone and its related system plays a key role, especially in the governmental market. Bittium actively applies for security classification certificates in various countries together with its customers. The customer experience of the Secure Call communication application, launched on the Tough Mobile 2 phone at the beginning of the year, has been positive and the delivery volumes of the Secure Call application increased.

Deliveries of Mexsat satellite phones designed for the Mexican state's Mexsat satellite communications system continued. The resale cooperation with the Mexican telecommunications solutions provider Inmosat has worked well and the products of the first order related to the distributor agreement have been delivered to the customer. The product deliveries to Mexico are expected to continue this year.

Medical Technologies Business

During 2021, the medical technology market clearly began to recover from the downturn caused by the coronavirus pandemic. Demand from the service providers recovered, which was also clearly reflected in the development of net sales. During the past year, the medical remote diagnostics market was consolidated as major service providers merged, which might lead to higher device sales volumes, thus creating growth opportunities for device manufacturers.

The importance of remote care and remote monitoring has increased during the coronavirus pandemic due to insufficient medical resources and cost pressures. Remote monitoring and remote diagnostics solutions alleviate these problems, which was also reflected in increased sales of Bittium's medical remote diagnostics solutions. Component shortages limited the growth during the past year and component shortages are expected to continue at least until 2022. All of Bittium's cardiology and neurophysiology solutions operate on the cloud-based MedicalSuite service platform, enabling service operators to further digitize their remote diagnostic service processes. Along with an aging population, the coronavirus pandemic has provided a strong incentive to streamline and digitize primary care and specialist care. Together, these factors are driving demand for the device and total service solutions in the medical technology market.

The transitional periods for the application of the European Medical Device Safety Regulation (MDR) (EU 2017/745) expired and entered into force in full on May 26, 2021. The regulation harmonises European health legislation and replaces the old MDD and AIMD directives on medical and implantable devices. The change has caused a backlog of quality system audits and product approvals and thus a significant delay in application lead times. Bittium has several medical device approvals underway in several countries.

Early in the year, Bittium launched a new home sleep apnea testing solution, Bittium Respiro™. MDR approval of the solution is still pending due to lead time delays. Based on current information, approval is expected in the second half of this year. The device, designed for home use, has received positive feedback, especially due to its compact size and ease of use. Deliveries of the product variant of the device that is targeted at the Finnish market, began during the autumn of 2021, and demand developed positively.

The temporary overload in intensive care units by the patients with coronavirus infection affected the ability of intensive care units to promote the introduction of new technologies and solutions. This slowed down the demand for Bittium's EEG devices designed for intensive care. Bittium BrainStatus™ EEG measuring devices were delivered to customers for pilot use, but the overload of patients with coronavirus slowed down the progress of the pilots.

Demand for Bittium Faros™ ECG measuring devices increased during the past year. The majority of product deliveries were made to Preventice, a provider of remote monitoring services in the U.S. ECG market. The global shortage of components declined the amount of product deliveries. Demand for disposable Bittium OmegaSnap™ patch electrodes designed for Faros devices for long-term ECG measurement increased and deliveries progressed well.

During the last year, Bittium launched new products and software versions and they have been very well received. Product management, product development and production organizations were strengthened, and the quality system and operating processes were developed in accordance with the new MDR requirements. To further increase the international sales, the sales organization was strengthened, and the international distribution network expanded. In September, Bittium announced to have signed an agreement under which Bittium planned to buy a 25 percent stake in Technomed, a British provider of ECG diagnostic services. Since the technical conditions required for the share purchase were not met, Bittium canceled the agreement. However, the cooperation between Bittium and Technomed will continue in the measurement and monitoring of biosignals and the development of analysis software, and the companies signed a distributor agreement for Bittium Faros™ ECG measuring devices and Bittium Respiro™ home sleep apnea measuring devices and software. The agreement sets out the distribution rights for both devices. Technomed is granted an exclusive right to use Bittium Faros™ ECG devices to provide cardiology diagnostic services in the UK. In other respects, the agreement does not define exclusive rights related to sales rights. Under the agreement, Technomed will commit to minimum purchases of both devices for the period 2022–2024.

Connectivity Solutions Business

Bittium provides R&D services in the areas of wireless telecommunications, medical technology, automotive and manufacturing industries. Outsourcing R&D services, in whole or in part, brings customers cost savings and enables the scaling of their product development volume to meet their current needs. Bittium has extensive expertise in the areas of wireless connectivity, information security, and various communication technologies (such as 5G).

The delivery of R&D services and connectivity solutions for the customers continued and the demand for Bittium's R&D services remained stable during 2021. The market for Open Radio Access Network (O-RAN) architecture developed further and the demand for O-RAN know-how increased. During the last year, Bittium has been investing in the development, sales and marketing of its own O-RAN business. New demand also arose in wireless satellite technology. The growth of these areas has provided the company with new international customers.

The coronavirus pandemic slowed down the start of new R&D service projects in the manufacturing industry and automotive markets, and the demand clearly declined. The demand for medical technology solutions remained stable despite the slowdown in the lead times of the new medical device approvals caused by the new European Medical Device Safety Regulation (MDR).

The exceptional circumstances caused by the pandemic strengthened the remote work practices with existing customers. However, despite the virtual meetings and events becoming more and more common, acquiring new customers was challenging. Also, the availability of professional workforce on the market weakened, and, in particular, there is an insufficient amount of software engineers available compared to the demand. The competition for the workforce also increased labor mobility.

Significant Events after the Reporting Period

On January 18, 2022, Mr. Antti Näykki (45 years), B.Eng. Embedded Systems, was appointed as Senior Vice President, Medical Technologies Product and Service Area in Bittium Corporation and as a member of Bittium Corporation's Management Group, effective on February 1, 2022. Mr. Näykki has worked at Bittium since 2019, among other things, as responsible for business development, and as the head of the Medical Technologies product management. In his new position as Senior Vice President of Medical Technologies Product and Service Area, he reports to Mr. Hannu Huttunen, CEO of Bittium Corporation. Mr. Arto Pietilä, Senior Vice President of Medical Technologies Product and Service Area and a member of Bittium Corporation's Management Group, will retire in March 2022. He has agreed to support a smooth transition of responsibilities to Mr. Antti Näykki in the first months of 2022.

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

On February 2, 2022, Bittium Biosignals Ltd, a subsidiary of Bittium Corporation, and Preventice Solutions, a wholly-owned subsidiary of Boston Scientific, announced to have signed an agreement by which Bittium will extend its supply of BodyGuardian® MINI devices for monitoring cardiac arrhythmias to Preventice Solutions. In addition, according to the agreement the parties continue to cooperate in the development of new tailored ECG technology for Preventice Solutions. When the minimum volumes required for the exclusive rights under the agreement are met, the total value of the agreement is approximately USD 40–45 million (approximately EUR 35–40 million based on an exchange rate of February 1, 2022), with revenues accruing during 2022, 2023, 2024 and 2025. The final total value is mainly affected by the purchase volumes of different product models. The cooperation between Bittium and Preventice Solutions began in February 2018 regarding the development and delivery of wireless ECG measurement devices. A continuation of the cooperation was announced on September 10, 2020. The agreement signed on February 2, 2022 replaces the extension agreement signed in September 2020 for the supply of ECG measuring devices for the years 2021–2024.

On February 8, 2022, the Finnish Defence Forces ordered the Bittium Tactical Wireless IP Network™ (TAC WIN) system's products based on a Framework Agreement on the purchase of the products. The value of the purchase order was approximately EUR 8.8 million. The ordered tactical routers and radio heads are related to several ongoing projects in the Finnish Defense Forces, where Bittium TAC WIN provides broadband IP network connections for mobile communication stations and command posts. Bittium TAC WIN system's products were ordered based on a Framework Agreement between Bittium and the Finnish Defence Forces, according to which the Finnish Defence Forces purchase Bittium TAC WIN system's products for tactical communications. The Framework Agreement covers the years 2021–2024, with a total value of approximately EUR 30 million at the maximum. According to the Framework Agreement, the Finnish Defence Forces will issue separate purchase orders for the products each year. Bittium announced on December 22, 2020 that the Finnish Minister of Defence, Mr. Antti Kaikkonen had authorized the Finnish Defence Forces to purchase the Bittium Tactical Wireless IP Network™ (TAC WIN) system's products. The ordered products will be delivered to the Finnish Defence Forces during the year 2022.

Outlook for 2022

The global disruption in the availability of electronic components and the spread of new variants of the coronavirus are having a significant impact on the global market. More than 70 percent of Bittium's net sales accumulate from products and related systems, and the prevailing shortage of components is causing significant uncertainty to the development of Bittium's product-based net sales in 2022. Due to these uncertainties, at this point of the year, the company will exceptionally publish only the first half-year outlook instead of the full-year outlook.

Bittium expects the net sales in January–June 2022 to be at the same level as in the previous year (EUR 39.7 million in January–June 2021) and the operating result to be negative (operating loss of EUR -0.7 million in January–June 2021).

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

Market Outlook and the Implications of the Coronavirus Pandemic for Bittium

Bittium's customers operate in various industries, each of them having its 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 competencies 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 biosignals also act as a basis for medical technology solutions.

In 2020 and 2021, the global coronavirus pandemic has significantly affected the global economy and market situation. Bittium's business sales cycles are long by their nature, but the pandemic has also affected Bittium's business, among others, by slowing down existing projects and postponing new projects. The market is slowly beginning to recover from the effects of the pandemic, but the global shortage of components will affect product manufacturing and thus the ability to deliver products to customers on schedule.

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

Defense, Public Safety, and Information Security Markets

- In the defense market's tactical communications sector, the governments' defense forces and other authorities need networks that troops, who are more and more constantly on the move, can use and transfer growing amounts of data securely. This creates demand for Bittium Tactical Wireless IP Network™ (TAC WIN) broadband network, Bittium Tough SDR™ handheld and vehicular radios, and 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 its efforts to bring its defense market targeted products and services also to the international defense markets and aims to get new international customers for its tactical communication system in 2022. Due to the long sales cycles driven by purchasing programs of national governments, it will take time to receive purchase orders. Exceptional circumstances due to the coronavirus pandemic have to some extent affected the progress of programs, which has slowed down the completion of larger deals.
- The financial difficulties caused by the coronavirus pandemic affect the budgets of public finances such as states and public authorities and have required postponing of procurement. This has somewhat delayed the launch of new projects and receiving orders. Especially in the defense and authorities' markets testing and piloting of products and systems are typical phases before receiving orders of larger entities, and current circumstances due to the pandemic situation have caused delays in them. However, the market has begun to recover from the effects of the pandemic. The global shortage of components affects the availability of various components used in products, which affects the company's ability to deliver products to its customers on time.
- 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 in secure mobile devices is increasing. The sales of 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

lengthy processes. Exceptional circumstances caused by the coronavirus pandemic may have a significant impact on the progress of projects, which slows down the closings of larger transactions.

Telecommunication and Digitalization

- In mobile telecommunications, the implementation of 5G is accelerating in pace. Investments in developing new features continue and the importance of software development in the 5G network development expands. This creates demand for Bittium's R&D services. There is a wide range of frequencies allocated for the 5G technology, thus creating the need to develop multiple products to cover the market and creating demand for R&D services for the development of product variants. The different kinds of needs for solutions in the open radio frequency network architecture, Open Radio Access Network (O-RAN), and satellite communication increase the demand for Bittium's R&D expertise as new players enter the traditional supplier network. Also, the development of new devices utilizing 5G technology increases the demand for Bittium's services.
- As digitalization evolves, secure IoT (Internet of Things) has become a significant development area in almost every industry. The increasing need for companies to digitalize their operations, collect data wirelessly, and transfer it to the internet and cloud services generate a need for Bittium's services and customized solutions. To this end, the market needs secure devices, for both demanding industrial and leisure applications, which collect information from the sensors used by the device and create a reliable wireless connection to the Internet and cloud services. The deployment of 5G technology is expanding and the number of digitalized devices increases continuously. The devices will also feature new and more advanced features that will create demand for design services. 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 as well as the automation of automotive operations create a need for technological development. Most significant technology trends, such as wireless connectivity, intelligent mobility, self-driving cars, and electric cars, are guiding needs for innovative software development. The share of software in cars quickly is increasing, and software is becoming a major enabler and a differentiator. The use of the 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 wireless connectivity know-how create good business opportunities for this market.
- The coronavirus pandemic has slowed sales of product development services. Despite the fact that adaptation to new circumstances and practices has gone well, the pandemic has slowed down the progress of existing projects and the acquisition of new customers. However, the market has slowly begun to recover from the effects of the pandemic and new customer projects have been launched. The coronavirus pandemic and labor competition are expected to continue prevailing in the market during 2022. The goal is to further increase the number of product development service projects and expand the international customer base.

Medical ECG, EEG, and Sleep Apnea Remote Monitoring Market

- The medical technology market is undergoing significant development in patient care, especially outside hospitals. There is an increasing focus on the prevention of diseases and health problems through early diagnosis and the discharge of patients at an earlier stage to reduce hospital and treatment days. These actions significantly increase efficiency in health care processes and lower costs.
- A prerequisite for early hospital discharge is the enabling of accurate and precise follow-up and measurement opportunities in home conditions, which would be enabled through remote monitoring. Remote monitoring and remote diagnostics also enable specialists' diagnoses regardless of time and place. Also, evolving artificial intelligence-based algorithms become more common in supporting physicians in making diagnoses. 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.
- For remote monitoring and remote diagnostics, Bittium provides its Bittium Faros™ product family for remote heart monitoring, Bittium BrainStatus™ for measuring the electrical activity of the brain, home sleep apnea testing solution Bittium Respiro™, and different kinds of diagnostics software offered by Bittium.
- As the coronavirus pandemic spread, the number of non-emergency patients going to treatments and tests to healthcare pro-

viders 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 the actions aimed to prevent the virus from spreading. The pandemic situation varies from country to country, but generally the market is beginning to get back to normal again. In the long-term, the pandemic will accelerate the use of remote services in hospitals and medical care facilities, and thus create positive development on the demand for remote monitoring products and services.
- The global shortage of components affects the availability of various components used in products and can have an impact on company's ability to deliver products to its customers on time.

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

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

Market Risks

The global economic uncertainty may affect the demand for Bittium's services, solutions, and products and provide pressure on, e.g., pricing. In the short term, such uncertainty may affect, in particular, the utilization and chargeability levels and average hourly prices of R&D services. Growing political uncertainty may also affect the demand for Bittium's services, solutions, and products and the price competitiveness in the different geographical areas. Bittium is also increasingly exposed to legal, economic, political, and regulatory risks related to the countries in which its suppliers and other cooperation partners are located. Such risks may result in delays in deliveries or in situations where there will be no orders in the forecast quantities, currency losses, elevated costs, or litigations and related costs.

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

A significant part of Bittium´s net sales accumulate 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 the following items: uncertainties and short visibility on customers' product program decisions, their make or buy decisions and, on the other hand, their decisions to continue, downsize or terminate current product programs, execution and management of large customer projects, ramping up and down project resources, availability of personnel in labor markets, accessibility on commercially acceptable terms and, on the other hand, successful utilization of the most important technologies and components, competitive situation and potential delays in the markets, timely closing of customer and supplier contracts with reasonable commercial terms, delays in R&D projects, a realization of expected return on capitalized R&D investments, obsolescence of inventories and technology risks in product development causing higher than planned R&D costs, and risks related to the ramp-up of product manufacturing. Revenues expected to come from either existing or new products and customers include normal timing risks. Bittium has certain significant customer projects, and deviation in their expected continuation could also result in significant deviations in the company's outlook. In addition, there are typical industry warranty and liability risks involved in selling Bittium´s services, solutions, and products.

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

Some of Bittium's businesses operate in industries that are heavily reliant on patent protection and therefore face risks related to the management of intellectual property rights, on the one hand, related to accessibility on commercially acceptable terms of certain technologies in 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 challenges in global accessibility of key technologies and components on commercially acceptable terms, as well as by the acceptance of the necessary export licenses. The company changed its name to Bittium Corporation as of July 1, 2015 and started using the new trademark. The registration and the use of the new trademark can include customary risks involved in taking in use a new trademark.

Financing Risks

Global economic uncertainty may lead to payment delays, increase the risk for credit losses, and weaken the availability and terms of financing. To fund its operations, Bittium relies mainly on income from its operative business and may from time to time seek additional financing from selected financial institutions. Bittium has EUR 20.0 million senior loan and EUR 10.0 million committed overdraft credit facility agreement with Nordea Bank Plc. The maturity date for the senior loan is May 24, 2024, and the credit limit agreement is valid until May 24, 2024. Bittium has EUR 10.0 million committed overdraft credit facility agreement with OP Corporate Bank Plc valid until 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 that provides socially beneficial technological innovations that improve communications, create safety, and promote healthcare.

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. The Code of Conduct is part of the induction program for new employees.

Bittium's partners are expected to comply with the Bittium Code of Conduct principles, supplier guidelines and supplier requirements (Bittium Supplier Manual and Bittium Supplier Requirements), which set out, 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 the defined criteria. In 2021, the company was able to carry out some audits at suppliers' premises in Finland, but due to the pandemic, the majority of foreign suppliers were assessed on the basis of self-assessments.

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. In 2021, Bittium has continued to cooperate with the authority in connection with preliminary investigations.

Environmental Topics

In accordance with its environmental policy, Bittium is committed to minimizing the environmental impact of the production, use and disposal of the products it designs. Therefore, Bittium's products are designed to be long-lasting, repairable and recyclable. As Bittium's business is mainly focused on the beginning of the product life cycle, its environmental impact is very small. The greatest environmental impact is caused by the recycling of the product.

The Scope 1 carbon dioxide emissions of Bittium's Finnish sites in 2021 were 102.9 t CO2e (travel and waste) and the Scope 2 emissions were 615.7 t CO_2e (heating and electricity). The share of renewable energy in the energy sources used in Finnish offices increased significantly to 35% (17% in 2020).

When working on the 2020–2022 environmental program, it was stated that the most important aspects in reducing Bittium's carbon footprint are the recycling of waste generated from operations, the utilization of renewable energy sources and increasing the environmental awareness of personnel. The recovery rate of bitumen waste was 99.1% last year (target > 95%). In terms of office space in Oulu, approximately 5% of the energy used was generated by solar energy on an annual basis (target > 5%). 17% of the personnel participated in the training to increase the environmental awareness of the personnel.

Social Responsibility and Employees

Personnel

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 orientation, 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 biweekly Pulssi survey, which inspects personnel's resilience during the coronavirus 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 of its business activities, Bittium respects human rights, avoids violating human rights, and intervenes in the potential negative human rights impacts of its operations in accordance with the UN Guiding Principles on Business and Human Rights. At Bittium, the monitoring of the implementation of human rights is mainly related to the activities of subcontractors and suppliers. Bittium is responsible for the company's supply chain in terms of, among other things, supplier requirements and material clearances related to materials and components. Staff training is part of ensuring responsible sourcing. During 2021, no doubts have been 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 partners. The company has internal and external guidelines for preventing anti-corruption activities, and an electronic self-study module on anti-corruption activities has been implemented for new employees. In 2021, 73% of new employees completed training. The company has a monitoring tool in place to identify corruption or other ambiguities in its partners, and a channel is available to the company's stakeholders to report breaches of anti-corruption rules anonymously. In 2021, the company did not become aware of any suspicions of corruption.

Bittium does not have any activities covered by the classification system of the EU Taxonomy Regulation, so taxonomy-eligible activities account for 0% of net sales, investments and operating expenses.

Personnel

The Bittium group employed an average of 664 people in January–December 2021. At the end of 2021, the company had 653 employees (684 employees at the end of 2020).

Changes in the Company's Management

On May 17, 2021, Bittium announced that Mr. Sammy Loitto, Senior Vice President, Sales and a member of Bittium Corporation's Management Group, will transfer to another company. Mr. Loitto acted as Senior Vice President, Sales at Bittium for three years, and successfully developed Bittium's sales and sales management processes, environment, and systems during his career.

The company decided that it will divide its sales management and development into the Company's three product and service areas, which are Defense & Security, Medical Technologies, and Connectivity Solutions. Dividing the sales activities into product and service areas in this context enables even stronger sales management and development. After the change, Bittium has product and service area specific sales management, which reports to the heads of the product and service areas in their positions. As a result, sales development is better targeted to the needs of each product and service areas. The changes have taken effect on June 1, 2021.

As of June 1, 2021, Bittium Corporation's management group consisted of the following persons: Mr. Hannu Huttunen, CEO (Chairman); Mr. Pekka Kunnari, CFO; Mr. Kari Jokela, CLO; Mrs. Karoliina Malmi, Vice President Communications and Marketing; Mr. Arto Pietilä, Senior Vice President Medical Technologies; Mr. Jari Sankala, Senior Vice President Defense & Security; Mr. Tommi Kangas, Senior Vice President Connectivity Solutions; and Mr. Jari-Pekka Innanen, Vice President, Engineering.

Incentive Systems

Employee Profit-Sharing Plan

In 2021, Bittium had an employee profit-sharing plan that applies to all employees, excluding those covered by other short-term bonus plans. According to the 2021 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 2021, 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 and, thus, 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 each plan is, however, subject to a separate Board decision. Further information can be found at the company's internet pages at the address **www.bittium.com**.

On February 11, 2021, the Board of Directors of Bittium Corporation decided on the new period in the share-based long-term incentive scheme for the Bittium group's management. The members of Bittium's Management Group are eligible to participate in the second PSP 2021–2023 plan. The performance measures based on which the potential share reward under PSP 2021–2023 will be paid are the revenue growth and cash flow before financial items of Bittium. A precondition for the payment of the share reward is, in addition, that the employment relationship of the participant with Bittium continues at the time the reward is paid. The potential reward will be paid in shares of Bittium. If all the performance targets set for the second plan, PSP 2021–2023, are fully achieved, the aggregate maximum number of shares to be paid based on this second plan is approximately 111,900 shares (gross before the withholding of the applicable payroll tax). The aggregate gross value of PSP 2021–2023, estimated based on the volume-weighted average quotation of Bittium's share during the period H2/2020, is approximately EUR 0.7 million.

On March 24, 2021, the Board of Directors of Bittium Corporation decided on a directed share issue without consideration for the payment of the share rewards based on the Company's share-based incentive scheme to the Company's management. The directed share issue without consideration decided was about the first Performance Share Plan (PSP 2020–2022) of the share-based incentive scheme. In the Share Issue 9,098 new shares of the Company was issued without consideration to the management entitled to share rewards according to the terms and conditions of the share-based incentive scheme. A total of nine persons of the Company's management group were in the target group of the payment.

On March 29, 2021, the new shares issued without consideration were registered in the Trade Register. After the registration, the total number of Bittium Corporation shares was 35,702,264. The newly registered shares were admitted to trading on the Nasdaq Helsinki stock exchange on March 30, 2021.

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 Annual General Meeting authorized the Board of Directors to decide on the repurchase of the Company's own shares as follows.

The number of own shares to be repurchased shall not exceed 3,500,000 shares, which corresponds to approximately 9.80 percent of all of the shares in the company as of the date of the Annual General Meeting. Only the unrestricted equity of the company can be used to repurchase its 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 Annual General Meeting on June 15, 2020, to decide on the repurchase of the company's own shares.

The authorization is effective until June 30, 2022.

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

The Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act as follows.

The number of shares to be issued shall not exceed 3,500,000 shares, which corresponds to approximately 9.80 percent of all of the shares in the company as at the date of the Annual General Meeting.

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 June 15, 2020 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, 2022.

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 35,702,264. The accounting par value of the Company's share is EUR 0.10. The Company does not have its own shares in its possession.

Market Values of Shares

MARKET VALUES OF SHARES (EUR)	1–12/2021 12 months	1–12/2020 12 months
Highest	7.89	7.67
Lowest	4.93	3.40
Average	6.18	5.74
At the end of period	5.30	5.79
Market value of the stock. (MEUR)	189.2	206.7
Trading value of shares. (MEUR)	83.2	117.9
Number of shares traded (1,000 pcs)	13,464	20,557
Related to average number of shares, %	37.7	57.6

Shareholders

LARGEST SHAREHOLDERS	Number of shares	% of shares
1. Veikkolainen Erkki	1,741,908	4.88%
2. Ponato Oy	1,501,300	4.21%
3. Hulkko Juha	1,419,379	3.98%
4. Mutual Pension Insurance Company Varma	1,365,934	3.83%
5. Mutual Pension Insurance Company Ilmarinen	1,296,529	3.63%
6. OP-Suomi Mikroyhtiöt - special investment company	752,757	2.11%
7. Hilden Kai Jalmari	658,000	1.84%
8. Mutual Pension Insurance Company Elo	500,000	1.40%
9. Investment Fund Taaleritehdas Mikro Markka	500,000	1.40%
10. Citibank Europe PLC	479,789	1.34%

At the end of 2021, Bittium Corporation had 21,663 shareholders. The ten largest shareholders owned 28.6 percent of the shares. Private ownership was 70.2 percent. The percentage of foreign and nominee-registered shareholders was 3.0 percent at the end of 2021.

Flagging Notifications

On September 29, 2021, Bittium Corporation received a notification under Chapter 9, Section 5 of the Finnish Securities Market Act (FSMA), according to which Jbit Oy, a company 100% owned by Juha Hulkko has acquired 159,000 shares in Bittium Corporation. In connection with the completion of the share purchase, Juha Hulkko's aggregate amount of direct and indirect holdings in Bittium Corporation's shares and votes exceeded the five percent limit on 28.9.2021.

According to the notification, the aggregate holdings of Juha Hulkko in Bittium Corporation on September 28, 2021 amounted to a total of 1,783,450 shares, corresponding to 5.00 percent of the total number of shares and voting rights of Bittium Corporation. The share stock of Bittium Corporation consists of 35,702,264 shares, each entitling one vote.

The Board, Board Committees and the Auditor

The Annual General Meeting decided that the Board of Directors shall comprise five (5) members. Mr. Erkki Veikkolainen, Ms. Riitta Tiuraniemi, Mr. Veli-Pekka Paloranta, and Mr. Pekka Kemppainen were re-elected as members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting. Further, Mr. Petri Toljamo was elected as a new member of the Board of Directors for a corresponding term of office.

At its assembly meeting held on April 14, 2021, the Board of Directors elected Mr. Erkki Veikkolainen as the Chairman of the Board of Directors. Further, the Board has resolved to keep the Audit Committee. Ms. Riitta Tiuraniemi (Chairman of the committee), Mr. Petri Toljamo, and Mr. Veli-Pekka Paloranta were elected as members of the Audit Committee.

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 2020

Based on the shareholder vote concerning minority dividend, the Annual General Meeting decided in deviation from the proposal of the Board of Directors that a minority dividend corresponding to half of the profit for the financial period shall be paid in accordance with Chapter 13, Section 7 of the Companies Act. The Board of Directors of the company had proposed to the Annual General Meeting that no dividend be distributed by the Annual General Meeting based on the adopted balance sheet for the financial period of January 1, 2020–December 31, 2020. The total amount of the minority dividend to be distributed was EUR 1,110,327.74, corresponding to EUR 0.0311 per share.

The dividend was paid to shareholders who on the dividend record date April 16, 2021, were registered in the company's shareholders' register held by Euroclear Finland Oy. The dividend was paid on April 23, 2021. All the shares in the company were entitled to the dividend with the exception of shares possibly held by the Company on the dividend record date.

Consolidated Statement of Comprehensive Income

Continuing operations, 1000 EUR	Notes	Jan. 1– Dec. 31, 2021	Jan. 1– Dec. 31, 2020
NET SALES	1, 3	**86,868**	**78,385**
Other operating income	4	2,594	852
Change in work in progress and finished goods			
Work performed by the undertaking for its own purpose and capitalized		530	342
Raw materials		-23,311	-21,189
Personnel expenses	7	-38,992	-32,484
Depreciation	6	-10,452	-11,400
Other operating expenses	5	-13,923	-12,459
Share of results of the associated companies	15	-90	33
OPERATING PROFIT		**3,223**	**2,079**
Financial income and expenses	9	-688	-434
PROFIT BEFORE TAX		**2,535**	**1,644**
Income tax	10	790	537
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**3,324**	**2,181**
Profit for the year from discontinued operations	2		
PROFIT FOR THE YEAR		**3,324**	**2,181**
Other comprehensive income:			
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		231	-237
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,556**	**1,944**
Profit for the year attributable to			
Equity holders of the parent		3,324	2,181
Total		**3,324**	**2,181**
Total comprehensive income for the year attributable to			
Equity holders of the parent		3,556	1,944
Total		**3,556**	**1,944**
Earnings per share for profit attributable to the shareholders of the parent company	11		
Earnings per share from continuing operations, EUR			
Basic earnings per share		0.093	0.061
Diluted earnings per share		0.093	0.061
Earnings per share from discontinued operations, EUR			
Basic earnings per share			
Diluted earnings per share			
Earnings per share from continuing and discontinued operations, EUR			
Basic earnings per share		0.093	0.061
Diluted earnings per share		0.093	0.061
Average number of shares, 1000 pcs		35,700	35,693
Average number of shares, diluted, 1000 pcs		35,700	35,693

Consolidated Statement of Financial Position

1000 EUR	Notes	Dec. 31, 2021	Dec. 31, 2020
Non-current assets			
Property, plant and equipment	12	20,891	22,810
Goodwill	13	5,823	5,807
Intangible assets	13	49,943	48,953
Investments in associated companies	15	1,283	1,507
Other financial assets	16	112	112
Non-current receivables	19	1,081	1,207
Deferred tax assets	17	6,745	5,961
Total		**85,878**	**86,358**
Current assets			
Inventories	18	18,837	20,939
Trade and other receivables	19	39,396	26,080
Financial assets at fair value through profit or loss	20	5,732	5,689
Cash and short-term deposits	21	16,306	18,968
Total		**80,272**	**71,676**
Total assets		**166,150**	**158,033**
Equity and liabilities			
Equity attributable to equity holders of the parent	22		
Share capital		12,941	12,941
Translation differences		1,106	874
Invested non-restricted equity fund		25,953	25,953
Retained earnings		76,814	74,478
Total		**116,815**	**114,247**
Non-controlling interests			
Total equity		**116,815**	**114,247**
Non-current liabilities			
Deferred tax liabilities	17	208	273
Interest-bearing loans and borrowings (non-current)	25	21,111	21,391
Other non-current liabilities, non-interest bearing	27	200	281
Total		**21,519**	**21,945**
Current liabilities			
Trade and other payables	27	23,140	18,131
Provisions	24	3,524	2,580
Interest-bearing loans and borrowings (current)	25	1,152	1,130
Total		**27,816**	**21,841**
Total liabilities		**49,335**	**43,786**
Total equity and liabilities		**166,150**	**158,033**

Consolidated Statement of Cash Flows

1000 EUR	Notes	Jan. 1– Dec. 31, 2021	Jan. 1– Dec. 31, 2020
Cash flow from operating activities			
Profit for the year from continuing operations		**3,324**	**2,181**
Profit for the year from discontinued operations			
Adjustments			
Effects of non-cash business activities	29	12,018	12,056
Finance costs	9	760	579
Finance income	9	-71	-144
Income tax	10	-790	-537
Change in net working capital			
Change in short-term receivables	19	-13,063	-5,503
Change in inventories	18	1,905	-2,395
Change in interest-free short-term liabilities	27	4,928	1,139
Interest paid on operating activities		-753	-579
Interest and dividend received from operating activities		71	144
Income taxes paid		-51	-38
Net cash from operating activities		**8,278**	**6,903**
Cash flow from investing activities			
Purchase of property, plant and equipment	12	-954	-1,388
Purchase of intangible assets	13	-7,457	-14,537
Sale of property, plant and equipment	12		
Sale of intangible assets	13		
Purchase of investments/associated companies	15	0	0
Net cash from investing activities		**-8,410**	**-15,925**
Cash flows from financing activities			
Proceeds from borrowings	25		
Payment of finance lease liabilities	25, 26	-1,375	-1,475
Dividend paid and capital repayment		-1,110	
Net cash from financing activities		**-2,486**	**-1,475**
Net change in cash and cash equivalents	21	**-2,618**	**-10,497**
Cash and cash equivalents at 1 January		24,657	35,154
Change in fair value of investments			
Cash and cash equivalents at the end of the year		**22,039**	**24,657**

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

Consolidated Statement of Changes in Equity

1000 EUR	Share capital	Invested non-restricted equity fund	Translation difference	Retained earnings	Non-controlling interests	Total
	Equity attributable to equity holders of the parent					
Shareholders' equity Jan. 1, 2021	**12,941**	**25,953**	**874**	**74,478**	**0**	**114,247**
Comprehensive income for the period						
Profit for the period				3,324		3,324
Exchange differences on translating foreign operations			231			231
Total comprehensive income for the period	**0**	**0**	**231**	**3,324**	**0**	**3,556**
Transactions between the shareholders						
Dividend distribution				-1,110		-1,110
Share-related compensation				114		114
Total transactions between the shareholders				**-996**		**-996**
Other changes				**8**		**8**
Shareholders' equity Dec. 31, 2021	**12,941**	**25,953**	**1,106**	**76,814**	**0**	**116,815**
Shareholders' equity Jan. 1, 2020	**12,941**	**25,953**	**1,112**	**72,321**	**0**	**112,327**
Comprehensive income for the period						
Profit for the period				2,181		2,181
Exchange differences on translating foreign operations			-237			-237
Total comprehensive income for the period	**0**	**0**	**-237**	**2,181**	**0**	**1,944**
Transactions between the shareholders						
Share-related compensation				40		40
Other changes				**-64**		**-64**
Shareholders' equity Dec. 31, 2020	**12,941**	**25,953**	**874**	**74,478**	**0**	**114,247**

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, 2021. 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 unrealized 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 business 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 reviewes 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 percentace 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. Profit after tax and gain on sale of discontinued operation is presented as a separate line item in the consolidated income statement.

Profit for the year from discontinued operations is presented separately in Consolidated Statement of Comprehensive Income. Discontinued operations are disclosed in note 2.

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 technology 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, 2021

1000 EUR	Finland	Other Europe	Americas	Asia	Eliminations	Group total
Net sales						
Sales to external customers	41,391	15,615	29,334	528		86,868
Non-current assets	78,924		208			79,133
Total non-current assets *)	**78,924**		**208**			**79,133**
*) does not include deferred tax assets						
Capital expenditure						
Tangible assets	-1,879		-41			-1,919
Intangible assets	989					989
Investments	-224					-224
Goodwill			16			16
Non-current receivables	-125					-125

Geographical areas
Jan. 1–Dec. 31, 2020

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

Information of primary customers

Group's revenues from the 10 largest customers in period 1.1–31.12.2021 were EUR 71.5 million (EUR 64.2 million in 2020) representing 82.3 per cent of the net sales (82.0 per cent in 2020).

Notes to the Consolidated Financial Statements

2. DISCONTINUED OPERATIONS

In 2021 or in the comparative period 2020 the Group did not have discontinued operations to be reported according to the IFRS standards.

3. NET SALES

1000 EUR	2021	2020
Services	23,815	25,261
Products	63,053	53,124
Other		
Total	**86,868**	**78,385**

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	9,245	11,246
Net sales other	77,623	67,138
Total	**86,868**	**78,385**

Income recognized over time based on the stage of completion of long-term construction contracts	9,245	11,246
Revenue recognized from long-term construction contracts in progress amounted to	7,785	7,364
Advances received from long-term construction contracts recognized in the balance sheet amounted to	435	661
Receivables recognized from long-term construction contracts amounted to	1,421	2,539

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

4. OTHER OPERATING INCOME

1000 EUR	2021	2020
Government grants	2,526	792
Other income	67	59
Total	**2,594**	**852**

5. OTHER OPERATING EXPENSES

External services	1,647	1,792
Voluntary staff expenses	963	794
Premises expenses	965	870
Travel expenses	422	381
IT expenses	3,287	3,001
Other expenses	6,640	5,622
Total	**13,923**	**12,459**
Expense relating to short-term leases under IFRS 16	150	100
Auditor's charges		
Ernst & Young		
Auditing	58	65
Tax advice	0	12
Other services	2	2
Total	**60**	**79**
Others		
Auditing	21	20
Tax advice	8	3
Other services		
Total	**29**	**23**

Notes to the Consolidated Financial Statements

1000 EUR	2021	2020
6. DEPRECIATIONS AND IMPAIRMENTS		
Depreciations		
Intangible assets		
Capitalized development expenditure	5,503	6,145
Intangible rights	351	442
Customer relations and technology	234	234
Other intangible assets	352	352
Tangible assets		
Buildings and constructions	735	829
Machinery and equipment	3,277	3,398
Total	**10,452**	**11,400**
Depreciation on property, plant and equipment acquired by leases		
Buildings and constructures	395	434
Machinery and equipment	1,033	1,028
7. EMPLOYEE BENEFIT EXPENSES AND NUMBER OF PERSONNEL		
Number of personnel		
Average number of personnel during the fiscal period		
Continuing operations	664	673
Personnel expenses 1000 EUR		
Personnel expenses		
Managing Director	320	274
Board of Directors *	169	214
Other salaries and wages	37,146	36,440
Salaries capitalized to development expenses	-5,776	-10,766
Total	**31,860**	**26,163**
Pension expenses, defined contribution plans	5,854	5,150
Other personnel expenses	1,278	1,171
Total	**38,992**	**32,484**

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

1000 EUR	2021	2020
8. RESEARCH AND DEVELOPMENT EXPENSES		
The research and development expenses total	19,848	22,821
Capitalized to the balance sheet	-7,009	-13,579
Recognition as an asset	5,503	6,145
The expensed research and development expenses recognized in the income statement amounted to	**18,342**	**15,388**
9. FINANCIAL EXPENSES (NET)		
Interest expenses	-352	-321
Interest income		
Dividend income	0	0
Exchange gains and losses	-343	-35
Change of financial assets and liabilities at fair value through profit or loss		3
Other financial expenses	-65	-223
Other financial income	71	141
Total	**-688**	**-434**
Interest expenses on lease liabilities under IFRS 16	-21	-25
10. INCOME TAXES		
Income taxes, current year	-1	-87
Other taxes	-8	-12
Income taxes, previous years	-21	-16
Deferred taxes	819	651
Total	**790**	**537**
A reconciliation between the effective tax rate and domestic tax rate (20.0 percent) of the Group:		
Profit before taxes	**2,535**	**1,644**
Tax at the domestic tax rate	-594	-665
Effect of tax rates of foreign subsidiaries	-8	-2
Taxes for prior years	-21	-16
Tax free income	262	214
Non-deductible expenses	-541	-605
Utilization of deferred tax assets from previous years	957	971
Reassessment of deferred tax assets	819	651
The deferred tax assets from tax losses		
Others	-83	-12
Income taxes in the consolidated income statement	**790**	**537**

Notes to the Consolidated Financial Statements

	2021	2020
11. EARNINGS PER SHARE		
Basic		
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)	3,324	2,181
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)	3,324	2,181
Weighted average number of ordinary shares during the financial year (1,000 PCS)	35,700	35,693
Basic earnings per share, continuing operations, EUR	**0.093**	**0.061**
Basic earnings per share, discontinued operations, EUR	**0.000**	**0.000**
Basic earnings per share, continuing and discontinued operations, EUR	**0.093**	**0.061**
Diluted		
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)	3,324	2,181
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)	3,324	2,181
Weighted average number of ordinary shares during the financial year (1,000 PCS)	35,700	35,693
Effect of dilution (1,000 PCS)		
Weighted average number of ordinary shares during the financial year (1,000 PCS)	35,700	35,693
Diluted earnings per share, continuing operations, EUR	**0.093**	**0.061**
Diluted earnings per share, discontinued operations, EUR	**0.000**	**0.000**
Diluted earnings per share, continuing and discontinued operations, EUR	**0.093**	**0.061**

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, 2021	Dec. 31, 2020
Land and water		
Acquisition cost Jan. 1	1,091	1,091
Additions during the period		
Acquisition cost at the end of the period	**1,091**	**1,091**
Carrying amount at the end of the period	**1,091**	**1,091**
Buildings and constructures		
Acquisition cost Jan. 1	19,436	19,081
Translation differences	11	-30
Additions during the period	2	385
Disposals during the period		
Acquisition of business unit		
Transfer to assets		
Acquisition cost at the end of the period	**19,450**	**19,436**
Accumulated depreciations Jan. 1	-5,094	-4,265
Translation differences	-10	16
Depreciation for the period	-735	-845
Depreciations on disposals		
Carrying amount at the end of the period	**13,610**	**14,342**

No revaluations or capitalizations of interest costs have been done.

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Machinery and equipment		
Acquisition cost Jan. 1	60,197	57,744
Translation differences	-18	12
Additions during the period	2,117	2,442
Acquisition of business unit		
Disposals during the period		
Transfer to assets		
Acquisition cost at the end of the period	**62,297**	**60,197**
Accumulated depreciations Jan. 1	-52,908	-49,503
Translation differences	16	-17
Depreciation for the period	-3,303	-3,388
Depreciations on disposals		
Carrying amount at the end of the period	**6,102**	**7,289**
Other tangible assets		
Acquisition cost Jan. 1	88	88
Additions during the period		
Disposals during the period		
Acquisition cost at the end of the period	**88**	**88**
Translation differences		
Accumulated depreciations Jan. 1		
Depreciation for the period		
Carrying amount at the end of the period	**88**	**88**

Notes to the Consolidated Financial Statements

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Property, plant and equipment total		
Acquisition cost Jan. 1	80,812	78,003
Translation differences	-7	-18
Additions during the period	2,120	2,827
Acquisition of business unit	0	0
Disposals during the period	0	0
Transfer to assets	0	0
Acquisition cost at the end of the period	**82,925**	**80,812**
Accumulated depreciations Jan. 1	-58,002	-53,767
Translation differences	6	-2
Depreciation for the period	-4,038	-4,233
Depreciations on disposals	0	0
Carrying amount at the end of the period	**20,891**	**22,810**

Leases

The Group had the following amounts of property, plant and equipment acquired by finance leases:

Machinery and equipment		
Acquisition cost	10,971	9,856
Accumulated depreciations	-9,356	-8,322
Carrying amount at the end of the period	1,615	1,533
Buildings and constructures		
Acquisition cost	1,835	1,826
Accumulated depreciations	-1,214	-868
Carrying amount at the end of the period	621	958

Additions of property, plant and equipment include assets acquired by leases of EUR 1.1 million in 1.1.–31.12.2021 (EUR 1.4 million in 2020).

13. INTANGIBLE ASSETS

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Capitalized development expenses		
Acquisition cost Jan. 1	60,945	47,366
Additions during the period	7,009	13,579
Acquisition of business unit		
Acquisition cost at the end of the period	**67,954**	**60,945**
Accumulated depreciations Jan. 1	-14,385	-8,239
Depreciation for the period	-5,503	-6,145
Carrying amount at the end of the period	**48,067**	**46,560**
Intangible rights		
Acquisition cost Jan. 1	5,313	5,107
Additions during the period	406	206
Disposals during the period		
Acquisition of business unit		
Transfer to assets		
Acquisition cost at the end of the period	**5,719**	**5,313**
Accumulated depreciations Jan. 1	-4,335	-3,893
Depreciation for the period	-351	-442
Carrying amount at the end of the period	**1,032**	**978**
Customer relations and technology		
Acquisition cost Jan. 1	1,780	1,780
Acquisition of business unit		
Acquisition cost at the end of the period	**1,780**	**1,780**
Accumulated depreciations Jan. 1	-1,122	-888
Depreciation for the period	-234	-234
Carrying amount at the end of the period	**425**	**659**

Notes to the Consolidated Financial Statements

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Other intangible assets		
Acquisition cost Jan. 1	4,855	4,317
Translation differences	8	-9
Additions during the period	14	546
Transfer to assets		
Acquisition cost at the end of the period	**4,876**	**4,855**
Accumulated depreciations Jan. 1	-4,098	-3,747
Translation differences	-8	9
Depreciation for the period	-352	-360
Carrying amount at the end of the period	**418**	**757**
Intangible assets total		
Acquisition cost Jan. 1	72,893	58,570
Translation differences	8	-9
Additions during the period	7,429	14,332
Acquisition of business unit	0	0
Disposals during the period	0	0
Transfer to assets	0	0
Acquisition cost at the end of the period	**80,329**	**72,893**
Accumulated depreciations Jan. 1	-23,940	-16,767
Translation differences	-8	9
Depreciation for the period	-6,439	-7,181
Carrying amount at the end of the period	**49,943**	**48,953**
Goodwill		
Acquisition cost Jan. 1	5,807	5,825
Translation differences	16	-18
Additions during the period		
Disposals during the period		
Carrying amount at the end of the period	**5,823**	**5,807**

Impairment Test

The cash flow forecasts employed in impairment test calculations are based on the budgets for 2022 and the Long Range Plans (LRP) for 2023-2025 approved by management for the strategical period and management estimations for 2026. 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 income tax rate and target capital structure. WACC calculated according to these parameters amounted to 9.8% (9.8% in 2020).

In 2021 business did not reach the forecasted cash flow. This was mainly because of increase in working capital and slower than expected growth and profitability in the business. The growth in business was still delayd due to Covid-19-Pandemic and the global shortage of components during the fiscal year. That results with lower expectations of future operating cash flows.

The impairment test is done when needed, but at least once a year. Impairment tests made in December 2021 did not indicate need for impairment bookings. Recoverable amounts exceed significantly the book value of goodwill and other assets. The terminal value represents 81 % of business value. The growth in business was slower than expected due to Covid-19-Pandemic, which moves focus of forecasted net present value based cash flows 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 2021

In 2021 or oin the comparative period 2020 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 2021. 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 2021. 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	2021	2020
Shares in associated companies		
Coronaria Analyysipalvelut Oy	1,104	1,241
evismo AG	157	244
Other associated companies	22	22
Assets total	**1,283**	**1,507**
Coronaria Analyysipalvelut Oy		
Current assets	1,047	1,525
Non-current assets	1,523	1,216
Non-current liabilites	102	127
Turnover	5,563	5,315
Net profit	578	663
evismo AG		
Current assets	775	69
Non-current assets	72	74
Non-current liabilites	1,013	39
Turnover	361	215
Net profit	-264	-177
Shares in associated companies		
Acquisition cost Jan. 1	1,507	1,661
Translation differences	-6	0
Additions during the period	144	99
Disposals during the period	-363	-253
Carrying amount at the end of the period	**1,283**	**1,507**

Notes to the Consolidated Financial Statements

16. OTHER FINANCIAL ASSETS

1000 EUR	2021	2020
At 1 January	112	112
Additions		
Disposals		
At the closing date	**112**	**112**

17. DEFERRED TAX LIABILITIES AND ASSETS

1000 EUR	Jan. 1, 2021	Recognized in the income statement	Acquisitions and disposals of subsidiaries	Dec. 31, 2021
Deferred tax assets				
Unutilized losses in taxation	526			526
Other items	5,435	784		6,219
Total	**5,961**	**784**	**0**	**6,745**

On December 31, 2021 the Group had 69.2 million euros tax losses and non-depreciated depreciations of which it had not booked deferred tax receivables in full amount due to the uncertainty of the future profits, their timing, taxation or location. The amount of these non booked deferred tax receivables is approximately 13.8 million euros. The aging of these tax losses begins from year 2022.

1000 EUR	Jan. 1, 2021	Recognized in the income statement	Acquisitions and disposals of subsidiaries	Dec. 31, 2021
Deferred tax liabilities				
Customer and technology assets	273	-64	0	208
Total	**273**	**-64**	**0**	**208**

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

On December 31, 2020 the Group had 72.8 million euros tax losses and non-depreciated depreciations of which it had not booked deferred tax receivables in full amount due to the uncertainty of the future profits, their timing, taxation or location. The amount of these non booked 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
Deferred tax liabilities				
Customer and technology assets	337	-64	0	273
Total	**337**	**-64**	**0**	**273**

Notes to the Consolidated Financial Statements

18. INVENTORIES

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Raw materials and supplies	15,326	13,419
Work in progress	2,145	4,785
Finished products	1,133	2,065
Other inventories	233	669
Total	**18,837**	**20,939**

19. TRADE AND OTHER RECEIVABLES (CURRENT)

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Non-current receivables	1,081	1,207
Non-current receivables total	**1,081**	**1,207**
Current receivables:		
Trade receivables	34,536	20,486
Receivables from construction contracts	1,421	2,540
Prepaid expenses and accrued income	2,272	2,047
Other receivables	1,167	1,008
Current receivables total	**39,396**	**26,080**

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 0.6 million (EUR 0.0 million 2020).

Age distribution of accounts receivable		
Current	32,614	18,417
Aged Overdue Amounts		
0-3 months	1,770	1,529
4-6 months	107	19
7-12 months	44	218
> 12 months	0	302
Total	**34,536**	**20,486**

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Interest rate funds		
Balance sheet value on Jan. 1	5,689	5,675
Disposals		
Changes in fair value	44	14
Balance sheet value at the end of the period	**5,732**	**5,689**
Financial assets at fair value through profit or loss total		
Balance sheet value on Jan. 1	5,689	5,675
Disposals		
Changes in fair value	44	14
Balance sheet value at the end of the period	**5,732**	**5,689**

21. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits	16,306	18,968
Total	**16,306**	**18,968**
Cash and cash equivalents at consolidated cash flow statement consist of:		
Interest rate funds	5,732	5,689
Cash and short-term deposits	16,306	18,968
Total	**22,039**	**24,657**

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, 2020	35,693	12,941	0	25,953	38,894
On December 31, 2021	35,702	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 35,702,264. 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 exhange differences arising from the transition of the financial statements of foreign subsidiaries.

Dividends
The Board of Directors proposes that the Annual General Meeting resolve to pay EUR 0,04 per share as dividend based on the adopted balance sheet for the financial period of January 1, 2021–December 31, 2021.

23. SHARE-BASED PAYMENT PLANS

Share-based Remuneration of the Board of Directors
During the financial year 2021 the group has paid a part of the total remuneration of the board of directors of Bittium Corporation by the shares of Bittium. The shares were acquired from the stock exchange. The main terms of the remunaration arrangment are presented in the table below.

Share-based Remuneration of the Board of Directors

Form of the reward	Shares
Grant date	May 14, 2021
Total amount of the executed shares	8,655
Share price at the grant date, EUR	6.57
Total expenses of the reward, EUR million	0.057
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
During the financial year 2021 the group has paid share-based incentive scheme remunaration for the Management of Bittium Corporation by the shares of Bittium. The half of the remunation was paid by cash and half by the new shares issued in directed share issue without consideration. The main terms of the remunaration arrangment are presented in the table below.

Share-based Remuneration of the Management, PSP 2020–2022

Form of the reward	Shares
Grant date	March 24, 2021
Total amount of the executed shares	9,098
Share price at the grant date, EUR	6.40
Total expenses of the reward, EUR million	0.1
Vesting conditions	Ownership of the shares was transferred to the recipients at once but the recipients have agreed the lock-up undertaking for two years.
Execution	In shares and in cash

Share-based Remuneration of the Management, PSP 2021–2023

The Management of Bittium group has a Share-Based Incentive Scheme. 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	February 10, 2021
Total amount of the shares at the most	111,900
Share price at the grant date, EUR	6.87
Total expenses of the reward at the most, EUR million	0.8
Execution	In shares and in cash

Notes to the Consolidated Financial Statements

Share-based Remuneration of the Board of Directors

During the financial year 2020 the group has paid a part of the total remuneration of the board of directors of Bittium Corporation by the shares of Bittium. The shares were acquired from the stock exchange. The main terms of the remunaration arrangment 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

Share-based Remuneration of the Management , PSP 2020–2022

The Management of Bittium group has a Share-Based Incentive Scheme. 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	0.6
Vesting conditions	Ownership of the shares was transferred to the recipients at once but the recipients have agreed the lock-up undertaking for two years.
Execution	In shares and in cash

24. PROVISIONS

1000 EUR	Guarantee provisions	Expected credit losses	Others	Total
December 31, 2020	2,379	202	0	2,580
Increase in provisions	1,223	117		1,340
Utilized provisions	-168			-168
Reversal of untilized provisions	-229			-229
December 31, 2021	**3,205**	**319**	**0**	**3,523**
Current provisions	3,205	319	0	3,523
Total	**3,205**	**319**	**0**	**3,523**

25. FINANCIAL LIABILITIES

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Non-current loans		
Non-current loans from financial institutions	20,000	20,000
Finance lease liabilities	1,111	1,391
Total	**21,111**	**21,391**
Current loans		
Lease liabilities	1,152	1,130
Total	**1,152**	**1,130**
Repayment schedule of long-term loans:		
2022		761
2023	640	296
2024	20,263	20,171
2025	122	83
Later	86	81
Total	**21,111**	**21,391**

Notes to the Consolidated Financial Statements

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

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
EUR	21,111	21,391
Total	**21,111**	**21,391**

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

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
EUR	1,152	1,098
MXN		32
Total	**1,152**	**1,130**

Maturities of the finance lease liabilities:

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Lease liabilities - Minimum lease payments		
Within one year	1,190	1,176
After one year but no more than five years	1,060	1,350
After five years	100	104
Lease liabilities - Present value of minimum lease payments	2,263	2,521
Within one year	1,152	1,130
After one year but no more than five years	1,033	1,311
After five years	78	81
Future finance charges	86	108
Total amount of finance lease liabilities	2,350	2,630

26. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

1000 EUR	Jan. 1, 2021	Cash flows	New leases	Dec 31, 2021
Lease and financing contracts	22,521	-1,375	1,117	22,263
Total	**22,521**	**-1,375**	**1,117**	**22,263**

27. TRADE AND OTHER PAYABLES

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Non-current liabilities		
Other non-current liabilities, non-interest bearing		
Non-current advances received		
Other non-current liabilities, non-interest bearing	200	281
Total	**200**	**281**
Current liabilities		
Trade and other payables		
Trade liabilities	3,997	6,028
Accrued liabilities, deferred income	10,396	8,434
Other liabilities	8,746	3,669
Total	**23,140**	**18,131**

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 taking into account the maturities of the loans.

Financial liabilities at fair value through profit or loss		
Liabilities based on derivates		
Balance sheet value on Jan. 1		
Changes in fair value		
Balance sheet value at the end of the period	**0**	**0**

Notes to the Consolidated Financial Statements

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 2021. At the end of the financial period the counter value of the hedged net position was EUR 5.0 million. During the financial year the amount of the hedged position has been changing between EUR 0.6–5.0 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, 2021 was EUR 3.5 million (EUR 2.6 million in 2020) from which dollar denominated equities of foreign subsidiaries was EUR 3.2 million (EUR 2.3 million in 2020).

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	2021	2020
Forward contracts		
Market value	21	17
Nominal value	5,000	600

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

1000 EUR	2021	2020
Long-term assets	0	0
Long-term liabilities	0	0
Current assets	8,688	4,590
Current liabilities	5,439	2,275

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.

	Changes in income statement before tax		Changes in equity before tax	
1000 EUR	2021	2020	2021	2020
EUR appreciates	-300	-200	-300	-200
EUR depreciates	400	300	400	300

Notes to the Consolidated Financial Statements

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	2021	2020
Fixed interest rate debts	2,263	2,521

The table below describes the interest rate risk of debts should there have been a ±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.

	Changes in income statement before tax		Changes in equity before tax	
1000 EUR	2021	2020	2021	2020
Loan stock January, 1	22 500	22 600		
Loan stock December, 31	22 300	22 500		
Average loan stock	22 400	22 600		
Change in interest	+/- 200	+/- 200	+/- 200	+/- 200

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 liquid 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.

	2021	2020
Stock shares	0.0%	0.0%
Bonds	46.1%	69.3%
Money market investments	53.9%	30.7%
Total	**100.0%**	**100.0%**

The combined value of the above instruments during the financial period has been approximately 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.

The table below describes the price risk of the investments if they had exhibited a ±1% change in a market rate of interest, other variables remain-ing 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.

	Changes in income statement before tax		Changes in equity before tax	
1000 EUR	**2021**	**2020**	**2021**	**2020**
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 it's deposit, financial investment and hedging activities Bittium operates only with well-known partners who have good credit rating.

About 89% 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 0.0 million which represents approximately 0.1% of the total accounts receivable.

During the past financial year the amount of recognized credit losses was approximately EUR 0.6 million (EUR 0.0 million in 2020). The amount of loans granted to affiliated companies were EUR 0.0 million at the end of 2021 (EUR 0.0 million in 2020). Group did not have capital loans granted outside of the Group at the end of 2021 (EUR 0.0 million in 2020).

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 2021 was EUR 0.2 million (EUR -2.1 million in 2020) and net gearing was 0.2% (-1.9% in 2020). The Group's solvency ratio at the end of 2021 was 72.4% (73.1% in 2020).

Notes to the Consolidated Financial Statements

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 2021	Fair value 2021	Book value 2020	Fair value 2020
Financial assets					
Other financial assets	16	112	112	112	112
Deferred tax assets	17	6,745	6745	5,961	5,961
Non-current receivables	19	1,081	1,081	1,207	1,207
Trade receivables and other receivables	19	39,396	39,396	26,080	26,080
Financial assets at fair value through profit or loss	20	5,732	5,732	5,689	5,689
Cash and cash equivalents	21	16,306	16,306	18,968	18,968
Currency forwards	20	21	21	17	17
Financial liabilities					
Bank loans	25	20,000	20,000	20,000	20,000
Finance lease liabilities	25	2,263	2,263	2,521	2,521
Trade payables and other debts	17, 24, 26	27,072	27,072	21,265	21,265
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; instruments 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.

29. ADJUSTMENTS TO NET CASH FROM OPERATING ACTIVITIES

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Business transactions without payments		
Depreciations	10,452	11,400
Share of profits in associated companies	90	-33
Other adjustments	1,476	690
Total	**12,018**	**12,056**

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, 2021	Dec. 31, 2020
Not later than one year	34	54
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 1st of January 2019. According to the standard in principle all lease contracts of the Group are recognized as assets and liabilities in Group's Balance Sheet.

Notes to the Consolidated Financial Statements

31. SECURITIES AND CONTINGENT LIABILITIES

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
Against own liabilities		
Floating charges		
Guarantee limits	3,032	117
Other contractual liabilities		
Falling due in the next year	1,427	2,281
Falling due after one year	1,368	1,175
Mortgages are pledged for liabilities totaled		
Other liabilities (guarantees issued)		
Material purchase commitments	18,240	11,483

32. RELATED PARTY DISCLOSURES

The Group has the following structure:	Country of incorporation	Owned by Parent %	Owned by Group %
Parent			
Bittium Oyj	Finland		
Subsidiaries			
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		2021	2020
Associated companies			
	Net sales	1 121	493
	Receivables	1,483	1,458
	Debts	250	300

1000 EUR	2021	2020
Employee benefits for key management		
Salaries and remuneration		
Managing director of the parent		
Hannu Huttunen 1.1.–31.12.2020, 1.1.–31.12.2021	280	241
Total	**280**	**241**
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.–31.12.2020, 1.1.–31.12.2021	30	31
Riitta Tiuraniemi 1.1.–31.12.2020, 1.1.–31.12.2021	21	20
Pekka Kemppainen 1.1.–31.12.2020, 1.1.–31.12.2021	17	18
Petri Toljamo 1.1.–15.6.2020, 14.4.–31.12.2021	14	6
Juha Putkiranta 1.1.–31.12.2020, 1.1.–14.04.2021	5	22
Seppo Mäkinen 1.1.–31.12.2020, 1.1.–14.04.2021	5	20
Veli-Pekka Paloranta 15.6.2020–31.12.2020, 1.1.–31.12.2021	20	10
Total	**112**	**127**
Share-based incentives		
Board of Directors	174	88
Management	117	0
Total	**291**	**88**
There have not been any business transactions or open balances between the related parties.		
Members of the group executive board	**1,044**	**1,064**

Loans and guarantees to related party

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

Notes to the Consolidated Financial Statements

33. KEY RATIOS

	IFRS 2021	IFRS 2020	IFRS 2019	IFRS 2018	IFRS 2017
INCOME STATEMENT, MEUR					
Net sales, MEUR	86.9	78.4	75.2	62.8	51.6
Net sales change, %	10.8	4.2	19.7	21.7	-19.6
Operating profit/loss, MEUR	3.2	2.1	6.3	2.8	-6.2
% of net sales	3.7	2.7	8.4	4.5	-12.0
Profit/loss for continuing operations before taxes, MEUR	2.5	1.6	5.9	2.7	-5.8
% of net sales	2.9	2.1	7.9	4.3	-11.3
Profit for the year from continuing operations, MEUR	3.3	2.2	7.6	4.0	-4.8
% of net sales	3.8	2.8	10.2	6.4	-9.2
Profit after tax for the year from discontinued operations, MEUR					1.7
% of net sales	0.0	0.0	0.0	0.0	3.2
Profit for the year attributable to equity holders of the parent, MEUR	3.3	2.2	7.6	4.0	-3.1
% of net sales	3.8	2.8	10.2	6.4	-6.0
BALANCE SHEET, MEUR					
Non-current assets	85.9	86.4	80.5	65.9	46.7
Inventories	18.8	20.9	18.2	14.6	10.6
Current assets	61.4	50.7	55.6	51.9	81.1
Shareholders' equity	116.8	114.2	112.3	110.0	116.7
Non-current liabilities	21.5	21.9	22.1	1.9	1.5
Current liabilities	27.8	21.8	19.9	20.5	20.2
Balance sheet total	166.1	158.0	154.2	132.4	138.4

	IFRS 2021	IFRS 2020	IFRS 2019	IFRS 2018	IFRS 2017
PROFITABILITY AND OTHER KEY FIGURES					
Return on equity % (ROE)	2.9	1.9	6.9	3.6	-3.9
Return on investment % (ROI)	2.3	1.6	5.0	3.7	-4.5
Interest-bearing net liabilities, (MEUR)	0.2	-2.1	-12.6	-29.4	-61.7
Net gearing, %	0.2	-1.9	-11.2	-26.7	-52.9
Equity ratio, %	72.4	73.1	73.4	84.7	85.6
Gross investments, (MEUR)	9.6	17.4	21.3	21.2	20.1
Gross investments, % of net sales	11.1	22.2	28.3	33.8	38.8
R&D costs, (MEUR)	19.8	22.8	25.1	21.6	15.0
R&D costs, % of net sales	22.8	29.1	33.4	34.4	29.1
Average personnel during the period, parent and subsidiaries	664	673	665	660	614
STOCK-RELATED FINANCIAL RATIOS					
Earnings per share from continuing operations, EUR					
Basic earnings per share	0.093	0.061	0.214	0.113	-0.133
Diluted earnings per share	0.093	0.061	0.214	0.113	-0.133
Earnings per share from discontinued operations, EUR					
Basic earnings per share					0.046
Diluted earnings per share					0.046
Earnings per share from continuing and discontinued operations, EUR					
Basic earnings per share	0.093	0.061	0.214	0.113	-0.087
Diluted earnings per share	0.093	0.061	0.214	0.113	-0.087
Equity per share, EUR	3.27	3.20	3.15	3.08	3.27
Dividend per share EUR *)	0.04	0.03		0.15	0.3
Dividend per earnings, %	43.0	50.9		133.0	-344.6
P/E ratio	56.9	94.8	30.4	67.5	-64.9
Effective dividend yield, %	0.8	0.5		2.0	5.3
Market values of shares (EUR)					
Highest	7.89	7.67	8.03	8.10	7.88
Lowest	4.93	3.40	5.91	4.71	5.55
Average	6.18	5.74	6.70	5.98	6.55
At the end of period	5.30	5.79	6.50	7.61	5.65
Market value of the stock, (MEUR)	189.2	206.7	232.0	271.6	201.7
Trading value of shares					
MEUR	83.2	117.9	51.5	75.4	83.1
1000 PCS	13,464	20,557	7,689	12,608	12,684
Related to average number of shares %	37.7	57.6	21.5	35.3	35.5
Adjusted number of the shares at the end of the period (1000 PCS)	35,702	35,693	35,693	35,693	35,693
Adjusted number of the shares average for the period (1000 PCS)	35,700	35,693	35,693	35,693	35,693
Adjusted number of the shares average for the period diluted with stock options (1000 PCS)	35,700	35,693	35,693	35,693	35,693

*) Proposal of the Board of Directors for 2021.

Notes to the Consolidated Financial Statements

CALCULATION OF KEY RATIOS

Return on equity % (ROE)

$$= \frac{\text{Profit for the year x 100}}{\text{Total equity (average for the accounting period)}}$$

Return on investment % (ROI)

$$= \frac{\text{Profit before tax + interest and other financial expenses x 100}}{\text{Balance sheet total - interest-free liabilities (average for the accounting period)}}$$

Net gearing, %

$$= \frac{\text{Interest-bearing liabilities - cash and cash equivalents x 100}}{\text{Total equity}}$$

Equity ratio, %

$$= \frac{\text{Total equity x 100}}{\text{Balance sheet total - advances received}}$$

Earnings per share

$$= \frac{\text{Profit attributable to equity holders of the parent}}{\text{Share issue adjusted number of the shares average for the period}}$$

Equity per share

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

Dividend per share

$$= \frac{\text{Dividend for the period (Board's proposal) per share}}{\text{Adjustment coefficient of post-fiscal share issues}}$$

Dividend per earnings, %

$$= \frac{\text{Dividend per share x 100}}{\text{Earnings per share}}$$

P/E ratio

$$= \frac{\text{Share issue adjusted share price at the end of the period}}{\text{Earnings per share}}$$

Effective dividend yield, %

$$= \frac{\text{Dividend per share x 100}}{\text{Share issue adjusted share price at the end of the period}}$$

34. SHAREHOLDINGS AND SHARES

Breakdown of Shares by Shareholding, December 31, 2021

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1 - 100	9,807	45.3	444,749	1.2
101 - 500	6,760	31.2	1,781,239	5.0
501 - 1000	2,172	10.0	1,709,143	4.8
1001 - 5000	2,182	10.1	4,901,504	13.7
5001 - 10000	371	1.7	2,698,400	7.6
10001 - 50000	302	1.4	5,956,743	16.7
50001 - 100000	32	0.1	2,129,711	6.0
100001 - 500000	30	0.1	7,344,977	20.6
500001 - 999999999999	7	0.0	8,735,798	24.5
Total	**21,663**	**100.0**	**35,702,264**	**100.0**
Nominee-registered	10		989,609	2.8

Breakdown of Shareholders by Shareholder Type, December 31, 2021

Shareholders by shareholder type	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
Non-financial corporations	514	2.4	3,720,191	10.4%
Financial sector and insurance corporations	22	0.1	2,573,954	7.2%
General government	5	0.0	3,162,817	8.9%
Non-profit institutions	24	0.1	108,824	0.3%
Households	21,010	97.0	25,073,648	70.2%
Foreign owners	78	0.4	73,221	0.2%
Nominee-registered shares	10	0.0	989,609	2.8%
Total	**21,663**	**100.0**	**35,702,264**	**100.0%**

Notes to the Consolidated Financial Statements

Major Shareholders, December 31, 2021

	Number of shares	Percentage of shares and votes
Number of shares total	**35,702,264**	**100.0**
1. Veikkolainen Erkki, Chairman of the Board	1,741,908	4.9
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. OP-Suomi Mikroyhtiöt Speicial Investment Fund	752,757	2.1
7. Hilden Kai	658,000	1.8
8. Special Investment Fund Aktia Mikromarkka	500,000	1.4
9. ELO Mutual Pension Insurance Company	500,000	1.4
10. Citibank Europe Plc	479,789	1.3
Total	**10,215,587**	**28.6**
Others (incl. nominee-registered shares)	25,486,677	71.4
The Board and CEO		
Veikkolainen Erkki, Chairman of the Board	1,741,908	4.9
Kemppainen Pekka, Member of the Board	3,655	0.0
Mäkinen Seppo, Member of the Board until April 14, 2021	0	0.0
Paloranta Veli-Pekka, Member of the Board	3,891	0.0
Putkiranta Juha, Member of the Board until April 14, 2021	0	0.0
Tiuraniemi Riitta, Member of the Board	10,626	0.0
Toljamo Petri, Member of the Board, from April 14, 2021 onwards	1,505	0.0
Huttunen Hannu, CEO	16,142	0.0
	1,777,727	**5.0**

Income Statement, Parent

1000 EUR	Notes	2021	2020
NET SALES	1, 2	**808**	**894**
Other operating income	3	0	0
Personnel expenses	4	-1,177	-1,293
Depreciation and reduction in value	5	-14	-13
Other operating expenses	6	-823	-767
OPERATING PROFIT		**-1,205**	**-1,178**
Financial income and expenses	7	1,335	1,398
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**131**	**221**
Appropriations	8	**0**	**2,000**
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**131**	**2,221**
Taxes	9	**-3**	**0**
NET PROFIT FOR THE FINANCIAL YEAR		**127**	**2 221**

Balance Sheet, Parent

1000 EUR	Notes	Dec. 31, 2021	Dec. 31, 2020
ASSETS			
Non-current assets			
Intangible assets	9	87	93
Tangible assets	10	71	71
Investments	11	39,750	39,750
Non-current assets total		39,908	39,914
Current assets			
Receivables			
Current receivables	12	98,508	92,939
Receivables total		98,508	92,939
Financing securities	13	5,732	5,689
Cash and bank deposits		9,957	16,243
Current assets total		114,198	114,871
TOTAL ASSETS		**154,105**	**154,785**
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity	14		
Share capital		12,941	12,941
Invested non-restricted equity fund		25,953	25,953
Retained earnings		91,916	90,806
Net profit/loss for the year		127	2,221
Shareholders' equity total		130,938	131,921
Provisions	15		
Provisions, non-current			
Provisions, current			
Liabilities	16		
Non-current liabilities		20,000	20,000
Current liabilities		3,167	2,864
Liabilities total		23,167	22,864
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL		**154,105**	**154,785**

Cash Flow, Parent

1000 EUR	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) before taxes +/-	131	2,221
Adjustments		
Depreciation according to plan +	14	13
Effects of non-cash business activities	0	-2 136
Financial income and expenses +/-	-1,335	-1,398
Cash flow before change in net working capital	-1,191	-1,300
Change in net working capital		
Change in interest-free short-term receivables	40	94
Change in interest-free short-term payables	-68	-109
Cash flow before financing activities	-1,219	-1,316
Interest paid -	-773	-568
Dividends received +	0	0
Interest received +	2,105	1,966
Net cash from operating activities	**113**	**82**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets -	-8	-14
Net cash used in investing activities	**-8**	**-14**
CASH FLOW FROM FINANCIAL ACTIVITIES		
Change in interest-free short-term financial receivables in Group	-7,610	-20,674
Change in interest-free short-term financial payables in Group	372	-1,210
Received Group contributions	2,000	11,100
Dividend paid and capital repayment	-1,110	0
Net cash used in financial activities	**-6,348**	**-10,784**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-6,243**	**-10,716**
Cash and cash equivalents at beginning of period	21,932	32,648
Cash and cash equivalents at end of period	15,690	21,932
Change in cash and cash equivalents in balance sheet	-6,243	-10,716

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

Accounting Principles for the Preparation of Financial Statements, Parent Company

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	2021	2020
1. NET SALES BY SEGMENTS		
Other functions	808	894
Total	**808**	**894**
2. NET SALES BY MARKET AREAS		
Europe	691	809
Americas	117	85
Asia		
Total	**808**	**894**
3. OTHER OPERATING INCOME		
Other operating income	0	0
Total	**0**	**0**
4. NUMBER OF PERSONNEL AND PERSONNEL EXPENSES		
Average number of personnel during the period		
Other functions	7	8
Total	**7**	**8**
Number of personnel at the end of the year	7	8
Personnel expenses *		
Management salaries	320	241
Board of Directors	169	214
Other salaries and wages	551	678
Total	**1,040**	**1,133**
Pension expenses	117	140
Other social expenses	20	20
Total	**1,177**	**1,293**

* The Board of Directors salaries include the share-based compensation.

	2021	2020
5. DEPRECIATION AND REDUCTION IN VALUE		
Intangible rights	14	13
Other capitalized long-term expenditures	0	0
Machinery and equipment	0	0
Total	**14**	**13**

Notes to the Financial Statements of the Parent Company

1000 EUR	2021	2020
6. OTHER OPERATING CHARGES		
IT equipment and SW expenses	42	78
Premises expenses	17	17
Administrative services	292	263
Travel expenses	14	21
Voluntary staff expenses	14	13
Other business expenses	444	376
Total	**823**	**767**
Auditor's charges		
Auditing	28	23
Tax advice	0	2
Other services	2	0
Total	**30**	**25**
7. FINANCIAL INCOME AND EXPENSES		
Income from investments		
From Group companies		
From others	48	143
Total	**48**	**143**
Other interest and financial income		
From Group companies	2,005	1,717
From others	43	107
Total	**2,048**	**1,824**
Other interest and financial expenses		
To Group companies	0	0
To others	761	569
Total	**761**	**569**
Reduction in value of investment	0	0
Net financial income and expenses	**1,335**	**1,398**
Net financial income and expenses including exchange gains and losses	-13	-24
8. APPROPRIATIONS		
Received Group contributions	0	2,000

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
9. INTANGIBLE ASSETS		
Intangible rights		
Acquisition cost Jan. 1	334	320
Investments during the period	6	14
Disposals during the period		
Acquisition cost at the end of the period	**340**	**334**
Accumulated depreciations Jan. 1	-241	-228
Depreciation for the period	-14	-13
Book value at the end of the period	**86**	**93**
Other capitalized long-term expenditures		
Acquisition cost Jan. 1	6	6
Investments during the period		
Acquisition cost at the end of the period	**6**	**6**
Accumulated depreciations Jan. 1	-6	-6
Depreciation for the period		
Book value at the end of the period		
Intangible assets total		
Acquisition cost Jan. 1	340	340
Investments during the period	6	14
Acquisition cost at the end of the period	**347**	**354**
Accumulated depreciations Jan. 1	-247	-247
Depreciation for the period	-14	-13
Book value at the end of the period	**86**	**94**

Notes to the Financial Statements of the Parent Company

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
10. TANGIBLE ASSETS		
Machinery and equipment		
Acquisition cost Jan. 1	6	6
Investments during the period		
Disposals during the period		
Acquisition cost at the end of the period	**6**	**6**
Accumulated depreciations Jan. 1	-5	-5
Depreciation for the period	0	0
Book value at the end of the period	**0**	**0**
Other tangible assets		
Acquisition cost Jan. 1	71	71
Acquisition cost Dec. 31	**71**	**71**
Book value at the end of the period	**71**	**71**
Tangible assets total		
Acquisition cost Jan. 1	77	77
Investments during the period		
Acquisition cost at the end of the period	**77**	**77**
Accumulated depreciations Jan. 1	-5	-5
Depreciation for the period	0	0
Book value at the end of the period	**71**	**71**
11. INVESTMENTS		
Investments in subsidiaries		
Acquisition cost Jan. 1	39,749	39,749
Book value at the end of the period	**39,749**	**39,749**
Investments in other shares		
Acquisition cost Jan. 1	1	1
Book value at the end of the period	**1**	**1**
Investments total		
Acquisition cost Jan. 1	39,750	39,750
Book value at the end of the period	**39,750**	**39,750**

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
12. CURRENT RECEIVABLES		
Accounts receivable		
From Group companies	1	27
Total	**1**	**27**
Other receivables		
From Group companies	98,455	90,845
From others	25	15
Total	**98,480**	**90,860**
Prepaid expenses and accrued income		
From Group companies	0	2,000
From others	27	51
Total	**27**	**2,051**
Current receivables total	**98,508**	**92,939**

13. FINANCING SECURITIES

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

Financial assets at fair value through profit or loss	5,732	5,689

14. SHAREHOLDERS' EQUITY

Share capital at the beginning of the period	12,941	12,941
Share capital at the end of the period	**12,941**	**12,941**
Invested unrestricted equity fund at the beginning of the period	25,953	25,953
Share issue		
Invested unrestricted equity fund at the end of the period	**25,953**	**25,953**
Retained earnings at the beginning of the period	91,916	90,806
Dividend distribution	0	0
Net profit for the period	127	2,221
Retained earnings at the end of the period	**92,044**	**93,026**
Distributable earnings at the end of the period	117,997	118,980
Shareholders' equity total	**130,938**	**131,921**

Notes to the Financial Statements of the Parent Company

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
15. PROVISIONS		
Provisions		
Provisions, current		
Total		
16. LIABILITIES		
Current liabilities		
Accounts payable		
To Group companies	7	0
To others	30	77
Total	**37**	**77**
Other short-term liabilities		
To Group companies	2,822	2,450
To others	33	35
Total	**2,854**	**2,485**
Accrued expenses and deferred income		
To others	276	303
Total	**276**	**303**
Current liabilities total	**3,167**	**2,864**

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
17. SECURITIES AND CONTINGENT LIABILITIES		
On behalf of Group companies		
Guarantee limits	3,032	117
of which guarantees in use total		
Leasing liabilities		
Falling due in the next year	1,113	1,133
Falling due after one year	1,072	1,318
Rental liabilities		
Falling due in the next year	9	8
Contractual liabilities		
Falling due in the next year	13	32
Falling due in 1–5 years		

1000 EUR	Dec. 31, 2021	Dec. 31, 2020
18. NOMINAL VALUE OF CURRENCY DERIVATES		
Foreign exchange forwards		
Market value	21	17
Nominal value	5,000	600

	Owned by Parent, %	Owned by Group, %	Book value 1000 EUR
19. SHARES AND HOLDINGS			
Subsidiaries			
Bittium Technologies Oy	100.00	100.00	39,749
Other holdings by Parent			
Partnera Oy			

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, 2021, the distributable assets of the parent company are EUR 117,996,832.83 of which the profit of the financial year is EUR 127,479.11.

The Board of Directors proposes that the Annual General Meeting to be held on April 6, 2022 resolve to pay EUR 0.04 per share as additional dividend based on the adopted balance sheet for the financial period of January 1, 2021–December 31, 2021.

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 9, 2022

Erkki Veikkolainen
Chairman of the Board

Pekka Kemppainen
Member of the Board

Veli-Pekka Paloranta
Member of the Board

Riitta Tiuraniemi
Member of the Board

Petri Toljamo
Member of the Board

Hannu Huttunen
CEO

Auditor's Note

Auditor's Report has been issued today.

In Oulu February 9, 2022

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, 2021. 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 aisa 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	HOW OUR AUDIT ADDRESSED THE 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 2021 the revenue recognized from these projects was 9.2 million euro, which is 11 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.	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 • tests of the notes of revenue recognized.

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 continue 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 materialmisstatement 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 east 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 regarding 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 20 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 9, 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

Bittium

Connectivity to be trusted.
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