

2 May 2013

BATM Advanced Communications Limited
(“BATM” or “the Group”)

Interim Management Statement

BATM Advanced Communications Limited (LSE: BVC; TASE: BATM), a leading provider of real-time technologies for the networked telecoms and medical laboratory equipment markets, announces its interim management statement for the period from 1 January 2013 to 31 March 2013.

Trading update

Total revenues in the first quarter of 2013 were \$27.9 million compared with \$24.9 million for the equivalent period in 2012, reflecting revenue growth in both the Telecom and Medical divisions, and excluding revenues from the discontinued legacy telecom business.

During the first quarter of the year, the sales mix consisted of 50% from the Telecom division and 50% from the Medical division compared with 52% and 48% respectively in the first quarter of 2012, highlighting the growing contribution of the Medical business. The blended gross margin for the quarter was 34.2%, similar to the first quarter of 2012 and higher than the gross margin for full year 2012 of 33.3%.

Financial position

The Group’s balance sheet remains strong with an effective cash balance of \$42.2m as of 31 March 2013 (31 December 2012: \$46.2m; 31 March 2012: \$42.7m). The sequential decline reflects normal seasonality with the purchase of new components at the start of the calendar year.

Telecom division

The results reflect the return to what the Group believes to be sustainable growth of the Telecom division. The increased focus on direct sales channels, as mentioned previously, resulted in BATM winning several new contracts in America, Asia and Europe. In the US, BATM secured its first significant order for its T-8000 platform with Global Capacity, a telecommunications information and logistics company. Global Capacity selected the Group’s T-Metro 8006 service aggregation and cloud gateway platform and EdgeGenie service management solutions to play a central piece in its inter-carrier Ethernet connect system. BATM entered a new, growth market in Asia with the Group’s advanced MPLS solution being selected for networking the libraries, administration buildings and city-wide video surveillance (CCTV) of Yongin, a South Korean city. In Europe, the Group won a contract with Witcom, an established regional telecommunications provider in Germany that covers multiple major metro areas including Frankfurt, Mainz and Wiesbaden. The Group’s solution provides Witcom with an SDH replacement system allowing for future growth, new services, and improved security and traffic engineering while maintaining performance. The provision of these end-to-end MPLS to the edge solutions is in-line with the Group’s previously stated strategy for the Telecom division to offer a complete solution for Carrier Ethernet Access, following the successful launch of the EdgeGenie service management system in 2012.

During the quarter, through its wholly-owned Telco Systems subsidiary, BATM received Metro Ethernet Forum (“MEF”) Carrier Ethernet 2.0 certification based on its Carrier Ethernet/MPLS solutions. The Group

was one of the first 20 organisations globally to receive this prestigious accreditation. The MEF certification program, which covers equipment, services and professionals, is the telecommunication industry's reference for Carrier Ethernet excellence.

Medical division

The Medical division made significant progress during the quarter, with revenues in the diagnostics and sterilization segments increasing by 34% and 28% respectively compared with the same period of the prior year, and with new clients in Russia, China, Vietnam and Chile. The increased revenue from the diagnostics and sterilization businesses reflects the roll-out of the Group's strategy to focus on the sale of its own products following the receipt of several certifications last year.

In the diagnostics business, the Group shipped 39 units of its closed system, Eclectica, where BATM provides both the instrument and its related reagents. This is the highest ever number of quarterly units and compares with 23 units for the final quarter of 2012. BATM expects the increase of Eclectica systems in the market to result in greater sales of its own internally manufactured reagents, which will have a positive impact on the Group's gross margin.

BATM continued to increase the installations of its Integrated Sterilizer and Shredder ("ISS") systems in the sterilization business. In addition, significant progress was made towards the receipt of certification of one of the Group's solutions in the US, through its OEM agreement with a leading sterilization manufacturer, with the Group shipping the first units for field testing as part of the FDA approval process.

Outlook

The Group has made a strong start to the year, with a number of developments in both the Telecom and Medical divisions reaffirming the stated strategy. The Telecom division continues to grow and the Group expects to benefit, in particular, from increasing contributions from direct sales of its MPLS solutions. In the Medical division, demand for the Group's medical waste products is growing and the diagnostics business is expected to increase its revenue contribution following the receipt of certifications. In addition, the distribution business is expected to continue to grow (albeit as a smaller proportion of Group revenues) as it expands its reach in Eastern Europe. As a result, the Board feels confident of delivering, as expected, revenue growth for full year 2013 and significantly higher profits than in 2012.

Enquiries

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