

12 August 2013

BATM Advanced Communications Limited
("BATM" or the "Group")

Interim results for six months ended 30 June 2013

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 results for the six months ended 30 June 2013.

Financial Summary

- Revenue of \$56.8m (H1 2012: \$56.1m)
- Gross profit of \$20.2m (H1 2012: \$19.2m) – an improved gross margin of 35.6% (H1 2012: 34.2%)
- Gross operating profit of \$0.08m (H1 2012: \$0.85m)(being operating losses excluding amortisation of intangibles)
- Net loss for the period was \$1.7m (H1 2012: \$0.3m loss) after net finance costs of \$0.5m (H1 2012: \$0.9m net finance income) comprising predominantly of adverse foreign currency movements
- Basic loss per share of 0.32¢ (H1 2012: 0.01¢ loss)
- As at 30 June 2013, the Group had cash and cash equivalents and deposits of \$44.5m (31 December 2012: \$46.2m; 30 June 2012: \$42.3m)

Operational Summary

- Telecom division:
 - Continued to grow compared with H1 2012 and contributed 55% of the Group's total sales
 - T-Metro 8000 platform and Edge Genie service management solution continue to increase contribution to revenues and profits
 - Gained additional customers for the new T-Metro 8006 cloud aggregator platform
 - Part of consortium awarded long-term contract by Israeli Electricity Corporation to build and roll-out a fiber optic network in Israel together with Cisco Systems
 - Completed sale of legacy business to a management led buy-out and re-integrated one product line back into the division's portfolio
- Medical division:
 - Continued year-on-year growth despite brief stall in Q2 2013 and contributed 45% of total sales
 - As stated in trading update of 6 June 2013, the failure of third-parties to supply components on time delayed fulfilment of orders
 - Diagnostics business:
 - Improved performance in sales and gross profit with 50 closed system machines sold in the first half of 2013
 - Revenues from sale of Eclectica reagents have already reached 74% of total achieved in 2012
 - Regular sales in major emerging markets, including China
 - Sterilisation business:
 - Over 100 units operating
 - Process to clear back orders in sterilisation business well underway
 - Patent received for Integrated Sterilizer and Shredder ("ISS") is being registered in several markets
 - Distribution business:
 - Trading has returned to normal after tight credit control forced the Group to stop supplies to certain major customers resulting in lower contribution to sales, as set out in trading update in June

Dr Zvi Marom, Chief Executive Officer of BATM, said:

“Despite the challenging trading conditions in many markets, we are pleased to report that BATM grew in both Telecom and Medical divisions in the first half of the year. The Telecom division continued to win new customers for its new flagship products and the main growth engine of the Medical division, the diagnostics business, continued to progress with regular sales in the major emerging markets including China.

“Looking ahead, the Telecom division is making good progress as revenues from the T-Metro 8000 platform continue to grow. The issues highlighted in our trading update in June are behind us with orders in the Medical division having normalised and are now being delivered according to our expectations. Also, in the Medical division, reliance on the distribution business continues to reduce as there is an increased contribution from the diagnostics business.

“As a result, for the full year 2013, the Group expects to achieve higher revenues and EBITDA than for 2012.”

Enquiries:

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|---|------------------|
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Conference call and Webcast presentation

Dr Zvi Marom, Chief Executive Officer, and Ofer Bar-Ner, Chief Financial Officer, will be hosting a live conference call and webcast presentation to review the BATM Interim Results 2013 at 9.30am BST today. The presentation can be viewed by via the ‘Webcasts and Presentations’ page on the Investor Relations section of the Group’s website: www.batm.com. To participate in the Q&A, analysts and investors must also dial into the conference call on the following numbers:

UK: 0808 237 0030

Israel: 03 720 8677

US: 718 8 873 9077

International: +44 203 139 4830

Passcode: 16174472#

A replay of the conference call will also be available. To access the replay, please dial +44 20 3426 2807 and enter passcode 641017#.

Operational Review

Revenues in the first half of 2013 were \$56.8m, reflecting an increase of 1% compared with the first half of 2012 (H1 2012: \$56.1m). The Group completed the disposal of the legacy business on the Telecom side and increased revenues from its own products on the Medical side.

Telecom Division

In H1 2013, there was a \$0.2m increase in revenues to \$31.1m as compared with H1 2012 (H1 2012: \$30.9m). Gross profit margins increased to 46% compared with 44% during H1 2012.

Operating profit, excluding amortization of intangible assets, for the first half of 2013 was \$1.5m (H1 2012: \$1.9m) as a result of higher research and development expenses due mostly to nil contribution from the Israeli Chief Scientist during the period (H1 2012: \$0.5m contribution from Israeli Chief Scientist).

Towards the end of the first half, the division announced that a consortium led by ViaEuropa and including BATM was selected to establish Israel's third communications infrastructure. The consortium will roll-out fiber optic cables on the electricity network of the Israeli Electricity Corporation ("IEC"). BATM will provide equipment for the fiber optic network together with Cisco Systems and others.

In March, the division was selected to provide a city-wide high speed fiber network in South Korea. Yongin, one of the fastest growing cities in South Korea with a population of almost one million, selected Telco Systems ("Telco"), the Group's wholly-owned subsidiary, to provide an end-to-end MPLS to the edge solution that includes the T-Marc demarcation product, T-Metro aggregation platform and Edge Genie service management system.

Prior to this, in January 2013, BATM announced that, through Telco, it received Carrier Ethernet 2.0 certification by the Metro Ethernet Forum (MEF). The Group is one of the first 20 organizations globally to receive this prestigious accreditation.

The division also completed the sale of the legacy business to a management team for no consideration. The Group agreed to re-integrate one of the product lines within this legacy business back into the Group's portfolio as its performance had exceeded expectations, and was a net contributor to the division's profits. It is expected that this product line's customers are likely to migrate to the Carrier Ethernet portfolio over time.

Medical Division

In H1 2013, revenues in the Medical division were 2% higher than the comparable period at \$25.6m (H1 2012: \$25.2m). The gross profit margin increased to 23% compared with 22% in H1 2012. Operating loss, excluding amortization of intangible assets, fell to \$1.4m in H1 2013 compared with an operating loss of \$1.1m during H1 2012, but improved markedly on the operating loss of \$2.1m during H2 2012.

The distribution part of the business contributed approximately 58% of Medical division revenues in H1 2013 compared with 63% of revenues in H1 2012 as, in absolute terms, the division's revenues and margins were lower than during the first half of 2012. However, the distribution business expanded its footprint into Myanmar and the Group expects margins to improve in the second half of 2013, albeit with a cautious outlook on its revenue growth expectations.

Due to the operational reasons set out in the Group's trading update of 6 June 2013, the sterilisation business experienced lower revenues during the second quarter of 2013 than the first quarter, which resulted in revenues during the first half of 2013 consistent with the equivalent period in 2012. The business accounted for 15% of the Medical division's revenues, similar to the proportion in 2012. However, demand for its medical waste solution was maintained during the period: the Group has over 100 units deployed and operating on a continuous basis, which is an increase of approximately 100% over H1 2012.

In the diagnostics business, which constituted 27% of Medical division revenues compared with 22% during the first half of 2012, the focus over the past two years has been on developing smaller, more mobile products aimed at developing countries such as Brazil, China, India, Russia and Mexico where laboratories are smaller and geographically dispersed. During the first half of 2013, BATM successfully deployed more than 50 units of its closed system, Eclectica, where the Group provides both the instrument and the related reagents. As a result, the Group's closed systems approach guarantees consumption of reagents that the Group has developed and manufactured in its own facility, resulting in very favourable margins. During the period, revenues from sale of the Eclectica reagents reached 74% of the total earned during the full year to 31 December 2012.

This success with the closed systems combined with enhancements to the Elisa portfolio resulted in positive results for the period: revenues in the diagnostics business grew and the gross margin was also higher, which resulted in a reduction of more than 40% in operating losses compared with the same period in 2012.

Financial Review

Revenues in the first half of 2013 increased by \$0.7m to \$56.8m (H1 2012: \$56.1m). Telecom division revenues increased by 1% to \$31.1m (H1 2012: \$30.9m) whilst Medical division revenues increased by 2% to \$25.6m (H1 2012: \$25.2m).

The blended gross profit margin for the first half of 2013 was 35.6% (H1 2012: 34.2%), which was 0.9% higher than the gross profit margin in the second half of 2012.

Sales and marketing expenses were \$8.6m (H1 2012: \$8.2m), representing 15.1% of revenue, compared with 14.7% in the first half of 2012. The increase is mostly due to an increased level of commissions paid to local distributors in respect of a particular deal.

General and administrative expenses were \$5.4m (H1 2012: \$5.2m), comparable to the comparative period, and reflecting higher expenses incurred in the distribution business of the Medical division.

R&D investment in the first half of 2013 increased to \$6.2m (H1 2012: \$4.9m). This increase of \$1.3m was primarily due to expenditure incurred in the re-integrated product line of the legacy business in the Telecom division as set out above and as no contribution toward R&D expenditure was received from the Israeli Chief Scientist in H1 2013 compared with the \$0.5m received during the comparative period of 2012.

Net finance expense was \$0.5m (H1 2012: \$0.9m income), comprising \$0.1m of interest income offset by a loss of \$0.3m on foreign exchange differences mostly related to appreciation of the Israeli Shekel against the US dollar and weakening of the British pound and \$0.3m of finance costs.

Net loss after tax attributable to equity holders of the parent amounted to \$1.3m (H1 2012: \$0.02m loss), resulting in a basic loss per share of 0.32¢ (H1 2012: loss of 0.01¢).

The Group's balance sheet remains strong with effective liquidity of \$44.5m, a decrease of \$1.7m compared with \$46.2m as at 31 December 2012. The decline in cash balances is mainly due to a reduction in long term liabilities and working capital. Period end cash is comprised as follows: cash and deposits up to three months duration of \$36.7m, and short term cash deposits up to one year of \$7.8m.

Intangible assets and Goodwill decreased to \$21.6m (31 December 2012: \$22.8m). The decrease is due to the amortization of intangible assets.

Property, plant and equipment remained unchanged since the end of 2012.

Total inventories of \$19.2m are slightly lower than the level at the end of 2012 of \$19.5m.

Trade and other receivables increased to \$32.1m from \$29.4m at the end of 2012 as a result of the sale of the legacy business.

The trade and other payables, as noted above, decreased to \$24.9m from \$27.0m at the end of 2012.

Current Trading and Prospects

The Telecom division continues to progress according to management's expectations. Its flagship product, the T-Metro 8000, is receiving increasing interest globally and it is anticipated that the Group's cloud aggregator application will make a marked contribution to revenues in the second half of 2013 and beyond. Work under BATM's contract to build a major state-of-the-art broadband fiber network in Israel will commence in the second half of 2013, which is expected to generate a steady stream of revenues from next year as well as, it is hoped, represent a compelling example for other countries to follow.

In the Medical division, the business has returned to normal trading patterns following the stall experienced in the second quarter. In the sterilisation business, several enhancements have been made to the Integrated Sterilizer and Shredder to increase the number of cycles between servicing and to improve operational efficiency, which have been well-received by clients. Management expects that these modifications will result in an increase in ISS orders in the second half of 2013. In June 2013, units began shipping to the business' partner in the US. Certification in the US is ongoing and is expected to be completed before the end of this year. The management team intends to leverage this important relationship into other opportunities outside the US and will continue to expand the range of sterilisation products in order to address the needs of the medical waste disposal industry. Going forward, BATM intends to add additional features to its existing products to enable them to be used for other medical waste applications.

The diagnostics business continues to make great progress, and it is expected that margins will improve with increasing sales of the Group's closed systems that require the customer to purchase the reagents developed and manufactured internally. In response to growing demand, the Group is substantially expanding its production capacity with state-of-the-art capital equipment that it expects to be installed before the end of this year. Looking further ahead, work is underway to develop additional closed systems that will be introduced during 2014 as well as to increase the panel of tests that the existing unit can support.

As a result, for the full year to 31 December 2013, the Group expects to achieve higher revenues and EBITDA than for 2012.

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED INCOME STATEMENTS

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2013 | 2012 (*) |
| | US\$ in thousands | |
| | <u>Unaudited</u> | <u>Unaudited</u> |
| Revenues | 56,760 | 56,058 |
| Cost of revenues | <u>36,526</u> | <u>36,896</u> |
| Gross profit | 20,234 | 19,162 |
| Operating expenses | | |
| Sales and marketing expenses | 8,578 | 8,238 |
| General and administrative expenses | 5,393 | 5,152 |
| Research and development expenses | 6,180 | 4,927 |
| Other operating expenses | <u>1,657</u> | <u>1,805</u> |
| Total operating expenses | 21,808 | 20,122 |
| Operating loss | <u>(1,574)</u> | <u>(960)</u> |
| Finance income | 119 | 1,307 |
| Finance expenses | <u>(662)</u> | <u>(412)</u> |
| Loss before tax | (2,117) | (65) |
| Income tax (expenses) | <u>105</u> | <u>(345)</u> |
| Loss for the period from continuing operations | (2,012) | (410) |
| Profit for the period from discontinued operations | <u>319</u> | <u>161</u> |
| Loss for the period | <u>(1,693)</u> | <u>(249)</u> |
| <u>Attributable to:</u> | | |
| Owners of the Company | (1,304) | (25) |
| Non-controlling interests | <u>(389)</u> | <u>(224)</u> |
| Loss for the period | <u>(1,693)</u> | <u>(249)</u> |
| Loss per share (In cents): | | |
| From continuing and discontinued operations | | |
| Basic and Diluted | <u>(0.32)</u> | <u>(0.01)</u> |
| From continuing operations | | |
| Basic and Diluted | <u>(0.40)</u> | <u>(0.05)</u> |

* Re-presented in accordance to IFRS 5 (See Note 3)

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2 0 1 3 | 2 0 1 2 |
| | US\$ in thousands | |
| | <u>Unaudited</u> | <u>Unaudited</u> |
| Loss for the period | (1,693) | (249) |
| Net other comprehensive income to be reclassified to profit or loss : | | |
| Exchange differences on translating foreign operations | 354 | (1,006) |
| Total Comprehensive loss of the Period | <u>(1,339)</u> | <u>(1,255)</u> |
| Attributable to: | | |
| Owners of the Company | (841) | (970) |
| Non-controlling interests | (498) | (285) |
| | <u>(1,339)</u> | <u>(1,255)</u> |

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | 30 June 2 0 1 3 | 30 June 2 0 1 2 | 31 December 2 0 1 2 |
|---|--------------------|--------------------|------------------------|
| | US\$ in thousands | | |
| | <u>Unaudited</u> | <u>Unaudited</u> | <u>Audited</u> |
| Current assets | | | |
| Cash and cash equivalents | 36,651 | 14,852 | 42,686 |
| Trade and other receivables | 32,076 | 28,587 | 29,373 |
| Financial assets | 7,847 | 27,461 | 3,563 |
| Inventories | 19,212 | 17,999 | 19,509 |
| | <u>95,786</u> | <u>88,899</u> | <u>95,131</u> |
| Non-current assets | | | |
| Property, plant and equipment | 21,102 | 24,845 | 21,177 |
| Investment property | 3,780 | - | 3,830 |
| Goodwill | 11,637 | 11,630 | 11,494 |
| Other intangible assets | 9,971 | 12,367 | 11,324 |
| Deferred tax asset | 5,125 | 5,381 | 5,095 |
| | <u>51,615</u> | <u>54,223</u> | <u>52,920</u> |
| Disposal group classified as held for sale | - | 5,407 | 4,618 |
| Total assets | <u>147,401</u> | <u>148,529</u> | <u>152,669</u> |
| Current liabilities | | | |
| Short-term bank credit | 3,385 | 3,888 | 4,047 |
| Trade and other payables | 24,877 | 23,551 | 27,048 |
| Provisions | 2,753 | 2,051 | 2,590 |
| | <u>31,015</u> | <u>29,490</u> | <u>33,685</u> |
| Non-current liabilities | | | |
| Long-term liabilities | 5,041 | 6,031 | 5,326 |
| Deferred tax liabilities | 1,365 | 1,522 | 1,488 |
| Retirement benefit obligation | 959 | 973 | 956 |
| | <u>7,365</u> | <u>8,526</u> | <u>7,770</u> |
| Liabilities directly associated with disposal group classified as held for sale | - | 1,365 | 973 |
| Total liabilities | <u>38,380</u> | <u>39,381</u> | <u>42,428</u> |
| Net assets | <u>109,021</u> | <u>109,148</u> | <u>110,241</u> |
| Equity | | | |
| Share capital | 1,216 | 1,215 | 1,215 |
| Share premium account | 407,258 | 407,017 | 407,140 |
| Foreign currency translation reserve and other reserves | (13,532) | (14,762) | (13,995) |
| Accumulated deficit | (286,679) | (286,113) | (285,375) |
| Equity attributable to equity holders of the: | | | |
| Owners of the Company | 108,263 | 107,357 | 108,985 |
| Non-controlling interest | 758 | 1,791 | 1,256 |
| Total equity | <u>109,021</u> | <u>109,148</u> | <u>110,241</u> |

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Six months ended 30 June 2013

| | Share Capital | Share Premium Account | Foreign currency translation reserve | Other reserve | Accumulated Deficit | Attributable to owners of the Company | Non- Controlling Interests | Total equity |
|--|-------------------|-----------------------------|---|------------------|------------------------|---|----------------------------------|-----------------|
| | US\$ in thousands | | | | | | | |
| As at 1 January 2013 | 1,215 | 407,140 | (13,660) | (335) | (285,375) | 108,985 | 1,256 | 110,241 |
| Exercise of share based options by employees | 1 | 11 | | | | 12 | | 12 |
| Recognition of share-based payments | | 107 | | | | 107 | | 107 |
| Loss for the period | | | | | (1,304) | (1,304) | (389) | (1,693) |
| Comprehensive income (loss) for the period | | | 463 | | - | 463 | (109) | 354 |
| As at 30 June 2013 (unaudited) | <u>1,216</u> | <u>407,258</u> | <u>(13,197)</u> | <u>(335)</u> | <u>(286,679)</u> | <u>108,263</u> | <u>758</u> | <u>109,021</u> |

Six months ended 30 June 2012

| | Share Capital | Share Premium Account | Foreign currency translation reserve | Other reserve | Accumulated Deficit | Attributable to owners of the Company | Non- Controlling Interests | Total equity |
|--|-------------------|-----------------------------|---|------------------|------------------------|---|----------------------------------|-----------------|
| | US\$ in thousands | | | | | | | |
| As at 1 January 2012 | 1,215 | 406,892 | (13,482) | 409 | (286,088) | 108,946 | 1,332 | 110,278 |
| Recognition of share-based payments | | 125 | | | | 125 | - | 125 |
| Purchase of non- controlling interest | | | - | (744) | | (744) | 744 | - |
| Loss for the period | | | | | (25) | (25) | (224) | (249) |
| Comprehensive loss for the period | | | (945) | | - | (945) | (61) | (1,006) |
| As at 30 June 2012 (unaudited) | <u>1,215</u> | <u>407,017</u> | <u>(14,427)</u> | <u>(335)</u> | <u>(286,113)</u> | <u>107,357</u> | <u>1,791</u> | <u>109,148</u> |

**BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS**

| | <u>Six months ended 30 June</u> | |
|--|---------------------------------|-------------------------|
| | 2 0 1 3 | 2 0 1 2 |
| | US\$ in thousands | |
| | <u>Unaudited</u> | <u>Unaudited</u> |
| Net cash from (used in) operating activities (Appendix A) | 198 | (2,265) |
| Investing activities | | |
| Interest received | 74 | 201 |
| Proceeds on disposal of property, plant and equipment | 67 | 14 |
| Proceeds on disposal of financial assets carried at fair value through profit and loss | 306 | 1,407 |
| Proceeds on disposal of deposits | 13,686 | 20,909 |
| Purchases of property, plant and equipment | (1,075) | (767) |
| Purchases of financial assets carried at fair value through profit and loss | (6,290) | (6,775) |
| Purchases of deposits | (12,107) | (18,855) |
| Net Cash outflow on acquisition of business combinations | (105) | (542) |
| Net cash used in investing activities | (5,444) | (4,408) |
| Financing activities | | |
| Increase in short-term bank credit | 61 | 348 |
| Bank loan repayment | (754) | (1,904) |
| Proceeds on issue of shares | 12 | - |
| Net cash used in financing activities | (681) | (1,556) |
| Decrease in cash and cash equivalents | (5,927) | (8,229) |
| Cash and cash equivalents at the beginning of the period | 42,686 | 23,012 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | (108) | 69 |
| Cash and cash equivalents at the end of the period | <u>36,651</u> | <u>14,852</u> |

BATM ADVANCED COMMUNICATIONS LTD.
APPENDICES TO CONSOLIDATED STATEMENT OF CASH FLOWS

APPENDIX A

**RECONCILIATION OF OPERATING LOSS FOR THE PERIOD TO NET CASH
FROM (USED IN) OPERATING ACTIVITIES**

| | <u>Six months ended 30 June</u> | |
|---|---------------------------------|-------------------------|
| | 2 0 1 3 | 2 0 1 2 |
| | US\$ in thousands | |
| | <u>Unaudited</u> | <u>Unaudited</u> |
| Operating loss from continuing operations and discontinued operation | (1,255) | (799) |
| Adjustments for: | | |
| Amortization of intangible assets | 1,657 | 1,805 |
| Depreciation of property, plant and equipment | 1,028 | 988 |
| Share based payments | 107 | 125 |
| Increase (decrease) in retirement benefit obligation | 3 | (28) |
| Decrease (increase) in provisions | <u>(55)</u> | <u>(386)</u> |
| Operating cash flow before movements in working capital | 1,485 | 1,705 |
| Decrease in inventory | 1,779 | 2,595 |
| Decrease (Increase) in receivables | 150 | (1,754) |
| Decrease in payables | <u>(2,405)</u> | <u>(4,764)</u> |
| Cash generated by operations | 1,009 | (2,218) |
| Income taxes paid | (758) | (255) |
| Income taxes received | 148 | 323 |
| Interest paid | <u>(201)</u> | <u>(115)</u> |
| Net cash from (used in) operating activities | <u>198</u> | <u>(2,265)</u> |

BATM ADVANCED COMMUNICATIONS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of preparation

The interim consolidated financial statements of the Company have been prepared in conformity with International Accounting Standard No. 34 "interim financial reporting" (hereafter "IAS 34").

In preparing these interim consolidated financial statements, the Company implemented accounting policies, presentation principles and calculation methods identical to those implemented in preparation of its consolidated financial statements as of 31 December 2012 and for the period ended on that date. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs.

Application of new and revised International Financial Reporting Standards (IFRSs)

For information regarding application of new and revised International Financial Reporting Standards, see Note 2 in the annual financial statements of the Company as of 31 December 2012 and for the period ended on that date.

- IFRS 9 "Financial Instruments"
- IFRS 10 "Consolidated Financial Statements"

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., exchange differences on translation of foreign operations) now have to be presented separately from items that will never be reclassified (e.g. actuarial gains and losses on defined benefit plans). The amendment affected presentation only and had no impact on the Company's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). See Note 4.

BATM ADVANCED COMMUNICATIONS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Profit/(loss) per share

Profit/(loss) per share is based on the weighted average number of shares in issue for the period of 403,014,301 (H1 2012: 402,915,820). The number used for the calculation of the diluted profit per share for the period (which includes the effect of dilutive stock option plans) is 403,014,301 shares (H1 2012: 402,915,820).

Note 3 – Disposal group classified as held for sale

During June 2012, the Company entered into a MOU agreement to dispose of its older time division multiplexing (TDM) based products ("Legacy") business, which formed part of the Group's Telecom operations. This event, which was completed during the six month period ended 30 June 2013, is consistent with the Group's long-term policy to focus on growing the Carrier Ethernet portfolio.

During the period, the Group completed the sale of the legacy business excluding one of the product lines that re-integrated back into the Group's portfolio. This product line was previously classified as discontinued operation.

Profit for the period from discontinued operations:

| | <u>Six months ended 30 June</u> | |
|------------------------------|---------------------------------|------------------|
| | <u>2 0 1 3</u> | <u>2 0 1 2</u> |
| | US\$ in thousands | |
| | <u>Unaudited</u> | <u>Unaudited</u> |
| Revenues | 1,889 | 2,117 |
| Expenses | 1,570 | 1,956 |
| Profit for the period | 319 | 161 |

Cash flows from discontinued operations

| | <u>Six months ended 30 June</u> | |
|---|---------------------------------|------------------|
| | <u>2 0 1 3</u> | <u>2 0 1 2</u> |
| | US\$ in thousands | |
| | <u>Unaudited</u> | <u>Unaudited</u> |
| Net cash inflows from operating activities | 1,075 | 1,961 |
| Net cash inflows from investing activities | - | - |
| Net cash outflows from financing activities | - | - |
| Net cash inflows | 1,075 | 1,961 |

Earnings per share (In cents):

| | <u>Six months ended 30 June</u> | |
|------------------------------|---------------------------------|------------------|
| | <u>2 0 1 3</u> | <u>2 0 1 2</u> |
| | <u>Unaudited</u> | <u>Unaudited</u> |
| From discontinued operations | | |
| Basic and Diluted | 0.08 | 0.04 |

BATM ADVANCED COMMUNICATIONS LTD
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Note 4 – Segments

Business Segment

| <u>Six months ended 30 June 2013</u> | | | |
|--------------------------------------|--------------------|---------|----------------|
| | Telecommunications | Medical | Total |
| | US\$ in thousands | | |
| Revenues | 31,116 | 25,644 | 56,760 |
| Operating profit/(loss)* | 1,499 | (1,416) | 83 |
| Other operating expenses | | | (1,657) |
| Finance expenses | | | <u>(543)</u> |
| Loss before tax | | | <u>(2,117)</u> |

| <u>Six months ended 30 June 2012</u> | | | |
|--------------------------------------|--------------------|---------|-------------|
| | Telecommunications | Medical | Total |
| | US\$ in thousands | | |
| Revenues | 30,885 | 25,173 | 56,058 |
| Operating profit/(loss)* | 1,923 | (1,078) | 845 |
| Other operating expenses | | | (1,805) |
| Finance income | | | <u>895</u> |
| Loss before tax | | | <u>(65)</u> |

* Excluding other operating expenses

BATM ADVANCED COMMUNICATIONS LTD
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Note 5 – Subsequent events

Financial Closing of Consortium Agreement

Consortium established on July 13 2013 to roll-out fiber optic broadband and internet services in conjunction with Israeli Electricity Corporation.

The New Co comprises a consortium led by ViaEuropa and including BATM, which was selected to deliver Israel's third communications infrastructure venture, in conjunction with the Israeli Electricity Corporation ("IEC").

In addition to ViaEuropa, the consortium includes Rapac Group, BATM, Zisappel Assets and Tamares Holdings, and Cisco Systems will be the technology leader. The New Co is 60% owned by the consortium (of which BATM holds 12.5%) and 40% by the IEC. This contract was included in the Group's expectations of its financial performance for both the current and coming year.

BATM will provide equipment for the fiber optic network together with Cisco Systems and others. It is expected that the layout of the network will begin in the first quarter of 2014.