

7 August 2014

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

**Interim results for six months ended 30 June 2014**

**Moves into net profit through tight control over operating expenses**

BATM Advanced Communications Limited (LSE: BVC; TASE: BATM), a leading provider of real-time technologies for networking solutions and medical laboratory systems, announces its interim results for the six months ended 30 June 2014.

**Financial Summary**

- Group revenue of \$56.7m (H1 2013: \$56.8m)
- Gross profit of \$18.9m (H1 2013: \$20.2m) – gross margin of 33.2% (H1 2013: 35.6%)
- Gross operating profit of \$0.4m (H1 2013: \$0.08m)
- Net profit for the period was \$0.2m (H1 2013: \$1.7m net loss)
- Earnings per share of 0.10¢ (H1 2013: 0.32¢ loss per share)
- As at 30 June 2014, the Group had cash and cash equivalents and deposits of \$36.1m (31 December 2013: \$40.8m; 30 June 2013: \$44.5m) mainly due to increased working capital

**Operational Summary**

- Increased sales in second quarter 2014 compared with first quarter 2014 (Q2 2014: \$28.9m; Q1 2014: \$27.8m)
- In the first half of 2014, Medical division revenues grew by 18% offsetting the 15% decline in revenues of Telecom division compared with equivalent period last year
- Medical division (H1 2014: 53% of total Group sales; H1 2013: 45%):
  - Continued strong momentum in the first half of 2014, resulting in two of the division's three businesses reaching profitability
  - Distribution Unit:
    - Growth in revenues of 25% compared with H1 2013
  - Pathogenic Waste Treatment Sterilisation Unit:
    - Growth in revenues of 33% compared with H1 2013 as a result of increased sales to existing customers and first sales into Myanmar
    - Completed move to a larger facility in order to process the increase in demand
  - Diagnostics Unit :
    - Returned to growth as sales improved by 8% compared with H2 2013 (6.2% lower than H1 2013)
    - Contract awarded by the Ministry of Health in a major Latin American country to replace the incumbent supplier and provide its closed system immune diagnostics instruments and reagents to detect tumour markers
    - Commenced process to automate production of reagents to improve capacity
- Telecom division (H1 2014: 47% of total Group sales; H1 2013: 55%)
  - Continued focus on the new strategy of concentrating on Tier 1 clients, SDN (Software Driven Networks) and NFV (Network Function Virtualization)
  - Two new contracts awarded to provide telecommunications solutions to service providers in the US for the upgrade of existing networks
  - Deployed a contract to supply an intelligent internet protocol surveillance solution at UK's London Borough of Islington's new CCTV control and command centre located just outside London
  - Roll out of the previously reported fiber network initiative with the Israeli Broadband Company ("IBC") continued, and the initial customers have been connected

- Post-period development
  - The Group's cyber unit, CELARE, signed a collaboration contract with one of the world's largest software companies to integrate its cyber solution with the big data solution of that company. A pilot contract from a major customer awarded at the end of July 2014 for the integrated solution

Dr Zvi Marom, Chief Executive Officer of BATM, said: "We are pleased to report continuing revenue growth in the second quarter compared with the first quarter of 2014, and a significantly improved level of operating profitability compared with the interim stage of last year. Revenue for the year to date is broadly similar to the first half of last year in line with our expectations.

"We are pleased that the Medical division is growing well and that the Telecom division is also demonstrating some increased traction as the new strategy introduced last year begins to deliver.

"Looking ahead, the momentum of the first half has continued into the second half, particularly in the Medical division. As a result of this, combined with sustained control over operating expenses, the Group expects to report full year 2014 revenues and profits in line with market expectations."

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## Operational Review

During the period, the Group achieved solid progress across all of its business units. Second quarter performance was higher than the first quarter of 2014, especially in the Medical division, resulting in revenues for the first half of 2014 to be \$56.7m (H1 2013: \$56.8m). The Medical division accounted for 53% of total Group sales with the contribution from the Telecom division being 47%.

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### Medical Division

	<b>H1 2014</b>	H1 2013	H2 2013	FY 2013
Revenues	<b>\$30.2m</b>	\$25.6m	\$27.5m	\$53.1m
Gross margin	<b>23%</b>	23%	25%	24%
Operating loss	<b>\$1.0m</b>	\$1.4m	\$0.9m	\$2.3m

In H1 2014, revenues in the Medical division were 17.9% higher than the comparable period last year at \$30.2m (H1 2013: \$25.6m). The gross profit margin was similar to H1 2013 at 23%. Operating loss, excluding amortization of intangible assets, was \$1.0m in H1 2014 compared with an operating loss of \$1.4m during H1 2013.

The Distribution unit contributed approximately 61.4% of Medical division revenues in H1 2014 compared with 58% of revenues in H1 2013. In absolute terms, the unit's revenues grew organically in all territories, including an initial contribution from its new opportunity in Myanmar. Margins in H1 2014 were essentially the same as the first half of 2013. As a result, the distribution unit generated an operating profit for H1 2014 compared with a small operating loss in H1 2013.

The Pathogenic Waste Treatment Sterilisation unit accounted for 17% of the Medical division's revenues in H1 2014 compared with 15% of revenues in H1 2013. In addition, the unit achieved operating profit for the first six months of 2014 compared with an operating loss in H1 2013. This was primarily due to growth in sales to existing customers resulting from increased manufacturing capacity following relocation to larger facilities during H1 2014. Additionally, there were sales from new territories such as Myanmar. The unit continues to focus on the treatment of biological waste, based on unique patented technology, including the launch of a new version of a smaller Integrated Sterilizer and Shredder ("ISS") designed for dialysis.

The Diagnostics unit represented 21.6% of Medical division revenues compared with 27% during the first half of 2013. Operating losses in H1 2014 were higher than H1 2013. However, the unit returned to sequential growth – reporting revenues 8% higher in H1 2014 compared with H2 2013. The Diagnostics unit was awarded a contract by the Ministry of Health in a major Latin American country to replace the incumbent supplier and provide the Group's closed system immune diagnostics instruments and reagents for tumour detection markers to laboratories throughout the country. As set out in the Group's outlook below, the Diagnostics unit has a backlog of orders and expects an increased level of orders from China during the second half of the year.

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## Telecom Division

	H1 2014	H1 2013	H2 2013	FY 2013
Revenues	<b>\$26.4m</b>	\$31.1m	\$29.9m	\$61.1m
Gross margin	<b>45%</b>	46%	42%	44%
Operating profit	<b>\$1.5m</b>	\$1.5m	\$0.9m	\$2.4m

In H1 2014, there was a \$4.7m decrease in revenues to \$26.4m compared with \$31.1m in H1 2013. Gross profit margins were 45% compared with 46% during H1 2013.

Operating profit, excluding amortization of intangible assets, for the first half of 2014 was \$1.5m (H1 2013: \$1.5m). Lower spending on research and development was mostly due to a re-focused effort towards a new solution for the Tier 1 service provider market and a higher contribution from the Israeli Chief Scientist (H1 2014: \$0.6m; H1 2013: \$0.3m).

In May 2014, the Group's Telecom business was awarded a contract to supply an intelligent internet protocol surveillance solution at UK's London Borough of Islington's new CCTV control and command centre located in greater London. It will bring together more than 1,000 cameras across Islington to a single centre that will be continuously monitored and will allow live or recorded footage to be made instantly available to devices such as laptops, tablets and smartphones.

In June 2014, the division won two contracts to provide state-of-the-art telecommunications solutions to service providers in the United States for upgrades to existing networks. The first was to deliver its solutions based on Multiprotocol Label Switching (MPLS), a mechanism for high-performance telecommunications networks, including the T-Metro 8001 aggregation platform and Edge Genie management system, to a service provider focusing on interactive voice and IP telephony services for both large and small enterprises.

The second contract was with a local service provider in Louisiana where the Group is the prime vendor in a project to provide 165 schools in the southern part of the state with 10GE network connections. In addition to its aggregation platforms and management system, the Group is providing its latest network interface device, the T-Marc 334S.

The Group's investment into the consortium for the construction of a new fiber optic network in Israel, under the IBC, is progressing well. As planned, the consortium has started the rollout of the network and connected its first trial customers in the north of Israel.

## Post-period development

In July 2014, the Group's cyber unit, CELARE, established a joint collaboration and marketing agreement with a major US software company (the "Partner") for the implementation and integration of a cyber security monitoring and detection solution for large enterprises. Under the terms of the agreement, CELARE and the Partner will offer an integrated network-based cyber protection system combined with Big Data appliances and software tools. In addition, a major customer has awarded CELARE a proof of concept ("POC") cyber security contract for the combined solution. CELARE will integrate its cyber switches and software with the Partner's Big Data appliances and other software tools. The POC contract has an initial value of at least \$0.5m and will end during early 2015. BATM anticipates that the Partner will commence offering the solution to selected customers that use their Big Data products from Q4 2014.

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## Financial Review

Revenues in the first half of 2014 decreased by \$0.1m to \$56.7m (H1 2013: \$56.8m). Medical division revenues increased by 17.9% to \$30.2m (H1 2013: \$25.6m) whilst Telecom division revenues decreased by 15.1% to \$26.4m (H1 2013: \$31.1m).

The blended gross profit margin for the first half of 2014 was 33.2% (H1 2013: 35.6%), which was 2.4% lower than the gross profit margin in the second half of 2013. This decrease is mostly due to a higher contribution to total revenues from the Medical division (H1 2014: 53%; H1 2013: 45%). The Pathogenic Waste Treatment Sterilisation unit achieved an improvement in gross margin, but margins were lower in the Diagnostics unit due to the delivery in H1 2014 of a large order containing certain lower-margin instruments. The Group anticipates follow-on orders for higher margin reagents during H2 2014 and beyond.

Sales and marketing expenses were \$7.9m (H1 2013: \$8.6m), representing 14% of revenue compared with 15.1% in the first half of 2013.

General and administrative expenses were \$5.7m (H1 2013: \$5.4m), representing an increase compared with the same period of last year. This increase reflects higher expenses, mostly due to a one-time allowance of \$0.4m for doubtful debts in the diagnostics unit of the Medical division.

R&D investment in the first half of 2014 decreased to \$4.8m (H1 2013: \$6.2m). This decrease of \$1.4m was primarily due to a change in the focus of R&D towards a new solution for Tier 1 service provider clients and also as a result of a higher contribution from the Israeli Chief Scientist (H1 2014: \$0.6m; H1 2013: \$0.3m).

Net finance expense was \$0.07m (H1 2013: \$0.5m).

Net profit after tax attributable to equity holders of the parent amounted to \$0.4m (H1 2013: \$1.3m loss), resulting in a basic profit per share of 0.10¢ (H1 2013: loss of 0.32¢).

The Group's balance sheet remains strong with effective liquidity of \$36.1m, a decrease of \$4.7m compared with \$40.8m as at 31 December 2013. The decline in cash balances is mainly due to an increase in non-cash working capital.

Inventories increased to \$24.8m (31 December 2013: \$23.1m). The increase is due to a higher level of inventory in the Telecom division, which is expected to decline during H2 2014 and beyond.

Trade and other receivables increased to \$37.2m from \$33.6m at the end of 2013 mostly due to a higher contribution from the Israeli Chief Scientist and an increase in prepaid expenses.

Period end cash is comprised as follows: cash and deposits up to three months duration of \$9.6m and short-term cash deposits up to one year of \$26.5m.

Intangible assets and goodwill decreased to \$17.6m (31 December 2013: \$18.2m). The decrease is due to the amortization of intangible assets.

Property, plant and equipment decreased to \$20.4m (31 December 2013: \$20.9m). The decrease is due to the amortization of property, plant and equipment.

The balance of trade and other payables remained the same as at the end of 2013.

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### Current Trading and Prospects

The Group continues to progress as expected with the Medical division playing a dominant role as the Telecom division focuses on turning around as a result of the new strategy introduced last year.

The momentum achieved in the first half has continued into the second half of the year, particularly in the Medical division. The Telecom division has stabilised under a new management team and is making good progress with the new strategy.

In the Medical division, it is expected that the Distribution unit will maintain the growth it has seen in the early part of the year and the Pathogenic Waste Treatment Sterilisation unit will continue to increase sales as a result of greater capacity and penetration into new territories. The Diagnostics unit, following the award in Latin America and several other important contract wins during the first half, now has a very strong backlog for reagents for the second half. However, due to constraints in production capacity, the Diagnostics unit will be unable to fulfil all the orders in 2014. Additional equipment to increase the capacity of the production line is being installed, which is expected to double production capacity in 2015. In addition, following a new management focus on South East Asia, especially China, and the adoption of a different distribution channel, several new reagents are expected to be approved in H2 2014 that the Directors believe will result in significantly higher revenues from this region in H2 2014.

As a result of this and continuing control over operating expenses, the Group expects to report full year 2014 revenues and profits in line with market expectations.

**BATM ADVANCED COMMUNICATIONS LTD.  
CONSOLIDATED INCOME STATEMENTS**

	Six months ended 30 June	
	2 0 1 4	2 0 1 3
	US\$ in thousands	
	<u>Unaudited</u>	<u>Unaudited</u>
<b>Revenues</b>	56,663	56,760
<b>Cost of revenues</b>	<u>37,812</u>	<u>36,526</u>
<b>Gross profit</b>	18,851	20,234
<b>Operating expenses</b>		
Sales and marketing expenses	7,921	8,578
General and administrative expenses	5,742	5,393
Research and development expenses	4,781	6,180
Other operating expenses	<u>905</u>	<u>1,657</u>
<b>Total operating expenses</b>	19,349	21,808
<b>Operating loss</b>	<u>(498)</u>	<u>(1,574)</u>
Finance income	390	119
Finance expenses	<u>(461)</u>	<u>(662)</u>
Loss before tax	(569)	(2,117)
Income tax	<u>772</u>	<u>105</u>
<b>Profit (loss) for the period from continuing operations</b>	203	(2,012)
<b>Profit for the period from discontinued operations</b>	<u>-</u>	<u>319</u>
<b>Profit (loss) for the period</b>	<u>203</u>	<u>(1,693)</u>
<b>Attributable to:</b>		
Owners of the Company	392	(1,304)
Non-controlling interests	<u>(189)</u>	<u>(389)</u>
<b>Profit (loss) for the period</b>	<u>203</u>	<u>(1,693)</u>
<b>Profit (loss) per share (In cents):</b>		
From continuing and discontinued operations		
Basic and Diluted	<u>0.10</u>	<u>(0.32)</u>
From continuing operations		
Basic and Diluted	<u>0.10</u>	<u>(0.40)</u>

**BATM ADVANCED COMMUNICATIONS LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

	Six months ended 30 June	
	2 0 1 4	2 0 1 3
	US\$ in thousands	
	<u>Unaudited</u>	<u>Unaudited</u>
Profit (loss) for the period	203	(1,693)
<b>Items that may be reclassified subsequently to profit or loss :</b>		
Exchange differences on translating foreign operations	<u>(427)</u>	<u>354</u>
Total Comprehensive loss of the Period	<u><b>(224)</b></u>	<u><b>(1,339)</b></u>
Attributable to:		
Owners of the Company	145	(841)
Non-controlling interests	<u>(369)</u>	<u>(498)</u>
	<u><b>(224)</b></u>	<u><b>(1,339)</b></u>



**BATM ADVANCED COMMUNICATIONS LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	30 June 2 0 1 4	30 June 2 0 1 3	31 December 2 0 1 3
	US\$ in thousands		
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
<b>Current assets</b>			
Cash and cash equivalents	9,625	36,651	13,812
Trade and other receivables	37,362	32,076	33,552
Financial assets	26,511	7,847	27,012
Inventories	24,760	19,212	23,118
	<u>98,258</u>	<u>95,786</u>	<u>97,494</u>
<b>Non-current assets</b>			
Property, plant and equipment	20,392	21,102	20,860
Investment property	3,753	3,780	3,802
Goodwill	12,275	11,637	12,096
Other intangible assets	5,360	9,971	6,089
Available for sale Investments carried at fair value	3,758	-	3,585
Investment accounted for using the equity method	-	-	598
Deferred tax asset	6,203	5,125	5,483
	<u>51,741</u>	<u>51,615</u>	<u>52,513</u>
<b>Total assets</b>	<u>149,999</u>	<u>147,401</u>	<u>150,007</u>
<b>Current liabilities</b>			
Short-term bank credit	3,910	3,385	2,658
Trade and other payables	29,810	24,877	29,761
Provisions	2,800	2,753	2,826
	<u>36,520</u>	<u>31,015</u>	<u>35,245</u>
<b>Non-current liabilities</b>			
Long-term liabilities	4,750	5,041	5,690
Deferred tax liabilities	1,211	1,365	1,339
Retirement benefit obligation	1,015	959	1,028
	<u>6,976</u>	<u>7,365</u>	<u>8,057</u>
<b>Total liabilities</b>	<u>43,496</u>	<u>38,380</u>	<u>43,302</u>
<b>Equity</b>			
Share capital	1,216	1,216	1,216
Share premium account	407,322	407,258	407,300
Foreign currency translation reserve and other reserves	(12,060)	(13,532)	(11,813)
Accumulated deficit	(289,496)	(286,679)	(289,888)
<b>Equity attributable to equity holders of the:</b>			
Owners of the Company	106,982	108,263	106,815
Non-controlling interest	(479)	758	(110)
<b>Total equity</b>	<u>106,503</u>	<u>109,021</u>	<u>106,705</u>
<b>Total equity and liabilities</b>	<u>149,999</u>	<u>147,401</u>	<u>150,007</u>

**BATM ADVANCED COMMUNICATIONS LTD.**

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### Six months ended 30 June 2014

	Share Capital	Share Premium Account	Translation reserve	Other reserve	Accumulated Deficit	Attributable to owners of the Parent	Non- Controlling Interests	Total equity
	US\$ in thousands							
<b>As at 1 January 2014</b>	1,216	407,300	(11,478)	(335)	(289,888)	106,815	(110)	106,705
Exercise of share based options by employees	-	-				-		-
Recognition of share-based payments		22				22		22
Profit for the period					392	392	(189)	203
Comprehensive income (loss) for the period			(247)		-	(247)	(180)	(427)
<b>As at 30 June 2014 (unaudited)</b>	<u>1,216</u>	<u>407,322</u>	<u>(11,725)</u>	<u>(335)</u>	<u>(289,496)</u>	<u>106,982</u>	<u>(479)</u>	<u>106,503</u>

### Six months ended 30 June 2013

	Share Capital	Share Premium Account	Translation reserve	Other reserve	Accumulated Deficit	Attributable to owners of the Parent	Non- Controlling Interests	Total equity
	US\$ in thousands							
<b>As at 1 January 2013</b>	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
<b>As at 30 June 2013 (unaudited)</b>	<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>

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

	<u>Six months ended 30 June</u>	
	<b>2 0 1 4</b>	<b>2 0 1 3</b>
	<b>US\$ in thousands</b>	
	<u><b>Unaudited</b></u>	<u><b>Unaudited</b></u>
<b>Net cash from (used in) operating activities</b> (Appendix A)	<b>(4,440)</b>	<b>198</b>
<b>Investing activities</b>		
Interest received	60	74
Proceeds on disposal of property, plant and equipment	182	67
Proceeds on disposal of financial assets carried at fair value through profit and loss	-	306
Proceeds on disposal of deposits	13,912	13,686
Proceeds on available for sale investments carried at fair value	133	-
Purchases of property, plant and equipment	(531)	(1,075)
Purchases of financial assets carried at fair value through profit and loss	-	(6,290)
Purchases of deposits	(13,376)	(12,107)
Investment in available for sale investments carried at fair value	(84)	-
Net Cash outflow on acquisition of business combinations	(229)	(105)
<b>Net cash from (used in) investing activities</b>	<b>67</b>	<b>(5,444)</b>
<b>Financing activities</b>		
Increase in short-term bank credit	216	61
Bank loan repayment	(1,251)	(754)
Bank loan received	1,298	-
Proceeds on issue of shares	-	12
<b>Net cash from (used in) financing activities</b>	<b>263</b>	<b>(681)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(4,110)</b>	<b>(5,927)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>13,812</b>	<b>42,686</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(77)	(108)
<b>Cash and cash equivalents at the end of the period</b>	<b><u>9,625</u></b>	<b><u>36,651</u></b>

**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>	
	<b>2 0 1 4</b>	<b>2 0 1 3</b>
	<b>US\$ in thousands</b>	
	<u>Unaudited</u>	<u>Unaudited</u>
<b>Operating loss from continuing operations and discontinued operation</b>	<b>(498)</b>	<b>(1,255)</b>
<b>Adjustments for:</b>		
Amortization of intangible assets	905	1,657
Depreciation of property, plant and equipment	938	1,028
Share based payments	22	107
Increase (decrease) in retirement benefit obligation	(13)	3
Increase in provisions	<u>(20)</u>	<u>(55)</u>
<b>Operating cash flow before movements in working capital</b>	<b>1,334</b>	<b>1,485</b>
Decrease (increase) in inventory	(2,134)	1,779
Decrease (Increase) in receivables	(3,502)	150
Increase (Decrease) in payables	<u>188</u>	<u>(2,405)</u>
<b>Cash generated by operations</b>	<b>(4,114)</b>	<b>1,009</b>
Income taxes paid	(190)	(758)
Income taxes received	31	148
Interest paid	<u>(167)</u>	<u>(201)</u>
<b>Net cash from (used in) operating activities</b>	<b><u>(4,440)</u></b>	<b><u>198</u></b>

**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 2013 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 2013, 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 2013 and for the period ended on that date, except for the following:

▪ **The IFRS 15 "Revenues from Contracts with Customers"**

The core principle of the standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new standard indicates that an entity should perform the following five steps in recognizing revenue:

"Identify the contract (s) with a customer" (step 1).

"Identify the performance obligations in the contract" (step 2).

"Determine the transaction price" (step 3).

"Allocate the transaction price to the performance obligations in the contract" (step 4).

"Recognize revenue when (or as) the entity satisfies a performance obligation" (step 5).

Entities are also required to provide significantly expanded disclosures about revenue recognition, including both quantitative and qualitative information about (1) the amount, timing, and uncertainty of revenue (and related cash flows) from contracts with customers; (2) the judgment, and changes in judgment, used in applying the revenue model; and (3) the assets recognized from costs to obtain or fulfill a contract with a customer.

An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2017. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact.

At this early stage, the management of the company is unable to estimate the effect of this standard on its financial position and results of operations.

**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 403,141,538 (H1 2013: 403,014,301). 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 403,185,660 shares (H1 2013: 403,014,301).

**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 first half of 2013, 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 4</u>	<u>2 0 1 3</u>
	<u>US\$ in thousands</u>	
	<u>Unaudited</u>	<u>Unaudited</u>
Revenues	-	1,889
Expenses	-	1,570
<b>Profit for the period</b>	<b>-</b>	<b>319</b>

**Cash flows from discontinued operations**

	<u>Six months ended 30 June</u>	
	<u>2 0 1 4</u>	<u>2 0 1 3</u>
	<u>US\$ in thousands</u>	
	<u>Unaudited</u>	<u>Unaudited</u>
Net cash inflows from operating activities	-	1,075
Net cash inflows from investing activities	-	-
Net cash outflows from financing activities	-	-
<b>Net cash inflows</b>	<b>-</b>	<b>1,075</b>

**Earnings per share (In cents):**

	<u>Six months ended 30 June</u>	
	<u>2 0 1 4</u>	<u>2 0 1 3</u>
	<u>Unaudited</u>	<u>Unaudited</u>
From discontinued operations	-	0.08
<b>Basic and Diluted</b>	<b>-</b>	<b>0.08</b>

**BATM ADVANCED COMMUNICATIONS LTD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4 – Segments**

**Business Segment**

<u>Six months ended 30 June 2014</u>				
	Telecommunications	Medical	Unallocated	Total
	US\$ in thousands			
Revenues	26,214	30,218	231	56,663
Adjusted Operating profit/(loss)*	1,545	(1,038)	(100)	407
Reconciliation- Other operating expenses				(905)
Net Finance cost				<u>(71)</u>
Loss before tax				(569)
Taxation				<u>772</u>

<u>Six months ended 30 June 2013</u>				
	Telecommunications	Medical	Unallocated	Total
	US\$ in thousands			
Revenues	30,887	25,618	255	56,760
Adjusted Operating profit/(loss)*	1,371	(1,430)	142	83
Reconciliation- Other operating expenses				(1,657)
Net Finance cost				<u>(543)</u>
Loss before tax				(2,117)
Taxation				105
Profit from discontinued operation				319

\* Excluding other operating expenses