

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in BATM Advanced Communications Ltd please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

BATM ADVANCED COMMUNICATIONS LTD.

Notice of Annual General Meeting

of 10 September 2014



International H.Q.

4 Ha'harash Street, Nave Ne'eman Ind. Area,
P.O.B. 7318, 4524075 Hod Hasharon, Israel

52-0042813 – Registered in Israel

Chairman's letter

18 August 2014

Dear Shareholder

Annual General Meeting

I am pleased to enclose the notice of the Annual General Meeting of BATM Advanced Communications Ltd., which is to be held at the offices of finnCap Limited, 60 New Broad Street London, EC2M 1JJ, on 10 September 2014 at 11.00 a.m.

Recommendation

The directors of the Company consider that all such proposals to be considered at the Annual General Meeting are in the best interests of the Company and its members as a whole and are most likely to promote the success of the Company for the benefit of its members as a whole.

The directors unanimously recommend that you vote in favour of all the proposed resolutions as they intend to do so in respect of their own beneficial holdings to the extent that they have any.

Yours sincerely,

Peter Sheldon

Chairman

Notice is hereby given that the Annual General Meeting ("AGM" or the "Meeting") of BATM Advanced Communications Ltd. will be held at the offices of finnCap Ltd, at 60 New Broad Street, London, EC2M 1JJ on 10 September 2014 at 11.00 a.m. to consider and, if thought fit, to pass the following Resolutions, of which Resolutions 1 to 7 inclusive will be proposed as ordinary:

Ordinary Resolutions

1. To receive, consider and adopt the Company's audited annual accounts for the financial year ended 31 December 2013 together with the directors' report and the auditors' reports on those accounts.
2. To approve the report of the Company's remuneration committee for the financial year ended 31 December 2013 together with the auditors' reports on the auditable part of the remuneration report.
3. To appoint the auditors of the Company (Brightman Almagor Zohar & Co., a member firm of Deloitte Touche Tohmatsu) as external auditors for the 2014 financial year and to authorise the board of directors to fix the auditors' remuneration for such period.
4. Election of directors

To re-elect the directors mentioned in section 4.1 - 4.4 below for an additional term until the next Annual General Meeting of the Company (Note 1):

- 4.1 Mr. Peter Sheldon (Note 2);
- 4.2 Dr. Zvi Marom;
- 4.3 Mr. Ofer Barner; and
- 4.4 Dr. Gideon Chitayat.

5. To approve the new employment contract for the Company's Chief Executive Officer, Dr. Zvi Marom, as detailed in part 1 of the Appendix to this notice of the AGM.
6. To approve the change of position and new employment terms for Ofer Barner, as detailed in part 2 of the Appendix to this notice of the AGM (Note 3).
7. To approve the Company's revised remuneration policy for senior executives, as detailed in part 3 of the Appendix to this notice of AGM (Note 4).

Note 1: In addition to the four candidates up for election, the Company has two external directors (Elka Nir and Gideon Barak) whose position is in effect under the mandatory provisions of the Israeli Companies Law for a term of three years and are still within their current term.

Note 2: Mr. Sheldon, who has been a member of the Board since 1998 and Chairman since 1999, has indicated to the Board that, if re-elected at the AGM, it is his intention to retire from both positions at the end of the current financial year on 31 December 2014. It is the intention of the Board that a suitable candidate to fill the position of Chairman will be appointed prior to that date to allow for a suitable transition period.

Note 3: Mr. Ofer Barner has served as the Chief Financial Officer of the Company since 1999 and has been a member of the Board since then. The Company's CEO as well as the Board have seen fit to promote and expand Mr. Barner's position in the Company to Executive Vice President, CFO and COO of

the Company's Medical distribution business (diagnostics and sterilization) with responsibility for business development of the Medical Division.

Note 4: Section 267A (b) of the Israeli Companies Law provides that the approval of the proposed remuneration policy by the shareholders must meet at least one of the following conditions: (i) the majority vote of shareholders in favour must comprise a majority that does not include a controlling party in the Company or an interested party in approving the remuneration policy out of those participating in the vote, or (ii) the total number of shareholders voting against this proposal shall not exceed two percent (2%) out of the total voting rights in the Company.

Dated: 18 August 2014

By order of the Board

Dr. Zvi Marom
Chief Executive Officer

Company number: 52-0042813

Registered office: 4 Ha'harash Street, Park Sharonim,
PO Box 7318, Hod Ha'sharon, 45240 Israel.

Notes to the Notice of Annual General Meeting

1. Only those members registered on the Company's register of members at:
 - 1.1 6.00 pm on **8 September 2014**; or
 - 1.2 if this Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting,shall be entitled to attend and vote at the Meeting.
2. Information regarding the Meeting is available from www.batm.com.
3. If you are a member of the Company at the time set out in Note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy are set out in the notes to the proxy form. **In order to be valid, proxy forms must be lodged at either Capita Asset Services, PXS1 34 Beckenham Road, Beckenham, Kent BR3 4ZF or at the office of the Company in Israel marked for the attention of the CFO not less than 48 hours prior to the meeting.** A form of proxy appears on the following page. In the case of a member which is a corporation, the proxy (or any related document) should be given under its common seal or under the hand of an officer or attorney duly authorised in writing. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such party or authority) must be included with the proxy form.
4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
5. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any

amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard copy proxy form, please contact the Company's Registrars, Capita Asset Services, on Tel: 0871 664 0300 or (overseas) +44 20 8639 3399.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

In order to revoke a proxy instruction, you will need to inform the Company by sending a hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, at the address referred to in Note 3 above. The revocation notice must be received by Capita Registrars not less than 48 hours prior to the Meeting.

6. In the case of holders of Depositary Interests representing shares in the Company, a Form of Direction must be completed in order to direct Capita IRG Trustees Limited, the Depositary, to vote on the holder's behalf at the meeting (in person or by proxy) or, if the meeting is adjourned, at the adjourned meeting. **In order to be effective, a completed and signed Form of Direction (and any power of attorney or other authority under which it is signed) must be delivered to Capita IRG Trustees Ltd, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 11:00am on 5th September 2014 or 72 hours before the time of any adjourned meeting.** A Form of Direction appears on the penultimate page of this notice.
7. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
8. The Company will answer any question you ask relating to the business being dealt with at the meeting unless:
 - 8.1 answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - 8.2 the answer has already been given on a website in the form of an answer to a question; or
 - 8.3 it is undesirable in the interest of the Company or the good order of the meeting that the question be answered.
9. As at 11.00 a.m on 18 August 2014, the Company's issued share capital comprised 403,150,820 ordinary shares at 0.01 NIS each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 11.00 a.m. on 18 August 2014 is 403,150,820.
10. If you do not have a proxy form or form of direction and believe that you should have one, or if you require additional forms, please contact Capita Registrars on 0871 664 0300 if calling from the UK (calls cost 10p per minute plus network extras) or +44 (0)208 639 3399 if calling from outside the UK.
11. You may not use any electronic address provided either:
 - 11.1 in this notice of Annual General Meeting; or
 - 11.2 any related documents (including the Chairman's letter and proxy form)

to communicate with the Company for any purposes other than those expressly stated.

12. The following documents will be available for inspection at **the registered office of the company** from **18 August 2014** unless the time of the Meeting and at the Meeting venue itself for at least 15 minutes prior to the Meeting until the end of the Meeting:
 - 12.1 copies of the service contracts of executive directors of the Company;
 - 12.2 copies of the letters of appointment of the non-executive directors of the Company;
 - 12.3 copy of the Articles of Association of the Company.

Form of proxy

for use at the 2014 Annual General Meeting
of BATM Advanced Communications Ltd. to be convened
at 11.00 a.m. on 10 September 2014 at the offices of finnCap Ltd, at 60 New Broad
Street, London, England

I/We

of

being a member of the Company hereby appoint /
the Chairman of the meeting to act as my/our proxy and to vote for me/us as indicated
below with an "X" at the Annual General Meeting of the Company convened for 10
September 2014 at 11.00 a.m. and at any adjournment.

Date

Signed

Please indicate how you wish to vote with an "X" in the appropriate box opposite each
resolution. If no specific indication as to voting is given the proxy will vote or abstain in
their own direction as they will on any other matter arising at the meeting.

Ordinary Resolutions	FOR	AGAINST
1. Receipt of directors' report and annual accounts	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval of report of the remuneration committee	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-appointment of auditors and fixing their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
4. Election of directors		
4.1 Re-appointment of Peter Sheldon	<input type="checkbox"/>	<input type="checkbox"/>
4.2 Re-appointment of Dr. Zvi Marom	<input type="checkbox"/>	<input type="checkbox"/>
4.3 Re-appointment of Ofer Barner	<input type="checkbox"/>	<input type="checkbox"/>
4.4 Re-appointment of Dr. Gideon Chitayat	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval of new employment contract for the Company's Chief Executive Officer, Dr. Zvi Marom	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval of new employment contract and change of position of Mr. Ofer Barner	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval of revised remuneration policy	<input type="checkbox"/>	<input type="checkbox"/>

Notes:

1. This form of proxy to be valid must be completed and signed and must be deposited with Capita Asset Services ,PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF or at the registered office of the Company not less than 48 hours before the time fixed for the Meeting.
2. In the case of a corporation this proxy should be under its common seal, or if not so required under the hand of an officer duly authorised in writing.
3. In the case of joint holders the signature of any one of them will suffice but the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for the purposes seniority shall be determined by the order in which the names stand on the Company's register of members in respect of the joint holding.
4. Any alteration made in the form of proxy should be initialled.
5. You are referred to the Notes to the Notice of Annual General Meeting for further information.

Form of Direction

For use by holders of Depositary Interests representing shares on a one for one basis in the BATM Advanced Communications Ltd (“BATM”) in respect of the Annual General Meeting of BATM to be convened at 10 September 2014 at 11.00 a.m. at the offices of finnCap Ltd at 60 New Broad Street, London, England

I/We

of

being a holder of Depositary Interests representing shares in BATM hereby direct Capita IRG Trustees Limited, the Depositary, to vote for me/us and on my/our behalf in person or by proxy at the Annual General Meeting of BATM to be held on the above date (and at any adjournment thereof) as directed by an “X” in the appropriate box opposite each resolution. **If no indication is given, you will be deemed as instructing the Depositary to abstain from voting.**

Ordinary Resolutions	FOR	AGAINST
1. Receipt of directors' report and annual accounts	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval of report of the remuneration committee	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-appointment of auditors and fixing their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
4. Re-election of directors		
4.1 Re-appointment of Peter Sheldon	<input type="checkbox"/>	<input type="checkbox"/>
4.2 Re-appointment of Dr. Zvi Marom	<input type="checkbox"/>	<input type="checkbox"/>
4.3 Re-appointment of Ofer Barner	<input type="checkbox"/>	<input type="checkbox"/>
4.4 Re-appointment of Dr. Gideon Chitayat	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval of new employment contract for the Company's Chief Executive Officer, Dr. Zvi Marom	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval of new employment contract and change of position of Mr. Ofer Barner	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval of revised remuneration policy	<input type="checkbox"/>	<input type="checkbox"/>

Signature:

Date:

Notes:

1. To be effective, this Form of Direction and the power of attorney or other authority (if any) under which it is signed, or a notarised or otherwise certified copy of such power of attorney, must be deposited at Capita Asset Services, PXS The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 11.00am on 5th September 2014.
2. Any alterations made to this Form of Direction should be initialled.
3. In the case of a corporation this proxy should be given under its common seal or under the hand of an officer or attorney duly authorised in writing.
4. Please indicate how you wish your votes to be cast by placing "X" in the boxes provided. On receipt of this form duly signed, you will be deemed to have authorised The Depositary to vote, or to abstain from voting, as per your instructions.
5. If a Depositary Interest holder wishes to attend the Annual General Meeting they should contact The Depositary at Capita IRG Trustees Limited, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (or by e-mail to custodymat@capita.co.uk) to request a Letter of Representation to the Depositary Interest holder giving them authorisation to attend the Annual General Meeting. If any Depositary Interest holder attends the Annual General Meeting without a Letter of Representation, they will only be allowed to enter the Annual General Meeting as a guest. Requests for a Letter of Representation should be made to the Depositary no later than 11:00am on 5th September 2014, or 72 hours prior to any adjourned meeting.
6. The Depositary will appoint the Chairman of the meeting as its proxy to cast your votes. The Chairman may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to resolutions) which may properly come before the meeting.
7. You are referred to the Notes to the Notice of Annual General Meeting for further information.

APPENDIX

Part 1

Summary of employment terms for CEO's renewed contract

- a) Term of the renewed contract: 1 July 2014 until 30 June 2016
- b) Basic salary increased to USD 300,000 (gross) annually (from USD 240,000)
- c) The present annual bonus scheme to remain in effect. The current bonus scheme is as follows: A bonus based on a percentage of Net Profit before amortization and bonus ("Relevant Profit") on the following basis:
 1. If profit increases by between 50% and 100% over the preceding year, 2.75% of Relevant Profit.
 2. If profit increases by over 100% over the preceding year, 3.75% of Relevant Profit.
 3. If neither paragraph 1 nor 2 apply, 1.75% of relevant profit.

The annual bonus is subject to achieving defined performance criteria, with a ceiling of up to 100% of the CEO's annual salary.

- d) Long Term Incentive: USD 400,000 payable at the end of the two year term, if the Company has achieved an accumulative EBITDA of at least USD 10 million, excluding from M&A transactions and one-time financial transactions.
- e) All other terms and conditions in his previous contract to remain in effect without change.

Part 2

Summary of new executive position and employment terms for Mr. Ofer Barner

- (a) New Title & Position: Executive Vice President, CFO & COO, responsible for the Medical distribution business (diagnostics and sterilization) as well as being in charge of Strategy & Business Development of the Medical Division, including the genetics business (hereinafter the "Business Units"). He will report to the CEO and to the Board of Directors of the Company. He will also continue to serve as an executive director on the Board of Directors of the Company, subject to his election by the shareholders' meeting.
- (b) Term of the renewed contract: 1 August 2014 until 31 July 2017 (hereinafter – "Term of this Agreement"). After the expiration of the Term of this Agreement, the contract shall automatically be renewed for additional one year periods, unless either party elects not to renew the Term of this Agreement by giving written notice to the other at least three (3) months before a scheduled expiration date, or unless terminated earlier by the Company under the provisions of section 12 of the contract.

- (c) Basic Salary: Increased to NIS 60,000 gross monthly salary (from NIS 50,000).
- (d) Bonuses: An annual bonus scheme linked to performance by the above Business Units. In order to be eligible for an annual bonus, the Business Units must achieve in the calendar year an Operating Profit of at least USD 2 million. If in any calendar year during the Term of this Agreement the Business Units achieve an Operating Profit of at least USD 2 million, then the Employee will be entitled to receive a bonus of 3% of the amount of the overall Business Units up to a ceiling of eight (8) monthly salaries. In the event of an M&A Transaction (as defined below) relating to any of the Business Units and/or a subsidiary or affiliated company in the Business Units in which the Company receives value or revenues the Employee will be entitled to a fee of 2% from the revenues or value received by the Company from such M&A Transaction. "M&A Transaction" shall mean, the merger of any of the Business Units and/or the subsidiary or affiliated company in the Business Units with a third party, or the acquisition by a third party of the control, or of substantially all the assets of any of the Business Units and/or of any subsidiary or affiliated company in the Business Units.
- (e) Long Term Incentives: Options to purchase ordinary shares of BATM in a total value of USD 300,000 (per Black & Scholes formula¹), if the Company achieves an accumulative EBITDA of at least USD 10 million, excluding from M&A transactions and one-time financial transactions during the Term of this Agreement. The vesting date of the total amount of options shall be on 31 July 2017 and the exercise price per share shall be the average price of the BATM share on the London Stock Exchange during the month in which this Agreement is approved by the Board of Directors of the Company and the AGM.
- (f) All other terms and conditions in his previous contract to remain in effect without change.

¹ The Black & Scholes model is a mathematical model of a financial market containing certain derivative investment instruments. From the model, one can deduce the Black & Scholes formula, which gives a theoretical estimate of the price of European-style options

Part 3

Proposed Remuneration Policy for the Company's senior executives

Validity: This Remuneration Policy and Guidelines (hereinafter – "Remuneration Policy") has been discussed and approved by the Board of Directors of the Company after considering the recommendations of the Remuneration Committee; **and** will come into effect after its approval by the Shareholders' Meeting by a majority vote as prescribed in section 267A (b) of the Israeli Companies Law, 1999 (the "Law") and, subject always to the provisions of the Law, in accordance with the provisions of the Listing Rules of the United Kingdom Listing Authority and relevant corporate governance codes.

Objects of the Remuneration Policy:

- a) To design appropriate remuneration packages to attract, retain and motivate senior executives and managers (including the CEO, CFO, executive and non-executive directors and others determined by the Board to fall within this category) of the quality required to run the Company successfully (without paying more than is necessary for this purpose) while considering and managing the business risks and linking such remuneration policy to the Company's long term strategy and performance and its sustainable financial health;
- b) To create long term performance-linked remuneration that will incentivize the senior executives to achieve those performance criteria and profits for the Company;
- c) To link rewards for senior executives of the Company to corporate and individual performance which will be measured by both quantitative and qualitative criteria, balancing reward in the short and long term and fixed and variable elements of reward packages;
- d) To control and position compensation for executive directors and senior executives in the Company in comparison with salaries and benefits of other employees in the Company, as well as senior executives in similar companies;
- e) To align the interests of executive directors and senior executives with the interests of shareholders; and
- f) To design remuneration packages that are flexible enough to cope with the Company's changing needs as it grows and its strategy evolves.

Remuneration Principles

a) The remuneration of senior executives of the Company shall be comprised of: (i) **fixed remuneration** (including pensions, social benefits and fringe benefits) that is commensurate with the individual executive's skills, experience, education, qualifications and responsibilities. Base salary, benefits and pension will be set at a broadly mid-market level (including with reference to the country in which an executive principally works), and reviewed annually taking account of individual responsibilities and performance;

(ii) **variable remuneration**, comprising:

(A) **Annual Bonus.** The level of the bonus paid to any executive director or senior executive, and its composition in cash and/or deferred payment (such as conditional share awards or options) will be established to link rewards with the Company's annual business targets, based on quantifiable measurements and targets set out at the start of the financial year by the Remuneration Committee. Up to half shall be based on the achievement of strategic or operational objectives and at least half of any annual bonus

shall be referenced to financial performance or targets as will be determined by the Remuneration Committee and the Board of Directors. Between 10% and 20% will be based on non-financial key performance indicators based on the evaluation of the Company's CEO, or when appropriate, the Remuneration Committee. Annual bonuses may be withheld in whole or in part if the business has suffered an exceptional negative event, even if some specific targets have been met. The Remuneration Committee has overall discretion to ensure that a payment that is inappropriate in all the Company's circumstances is not made. The maximum aggregate bonus shall be 100% of annual base salary and may be delivered in cash or partly in cash and partly in share options under the BATM Share Option Scheme ("Scheme") (or through another long term incentive mechanism) subject to appropriate vesting conditions, as the Remuneration Committee may determine.

(B) Long-Term Incentives. The Company's long-term incentive package for senior executives will be established to support the Company's strategy by incentivizing the delivery of growth, increase in profitability, superior shareholder returns and sustained financial performance. Long-term incentives are currently intended to be satisfied by the issue of options under the Scheme, although other incentive mechanisms may be established following appropriate Board, Remuneration Committee and shareholder approvals.

a) Any award shall be subject to the attainment of the following threshold conditions:

- The Company must show a net profit over a three year period from the date this Remuneration Policy comes into effect; and
- the Company must show an accumulative EBITDA of at least USD 10 million excluding from M&A transactions and/or one-time financial transactions over the coming two year period from the date this Remuneration Policy comes into effect.

If the above threshold conditions are met, then the Board may grant options which shall be subject to:

- a minimum vesting period of three (3) years from the date of the grant and options shall not be exercisable more than ten years after the date of the grant;
- the vesting shall be conditioned on attaining the performance targets based on the above financial metrics over a three year performance period, intended to stimulate future growth, with vesting on a sliding scale so that outstanding performance is required for 100% vesting; and
- the price ("exercise price") at which options may be granted shall not be under the average market price in the month preceding the date of the grant plus 5% above this market price.

The maximum annual long-term incentive award (which would be subject to vesting and performance conditions as above) is 150% of base salary.

b) Variable remuneration will be subject to appropriate claw-back provisions in circumstances of misstatement or misconduct, or an error in the calculation of the Company's financial performance of any target or threshold as well as subject to appropriate provisions as to lapse or cessation of employment.

c) The Remuneration Committee shall have due regard to conditions elsewhere within the BATM group and take them into account when determining executive remuneration.

e) The Company's long-term incentive schemes, as applicable to directors and senior executives, should provide that commitments to issue BATM shares must not exceed (in aggregate across all schemes) 5% of the issued ordinary share capital (adjusted for share issuance and cancellation) in any rolling 10 year period.

f) Notice or contract periods for the executive directors of the Company and senior managers should be set at 12 months or less, save where necessary in the short term to recruit individuals of the appropriate calibre. Compensation commitments for loss of office or early termination of an executive director or senior manager should not have the effect of rewarding poor performance and shall reflect the departing executive's obligations to mitigate loss.