

4 March 2020

BATM Advanced Communications Limited
("BATM" or the "Group")**Full Year Results 2019**

BATM (LSE: BVC; TASE: BVC), a leading provider of real-time technologies for networking solutions and medical laboratory systems, announces its preliminary results for the year ended 31 December 2019.

Financial Summary

- Group revenue of \$123.4m (2018: \$119.6m); on a constant currency basis, revenue was \$126.5m
- Gross margin of 26.9% (2018: 28.8%)
- Cash from operating activities of \$7.2m (2018: \$2.6m)
- Adj.* operating profit of \$5.3m (2018: \$2.6m)
- EBITDA of \$9.8m (2018: \$4.9m)
- Basic earnings per share of 0.93¢ (2018: 0.09¢)
- As at 31 December 2019, the Group had cash and financial assets of \$44.8m (30 June 2019: \$16.9m; 31 December 2018: \$24.4m), following a successful fundraise of £14.1m gross and strong cash generation from operations

* Adjusted to exclude the amortisation of intangible assets (see note 3)

Operational Summary**Bio-Medical Division (52% of total revenue)**

- Revenue increased to \$64.4m (2018: \$62.1m)
- Blended gross margin of 23.8% (2018: 25.0%)
- Diagnostics Unit
 - Signed conditional investment agreement for up to \$30m, with first instalment of \$14.5m received during the year, for Ador Diagnostics ("Ador") and, post period, received first commercial order for Ador's NATlab solution
 - Increased sales of new highly-compact metabolism testing analyser, Hemo One
 - Sustained growth in sales of new molecular biology diagnostics Adaltis product line, and introduced new reagents
 - Post period, developed new diagnostics kit for COVID-19 and received verification from central laboratories and hospitals and interest from customers in several countries
- Eco-Med Unit
 - Commenced delivery on first agri-waste treatment contract outside of Israel with a major food manufacturing group in the Philippines, which is expected to be completed by the end of H1 2020
 - Awarded \$4m contract for agri-waste treatment solution in Taiwan by agri-food conglomerate
 - Post period, awarded agri-waste contract from a major poultry processor in the Middle East – representing further geographic expansion of the customer base
- Distribution Unit
 - Doubled the number of NIPT (pre-natal diagnostics) tests provided by the Group's genetic laboratory in Eastern Europe
 - Strong growth in provision of cancer diagnostics tests in Israel, and received regulatory approval to offer further molecular genetics tests with sales commencing during the year

Networking and Cyber Division (48% of total revenue)

- Revenue increased to \$59.0m (2018: \$57.5m)
- Blended gross margin of 30.9% (2018: 33.6%)
- Networking Unit
 - Completed delivery under partnership with Arm to expand the Group's NFVTime ecosystem optimised for Arm infrastructure and entered proof-of-concept with Tier 1 network operator – with negotiations underway with several others
 - Commenced revenue generation from sales of the Group's NFV products
 - Developed new technology to enable significant increase in network traffic when licensing NFVTime on Arm-based NXP Semiconductors ("NXP") processors
 - Introduced TM-8104 – a new ultra-high capacity networking platform ready for hyper-cloud connectivity, 5G and Multi-access Edge Computing (MEC)
 - Commenced sales of the T-Marc R3305 series – BATM's first solution for multiservice business routing
- Cyber Unit
 - Revenue in 2019 doubled over 2018 with delivery on previously-awarded contracts and new orders received during the year
 - Received orders totalling \$9.1m during the year, including first order for a combined cyber security and networking solution
 - Post period, awarded a \$4m cyber security contract from the Group's long-standing government defence department customer

Commenting on the results, Dr Zvi Marom, Chief Executive Officer of BATM, said: "I am pleased to report another good year for BATM as we delivered increased sales and profit in both of our divisions along with strong cash generation. This reflects a great performance in the second half, with revenues 20% higher than H1 2019, and a particularly robust fourth quarter. As a result, we entered 2020 with a substantially higher backlog than at the same point of the previous year.

"We achieved important operational milestones in 2019 that significantly advanced the execution on our strategy in NFV and molecular diagnostics – our key future growth markets. We are also very pleased with the solid commercial traction that we have established in our Eco-Med and Cyber businesses.

"We believe that the strategy we adopted in both of our divisions is proving to be correct. In particular, the COVID-19 pandemic has demonstrated the value of solutions that help with the containment of infectious disease outbreaks. Consequently, we believe that combination of our NATlab system, which can identify human pathogens with unparalleled speed and accuracy, with our Eco-Med products for pathogenic waste treatment, stand to be of great benefit to society. At the same time, our Networking business is accelerating the NFV activity and we expect good commercial traction in 2020. As a result, we continue to look to the future with confidence."

Enquiries:

BATM Advanced Communications	
Dr Zvi Marom, Chief Executive Officer	+972 9866 2525
Moti Nagar, Chief Financial Officer	
Shore Capital	
Mark Percy, Anita Ghanekar, James Thomas (Corporate Advisory)	+44 20 7408 4050
Henry Willcocks (Corporate Broking)	
Luther Pendragon	
Harry Chathli, Claire Norbury, Rachel So	+44 20 7618 9100

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

Overview

BATM delivered growth in revenue in 2019 to \$123.4m (2018: \$119.6m), which on a constant currency basis was \$126.5m, based on increased sales in both the Bio-Medical division and Networking and Cyber division. This also reflects a strong second half of the year, with revenue in H2 2019 being 19.6% above that in H1 2019. In addition, the Group secured a large proportion of its new contracts in the fourth quarter of the year, which were not all delivered by year end, establishing a substantial backlog for 2020.

The Group achieved a number of operational milestones in 2019 that significantly advanced the execution on its strategy in areas that the Group has identified as growth markets. In particular, in Network Function Virtualisation (“NFV”), the Group completed delivery under its agreement with Arm and in molecular biology diagnostics, BATM made strong progress in the development of its NATlab solution under Ador – both of which are now positioned for commercialisation.

During the year, the Group also established good momentum with its Cyber and Eco-Med activities. In 2019, both of these units received several high-value contracts and expanded their customer base, with the Group’s agri-waste treatment solution now being supplied in four countries in the Middle East and Asia. In addition, the Group continued to realise value from its investments with capital gains from Ador and IBC Holdings.

Due to a change in sales mix, as described below, gross margin was reduced compared with 2018. However, with a substantial backlog and a number of its higher-margin activities positioned to ramp up in 2020, the Board remains confident of achieving growth in line with market expectations for full year 2020.

Bio-Medical Division

	FY 2019	FY 2018
Revenue	\$64.4m	\$62.1m
Adj. blended gross margin	23.8%	25.0%
Adj. operating profit (loss)	\$0.1m	\$(1.1m)

Revenue for the Bio-Medical division increased by 3.7% to \$64.4m (2018: \$62.1m). On a constant currency basis, the Bio-Medical division revenue growth was 9.2%. Blended gross margin for the division was lower due to slightly higher costs in the Eco-Med unit as it delivered the first of its large-scale solutions. The Bio-Medical division generated an adjusted operating profit of \$0.1m for 2019 compared with a loss of \$1.1m in 2018, which was primarily due to a capital gain of \$3.2m from the part realisation of Ador compared with a capital gain of \$1.6m in 2018 from selling of intangible assets to a joint venture.

Distribution

Revenues for the Distribution unit increased by 4.5% and accounted for 81.3% (2018: 80.7%) of the Bio-Medical division’s revenue in 2019.

In Israel, the Group’s Zer Laboratories subsidiary achieved strong growth in sales of pre-natal diagnostic tests. The Group received regulatory approval for Zer Laboratories to be able to offer further pre-natal genetics screening tests, becoming one of only two private laboratories in Israel able to provide these tests, with sales commencing during the year. During 2019, there was also an increase in the provision of the new genetics screening tests for the Israeli market that the Group introduced following investment to expand the local laboratory to install the required technology last year. In addition, Pro-Genetics, in which the Group holds 49% through Zer Laboratories, achieved good growth in the distribution of cancer diagnostics tests.

Following the introduction of Non-Invasive Prenatal Testing (NIPT) diagnostics tests at its genetics laboratory in Eastern Europe last year, the Group doubled the sales of such tests in 2019 compared with 2018.

Eco-Med

The Eco-Med unit accounted for approximately 10.1% of the Bio-Medical division's revenues in 2019 compared with 8.7% in 2018, which reflects an increase in revenue of 21.1%. The majority of the growth was due to the completion of the installation of the Group's agri-waste treatment solution, which is based on its Integrated Sterilizer and Shredder patented technology ("ISS"), at a bovine slaughterhouse under a previously-won contract.

The Group also made significant progress in winning new customers for its agri-waste treatment solution, including introducing the product to new geographies. The first international contract, worth approximately \$1.5m and with delivery having commenced in 2019, was with a poultry processing facility in the Philippines.

An important customer win was achieved with the award of a \$4m contract by a Taiwanese agri-food conglomerate, whose business activities span the agri-food supply chain in Taiwan, mainland China and elsewhere in Asia. The contract, which is expected to be delivered by the end of 2020, is for three units of the Group's agri-waste treatment solution for two separate poultry processing facilities. The Group's solution will be used in the rendering process to allow the safe treatment of poultry remains to generate valuable proteins that can be used for the production of animal nutrition.

Post period, the Group received its third international contract for its agri-waste treatment solution, which is worth approximately \$1.3m and is expected to be delivered in 2020. The customer is a major poultry integrator that produces, processes, markets and distributes high quality fresh and frozen chicken to customers throughout the Middle East, where it is based – representing further geographic expansion of the Group's customer base for this solution – as well as to several countries in Asia.

Diagnostics

The Diagnostics unit represented approximately 8.6% of Bio-Medical division revenues in 2019 (2018: 10.6%). As stated previously, the Diagnostics unit has been undergoing a re-organisation, which is now almost complete, as it transitions from ELISA to focus on molecular biology solutions and products. This has resulted in a temporary reduction in sales, with 2019 being slightly lower than 2018. However, there was a return to growth in sales of the Diagnostics unit in the second half of the year, with H2 2019 revenues increasing over both H1 2019 and H2 2018 based on diagnostic instrument sales, with this momentum expected to continue in 2020. In addition, the Group continued to invest in its manufacturing facilities in Italy to increase the efficiency of the production process for systems and reagents, which is expected to generate substantial efficiencies in 2020.

During the year, the Group's new highly compact metabolism testing analyser, the Hemo One, performed well with sales in multiple countries across Europe, Asia and South America. The Group also continued development work to be able to offer further panels and cartridge-based testing for this instrument, which has been based on demand from medical offices as well as major clients.

Sales increased of the Group's molecular biology diagnostics Adaltis product line that was launched at the end of 2018, including commencing selling in Mexico in addition to Europe. The Group also extended the range of reagents tests and entered into new collaboration agreements with significant distributors in the molecular biology field in Italy and Mexico, which translated to initial sales in H2 2019 and is expected to ramp up from 2020.

The Group successfully developed a new diagnostics kit to detect the COVID-19 virus. This kit, which is part of the MOLgen molecular diagnostics line that was launched at the end of 2018, has undergone testing by

several central laboratories and hospitals that have now verified its ability to diagnose COVID-19. The MOLgen COVID-19 kit is designed to be used with the Group's diagnostic instruments, which offers benefits of speed and accuracy, but it can also be used with some competing diagnostic instruments. Post period, the Group commenced initial production of the kit at its Adaltis facility, and is working with academic and research institutions, mainly in Europe, to progress the kit to make it at a price point suitable for large scale production. The kit, which supports all the Centers for Disease Control and Prevention (CDC) recommendations, has already received interest from customers in several countries.

The Group made strong progress in advancing its NATlab molecular biology solution that is being developed through Ador, which has undergone extensive lab testing and partnerships have been established with several leading research institutions. NATlab provides rapid sample-to-answer diagnosis of bacterial, viral or fungal infections, within approximately 15-90 minutes, using DNA sampling. The unique system is modular, compact and mobile, and is designed to be used at the point-of-care as well as in hospital labs. The Group believes that NATlab – which has been awarded over 40 global patents, including in Europe and the US, with more pending – will allow medical practitioners to provide far quicker and more efficient treatment.

During the year, the Group entered a conditional agreement for an investment of up to \$30m, and received the initial instalment of \$14.5m, to provide additional funds for the commercialisation of NATlab. The second instalment of \$15.5m is expected to be funded by the end of 2020, subject to certain milestones being achieved and the Group has made material progress towards meeting those milestones.

Post period, Ador received its first commercial order for NATlab, which was from the leading Italian distributor of molecular biology and genomics products. Under the agreement, Ador will deliver the new NATlab reader and cartridges for the identification of meningitis in the second half of 2020.

In addition, COVID-19 will be included within the Ador suite of testing kits as part of its travel panels. Laboratory bench tests are expected to commence imminently.

Networking and Cyber Division

	FY 2019	FY 2018
Revenue	\$59.0m	\$57.5m
Adj. blended gross margin	30.9%	33.6%
Adj. operating profit	\$5.2m	\$3.6m

There was a slight increase in revenue for the full year compared with 2018, which reflects a softening in the first half being mitigated by a strong second half, with revenue in H2 2019 being 26.9% higher than H1 2019 and 14.2% above H2 2018. The growth in the second half was due to increased sales of the Group's ICT networking products and services and its cyber solutions. There was an immaterial impact on revenue in the Networking and Cyber division by currency fluctuations. The reduction in gross margin in the Networking and Cyber division reflects a slight decrease in year-on-year sales of carrier Ethernet products, resulting in an increased contribution to revenue from ICT services, which carry a lower gross margin.

NFV solutions

BATM completed delivery under its joint development agreement with Arm to develop the Group's NFVTime operating system, which is integrated with Arm technology to be used on Arm-based uCPE related SoCs (system-on-a-chip), to enable an ecosystem of Virtual Network Function ("VNF") services optimised to run on Arm's architecture. NFVTime enables a significant increase in throughput compared with competing solutions. The parties have been conducting joint marketing of the solution that enables carriers to deploy their own virtualised networks, which can also be a key element in allowing operators to leverage the benefits offered by 5G.

The parties entered into a proof-of-concept for the joint NFV solution with a Tier 1 network operator in 2019, which is expected to progress to field trials this year. Negotiations are also underway with several other network operators in the US and Europe to undertake proof-of-concept. The Group commenced receiving initial revenue from NFVTime sales during the year, which it expects to ramp as the projects with network operators progress.

Key Arm-optimised VNF services that the Group added to the ecosystem, through integration with the Group's NFVTime uCPE solution, include Clavister's virtualised cyber security platform and Fortinet's VMware SD-WAN solution.

A key milestone under the agreement with Arm was the Group's development of a new technology under its long-standing partnership with NXP that enables a significant increase in network traffic, without requiring an increase in computing power. The new technology applies when licensing the Group's NFVTime on NXP's Layerscape® LS2088A and LS1088A multicore processors, which are built on Arm core technology. The solution will enable more efficient and cost-effective customer premise networking, and support next-generation 5G/MEC use cases.

ICT and Carrier Ethernet solutions and services

The growth in revenue from ICT solutions and services was based on increased sales with both existing and new customers.

The Group advanced its 5G strategy with the launch of a new ultra-high capacity networking platform for network edge. The T-Metro 8104, which is NFV ready, is the industry's first CE2.0 compliant service aggregation and cloud gateway platform available at 1.2Tb capacity and it is designed to allow network operators to leverage the transformation enabled by hyper-cloud connectivity, 5G and MEC. It has a modular design that, along with having a small form factor and the ability to be installed outside a telecom cabinet, allows customers to expand and add capacity and interfaces as required.

Also during the year, BATM introduced the T-Marc R3305 series, with sales commencing in the fourth quarter. The routers and integrated access devices support a variety of enterprise-grade features that can form the foundation of a business' entire network. This new product represents an expansion of the Group's offering into routing as part of its strategy to target the enterprise market.

Cyber

BATM made excellent progress in its cyber security business, with a strong increase in revenue from previously awarded contracts and receiving new orders totalling \$9.1m during the year, of which \$6.5m was delivered in H2 2019.

The government defence department customer that the Group has been supplying with cyber security products and services since 2017, awarded the Group two further contracts worth an aggregate of \$6.5m. Post period, this customer awarded the Group a \$4m follow-on order that is expected to be delivered in the second half of 2020. The order is for the delivery of additional hardware and software cyber security products as the customer rolls out the Group's solution to encompass further employees. Following this latest order, the total contracted revenue awarded to the Group to date by this customer for this cyber solution is over \$18m.

The Group was also awarded an initial \$2m contract by a branch of a national armed forces – a new customer – for the provision of a combined cyber security and networking solution. This is the Group's first contract for this combined solution.

In addition, the Group expanded its cyber security offering by enhancing its T-Sense cyber product, which is a software-based smart network sensor that is able to discover and classify network devices, applications,

services and activities over the network, so that it is compatible with Arm architecture as well as Intel-based platforms. As a result, T-Sense is now able to leverage the advantages of all major infrastructures, which expands its addressable market. This enhanced product is expected to be available to customers this year.

Financial Review

	H1 2019	H2 2019	FY 2019	FY 2018
Revenue	\$56.2m	\$67.2m	\$123.4m	\$119.6m
Adj. blended gross margin	27.7%	26.8%	27.2%	29.2%
Adj. operating profit	\$1.6m	\$3.7m	\$5.3m	\$2.6m

Total Group revenue for 2019 increased to \$123.4m (2018: \$119.6m), reflecting growth in both divisions. On a constant currency basis, revenue for 2019 would have been \$126.5m, with an immaterial impact on operating profit. The primary currency fluctuation that impacted the reported revenue was the weakening of the Moldovan Leu and the Romanian Leu against the US Dollar. The Bio-Medical division accounted for 52.2% of total revenue (2018: 51.9%) and 47.8% was contributed by the Networking and Cyber division (2018: 48.1%). Both divisions had a significantly stronger second half of the year, with revenue in H2 2019 being higher than H1 2019 – by 13.2% in the Bio-Medical division and by 26.9% in the Networking and Cyber division.

The blended gross profit margin for the year was 26.9% (2018: 28.8%). This decrease is due to the increased contribution to revenue from the Bio-Medical division, which carries a lower margin than the Networking and Cyber division, as well as a slight softening in gross margin in both divisions respectively. The Group anticipates an improvement in gross margin for 2020.

Sales and marketing expenses were \$16.3m (2018: \$15.6m), representing 13.2% of revenue compared with 13.1% in 2018. The increase is due to the expansion of marketing in the Networking unit to support the launch of the NFV products and in the Diagnostics unit for the launch of the molecular biology products. There was also an increase in sales activity in the Distribution unit.

General and administrative expenses were \$11.8m (2018: \$11.2m), representing 9.5% of revenue compared with 9.4% in 2018.

Investment in R&D was lower in 2019 than the previous year at \$6.8m (2018: \$7.1m), primarily due to the allocation of certain R&D expenses to cost of revenues.

Adjusted operating profit increased significantly to \$5.3m compared with an operating profit of \$2.6m in 2018. This includes a capital gain of \$3.2m from the part realisation of the Group's ownership of Ador as part of the investment in that business. The fair value of the Group's remaining holdings in Ador, based on the transaction agreement, is \$17m. Implementation of IFRS accounting standards requires the investment to be measured according to the equity method, which excludes fair value measurement, therefore only a \$3.2m profit was recorded. In addition, there was a capital gain of \$3.4m from the sale of the Group's rights in IBC Holdings (compared with a capital gain in 2018 of \$1.6m from the selling of intangible assets to a joint venture).

The Group achieved a strong increase in EBITDA, which doubled to \$9.8m (2018: \$4.9m).

Net finance income was \$0.3m (2018: \$0.3m expenses), which includes \$0.3m in expenses relating to interest on lease liabilities following the implementation of IFRS 16 on 1 January 2019.

Net profit after tax attributable to equity holders of the parent increased to \$3.9m (2018: \$0.4m profit) resulting in a significant increase in basic earnings per share to 0.93¢ (2018: 0.09¢).

As at 31 December 2019, inventory was \$22.7m (30 June 2019: \$23.9m; 31 December 2018: \$22.9m). The decrease is due to the completion of delivery of certain large projects by the Eco-Med unit during the year, which had been commenced in the prior year, resulting in the unwinding of the inventory position. Trade and other receivables increased to \$42.8m (30 June 2019: \$36.4m; 31 December 2018: \$35.0m), which was mostly due to higher sales in the last quarter of the year.

Intangible assets and goodwill at 31 December 2019 was \$23.7m (30 June 2019: \$23.1m; 31 December 2018: \$22.6m). The slight increase is mostly due to a small acquisition of a software business during the year.

Property, plant and equipment and investment property was \$16.1m (30 June 2019: \$16.9m; 31 December 2018: \$16.1m).

The balance of trade and other payables was \$44.5m (30 June 2019: \$32.8m; 31 December 2018: \$33.4m). The increase is mostly due to achieving of better payment terms.

Cash generated from operating activities was \$7.2m for 2019 compared with \$2.6m for the prior year, which is mainly due to an improvement in working capital and \$2.1m resulting from the implementation of IFRS 16.

The Group's balance sheet remained strong with effective liquidity of \$44.8m at 31 December 2019 compared with \$16.9m at 30 June 2019 and \$24.4m at 31 December 2018. The increase in cash and cash equivalents relates to improvement in working capital and successfully raising approximately \$17.1m net from new and existing investors.

Listing on TASE

On 11 July 2019, the Group's shares commenced trading on its Secondary Listing on the Tel Aviv Stock Exchange (TASE) under the symbol "BVC". The Group maintains its Primary Listing on the Premium Listing Segment of the Official List of the FCA and its shares continue to trade on the Main Market of the London Stock Exchange. Shares are fully transferrable and fungible between the two markets. BATM has not issued any new shares in connection with the Secondary Listing.

Outlook

The Group entered 2020 with a substantially higher backlog than at the same point of the prior year, having had a particularly strong fourth quarter of 2019 for winning new contracts for delivery this year, and this momentum has continued in 2020. Both the Bio-Medical division as well as the Networking and Cyber division are expected to report growth for 2020, with the Bio-Medical division remaining the largest contributor to Group revenue.

Specifically, in the Bio-Medical division, BATM expects a ramp up in sales this year through the Group's new collaboration agreements in the Diagnostics unit with significant distributors in the molecular biology field in Italy and Mexico. The Eco-Med unit has a solid backlog of orders for its agri-waste treatment solution to deliver in 2020 and the Group expects it to continue to win new customers and expand its activities. The Distribution unit is expected to continue to perform well.

In the Networking and Cyber division, the Group anticipates progressing its engagement with network operators under its partnership with Arm, which will enable a ramp up of NFV-related revenue. The Group expects good growth in the Cyber unit as it continues to win orders from existing and new customers.

With the contribution to revenue from diagnostics and NFV-related activities expected to increase in 2020, the Group anticipates an improvement in gross margin.

The £14.1m fundraise and significant cash generation in the second half of 2019 have provided the Group with a strong balance sheet. This will support the Group's ramp up in activities as well as enable it to pursue potential acquisition opportunities to accelerate growth in its key strategic areas.

As a result, BATM expects to report results for full year 2020 in line with market expectations and the Board continues to look to the future with confidence.

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

	Year ended 31 December	
	2019	2018
	US\$ in thousands	
Revenues	123,396	119,561
Cost of revenues	<u>90,251</u>	<u>85,097</u>
Gross profit	<u>33,145</u>	<u>34,464</u>
Operating expenses		
Sales and marketing expenses	16,307	15,635
General and administrative expenses	11,753	11,226
Research and development expenses	6,772	7,116
Other operating income	<u>(6,169)</u>	<u>(1,003)</u>
Total operating expenses	<u>28,663</u>	<u>32,974</u>
Operating profit	<u>4,482</u>	<u>1,490</u>
Finance income	1,612	653
Finance expenses	<u>(1,316)</u>	<u>(935)</u>
Profit before tax	4,778	1,208
Income tax expenses	<u>(475)</u>	<u>(623)</u>
Profit for the year before share of loss of a joint venture and associated companies	<u>4,303</u>	<u>585</u>
Share of loss of a joint venture and associated companies	<u>(1,033)</u>	<u>(908)</u>
Profit (loss) for the year	<u>3,270</u>	<u>(323)</u>
<u>Attributable to:</u>		
Owners of the Company	3,917	358
Non-controlling interests	<u>(647)</u>	<u>(681)</u>
Profit (loss) for the year	<u>3,270</u>	<u>(323)</u>
Profit per share (in cents):		
Basic	<u>0.93</u>	<u>0.09</u>
Diluted	<u>0.92</u>	<u>0.09</u>

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

	Year ended 31 December	
	2019	2018
	US\$ in thousands	
Profit (loss) for the year	3,270	(323)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<u>398</u>	<u>(2,546)</u>
	3,668	(2,869)
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement of defined benefit obligation	<u>(44)</u>	<u>(51)</u>
Total comprehensive income (loss) for the year	<u>3,624</u>	<u>(2,920)</u>
Attributable to:		
Owners of the Company	3,664	(2,509)
Non-controlling interests	<u>(40)</u>	<u>(411)</u>
	<u>3,624</u>	<u>(2,920)</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December	
	2019	2018
	US\$ in thousands	
Current assets		
Cash and cash equivalents	40,584	20,811
Trade and other receivables	42,784	35,010
Financial assets	4,254	3,577
Inventories	<u>22,672</u>	<u>22,860</u>
	<u>110,294</u>	<u>82,258</u>
Non-current assets		
Property, plant and equipment	14,203	14,076
Investment property	1,899	2,004
Right of-use assets	9,945	-
Goodwill	16,804	16,343
Other intangible assets	6,941	6,278
Investment in joint venture and associate	9,497	4,210
Investments carried at fair value	1,013	1,060
Deferred tax assets	<u>3,234</u>	<u>2,655</u>
	<u>63,536</u>	<u>46,626</u>
Total assets	<u>173,830</u>	<u>128,884</u>
Current liabilities		
Short-term bank credit	5,915	5,369
Trade and other payables	44,459	33,413
Current maturities of lease liabilities	2,070	-
Tax liabilities	<u>313</u>	<u>173</u>
	<u>52,757</u>	<u>38,955</u>
Non-current liabilities		
Long-term bank credit	762	486
Long-term liabilities	6,215	5,631
Long-term lease liabilities	8,339	-
Deferred tax liabilities	626	228
Retirement benefit obligation	<u>715</u>	<u>576</u>
	<u>16,657</u>	<u>6,921</u>
Total liabilities	<u>69,414</u>	<u>45,876</u>
Equity		
Share capital	1,320	1,217
Share premium account	425,477	407,796
Reserves	(18,582)	(18,373)
Accumulated deficit	<u>(299,391)</u>	<u>(303,264)</u>
Equity attributable to equity holders of the:		
Owners of the Company	108,824	87,376
Non-controlling interest	<u>(4,408)</u>	<u>(4,368)</u>
Total equity	<u>104,416</u>	<u>83,008</u>
Total equity and liabilities	<u>173,830</u>	<u>128,884</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

	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								
Balance as at 1 January 2019	1,217	407,796	(17,861)	(512)	(303,264)	87,376	(4,368)	83,008
Profit (loss) for the year					3,917	3,917	(647)	3,270
Re-measurement of defined benefit obligation	-	-	-	-	(44)	(44)	-	(44)
Exchange differences on translating foreign operations	-	-	(209)	-	-	(209)	607	398
Total comprehensive profit (loss) for the year	-	-	(209)	-	3,873	3,664	(40)	3,624
Issue of share capital	93	16,981				17,074	-	17,074
Exercise of share based options by employees	10	595	-	-	-	605	-	605
Recognition of share-based payments	-	105	-	-	-	105	-	105
Balance as at 31 December 2019	<u>1,320</u>	<u>425,477</u>	<u>(18,070)</u>	<u>(512)</u>	<u>(299,391)</u>	<u>108,824</u>	<u>(4,408)</u>	<u>104,416</u>

Year ended 31 December 2018

	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								
Balance as at 1 January 2018	1,216	407,688	(15,045)	(512)	(303,571)	89,776	(3,957)	85,819
Profit (loss) for the year					358	358	(681)	(323)
Re-measurement of defined benefit obligation	-	-	-	-	(51)	(51)	-	(51)
Exchange differences on translating foreign operations	-	-	(2,816)	-	-	(2,816)	270	(2,546)
Total comprehensive profit (loss) for the year	-	-	(2,816)	-	307	(2,509)	(411)	(2,920)
Exercise of share based options by employees	1	50	-	-	-	51	-	51
Recognition of share-based payments	-	58	-	-	-	58	-	58
Balance as at 31 December 2018	<u>1,217</u>	<u>407,796</u>	<u>(17,861)</u>	<u>(512)</u>	<u>(303,264)</u>	<u>87,376</u>	<u>(4,368)</u>	<u>83,008</u>

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

	Year ended 31 December	
	2019	2018
	US\$ in thousands	
Net cash from operating activities (Appendix A)	<u>7,166</u>	<u>2,607</u>
Investing activities		
Interest received	205	219
Proceeds on disposal of property, plant and equipment and other	113	6,507
Tax paid on disposal of property, plant and equipment	(19)	(1,913)
Proceeds on disposal of deposits	3,234	4,579
Proceeds on disposal of financial assets carried at fair value through profit and loss	-	2,391
Proceeds on sale of investment	3,430	-
Loans repay (granted)	-	133
Purchases of property, plant and equipment	(686)	(1,692)
Increase of other intangible assets	(1,523)	(1,894)
Purchases of financial assets carried at fair value through profit and loss	(760)	(840)
Purchases of deposits	(3,112)	(4,004)
Increase in financial assets carried at fair value	-	(321)
Investment in joint venture	(1,952)	(1,616)
Investment in associated companies	(575)	(80)
Acquisition of subsidiaries (Appendix B)	<u>(937)</u>	<u>(633)</u>
Net cash from (used in) investing activities	<u>(2,582)</u>	<u>836</u>
Financing activities		
Lease payment	(2,361)	-
Bank loan repayment	(9,922)	(9,956)
Bank loan received	10,086	9,596
Issue of share capital, net	17,074	-
Proceed on exercise of shares	<u>605</u>	<u>51</u>
Net cash from (used in) financing activities	<u>15,482</u>	<u>(309)</u>
Increase in cash and cash equivalents	20,066	3,134
Cash and cash equivalents at the beginning of the year	20,811	18,182
Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>(293)</u>	<u>(505)</u>
Cash and cash equivalents at the end of the year	<u>40,584</u>	<u>20,811</u>

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

APPENDIX A

RECONCILIATION OF OPERATING PROFIT FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES

	Year ended 31 December	
	2019	2018
	US\$ in thousands	
Operating profit from operations	4,482	1,490
Adjustments for:		
Amortisation of intangible assets	794	1,143
Depreciation of property, plant and equipment and investment property	4,561	2,248
Capital gain of property, plant and equipment and other	31	(1,585)
Revaluation of investment	-	(165)
Gain on sale of investment	(3,380)	-
Capital gain on reduce of holdings in associated company	(3,161)	-
Stock option granted to employees	105	58
Increase (decrease) in retirement benefit obligation	121	(153)
Decrease in provisions	<u>298</u>	<u>(47)</u>
Operating cash flow before movements in working capital	3,851	2,989
Decrease in inventory	1,387	353
Decrease (increase) in receivables	(7,896)	4,824
Increase (decrease) in payables	11,361	(3,579)
Effects of exchange rate changes on the balance sheet	<u>(264)</u>	<u>(990)</u>
Cash from operations	8,439	3,597
Income taxes paid	(410)	(419)
Income taxes received	10	2
Interest paid	<u>(873)</u>	<u>(573)</u>
Net cash from operating activities	<u>7,166</u>	<u>2,607</u>

APPENDIX B

ACQUISITION OF SUBSIDIARY – Remedium

	Year ended 31 December
	2019
	US\$ in thousands
Net assets acquired	
Property, plant and equipment	1,257
Net working capital	607
Short-term bank credit	(134)
Long term liabilities	<u>(635)</u>
	1,095
Non- controlling interest	(543)
Gain from bargain purchase	<u>(248)</u>
Total consideration	<u>1,269</u>
Satisfied by:	
Cash	304
Consideration recorded as a liability	-
	<u>304</u>
Net cash outflow arising on acquisition	
Cash consideration	316
Cash and cash equivalents acquired	<u>(12)</u>
	<u>304</u>

Acquisition of subsidiaries in the Consolidated Statement of Cash Flows also includes the final payment of \$0.6m for Green Lab Hungary Engineering Ltd, which was acquired in 2016.

BATM ADVANCED COMMUNICATIONS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General

The final results for the year ended 31 December 2019 and the comparative 2018 information will be presented in the full Annual Report in accordance with International Financial Reporting Standards (“IFRS”).

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 421,141,507 (2018: 403,353,149). 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 425,096,611 shares (2018: 406,250,024).

Note 3 – Alternative performance measures

	Year ended 31 December	
	2019	2018
	US\$ in thousands	
Operating profit	4,482	1,490
Amortisation of Intangible assets	<u>794</u>	<u>1,143</u>
Adjusted operating profit	5,276	2,633
Depreciation	2,101	2,248
Depreciation of right-of-use assets	<u>2,460</u>	=
EBITDA	<u>9,837</u>	<u>4,881</u>

BATM ADVANCED COMMUNICATIONS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Segments

Business Segment

Year ended 31 December 2019

	Networking and Cyber \$'000	Bio-Medical \$'000	Unallocated \$'000	Total \$'000
Revenues	58,960	64,436	-	123,396
Adjusted operating profit (*)	5,144	132	-	5,276
Reconciliation - other operating expenses (*)				<u>(794)</u>
Operating profit				4,482
Net finance income				<u>296</u>
Profit before tax				4,778

Year ended 31 December 2018

	Networking and Cyber \$'000	Bio-Medical \$'000	Unallocated \$'000	Total \$'000
Revenues	57,451	62,104	6	119,561
Adjusted operating profit (loss)(*)	3,579	(1,114)	168	2,633
Reconciliation - other operating expenses (*)				<u>(1,143)</u>
Operating profit				1,490
Net finance expense				<u>(282)</u>
Profit before tax				1,208
(*) See note 3				