

28 February 2022

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

Full Year Results 2021

Substantial progress across the business drives strong underlying growth

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 2021.

Financial Summary

\$m	2021	2020	Change
Results from ongoing operations (adjusted)*			
Revenue	132.8	112.6	+18.0%
Gross profit	50.2	41.0	+22.5%
Gross margin	37.8%	36.4%	+140bps
Operating profit	11.3	2.6	+339.5%
EBITDA	15.7	6.6	+138.8%
Reported results			
Revenue	140.0	183.6	(23.7%)
Gross profit	51.1	60.7	(15.9%)
Gross margin	36.5%	33.1%	+340bps
Operating profit	24.4	14.2	+71.3%
EBITDA	29.6	19.7	+50.4%
Cash from operations	8.7	20.1	(56.8%)
Basic earnings per share (cents)	3.26¢	2.22¢	+46.8%
Cash and financial assets	67.8	53.4	+26.9%

* Adjusted to present the results on an ongoing operations basis by excluding (1) the contribution to both years from NGSoft, a subsidiary that the Group sold in March 2021, (2) the contribution to 2020 from a significant contract for the supply of ventilators, which was exceptional in nature, and (3) the amortisation of intangible assets for both years. The term 'ongoing operations' in this announcement is used for comparative purposes only and is not used in the same context as in accounting standards. For further information see Note 3 – Other alternative measures.

Operational Summary

Bio-Medical Division (84% of total revenue from ongoing operations)

- Revenue from ongoing operations (excluding the contribution to 2020 from an exceptional ventilator contract) increased by 17.7% to \$112.0m (2020: \$95.2m), reflecting growth in all units
- **Diagnostics Unit – revenue +38%**
 - Significant sales growth driven by strong global demand for COVID-19 test kits (reagents) and diagnostic instruments and supported by increased sales of products in other disease areas
 - Expanded COVID-19 diagnostics portfolio with launch of new solutions, including a test that uses self-collected saliva samples and the RAPIDgen® SARS-CoV-2 Ag test for at-home use
 - PCR and iso-thermal method being developed by the Group for the rapid and comprehensive diagnosis of tuberculosis received the backing of the Stop TB Partnership, an international alliance
- **Eco-Med Unit – revenue +37% (excl. contribution from exceptional ventilator contract)**
 - Returned to underlying growth with delivery resuming on contracts for the installation of the Group's ISS-based pathogenic waste treatment solution

- Progress made in projects with Ceva Animal Health and a Taiwanese agri-food conglomerate
- Awarded a contract for its agri-waste treatment solution by a cattle facility in Botswana – the Group’s first contract for its agri-waste solution in Africa
- **Distribution Unit – revenue +9%**
 - Increased revenue driven by the distribution of several molecular tests and of COVID-19 diagnostic reagents and equipment

Networking and Cyber Division (16% of total revenue from ongoing operations)

- Revenue from ongoing operations (which excludes the contribution from NGSoft to both years) increased by 19.5% to \$20.7m (2020: \$17.3m), reflecting underlying growth in both the Networking and Cyber units
- **Networking Unit – revenue +13% (excl. contribution from NGSoft)**
 - Launched Edgility, an ecosystem of networking products and services for edge computing based on the Group’s network function virtualisation (“NFV”) technology
 - Won two edge computing contracts expected to be worth an aggregate of \$2.7m over a multi-year period, which commenced generating revenue post year end
 - Successful proof-of-concepts conducted with several potential customers and partners worldwide, which the Group expects will translate to orders in 2022
 - Established four new partnerships, including one post period, to boost Edgility sales and market presence through the offering of joint solutions
 - Expanded addressable market with enhancement of Edgility OS to enable use for public cloud environments
 - Network Edge (Carrier Ethernet)
 - Resumption of normal business practices resulted in an increase in revenue during the year and a substantial increase in backlog, which is for delivery in 2022
 - Awarded a contract from a new tier 1 telecommunications operator customer in APAC, which contributed significantly to the unit’s growth
- **Cyber Unit – revenue +111%**
 - Awarded over \$18m in cyber security contracts from a long-standing government defence department customer
 - Delivery of these orders commenced during the year and will continue in 2022 and 2023
 - The contracts include a \$10m multi-year contract for the delivery of an advanced network security solution containing elements of NFV protection

Commenting on the results, Dr Zvi Marom, Chief Executive Officer of BATM, said: “We are delighted to be announcing another excellent set of results with growth from ongoing operations in all of our business units. We are particularly proud of the significant progress made in our Diagnostics unit, where our investment in recent years has really come to fruition, and of the substantial contracts awarded during the year in our cyber business. We were also excited to launch our Edgility platform for edge computing and virtual networking, which we believe will be a key driver of our future growth.

“Looking ahead, we entered the new year with sustained momentum across the business and we remain on track to deliver significant growth for full year 2022, in line with market expectations. We have established solid foundations in core technologies that are now at an inflexion point of becoming market disrupters. We will continue to cultivate growth and development across our business as well as pursue opportunities to accelerate the realisation of the value of the IP within our different units through strategic transactions. We have an exciting future ahead of us and we look forward to reporting on our progress and delivering value for our shareholders.”

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	+44 20 7618 9100

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

Investor & Analyst Presentations

Dr Zvi Marom, Chief Executive Officer, and Moti Nagar, Chief Financial Officer, will be holding presentations for analysts and investors today, 28 February 2022, at 9.00am GMT and 5.30pm GMT respectively. To register to attend, please contact Lara Apstein at Luther Pendragon at laraapstein@luther.co.uk

Forward-looking statements

This document contains forward-looking statements. Those statements reflect the current opinions, evaluations and estimations of the Group's management, and are based on the current data regarding the Group's business as is detailed in this document and in the Group's periodical, interim and immediate reports. The Group does not undertake any obligation or make any representation that actual results and events will be in line with those statements, and stresses that they may differ materially from those statements, due to changes in the Group's business, market, competition, demand for the Group's products or services, general economic factors or other factors that can influence the Group's business and results, and due to information and factors that are currently unknown to the Group's management and that, if known, would affect the management's opinions, evaluations or estimations. The Group will report the actual results and events according to its legal, accounting and regulatory obligations, and does not undertake any other obligation to report them or their deviations from the forward-looking statements, or to update any of the forward-looking statements in this document or to report that it is not valid anymore.

Group Strategy

BATM brings world-leading expertise and IP to deliver innovative, robust, reliable and cost-effective solutions to complex challenges in mission-critical applications in the Group's focus sectors of bio-medicine and networking and cyber security. The Group serves a diverse range of customers globally, including large enterprises and governments. BATM delivers value creation from novel idea, to scale-up and mass-market success, and seeks to maximise the long-term value of its businesses through organic and inorganic strategies. A focus on molecular diagnostics, networking and cyber security reflects both the growth opportunities within those markets and the Board's belief that BATM has the ability to build innovative and disruptive businesses in these sectors with inherent value that can be realised on strategic disposal.

Operational Review

The 12 months to 31 December 2021 was another year of strong operational and strategic delivery for BATM, with underlying growth in all of the Group's business units in both divisions (excluding the contribution from NGSoft to both years and the Group's exceptional ventilator contract to 2020). In particular, the underlying growth of the Group was led by the significant increase in sales in the Diagnostics unit of the Bio-Medical division. This was based on sustained demand for the COVID-19 diagnostic solutions that the Group had developed in the prior year while it continued to expand its portfolio with the launch of further tests offering significant advantages in speed and ease-of-use. In the Networking and Cyber division, the Group launched its edge computing and NFV offering, Edgility, which the Board expects will be a key driver of future growth. During the year, a number of customers and partners were secured for Edgility and, post year end, initial revenue generation has commenced.

As noted, there was underlying growth in all of the Group's business units as normal business practices increasingly resumed in several of its markets that had experienced a slowdown due to the impact of the COVID-19 pandemic and associated restrictions on travel. In addition, BATM continued to execute on its value creation strategies with the sale of its non-core NGSoft subsidiary, which generated a capital gain of \$13.0m.

Bio-Medical Division

The Bio-Medical division consists of three units: Diagnostics, Eco-Med and Distribution. In Diagnostics, the Group develops its own in-vitro diagnostic instruments and reagents (assay kits or panels) to detect and diagnose viral infections, immune system diseases and measure hormone responses (such as levels of insulin in diabetes). The Eco-Med unit develops and supplies innovative solutions to sustainably treat pathogenic waste, such as in medical, pharmaceutical or agricultural settings, using an environmentally-friendly process. In the Distribution unit, BATM administers diagnostic tests and distributes diagnostic equipment and medical supplies of other leading brands.

\$m	Reported			Adjusted*		
	2021	2020	Change	2021	2020	Change
Revenue	112.0	128.7	(12.9%)	112.0	95.2	17.7%
Gross margin	36.4%	36.3%	10bps	36.5%	34.8%	170bps
Operating profit	16.5	19.2	(13.7%)	17.0	10.1	67.4%

* Adjusted to present the results on an ongoing operations basis by excluding (1) the contribution to 2020 from a significant contract for the supply of ventilators, which was exceptional in nature, and (2) the amortisation of intangible assets for both years.

On an underlying basis, to exclude the contribution to 2020 from the exceptional ventilator contract in the Eco-Med unit, revenue for the Bio-Medical division increased by 17.7% to \$112.0m (2020: \$95.2m), reflecting growth in all units. Adjusted gross margin improved significantly to 36.5% (2020: 34.8%), primarily reflecting the Diagnostics unit's growth in sales and the increased contribution to revenue from molecular diagnostics and COVID-19 products, which are high-margin. Similarly, there was a substantial increase the Bio-Medical

division's underlying operating profit to \$17.0m (2020: \$10.1m) due to the higher revenue and improvement in gross margin.

Diagnostics

The Diagnostics unit achieved significant growth in 2021, with revenue increasing by 37.7% and accounting for 28.2% of Bio-Medical division revenue (2020: 24.1% of Bio-Medical division revenue excluding the contribution from the ventilator contract). This growth was driven by sustained demand for the Group's diagnostic tests for COVID-19 as well as sales of its diagnostic instruments (readers) that were frequently ordered alongside the reagents. However, there was also growth in sales of the Group's diagnostic products in other (non-COVID-19) disease areas. To cater for the increased demand, the Group further expanded the production capacity of its Adaltis facility in Rome, Italy.

COVID-19 diagnostic tests

As noted above, the Group continued to receive strong demand for its COVID-19 solutions during 2021, with customers primarily being public health authorities in Europe, the Middle East and South East Asia. The Group also continued to expand its portfolio of COVID-19 tests with the launch of a saliva-based PCR test and rapid lateral flow test:

- The Group's test that uses self-collected saliva samples to diagnose COVID-19 using the RT-PCR technique involves the individual spitting into a collector tube rather than deep swabbing via the nose (nasopharyngeal swab) or back of the throat (oropharyngeal swab). This offers advantages in terms of speed and ease of sample collection as well as lab processing and it is more cost effective than the RT-PCR process for standard swab-based tests. The test, which detects all known variants, is being produced at the Group's Adaltis facility.
- The Group's RAPIDgen® SARS-CoV-2 Ag test is a lateral flow test for at-home use with an easy-to-use design and that gives results in 10 minutes. Developed by the Group's Adaltis subsidiary and Gamidor Diagnostics ("Gamidor"), it is being marketed in Europe under the Adaltis brand and produced at Gamidor's facility in Israel, with initial deliveries being to public health authorities.

Together with the tests launched in the previous year, the Group has a comprehensive range of tests for diagnosing COVID-19 that cater for the requirements of different customers or users (whether in terms of speed, accuracy, ease or method of use), and offering advantages compared with many competing solutions in terms of speed, accuracy and ease of use. The Board believes that this demonstrates the key strengths of the Group, which is the ability to bring together its expertise and IP, and the right partners, to develop and deliver innovative and reliable solutions to address complex challenges.

Progress in other disease areas

Sales of the Group's diagnostic products that are not related to COVID-19 testing also increased during the year. In particular, there was growing demand for reagents to detect HIV (human immunodeficiency virus), HPC (hepatitis C) and HPV (human papillomavirus) among others.

The Group also progressed its development work. Its new molecular diagnostics test that is able to test for multiple respiratory pathogens (that often present with overlapping symptoms) at the same time continued to advance through the certification and validation stage and the Group expects to commence sales in the current year. In under an hour, this test can identify the pathogen causing a respiratory illness, enabling the correct treatment or action to be rapidly implemented. It can detect all prominent respiratory viruses as well as the bacteria that cause serious pulmonary illnesses, such as pneumonia and Legionnaires' disease. By detecting multiple pathogens on the same test (multiplexing), with a single patient sample, patients, laboratories and healthcare providers benefit from a reduction in unnecessary testing and gaining important insights more quickly.

Ador Diagnostics

Ador Diagnostics (“Ador”), the Group’s associate company, is primarily focused on developing the NATlab molecular biology solution that provides rapid sample-to-answer diagnosis of bacterial, viral or fungal infections using DNA or RNA sampling.

During the year, Ador progressed the development of its innovative diagnostics technology that uses the rolling circle amplification (“RCA”) method. The RCA method offers a number of advantages over the more prevalent PCR method. This includes allowing for the multiplexing of a far higher number of pathogens, and enabling test results to be provided in a significantly shorter timeframe and with greater accuracy. During the year, clinical trials were successfully completed of the meningitis panel that Ador has developed based on the RCA method. The Group expects Ador to commence sales of RCA-based testing kits to laboratories during the current year. Work also continued on incorporating the RCA method into the NATlab system, which is primarily designed for use at point-of-care rather than laboratories. The Group expects Ador to commence sales of the RCA-based NATlab instruments and reagents to point-of-care settings next year.

Ador, alongside the Group’s Adaltis subsidiary, also received the backing of the Stop TB Partnership, an international alliance comprising governmental and non-governmental organisations, for a new method that the Group has developed (in cooperation with a leading university in Italy and the University of Heidelberg) for the rapid and comprehensive diagnosis of tuberculosis using the RCA process. The testing and validation of products developed under this programme is taking place, and the Group expects commercial-scale testing to start next year, which is being part-funded under a programme of the Stop TB Partnership.

Post year end, as announced on 31 January 2022, the Group and its partners invested an additional \$10m into Ador, of which the Group contributed \$4m (giving the Group a shareholding of 37.2%). The additional investment will be used to prepare Ador for the pre-production stage, register additional patents (mainly in the US), progress development of more disease panels and certifications, and increase the cooperation with international bodies, including the World Health Organisation.

Eco-Med

On an underlying basis, to exclude the contribution to the Eco-Med unit in 2020 of the exceptional ventilator contract, revenue increased by 37.1% and accounted for 7.7% of the Bio-Medical division’s revenue in 2021 (2020: 6.6% of Bio-Medical division revenue excluding the contribution from the ventilator contract). On a reported basis, revenue in the Eco-Med unit in 2021 was substantially lower than the prior year due to the significant ventilator contract in 2020.

The underlying growth was based on delivery on the Group’s contracts for the installation of its pathogenic waste treatment solutions based on its Integrated Steriliser and Shredder (“ISS”) technology that had been paused during 2020 owing to government lockdowns and restrictions on travel following the global pandemic. In particular, the Group progressed the delivery of its contract to expand and enhance the ISS-based solution installed at the Hungarian facility of Ceva Animal Health, a leading developer of animal health products, and with the installation of its ISS-based solution for its agri-food conglomerate customer in Taiwan. The completion of the delivery of these contracts is expected to occur in the first half of 2022, subject to government restrictions in these countries due to COVID-19.

Distribution

Revenue in the Distribution unit increased by 8.9% in 2021 over the prior year and accounted for approximately 64.1% of the Bio-Medical division’s revenue (2020: 69.3% of Bio-Medical division revenue excluding the contribution from the ventilator contract).

The growth was driven by the distribution of several molecular biology tests and, in particular, reflects the ongoing demand for COVID-19 reagents and diagnostic equipment. In addition, post year end, the Group has

begun providing its distribution activities in Hungary, albeit the Group does not expect this to make a material contribution to the Distribution unit's revenue in the near term.

Networking and Cyber Division

The Networking and Cyber division consists of two units: Networking and Cyber. The Networking unit develops and supplies wide-area access solutions to mobile, cloud and wireline infrastructure markets. Innovation is primarily focused on virtualisation and edge computing in the Group's Edgility business, while the Group continues to supply (with some development work) carrier ethernet and multiprotocol label switching (MPLS) access solutions in its Network Edge business. In the Cyber unit, the Group provides network monitoring and encryption solutions for very high speed, large area networks.

\$m	Reported			Adjusted*		
	2021	2020	Change	2021	2020	Change
Revenue	28.0	54.9	(49.0%)	20.7	17.3	19.5%
Gross margin	36.9%	25.5%	1,140bps	45.0%	45.6%	(60)bps
Operating profit/(loss)	7.8	(4.9)	259.0%	(5.6)	(7.6)	25.3%

* Adjusted to present the results on an ongoing operations basis by excluding (1) the contribution to both years from NGSoft, a subsidiary that the Group sold in March 2021, and (2) the amortisation of intangible assets for both years.

Revenue for the year from ongoing operations in the Networking and Cyber division (excluding the contribution to both years from NGSoft) increased by 19.5%, reflecting growth in the both the Networking and Cyber units as market conditions increasingly normalised following the impact of COVID-19. This is demonstrated by revenue from ongoing operations for the second half of 2021 being 27.4% higher than the first six months of the year.

There was a slight reduction in gross margin from ongoing operations due to increased materials costs related to the global challenges of electronic component shortages. However, gross margin from ongoing operations was substantially higher than reported gross margin (which includes NGSoft), owing to the lower margin nature of the NGSoft business.

Operating loss from ongoing operations was reduced to \$5.6m (2020: \$7.6m) thanks to the higher revenue. A significant proportion of the operating expenses in the Networking and Cyber division is related to the investment in establishing the Group's NFV offering, which the Board believes will be a key driver of future growth.

On a reported basis, the Networking and Cyber division recorded an operating profit as a result of the capital gain of \$13.0m from the sale of NGSoft.

Networking

In the Networking unit, revenue from ongoing operations (excluding the contribution to both years from NGSoft) increased by 13.4%, which was based on growth in Network Edge (Carrier Ethernet) sales.

Edgility – Edge Computing and NFV solutions

During the year, the Group launched Edgility, which is its new brand of networking products and services designed for virtualisation and edge computing and based on the Group's NFV operating system, Edgility OS (formerly NFVTime). Edgility OS enables telecoms operators and service providers to deploy their own virtualised software-based networks. Virtual networks can be a key element in allowing operators to leverage the benefits of 5G through edge computing and provide additional differentiated services to their enterprise customers as well as reducing the costs, time and carbon footprint involved with physical networks. The name 'Edgility' also reflects the Group's focus on edge computing whereby data processing takes place at

the network edge, nearer to the end device, to improve response times and save bandwidth. Edge computing is fundamental in enabling Internet of Things (“IoT”) technologies.

Towards the end of the year, the Group was awarded two contracts for Edgility, which are expected to have an aggregate value of \$2.7m over a five-year period, and initial revenue generation commenced post year end. The first enterprise customer was signed for Edgility, CEMEX, S.A.B. (NYSE: CX), which is a global construction materials company that intends to use the platform to enable seamless managed connections between CEMEX facilities worldwide, connecting its thousands of locations. This followed an extensive proof-of-concept, during which the Group’s R&D team developed and implemented several bespoke technology features to meet the customer’s requirements. The other contract was awarded by e-Qual, a global Managed Services Provider (MSP) based in France that operates in 55 countries, which selected Edgility to improve the management and orchestration (MANO) platform for its managed enterprise services.

Edgility continued to undergo evaluation with leading network operators and multi-service providers worldwide, with successful proof-of-concepts being conducted with several potential customers and partners. The Group expects a number of these to translate to orders in 2022.

To expand the sales and marketing reach, and provide further routes to market, the Group established a number of strategic partnerships, primarily involving Edgility being pre-integrated with, or pre-installed on, the partner’s network appliances (with customers that use the Edgility solution contracting with the Group directly). The Group expects these partnerships will accelerate the adoption and sales of Edgility. This includes partnerships with:

- AudioCodes (NASDAQ, TASE: AUDC), a leading provider of advanced communications software, products and productivity solutions for the digital workplace, where Edgility has been made available on AudioCodes’ Mediant 800 uCPE multi-service business router.
- albis-elcon, a German-based supplier of networking products and services primarily to tier 1 telecommunications operators in Europe and Latin America, which has integrated Edgility into its recently launched uSphir solution.
- Stem Connect, which services enterprise and telecommunication customers in the UK, France and South Africa and will offer Edgility to its customers.
- Post year end, Advantech (TWSE: 2395), a global leader in industrial IoT, which will provide Edgility pre-installed on a variety of its universal edge network appliances.

The Group also continued to develop and expand its Edgility product offering. It completed the enhancement of Edgility OS to enable certified compatibility with public cloud environments, such as Amazon Web Services and Microsoft Azure. This expands the addressable market for the product to customers that operate cloud-based networks, which is typically enterprise customers or larger operators with a multinational footprint, as well as those that lack the internal resource to run the software in their datacentre. The Group launched new products under the Edgility product suite, including a Fast SD-WAN & Firewall offering (in partnership with Clavister) that provides secure network connectivity for the small office and home office market.

Network Edge solutions and services

Revenue from network edge solutions and services (formerly described as the Group’s ‘Carrier Ethernet’ business) grew as normal business practices increasingly resumed following the slowdown as a result of COVID-19. There was growth in revenue in all geographic regions where the Group operates, which was primarily based on repeat business from existing clients, but also some new customers. In particular, the Group was selected as the preferred supplier by a tier 1 telecommunications operator in APAC to provide demarcation units, which made a significant contribution to the growth in Network Edge revenue. The Group’s backlog in this unit was also significantly higher at year-end than at the start of the year, although this partly reflects the impact of global electronic components shortages that have delayed delivery of some of the Group’s orders into 2022.

Cyber

During 2021, the Group was awarded cyber security contracts totalling \$18m from its long-standing government defense department customer. This includes a \$10m contract for an advanced solution that includes a unique cyber defence capability for large volume high speed network traffic combined with elements of virtualisation protection developed under the Group's NFV offering.

The Group commenced delivery on these contracts during the year, which resulted in growth in the Cyber unit's revenue compared with 2020. However, the vast majority is to be delivered in 2022 and 2023, which partly reflects the impact of global electronic components shortages that have delayed some delivery into 2022.

During the year, the Group also continued its development efforts. In particular, it is in the process of developing a version of its cyber security solution aimed beyond the defence industry, which will expand the addressable market.

Sale of NGSoft

As announced on 19 March 2021, during the year BATM sold its NGSoft subsidiary to Aztek Technologies (1984) Ltd., a provider of ICT cloud services in Israel and a portfolio company of SKY Fund. NGSoft is a software and digital services company that provides creative digital and technology solutions. Its development activities did not include any of the Group's NFV or cyber solutions. Accordingly, the Board believes that the best interests of BATM and all shareholders were served as a result of the disposal, generating a \$13.0m capital gain from the sale of NGSoft.

Financial Review

\$m	Reported			Adjusted*		
	2021	2020	Change	2021	2020	Change
Revenue	140.0	183.6	(23.7%)	132.8	112.6	18.0%
Gross margin	36.5%	33.1%	340bps	37.8%	36.4%	140bps
Operating profit	24.4	14.2	71.3%	11.3	2.6	339.5%

* Adjusted to present the results on an ongoing operations basis by excluding (1) the contribution to both years from NGSoft, a subsidiary that the Group sold in March 2021, (2) the contribution to 2020 from a significant contract for the supply of ventilators, which was exceptional in nature, and (3) the amortisation of intangible assets for both years.

Total Group revenue from ongoing operations (which excludes the contribution to 2021 and 2020 from NGSoft, a subsidiary of the Networking and Cyber division that the Group sold in March 2021, and the contribution to 2020 from an exceptional contract in the Bio-Medical division for the supply of critical care ventilators) increased by 18.0% to \$132.8m (2020: \$112.6m). This was driven by significant underlying growth in the Bio-Medical division and strong growth from ongoing operations in the Networking and Cyber division. The Bio-Medical division accounted for 84.4% of revenue from ongoing operations and the Networking and Cyber division accounted for 15.6%. On a reported basis, total Group revenue was \$140.0m (2020: \$183.6m), which reflects 2021 including a three-month contribution from NGSoft compared with a full year in 2020 as well as the significant ventilator contract that the Group delivered in 2020.

The gross margin for ongoing operations improved to 37.8% (2020: 36.4%), reflecting the increased contribution to revenue from the new molecular biology diagnostic kits and COVID-19 products of the Bio-Medical division that are higher-margin. On a reported basis, gross margin was 36.5% (2020: 33.1%), with the change primarily reflecting the reduced contribution to revenue from the relatively lower margin ICT services as a result of the sale of NGSoft.

Sales and marketing expenses for ongoing operations were \$18.1m (2020: \$16.9m), representing 13.7% of revenue compared with 15.0% in 2020. On a reported basis, sales and marketing expenses were \$18.3m (2020: \$20.2m).

General and administrative expenses from ongoing operations were \$11.9m (2020: \$13.2m), representing 9.0% of revenue (2020: 11.7%). On a reported basis, general and administrative expenses were \$12.2m (2020: \$15.9m).

The lower percentage of revenue accounted for by sales and marketing and general and administrative expenses reflects the operational gearing of the business, with an increase in sales not requiring a commensurate increase in expenses, as well as strong cost discipline.

R&D expenses for 2021 were \$8.6m for ongoing operations and \$8.7m on a reported basis. This compares with \$8.5m from ongoing operations in 2020 and \$10.3m on a reported basis.

Operating profit from ongoing operations increased by 339.5% to \$11.3m compared with \$2.6m in 2020. This growth reflects the significantly higher revenue and gross profit generated by the Diagnostics unit of the Bio-Medical division.

On a reported basis, operating profit increased by 71.3% to \$24.4m compared with \$14.2m in 2020. The growth reflects the capital gain from the sale of NGSoft and the contribution from the Diagnostics as described above, partly offset by the contribution to 2020 from the profit from the delivery of the ventilators contract and a full year profit from NGSoft.

As a result of the increase in operating profit, EBITDA from ongoing operations increased by 138.8% to \$15.7m (2020: \$6.6m). On a reported basis, EBITDA grew by 50.4% to \$29.6m (2020: \$19.7m).

Net finance income was \$0.6m (2020: expenses of \$0.9m), which primarily reflects the positive impact of foreign exchange in 2021.

Profit before tax (on a reported basis) increased by 87.5% to \$24.9m (2020: \$13.3m), reflecting the growth in the business and the gain from the sale of NGSoft.

Tax expenses were \$9.3m (2020: \$1.0m). The increase is mainly as a result of a tax provision related to the sale of NGSoft and tax expenses due to the increase in profit of the Bio-Medical division. The comparatively low tax expenses of 2020 also reflect the utilisation of carry forward losses as well as the recording of a deferred tax asset related to carry forward losses.

On a reported basis, profit after tax attributable to the Owners of the Company increased to \$14.3m (2020: \$9.8m) resulting in a significant increase in basic earnings per share to 3.26¢ (2020: 2.22¢).

As at 31 December 2021, inventory was \$31.0m (31 December 2020: \$33.9m). Trade and other receivables were \$34.9m (31 December 2020: \$41.5m), with the decrease due to the disposal of NGSoft.

Intangible assets and goodwill as at 31 December 2021 were \$16.0m (31 December 2020: \$23.7m). The decrease is due to the sale of NGSoft.

Property, plant and equipment and investment property was \$19.8m (31 December 2020: \$18.0m). The increase is mostly due to investment in the Diagnostics unit to expand the Group's laboratories to support future growth, which offset the reduction from the disposal of NGSoft.

The balance of trade and other payables was \$47.5m (31 December 2020: \$53.6m). The decrease is primarily due to the sale of NGSoft as well as provisions as at 31 December 2020 for suppliers for the Group's ventilator project that were due to be paid in Q1 2021.

The Group generated \$8.7m in cash from operations (2020: \$20.1m). After payments of tax and interest, net cash from operating activities was \$5.6m (2020: \$18.5m). The reduction compared with the prior year is

primarily due to payment being made during 2021 to suppliers related to the Group's ventilator project that had been delivered during 2020.

The Group's balance sheet was strengthened with cash and financial assets of \$67.8m as at 31 December 2021 compared with \$64.9m at 30 June 2021 and \$53.4m at 31 December 2020. This is comprised of cash and cash equivalents of \$65.3m (30 June 2021: \$62.2m; 31 December 2020: \$50.6m) and financial assets of \$2.4m (30 June 2021: \$2.7m; 31 December 2020: \$2.8m). Financial assets represent cash deposits of more than three months' duration, held for trading bonds and marketable securities. The increase in cash and cash equivalents compared with the prior year resulted primarily from the proceeds of the sale of NGsoft in the first quarter of 2021 and the profit of 2021.

Capital Allocation

The Group's primary use of capital is investment in research and development and its go-to-market strategy, capital expenditure and for working capital. The Board also considers returns to shareholders to be an important element of its strategy to deliver shareholder value. As announced on 23 February 2022, the Group is seeking shareholder approval, at a forthcoming general meeting, for the buyback of up to 44,053,412 ordinary shares of NIS0.01 in the capital of the Group, representing 10% of the Group's issued share capital as at the date of this announcement. The Board also keeps under review the prospect of declaring a dividend for shareholders.

Outlook

The Group entered the new year with a substantially higher backlog for ongoing operations than at the same point the prior year and is continuing to experience sustained momentum across the business. Accordingly, the Group remains on track to deliver significant growth for full year 2022 in line with market expectations. In particular, BATM expects the Bio-Medical division to continue to be the largest contributor to Group revenue, however with an increased proportion being accounted for by the Networking and Cyber division, reflecting strong growth in that division.

In the Networking and Cyber division, both units are expected to achieve significant growth. Both units entered the year with a strong backlog and have continued to receive increasing demand for their products and services as normal business practices resume.

In the Bio-Medical division, demand for the Group's COVID-19 diagnostic products has continued alongside a strong increase in orders for solutions in other disease areas as public health organisations return focus to routine care. The Eco-Med unit expects to complete the delivery of its existing orders as well as win further contracts for its agri-waste treatment solution this year.

At present, the Group is confident of delivering against its backlog, but it remains mindful of the potential impact of global supply chain challenges, particularly related to any further shortages of electronics components.

In addition, the Board continues to keep under review potential value creation opportunities. BATM has established solid foundations in core technologies that it believes will be market disrupters. As these technologies transition and ramp up to commercialisation, the Board will consider enhancing value realisation through strategic transactions, such as partnerships and disposals.

Accordingly, the Board of BATM remains confident in the prospects of the business and looks forward to delivering shareholder value.

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended 31 December	
	2021	2020
	US\$ in thousands	
	Unaudited	Audited
Revenues	140,038	183,566
Cost of revenues	<u>88,977</u>	<u>122,856</u>
Gross profit	<u>51,061</u>	<u>60,710</u>
Operating expenses		
Sales and marketing expenses	18,290	20,197
General and administrative expenses	12,243	15,884
Research and development expenses	8,713	10,258
Other operating expenses (income)	<u>(12,563)</u>	<u>138</u>
Total operating expenses	<u>26,683</u>	<u>46,477</u>
Operating profit	<u>24,378</u>	<u>14,233</u>
Finance income	1,466	820
Finance expenses	<u>(911)</u>	<u>(1,754)</u>
Profit before tax	24,933	13,299
Income tax expenses	<u>(9,337)</u>	<u>(1,043)</u>
Profit for the year before share of loss of a joint venture and associated companies	<u>15,596</u>	<u>12,256</u>
Share of loss of a joint venture and associated companies	<u>(839)</u>	<u>(774)</u>
Profit for the year	<u>14,757</u>	<u>11,482</u>
<u>Attributable to:</u>		
Owners of the Company	14,340	9,793
Non-controlling interests	<u>417</u>	<u>1,689</u>
Profit for the year	<u>14,757</u>	<u>11,482</u>
Profit per share (in cents):		
Basic	<u>3.26</u>	<u>2.22</u>
Diluted	<u>3.23</u>	<u>2.21</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	Unaudited	Audited
	US\$ in thousands	
Profit for the year	14,757	11,482
Items that may be reclassified subsequently to profit or loss:		
Disposal of a foreign operation	(522)	-
Exchange differences on translating foreign operations	<u>(4,880)</u>	<u>3,148</u>
	9,355	14,630
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of investment	-	(508)
Re-measurement of defined benefit obligation	<u>162</u>	<u>16</u>
	<u>162</u>	<u>(492)</u>
Total comprehensive income for the year	<u>9,517</u>	<u>14,138</u>
Attributable to:		
Owners of the Company	8,976	13,560
Non-controlling interests	<u>541</u>	<u>578</u>
	<u>9,517</u>	<u>14,138</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December	
	2021	2020
	US\$ in thousands	
	Unaudited	Audited
Current assets		
Cash and cash equivalents	65,331	50,575
Trade and other receivables	34,932	41,467
Financial assets	2,432	2,803
Inventories	<u>30,951</u>	<u>33,893</u>
	<u>133,646</u>	<u>128,738</u>
Non-current assets		
Property, plant and equipment	18,107	16,109
Investment property	1,739	1,878
Right of-use assets	6,570	9,607
Goodwill	11,385	16,838
Other intangible assets	4,648	6,879
Investment in joint venture and associate	12,667	13,271
Investments carried at fair value	1,027	1,027
Deferred tax assets	<u>3,375</u>	<u>5,759</u>
	<u>59,518</u>	<u>71,368</u>
Total assets	<u>193,164</u>	<u>200,106</u>
Current liabilities		
Short-term bank credit	1,634	5,365
Trade and other payables	47,519	53,618
Current maturities of lease liabilities	2,186	2,244
Tax liabilities	<u>6,548</u>	<u>3,046</u>
	<u>57,887</u>	<u>64,273</u>
Non-current liabilities		
Long-term bank credit	1,356	675
Long-term liabilities	3,888	6,416
Long-term lease liabilities	5,108	8,440
Deferred tax liabilities	170	711
Retirement benefit obligation	<u>621</u>	<u>828</u>
	<u>11,143</u>	<u>17,070</u>
Total liabilities	<u>69,030</u>	<u>81,343</u>
Equity		
Share capital	1,320	1,320
Share premium account	425,840	425,686
Reserves	(19,849)	(14,323)
Accumulated deficit	<u>(279,888)</u>	<u>(290,090)</u>
Equity attributable to the:		
Owners of the Company	127,423	122,593
Non-controlling interests	<u>(3,289)</u>	<u>(3,830)</u>
Total equity	<u>124,134</u>	<u>118,763</u>
Total equity and liabilities	<u>193,164</u>	<u>200,106</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021 (Unaudited)

	Share Capital	Share Premium Account	Translation Reserve	Other Reserve	Accumulated Deficit	Attributable to Owners of the Company	Non- Controlling Interests	Total Equity
US\$ in thousands								
Balance as at 1 January 2021	1,320	425,686	(13,811)	(512)	(290,090)	122,593	(3,830)	118,763
Profit for the year	-	-	-	-	14,340	14,340	417	14,757
Disposal of a foreign operation	-	-	(522)	-	-	(522)	-	(522)
Re-measurement of defined benefit obligation	-	-	-	-	162	162	-	162
Exchange differences on translating foreign operations	=	=	(5,004)	=	=	(5,004)	124	(4,880)
Total comprehensive income for the year	-	-	(5,526)	-	14,502	8,976	541	9,517
Exercise of share-based options by employees	(*)	58	-	-	-	58	-	58
Recognition of share- based payments	=	96	-	-	-	96	-	96
Dividends	=	=	=	=	(4,300)	(4,300)	=	(4,300)
Balance as at 31 December 2021	<u>1,320</u>	<u>425,840</u>	<u>(19,337)</u>	<u>(512)</u>	<u>(279,888)</u>	<u>127,423</u>	<u>(3,289)</u>	<u>124,134</u>

(*) Less than 1K USD

Year ended 31 December 2020 (Audited)

	Share Capital	Share Premium Account	Translation Reserve	Other Reserve	Accumulated Deficit	Attributable to Owners of the Company	Non- Controlling Interests	Total Equity
US\$ in thousands								
Balance as at 1 January 2020	1,320	425,477	(18,070)	(512)	(299,391)	108,824	(4,408)	104,416
Profit for the year	-	-	-	-	9,793	9,793	1,689	11,482
Re-measurement of defined benefit obligation	-	-	-	-	16	16	-	16
revaluation of investment	-	-	-	-	(508)	(508)	-	(508)
Exchange differences on translating foreign operations	-	-	<u>4,259</u>	-	-	<u>4,259</u>	<u>(1,111)</u>	<u>3,148</u>
Total comprehensive income for the year	-	-	4,259	-	9,301	13,560	578	14,138
Exercise of share-based options by employees	-	51	-	-	-	51	-	51
Recognition of share- based payments	-	<u>158</u>	-	-	-	<u>158</u>	-	<u>158</u>
Balance as at 31 December 2020	<u>1,320</u>	<u>425,686</u>	<u>(13,811)</u>	<u>(512)</u>	<u>(290,090)</u>	<u>122,593</u>	<u>(3,830)</u>	<u>118,763</u>

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

Year ended 31 December

	2021	2020
	Unaudited	Audited
	US\$ in thousands	
Net cash from operating activities (Appendix A)	<u>5,592</u>	<u>18,459</u>
Investing activities		
Interest received	3	101
Proceeds on disposal of property, plant and equipment	18	39
Proceeds on disposal of deposits	315	3,122
Proceeds on disposal of financial assets carried at fair value through profit and loss	402	761
Purchases of property, plant and equipment	(2,889)	(3,386)
Increase of other intangible assets	(400)	(328)
Purchases of financial assets carried at fair value through profit and loss	-	(2,009)
Purchases of deposits	(315)	(314)
Investment in joint venture and associated companies	(727)	(3,467)
Proceeds from sale of a subsidiary (Appendix B)	<u>18,662</u>	<u>-</u>
Net cash from (used in) investing activities	<u>15,069</u>	<u>(5,481)</u>
Financing activities		
Lease payment	(2,174)	(2,428)
Bank loan repayment	(13,252)	(13,852)
Bank loan received	10,431	12,980
Proceed on exercise of shares	<u>58</u>	<u>51</u>
Net cash used in financing activities	<u>(4,937)</u>	<u>(3,249)</u>
Net increase in cash and cash equivalents	15,724	9,729
Cash and cash equivalents at the beginning of the year	50,575	40,584
Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>(968)</u>	<u>262</u>
Cash and cash equivalents at the end of the year	<u>65,331</u>	<u>50,575</u>

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

APPENDIX A

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

	<u>Year ended 31 December</u>	
	2021	2020
	Unaudited	Audited
	\$'000	\$'000
Operating profit from operations	24,378	14,233
Adjustments for:		
Amortisation of intangible assets	716	718
Depreciation of property, plant and equipment and investment property	4,548	4,757
Capital loss (gain) of property, plant and equipment	(229)	31
Profit from sale of a subsidiary	(13,035)	-
Capital gain on reduce of holdings in associated company	-	(602)
Stock options granted to employees	96	158
Increase (decrease) in retirement benefit obligation	(10)	96
Increase (decrease) in provisions	<u>(1,803)</u>	<u>2,114</u>
Operating cash flow before movements in working capital	14,661	21,505
Decrease (increase) in inventory	3,031	(11,198)
Decrease (increase) in receivables	(2,052)	916
Increase (decrease) in payables	(5,352)	7,111
Effects of exchange rate changes on the balance sheet	<u>(1,616)</u>	<u>1,729</u>
Cash from operations	8,672	20,063
Income taxes paid	(2,383)	(637)
Income taxes received	-	3
Interest paid	<u>(697)</u>	<u>(970)</u>
Net cash from operating activities	<u>5,592</u>	<u>18,459</u>

APPENDIX B**DISPOSAL OF SUBSIDIARY – NGSoft**

On 19 March 2021, the Group entered into a sale agreement to dispose of NG Soft Ltd. ("NGSoft") to Aztek Technologies (1984) Ltd., a provider of ICT cloud services in Israel and a portfolio company of SKY Fund (the "Buyer"). NGSoft is a software and digital services company that provides creative digital and technology solutions.

	Year ended 31 December 2021 \$'000 Unaudited
Net assets disposed	
Property, plant and equipment	1,144
Right of use	3,667
Other intangible assets	968
Net working capital	73
Lease liability	(3,764)
Current tax liability	(584)
Deferred tax liability	(540)
Goodwill	5,185
Net assets disposed of	<u>6,149</u>
Disposal of a foreign operation	(522)
Gain on disposal	<u>13,035</u>
Total consideration	<u>18,662</u>
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents, net	20,903
Cash and cash equivalents disposed	<u>(2,241)</u>
	<u>18,662</u>

BATM ADVANCED COMMUNICATIONS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General

The final results, together with the relevant notes, for the year ended 31 December 2021 and the comparative 2020 information will be presented in the full Annual Report in accordance with International Financial Reporting Standards (“IFRS”).

Note 2 – Profit per share

Profit per share is based on the weighted average number of shares in issue for the period of 440,437,960 (2020: 440,291,783). 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 444,267,674 shares (2020: 444,055,231).

Note 3 – Other alternative measures

- 1. Income statement adjustments** – including (1) the contribution to both years from NGSoft, a subsidiary that the Group sold in March 2021, (2) the contribution to 2020 from a significant contract for the supply of ventilators, and (3) adjustments related to the amortisation of intangible assets.

Year ended 31 December 2021 (Unaudited)	Reported results	Adjustments to exclude NGSoft and ventilator contract	Amortisation of intangible assets	Adjusted results (ongoing operations)
	US\$ thousands			
Revenues	140,038	7,262	-	132,776
Gross profit	51,061	1,235	(414)	50,240
Gross margin (%)	36.5%	17.0%	-	37.8%
Sales and marketing expenses	18,290	144	-	18,146
General and administrative expenses	12,243	358	-	11,885
Research and development expenses	8,713	-	106	8,607
Other operating expenses (income)	(12,563)	(12,994)	154	277
Operating profit	24,378	13,727	(674)	11,325
EBITDA	29,642	13,956	-	15,686

Year ended 31 December 2020 (Unaudited)	Reported results	Adjustments to exclude NGSoft and ventilator contract	Amortisation of intangible assets	Adjusted results (ongoing operations)
	US\$ thousands			
Revenues	183,566	70,997	-	112,569
Gross profit	60,710	20,105	(414)	41,019
Gross margin (%)	33.1%	28.3%	-	36.4%
Sales and marketing expenses	20,197	3,304	-	16,893
General and administrative expenses	15,884	2,680	-	13,204
Research and development expenses	10,258	1,747	-	8,511
Other operating expenses (income)	138	159	145	(166)
Operating profit	14,233	12,215	(559)	2,577
EBITDA	19,708	13,140	-	6,568

2. EBITDA measurement

US\$ in thousands	Reported		Adjusted	
	Year ended 31 December		Year ended 31 December	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating profit	24,378	14,233	11,325	2,577
Amortisation of Intangible assets	716	718	-	-
Depreciation	4,548	4,757	4,361	3,991
EBITDA	<u>29,642</u>	<u>19,708</u>	<u>15,686</u>	<u>6,568</u>

Note 4 – Segments

Business Segment

Year ended 31 December 2021 (Unaudited)

	Networking and Cyber \$'000	Bio-Medical \$'000	Unallocated \$'000	Total \$'000
Revenues	27,992	112,046	-	140,038
Operating profit	7,844	16,534	-	24,378
Net finance income				<u>555</u>
Profit before tax				24,933

Year ended 31 December 2020 (Audited)

	Networking and Cyber \$'000	Bio-Medical \$'000	Unallocated \$'000	Total \$'000
Revenues	54,884	128,682	-	183,566
Operating profit	(4,932)	19,165	-	14,233
Net finance expenses				<u>(934)</u>
Profit before tax				13,299