

24 August 2022

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

Interim Results

BATM (LSE: BVC; TASE: BVC), a leading provider of real-time technologies for networking solutions and medical laboratory systems, announces its interim results for the six months ended 30 June 2022.

Financial Summary

\$m	H1 2022	H1 2021
Results from ongoing operations (adjusted)*		
Revenue	57.5	64.2
Revenue on a constant currency basis**	61.1	64.2
Gross profit	18.2	24.7
Gross margin	31.6%	38.4%
Operating profit	1.5	6.7
EBITDA	3.7	8.7
Reported results		
Revenue	57.5	71.4
Gross profit	18.0	25.7
Gross margin	31.2%	36.0%
Operating profit	1.3	20.0
EBITDA	3.7	22.7
Basic earnings per share (cents)	0.03¢	2.72¢
Cash and financial assets	47.4	64.9

* Adjusted to present the results on an ongoing operations basis by excluding (1) the contribution to H1 2021 from NGSoft, a subsidiary that the Group sold in March 2021, and (2) the amortisation of intangible assets for both periods. 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.

** Revenue from ongoing operations for H1 2022 based on the currency rates prevailing in H1 2021. Revenue during the period was impacted by the strengthening of the US dollar against the local currencies of subsidiaries in the Bio-Medical division.

Operational Summary

Networking & Cyber Division (23% of total revenue)

- Revenue from ongoing operations (which excludes the contribution from NGSoft to H1 2021) increased by 43.8% to \$13.1m (H1 2021: \$9.1m), which primarily reflects growth in the Cyber unit
- Networking Unit**
 - Edgility edge computing and network function virtualisation ("NFV") platform:
 - Generated first initial revenue from Edgility
 - Established two new partnerships to boost Edgility's sales and marketing presence through the offering of joint solutions
 - Sustained engagement with several potential customers worldwide
 - Post period, CityFibre, the UK's largest independent carrier-neutral Full Fibre platform, selected Edgility for piloting ahead of an expected national deployment
 - Network Edge (carrier ethernet and mobile backhaul):
 - Revenue maintained despite ongoing impact of supply chain challenges
 - New orders received primarily from repeat customers in the Americas and Europe

- **Cyber Unit**

- Substantial growth in revenue from delivering on the high-value contracts won in the previous year
- Significant backlog remaining for delivery in H2 and 2023

Bio-Medical Division (77% of total revenue)

- Revenue was \$44.4m (H1 2021: \$55.1m); on a constant currency basis, revenue was \$48.0m

- **Diagnostics Unit**

- Sales increased of molecular diagnostic products not related to COVID-19, which was offset by market-wide reduction in prices, as well as lower demand, for COVID-19 products as the global pandemic subsided
- New multi-respiratory test was CE registered with initial sales expected to commence in Q4 2022
- Progressed development of new tuberculosis test kit, which was CE approved, alongside Stop TB Partnership, an international alliance
- Opened new state-of-the-art diagnostics laboratories and facilities in Italy and Israel to support the activity of ADOR Diagnostics ("ADOR"), which is developing its proprietary isothermal diagnostic solution
- ADOR received an additional \$10m of investment, of which the Group contributed \$4m (giving the Group an increased shareholding of 37.2%)

- **Eco-Med Unit**

- Accelerated progress, with the finalisation of two projects for delivery of the Group's ISS AGRI solution and construction advanced on two further installations

- **Distribution Unit**

- Increased sales from greater volume of regular business

Commenting on the results, Dr Zvi Marom, Chief Executive Officer of BATM, said: "During the first half of the year, the Group saw solid performance in both its divisions. In the Networking & Cyber division, there was increased growth primarily from the Cyber unit. As expected, the Bio-Medical division saw a reduction in revenue compared with the exceptional performance in the first half of last year due to the pandemic.

"Looking ahead, the Group entered the second half with sustained momentum and a significant backlog to be delivered against. The Cyber unit expects to deliver solid growth and the Networking unit expects sales to continue to grow in the second half of the year. The Bio-Medical division is expected to return to growth in the second half as diagnostic products remain in demand across the globe. Whilst mindful of the potential impact of global supply chain challenges, and the need to secure further contracts, particularly in the Bio-Medical division, the Group remains on track to deliver revenues for full year 2022 in line with market expectations.

"BATM has established solid foundations in core technologies that it believes will be market disrupters. Accordingly, the Board of BATM remains confident in the prospects of the business and looks forward to delivering shareholder value."

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

Investor & Analyst Presentation

Dr Zvi Marom, CEO, Moti Nagar, CFO, and Ariel Efrati, COO of BATM and CEO of Telco Systems, will be holding a webinar for analysts and investors today at 1.00pm BST. To register to participate, please contact Henry Gamble at Gracechurch Group at henrygamble@gracechurchpr.com.

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.

Operational Review

The Group performed well during the six months to 30 June 2022. There was strong growth from ongoing operations in the Networking & Cyber division. In the Bio-Medical division, there was a reduction in revenue in the Diagnostics unit, as expected, compared with the exceptional performance in the first half of last year due to the pandemic while there was growth in the Distribution unit and the Eco-Med unit was broadly in line with H1 2021. The Bio-Medical division was also impacted by currency fluctuations.

Networking & Cyber Division

\$m	Adjusted*		Reported	
	H1 2022	H1 2021	H1 2022	H1 2021
Revenue	13.1	9.1	13.1	16.4
Gross margin	40.1%	42.7%	39.2%	30.6%
Operating profit/(loss)	(1.4)	(2.7)	(1.5)	10.9

* Adjusted to present the results an ongoing operations basis by excluding (1) the contribution to H1 2021 from NGSoft, a subsidiary that the Group sold in March 2021, and (2) the amortisation of intangible assets for both periods.

Revenue for the first half of the year from ongoing operations in the Networking & Cyber division (excluding the contribution to H1 2021 from NGSoft) increased by 43.8%, primarily reflecting growth in the Cyber unit. The reduction in revenue on a reported basis is due to the contribution of NGSoft to the Networking unit in H1 2021, a subsidiary that the Group sold in March 2021.

There was improvement in gross margin for both the Networking unit and the Cyber unit respectively, and a significant increase in the division's gross profit from ongoing operations primarily as a result of the strong performance by the Cyber unit. The aggregate gross margin from ongoing operations decreased due to the relative weight of both units.

On reported basis, gross margin increased significantly by 860bps. The increase is mainly due to the lower margin nature of the NGSoft business included in the previous period.

Operating loss from ongoing operations was reduced to \$1.4m (H1 2021: \$2.7m) thanks to the higher revenue. On a reported basis, the operating loss was \$1.5m compared with an operating profit of \$10.9m for H1 2021 as a result of the exceptional capital gain of \$13.0m from the sale of NGSoft.

Networking

In the Networking unit, revenue from ongoing operations (excluding the contribution to H1 2021 from NGSoft) remained flat at \$8.6m.

Edgility – Edge Computing and NFV solutions

During the period, the Group achieved a significant milestone for its virtualised edge compute business as it commenced executing, and received its first revenue, on two contracts for Edgility, which are expected to have an aggregate value of \$2.7m over a five-year period, that were awarded at the end of 2021. This includes the first enterprise customer for Edgility, CEMEX, S.A.B, (NYSE: CX), which is a global construction materials company, and e-Qual, a global Managed Services Provider based in France that operates in 55 countries.

Edgility continued to undergo evaluation with leading network operators, multi-service providers and systems integrators worldwide, which the Group expects will result in proof-of-concepts and licence agreements in the second half. This included extensive lab testing with CityFibre, the UK's largest

independent carrier-neutral Full Fibre platform, which resulted, post period, in CityFibre piloting Edgility with selected partners ahead of an expected national deployment to provide virtualised network services for businesses. Edgility will enable CityFibre to begin its edge compute journey at scale, with virtualisation of routing and other network services over tens of thousands of disaggregated physical edge devices.

To expand the sales and marketing reach, and provide further routes to market, the Group continued to establish strategic partnerships, which primarily involve 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). During the period, this includes establishing partnerships with:

- Advantech (TWSE: 2395), a global leader in industrial IoT, which will provide Edgility pre-installed on a variety of its universal edge network appliances.
- NEXCOM International Co Ltd (TPEX: 8234), a leading supplier of network appliances, which will provide Edgility pre-installed on its 5G-ready device designed for the small-office-home-office and mid-range enterprise market.

Network Edge solutions and services

Revenue from network edge solutions and services, where the Group provides carrier ethernet and mobile backhaul platforms, was maintained despite the ongoing impact of global electronic components shortages causing delays to the delivery of some orders. The Group also continued to receive new orders, which were primarily repeat orders from customers in the Americas and Europe. In addition, the Group launched a new multipurpose, ultra-high capacity demarcation platform, the TM-8106. The Group has received strong interest in this new platform, with a number of customers having ordered units and delivery due to commence this quarter.

Cyber

The Cyber unit performed strongly with revenue increasing substantially reflecting the execution of contracts awarded in 2021, with a significant backlog remaining to be delivered in the second half of the year and 2023.

The Cyber unit 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, including for the corporate market, which will significantly expand the addressable market.

Bio-Medical Division

\$m	Adjusted*		Reported	
	H1 2022	H1 2021	H1 2022	H1 2021
Revenue	44.4	55.1	44.4	55.1
Revenue on a constant currency basis**	48.0	55.1	-	-
Gross margin	29.0%	37.7%	28.8%	37.6%
Operating profit	2.9	9.4	2.7	9.1

* Adjusted to exclude the amortisation of intangible assets.

** Revenue from ongoing operations for H1 2022 based on the currency rates prevailing in H1 2021.

Revenue for the Bio-Medical division was \$44.4m (H1 2021: \$55.1m). On a constant currency basis, excluding the impact of the strengthening of the US dollar against local currencies, revenue was \$48.0m (H1 2021: \$55.1m). The reduced revenue in the division also reflects lower sales in the Diagnostics unit.

Adjusted gross margin for the division was 29.0% (H1 2021: 37.7%), primarily reflecting the contribution to revenue in H1 2021 of the higher priced COVID-19 products. The Bio-Medical division generated an adjusted operating profit of \$2.9m for H1 2022 compared with \$9.4m for the first six months of the previous year.

Diagnostics

Revenue in the Diagnostics unit accounted for 15.5% of the Bio-Medical division compared with 32.3% in H1 2021. There was an increase in revenue from the Group's range of molecular diagnostic products that are not related to COVID-19, which were sold to customers in Europe and the Middle East. However, this increase was more than offset by lower demand, as well as a market-wide reduction in prices, for COVID-19 products as the global pandemic subsided, alongside a negative impact of the strengthening of the US dollar against local currencies.

During the period, the Group continued with its programme to enhance its diagnostic operations. At its Adaltis subsidiary, this included steps to optimise the production process and expand the molecular biology team. The Group's ADOR associate company, which is developing the NATlab molecular biology solution, opened a new state-of-the-art laboratory in Israel, which is focused on research & development, and new product assembly rooms in Rome, Italy.

The Group also continued to progress its development work. This includes its new molecular diagnostics test for multiple respiratory pathogens receiving CE certification. The Group is now finalising the diagnostic protocols (clinical guidelines) for the multi-respiratory kit and it expects initial sales to commence in Q4 2022.

The Group is developing a new test for the diagnosis of tuberculosis (TB) as part of its work with the Stop TB Partnership, an international alliance comprising governmental and non-governmental organisations. The new TB kit has received CE certification.

ADOR finalised the development of its novel isothermal rolling circle amplification ("RCA") method and incorporated it into a multi-respiratory disease panel. The panel, which will be for laboratory use, will be the first commercial application of this technology. In parallel, work continued on incorporating it into the NATlab system, which is primarily designed for use at point-of-care.

During the period, the Group and its partners invested an additional \$10m into ADOR, of which the Group contributed \$4m (giving the Group an increased shareholding of 37.2%). The additional investment contributed to the opening of the new laboratory and 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

The Eco-Med unit accounted for 7.5% of the Bio-Medical division's revenues in H1 2022 compared with 7.3% in H1 2021.

There was significant progress in deliveries of the Group's solution, the ISS AGRI, for the treatment of pathogenic waste in agricultural and pharmaceutical settings. This was primarily under contracts that had previously been secured, but where completion had been delayed due to the restrictions as a result of the pandemic. The Group completed the delivery of two of its ISS AGRI contracts and advanced the delivery of two further installations, which are due to complete by the end of the year.

Distribution

Revenue in the Distribution unit increased by 2.7% in H1 2022 over the same period of the prior year and accounted for approximately 77.0% of the Bio-Medical division's revenue (H1 2021: 60.4%). There was an increase in sales from a greater volume of regular business

Financial Review

\$m	Adjusted*		Reported	
	H1 2022	H1 2021	H1 2022	H1 2021
Revenue	57.5	64.2	57.5	71.4
Revenue on a constant currency basis**	61.1	64.2	-	-
Gross margin	31.6%	38.4%	31.2%	36.0%
Operating profit	1.5	6.7	1.3	20.0

* Adjusted to present the results on an ongoing operations basis by excluding (1) the contribution to H1 2021 from NGSoft, a subsidiary that the Group sold in March 2021, and (2) the amortisation of intangible assets for both periods.

** Revenue from ongoing operations for H1 2022 based on the currency rates prevailing in H1 2021.

Total Group revenue for ongoing operations for the first half of 2022 was \$57.5m (2021: \$64.2m), with growth in the Networking & Cyber division being offset by a reduction in the Bio-Medical division, primarily reflecting lower sales in the Diagnostic unit as well as the impact of the strengthening of the US dollar. On a constant currency basis, revenue for ongoing operations for the first half was \$61.1m. The reduction in revenue on a reported basis reflects the aforementioned as well as the contribution to H1 2021 revenue from NGSoft before it was sold in March 2021.

The gross margin for ongoing operations for the first half of 2022 was 31.6% compared with 38.4% for the same period of the previous year. This reflects the contribution to H1 2021 revenue of the high-margin COVID-19 products as well as the increased contribution to H1 2022 profit from lower-margin units.

Sales and marketing expenses were \$8.0m (H1 2021: \$9.2m), representing 13.9% of revenue compared with 12.9% in H1 2021. General and administrative expenses were \$5.4m (H1 2021: \$5.7m), representing 9.5% of revenue (H1 2021: 8.0%). The reduction was due to H1 2021 including three months of expenses from NGSoft. R&D expenses were \$3.4m (H1 2021: \$3.7m).

Adjusted operating profit for ongoing operations was \$1.5m (H1 2021: \$6.7m), with the reduction primarily due to the lower revenue from COVID-19 products. On a reported basis, operating profit (which includes amortisation) was \$1.3m compared with \$20.0m for H1 2021, with the prior six-month period including a capital gain of \$13.0m from the sale of NGSoft.

As a result of the above, EBITDA was \$3.7m for H1 2022 compared with \$8.7m on an ongoing operations basis and \$22.7m on a reported basis for H1 2021.

Net finance expense was \$0.6m (H1 2021: \$0.2m). The higher financial expenses were mainly due to the impact on balance sheet positions of the strengthening of the US dollar compared with H1 2021.

The Group recorded a \$0.3m tax income (H1 2021: \$7.5m tax expense). The tax income is a result of an approximately \$1m non-cash tax incentive while H1 2021 included a non-recurring tax expense related to the NGSoft transaction.

Net profit after tax attributable to equity holders of the parent was \$0.1m (H1 2021: \$12.0m) resulting in basic profit per share of 0.03¢ (H1 2021: 2.72¢).

As at 30 June 2022, inventory was in line with the position at year end at \$31.0m (31 December 2021: \$31.0m; 30 June 2021: \$33.8m). Trade and other receivables were \$34.7m (31 December 2021: \$34.9m; 30 June 2021: \$38.9m).

Intangible assets and goodwill at 30 June 2022 were \$16.4m (31 December 2021: \$16.0m; 30 June 2021: \$17.6m).

Property, plant and equipment and investment property was \$18.6m (31 December 2021: \$19.8m; 30 June 2021: \$16.2m), with the reduction primarily due to the currency impact on balance sheet positions.

The balance of trade and other payables was \$36.6m (31 December 2021: \$47.5m; 30 June 2021: \$43.6m). This includes a dividend payment of \$4.3m and a significant currency impact on balance sheet positions.

Cash used in operating activities was \$5.2m (H1 2021: \$4.4m), with the change primarily due to the timing of payments and collections.

At 30 June 2022, the Group had cash and cash equivalents and financial assets of \$47.4m (31 December 2021: \$67.8m; 30 June 2021: \$64.9m). Financial assets represent cash deposits of more than three months' duration, held for trading bonds and marketable securities. The change in cash and cash equivalents and financial assets compared with the prior periods primarily reflects dividend and buy-back payments of \$5.1m; an additional investment in ADOR of \$4m; and the impact of the weakening of the currencies in which the Group's subsidiaries operate compared with the US dollar.

Outlook

The Group has entered the second half with sustained momentum across the business and a significant backlog to be delivered against.

In particular, in the Networking & Cyber division, the Cyber unit is expected to deliver solid growth as government agencies continue to increase licensing of its encryption products. In the Networking unit, the first half saw initial contributions from the unit's Edgility platform for edge computing and virtual networking following its launch last year. The Group expects the division's revenue to continue to grow in the second half of the year as it delivers against a significant backlog in both units.

The Bio-Medical division is expected to return to growth, with a significant increase in revenue in the second half compared with the first half, as diagnostic products remain in demand across the globe. The division is expected to be the largest contributor to Group's revenues for the full year.

Whilst mindful of the potential impact of global supply chain challenges, and the need to secure further contracts, particularly in the Bio-Medical division, the Group remains on track to deliver revenues for full year 2022 in line with market expectations.

As stated above, the Group experienced exchange rate headwinds in the first half of the year. BATM expects to continue to experience significant headwinds in the second half of the year if the exchange rates remain the same.

BATM has established solid foundations in core technologies that it believes will be market disrupters. The Board of BATM remains confident in the prospects of the business and is working hard to demonstrate the substantial value that exists within BATM. As part of this process, the Board has committed to constantly examine the use of Group resources, including share buy-backs, and looks forward to delivering shareholder value.

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED INCOME STATEMENTS

	<u>Six months ended 30 June</u>	
	2022	2021
	\$'000	\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Revenues	57,515	71,448
Cost of revenues	39,565	45,754
Gross profit	17,950	25,694
Operating expenses	<hr/>	<hr/>
Sales and marketing expenses	7,980	9,215
General and administrative expenses	5,443	5,721
Research and development expenses	3,395	3,652
Other operating income	(119)	(12,917)
Total operating expenses	16,699	5,671
Operating profit	<hr/>	<hr/>
Finance income	389	305
Finance expenses	(1,029)	(479)
Profit before tax	611	19,849
Income tax (expenses)	347	(7,462)
Profit for the period before share of loss of a joint venture and associated companies	958	12,387
Share of loss of a joint venture and associated companies	(288)	(401)
Profit for the period	<hr/>	<hr/>
Attributable to:		
Owners of the Company	145	11,979
Non-controlling interests	525	7
Profit for the period	<hr/>	<hr/>
Profit per share (in cents):		
Basic	0.03	2.72
Diluted	0.03	2.70

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

	<u>Six months ended 30 June</u>	
	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
	<u>Unaudited</u>	<u>Unaudited</u>
Profit for the period	670	11,986
Items that may be reclassified subsequently to profit or loss:		
Disposal of a foreign operation	-	(522)
Exchange differences on translating foreign operations	<u>(6,666)</u>	<u>(2,195)</u>
	(6,666)	(2,717)
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement of defined benefit obligation	36	-
	36	-
Total other comprehensive loss for the period	(6,630)	(2,717)
Total comprehensive income (loss) for the period	<u>(5,960)</u>	<u>9,269</u>
Attributable to:		
Owners of the Company	(6,766)	9,190
Non-controlling interests	<u>806</u>	<u>79</u>
	<u>(5,960)</u>	<u>9,269</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2022 \$'000	30 June 2021 \$'000	31 December 2021 \$'000
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Current assets			
Cash and cash equivalents	40,101	62,151	65,331
Trade and other receivables	34,678	38,902	34,932
Financial assets	7,263	2,742	2,432
Inventories	<u>31,015</u>	<u>33,757</u>	<u>30,951</u>
	<u>113,057</u>	<u>137,552</u>	<u>133,646</u>
Non-current assets			
Property, plant and equipment	16,962	14,379	18,107
Investment property	1,644	1,797	1,739
Right-of-use assets	5,650	6,310	6,570
Goodwill	11,129	11,407	11,385
Other intangible assets	5,237	6,219	4,648
Investment in joint venture and associate	15,616	13,138	12,667
Investments carried at fair value	1,220	1,027	1,027
Deferred tax assets	<u>3,356</u>	<u>4,107</u>	<u>3,375</u>
	<u>60,814</u>	<u>58,384</u>	<u>59,518</u>
Total assets	173,871	195,936	193,164
Current liabilities			
Short-term bank credit	4,731	4,968	1,634
Trade and other payables	36,562	43,641	47,519
Current maturities of lease liabilities	1,866	1,727	2,186
Tax liabilities	<u>5,291</u>	<u>6,449</u>	<u>6,548</u>
	<u>48,450</u>	<u>56,785</u>	<u>57,887</u>
Non-current liabilities			
Long-term bank credit	6	325	1,356
Long-term liabilities	3,221	4,583	3,888
Long-term lease liabilities	4,023	5,287	5,108
Deferred tax liabilities	175	140	170
Retirement benefit obligation	<u>536</u>	<u>753</u>	<u>621</u>
	<u>7,961</u>	<u>11,088</u>	<u>11,143</u>
Total liabilities	56,411	67,873	69,030
Equity			
Share capital	1,320	1,320	1,320
Share premium account	425,944	425,717	425,840
Reserves	(26,933)	(17,112)	(19,849)
Accumulated deficit	<u>(279,707)</u>	<u>(278,111)</u>	<u>(279,888)</u>
Equity attributable to the:			
Owners of the Company	120,624	131,814	127,423
Non-controlling interest	<u>(3,164)</u>	<u>(3,751)</u>	<u>(3,289)</u>
Total equity	117,460	128,063	124,134
Total equity and liabilities	173,871	195,936	193,164

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Six months ended 30 June 2022

	Share capital	Share premium account	Translation reserve	Other Reserve	Accumulated Deficit	Attributable to owners of the Company	Non-controlling interests	Total equity
\$'000								
Balance as at 1 January 2022	1,320	425,840	(19,337)	(512)	(279,888)	127,423	(3,289)	124,134
Profit for the period	-	-	-	-	145	145	525	670
Other comprehensive income								
Re-measurement of defined benefit obligation	-	-	-	-	36	36	-	36
Exchange differences on translating foreign operations	-	-	(6,947)	-	-	(6,947)	281	(6,666)
Other comprehensive income (loss) for the period	-	-	(6,947)	-	36	(6,911)	281	(6,630)
Total comprehensive income (loss) for the period	-	-	(6,947)	-	181	(6,766)	806	(5,960)
Dividend paid to non-controlling interest	-	-	-	-	-	-	(681)	(681)
Share buy- back	-	-	-	(137)	-	(137)	-	(137)
Recognition of share-based payments	-	104	-	-	-	104	-	104
Balance as at 30 June 2022 (unaudited)	1,320	425,944	(26,284)	(649)	(279,707)	120,624	(3,164)	117,460

Six months ended 30 June 2021

	Share capital	Share premium account	Translation reserve	Other Reserve	Accumulated Deficit	Attributable to owners of the Company	Non-controlling interests	Total equity
\$'000								
Balance as at 1 January 2021	1,320	425,686	(13,811)	(512)	(290,090)	122,593	(3,830)	118,763
Profit for the period	-	-	-	-	-	11,979	11,979	7
Other comprehensive income								
Disposal of a foreign operation	-	-	(522)	-	-	(522)	-	(522)
Exchange differences of translating foreign operations	-	-	(2,267)	-	-	(2,267)	72	(2,195)
Other comprehensive income (loss) for the period	-	-	(2,789)	-	-	(2,789)	72	(2,717)
Total comprehensive income for the period	-	-	(2,789)	-	11,979	9,190	79	9,269
Recognition of share-based payments	-	31	-	-	-	31	-	31
Balance as at 30 June 2021 (unaudited)	1,320	425,717	(16,600)	(512)	(278,111)	131,814	(3,751)	128,063

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>Six months ended 30 June</u>	
	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	\$'000	\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Net cash from (used in) operating activities (Appendix A)	(5,198)	(4,364)
Investing activities		
Interest received	35	13
Proceeds on disposal of property, plant and equipment	38	52
Proceeds on disposal of deposits	158	157
Proceeds on disposal of financial assets carried at fair value through profit and loss	1,021	100
Purchases of property, plant and equipment	(1,481)	(607)
Increase of other intangible assets	(1,071)	(400)
Purchases of financial assets carried at fair value through profit and loss	(1,529)	-
Purchases of deposits	(4,659)	(157)
Net cash outflow on acquisition of business combinations	-	(309)
Investment in joint venture, associated companies and other	(4,180)	(160)
Proceeds from sale of subsidiary (Appendix B)	-	18,662
Net cash from (used in) investing activities	(11,668)	17,351
Financing activities		
Lease payment	(1,088)	(1,147)
Bank loan repayment	(3,666)	(6,774)
Bank loan received	5,678	6,573
Dividend paid	(4,300)	-
Dividend paid to NCI	(681)	-
Share buy-back	(137)	-
Net cash used in financing activities	(4,194)	(1,348)
Net increase (decrease) in cash and cash equivalents	(21,060)	11,639
Cash and cash equivalents at the beginning of the period	65,331	50,575
Effects of exchange rate changes on the balance of cash held in foreign currencies	(4,170)	(63)
Cash and cash equivalents at the end of the period	40,101	62,151

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

APPENDIX A

RECONCILIATION OF OPERATING PROFIT FOR THE PERIOD TO NET CASH USED IN OPERATING ACTIVITIES

	<u>Six months ended 30 June</u>	
	2022	2021
	\$'000	\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Operating profit from operations	1,251	20,023
Adjustments for:		
Amortisation of intangible assets	280	433
Depreciation of property, plant and equipment and investment property	2,127	2,226
Capital loss (gain) of property, plant and equipment	22	(22)
Profit from sale of a subsidiary	-	(13,035)
Gain from revaluation of investment carried at fair value	(192)	-
Stock options granted to employees	104	31
Decrease in retirement benefit obligation	(43)	(52)
Increase (decrease) in provisions	<u>19</u>	<u>(2)</u>
Operating cash flow before movements in working capital	3,568	9,602
Decrease (increase) in inventory	(135)	136
Decrease (increase) in receivables	50	(5,009)
Decrease in payables	(5,988)	(4,725)
Effects of exchange rate changes on the balance sheet	<u>(1,488)</u>	<u>(2,259)</u>
Cash used in operations	(3,993)	(2,255)
Income taxes paid	(733)	(1,660)
Interest paid	<u>(472)</u>	<u>(449)</u>
Net cash used in operating activities	(5,198)	(4,364)

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. NGSoft is a software and digital services company that provides creative digital and technology solutions.

Disposal of subsidiary – NGSoft

	Six months ended 30 June
	2021
	\$'000
	<u>Unaudited</u>
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	<u>5,185</u>
Net assets disposed of	<u>6,149</u>
Disposal of a foreign operation translation reserve	(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 – Basis of preparation

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

In preparing these interim consolidated financial statements, the Group implemented accounting policies, presentation principles and calculation methods identical to those implemented in preparation of its consolidated financial statements as of 31 December 2021 and for the period ended on that date. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with IFRSs.

Note 2 – Profit per share

Profit per share is based on the weighted average number of shares in issue for the period of 440,434,676 (H1 2021: 440,434,124). 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 443,123,900 shares (H1 2021: 444,285,836).

Note 3 – Other alternative measures

- Income statement adjustments** – including (1) the contribution to 2021 from NGSoft, a subsidiary that the Group sold in March 2021, (2) adjustments related to the amortisation of intangible assets.

<u>Six months ended 30 June 2022</u> (Unaudited)	Reported results	Adjustments to exclude NGSoft	Amortisation of intangible assets	Adjusted results (ongoing operations)
US\$ thousands				
Gross profit	17,950	-	(207)	18,157
Gross margin (%)	31.2%	-	-	31.6%
Other operating expenses (income)	(119)	-	73	(192)
Operating profit	1,251	-	(280)	1,531

<u>Six months ended 30 June 2021</u> (Unaudited)	Reported results	Adjustments to exclude NGSoft	Amortisation of intangible assets	Adjusted results (ongoing operations)
US\$ thousands				
Revenues	71,448	7,262	-	64,186
Gross profit	25,694	1,235	(207)	24,666
Gross margin (%)	36.0%	17.0%	-	38.4%
Sales and marketing expenses	9,215	144	-	9,071
General and administrative expenses	5,721	358	-	5,363
Research and development expenses	3,652	-	108	3,544
Other operating expenses (income)	(12,917)	(12,994)	77	-
Operating profit	20,023	13,727	(392)	6,688
EBITDA	22,682	13,956	-	8,726

2. EBITDA measurement

US\$ in thousands	Reported		Adjusted	
	Six months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Operating profit	1,251	20,023	1,531	6,688
Amortisation of Intangible assets	280	433	-	-
Depreciation	2,127	2,226	2,127	2,038
EBITDA	<u>3,658</u>	<u>22,682</u>	<u>3,658</u>	<u>8,726</u>

Note 4 – Segments

Business Segment

Six months ended 30 June 2022

	Networking & Cyber	Bio-Medical	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
Revenues	13,104	44,411	-	57,515
Operating profit	(1,491)	2,742	-	1,251
Net finance expense				(640)
Profit before tax				611

Six months ended 30 June 2021

	Networking & Cyber	Bio-Medical	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
Revenues	16,377	55,071	-	71,448
Operating profit	10,889	9,134	-	20,023
Net finance expense				(174)
Profit before tax				19,849

Note 5 – Revenue from major products and services

The following is an analysis of the Group's revenue from operations from its major products and services according to IFRS 15:

	<u>Six months ended 30 June</u>	
	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
	<u>Unaudited</u>	<u>Unaudited</u>
Telecommunication products	7,355	6,670
Software services	5,750	9,707
Distribution of medical products	34,175	33,289
Diagnostic products	6,894	17,786
Eco-Med products	3,341	3,996
	<u>57,515</u>	<u>71,448</u>