

29 August 2023

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 2023.

Financial Summary*

\$m	H1 2023	H1 2022
Revenue	60.2	57.5
Gross profit	21.3	18.2
Gross margin	35.3%	31.6%
Operating profit	2.2	1.6
EBITDA	4.4	3.8
Profit before tax	2.3	1.0
Basic earnings per share (cents)	0.39¢	0.12¢
Cash from/(used in) operating activities	0.5	(5.2)

Cash and short-term investments including investments in deposits and other securities at 30 June 2023 were \$41.9m (31 December 2022: \$44.2m).

*Adjusted to exclude amortisation of intangible assets and share-based payments. For further detail, see the Financial Review

Strategic & Operational Summary

- Achieved revenue growth in both the Networking & Cyber and Bio-Medical divisions respectively and gross margin improvement in all of the Group's business units
- Completion of in-depth internal review of all business operations to focus Group on its core business lines within the Networking, Cyber and Diagnostics units and introduce organisational improvements

Networking

- Edgility edge computing platform:
 - Five-year contract won from a leading provider of emergency connectivity services in North America
 - Rollout progressed with CityFibre and CEMEX
 - Proof-of-concepts conducted with a number of potential customers worldwide, including Tier 1 operators in Europe
 - Established new partnership to increase sales and marketing reach in EMEA
- Carrier ethernet solutions:
 - Strong growth reflecting increased delivery of 10G and 100G solutions
 - Development continued of new 10GE platform that is expected to be launched later this year

Cyber

- Won a \$26m multi-year government defence contract for latest high-performance cyber security solution
- Development continued of advanced encryption solutions using quantum key distribution and to expand the Group's offering into further markets

Diagnostics

- Sales of diagnostic products in line with the comparative period when excluding COVID-19 contribution
- ADOR Diagnostics progressed development of disruptive NATlab molecular diagnostics platform, with in-hospital pre-clinical trials commencing post period

Moti Nagar, Chief Executive Officer of BATM, said: “We are pleased to announce a strong set of results for the first half of 2023. We achieved growth in all key financial parameters and operational progress in each business unit. We have also undertaken a comprehensive review of each business unit and their market opportunity, and now have a clear focus on which entities are core to the future success of the Group and that can drive a step change in our financial performance.

“Looking ahead, we have entered the second half of the year in a better position than at the same point last year, with sustained revenue momentum and a higher backlog. We expect to deliver year-on-year growth in Networking, with increased revenues from both carrier ethernet and Edgility. Our cyber business revenues are expected to be higher in the second half than in H1 as we ramp up delivery of our large contract won earlier this year. Our Bio-Medical division is also expected to continue to increase sales. As a result, we expect to report year-on-year growth for 2023, in line with market expectations.”

Enquiries

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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

Moti Nagar, CEO, and Ran Noy, CFO, will be holding a webinar for analysts and investors on Thursday 7 September 2023 at 1.00pm BST. To register to participate or submit a question in advance, please use the following link: <https://forms.gle/9j9B24EPhk3dwX2s6>.

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, due to the risk factors that are detailed in the Group's Annual Report, 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.

Strategy Update

During the first half of the year, an in-depth process was undertaken to assess the Group's business, strategy and markets. Through this exercise, BATM renewed its strategic vision as a global enterprise that intends to maximise its top assets while providing high-quality solutions in growing markets with innovative technology backed by strong IP and unique know-how. Accordingly, the Networking, Cyber and Diagnostic lines of business have been established as the Group's core areas of activity and prioritised for resource allocation. Over time, the Group may add capability through M&A to these core businesses, and divest other business units where the Group can secure attractive terms. In the near term, the Distribution and Eco-Med business lines will be maintained, with the Group continuing to pursue growth in those areas as appropriate.

Operational Summary

The Group delivered a strong performance in the first half of the year, resulting in growth in the Networking & Cyber and Bio-Medical divisions respectively. There were increased revenues from both Carrier Ethernet and Edgility in Networking, while the Group won a significant Cyber contract. In Diagnostics, sales were in-line with the comparative period when excluding the contribution to H1 2022 of products related to COVID-19. There was also an increase in sales in the Distribution and Eco-Med units. In addition, the Group continued its development work, including new platforms due to be launched later this year in the Diagnostics and Networking lines of business.

As a result of the strong performance in both divisions, the Group delivered a significant improvement in EBITDA (excluding share-based payments) to \$4.4m (H1 2022: \$3.8m) and generated cash from operating activities of \$0.5m compared with cash used in operating activities of \$5.2m in the first half of the previous year.

Networking & Cyber Division

\$m	H1 2023	H1 2022
Revenue	13.3	13.1
Gross margin*	51.2%	40.1%
Operating profit/(loss)*	0.1	(1.3)

* Adjusted to exclude amortisation of intangible assets and share-based payments.

Revenue for the first half of the year in the Networking & Cyber division increased. There was improvement in gross margin for both the Networking unit and the Cyber unit respectively, as well as on an aggregate basis, resulting in an increase in the division's gross profit. This reflects the contribution to Networking revenue from sales of Edgility and that revenue in the Cyber unit was based on the provision of services, which are higher margin. On an adjusted basis to exclude share-based payments, the Networking & Cyber division generated an operating profit compared with a loss for the first half of the previous year.

Networking

In the Networking unit, revenue increased by 34.4% reflecting significant growth in both the Group's Edgility and carrier ethernet business lines.

Edgility edge computing platform

During the period, the Group was awarded a five-year contract by a leading provider of emergency connectivity services in North America (the "Customer") for its Edgility platform for edge computing. The Customer is using Edgility to deliver the call-handling system for 911 Emergency Services and the

988 National Suicide Prevention & Mental Health Crisis Lifeline across a major US state. This represents the first time Edgility is being used for a government application and to support critical public infrastructure. The Group is also exploring with the Customer the potential to expand the use of Edgility to deliver the emergency connectivity services in other US states as well as outside the US.

The rollout of Edgility continued with CityFibre, the UK's largest independent carrier-neutral Full Fibre platform, and CEMEX, S.A.B. (NYSE: CX), a global construction materials company. The current deployment with CityFibre is due to complete by the end of this year, and the Group expects to receive further orders from this customer. The deployment with CEMEX, which was accelerated during the period, is due to complete in 2024, with CEMEX's sites in a number of countries in Europe and Central and South America having already gone live this year.

Edgility continued to undergo evaluation and proof-of-concepts with leading network operators (including Tier 1 operators in Europe), multi-service providers, Partners and systems integrators worldwide. In further reflection of the increased recognition of Edgility as a breakthrough solution, the Group was honoured that Telco Systems was named in the Gartner Hype Cycle for Edge Computing 2023 as a vendor of edge management and orchestration solutions.

The Group continued to generate revenue through its partnership with Advantech, a global leader in industrial IoT that is providing Edgility pre-installed on a variety of its universal edge network appliances. The Group also established a new collaboration with Innovetech, which specialises in delivering digital transformation projects for EMEA service providers, to provide a further route-to-market.

Carrier ethernet solutions

There was strong growth in revenue from the Group's carrier ethernet solutions. This was driven by the delivery of its high-performance 10G and 100G products.

The Group continued to develop its product portfolio. In particular, development continued on an upgraded, cost effective 10GE demarcation device that is expected to be launched later this year.

Cyber

During the period, the Group was awarded a \$26m contract, to be delivered over a maximum of five years, from its long-standing defence department customer for its latest high-performance cyber security solution. Delivery under this contract is expected to ramp in the second half of the year and into next year, with the Group already manufacturing product under this contract with revenue to be recognised upon delivery. As a result, the Cyber unit's revenue during the period was lower than in the first half of 2022. The Group continues to expect to receive further orders in the Cyber unit in the second half of the year.

The Cyber unit also continued its development programme. This includes solutions, such as quantum key distribution (QKD) and post-quantum encryption, that are designed to address cyber risk in the quantum computing era. It also includes solutions that will allow BATM to expand its offer to new markets, such as further government agency customers and the commercial market.

Bio-Medical Division

\$m	H1 2023	H1 2022
Revenue	46.9	44.4
Gross margin*	30.8%	29.0%
Operating profit*	2.2	2.9

* Adjusted to exclude amortisation of intangible assets and share-based payments.

Revenue for the Bio-Medical division increased by 5.6% to \$46.9m (H1 2022: \$44.4m), reflecting growth in the Eco-Med and Distribution units, which more than offset a reduction in sales of products relating to COVID-19.

There was improvement in gross margin for the Diagnostics, Eco-Med and Distribution units respectively, as well as on an aggregate basis. This was achieved despite the contribution to H1 2022 from higher margin COVID-19 products. The Bio-Medical division generated an adjusted operating profit of \$2.2m for H1 2023 compared with \$2.9m for the first six months of the previous year, which reflects an increase in sales & marketing expenses in this financial period.

Diagnostics

Revenues in the Diagnostics unit in H1 2023 were level with H1 2022 when excluding the contribution to both periods from sales related to COVID-19 products, and were lower on an absolute basis.

The Group continued to progress its development and engineering work on new reagents, kits and instruments. In particular, the Group is preparing to launch the MDXlab, a new molecular diagnostics instrument based on the real-time PCR method. MDXlab is a fully integrated sample-to-answer nucleic acid detection system. Most of today's laboratories will either have two instruments to undertake the different steps within the PCR process or they will have a large integrated instrument, which is not suitable for small-to medium-sized laboratories or point-of-care. MDXlab is designed to overcome these limitations by offering an integrated, compact, cost-effective solution.

ADOR Diagnostics ("ADOR"), an associate company of the Group that is developing the disruptive NATlab molecular biology platform, made strong progress during the period in finalising the development of a new advanced biological process and upgraded cartridge and instrument designs. Two further international patents were also granted during the period. Post period, ADOR achieved a key milestone with pre-clinical trials of the NATlab commencing at a hospital in Israel, which are expected to conclude at the end of the year.

Eco-Med

Revenue in the Eco-Med unit grew by 51.3% in H1 2023 over H1 2022. This was based on increased sales of the unit's bio-waste treatment products for medical settings, including completion of the installation of its ISS-based solution at a hospital.

Distribution

Revenue in the Distribution unit increased by 11.1% in H1 2023 over the same prior year period. This was primarily due to greater volume of sales as well as some price increases.

Financial Review

\$m	H1 2023	H1 2022
Revenue	60.2	57.5
Gross margin*	35.3%	31.6%
Operating profit*	2.2	1.6

* Adjusted to exclude amortisation of intangible assets and share-based payments. For further detail, see the Financial Review

Total Group revenue for the first half of 2023 increased to \$60.2m (2022: \$57.5m), reflecting growth in both the Networking & Cyber and Bio-Medical divisions.

On an adjusted basis to exclude the amortisation of intangible assets, gross margin improved by 370 basis points to 35.3% (H1 2022: 31.6%). On a reported basis, gross margin increased to 34.9% (H1 2022: 31.2%). This reflects improvement in the gross margin in all of the Group's units.

Sales and marketing expenses were \$9.5m (H1 2022: \$8.0m), with the increase reflecting activities to support the higher revenues and continue to build capability to support future growth opportunities. General and administrative expenses were \$7.7m (H1 2022: \$5.4m). The increase reflects share-based payments, which are non-cash, being \$1.2m compared with \$0.1m in H1 2022. R&D expenses were \$3.3m (H1 2022: \$3.4m).

On an adjusted basis, to exclude the share-based payments expense and amortisation of intangible assets (see Note 3), operating profit grew by 36.3% to \$2.2m (H1 2022: \$1.6m) due to the increased revenues and margin. On a reported basis, the growth was offset by the increase in non-cash share-based payments resulting in an operating profit of \$0.6m compared with \$1.3m for H1 2022.

As a result of the above, EBITDA (excluding share-based payments) increased to \$4.4m for H1 2023 compared with \$3.8m for H1 2022.

Net finance income was \$0.1m compared with an expense of \$0.6m for H1 2022.

Profit before tax on an adjusted basis increased to \$2.3m (H1 2022: \$1.0m) and to \$0.7m on a reported basis (H1 2022: \$0.6m).

The Group recorded a \$0.2m tax expense (H1 2022: \$0.3m tax income).

On an adjusted basis, net profit after tax attributable to equity holders of the parent was \$1.7m (H1 2022: \$0.5m) and \$0.1m on a reported basis (H1 2022: \$0.1m), primarily reflecting the tax expense compared with a tax income in the previous year. As a result, profit per share on an adjusted basis increased to 0.39¢ (H1 2022: 0.12¢) and to 0.02¢ (H1 2022: 0.03¢) on a reported basis.

As at 30 June 2023, inventory was \$37.5m (31 December 2022: \$34.5m). Trade and other receivables were \$34.2m (31 December 2022: \$36.5m). Intangible assets and goodwill at 30 June 2023 were \$19.3m (31 December 2022: \$18.5m).

Property, plant and equipment and investment property was \$16.2m (31 December 2022: \$15.9m).

Trade and other payables was \$43.3m (31 December 2022: \$46.3m).

Cash inflow from operating activities was \$0.5m compared with outflow of \$5.2m in H1 2022. This significant improvement reflects a decrease in working capital and a strong emphasis on collections.

At 30 June 2023, the Group had cash and short-term investments of \$41.9m (31 December 2022: \$44.2m; 30 June 2022: \$47.4m).

Outlook

BATM entered the second half of 2023 in a better position than at the same point in the previous year, with sustained revenue momentum and a higher backlog.

For full year 2023, the Group expects to deliver year-on-year growth in Networking as revenue from the Group's carrier ethernet and Edgility solutions continue to increase. Cyber revenues are expected to be higher in the second half than in the first half as the Group ramps up delivery of the large contract signed in H1 2023. The Group also remains confident of securing further cyber orders in the near term. BATM expects

Diagnostics to return to growth in the second half compared with the first half, as it delivers on orders received during the year. The Distribution and Eco-Med businesses are also expected to deliver an increase in revenue over the previous year. As a result, the Group is on track to report year-on-year growth for FY 2023, in line with market expectations.

The Group continues to have a strong balance sheet as well as property and valuable IP. Accordingly, the Board remains confident in the Group's prospects and looks forward to reporting on its progress.

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

	Six months ended 30 June	
	2023	2022
	US\$'000	US\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Revenues	60,170	57,515
Cost of revenues	<u>39,168</u>	<u>39,565</u>
Gross profit	21,002	17,950
Operating expenses		
Sales and marketing expenses	9,483	7,980
General and administrative expenses	7,743	5,443
Research and development expenses	3,252	3,395
Other operating income	<u>(92)</u>	<u>(119)</u>
Total operating expenses	20,386	16,699
Operating profit	<u>616</u>	<u>1,251</u>
Finance income	788	389
Finance expenses	<u>(678)</u>	<u>(1,029)</u>
Profit before tax	726	611
Income tax (expenses)	<u>(219)</u>	<u>347</u>
Profit for the period before share of loss of a joint venture and associated companies	507	958
Share of loss of a joint venture and associated companies	<u>(447)</u>	<u>(288)</u>
Profit for the period	<u>60</u>	<u>670</u>
Attributable to:		
Owners of the Company	71	145
Non-controlling interests	<u>(11)</u>	<u>525</u>
Profit for the period	<u>60</u>	<u>670</u>
Profit per share (in cents):		
Basic	<u>0.02</u>	<u>0.03</u>
Diluted	<u>0.02</u>	<u>0.03</u>

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

	<u>Six months ended 30 June</u>	
	2023	2022
	US\$'000	US\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Profit for the period	60	670
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<u>775</u>	<u>(6,666)</u>
	775	(6,666)
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement of defined benefit obligation	=	<u>36</u>
	-	36
Total other comprehensive income (loss) for the period	775	(6,630)
Total comprehensive income (loss) for the period	<u>835</u>	<u>(5,960)</u>
Attributable to:		
Owners of the Company	746	(6,766)
Non-controlling interests	<u>89</u>	<u>806</u>
	<u>835</u>	<u>(5,960)</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2023 US\$'000 <u>Unaudited</u>	30 June 2022 US\$'000 <u>Unaudited</u>	31 December 2022 US\$'000 <u>Audited</u>
Current assets			
Cash and cash equivalents	33,716	40,101	35,156
Trade and other receivables	34,204	34,678	36,495
Short-term investment in deposits and other securities	8,175	7,263	9,011
Inventories	37,484	31,015	34,461
	<u>113,579</u>	<u>113,057</u>	<u>115,123</u>
Non-current assets			
Property, plant and equipment	15,621	16,962	15,309
Investment property	616	1,644	620
Right-of-use assets	5,003	5,650	5,461
Goodwill	12,572	11,129	12,583
Other intangible assets	6,713	5,237	5,948
Investment in joint venture and associate	15,846	15,616	15,555
Investments carried at fair value	1,220	1,220	1,220
Deferred tax assets	3,380	3,356	3,362
	<u>60,971</u>	<u>60,814</u>	<u>60,058</u>
Total assets	<u>174,550</u>	<u>173,871</u>	<u>175,181</u>
Current liabilities			
Short-term bank credit	5,625	4,731	2,235
Trade and other payables	43,284	36,562	46,256
Current maturities of lease liabilities	1,904	1,866	1,984
Tax liabilities	318	5,291	818
	<u>51,131</u>	<u>48,450</u>	<u>51,293</u>
Non-current liabilities			
Long-term bank credit	-	6	2,000
Long-term liabilities	3,411	3,221	3,472
Long-term lease liabilities	3,247	4,023	3,758
Deferred tax liabilities	85	175	120
Retirement benefit obligation	556	536	537
	<u>7,299</u>	<u>7,961</u>	<u>9,887</u>
Total liabilities	<u>58,430</u>	<u>56,411</u>	<u>61,180</u>
Equity			
Share capital	1,320	1,320	1,320
Share premium account	427,422	425,944	426,138
Reserves	(32,137)	(26,933)	(32,812)
Accumulated deficit	(279,508)	(279,707)	(279,579)
Equity attributable to the:			
Owners of the Company	117,097	120,624	115,067
Non-controlling interest	(977)	(3,164)	(1,066)
Total equity	<u>116,120</u>	<u>117,460</u>	<u>114,001</u>
Total equity and liabilities	<u>174,550</u>	<u>173,871</u>	<u>175,181</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital	Share premium account	Translation reserve	Other Reserve	Accumulated deficit	Attributable to owners of the Company	Non-controlling interests	Total equity
	US\$'000							
Balance as at 1 January 2023	1,320	426,138	(26,039)	(6,773)	(279,579)	115,067	(1,066)	114,001
Profit for the period	-	-	-	-	71	71	(11)	60
Exchange differences on translating foreign operations	-	-	675	-	-	675	100	775
Total comprehensive income for the period	-	-	675	-	71	746	89	835
Recognition of share-based payments	-	1,284	-	-	-	1,284	-	1,284
Balance as at 30 June 2023 (unaudited)	1,320	427,422	(25,364)	(6,773)	(279,508)	117,097	(977)	116,120

For the 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
	US\$'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
Re-measurement of defined benefit obligation	-	-	-	-	36	36	-	36
Exchange differences on translating foreign operations	-	-	(6,947)	-	-	(6,947)	281	(6,666)
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

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

	<u>Six months ended 30 June</u>	
	2023	2022
	US\$'000	US\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Net cash from (used in) operating activities (Appendix A)	<u>505</u>	<u>(5,198)</u>
Investing activities		
Purchases of property, plant and equipment	(1,110)	(1,481)
Increase of other intangible assets	(1,000)	(1,071)
Proceeds on disposal of deposits	1,182	158
Proceeds on disposal of financial assets carried at fair value through profit and loss	-	1,021
Purchases of financial assets carried at fair value through profit and loss	-	(1,529)
Purchases of deposits	-	(4,659)
Deposit in escrow	(686)	-
Investment in joint venture, associated companies and other	(171)	(4,180)
Interest received	-	35
Proceeds on disposal of property, plant and equipment	83	38
Net cash used in investing activities	<u>(1,702)</u>	<u>(11,668)</u>
Financing activities		
Lease payment	(1,195)	(1,088)
Bank loan repayment	-	(3,666)
Bank loan received	1,160	5,678
Dividend paid	-	(4,300)
Dividend paid to NCI	-	(681)
Share buy-back	-	(137)
Net cash used in financing activities	<u>(35)</u>	<u>(4,194)</u>
Net decrease in cash and cash equivalents	(1,232)	(21,060)
Cash and cash equivalents at the beginning of the period	35,156	65,331
Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>(208)</u>	<u>(4,170)</u>
Cash and cash equivalents at the end of the period	<u>33,716</u>	<u>40,101</u>

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

APPENDIX A

RECONCILIATION OF OPERATING PROFIT FOR THE PERIOD TO NET CASH FROM/(USED IN) OPERATING ACTIVITIES

Six months ended 30 June

	2023	2022
	US\$'000	US\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Operating profit from operations	<u>616</u>	<u>1,251</u>
Adjustments for:		
Amortisation of intangible assets	329	280
Depreciation of property, plant and equipment and investment property	2,161	2,127
Capital (gain) loss of property, plant and equipment	(29)	22
Gain from revaluation of investment carried at fair value	-	(192)
Stock options granted to employees	1,284	104
Decrease in retirement benefit obligation	-	(43)
Increase in provisions	34	19
Operating cash flow before movements in working capital	<u>4,396</u>	<u>3,568</u>
Increase in inventory	(3,023)	(135)
Decrease in receivables	2,318	50
Decrease in payables	(3,327)	(5,988)
Effects of exchange rate changes on the balance sheet	441	(1,488)
Cash from (used in) operations	<u>805</u>	<u>(3,993)</u>
Income taxes paid	(485)	(733)
Interest received (paid)	185	(472)
Net cash from (used in) operating activities	<u>505</u>	<u>(5,198)</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".

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 2022 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 2022, 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 436,039,124 (H1 2022: 440,434,676). 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 436,758,643 shares (H1 2022: 443,123,900).

Note 3 – Other alternative measures

1. **Income statement adjustments** – including (1) non-cash share-based payments, and (2) the amortisation of intangible assets.

<u>Six months ended 30 June 2023</u> (Unaudited)	Reported results	Share-based payments	Amortisation of intangible assets	Adjusted results
		US\$ thousands		
Gross profit	21,002	-	(261)	21,263
Gross margin (%)	34.9%	-	-	35.3%
Sales and marketing expenses	9,483	61	-	9,422
General and administration expenses	7,743	1,206	-	6,537
Research and development expenses	3,252	17	15	3,220
Other operating expenses (income)	(92)	-	53	(145)
Operating profit	616	(1,284)	(329)	2,229

<u>Six months ended 30 June 2022</u> (Unaudited)	Reported results	Share-based payments	Amortisation of intangible assets	Adjusted results
		US\$ thousands		
Gross profit	17,950	-	(207)	18,157
Gross margin (%)	31.2%	-	-	31.6%
General and administration expenses	5,443	75	-	5,368
Research and development expenses	3,395	29	-	3,366
Other operating expenses (income)	(119)	-	73	(192)
Operating profit	1,251	(104)	(280)	1,635

2. EBITDA measurement

US\$ in thousands	Reported		Adjusted	
	Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating profit	616	1,251	2,229	1,635
Amortisation of Intangible assets	329	280	-	-
Share-based payments	1,284	104	-	-
Depreciation	2,161	2,127	2,161	2,127
EBITDA	<u>4,390</u>	<u>3,762</u>	<u>4,390</u>	<u>3,762</u>

Note 4 – Segments

Six months ended 30 June 2023

	Networking & Cyber US\$'000	Bio-Medical US\$'000	Unallocated US\$'000	Total US\$'000
Revenues	13,288	46,882	-	60,170
Operating profit	(1,389)	2,005	-	616
Net finance income				<u>110</u>
Profit before tax				726

Six months ended 30 June 2022

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

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>	
	2023 US\$'000 <u>Unaudited</u>	2022 US\$'000 <u>Unaudited</u>
Telecommunication products	10,033	7,355
Software services	3,255	5,750
Distribution of medical products	37,962	34,175
Diagnostic products	3,863	6,894
Eco-Med products	<u>5,057</u>	<u>3,341</u>
	<u>60,170</u>	<u>57,515</u>

Note 6 – Other

On 1 January 2023, the Company granted a total of 17,663,306 options over ordinary shares of 0.01 NIS each in the capital of the Company ("Ordinary Shares") to the Chairman and CEO of the Company. The options were granted under the BATM Advanced Communications Ltd. Global Share Incentive Plan (2021) ("SIP (2021)") after receiving the approval of shareholders at a general meeting. In May 2023, the Company granted 2,110,894 options over Ordinary Shares to a senior employee under the SIP (2021) plan.