

19 August 2024**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 2024.

Financial Summary

\$m	H1 2024	H1 2023
Revenue	60.0	60.2
Gross profit	18.7	21.0
Gross margin	31.1%	34.9%
Operating profit	1.5	0.6
EBITDA	4.3	3.1
Adj. operating profit*	2.3	2.2
Adj. EBITDA*	4.7	4.4

- Cash and short-term investments at 30 June 2024 were \$32.6m (31 December 2023: \$40.8m)

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

Operational Summary

- Implemented operational improvements to align the business with its new strategic vision, adopted in the prior year, focusing on core higher margin activities and to strengthen the sales function
- On track to report results for FY 2024 in line with market expectations

Cyber

Substantial growth in revenue and EBITDA as the Group delivered on its large backlog of orders, making an increasingly material contribution to Group performance:

- Landmark strategic partnership agreement signed, post period, with a significant global technology, engineering and defence group to deliver BATM's advanced cybersecurity solution to commercial markets
- Received over \$2.3m in new orders, including for the development of advanced encryption technology integrated with quantum key distribution

Networking

- Edgility edge computing platform:
 - Signed a three-year agreement to provide Edgility platform and accompanying hardware to Totalplay, a tier one telecommunications company in Mexico
 - Received a further contract from Cemex, a leading global building materials company, to extend the original five-year licence agreement by two years including additional professional services
 - Post period, Edgility became an Amazon Web Services Qualified Software Partner solution for AWS IoT Greengrass, an open-source edge runtime and cloud service
 - Continued to undergo successful proof-of-concepts that the Group expects to convert to contracts in the second half of the year
- Carrier ethernet solutions:
 - Continued to be impacted by the global slowdown in the telecommunications industry

- Signed a contract with Mountain Telephone, a leading telecommunications provider in Kentucky, USA, to provide BATM's multi-100G solution to upgrade their network
- Received initial orders for pilot testing of the new 10GE platform
- Development work continued on new products that will expand the Group's portfolio of mobile backhaul solutions, which it expects to release by the end of 2024

Diagnostics

Growth driven by the expansion of the customer base for distributed diagnostics products:

- Commenced generating revenue from new MDXlab molecular diagnostics instrument
- Selected by the National Research Council of Italy to participate in an EU-funded programme for the development of an advanced tuberculosis diagnostics solution
- ADOR Diagnostics successfully completed pre-clinical trials of the NATlab and is preparing for the next phase of validation at a leading hospital in Italy

Commenting on the results, Moti Nagar, Chief Executive Officer of BATM, said: "The first half of 2024 was characterised by the continued implementation of operational changes in line with our renewed strategy whilst delivering increased profits. We have made significant progress in aligning our business with the new strategic vision that we set out last year, which the Board feel will, and has, added substantial value to our core Networking, Cyber and Diagnostics divisions. The Board continues to look at ways of creating and ultimately delivering value to shareholders which, in time, should be reflected in the valuation ascribed to the Group.

"We are continuing to experience excellent momentum in our Cyber and Diagnostics divisions, and we are eagerly looking forward to launching our cyber solution into the commercial markets alongside our major new partner, which represents a substantial opportunity. In the Networking division, we expect a much stronger performance in the second half of the year compared with H1. Consequently, we continue to look to the future with confidence."

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 20 August 2024 at 10.30am BST. To register to participate or submit a question in advance, please use the following link: <https://forms.gle/bD5hQeFo4wGy1F6c9>

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.

Operational Review

BATM delivered a solid performance in the first half of 2024, against a macroeconomic backdrop that continued to be challenging. The Cyber division recorded significant growth as it continued to deliver its substantial backlog and achieved a major milestone with the signing, post period, of a strategic partnership agreement to introduce its cybersecurity products to commercial markets. The Diagnostics division increased revenue through the expansion of its customer base, while commencing sales of new instruments and progressing the development of other advanced solutions. While the Networking division continued to be impacted by the global slowdown in the telecommunications industry, the Group is encouraged by the strong interest it has been receiving in Edgility and expects the division's performance in the second half of the year to be much stronger than in H1 2024.

The Group continued implementing operational changes to align the business with the new strategic vision that was adopted in the prior year. This includes establishing further Group-wide corporate functions, with a Chief Operating Officer being appointed during the period, as well as progressing with the process to enhance the sales teams within its core activities. The Group also continued exploring potential opportunities to add capability to its core activities through M&A, and to divest other businesses where the Group can secure attractive terms.

Cyber Division

\$m	H1 2024	H1 2023
Revenue	8.3	1.7
Gross margin*	40.4%	75.6%
EBITDA*	2.6	0.0

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

The Cyber division provides integrated hardware and software solutions for network encryption, including hardware security modules (HSMs). It is a strategic provider to large government agency clients, primarily involving the security of mission critical infrastructure.

The Group achieved a major milestone by entering a strategic partnership, with the agreement being signed post period, with a significant global technology, engineering and defence group (the "Partner") to deliver the Group's advanced cybersecurity solution to a variety of commercial markets and for critical national infrastructure. The Partner, which generated revenue of over \$10bn in 2023 and serves customers in more than 100 countries, will distribute a customised version of BATM's advanced encryption platform globally, with exclusivity in certain territories. The introduction of BATM's cybersecurity solution to non-governmental customers has long been an important objective and represents a significant expansion of the total addressable market, with this collaboration expected to significantly boost the Group's commercial market entry by providing worldwide distribution networks and a partner with the resources to engage in considerable sales & marketing activities.

During the period, the division materially increased its revenue as it continued to deliver its backlog of orders, resulting in a substantial increase in revenue for the first half of the year. This impressive growth, with revenue more than quadrupling compared with the comparative period, was based on the Group fulfilling its long-term contracts as well as winning new orders during the period. The change in gross margin reflects revenue mix with the delivery in H1 2024 of significant contracts for hardware and software products. This was more than offset by the increased revenue resulting in substantial growth in adjusted EBITDA.

During the first half of the year, the Group received new cybersecurity orders totalling over \$2.3m from its long-standing government defence department customer. This includes for developing a next-generation

encryption solution that is quantum key distribution ready to address the technological demands of the next computing era.

Networking Division

\$m	H1 2024	H1 2023
Revenue	6.0	11.6
Gross margin*	43.4%	47.3%
EBITDA*	(0.9)	1.1

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

The Networking division provides high-performance connectivity solutions for the network edge, including:

- the innovative Edgility open edge software platform that enables the deployment and life-cycle management of apps, network functions and compute devices at the edge of the network; and
- a broad portfolio of carrier grade switching and routing hardware and software products (carrier ethernet).

Revenue in the Networking division continued to be impacted by the global slowdown in the telecommunications industry, with economic uncertainty resulting in organisations pausing or delaying purchasing decisions. In addition, the first half of the prior year was boosted by satisfying pent up demand from during the pandemic as well as the upfront delivery of hardware associated with Edgility contracts. The Group is pleased to note that it is experiencing an increase in interest in Edgility, with a number of proof of concepts and trials expected to come to a successful conclusion in the second half of the year. The Group anticipates receiving new orders in H2 for its carrier ethernet products as its customers and distributors commence restocking as the inventory built up during the pandemic begins to dissipate. As a result, the Group expects to deliver significant growth in the Networking division in the second half of the year.

The reduction in gross margin during the period reflects the lower level of revenue against a fixed cost base. Accordingly, the Group expects an improvement in gross margin in the second half of the year with the anticipated increase in revenue.

The EBITDA loss reflects the investment the Group is making in Edgility as an innovative product in a developing market that offers substantial growth potential. Excluding this activity, the Networking division remains profitable.

Edgility edge computing platform

During the period, BATM was awarded an additional contract for Edgility from Cemex, S.A.B. de C.V. (NYSE: CX) ("Cemex"), a leading global building materials company, following the successful rollout of the solution to Cemex sites across Europe and Central and South America. This latest contract extends the original five-year licence agreement entered into in 2021 by a further two years and includes additional professional services to support the ongoing deployment. This further contract demonstrates the value of Edgility to Cemex and also highlights the recurring nature of Edgility revenue.

The Group signed a new three-year agreement to provide Edgility to Totalplay, a tier one telecommunications company in Mexico. Edgility was selected, following a test phase, to replace Totalplay's incumbent network virtualisation solution, primarily due to Edgility's open architecture. Based on the size of Totalplay's current operations, and as it continues to grow its network services, there is potential for a significant expansion and extension in the number and duration of Edgility licences that the Group supplies.

An important new route-to-market was established, post period, with Edgility becoming an Amazon Web Services (“AWS”) Qualified Software Partner solution for AWS IoT Greengrass, an open-source edge runtime and cloud service that helps customers build, deploy and manage intelligent device software. Importantly, Edgility is the only AWS solution that offers edge deployment and management at scale and, as a result, the Group is well placed to expand its business into the vast AWS IoT Greengrass customer base.

Edgility continued to undergo evaluation and successful proof-of-concepts with leading network operators, multi-service providers, partners and systems integrators worldwide.

Carrier ethernet solutions

The Group is pleased to note that it won a new contract from Mountain Telephone, a leading telecommunications provider serving communities in Kentucky for nearly 75 years, to deploy BATM’s multi-100G solution to upgrade its network infrastructure. Initial orders were received for pilot testing of the Group’s upgraded, cost effective 10GE demarcation device that was launched towards the end of the prior year, and the Group expects to receive significant orders in the second half of the year. The Group also continued the development of new products to expand its offering for mobile backhaul, which it intends to launch by the end of the year.

Diagnostics Division

\$m	H1 2024	H1 2023
Revenue	17.0	15.8
Gross margin*	27.8%	32.8%
EBITDA*	1.2	1.2

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

The Diagnostics division is mainly engaged in the sale and distribution of in vitro diagnostics reagents and instruments, including the development and production of proprietary products. Its proprietary product development is focused on molecular diagnostics by test type and infectious disease by application area.

Revenue in the Diagnostics division increased by 8%, with growth driven by the expansion of the Group’s customer base for its distributed diagnostic products. The reduction in gross margin was due to the contribution to revenue from instruments that carry lower margin, but from which the Group expects to benefit going forwards through the sale of associated reagents that are higher margin. This was offset by the higher revenue and a reduction in operating expenses resulting in adj. EBITDA remaining in line with the first half of the prior year.

During the period, the Group commenced receiving orders for, and generating revenue from, its MDXlab molecular diagnostics instrument based on the real-time PCR method, which it launched at the end of 2023. Most of today's mid-size 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.

Work continued towards the commercial launch of EXTRAlab NGS Prep, which it expects to take place by the end of the current year. EXTRAlab NGS Prep is a new molecular diagnostics instrument that expands the capabilities of the Group’s existing EXTRAlab with regards to NGS library preparation. NGS is an advanced technology used for DNA and RNA sequencing and variant/mutation detection, which is used for personalised precision medicine, that is capable of sequencing a vast number of genes in a short period of time. Library preparation, which is the first phase of the NGS process, is often a manual procedure. The

Group's instrument automates this process, with the EXTRALab NGS Prep being able to make relevant self-adjustments.

The Group was selected by the National Research Council of Italy to participate, alongside one of the Council's research institutes, in an EU-funded programme for the development of an advanced tuberculosis diagnostics solution. The Group received a grant of €0.5m towards the initial 18 months of the programme with the potential for additional funding to be awarded thereafter for the next stage. The Group's participation in the scheme is demonstrative of the steps it is taking to drive long-term sustainable growth through investing in constant innovation to maintain the Diagnostics division's technological edge.

ADOR Diagnostics ("ADOR"), an associate company of the Group that is developing the disruptive NATlab molecular biology platform, successfully completed pre-clinical trials of the NATlab at a hospital. This has generated valuable insights, which ADOR used to enhance its biological process and improve the NATlab product. ADOR is now preparing to continue the clinical validation of NATlab at the Lazzaro Spallanzani National Institute for Infectious Diseases, an infectious disease hospital in Rome, Italy.

Secondary Activities

\$m	H1 2024	H1 2023
Revenue	28.8	31.0
Gross margin*	28.5%	30.0%
EBITDA*	1.9	2.1

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

The Group's secondary (non-core) activities include its businesses focused on:

- the distribution of pharmaceutical and environmental monitoring products, and the administering of diagnostic tests; and
- the production of eco-friendly pathogenic waste treatment solutions for medical, agricultural and pharmaceutical applications.

There was significant growth in the Group's distribution and test administration activities. However, this was offset by lower sales of the Group's eco-med solutions, which had a corresponding impact on gross margin and EBITDA for Secondary Activities. The Group continues to explore opportunities to divest its non-core businesses, where the Group can secure attractive terms. This will enable the Group to allocate its available resources to its core businesses, and accelerate their growth.

Financial Review

\$m	Adjusted*		Reported	
	H1 2024	H1 2023	H1 2024	H1 2023
Revenue	60.0	60.2	60.0	60.2
Gross margin	31.4%	35.3%	31.1%	34.9%
Operating profit	2.3	2.2	1.5	0.6
EBITDA	4.7	4.4	4.3	3.1

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

Total Group revenue for the first half of 2024 was \$60.0m (H1 2023: \$60.2m). This reflects growth in the Cyber and Diagnostics divisions being offset by reductions in the Networking division and Secondary Activities.

Gross margin was 31.1% (H1 2023: 34.9%), as outlined above.

Sales and marketing expenses were \$9.5m (H1 2023: \$9.5m); general and administrative expenses were \$7.0m (H1 2023: \$7.7m); and R&D expenses were \$2.6m (H1 2023: \$3.3m). This includes a reduction in share-based payments (a non-cash expense) to \$0.4m (H1 2023: \$1.3m), which is largely recognised in the lower general and administrative expenses. The Group recognised other operating income of \$2.0m (H1 2023: \$0.1m) primarily due to a revaluation of a liability. As a result, total operating expenses were reduced to \$17.1m (H1 2023: \$20.4m).

As a result of the above, operating profit increased significantly to \$1.5m (H1 2023: \$0.6m).

EBITDA increased to \$4.3m for H1 2024 compared with \$3.1m for the first half of the prior year.

Net finance expenses were \$0.7m compared with an income of \$0.1m for H1 2023, which primarily reflects the impact of foreign exchange rates.

Profit before tax increased slightly to \$0.8m (H1 2023: \$0.7m).

The Group recorded a tax expense of \$0.6m (H1 2023: \$0.2m).

Profit for the period was \$0.06m (H1 2023: \$0.06m) and earnings per share were 0.00¢ (H1 2023: 0.02¢).

Net cash used in operating activities was \$5.3m compared with an inflow of \$0.5m in H1 2023. This primarily reflects an increase in receivables based on the timing of revenue collection and the effects of exchange rate changes on the balance sheet.

At 30 June 2024, the Group had cash and short-term investments of \$32.6m (31 December 2023: \$40.8m; 30 June 2023: \$41.9m).

Outlook

BATM remains on track to deliver strong growth for FY 2024, in line with market expectations. In the Networking division, the Group expects performance in the second half to be much stronger than the first, with new orders expected for its carrier ethernet and Edgility solutions. The Cyber division continues to perform well as it delivers its large backlog as well as new orders. In the Diagnostics division, further growth is being driven by the continued expansion of the customer base.

Looking further ahead, the Group is eagerly anticipating the launch of its cyber solution into commercial markets, which represents a substantial increase in the addressable market. The Board is also continuing to actively pursue M&A and disposal opportunities that will enable the Group to accelerate execution on its growth strategy in its core divisions. As a result, the Board continues to look to the future with confidence.

**BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	Six months ended 30 June	
	2024 US\$'000 <u>Unaudited</u>	2023 US\$'000 <u>Unaudited</u>
Revenues	60,040	60,170
Cost of revenues	41,388	39,168
Gross profit	18,652	21,002
Operating expenses		
Sales and marketing expenses	9,453	9,483
General and administrative expenses	7,030	7,743
Research and development expenses	2,663	3,252
Other operating income	(2,008)	(92)
Total operating expenses	17,138	20,386
Operating profit	1,514	616
Finance income	(115)	(788)
Finance expenses	841	678
Profit before tax	788	726
Income tax expenses	568	219
Profit for the period before share of loss of a joint venture and associated companies	220	507
Share of loss of a joint venture and associated companies	(160)	(447)
Profit for the period	60	60
<u>Attributable to:</u>		
Owners of the Company	2	71
Non-controlling interests	58	(11)
Profit for the period	60	60
Earnings per share (in cents):		
Basic & Diluted	0.00	0.02

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Profit for the period	60	60
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<u>(3,119)</u>	<u>775</u>
	(3,119)	775
Total other comprehensive (loss) income for the period	(3,119)	775
Total comprehensive (loss) income for the period	<u>(3,059)</u>	<u>835</u>
Attributable to:		
Owners of the Company	(3,043)	746
Non-controlling interests	<u>(16)</u>	<u>89</u>
	<u>(3,059)</u>	<u>835</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2024 US\$'000 <u>Unaudited</u>	30 June 2023 US\$'000 <u>Unaudited</u>	31 December 2023 US\$'000 <u>Audited</u>
Current assets			
Cash and cash equivalents	27,176	33,716	32,339
Trade and other receivables	37,212	34,204	31,219
Short-term investment in deposits and other securities	5,417	8,175	8,425
Inventories	35,134	37,484	38,227
	<u>104,939</u>	<u>113,579</u>	<u>110,210</u>
Non-current assets			
Property, plant and equipment	14,592	15,621	16,051
Investment property	579	616	612
Right-of-use assets	5,587	5,003	4,351
Goodwill	12,690	12,572	12,763
Other intangible assets	8,814	6,713	8,019
Investment in joint venture and associate	17,640	15,846	17,894
Investments carried at fair value	1,220	1,220	1,220
Deferred tax assets	3,478	3,380	3,507
	<u>64,600</u>	<u>60,971</u>	<u>64,417</u>
Total assets	<u>169,539</u>	<u>174,550</u>	<u>174,627</u>
Current liabilities			
Short-term bank credit	5,041	5,625	3,276
Trade and other payables	36,035	43,284	41,662
Current maturities of lease liabilities	2,027	1,904	1,830
Tax liabilities	100	318	359
	<u>43,203</u>	<u>51,131</u>	<u>47,127</u>
Non-current liabilities			
Long-term bank credit	-	-	1,328
Long-term liabilities	5,365	3,411	3,449
Long-term lease liabilities	3,631	3,247	2,650
Deferred tax liabilities	31	85	39
Retirement benefit obligation	617	556	598
	<u>9,644</u>	<u>7,299</u>	<u>8,064</u>
Total liabilities	<u>52,847</u>	<u>58,430</u>	<u>55,191</u>
Equity			
Share capital	1,320	1,320	1,320
Share premium account	429,089	427,422	428,656
Reserves	(32,910)	(32,137)	(29,865)
Accumulated deficit	(279,883)	(279,508)	(279,767)
Equity attributable to the:			
Owners of the Company	117,616	117,097	120,344
Non-controlling interests	(924)	(977)	(908)
Total equity	<u>116,692</u>	<u>116,120</u>	<u>119,436</u>
Total equity and liabilities	<u>169,539</u>	<u>174,550</u>	<u>174,627</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	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 2024	1,320	428,656	(23,092)	(6,773)	(279,767)	120,344	(908)	119,436
Profit for the period	-	-	-	-	2	2	58	60
Exchange differences on translating foreign operations	-	-	(3,045)	-	-	(3,045)	(74)	(3,119)
Total comprehensive income (loss) for the period	-	-	(3,045)	-	2	(3,043)	(16)	(3,059)
Dividend to non- controlling interests holding put option	-	-	-	-	(118)	(118)		(118)
Recognition of share- based payments	-	433	-	-	-	433	-	433
Balance as at 30 June 2024 (unaudited)	1,320	429,089	(26,137)	(6,773)	(279,883)	117,616	(924)	116,692

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 (loss) 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)	115,097	(977)	116,120

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

Six months ended 30 June

	2024	2023
	US\$'000	US\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Net cash (used in) from operating activities (Appendix A)	<u>(5,279)</u>	<u>505</u>
Investing activities		
Purchases of property, plant and equipment	(521)	(1,110)
Increase of other intangible assets	(1,151)	(1,000)
Investment in joint venture and associated companies	(540)	(171)
Deposit in escrow	-	(686)
Proceeds on disposal of property, plant and equipment	557	83
Proceeds on disposal of deposits and securities	2,968	1,182
Net cash from (used in) investing activities	<u>1,313</u>	<u>(1,702)</u>
Financing activities		
Lease payment	(1,076)	(1,195)
Bank loan repayment	(1,801)	-
Bank loan received	2,364	1,160
Dividend paid to non-controlling interests holding put option	(118)	-
Net cash used in financing activities	<u>(631)</u>	<u>(35)</u>
 Net decrease in cash and cash equivalents	 (4,597)	 (1,232)
 Cash and cash equivalents at the beginning of the period	 32,339	 35,156
Effects of exchange rate changes on the balance of cash held in foreign currencies	(566)	(208)
Cash and cash equivalents at the end of the period	<u>27,176</u>	<u>33,716</u>

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

APPENDIX A

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

	<u>Six months ended 30 June</u>	
	2024	2023
	US\$'000	US\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Operating profit from operations	1,514	616
Adjustments for:		
Amortisation of intangible assets	340	329
Depreciation of property, plant and equipment and investment property	2,429	2,161
Capital gain of property, plant and equipment	(230)	(29)
Share-based payments	433	1,284
Operating cash flow before movements in working capital	4,486	4,362
Decrease (increase) in inventory	3,129	(3,023)
Decrease (increase) in receivables	(5,901)	2,318
Decrease in payables	(4,596)	(3,293)
Effects of exchange rate changes on the balance sheet	(1,668)	441
Cash from (used in) operations	(4,550)	805
Income taxes paid	(779)	(485)
Interest received, net	50	185
Net cash from (used in) operating activities	(5,279)	505

BATM ADVANCED COMMUNICATIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of preparation

These 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 2023 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 2023, which have been prepared in accordance with International Financial Reporting Standards.

Note 2 – Earnings per share

Earnings per share is based on the weighted average number of shares in issue for the period of 436,189,134 (H1 2023: 436,039,124). The number used for the calculation of the diluted earnings per share for the period (which includes the effect of dilutive stock option plans) is 437,030,375 shares (H1 2023: 436,758,643).

Note 3 – Other alternative measures

Six months ended 30 June 2024 (Unaudited)	Reported results	Adjustments* US\$ thousands	Adjusted results
Gross profit	18,652	(216)	18,868
Gross margin (%)	31.1%	-	31.4%
Operating profit	1,514	(773)	2,287
EBITDA	4,283	(433)	4,716

Six months 30 June 2023 (Unaudited)	Reported results	Adjustments* US\$ thousands	Adjusted results
Gross profit	21,002	(261)	21,263
Gross margin (%)	34.9%	-	35.3%
Operating profit	616	(1,613)	2,229
EBITDA	3,106	(1,284)	4,390

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

EBITDA measurement

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	US\$ thousands	
Operating profit	1,514	616
Amortisation of Intangible assets	340	329
Share-based payments	433	1,284
Depreciation	2,429	2,161
Adj. EBITDA	4,716	4,390

Note 4 – Segments

Business Segments

Operational segments are identified on the basis of internal reports about the Group's components that are reviewed by the main operational decision maker of the Group ("CODM"), the CEO of the Company, for the purpose of allocating resources and evaluating the performance of the operational segments. Information reported to the CODM for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The principal products and services of each of these segments are as follows: Networking – marketing, research and development of data communication products, which includes high-performance connectivity solutions for the network edge, including the innovative Edgility open edge software platform that enables the deployment and life-cycle management of apps, network functions and compute devices at the edge of the network, and a broad portfolio of carrier grade switching and routing hardware and software products. Cyber – provision of integrated hardware and software solutions for network encryption, including hardware security modules (HSMs). Diagnostics – mainly engaged in sales and distribution of in vitro diagnostics reagents and instruments, including the development and production of proprietary products. Its proprietary products are focused on molecular diagnostics by test type and infectious disease by application area. Secondary – mainly the distribution of pharmaceutical and environmental monitoring products and diagnostic tests, and the production of eco-friendly pathogenic waste treatment solutions for medical, agricultural and pharmaceutical applications.

The results for the six months ended 30 June 2023 have been re-presented in accordance with the new segmentation listed above.

Six months ended 30 June 2024 (Unaudited)

	Networking	Cyber	Diagnostics	Secondary	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues	5,964	8,291	17,026	28,759	60,040
Operating profit/(loss)	(1,582)	2,373	90	633	1,514
Net finance expenses					726
Profit before tax					788

Six months ended 30 June 2023 (Unaudited)

	Networking	Cyber	Diagnostics	Secondary	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues	11,606	1,681	15,835	31,048	60,170
Operating profit/(loss)	136	(414)	6	888	616
Net finance income					(110)
Profit before tax					726