**30 August 2016**

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

## Interim results for six months ended 30 June 2016

BATM Advanced Communications Limited (LSE: 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 2016.

### Financial Summary

- Group revenue of $45.1m (H1 2015: $47.6m)
- Gross margin improved to 32.8% (H1 2015: 31.7%)
- Cash in flow from operations of $0.1m (H1 2015: $0.5m out flow)
- Adjusted operating loss* of $0.6m (H1 2015: $0.3m loss)
- EBITDA of $0.3m (H1 2015: $0.6m)
- Net loss reduced to $1.5m (H1 2015: $2.0m loss)
- Reduced loss per share to 0.23¢ (H1 2015: 0.38¢ loss per share)
- As at 30 June 2016, the Group had cash and financial assets of $18.6m (31 December 2015: $23.8m)

* Adjusted to exclude amortisation of intangible assets

### Operational Summary

**Bio-Medical Division (57% of total revenues)**

- Blended gross margins for the whole of Bio-Medical division improved to 26% compared with 25% in H1 2015
- Diagnostics Unit
    - Revenues increased by 19.2% and adjusted operating profit increased by 300%
    - Significantly increased number of customers as 325 diagnostic machines were sold (462 in the whole of 2015)
    - 25% increase in production of reagents compared with H1 2015
    - Adaltis' Chinese partner, Egens Biotechnology Company Ltd. ("Egens"), agreed to purchase approximately 5.5% of Adaltis' enlarged share capital for RMB20m (approximately $3m) valuing Adaltis at approximately $58m
- Pathogenic Waste Treatment and Sterilisation Unit
    - Pathogenic Waste Treatment and Sterilisation unit successfully executed on first significant contract for its biological waste solution developed for the biopharmaceutical industry, which was installed and is operating at a facility of Ceva Animal Health ("CEVA")
    - Commenced first large installation of new solution for treating agricultural waste and on track for delivering to the customer, a major poultry farming company, for testing in Q3 2016
- Distribution Unit
    - Acquired Green Lab Hungary Engineering Ltd ("Green Lab"), a developer and distributor of analytical instruments, for $3.8m in cash to strengthen the Group's regional distribution network and expand the Group's ecologic activities
    - Increase in volume of Abbott products being distributed, in Romania, and the Group commenced providing maintenance

**Networking and Cyber Division (43% of total revenues)**

- Blended gross margin increased to 42% from 40% in H1 2015 resulting in move to break-even in H1 2016 compared with adjusted operating loss of $0.2m for H1 2015

- Networking Unit
  - Gained over 35 new customers (H1 2015: 15 new customers) that are purchasing from the Networking unit's comprehensive portfolio of solutions
  - Successfully deployed a new high capacity Carrier Ethernet network for the Kenya Education Network ("KENET")
  - Delivered project extension to Tier 1 network service provider in Southeast Asia with deployment of 10GE solution to expand customer's broadband capacity and enable compliance with latest industry standards
  - CloudMetro (SDN & D-NFV) platform is gaining momentum with Communication Service Providers (CSPs) and dozens of proof-of-concept trials were conducted successfully, including with Tier 1 operators
- Cyber Unit
  - Awarded a significant contract as the leading supplier for an ICT solution combined with several cyber elements to a government defence department, worth approximately $4m over a period of up to three years
  - Engaged in several proof-of-concept trials in multiple countries

Commenting on the results, Dr Zvi Marom, Chief Executive Officer of BATM, said: "We are pleased with the results in the first half as the Group capitalised on the foundations laid in 2015 for a sustainable recovery and growth. Specifically, the Group focused on re-investing in sales and marketing in the Bio-Medical division resulting in it increasing its footprint and gaining a broader customer base, particularly in the Diagnostics unit. For the Networking and Cyber division the focus remained on conducting proof-of-concept trials of our latest software with Tier 1 companies and government agencies whilst maintaining tight cost control resulting in the division returning to profit at the operating level compared with a loss in the equivalent period last year.

"Looking ahead, we are excited by the potential positive impact of the investment in our Diagnostics business where we have positioned ourselves to capture a significant portion of the growing Chinese diagnostics market. This, together with the sustained growth in the rest of the Diagnostics business, is expected to result in further revenue growth in the second half of the year. In addition, we expect the Green Lab acquisition to provide access to a larger number of markets for our ecologic solutions in the Pathogenic Waste Treatment and Sterilisation business, which should see increased sales in the second half of the year, as well as continue to boost the Distribution unit. As a result of this, and further expected orders in the Cyber business sustaining the recovery in the Networking and Cyber division, the Board looks to the future with confidence."

**Enquiries:**

| | |
|---|---|
| **BATM Advanced Communications** | |
| Dr Zvi Marom, Chief Executive Officer | +972 9866 2525 |
| Moti Nagar, Chief Financial Officer | |
| | |
| **finnCap** | |
| Stuart Andrews, Scott Mathieson | +44 20 7220 0500 |
| | |
| **Shore Capital** | |
| Mark Percy, Anita Ghanekar | +44 20 7408 4090 |
| | |
| **Luther Pendragon** | |
| Harry Chathli, Claire Norbury | +44 20 7618 9100 |

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

## Operational Review

In the first half of the year, the performance of the underlying business was robust as both divisions made significant operational progress as new products and technologies continued to replace legacy products. Revenues for the first half of 2016 were $45.1m (H1 2015: $47.6m) and gross margin improved to 32.8% from 31.7% in H1 2015. Significantly, both divisions achieved milestones in targeting new areas that the Group had identified as growth markets. In addition, the Group was active in completing two corporate transactions in the Bio-Medical division.

The Bio-Medical division accounted for 57% of total Group revenues with the contribution from the Networking and Cyber division being 43%.

## Bio-Medical Division

The Bio-Medical division is engaged in the research and development, production, marketing and distribution of medical products, primarily laboratory diagnostic equipment and sterilisation equipment. Sales for this division are primarily in Europe.

| | **H1 2016** | H1 2015 | H2 2015 | FY 2015 |
|---|---|---|---|---|
| Revenues | **$25.8m** | $26.5m | $26.2m | $52.7m |
| Gross margin | **26%** | 25% | 25% | 25% |
| Adjusted operating profit* | **$0.0m** | $0.2m | $0.2m | $0.4m |

* Adjusted to exclude amortisation of intangible assets

In H1 2016, revenues in the Bio-Medical division were 2.6% lower than the equivalent period last year at $25.8m (H1 2015: $26.5m) mainly due to a reduction in revenues in the Pathogenic Waste Treatment and Sterilisation unit. The gross profit margin was higher in H1 2016 at 26% compared with 25% in H1 2015, mostly due to an increase in revenue (approximately 19% y-o-y) in the Diagnostics unit.

*Distribution*

The Distribution unit contributed approximately 68% of Bio-Medical division revenues in H1 2016 compared with 67% in H1 2015. Gross margin in H1 2016 increased to 26% compared with 22% in H1 2015. The Distribution unit generated higher adjusted operating profit sequentially of $0.7m for H1 2016 compared with an adjusted operating profit of $0.3m in H2 2015.

Revenue was broadly flat, however there was an increase in the volume of Abbott products being distributed, in Romania, and the relationship was expanded with the Group starting to provide maintenance to some Abbott products. Abbott is one of the top three vendors in this field in this territory and the distribution of its products carries a higher margin and the Group anticipates further growth with the client.

In January 2016, the Group acquired the entire issued and to be issued share capital of Green Lab Hungary Engineering Ltd ("Green Lab"), a Hungary-based developer and distributor of analytical instruments for environmental and industrial sectors, for a total consideration of $3.8m payable in cash over a three-year period. The Group expects the Distribution unit to benefit from the synergies with the Green Lab operations in Hungary and from Green Lab's extensive network. Since acquisition, the integration has progressed well, with Green Lab continuing to achieve a good level of sales and profitability.

*Pathogenic Waste Treatment and Sterilisation*

The Pathogenic Waste Treatment and Sterilisation unit accounted for 9% of the Bio-Medical division's revenues in H1 2016 compared with 14% of revenues in H1 2015, reflecting a reduction in revenues primarily as a result of lower sales of control systems and medical waste products. The unit continues to focus on the treatment of biological waste, based on unique patented technology. In its traditional business, the Group experienced an increase in OEM (Original Equipment Manufacturer) orders from the US.

During the period, the installation and operation of the first biological waste solution unit for the biopharma industry was completed for CEVA. This project is expected to grow to $1.2m following further orders for the CEVA's European and US-based production sites in H2 2016 and 2017.

During 2015, the unit launched a unique solution, based on its patented ISS technology, for agri-business, which treats waste from poultry and larger animals such as cattle, pigs and cows. Over the last year, the solution has been tested with the relevant regulatory authorities to confirm its uniqueness and efficiency. During the period, the Group made progress under its contracts awarded in the second half of last year. In particular, it commenced implementing the new ISS-based solution for a major poultry farming company, and is on track for delivery to the customer for testing in Q3 2016, when the Group expects to commence generating revenue under this contract

This unit is also benefitting from the initial synergies with Green Lab, and expects the acquisition to provide access to a larger number of markets for the ecologic solutions of the Pathogenic Waste Treatment and Sterilisation business, which should see increased sales in the second half of the year.

*Diagnostics*

The Diagnostics unit represented 23% of the Bio-Medical division's revenues in H1 2016 compared with 19% during the first half of 2015, reflecting an increase in revenues of 19.2%. The Diagnostics unit continued to achieve a high margin of 32.4% and contributed a higher adjusted operating profit compared with H1 2015.

The growth in revenues is due to an increase in sales of both instruments and reagents. During the six-month period the Group sold 325 instruments compared with 462 for the full twelve months of 2015. The customer base has also broadened as a significant proportion of the instruments sold in 2015 were under a single contract. In addition, production of reagents increased 25% in H1 2016 over the same period of the prior year.

In December 2015, BATM entered into an agreement with Gamida for Life ("Gamida"), an international group of companies focused on healthcare and life sciences, to establish a joint venture company, Ador, to progress the development and marketing of a unique, rapid-results molecular diagnostics system. During the first half of 2016, progress was made on preparing for the production and marketing of the new instrument, and a selection of reagent kits, which are expected to reach the market during H2 2016.

As announced on 30 June 2016, a significant milestone was achieved when the Diagnostics unit entered into an investment agreement and a strategic joint venture with its Chinese partner, Egens Biotechnology Company Ltd. ("Egens"), a leading biotechnology company combining biological material development and diagnostic reagent manufacturing. Under the terms of the agreement, Egens purchased RMB20m (approximately $3m) of new shares in Adaltis, equivalent to approximately 5.5% of Adaltis' enlarged share capital, valuing Adaltis at approximately $58m. The joint venture company, Adaltis Bio Med Company ("ABC"), is already making significant progress and is expected to make a material contribution to revenues in H2 2016.

## Networking and Cyber Division

The Networking and Cyber division is mostly engaged in the research and development, production and marketing of data communication products in the field of local and wide area networks and premises management systems. Sales for this division are global.

| | **H1 2016** | H1 2015 | H2 2015 | FY 2015 |
|---|---|---|---|---|
| Revenues | **$19.1m** | $20.9m | $23.2m | $44.1m |
| Gross margin | **42%** | 40% | 40% | 40% |
| Adjusted operating profit (loss)* | **$0.0m** | $(0.2m) | 0.3m | $0.1m |

* Adjusted to exclude amortisation of intangible assets

In H1 2016, there was a $1.8m decrease in revenues to $19.1m as the division continued to wind down the legacy products business whilst gaining traction with new products and solutions. Gross profit margin improved to 42% in H1 2016 compared with 40% in H1 2015.

Adjusted operating profit was break-even in H1 2016 compared with an adjusted operating loss of $0.2m for H1 2015.

Telco Systems gained over 35 new customers in the period compared with 15 new customers in H1 2015. This included the successful deployment of a new high capacity Carrier Ethernet network for the Kenya Education Network ("KENET").

Telco Systems continued to invest in its leading-edge technology and solutions and added 100GE capabilities to its new aggregation and ATCA solutions to meet the ever-increasing demand for bandwidth. During the period, it completed a project extension to a Tier 1 network service provider in Southeast Asia with the deployment of a 10GE solution to expand the customer's broadband capacity in compliance with latest industry standards. In addition, its CloudMetro (SDN & D-NFV) platform is gaining momentum with Communication Service Providers (CSPs) and dozens of proof-of-concept trials were conducted successfully, including with Tier 1 operators.

The Cyber unit was awarded a significant contract as the leading supplier for the delivery of an Information Communication Technology solution combined with several cyber elements to a government defence department. This contract is the second such contract awarded to BATM by a national government and is worth approximately $4m over a period of up to three years. The Cyber unit also conducted several proof-of-concept trials with Tier 1 companies and government agencies, which it expects to result in orders in the second half of the year.

The Group continues to maintain tight cost control in this division and reduced operating expenses by 8% compared with the same period last year.

## Financial Review

Revenues in the first half of 2016 decreased by $2.5m to $45.1m (H1 2015: $47.6m). Bio-Medical division revenues decreased by 2.6% to $25.8m (H1 2015: $26.5m) whilst the Networking and Cyber division revenues decreased by 8.6% to $19.1m (H1 2015: $20.9m).

The blended gross profit margin for the first half of 2016 was 32.8% (H1 2015: 31.7%). This increase is mostly due to the increased contribution to revenue from the Diagnostics unit and an improvement in gross margin in the Networking and Cyber division.

Sales and marketing expenses were $7.3m (H1 2015: $7.3m), representing 16% of revenue compared with 15% in the first half of 2015.

General and administrative expenses were $4.7m (H1 2015: $5.0m), representing a decrease of 6% compared with the same period last year.

Research and development investment in the first half of 2016 decreased to $3.4m (H1 2015: $3.5m).

Net finance expense was $0.4m (H1 2015: $0.8m). The decrease is mainly due to the adverse effect of foreign exchange rate fluctuations.

Net loss after tax attributable to equity holders of the parent amounted to $0.9m (H1 2015: $1.5m), resulting in a basic loss per share of 0.23¢ (H1 2015: 0.38¢).

The Group's balance sheet remains strong with effective liquidity of $18.6m compared with $23.8m as at 31 December 2015. Period-end cash is comprised as follows: cash and deposits up to three months duration of $16.1m and short-term cash deposits up to one year of $2.5m. The decline in cash balances is mainly due to the payment of $1.9m representing the initial portion of the consideration for the acquisition of Green Lab; purchase of property, plant and equipment of $1.7m, mainly in the sterilisation business; and a change in working capital.

Inventories decreased to $20.9m (31 December 2015: $22.6m). The decrease is mainly due to a lower level of inventory due to seasonality in the Distribution unit.

Trade and other receivables decreased to $28.1m from $31.2m at the end of 2015 mostly due to a decrease in trade receivable in the Networking and Cyber division.

Intangible assets and goodwill increased to $20.2m (31 December 2015 $15.6m). This increase is mostly due to the investment in Green Lab.

Property, plant and equipment increased to $19.4m (31 December 2015: $18.1m). This increase is due to the purchase of property, plant and equipment mainly in the sterilisation business.

The balance of trade and other payables decreased to $22.6m (31 December 2015: $27.4m). The decrease is mostly due to a decrease in the levels of inventory in the Distribution unit.

Cash inflow from operations was $0.1m for the first half of 2016 compared with an outflow of $0.5m for the first half of the prior year.

## Outlook

The momentum achieved in the first half in the Bio-Medical division has continued into the second half of the year led by sustained growth in the Diagnostics unit. The Diagnostic unit's joint venture company, Adaltis Bio Med Company, is already making good progress in China and is expected to make a material contribution to revenues in H2 2016. This, in addition to the already growing diagnostics business, is expected to result in further acceleration in the second half of the year. In the Pathogenic Waste Treatment and Sterilisation business unit, the Group expects the Green Lab acquisition to provide access to a larger number of markets, which it anticipates will lead to increased sales.

The Networking and Cyber division continues to make progress in its recovery. The management team are focused on maintaining tight cost control in this division whilst continuing to drive the business forward. Several customers are testing its new SDN and NFV networking solutions, and the Group anticipates receiving orders later this year. The division's Cyber unit continues to experience increased interest from government agencies and corporations for its solutions and anticipates winning additional contracts in the second half of the year. As a result of growth in the Diagnostics unit and continued recovery in the Networking and Cyber division, the Board looks to the future with increased confidence.

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

| | Six months ended 30 June | |
|---|---|---|
| | 2016 | 2015 |
| | US$ in thousands | |
| | Unaudited | Unaudited |
| **Revenues** | 45,122 | 47,566 |
| **Cost of revenues** | 30,340 | 32,482 |
| **Gross profit** | 14,782 | 15,084 |
| **Operating expenses** | | |
| Sales and marketing expenses | 7,305 | 7,259 |
| General and administrative expenses | 4,710 | 4,959 |
| Research and development expenses | 3,394 | 3,476 |
| Other operating expenses | 545 | 442 |
| **Total operating expenses** | 15,954 | 16,136 |
| **Operating loss** | (1,172) | (1,052) |
| Finance income | 125 | 103 |
| Finance expenses | (513) | (920) |
| Loss before tax | (1,560) | (1,869) |
| Income tax | 27 | (102) |
| **Loss for the period** | **(1,533)** | **(1,971)** |
| Attributable to: | | |
| Owners of the Company | **(935)** | **(1,543)** |
| Non-controlling interests | **(598)** | **(428)** |
| **Loss for the period** | **(1,533)** | **(1,971)** |

### Profit (loss) per share (In cents):

| | | |
|---|---|---|
| From continuing and discontinued operations<br>Basic and Diluted | (0.23) | (0.38) |
| From continuing operations<br>Basic and Diluted | (0.23) | (0.38) |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2 0 1 6** | **2 0 15** |
| | US$ in thousands | |
| | **Unaudited** | **Unaudited** |
| Loss for the period | (1,533) | (1,971) |
| **Items that may be reclassified subsequently to profit or loss :** | | |
| Exchange differences on translating foreign operations | 595 | (2,797) |
| Total Comprehensive loss of the Period | **(938)** | **(4,768)** |
| Attributable to: | | |
| Owners of the Company | (184) | (4,145) |
| Non-controlling interests | (754) | (623) |
| | **(938)** | **(4,768)** |

## BATM ADVANCED COMMUNICATIONS LTD.
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | 30 June 2016 | 30 June 2015 | 31 December 2015 |
|---|---|---|---|
| | | US$ in thousands | |
| | Unaudited | Unaudited | Audited |
| **Current assets** | | | |
| Cash and cash equivalents | 16,112 | 19,081 | 17,042 |
| Trade and other receivables | 28,067 | 27,257 | 31,180 |
| Financial assets | 2,537 | 11,159 | 6,778 |
| Inventories | 20,894 | 23,246 | 22,630 |
| | 67,610 | 80,743 | 77,630 |
| **Non-current assets** | | | |
| Property, plant and equipment | 19,445 | 19,417 | 18,140 |
| Investment property | 3,729 | 2,542 | 3,791 |
| Goodwill | 15,339 | 11,611 | 11,430 |
| Other intangible assets | 4,841 | 3,997 | 4,168 |
| Available for sale Investments carried at fair value | 614 | 6,009 | 611 |
| Other assets | - | 5,041 | - |
| Deferred tax asset | 3,582 | 5,937 | 3,582 |
| | 47,550 | 54,554 | 41,722 |
| **Total assets** | **115,160** | **135,297** | **119,352** |
| **Current liabilities** | | | |
| Short-term bank credit | 4,667 | 3,978 | 2,763 |
| Trade and other payables | 22,576 | 24,466 | 27,442 |
| Other liabilities | 633 | 5,041 | - |
| Provisions | 215 | 242 | 217 |
| | 28,091 | 33,727 | 30,422 |
| **Non-current liabilities** | | | |
| Long-term liabilities | 5,729 | 5,087 | 6,636 |
| Deferred tax liabilities | 997 | 1,046 | 1,095 |
| Retirement benefit obligation | 738 | 746 | 707 |
| | 7,464 | 6,879 | 8,438 |
| **Total liabilities** | **35,555** | **40,606** | **38,860** |
| **Equity** | | | |
| Share capital | 1,216 | 1,216 | 1,216 |
| Share premium account | 407,487 | 407,367 | 407,436 |
| Foreign currency translation reserve and other reserves | (19,637) | (18,276) | (20,388) |
| Accumulated deficit | (307,249) | (294,607) | (306,314) |
| **Equity attributable to equity holders of the:** | | | |
| Owners of the Company | 81,817 | 95,700 | 81,950 |
| Non-controlling interest | (2,212) | (1,009) | (1,458) |
| **Total equity** | **79,605** | **94,691** | **80,492** |
| **Total equity and liabilities** | **115,160** | **135,297** | **119,352** |

## BATM ADVANCED COMMUNICATIONS LTD.
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**Six months ended 30 June 2016**

| | Share Capital | Share Premium Account | Translation reserve | Other Reserve | Accumulated Deficit | Attributable to owners of the Parent | Non-Controlling Interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | | | US$ in thousands | | | | |
| **As at 1 January 2016** | 1,216 | 407,436 | (20,053) | (335) | (306,314) | 81,950 | (1,458) | 80,492 |
| Recognition of share-based payments | | 51 | | | | 51 | | 51 |
| Loss for the period | | | | | (935) | (935) | (598) | (1,533) |
| Comprehensive income (loss) for the period | | | 751 | | - | 751 | (156) | 595 |
| **Total comprehensive loss for the period** | | | **751** | | **(935)** | **(184)** | **(754)** | **(938)** |
| **As at 30 June 2016 (unaudited)** | **1,216** | **407,487** | **(19,302)** | **(335)** | **(307,249)** | **81,817** | **(2,212)** | **79,605** |

**Six months ended 30 June 2015**

| | Share Capital | Share Premium Account | Translation reserve | Other Reserve | Accumulated Deficit | Attributable to owners of the Parent | Non-Controlling Interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | | | US$ in thousands | | | | |
| **As at 1 January 2015** | 1,216 | 407,345 | (15,812) | 138 | (293,064) | 99,823 | (386) | 99,437 |
| Recognition of share-based payments | | 22 | | | | 22 | | 22 |
| Loss for the period | | | | | (1,543) | (1,543) | (428) | (1,971) |
| Comprehensive loss for the period | | | (2,602) | | - | (2,602) | (195) | (2,797) |
| **Total comprehensive loss for the period** | | | **(2,602)** | | **(1,543)** | **(4,145)** | **(623)** | **(4,768)** |
| **As at 30 June 2015 (unaudited)** | **1,216** | **407,367** | **(18,414)** | **138** | **(294,607)** | **95,700** | **(1,009)** | **94,691** |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2 0 1 6** | **2 0 1 5** |
| | **US$ in thousands** | |
| | **Unaudited** | **Unaudited** |
| **Net cash used in operating activities** (Appendix A) | **(158)** | **(3,601)** |
| **Investing activities** | | |
| Interest received | 91 | 78 |
| Proceeds on disposal of property, plant and equipment | 52 | 1,409 |
| Proceeds on disposal of deposits | 1,651 | 9,750 |
| Proceeds on disposal of financial assets carried at fair value through profit and loss | 525 | - |
| Proceeds on disposal of held to maturity investment | 3,229 | - |
| Purchases of property, plant and equipment | (1,731) | (651) |
| Increase of other intangible assets | (1,192) | - |
| Purchases of financial assets carried at fair value through profit and loss | - | (291) |
| Purchases of deposits | (1,151) | (1,650) |
| Purchase of financial assets carried at fair value through profit and loss | - | (1,709) |
| Acquisition of subsidiary (Appendix B) | (1,862) | - |
| Net Cash outflow on acquisition of business combinations | - | (346) |
| **Net cash from (used in) investing activities** | **(388)** | **6,590** |
| **Financing activities** | | |
| Decrease in short-term bank credit | (2) | (42) |
| Bank loan repayment | (3,928) | (1,822) |
| Bank loan received | 3,599 | 2,222 |
| **Net cash from (used in) financing activities** | **(331)** | **358** |
| **Increase (decrease) in cash and cash equivalents** | (877) | 3,347 |
| **Cash and cash equivalents at the beginning of the period** | 17,042 | 15,940 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | (53) | (206) |
| **Cash and cash equivalents at the end of the period** | **16,112** | **19,081** |

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

**APPENDIX A**

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

| | Six months ended 30 June | |
|---|---|---|
| | 2016 | 2015 |
| | US$ in thousands | |
| | Unaudited | Unaudited |
| **Operating loss from continuing operations** | **(1,172)** | **(1,052)** |
| **Adjustments for:** | | |
| Amortization of intangible assets | 579 | 789 |
| Depreciation of property, plant and equipment and investment property | 901 | 870 |
| Capital gain of property, plant and equipment | - | (490) |
| Stock options granted to employees | 51 | 22 |
| Increase (decrease) in retirement benefit obligation | 30 | (40) |
| Decrease in provisions | (2) | (76) |
| **Operating cash flow before movements in working capital** | **387** | **23** |
| Decrease in inventory | 1,821 | 956 |
| Decrease in receivables | 3,763 | 3,204 |
| Decrease in payables | (5,864) | (1,614) |
| Effects of exchange rate changes on the balance sheet | (49) | (3,075) |
| **Cash from (used in) operations** | **58** | **(506)** |
| Income taxes paid | (12) | (3,471) |
| Income taxes received | - | 649 |
| Interest paid | (204) | (273) |
| **Net cash used in operating activities** | **(158)** | **(3,601)** |

**APPENDIX B**
**ACQUISITION OF SUBSIDIARY**
**GREEN LAB**

| | 2016<br>US$ in thousands<br>Unaudited |
|---|---|
| **Net assets acquired** | |
| Property, plant and equipment | 230 |
| Inventory | 85 |
| Trade and other receivables | 645 |
| Cash | 49 |
| Trade payables and other liabilities | (993) |
| | **16** |
| Goodwill | 3,795 |
| **Total consideration** | **3,811** |
| **Satisfied by:** | |
| Cash | 1,911 |
| Consideration recorded as liability | 1,900 |
| | **3,811** |
| **Net cash outflow arising on acquisition** | |
| Cash consideration | 1,911 |
| Cash and cash equivalents acquired | (49) |
| | **1,862** |

## BATM ADVANCED COMMUNICATIONS LTD
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 – Basis of preparation

The interim consolidated financial statements of the Company 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 Company implemented accounting policies, presentation principles and calculation methods identical to those implemented in preparation of its consolidated financial statements as of 31 December 2015 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 2015, which have been prepared in accordance with IFRSs.

### Note 2 – Profit/(loss) per share

Profit/(loss) per share is based on the weighted average number of shares in issue for the period of 403,150,820 (H1 2015: 403,150,820). 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 403,150,820 shares (H1 2015 403,150,820).

### Note 3 – Segments

**Business Segment**

**Six months ended 30 June 2016**

| | Networking and Cyber | Bio-Medical | Unallocated | Total |
|---|---|---|---|---|
| | | US$ in thousands | | |
| **Revenues** | 19,137 | 25,800 | 185 | **45,122** |
| **Segment profit/(loss)** | 43 | 4 | (674) | **(627)** |
| **Reconciliation- Other operating expenses** | | | | **(545)** |
| **Net Finance cost** | | | | **(388)** |
| **Loss before tax** | | | | **(1,560)** |

**Six months ended 30 June 2015**

| | Networking and Cyber | Bio-Medical | Unallocated | Total |
|---|---|---|---|---|
| | | US$ in thousands | | |
| **Revenues** | 20,948 | 26,479 | 139 | **47,566** |
| **Segment profit/(loss)** | (151) | 240 | (699) | **(610)** |
| **Reconciliation- Other operating expenses** | | | | **(442)** |
| **Net Finance cost** | | | | **(817)** |
| **Loss before tax** | | | | **(1,869)** |

## Note 4 – Financial instruments

The fair value of the financial instruments of the Group carried at amortised cost is not considered to be materially different from the amortised cost.

The following provides information of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 3 based on the degree to which their fair value is observable:

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the liabilities that are not based on observable market data (unobservable inputs).

Financial liabilities-Government grants total amount: $3.5m

## Note 5 – Investment in subsidiary: Green Lab

In January 2016, the Group acquired the entire issued and to be issued share capital of Green Lab Hungary Engineering Ltd ("Green Lab"), a Hungary-based developer and distributor of analytical instruments for environmental and industrial sectors, for a total consideration of $3.8m payable in cash over a three-year period.

The Company has not yet completed the purchase price allocation to the assets, liabilities and contingent liabilities of Green Lab and has temporarily classified the access cost as goodwill.

## Note 6 – Non-cash transactions

The acquisition of Green Lab in the total consideration of $3.8m payable in cash over a three-year period comprising: $1.9m paid in cash on the acquisition date and $1.9m will be paid in three equal annual instalments and presented as non-cash transaction (Appendix B).