



8 March 2017

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

**Final results for the year ended 31 December 2016**

BATM Advanced Communications Limited (LSE: BVC), a leading provider of real-time technologies for networking solutions and medical laboratory systems, announces its final results for the year ended 31 December 2016.

**Financial Summary**

- Group revenue of \$90.4m (2015: \$97.1m)
- Gross margin of 31.4% (2015: 31.8%)
- Cash inflow from operating activities of \$0.9m (2015: \$2.2m outflow)
- Adjusted operating profit\* of \$0.9m (2015: \$0.7m)
- EBITDA of \$2.8m (2015: \$2.5m)
- Reduced loss per share to 0.27¢ (2015: 3.29¢ loss per share)
- As at 31 December 2016, the Group had cash and financial assets of \$27.6m (30 June 2016: \$18.6m; 31 December 2015: \$23.8m)

\* See note 3

**Operational Summary**

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

- Blended gross margin for the Bio-Medical division maintained at 25% (2015: 25%)
- Diagnostics Unit
  - Revenues increased by 15.5% from \$8.8m to \$10.2m
  - Broadening of customer base as 505 diagnostic machines were sold to multiple new and existing customers compared with 462 in 2015
  - 14% increase in production of reagents compared with 2015
  - Adaltis' Chinese partner, Egens Biotechnology Company Ltd. ("Egens"), purchased 4.93% of Adaltis' enlarged share capital for RMB20m (c. \$2.9m) valuing Adaltis at approximately \$58m
- Pathogenic Waste Treatment and Sterilisation Unit
  - Received a second order for the Group's biological waste solution developed for the biopharmaceutical industry from Ceva Animal Health ("CEVA"), one of the world's largest manufacturers of vaccines for animal health, following the successful delivery of an initial contract in H1 2016
  - Successfully delivered first large installation of the Group's new solution for treating agricultural waste for a major poultry farming company
  - Delivered an initial unit of the agri-waste treatment solution for a bovine slaughterhouse facility of the largest and leading food group in Israel and received an order in Q4 2016 for a second, larger installation
  - As announced yesterday, the Group has launched the world's first mobile agri-waste treatment solution and has been awarded a contract of \$2.5m for the delivery of a mobile unit
- Distribution Unit
  - Acquired Green Lab Hungary Engineering Ltd, a developer and distributor of analytical instruments, for \$3.8m payable in cash over a three-year period, 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
  - Commenced providing maintenance services for Abbott products and other solutions distributed by the Group

- Opened two new diagnostics laboratories in Romania to provide customers' products and diagnostic tests to end customers
- Post period, entered into an agreement to purchase the entire issued share capital of Zer Laboratories Ltd., for NIS 2.75m (c. £580,000) in cash, to advance the Group's development and offer of diagnostics solutions

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

- Blended gross margin in-line with 2015 at 40%
- Networking Unit
  - Gained over 58 new customers (2015: 22 new customers) that are purchasing from the Networking unit's comprehensive portfolio of solutions
  - CloudMetro (SDN & D-NFV) platform is gaining momentum with Communication Service Providers (CSPs), including dozens of proof-of-concept ("POC") trials which were conducted successfully, including with Tier 1 operators
  - Awarded a multi-year contract, by a major provider of high-speed network and ICT services to education and research facilities in Australia, to provide a managed MPLS solution
- 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 \$4.5m over a period of up to three years, subsequently increased to \$5.2m in 2017
  - Engaged in several POC trials in multiple countries

Commenting on the results, Dr Zvi Marom, Chief Executive Officer of BATM, said: "We are pleased with the commercial advancements made by most of our businesses in winning new customers, laying foundations for a sustainable recovery and growth. In particular, the Diagnostics unit saw a solid year-on-year increase in revenues as the unit increased the number of machines sold to over 500. Additionally, there is a significant inherent value in the Group with Adaltis valued at \$58m post investment by our Chinese partner and a strong IP portfolio with over 40 patents across BATM.

"Looking ahead, the Group remains optimistic in its outlook due to the visibility of revenues from contracts already signed as well as growth in the Bio-Medical division. The Diagnostics business is expected to continue to grow as it is well positioned to capture market share in the Chinese diagnostics market. The investments made in the Pathogenic Waste Treatment and Sterilisation unit in 2016 are expected to show positive results in 2017. The Cyber unit is also expected to grow through the addition of new customers as well as delivery on the contract delayed from last year. Consequently, the Board looks to the future with increased confidence."

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

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### Operational Review

In 2016 both divisions made significant operational progress as new products and technologies continued to replace legacy products. The Group was successful in advancing its sales and marketing strategies, with its business units in both divisions achieving milestones in targeting new areas that the Group had identified as growth markets.

Total Group revenues in 2016 were \$90.4m (2015: \$97.1m), of which the Bio-Medical division accounted for 57% with the contribution from the Networking and Cyber division being 43%.

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### Bio-Medical Division

	H1 2016	H2 2016	<b>FY 2016</b>	FY 2015
Revenues	\$25.8m	\$25.8m	<b>\$51.6m</b>	\$52.7m
Gross margin	26%	23%	<b>25%</b>	25%
Adjusted operating profit (loss)	\$0.0m	\$(0.3m)	<b>\$(0.3m)</b>	0.4m

#### *Distribution*

Sales were flat year-on-year and contributed approximately 68% of the Bio-Medical division revenues. There was an increase in Romania in the volume of Abbott products being distributed and the relationship was expanded with the Group starting to provide maintenance to some Abbott products as well as those of other customers. Abbott is one of the top three vendors in this field in this territory and the distribution of its products carries a higher margin. As a result, the gross margin in 2016 improved to 24% compared with 22% in 2015.

In the first half of the year, 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.

Facilitated by the Green Lab acquisition, the Group opened two new diagnostics laboratories in Romania during the year: an analytics lab in Timisoara and a genetic lab in Bucharest. The Group will use these labs to provide customers' products and diagnostic tests to end customers, thereby establishing a footprint in the end-customer market.

Post period and as announced on 6 February 2017, BATM entered into an agreement to purchase the entire issued share capital of Zer Laboratories, which is the largest private diagnostic laboratory in Israel for clinical tests, mainly providing prenatal screening tests for Down's Syndrome, genetic tests and additional tests performed during IVF and fertility treatments, for a consideration of NIS 2.75m (c. £580,000) payable in cash (the "Acquisition"). BATM expects the Acquisition to enable it to capture the growth market in non-invasive prenatal tests (NIPT) in Israel and Europe, enhancing the activities of the Group's genetic lab in Bucharest.

### *Pathogenic Waste Treatment and Sterilisation*

The Pathogenic Waste Treatment and Sterilisation unit accounted for 11% of the Bio-Medical division's revenues in 2016 compared with 16% of revenues in 2015, reflecting a reduction in sales. This decrease is primarily due to the implementation of the strategic decision to transition from sales of control systems and products for treating medical waste to new, larger solutions developed for the biopharma and agri-business sectors. The unit continues to focus on the treatment of biological waste, based on its unique patented Integrated Shredder and Steriliser ("ISS") technology, which it is leveraging to apply to industries where the solutions have a higher value and greater market potential.

During the year, the Group successfully delivered on its contract with CEVA, one of the world's largest manufacturers of vaccines for animal health, to provide its biological waste solution developed for the biopharmaceutical industry, which was the Group's first significant contract for this new solution. An order for a second unit was received from CEVA in Q4 2016.

The Group also made progress during the year in the agri-business sector. It delivered on its first significant contract for its new agri-waste treatment solution, which was for a poultry farming company, as well as providing an initial unit at a bovine slaughterhouse facility for the largest and leading food group in Israel. Following the successful installation and operation of this initial unit, the customer ordered a second, larger unit for the same facility. The project is progressing well and installation is due to commence in H2 2017.

This unit also benefits from synergies with Green Lab, which has already provided access to a larger number of markets for the ecologic solutions of the Pathogenic Waste Treatment and Sterilisation business.

As announced yesterday, the Group has launched the world's first mobile agri-waste treatment solution and has been awarded a contract of \$2.5m for the delivery of a mobile unit. The solution will be deployed by the customer for the safe disposal of mass poultry affected by disease and illness. The Group has received an advance payment from the customer of \$1m with delivery of the product expected to commence in H2 2017 and due to complete in Q1 2018.

### *Diagnostics*

The Diagnostics unit represented 20% of Bio-Medical division revenues in 2016 compared with 17% during 2015 reflecting an increase in revenues of 16%. This was primarily due to the increased sales of machines as well as production and sales of reagents. The five largest geographical markets for the Diagnostics unit are China, UAE, Italy, Germany and Spain.

During the year the Group sold 505 instruments to multiple new and existing customers compared with 462 in 2015. In addition, production of reagents increased 14% in 2016 over the prior year.

Progress was made by the Group's joint venture company, Ador, established in December 2015 with Gamida for Life ("Gamida"), an international group of companies focused on healthcare and life sciences, in preparing for the production and marketing of a unique, rapid-results molecular diagnostics system, and a selection of reagent kits. The new instrument and reagents are expected to reach the market during H2 2017.

A significant milestone was achieved when the Group's diagnostics subsidiary, Adaltis, entered into an investment agreement and a strategic joint venture with its Chinese partner, Egens, a leading biotechnology company combining biological material development and diagnostic reagent manufacturing. Under the terms of the agreement, Egens purchased RMB20m (c. \$2.9m) of new shares in Adaltis, equivalent to 4.93% of Adaltis' enlarged share capital, valuing Adaltis at approximately \$58m.

In addition, BATM intends to use Zer Laboratories for launching new, advanced diagnostic DNA-based tests in Israel, and as a local reference lab, together with several reputable European- and US-based labs, for new molecular biology solutions from Adaltis.

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### Networking and Cyber Division

	H1 2016	H2 2016	<b>FY 2016</b>	FY 2015
Revenues	\$19.1m	\$19.4m	<b>\$38.5m</b>	\$44.1m
Gross margin	42%	39%	<b>40%</b>	40%
Adjusted operating profit (loss)	\$0.0m	\$(2.2m)	<b>\$(2.2m)</b>	\$0.1m

In 2016, there was a \$5.6m decrease in revenues to \$38.5m as the division continued to wind down the legacy products business. Gross profit margin was maintained at 40% and adjusted operating loss for 2016 was \$2.2m (2015: \$0.1m profit).

The Group's wholly-owned Telco Systems subsidiary gained over 58 new customers in the period compared with 22 new customers in 2015. This included the successful deployment of a new high capacity Carrier Ethernet network for the Kenya Education Network and the award of a multi-year contract to provide a managed MPLS solution by a major provider of high-speed network and ICT services to education and research facilities in Australia.

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 POC 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, which is the second such contract awarded to BATM by a national government. The delivery of the contract was scheduled to commence in 2016, however, due to a counterparty being late in integrating their services, the delivery and completion of the project has been deferred to 2017. The Group's customer has amended this contract with the total value increasing to \$5.2m from \$4.5m, over a period of up to three years. The Cyber unit also conducted several POC trials with Tier 1 companies and government agencies.

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### Financial Review

Revenues in 2016 decreased to \$90.4m (2015: \$97.1m), mainly due to a reduction in sales in the Networking and Cyber division.

The blended gross profit margin for the year was 31.4% (2015: 31.8%). This decrease is mostly due to a decrease in the gross margin of the Pathogenic Waste Treatment and Sterilisation unit as a result of the transition of that business as described above.

Sales and marketing expenses were \$14.3m (2015: \$14.4m), representing 16% of revenues compared with 15% in 2015.

General and administrative expenses were \$9.6m (2015: \$9.6m), representing 11% of revenues compared with 10% in 2015.

R&D investment in 2016 increased to \$7.6m (2015: \$6.7m). This increase of \$0.9m was primarily due to investment in the Cyber unit.

Adjusted operating profit amounted to \$0.9m (2015: \$0.7m profit).

The Group's balance sheet remains strong with effective liquidity of \$27.6m at 31 December 2016 compared with \$18.6m at 30 June 2016 and \$23.8m at 31 December 2015. Period-end cash is comprised as follows: cash and deposits up to three months duration of \$22.0m and short-term cash deposits up to one year and held for trading bonds of \$5.6m. The increase in cash balances is a result of the proceeds received from the disposal of one of the Group's properties and an improvement in working capital.

Inventory was \$20.5m (30 June 2016: \$20.9m; 31 December 2015: \$22.6m). The decrease is due to a lower level of inventory in Romania and in the Networking and Cyber division. Trade and other receivables stood at \$28.1m (30 June 2016: \$28.1m; 31 December 2015: \$31.2m), with the decline compared with the prior year being mostly due to a decrease in trade receivables in the Networking and Cyber division.

Intangible assets and goodwill was \$20.6m (30 June 2016: \$20.2m; 31 December 2015 \$15.6m). This increase compared with the prior year was mostly due to the investment in Green Lab.

Property, plant and equipment and investment property decreased to \$17.7m (30 June 2016: \$23.2m; 31 December 2015: \$21.9m). The decrease is due to the disposal of one of the Group's properties and depreciation of property, plant and equipment.

The balance of trade and other payables was \$26.9m (30 June 2016: \$22.6m; 31 December 2015: \$27.4m).

Cash inflow from operating activities was \$0.9m for 2016, compared with an outflow of \$2.2m for the prior year, due to an improvement in working capital and decrease in tax payments.

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## Outlook

The underlying businesses within BATM are robust with significant commercial development in most units, laying the foundations for a sustainable recovery and growth. Additionally, there is a significant inherent value in the Group with Adaltis valued at \$58m post investment by its Chinese partner and a strong IP portfolio with 40 patents across BATM.

Looking ahead, the Group remains optimistic in its outlook due to the visibility of revenues from contracts already signed as well as growth in the Bio-Medical division. The Diagnostics business is expected to continue to grow as it is well positioned to capture market share in the Chinese diagnostics market. Additionally, the investments made in the Pathogenic Waste Treatment and Sterilisation unit in 2016 are expected to show positive results this year. The Cyber unit is also expected to grow through the addition of new customers as well as delivery on the contract delayed from last year. Consequently, the Board looks to the future with increased confidence.

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

	Year ended 31 December	
	2016	2015
	US\$ in thousands	
<b>Revenues</b>	90,404	97,096
<b>Cost of revenues</b>	<u>62,048</u>	<u>66,175</u>
<b>Gross profit</b>	<u>28,356</u>	<u>30,921</u>
<b>Operating expenses</b>		
Sales and marketing expenses	14,307	14,388
General and administrative expenses	9,584	9,556
Research and development expenses	7,620	6,692
Other operating expenses (income)	<u>(2,853)</u>	<u>959</u>
<b>Total operating expenses</b>	<u>28,658</u>	<u>31,595</u>
<b>Operating loss</b>	<u>(302)</u>	<u>(674)</u>
Finance income	291	257
Finance expenses	<u>(650)</u>	<u>(10,937)</u>
Loss before tax	(661)	(11,354)
Income tax expenses	<u>(774)</u>	<u>(2,746)</u>
Loss for the year before share of loss of a joint venture	<u>(1,435)</u>	<u>(14,100)</u>
Share of loss of a joint venture	<u>(810)</u>	<u>-</u>
<b>Loss for the year</b>	<u>(2,245)</u>	<u>(14,100)</u>
<u>Attributable to:</u>		
Owners of the Company	<u>(1,070)</u>	<u>(13,250)</u>
Non-controlling interests	<u>(1,175)</u>	<u>(850)</u>
<b>Loss for the year</b>	<u>(2,245)</u>	<u>(14,100)</u>
<b>Loss per share (in cents):</b>		
Basic and Diluted	<u>(0.27)</u>	<u>(3.29)</u>

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

	Year ended 31 December	
	2 0 1 6	2 0 1 5
	US\$ in thousands	
Loss for the year	(2,245)	(14,100)
<b>Items that may be reclassified subsequently to profit or loss :</b>		
Net loss on available-for-sale financial assets	-	(473)
Exchange differences on translating foreign operations	<u>(362)</u>	<u>(4,463)</u>
	(362)	(4,936)
<b>Items that will not be reclassified subsequently to profit or loss :</b>		
Re-measurement of defined benefit obligation	<u>211</u>	-
Total Comprehensive loss for the year	<b><u>(2,396)</u></b>	<b><u>(19,036)</u></b>
Attributable to:		
Owners of the Company	(1,364)	(17,964)
Non-controlling interests	<u>(1,032)</u>	<u>(1,072)</u>
	<b><u>(2,396)</u></b>	<b><u>(19,036)</u></b>



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

**31 December**                      **31 December**  
**2 0 1 6**                              **2 0 1 5**  
**US\$ in thousands**

**Current assets**

Cash and cash equivalents	22,015	17,042
Trade and other receivables	28,124	31,180
Financial assets	5,593	6,778
Inventories	20,479	22,630
	<u>76,211</u>	<u>77,630</u>

**Non-current assets**

Property, plant and equipment	14,078	18,140
Investment property	3,669	3,791
Goodwill	15,011	11,430
Other intangible assets	5,604	4,168
Investment in associate	854	-
Available for sale investments carried at fair value	614	611
Deferred tax assets	3,570	3,582
	<u>43,400</u>	<u>41,722</u>

**Total assets**

**119,611**                      **119,352**

**Current liabilities**

Short-term bank credit	4,407	2,763
Trade and other payables	27,100	27,659
	<u>31,507</u>	<u>30,422</u>

**Non-current liabilities**

Long-term bank credit	1,104	3,374
Long-term liabilities	4,722	3,262
Deferred tax liabilities	912	1,095
Retirement benefit obligation	476	707
	<u>7,214</u>	<u>8,438</u>

**Total liabilities**

**38,721**                      **38,860**

**Equity**

Share capital	1,216	1,216
Share premium account	407,544	407,436
Reserves	(21,070)	(20,388)
Accumulated deficit	<u>(303,810)</u>	<u>(306,314)</u>

**Equity attributable to equity holders of the:**

Owners of the Company	83,880	81,950
Non-controlling interest	(2,990)	(1,458)

**Total equity**

**80,890**                      **80,492**

**Total equity and liabilities**

**119,611**                      **119,352**

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

Year ended 31 December 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							
<b>Balance as at 1 January 2016</b>	1,216	407,436	(20,053)	(335)	(306,314)	81,950	(1,458)	80,492
Loss for the year					(1,070)	(1,070)	(1,175)	(2,245)
Re-measurement of defined benefit obligation					211	211	-	211
Exchange differences on translating foreign operations			(505)	-	-	(505)	143	(362)
<b>Total comprehensive loss for the year</b>			<b>(505)</b>	<b>-</b>	<b>(859)</b>	<b>(1,364)</b>	<b>(1,032)</b>	<b>(2,396)</b>
Recognition of share-based payments		108				108		108
Disposal of partial interest in subsidiary				(177)	3,363	3,186	(500)	2,686
<b>Balance as at 31 December 2016</b>	<b><u>1,216</u></b>	<b><u>407,544</u></b>	<b><u>(20,558)</u></b>	<b><u>(512)</u></b>	<b><u>(303,810)</u></b>	<b><u>83,880</u></b>	<b><u>(2,990)</u></b>	<b><u>80,890</u></b>

Year ended 31 December 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							
<b>Balance as at 1 January 2015</b>	1,216	407,345	(15,812)	138	(293,064)	99,823	(386)	99,437
Loss for the year					(13,250)	(13,250)	(850)	(14,100)
Other comprehensive loss for the year			(4,241)	(473)	-	(4,714)	(222)	(4,936)
<b>Total comprehensive loss for the year</b>			<b>(4,241)</b>	<b>(473)</b>	<b>(13,250)</b>	<b>(17,964)</b>	<b>(1,072)</b>	<b>(19,036)</b>
Recognition of share-based payments		91				91		91
<b>Balance as at 31 December 2015</b>	<b><u>1,216</u></b>	<b><u>407,436</u></b>	<b><u>(20,053)</u></b>	<b><u>(335)</u></b>	<b><u>(306,314)</u></b>	<b><u>81,950</u></b>	<b><u>(1,458)</u></b>	<b><u>80,492</u></b>

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

Year ended 31 December  
2 0 1 6                      2 0 1 5

US\$ in thousands

<b>Net cash from (used in) operating activities</b> (Appendix A)	<b>915</b>	<b>(2,247)</b>
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<b>Investing activities</b>		
Interest received	95	128
Proceeds on disposal of property, plant and equipment	9,126	1,402
Tax paid on disposal of property, plant and equipment	(674)	-
Proceeds on disposal of deposits	1,801	14,222
Proceeds on disposal of financial assets carried at fair value through profit and loss	525	270
Proceeds on disposal of held to maturity investment	3,229	-
Purchases of property, plant and equipment	(3,748)	(2,460)
Increase of other intangible assets	(2,272)	(1,361)
Purchases of financial assets carried at fair value through profit and loss	(3,095)	(573)
Purchases of deposits	(1,302)	(1,800)
Investment in available-for-sale investments carried at fair value and loan	-	(6,621)
Acquisition of subsidiary (Appendix B)	(1,864)	-
Net Cash outflow on acquisition of business combinations	-	(546)
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<b>Net cash from investing activities</b>	<b>1,821</b>	<b>2,661</b>
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<b>Financing activities</b>		
Decrease in short-term bank credit	-	(55)
Bank loan repayment	(4,810)	(1,717)
Bank loan received	4,211	2,778
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control	-	-
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	2,928	-
<b>Net cash from financing activities</b>	<b>2,329</b>	<b>1,006</b>
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<b>Increase in cash and cash equivalents</b>	<b>5,065</b>	<b>1,420</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>17,042</b>	<b>15,940</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(92)	(318)
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<b>Cash and cash equivalents at the end of the year</b>	<b>22,015</b>	<b>17,042</b>
	=====	=====

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

**APPENDIX A**

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

	Year ended 31 December	
	2 0 1 6	2 0 1 5
	US\$ in thousands	
<b>Operating loss from operations</b>	<b>(302)</b>	<b>(674)</b>
<b>Adjustments for:</b>		
Amortization of intangible assets	1,157	1,354
Depreciation of property, plant and equipment and investment property	1,965	1,783
Capital gain of property, plant and equipment and other	(3,929)	(495)
Stock option granted to employees	108	91
Decrease in retirement benefit obligation	(232)	(79)
Decrease in provisions	<u>(20)</u>	<u>(101)</u>
<b>Operating cash flow before movements in working capital</b>	<b>(1,253)</b>	<b>1,879</b>
Decrease in inventory	2,348	1,683
Decrease (increase) in receivables	2,795	(768)
Increase (decrease) in payables	(2,035)	1,771
Effects of exchange rate changes on the balance sheet	<u>(419)</u>	<u>(3,631)</u>
<b>Cash from operations</b>	<b>1,436</b>	<b>934</b>
Income taxes paid	(153)	(3,505)
Income taxes received	4	743
Interest paid	<u>(372)</u>	<u>(419)</u>
<b>Net cash from (used in) operating activities</b>	<b><u>915</u></b>	<b><u>(2,247)</u></b>

**APPENDIX B**

**ACQUISITION OF SUBSIDIARY-GREEN LAB**

	2016
	US\$ in thousands
	<u>Unaudited</u>
<b>Net assets acquired</b>	
Property, plant and equipment	239
Inventory	85
Trade and other receivables	645
Cash	49
Trade payables and other liabilities	<u>(1,000)</u>
	<b>18</b>
Other Intangible assets	269
Goodwill	<u>3,526</u>
<b>Total consideration</b>	<b><u>3,813</u></b>
<b>Satisfied by:</b>	
Cash	1,913
Deferred Consideration recorded as liability	<u>1,900</u>
	<b><u>3,813</u></b>
<b>Net cash outflow arising on acquisition</b>	
Cash consideration	1,913
Cash and cash equivalents acquired	<u>(49)</u>
	<b><u>1,864</u></b>

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

**Note 1 – General**

The preliminary results for the year ended 31 December 2016 and the comparative 2015 information will be presented in the full Annual Report in accordance with International Financial Reporting Standards (“IFRS”).

**Note 2 – Profit/(loss) per share**

Profit/(loss) per share is based on the weighted average number of shares in issue for the year of 403,150,820 (2015: 403,150,820). The number used for the calculation of the diluted profit per share for the year (which includes the effect of dilutive stock option plans) is 403,150,820 shares (2015: 403,150,820).

**Note 3 – Other alternative measures**

	<b>Year ended 31 December</b>	
	<b>2 0 1 6</b>	<b>2 0 1 5</b>
	<b>US\$ in thousands</b>	
<b>Operating loss</b>	(302)	(674)
<b>Amortisation of Intangible assets</b>	<u>1,157</u>	<u>1,354</u>
<b>Other alternative Operating profit</b>	<u><u>855</u></u>	<u><u>680</u></u>

**Note 4 – Segments**

**Year ended 31 December 2016**

	<b>Networking and Cyber \$'000</b>	<b>Bio-Medical \$'000</b>	<b>Unallocated \$'000</b>	<b>Total \$'000</b>
Revenues	38,458	51,575	371	90,404
Adjusted Operating profit (loss)(*)	(2,173)	(314)	3,342	855
Reconciliation-Other operating expenses (*)				<u>(1,157)</u>
Operating loss				(302)
Net Finance expense				<u>(359)</u>
Loss before tax				(661)

**Year ended 31 December 2015**

	<b>Networking and Cyber \$'000</b>	<b>Bio-Medical \$'000</b>	<b>Unallocated \$'000</b>	<b>Total \$'000</b>
Revenues	44,098	52,633	365	97,096
Adjusted Operating profit (loss)(*)	120	360	200	680
Reconciliation-Other operating expenses (*)				<u>(1,354)</u>
Operating loss				(674)
Net Finance expense				<u>(10,680)</u>
Lost before tax				(11,354)

(\*) See note 3