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19 August 2019

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

Interim results for six months ended 30 June 2019

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 2019.

Financial Summary

- Group revenue of \$56.2m (H1 2018: \$58.2m); on a constant currency basis, revenue was \$58.4m
- Gross profit of \$15.3m (H1 2018: \$16.5m)
- Gross margin of 27.3% (H1 2018: 28.3%)
- Adj.* operating profit of \$1.6m (H1 2018: \$0.6m loss)
- EBITDA of \$3.9m (H1 2018: \$0.5m)
- Earnings per share of 0.14¢ (H1 2018: 0.35¢ loss per share)
- As at 30 June 2019, the Group had cash and financial assets of \$16.9m (31 December 2018: \$24.4m), following investments of \$3.1m and increase in working capital
- Successfully raised £14.1m (c. \$17m) gross from new and existing investors, with the proceeds being received post period-end resulting in cash and financial assets at 31 July 2019 of \$34.6m

* Adjusted to exclude the amortisation of intangible assets (see note 4)

Operational Summary

Bio-Medical Division (54% of total revenue)

- Revenue of \$30.2m (H1 2018: \$29.6m)
- Blended gross margin of 23.6% (H1 2018: 24.8%)
- Distribution Unit
  - Strong growth in provision of cancer diagnostics tests in Israel, and received regulatory approval to offer further molecular genetics tests
  - Increase in revenue under contract with a large medical facility in Eastern Europe for diagnostic instruments and reagents
  - Doubled the number of pre-natal diagnostic tests provided by the Group's laboratory in Eastern Europe
- Eco-Med Unit
  - Completed installation of large agri-waste treatment solution at a bovine slaughterhouse
  - Commenced delivery on first agri-waste treatment contract outside of Israel with a major food manufacturing group in the Philippines
- Diagnostics Unit
  - Advanced engineering of NATlab through the Ador joint venture and established partnerships with several leading research institutions; signed conditional investment agreement for up to \$30m, with first instalment of \$14.5m received during the period; first instruments to be installed in hospitals this year
  - Increased sales of new highly-compact metabolism testing analyser, Hemo One
  - Sustained growth in sales of new molecular biology diagnostics Adaltis product line, and introduction of new reagents

Networking and Cyber Division (46% of total revenue)

- Revenue of $26.0m (H1 2018: $28.6m)
- Blended gross margin of 32.4% (H1 2018: 32.8%)
- Networking Unit
  - Substantial progress under partnership with Arm to expand the Group's NFVTime ecosystem optimised for Arm infrastructure:
    - Developed new technology to enable significant increase in network traffic when licensing NFVTime on certain NXP Semiconductors processors
    - Entered into a strategic technology partnership with Clavister, a leader in high-performance cybersecurity solutions, to run its virtualised platform optimised for Arm-based infrastructure on NFVTime
  - Commenced generating revenue from sales of the Group's NFV products, which is expected to ramp up from H2 2019
  - Post period, launched T-Metro 8104, a new ultra-high capacity service aggregation and cloud gateway platform that is NFV-ready and is designed to leverage 5G and Multi-access Edge Computing (MEC)
  - Built strong backlog that is being delivered in H2 2019
- Cyber Unit
  - Strong increase in revenue under previously-awarded contracts and received new orders worth $8.5m that are expected to be delivered during H2 2019:
    - Two orders totalling $6.5m from an existing government defence department customer
    - Initial $2m contract with a branch of a national armed forces, a new customer, for a new combined cyber security and networking solution

Outlook

- Entered H2 2019 with a substantially higher order book
- Networking and Cyber division expected to deliver significantly higher revenue in H2 2019 compared with H1 2019
- Ramp-up in NFV-related revenue
- First NATlab instruments to be installed in hospitals this year
- Group expects to report good growth for full year 2019, in line with the Board's expectations

Commenting on the results, Dr Zvi Marom, Chief Executive Officer of BATM, said: "BATM delivered a good performance in the first half of the year, with increased sales in the areas that we have identified as key to our future growth. We established a strong backlog, with orders from new and existing customers in both divisions, which we expect to deliver in H2 2019 resulting in significant sequential growth. Consequently, we expect to report good growth for full year 2019, in line with the Board's expectations.

"Looking further ahead, we are gaining increasing commercial traction in two key areas that we believe will secure the success of BATM for many years to come. In the Networking and Cyber division, we are making great progress with our NFV strategy that will leverage the transformation brought by 5G that is accelerating worldwide. In the Bio-Medical division, our new molecular biology innovation attracted prominent US-based investors as well as several leading research institutions. We eagerly anticipate the first NATlab instruments being installed later this year. As a result, we are well-positioned for sustained growth and the Board continues to look to the future with confidence."

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

Operational Review

The Group delivered a good performance in the first half of 2019. In the areas that the Group has identified as its growth markets – in particular, molecular biology diagnostics, SDN/NFV and cyber security – the Group increased sales and took important steps to strengthen the foundations of the business to enable further progress. While total revenue was slightly lower than H1 2018, the Group has a strong backlog and is on track to deliver significantly higher revenue in H2 2019 – its seasonally stronger period – compared with H1 2019, along with improved margins, in line with the Board's expectations. With the benefit of the capital gain from a part realisation of value that the Group has established in Ador Diagnostics ("Ador"), the Group achieved substantial growth in adjusted operating profit to $1.6m (H1 2018: $0.6m loss), EBITDA to $3.9m (H1 2018: $0.5m) and earnings per share to 0.14¢ (H1 2018: 0.35¢ loss per share).

Bio-Medical Division

	H1 2019	H1 2018	H2 2018	FY 2018
Revenue	**$30.2m**	$29.6m	$32.5m	$62.1m
Blended gross margin	**23.6%**	24.8%	25.2%	25.0%
Adjusted operating profit (loss)	**$1.3m**	$(1.3m)	$0.2m	$(1.1m)

Revenue for the Bio-Medical division increased by 2.1% to $30.2m (H1 2018: $29.6m), primarily due to growth in the Distribution unit. On a constant currency basis, the Bio-Medical division revenue growth was 7.8%. Blended gross margin for the division was lower due to slightly higher costs in the Eco-Med unit as it delivered the first of its large-scale solutions. The Bio-Medical division generated an adjusted operating profit of $1.3m for H1 2019 compared with a loss of $1.3m in H1 2018, which was primarily due to a capital gain of $3.2m from the part realisation of Ador.

Distribution

The Distribution unit accounted for approximately 81% of the Bio-Medical division's revenue in H1 2019 compared with 79% in H1 2018, reflecting an increase in sales of 4.8%.

In Israel, the Group's Zer Laboratories subsidiary achieved strong growth in sales of diagnostic tests for pregnancy and cancer. The cancer diagnostic tests, which are distributed through Progenetics, in which Zer Laboratories holds 49%, more than doubled, with the Group recognising initial income from this activity. The Group received regulatory approval for Zer Laboratories to be able to offer further pre-natal genetics tests – becoming one of only two private laboratories in Israel able to provide these tests. During the period, there was also an increase in the provision of the new genetics screening tests for the Israeli market that the Group introduced following investment to expand the local laboratory to install the required technology last year.

The Group continued to increase revenue generated under its contract with a large medical facility in Eastern Europe for the distribution of Roche diagnostic instruments and reagents. In addition, the Group expanded its activities in the region, including the acquisition of a majority share ownership in a new local distributor for a net consideration of $0.3m.

Following the introduction last year of Non-Invasive Prenatal Testing (NIPT) diagnostics tests at its newly-built genetics laboratory in Eastern Europe, the Group provided double the number of such tests in H1 2019 compared with H1 2018.

Eco-Med

The Eco-Med unit accounted for approximately 12% of the Bio-Medical division's revenues in H1 2019 compared with 9% in H1 2018, which reflects an increase in revenue of 27.3%.

The majority of the growth was due to the completion of the installation of the Group's large solution for treating agricultural waste at a bovine slaughterhouse. The Group also won and commenced delivering a contract, worth approximately $1.5m, for the supply and installation of its agri-waste treatment solution at a poultry processing facility in the Philippines, which is the Group's first such project outside of Israel.

Diagnostics

The Diagnostics unit represented approximately 7% of Bio-Medical division revenues in H1 2019 (H1 2018: 12%). As stated previously, the Diagnostics unit is undergoing a re-organisation as it transitions from ELISA to focus on molecular biology solutions and products, resulting in a temporary reduction in sales. As part of this, the Group has been investing in its manufacturing facilities in Italy to enable an automated production process for systems and reagents, which is expected to generate initial efficiencies from the last quarter of 2019 and increasing from 2020.

The Group's new highly-compact metabolism testing analyser, the Hemo One (also known as Metabo), performed well with sales in multiple countries across Europe, Asia and South America. The Group also continued development work to be able to offer further panels and cartridge-based testing for this instrument, which has been based on demand from medical offices as well as major clients.

Sales of the Group's new molecular biology diagnostics Adaltis product line that was launched at the end of last year increased, including commencing selling in Mexico in addition to Europe. The Group also extended the range of reagents tests and entered into new collaboration agreements with significant distributors in the molecular biology field in Italy and Mexico, which is expected to translate to initial sales in H2 2019 and ramp up from 2020.

During the period, the Group entered a conditional agreement for an investment of up to $30m, and received the initial instalment of $14.5m, to provide additional funds for the commercialisation of the NATlab molecular biology solution being developed by Ador that provides rapid sample-to-answer diagnosis of bacterial, viral or fungal infections in under one hour using DNA sampling. Ador has a current enterprise value of $44.5m and BATM has an ownership interest of 38.2%. The second instalment of $15.5m is expected to be funded by the end of 2020, subject to certain milestones being achieved, when Ador will have a value that will be a 33.3% premium to the post-initial investment enterprise value, and BATM will have an ownership interest of 30.2%.

Ador continued engineering and extensive testing of the NATlab system ahead of in-hospital testing later this year, and established partnerships with several leading research institutions in the Europe and the US to develop further panels. Applications for further patents were submitted, which complements more than 30 global patents already granted, including in Europe and the US.

Networking and Cyber Division

	H1 2019	H1 2018	H2 2018	FY 2018
Revenue	**$26.0m**	$28.6m	$28.9m	$57.5m
Blended gross margin	**32.4%**	32.8%	34.5%	33.6%
Adjusted operating profit	**$1.5m**	$1.9m	$3.6m	$5.5m

The slight reduction in revenue in H1 2019 compared with H1 2018 was due to certain projects in the ICT solutions and services business commencing in H2 2019 that were originally scheduled for H1 2019. As a result of this, combined with new projects starting in H2 2019, the Group expects to deliver significantly higher revenue in H2 2019 compared with H1 2019 as well as an improvement in gross margin, in line with the Board's expectations. On a constant currency basis, revenue in the Networking and Cyber division would have been $0.4m higher than reported revenue.

SDN/NFV solutions

The Group made significant progress in advancing its Software-Defined Networking ("SDN")/Network Function Virtualisation ("NFV") offer as part of its strategic partnership with Arm, the industry's leading supplier of semiconductor IP. The Group also achieved a key milestone with generating the first revenue from the sale of its NFV products during the period.

The Group developed a new technology under its long-standing partnership with NXP Semiconductors ("NXP") that enables a significant increase in network traffic, without requiring an increase in computing power, when licensing the Group's NFVTime on NXP's Layerscape® LS2088A and LS1088A multicore processors, which are built on Arm core technology. This development represents the completion in delivery of a key milestone under the Group's strategic agreement with Arm. The solution will enable more efficient and cost-effective customer premise networking, and support next-generation 5G/MEC use cases.

Under the Arm strategic agreement, the Group is developing a full ecosystem of Virtual Network Function ("VNF") services that are optimised to run on Arm's architecture and to be used by Arm partners. The Group expanded this VNF ecosystem during the period with the integration of its NFVTime uCPE solution with Clavister's virtualised cyber security platform and VeloCloud's VMware SD-WAN solution.

ICT solutions and services

As noted, there was a certain number of projects in the ICT solutions and services business that commenced in H2 2019 that were originally scheduled for H1 2019. The Group is on track in delivering these projects and expects revenue for H2 2019 to be significantly higher than H1 2019.

The Group continued to expand its portfolio of next-generation solutions with the launch, post period, of the T-Metro 8104, which is the first CE2.0 compliant service aggregation and cloud gateway platform available at the ultra-high capacity of 1.2 Tb. It has a modular design that, along with having a small form factor and the ability to be installed outside a telecom cabinet, allows customers to expand and add capacity and interfaces as required. This latest product, which is NFV-ready, is another step forward in the Group's strategy to provide innovative solutions for the growth area of 5G network infrastructure and MEC.

Cyber

BATM made excellent progress in its cyber security business, with a strong increase in revenue from previously-awarded contracts and receiving new orders totaling $8.5m to be delivered in H2 2019. The government defence department customer that the Group has been supplying with cyber security products and services since 2017 awarded the Group two further contracts worth an aggregate of $6.5m. A new customer, that is a branch of a national armed forces, awarded the Group an initial $2m contract for the provision of a new combined cyber security and networking solution, which will be delivered by the Group's Celare and NGSoft subsidiaries. The award of the contract followed the completion of a lengthy proof-of-concept trial in which several major suppliers competed. The Group expects to receive further orders from this customer.

Financial Review

Total Group revenue for the first half of 2019 was $56.2m (H1 2018: $58.2m), with 54% being generated by the Bio-Medical division (H1 2018: 51%) and 46% by the Networking and Cyber division (H1 2018: 49%). The slight reduction in total revenue was due to lower sales in the Networking and Cyber division whilst sales in the Bio-Medical division increased over H1 2018. As noted, the Networking and Cyber division entered the second half with a substantially higher backlog and the Group expects to deliver significantly higher revenue in this division in H2 2019 compared with H1 2019 as well as an improvement in gross margin, in line with the Board's expectations.

On a constant currency basis, revenue for H1 2019 would have been $58.4m, but currency fluctuations had an immaterial impact on operating profit.

The blended gross profit margin for the first half was 27.3% (H1 2018: 28.3%). This decrease is primarily due to the increased contribution to revenue from the Bio-Medical division, which carries a lower margin than the Networking and Cyber division.

Sales and marketing expenses were $8.2m (H1 2018: $7.8m), representing 14.6% of revenues compared with 13.4% in H1 2018. The increase is due to the expansion of marketing in the Networking unit to support the launch of the new SDN/NFV products and in the Diagnostics unit for the launch of the molecular biology products. There was also an increase in sales activity in the Distribution unit.

General and administrative expenses were $5.6m (H1 2018: $5.7m), representing 10.0% of revenues compared with 9.7% in H1 2018.

Investment in R&D was lower in H1 2019 than at the same period of the previous year at $3.3m (H1 2018: $3.8m), primarily due to the allocation of certain R&D expenses to cost of revenues as the Group recognised revenue under its R&D project with Arm in the Networking and Cyber division.

Adjusted operating profit increased significantly to $1.6m compared with a loss in H1 2018 of $0.6m. This includes a capital gain of $3.2m from the part realisation of the Group's ownership of Ador as part of the investment in that business. The fair value of the Group's remaining holdings in Ador, based on the transaction agreement, is $17m. Implementation of IFRS accounting standards requires the investment to be measured according to the equity method, which excludes fair value measurement, therefore only a $3.2m profit was recorded.

The Group achieved an almost eight-fold increase in EBITDA to $3.9m (H1 2018: $0.5m).

Net finance expense was $0.0m (H1 2018: $0.05m). The decrease is mainly due to gains from financial instruments, which includes $0.2m relating to interest on lease liabilities following the implementation of IFRS 16 on 1 January 2019.

Net profit after tax attributable to equity holders of the parent increased to $0.6m (H1 2018: $1.4m loss) resulting in a 140% increase in basic earnings per share to 0.14¢ (H1 2018: 0.35¢ loss).

As at 30 June 2019, inventory was $23.9m (31 December 2018: $22.9m; 30 June 2018: $22.9m). The increase is due to the acquisition of the new subsidiary in the Distribution unit as noted above. Trade and other receivables increased to $36.4m (31 December 2018: $35.0m; 30 June 2018: $36.3m), with the increase mostly due to an increase in trade receivables in the Networking and Cyber division based on the timing of revenue collection.

Intangible assets and goodwill at 30 June 2019 was $23.1m (31 December 2018: $22.6m; 30 June 2018: $23.4m), with the slight decrease compared with the same period of the prior year mostly due to amortisation and the slight increase compared with 31 December 2018 mostly due to currency fluctuations.

Property, plant and equipment and investment property increased to $16.9m (31 December 2018: $16.1m; 30 June 2018: $16.7m). The increase is primarily due to the acquisition of the new subsidiary in the Distribution business for a consideration of $0.3m (see Appendix B of the cash flow).

The balance of trade and other payables was $32.8m (31 December 2018: $33.4m; 30 June 2018: $33.6m).

Cash outflow from operations was $2.0m for H1 2019 compared with $0.8m outflow for the prior period, which is mainly due to the increase in other receivables.

The Group's balance sheet remained strong with effective liquidity of $16.9m at 30 June 2019 compared with $24.4m at 31 December 2018 and $23.3m at 30 June 2018. The decrease in cash and cash equivalents relates mainly to the Group's investments in its subsidiaries and associate companies, and also due to an increase in working capital to support the growth of the business. Period-end cash comprised: cash and deposits up to three months' duration of $13.3m and short-term cash deposits up to one year and held for trading bonds of $3.6m.

The Group raised gross proceeds of £14.1m (c. $17m) via a placing and subscription with new and existing shareholders, with the proceeds being received by the Group post period end. In addition, post period, as announced on 31 July 2019, the Group received NIS12m (c. $3.4m) from the sale of its rights in IBC Holdings. As a result, as at 31 July 2019, the Group had cash and financial assets of $34.6m.

Listing on TASE

On 11 July 2019, the Group's shares commenced trading on its Secondary Listing on the Tel Aviv Stock Exchange under the symbol "BVC". The Group maintains its Primary Listing on the Premium Listing Segment of the Official List of the FCA and its shares continue to trade on the Main Market of the London Stock Exchange. Shares are fully transferrable and fungible between the two markets. BATM has not issued any new shares in connection with the Secondary Listing.

Outlook

The Group entered H2 2019 with a substantially higher order book than when it started the year. Both the Bio-Medical division as well as the Networking and Cyber division are expected to report sequential growth, with the Bio-Medical division remaining the largest contributor to Group revenue.

Specifically, in the Bio-Medical division, BATM expects the Eco-Med unit to continue its recovery and expand its footprint globally, resulting in good revenue growth for FY 2019. In the Diagnostics unit, the Group anticipates good growth as the new products gain increasing traction, along with the introduction of further panels and reagents, and the Group's new collaboration agreements with significant distributors in the molecular biology field in Italy and Mexico are expected to translate to initial sales in H2 2019. The Distribution unit is expected to continue to perform well.

The Networking and Cyber division is expected to deliver significantly higher revenue in H2 2019 compared with H1 2019 as a result of projects that were scheduled to commence in H1 2019, as well as a large number of new projects, starting in H2 2019. The Group anticipates ramping up its NFV-related revenue in H2 2019, with the support of its agreement with Arm, and expects good growth in the Cyber unit as it delivers on the $8.5m in new orders awarded in the first half of the year.

The £14.1m fundraise supports the Group's balance sheet as BATM gears up for the expected ramp up in sales from H2 2019. As a result of the strong backlog, BATM is on track to deliver significantly higher revenue in H2 2019 – its seasonally stronger period – compared with H1 2019, along with improved margins. Consequently, the Group expects to report good growth for full year 2019, in line with the Board's expectations.

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED INCOME STATEMENTS

	Six months ended 30 June 2019	2018
	US$ in thousands	
	Unaudited	Unaudited
Revenue	56,222	58,200
Cost of revenue	40,882	41,702
Gross profit	15,340	16,498
Operating expenses		
Sales and marketing expenses	8,225	7,810
General and administrative expenses	5,648	5,662
Research and development expenses	3,270	3,835
Other operating expenses/(income)	(2,988)	450
Total operating expenses	14,155	17,757
Operating profit/(loss)	1,185	(1,259)
Finance income	680	468
Finance expenses	(682)	(516)
Profit/(loss) before tax	1,183	(1,307)
Income tax (expenses)	(414)	(433)
Profit/(loss) for the period before share of a loss of a joint venture and associated companies	**769**	**(1,740)**
Share of a loss of joint venture and associated companies	(601)	(172)
Profit/(loss) for the period	**168**	**(1,912)**
Attributable to:		
Owners of the Company	**575**	**(1,431)**
Non-controlling interests	**(407)**	**(481)**
Profit/(loss) for the period	**168**	**(1,912)**

Profit/(loss) per share (in cents):

From continuing and discontinued operations Basic and Diluted	0.14	(0.35)
From continuing operations Basic and Diluted	0.14	(0.35)

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

	Six months ended 30 June	
	2019	**2018**
	US$ in thousands	
	Unaudited	**Unaudited**
Profit/(loss) for the period	168	(1,912)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(500)	(1,655)
Total comprehensive loss for the period	**(332)**	**(3,567)**
Attributable to:		
Owners of the Company	142	(3,258)
Non-controlling interests	(474)	(309)
	(332)	**(3,567)**

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2019	30 June 2018	31 December 2018
		US$ in thousands	
	Unaudited	Unaudited	Audited
Current assets			
Cash and cash equivalents	13,274	17,375	20,811
Trade and other receivables	36,410	36,250	35,010
Financial assets	3,648	5,891	3,577
Inventories	23,906	22,855	22,860
	77,238	82,371	82,258
Non-current assets			
Property, plant and equipment	14,895	14,664	14,076
Investment property	1,956	2,062	2,004
Right-of-use assets	10,719	-	-
Goodwill	16,577	16,531	16,343
Other intangible assets	6,545	6,866	6,278
Investment and loans to joint venture and associate	9,396	1,419	4,210
Investments carried at fair value	1,061	1,060	1,060
Deferred tax asset	2,649	2,469	2,655
	63,798	45,071	46,626
Total assets	**141,036**	**127,442**	**128,884**
Current liabilities			
Short-term bank credit	4,711	2,651	5,369
Trade and other payables	32,771	33,578	33,413
Current maturities of lease liabilities	2,368	-	-
Tax liabilities	309	122	173
	40,159	36,351	38,955
Non-current liabilities			
Long-term bank credit	1,695	3,737	486
Long-term liabilities	5,788	4,134	5,631
Long-term lease liabilities	8,885	-	-
Deferred tax liabilities	509	241	228
Retirement benefit obligation	624	709	576
	17,501	8,821	6,921
Total liabilities	**57,660**	**45,172**	**45,876**
Equity			
Share capital	1,218	1,216	1,217
Share premium account	407,952	407,706	407,796
Foreign currency translation reserve and other reserves	(18,806)	(17,384)	(18,373)
Accumulated deficit	(302,689)	(305,002)	(303,264)
Equity attributable to equity holders of the:			
Owners of the Company	87,675	86,536	87,376
Non-controlling interest	(4,299)	(4,266)	(4,368)
Total equity	**83,376**	**82,270**	**83,008**
Total equity and liabilities	**141,036**	**127,442**	**128,884**

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Six months ended 30 June 2019

	Share capital	Share premium account	Translation reserve	Other reserve	Accumulated deficit	Attributable to owners of the Company	Non-controlling interests	Total equity
				US$ in thousands				
As at 1 January 2019	1,217	407,796	(17,861)	(512)	(303,264)	87,376	(4,368)	83,008
Profit for the period	-	-	-	-	575	575	(407)	168
Exchange differences of translating foreign operations			(433)	-		(433)	(67)	(500)
Total comprehensive income/(loss) for the period			**(433)**	**-**	**575**	**142**	**(474)**	**(332)**
Purchase of non-controlling interest	-	-	-	-	-	-	543	543
Exercise of share-based options by employees	1	97	-	-	-	98	-	98
Recognition of share-based payments	-	59	-	-	-	59	-	59
As at 30 June 2019 (unaudited)	**1,218**	**407,952**	**(18,294)**	**(512)**	**(302,689)**	**87,675**	**(4,299)**	**83,376**

Six months ended 30 June 2018

	Share capital	Share premium account	Translation reserve	Other reserve	Accumulated deficit	Attributable to owners of the Company	Non-controlling interests	Total equity
				US$ in thousands				
As at 1 January 2018	1,216	407,688	(15,045)	(512)	(303,571)	89,776	(3,957)	85,819
Loss for the period	-	-	-	-	(1,431)	(1,431)	(481)	(1,912)
Exchange differences of translating foreign operations	-	-	(1,827)	-	-	(1,827)	172	(1,655)
Total comprehensive loss for the period	-	-	**(1,827)**	**-**	**(1,431)**	**(3,258)**	**(309)**	**(3,567)**
Recognition of share-based payments	-	18	-	-	-	18	-	18
As at 30 June 2018 (unaudited)	**1,216**	**407,706**	**(16,872)**	**(512)**	**(305,002)**	**86,536**	**(4,266)**	**82,270**

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2019	2018
	US$ in thousands	
	Unaudited	Unaudited
Net cash used in operating activities (Appendix A)	(2,564)	(1,302)
Investing activities		
Interest received	69	96
Proceeds on disposal of property, plant and equipment	17	6,499
Tax paid on disposal of property, plant and equipment	-	(1,913)
Proceeds from disposal of deposits	154	2,171
Proceeds from disposal of financial assets carried at fair value through profit and loss	-	260
Purchases of property, plant and equipment	(416)	(1,368)
Purchase of other intangible assets	(656)	(959)
Purchases of financial assets carried at fair value through profit and loss	-	(140)
Purchases of deposits	(155)	(2,426)
Increase in financial assets carried at fair value	-	(321)
Investment in joint venture and associated companies	(2,168)	(638)
Acquisition of subsidiaries (Appendix B)	(937)	(633)
Net cash from/(used in) investing activities	**(4,092)**	**628**
Financing activities		
Lease payment IFRS 16	(1,185)	-
Bank loan repayment	(3,219)	(4,938)
Bank loan received	3,224	5,019
Proceeds on exercise of shares	98	-
Net cash from/(used in) financing activities	**(1,082)**	**81**
Decrease in cash and cash equivalents	(7,738)	(593)
Cash and cash equivalents at the beginning of the period	20,811	18,182
Effects of exchange rate changes on the balance of cash held in foreign currencies	201	(214)
Cash and cash equivalents at the end of the period	**13,274**	**17,375**

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

APPENDIX A

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

	Six months ended 30 June	
	2019	2018
	US$ in thousands	
	Unaudited	Unaudited
Operating profit/(loss) from continuing operations	1,185	(1,259)
Adjustments for:		
Amortisation of intangible assets	406	638
Depreciation of property, plant and equipment and investment property	2,326	1,093
Capital loss/(gain) of property, plant and equipment	76	(18)
Capital gain from part realisation of associate	(3,161)	-
Other gain	(134)	-
Revaluation of investment	-	(165)
Stock options granted to employees	59	18
Increase in retirement benefit obligation	40	53
Increase/(decrease) in provisions	157	(14)
Operating cash flow before movements in working capital	**954**	**346**
Decrease in inventory	100	401
Decrease/(increase) in receivables	(1,652)	4,001
Decrease in payables	(939)	(4,813)
Effects of exchange rate changes on the balance sheet	(485)	(782)
Cash used in operations	**(2,022)**	**(847)**
Income taxes paid	(214)	(217)
Income taxes received	-	-
Interest paid	(328)	(238)
Net cash used in operating activities	(2,564)	(1,302)

APPENDIX B

ACQUISITION OF SUBSIDIARY – Remedium

	2019
	US$ in thousands
	Unaudited
Net assets acquired	
Property, plant and equipment	1,257
Net working capital	607
Short-term bank credit	(134)
Long-term liabilities	(635)
	1,095
Non-controlling interest	**(543)**
Goodwill	(248)
Total consideration	**304**
Satisfied by:	
Cash	304
Consideration recorded as a contingent liability	-
	304
Net cash outflow arising on acquisition	
Cash consideration	316
Cash and cash equivalents acquired	(12)
	304

Acquisition of subsidiaries in the Consolidated Statement of Cash Flows also includes the final payment for the acquisition of Green Lab Hungary Engineering Ltd.

Note 1 – Basis of preparation

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

In preparing these interim consolidated financial statements, the Group implemented accounting policies, presentation principles and calculation methods identical to those implemented in preparation of its consolidated financial statements as of 31 December 2018 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 2018, which have been prepared in accordance with IFRSs.

Note 2 – Application of new International Financial Reporting Standards (IFRSs)

The Group has applied IFRS 16 for the first time in the current year.

IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 superseded the previous lease guidance, including IAS 17 Leases and the related interpretations, starting 1 January 2019 when it became effective. The Group adopted the initial application of IFRS 16 on 1 January 2019.

The Group has chosen the modified retrospectively application of IFRS 16 in accordance with IFRS 16:C5(b). Consequently, the Group did not restate comparative information. Instead, the Group recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application. There was no effect on the opening balance of retained earnings.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Group made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 continued to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:
– the right to obtain substantially all of the economic benefits from the use of an identified asset; and
– the right to direct the use of that asset.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 has not changed significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Note 2 – Application of new International Financial Reporting Standards (IFRSs) (cont.)

On initial application of IFRS 16, for all leases (except as noted below), the Group:

a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments.
b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss.
c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaced the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has chosen to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 1 January 2019, the Group recognised right-of-use assets of $11.8m (real estate leases of $10.8m and vehicles leases of $1.0m) and a corresponding lease liability of $11.8m.

As at 30 June 2019, the Group had right-of-use assets of $10.7m (real estate leases of $9.9m and vehicles leases of $0.8m) and a current lease liability of $2.4m and long-term lease liability of $8.9m.

There was also an impact to the income statement, resulting in an increase to adjusted operating profit through an operating lease expense of $1.3m being removed and replaced with a smaller depreciation charge of $1.2m. There were interest expenses under the new accounting standard amounting to $0.2m that would not have occurred under IAS 17, which substantially offset the increase in adjusted operating profit and resulted in an immaterial difference to profit before tax. There was no impact on total cash flows, however there was an increase in cash flows from operating activities of $1.2m, and a corresponding decrease in cash flows from financing activities of $1.2m.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Note 3 – Profit/(loss) per share

Profit/(loss) per share is based on the weighted average number of shares in issue for the period of 403,761,511 (H1 2018: 403,300,820). 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 408,581,998 shares (H1 2018: 403,300,820).

Note 4 – Alternative performance measures

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Operating profit/(loss)	1,185	(1,259)
Amortisation of intangible assets	406	638
Adjusted operating profit/(loss)	**1,591**	**(621)**

Note 5 – Segments

Business Segment

Six months ended 30 June 2019

	Networking and Cyber $'000	Bio-Medical $'000	Unallocated $'000	Total $'000
Revenues	26,040	30,182	-	**56,222**
Adjusted operating profit/(loss) (*)	1,469	1,268	(1,146)	**1,591**
Reconciliation - other operating expenses (*)				**(406)**
Operating profit				**1,185**
Net finance expense				**(2)**
Profit before tax				**1,183**

Six months ended 30 June 2018

	Networking and Cyber $'000	Bio-Medical $'000	Unallocated $'000	Total $'000
Revenue	28,645	29,549	6	**58,200**
Adjusted operating profit/(loss) (*)	1,867	(1,349)	(1,139)	**(621)**
Reconciliation - other operating expenses (*)				**(638)**
Operating loss				**(1,259)**
Net finance expense				**(48)**
Loss before tax				**(1,307)**

(*) See note 4

Note 6 – Revenue from major products and services

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

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Telecommunication products	7,104	12,861
Software services	18,936	15,791
Distribution of medical products	24,347	23,226
Diagnostic products	2,291	3,538
Eco-Med products	3,544	2,784
	56,222	**58,200**

Note 7 – Post balance sheet events

1. Further to the Group's announcement of 8 August 2018 regarding the Group and its consortium partners having signed an agreement with Cellcom Israel Ltd to sell IBC Holdings, on 31 July 2019 the sale to Cellcom Israel Ltd and partners of the consortium's stake in the venture to construct a fibre optic network in Israel alongside the Israel Electric Corporation ("IBC") was completed. BATM has received NIS12m (c. $3.4m) for its rights in IBC.

2. In July 2019 the Group received the proceeds from its fundraising at the end of the period whereby the Group raised, in aggregate, gross proceeds of £14.1m at a price of 42.5 pence per New Ordinary Share. Pursuant to the Fundraise, a total of 33,283,254 New Ordinary Shares were issued, representing 7.6 per cent. of the Group's enlarged share capital. Following Admission of the New Ordinary Shares on 1 July 2019, the Group's issued share capital consists of 437,129,074 Ordinary Shares.

3. On 11 July 2019, the Group's shares commenced trading on its Secondary Listing on the Tel Aviv Stock Exchange under the symbol "BVC". The Group maintains its Primary Listing on the Premium Listing Segment of the Official List of the FCA and its shares continue to trade on the Main Market of the London Stock Exchange. Shares are fully transferrable and fungible between the two markets. BATM did not issue any new shares in connection with the Secondary Listing.