6 March 2019

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

Final Results 2018

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 2018.

Financial Summary

Strong growth in 2018, combined with a substantially higher order book at year end, resulting in the Group anticipating full year 2019 revenue and EBITDA growth ahead of market expectations.

- Group revenue of $119.6m (2017: $107.1m)
- Gross profit of $34.5m (2017: $32.7m)
- Gross margin of 28.8% (2017: 30.6%)
- Cash from operating activities of $2.6m (2017: $0.1m)
- Adj.* operating profit of $2.6m (2017: $0.1m**)
- Adj. EBITDA of $4.9m (2017: $2.2m**)
- Earnings per share of 0.09¢ (2017: 0.06¢)
- As at 31 December 2018, the Group had cash and financial assets of $24.4m (30 June 2018: $23.3m; 31 December 2017: $24.0m)

* Adjusted to exclude the amortisation of intangible assets.

** The 2017 figures are adjusted to exclude the exceptional capital gain from the sale of a property.

Operational Summary

Bio-Medical Division (52% of total revenue)

- Revenue increased by 8.2% to $62.1m (2017: $57.4m)
- Blended gross margin of 25.0% (2017: 25.8%)
- Diagnostics Unit
  - Launched new molecular biology diagnostics Adaltis product line, with first orders delivered
  - Achieved first sales of new highly-compact metabolism testing analyser, Hemo One
  - Advanced engineering of NATlab, a rapid-results molecular diagnostics system being developed through the Ador joint venture, and post period signed a conditional investment agreement for up to $30m to provide additional funds for commercialisation
- Eco-Med Unit
  - Commenced delivery of new ISS 500, with six units deployed to customers in the US and elsewhere
  - Progressed installation of the Group's large solution for treating agricultural waste at a bovine slaughterhouse, which was completed post period
  - Delivered first mobile agri-waste treatment unit and customer commenced in-field testing
  - Post period, signed first agri-waste treatment customer outside of Israel with $1.5m contract from major food manufacturing group in the Philippines
- Distribution Unit
  - Strong revenue increase from its contract with a large medical facility in Moldova for Roche diagnostic instruments and reagents, which are exclusively distributed by the Group
  - Invested to expand activities and capabilities of its laboratories:
    - Commenced providing diagnostic tests at genetics laboratory in Bucharest, including pre-natal and cancer diagnostics, and expanded capabilities at analytical laboratory in Timisoara, Romania
    - Introduced new cancer diagnostics tests in Israel through Zer Laboratories; post period received regulatory approval to offer further molecular genetics tests

Networking and Cyber Division (48% of total revenue)

- Revenue increased by 16.4% to $57.5m (2017: $49.4m)
- Blended gross margin of 33.6% (2017: 36.4%)
- Networking Unit
  - Substantial progress in implementing Software Defined Networking (“SDN”)/Network Function Virtualisation (“NFV”) strategy:
    - Signed Strategic Investment and Multiyear Joint Development Agreement with Arm® to develop new Arm-compatible NFV ecosystem, which was enhanced with Arm’s launch of its Neoverse™ architecture. By working with Arm, the Group’s NFVTime is the first and only NFV platform to run on both x86 (Intel) and Arm
    - Conducted successful NFV proof-of-concept trials (“POCs”) with various tier 1 and 2 customers worldwide
    - Established a partnership to provide NFVTime uCPE software on the white box appliances of Lanner Electronics, a leading global supplier in network communication platforms, and commenced sales
    - Introduced new hardware/software agnostic Virtual Network Functions (“VNFs”) to the market in partnership with FatPipe Networks, a leading provider of Software-Defined Wide-Area Networks (“SD-WAN”)
  - Strong growth in sales of ICT services and solutions:
    - Sustained increase in revenue recognised under framework agreement awarded in 2017 to provide ICT services and solutions to an agency of a government defence department
    - Commenced sales of T-Metro 8100 aggregation platform, which has been adopted and fully implemented by numerous communication service providers in North America and elsewhere, such as Kenya’s national research and education network, KENET
- Cyber Unit
  - Awarded approximately $7m by a government defence department, under two contracts, to supply enhanced cyber communication technology solutions; post period, the Group received further orders worth $6.5m from this customer
  - Engaged in several POCs, which BATM expects to translate to sales in 2019

Commenting on the results, Dr Zvi Marom, Chief Executive Officer of BATM, said: “These full year results are very significant in the history of BATM. They not only reflect the excellent operational results achieved this year but also provide a guide to what we are capable of in the next few years. The investments we have been making in our businesses have enabled us to produce differentiated and best-in-class products that are now entering the commercialisation phase.

“Specifically, during the year, in the Networking and Cyber division, we established a partnership with Arm to develop an NFV ecosystem based on their Neoverse architecture – becoming the only worldwide software vendor to provide NFV functionality to Arm and Intel platforms. We continued to deliver under our significant ICT contract with a government department and gained strong traction in sales of our new T-Metro 8100 aggregation platform in North America and elsewhere. Over the past 14 months, our Cyber unit has won contracts totalling more than $13.5m and we anticipate further wins in 2019.

“In the Bio-Medical division, our Diagnostics and Eco-Med units took large steps forwards and we will see growth in these businesses in 2019. Post period, we entered a significant investment agreement for the commercialisation of the molecular biology-based solutions being developed by Ador Diagnostics, which also demonstrates the inherent value within our IP.

“Looking ahead, the momentum achieved in the second half of 2018 has carried into 2019 with a substantially higher backlog of orders than at equivalent period last year. As a result of increased visibility from long-term contracts as well as confirmed projects to be completed in the year, we anticipate revenue and EBITDA growth ahead of market expectations for full year 2019.”

Enquiries:

BATM Advanced Communications	
Dr Zvi Marom, Chief Executive Officer	+972 9866 2525
Moti Nagar, Chief Financial Officer	
Shore Capital	
Mark Percy, Anita Ghanekar	+44 20 7408 4050
Luther Pendragon	
Harry Chathli, Claire Norbury, Joe Quinlan	+44 20 7618 9100

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

Analyst Presentation

Dr Zvi Marom, CEO, and Moti Nagar, CFO, will be holding a presentation for analysts at 9am GMT today at the office of Luther Pendragon, 48 Gracechurch Street, London, EC3V 0EJ.

Operational Review

2018 was a transformational year for BATM with a number of achievements across its business units demonstrating that the Group's strategy is increasingly coming to fruition. The growth in Group revenue was led by the Networking and Cyber division, with a significant increase in sales of ICT solutions and services as well as substantial progress being achieved in the execution of its SDN/NFV strategy – most notably with the signing of a strategic investment and joint development agreement with Arm. Sales in the Bio-Medical division also grew and, more importantly, the division achieved a number of operational milestones with the launch and initial sales of new systems and advancing the development of others – resulting in several significant developments post period.

Total Group revenue grew by 11.6% to $119.6m (2017: $107.1m), of which the Bio-Medical division accounted for 51.9% with the contribution from the Networking and Cyber division being 48.1%. This translated to a significant increase in cash generated by operating activities, which was $2.6m compared with $0.1m in 2017, and in earnings per share.

Bio-Medical Division

	H1 2018	H2 2018	**FY 2018**	FY 2017
Revenues	$29.6m	$32.5m	**$62.1m**	$57.4m
Gross margin	24.8%	25.2%	**25.0%**	25.8%
Adjusted operating profit/(loss)	$(1.3m)	$0.2m	**$(1.1m)**	$(1.1m)

Revenue for the Bio-Medical division increased 8.2% to $62.1m (2017: $57.4m), with a particularly strong second half of the year, including achieving an operating profit for H2 2018. For the full year, the division generated the same operating loss as the prior year despite the higher revenue and margins being constant due to currency fluctuations having a positive impact on the reported revenue, but an immaterial effect on the operating profit.

Distribution

The Distribution unit accounted for 81% of the Bio-Medical division's revenue in 2018 compared with 74% in 2017, reflecting a significant increase in sales of 18.7%.

A significant contributor to the unit's growth was delivery under a contract signed at the beginning of the year with a large medical facility in Moldova for the supply of Roche instruments and reagents. The Group provides these products under an exclusive distribution agreement with Roche in this territory.

During the year, the Group expanded the activities of its two laboratories in Romania that commenced operation in 2017. The Group introduced new analytical tests at the laboratory in Timisoara and commenced the provision of diagnostic tests at the newly-built genetics laboratory in Bucharest through the acquisition of an Illumina machine to run Non-Invasive Prenatal Testing (NIPT) tests as well as offering cancer diagnostic tests.

In Israel, the Group's Zer Laboratories subsidiary introduced new diagnostic tests for pregnancy and cancer, mostly in collaboration with US-based companies, which have been well received in the market. The Group invested to expand the local laboratory capabilities with new equipment able to perform next-generation genetics tests for the Israeli market, and provided initial screening tests with this new technology. Post period, the Group achieved an important milestone with the receipt of 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.

Eco-Med

The Eco-Med unit accounted for 9% of the Bio-Medical division's revenues in 2018 compared with 13% in 2017. This reflects a reduction in the unit's revenues as a result of the project-based nature of much of the Eco-Med activity whereby the timing of revenue recognition of large projects can impact the reported sales.

Agri-waste treatment

During the year the Group progressed the installation of its large solution for treating agricultural waste at a bovine slaughterhouse, including optimising the process to enable it to operate at full capacity for 16 hours a day. Delivery was completed post period end and the Group will recognise the revenue from this significant project during the first half of 2019.

The Group delivered its first mobile agri-waste treatment unit, which was purchased to enable the safe disposal of mass poultry affected by disease and illness, and the customer commenced in-field testing with positive initial results.

Post period, as announced on 5 March 2019, the Group won its first project for its agri-waste treatment solution outside of Israel with a contract with a company that is part of a major food manufacturing group in the Philippines. The contract is for the supply and installation of the Group's agri-waste treatment solution at a poultry processing facility, which is expected to be delivered in 2019. It is worth approximately $1.5m (€1.33m), with 40% paid upon signing.

Medical waste treatment

During the year, the Group delivered six units of its new ISS 500, with automated reloading system for treating medical waste in hospitals, to customers in the US and elsewhere. The Group continues to receive significant interest in this product and intends to develop further sales channels.

Diagnostics

The Diagnostics unit represented 10% of Bio-Medical division revenues in 2018 (2017: 13%). During the year, the Group invested in re-organising the Diagnostics unit to enable an automated production process for systems and reagents. This process is expected to be completed around mid-2019.

During the year, the Group sold the first of its new highly-compact metabolism testing analyser, the Hemo One. The initial sales have been to customers in Europe.

The Group finalised the development of, and launched, its new molecular biology diagnostics Adaltis product line. The new product line, which is designed to form part of an overall diagnostics process in medium to large laboratories, has been well received and sales commenced during the year with initial orders delivered to customers in Europe.

Progress continued with the Group's Ador joint venture with the Gamida for Life Group ("Gamida"), which is developing NATlab, a unique molecular biology sample-to-answer diagnostics solution designed to be able to be used at point-of-care to rapidly identify a specific disease or infection. During the year, the Group undertook the engineering of the first units and cartridges, which is now in the final stage ahead of in-hospital testing in the US and Europe later this year, with the intention of receiving regulatory approval to enable commercialisation in 2020.

The Group achieved a significant milestone post period, as announced on 28 January 2019, with the signing of a conditional agreement for an investment of up to $30m to provide additional funds for the commercialisation of NATlab. The majority of this conditional investment – up to $25m – is to be provided by leading medical investors from the US and Puma Brandenburg Investments Ltd. The conditional investment, which will be made into a new company that will own 100% of Ador, is expected to be invested in two tranches with an initial $14.5m to be funded by the end of March 2019 and a further $15.5m by the end of 2020, subject to certain milestones being achieved. Following the initial investment, the new company will have a valuation of $45m and BATM will have an ownership interest of 38.2%.

Networking and Cyber Division

	H1 2018	H2 2018	**FY 2018**	FY 2017
Revenues	$28.6m	$28.9m	**$57.5m**	$49.4m
Gross margin	32.8%	34.5%	**33.6%**	36.4%
Adjusted operating profit	$0.7m	$2.9m	**$3.6m**	$0.9m

Revenue increased by $8.1m to $57.5m (2017: $49.4m) and adjusted operating profit for the Networking and Cyber division quadrupled to $3.6m in 2018 (2017: $0.9m). Gross margin for the division was 33.6% (2017: 36.4%), with the reduction due to the significant contribution to revenue from a large government contract that carried a lower gross margin. However, the division's margin in the second half of the year improved over the first half as the Group commenced recognising revenue under its agreement with Arm. The Group anticipates further improvement in margin in 2019.

ICT solutions and services

The increase in revenue was driven by delivery under the framework agreement awarded in late 2017, as announced on 4 September 2017, to provide ICT services and solutions to an agency of a government defence department. To date, the Group has received orders totalling $30.7m under this agreement.

During the year, the Group commenced sales of its new aggregation platform, T-Metro 8100 – a next-generation, high-density, standalone 100GE services aggregation platform. The product has been well received with sales to several communications service providers that have already implemented the solution. This is primarily to customers in North America, but also elsewhere such as Kenya's national research and education network, KENET.

SDN/NFV solutions

The Group made significant progress in advancing its SDN/NFV offer and achieved a key milestone by entering into a strategic investment and joint development agreement, valued at over $3m, with Arm, the industry's leading supplier of semiconductor IP; and the Group commenced recognising revenue under the agreement in the second half of the year. Under this agreement, the Group is developing a full ecosystem of VNF services that are optimised to run on Arm's architecture and to be used by Arm partners.

The Group is the only worldwide software vendor to provide NFV functionality to Arm architecture and all Intel platforms. Its open and agile service delivery platform can meet the growing demand from telecom operators and managed service providers for solutions that offer increased performance, flexibility and cost savings on their networks, regardless of their hardware or what they may choose to use.

The Group conducted successful NFV POCs with various tier 1 and 2 customers worldwide, which it expects to translate to sales in 2019. This was enhanced further with Arm's launch towards the end of the year of its Neoverse architecture, which is its brand and roadmap of technologies to enable a new and transformative cloud infrastructure designed to support the demands of a trillion intelligent devices. The Group is a platform provider within the Arm Neoverse ecosystem based on its NFVTime virtualisation technology.

The Group established a partnership with Lanner Electronics, Inc., a leading global supplier in network communication platforms, to provide the Group's NFVTime uCPE software on Lanner's white box appliances as turnkey solutions for telecom equipment manufacturers and service providers, and commenced sales of this solution. The Group also launched several VNFs under its partnership established during the year with FatPipe Networks, a leading provider of SD-WAN and hybrid WANs. This further expands the NFVTime ecosystem.

Cyber

BATM made strong progress in its cyber security business, in particular with the government defence department customer that the Group has been supplying with cyber security products and services since 2017. In 2018, this customer awarded the Group a contract worth approximately $4m, that was delivered during the year, and a further contract worth approximately $3m that the Group commenced supplying in 2018 with completion expected during the second half of 2019. Since period end, the customer has awarded the Group two further contracts worth an aggregate of $6.5m and which are both due to be delivered during 2019. As a result, the total contracted revenue awarded to the Group to date by this customer for products and services for this cyber solution is over $13.5m.

The Group continued to engage in several POCs, which it believes will translate to sales in 2019. In addition, it conducted development activities to enhance the features of its T-Sense cyber platform, with the new product package expected to be launched in 2020.

Financial Review

Total Group revenue for 2018 increased by 11.6% to $119.6m (2017: $107.1m) reflecting growth in both divisions: 8.2% increase in revenue in the Bio-Medical division, which contributed 51.9% of total sales, and 16.4% increase in the Networking and Cyber division, which contributed 48.1% of total sales. As mentioned above, the increase in revenue in the Networking and Cyber division was primarily due to growth in the Group's ICT services and solutions business. The Bio-Medical division growth was due to an increase in sales in the Distribution unit.

The blended gross profit margin for the year was 28.8% (2017: 30.6%). This decrease is mostly due to a reduction in the gross margin of the Networking and Cyber division as a result of the significant contribution to revenue from a large government contract that carried a lower margin.

Total operating expenses were $33.0m compared with $28.5m for the previous year, with the increase primarily due to exceptional operating income in 2017 related to the disposal of one of the Group's buildings. Excluding the disposal, 2017 operating expenses would have been $34.0m.

Sales and marketing expenses were $15.6m (2017: $15.0m), representing 13.1% of revenues compared with 14.0% in 2017.

General and administrative expenses were $11.2m (2017: $10.3m), representing 9.4% of revenues compared with 9.6% in 2017. The increase in expenses is mainly due to an expansion in activity in the Networking and Cyber division and in the Distribution unit of the Bio-Medical division in Romania.

Investment in R&D was slightly lower in 2018 than the previous year at $7.1m (2017: $7.8m), primarily due to the allocation of certain R&D expenses to cost of revenues as the Group began to recognise revenue under its R&D project with Arm in the Networking and Cyber division.

Adjusted operating profit was $2.6m (2017: $5.6m). However, on an underlying basis, excluding the exceptional capital gain of $5.5m in 2017 from selling one of the Group's buildings, the Group achieved a significant increase in adjusted operating profit to $2.6m compared with $0.1m in 2017, with the growth due to increased operating profit generated by the Networking and Cyber division.

For 2018, the Group generated EBITDA of $4.9m, which on an underlying basis (excluding the exceptional gain from the disposal of property in 2017) was an increase of 122.7% (2017: $2.2m).

The Group achieved a 50.0% increase in earnings per share to 0.09¢ (2017: 0.06¢).

The Group's balance sheet remained strong with effective liquidity of $24.4m at 31 December 2018 compared with $23.3m at 30 June 2018 and $24.0m at 31 December 2017. Period-end cash comprised cash and deposits up to three months duration of $20.8m and short-term cash deposits up to one year and held-for-trading bonds of $3.6m.

At 31 December 2018, inventory was $22.9m (30 June 2018: $22.9m; 31 December 2017: $23.2m). Trade and other receivables decreased to $35.0m (30 June 2018: $36.3m; 31 December 2017: $46.9m), with the reduction compared with the prior year mostly due to the decrease in trade receivables from the disposal of the building at the end of last year as well as a reduction in the Networking and Cyber division based on timing of revenue collection; and the reduction compared with 30 June 2018 is based on the timing of collection.

Intangible assets and goodwill at 31 December 2018 were $22.6m (30 June 2018: $23.4m; 31 December 2017: $22.9m), with the slight decrease mostly due to amortisation.

Property, plant and equipment and investment property decreased to $16.1m (30 June 2018: $16.7m; 31 December 2017: $16.7m). The slight decrease is primarily due to depreciation during the year.

The balance of trade and other payables was $33.6m (30 June 2018: $33.7m; 31 December 2017: $39.8m). The decrease is mostly due to a decrease in trade payables in the Networking and Cyber division as well as a decrease in government taxes due to tax on the capital gain from selling the Group's building in the previous year.

Cash generated by operating activities improved significantly to $2.6m for 2018 compared with $0.1m for the prior year due to an improvement in working capital.

Outlook

The Group entered 2019 with a substantially higher order book compared with the equivalent period last year, providing it with the platform to deliver substantive growth. Both divisions are receiving increasing demand for their newly-launched products and solutions as well as significant interest in those soon-to-be launched that are undergoing final development.

In particular, in the Bio-Medical division, the momentum achieved in the second half of 2018 has continued into 2019. For full year, BATM expects a substantive turnaround in the Eco-Med unit as operational efficiencies to be introduced in 2019, combined with projected strong revenue growth, are anticipated to move this unit to breakeven. In the Diagnostics unit, the Group anticipates good growth as take-up of its new molecular biology instruments ramps up throughout the year. The Distribution unit is expected to continue to perform well and remain the largest contributor to the division's revenues.

In the Networking and Cyber division, the Group is excited about the strong momentum being experienced across its business units in multiple geographies. The Group anticipates ramping up its NFV-related revenue in 2019 with the support of its agreement with Arm and expects to sign up new customers in the Cyber unit.

As a result of increased visibility from long-term contracts as well as confirmed projects to be delivered in 2019, the Group anticipates achieving revenue and EBITDA growth ahead of market expectations for full year 2019.

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December 2018	2017
	US$ in thousands	
Revenues	119,561	107,137
Cost of revenues	85,097	74,402
Gross profit	34,464	32,735
Operating expenses		
Sales and marketing expenses	15,635	14,987
General and administrative expenses	11,226	10,297
Research and development expenses	7,116	7,752
Other operating income	(1,003)	(4,526)
Total operating expenses	32,974	28,510
Operating profit	1,490	4,225
Finance income	653	331
Finance expenses	(935)	(742)
Profit before tax	1,208	3,814
Income tax expenses	(623)	(2,364)
Profit for the year before share of loss of a joint venture and associated companies	**585**	**1,450**
Share of loss of a joint venture and associated companies	(908)	(1,574)
Loss for the year	**(323)**	**(124)**
Attributable to:		
Owners of the Company	**358**	**233**
Non-controlling interests	**(681)**	**(357)**
Loss for the year	**(323)**	**(124)**
Profit per share (in cents):		
Basic and Diluted	**0.09**	**0.06**

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

	Year ended 31 December	
	2018	2017
	US$ in thousands	
Loss for the year	(323)	(124)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(2,546)	4,903
	(2,869)	4,779
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement of defined benefit obligation	(51)	6
Total Comprehensive income (loss) for the year	**(2,920)**	**4,785**
Attributable to:		
Owners of the Company	(2,509)	5,752
Non-controlling interests	(411)	(967)
	(2,920)	**4,785**

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December 2018	31 December 2017
	US$ in thousands	
Current assets		
Cash and cash equivalents	20,811	18,182
Trade and other receivables	35,010	46,916
Financial assets	3,577	5,782
Inventories	22,860	23,238
	82,258	94,118
Non-current assets		
Property, plant and equipment	14,076	14,720
Investment property	2,004	1,951
Goodwill	16,343	16,817
Other intangible assets	6,278	6,127
Investment in joint venture and associate	4,210	953
Investments carried at fair value	1,060	576
Deferred tax assets	2,655	2,909
	46,626	44,053
Total assets	**128,884**	**138,171**
Current liabilities		
Short-term bank credit	5,369	5,324
Trade and other payables	33,413	37,607
Tax liabilities	173	2,232
	38,955	45,163
Non-current liabilities		
Long-term bank credit	486	910
Long-term liabilities	5,631	5,261
Deferred tax liabilities	228	336
Retirement benefit obligation	576	682
	6,921	7,189
Total liabilities	**45,876**	**52,352**
Equity		
Share capital	1,217	1,216
Share premium account	407,796	407,688
Reserves	(18,373)	(15,557)
Accumulated deficit	(303,264)	(303,571)
Equity attributable to equity holders of the:		
Owners of the Company	87,376	89,776
Non-controlling interest	(4,368)	(3,957)
Total equity	**83,008**	**85,819**
Total equity and liabilities	**128,884**	**138,171**

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018

	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				
Balance as at 1 January 2018	1,216	407,688	(15,045)	(512)	(303,571)	89,776	(3,957)	85,819
Profit (loss) for the year					358	358	(681)	(323)
Re-measurement of defined benefit obligation	-	-	-	-	(51)	(51)	-	(51)
Exchange differences on translating foreign operations	-	-	(2,816)	-	-	(2,816)	270	(2,546)
Total comprehensive loss for the year	-	-	**(2,816)**	-	**307**	**(2,509)**	**(411)**	**(2,920)**
Exercise of share based options by employees	1	50	-	-	-	51	-	51
Recognition of share-based payments	-	58	-	-	-	58	-	58
Balance as at 31 December 2018	**1,217**	**407,796**	**(17,861)**	**(512)**	**(303,264)**	**87,376**	**(4,368)**	**83,008**

Year ended 31 December 2017

	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				
Balance as at 1 January 2017	1,216	407,544	(20,558)	(512)	(303,810)	83,880	(2,990)	80,890
Profit (loss) for the year					233	233	(357)	(124)
Re-measurement of defined benefit obligation	-	-	-	-	6	6	-	6
Exchange differences on translating foreign operations	-	-	5,513	-	-	5,513	(610)	4,903
Total comprehensive income for the year	-	-	**5,513**	-	**239**	**5,752**	**(967)**	**4,785**
Exercise of share based options by employees	-	35	-	-	-	35	-	35
Recognition of share-based payments	-	109	-	-	-	109	-	109
Balance as at 31 December 2017	**1,216**	**407,688**	**(15,045)**	**(512)**	**(303,571)**	**89,776**	**(3,957)**	**85,819**

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2018	**2017**
	US$ in thousands	
Net cash from operating activities (Appendix A)	**2,607**	**56**
Investing activities		
Interest received	219	132
Proceeds on disposal of property, plant and equipment	6,507	3,229
Tax paid on disposal of property, plant and equipment	(1,913)	-
Proceeds on disposal of deposits	4,579	4,503
Proceeds on disposal of financial assets carried at fair value through profit and loss	2,391	3,260
Loans repay (granted)	133	(322)
Purchases of property, plant and equipment	(1,692)	(3,260)
Increase of other intangible assets	(1,894)	(996)
Purchases of financial assets carried at fair value through profit and loss	(840)	(2,452)
Purchases of deposits	(4,004)	(5,503)
Increase in financial assets carried at fair value	(321)	-
Investment in joint venture	(1,616)	(1,339)
Investment in associated company	(80)	(343)
Acquisition of subsidiaries (Appendix B)	(633)	(1,378)
Net cash from (used in) investing activities	**836**	**(4,469)**
Financing activities		
Bank loan repayment	(9,956)	(5,257)
Bank loan received	9,596	5,355
Proceed on exercise of shares	51	35
Net cash from (used in) financing activities	**(309)**	**133**
Increase (decrease) in cash and cash equivalents	3,134	(4,280)
Cash and cash equivalents at the beginning of the year	18,182	22,015
Effects of exchange rate changes on the balance of cash held in foreign currencies	(505)	447
Cash and cash equivalents at the end of the year	**20,811**	**18,182**

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

APPENDIX A
RECONCILIATION OF OPERATING PROFIT FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES

	Year ended 31 December	
	2018	2017
	US$ in thousands	
Operating profit from operations	**1,490**	**4,225**
Adjustments for:		
Amortization of intangible assets	1,143	1,349
Depreciation of property, plant and equipment and investment property	2,248	2,132
Capital gain of property, plant and equipment and other	(1,585)	(5,455)
Revaluation of investment	(165)	-
Stock option granted to employees	58	109
Increase (decrease) in retirement benefit obligation	(153)	59
Decrease in provisions	(47)	(15)
Operating cash flow before movements in working capital	**2,989**	**2,404**
Decrease (increase) in inventory	353	(2,629)
Decrease (increase) in receivables	4,824	(11,234)
Increase (decrease) in payables	(3,579)	10,552
Effects of exchange rate changes on the balance sheet	(990)	1,934
Cash from operations	**3,597**	**1,027**
Income taxes paid	(419)	(512)
Income taxes received	2	1
Interest paid	(573)	(460)
Net cash from operating activities	**2,607**	**56**

APPENDIX B
ACQUISITION OF SUBSIDIARIES

	Year ended 31 December
	2017
	US$ in thousands
Net assets acquired	
Property, plant and equipment	78
Net working capital	109
Cash	-
Retirement benefit obligation	(107)
	80
Deferred tax	(126)
Goodwill	898
Other Intangible assets	586
Onerous contracts	(169)
Total consideration	**1,269**
Satisfied by:	
Cash	804
Consideration recorded as a contingent liability	465
Consideration recorded as a liability	-
	1,269
Net cash outflow arising on acquisition	
Cash consideration	804
Cash and cash equivalents acquired	-
	804

BATM ADVANCED COMMUNICATIONS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General

The preliminary results for the year ended 31 December 2018 and the comparative 2017 information will be presented in the full Annual Report in accordance with International Financial Reporting Standards ("IFRS").

Note 2 – Profit per share

Profit per share is based on the weighted average number of shares in issue for the year of 403,353,149 (2017: 403,173,012). 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 406,250,024 shares (2017: 404,633,217).

Note 3 – Other alternative measures

	Year ended 31 December	
	2018	2017
	US$ in thousands	
Operating profit	1,490	4,225
Amortisation of Intangible assets	1,143	1,349
Other alternative operating profit	**2,633**	**5,574**

Note 4 – Segments

Year ended 31 December 2018

	Networking and Cyber $'000	Bio-Medical $'000	Unallocated $'000	Total $'000
Revenues	57,451	62,104	6	119,561
Adjusted Operating profit (loss) (*)	3,579	(1,114)	168	2,633
Reconciliation-Other operating expenses (*)				(1,143)
Operating profit				1,490
Net Finance expense				(282)
Profit before tax				1,208

Year ended 31 December 2017

	Networking and Cyber $'000	Bio-Medical $'000	Unallocated $'000	Total $'000
Revenues	49,366	57,393	378	107,137
Adjusted Operating profit (loss)(**)	867	(1,068)	5,775	5,574
Reconciliation-Other operating expenses (*)				(1,349)
Operating profit				4,225
Net Finance expense				(411)
Profit before tax				3,814

(*) See note 3
(**) Unallocated includes a capital gain of $5.5m from property, plant and equipment disposal