

17 August 2020

**BATM Advanced Communications Limited**  
**(“BATM” or the “Group”)**

**Interim results for six months ended 30 June 2020**

***Strong growth for H1 2020 enabling resumption of dividend for FY 2020***  
***Full year results now anticipated to be significantly ahead of market expectations***

BATM (LSE: BVC; TASE: BVC), a leading provider of real-time technologies for networking solutions and medical laboratory systems, is delighted to announce its interim results for the six months ended 30 June 2020.

**Financial Summary**

	H1 2020	H1 2019	Change
	\$m	\$m	
<b>Revenue</b>	77.4	56.2	+37.7%
<b>Gross profit</b>	23.0	15.3	+50.0%
<b>Gross margin</b>	29.7%	27.3%	+240bps
<b>Operating profit</b>	2.4	1.2	+102.8%
<b>Adj.* operating profit</b>	2.8	1.6	+73.7%
<b>EBITDA*</b>	5.3	3.9	+36.2%
<b>Cash from/(used in) operations</b>	4.4	(2.0)	+317.5%
<b>Earnings per share (cents)</b>	0.36¢	0.14¢	+157.1%
<b>Cash and financial assets</b>	44.3	16.9	+161.6%

\* See note 4 – Alternative Performance Measures

**Operational Summary**

**Bio-Medical Division (65% of total revenue)**

- Revenue increased significantly by 65.5% to \$50.0m (H1 2019: \$30.2m)
- Gross margin improved by 860bps to 31.9% (H1 2019: 23.3%)
- Diagnostics Unit
  - Launched two diagnostics kits for COVID-19 to strong demand: an antigen molecular (RTPCR) test kit and an ELISA lab serological (antibody) test kit
  - Partnered with Novamed to develop rapid COVID-19 and flu diagnostics tests kits for home-use, which is expected to be ready for sale in Q4 2020
  - Post period, enhanced both COVID-19 tests and launched a new rapid results test to identify a specific respiratory virus or bacteria including in pre-symptomatic patients:
    - COVID-19 serologic test upgraded to measure the quantity of antibodies in the blood
    - COVID-19 antigen test upgraded to detect spike (S) protein to enable diagnosis in people with low viral loads, increasing testing accuracy
- Eco-Med Unit
  - Received c. \$31m order from a European government for the delivery of 1,000 critical care ventilators in response to COVID-19
  - Received a contract extension from Ceva Animal Health to expand the Group’s biological waste solution– for enhancing the vaccination production process that the Group delivered in 2019

- Distribution Unit
  - Achieved revenue growth through the distribution of COVID-19 diagnostic reagents to public health authorities primarily in Europe
  - Post period, the Group's lab in Romania commenced performing COVID-19 tests for private sector customers

#### **Networking and Cyber Division (35% of total revenue)**

- Revenue increased by 5.3% to \$27.4m (H1 2019: \$26.0m)
- Gross margin of 25.8% (H1 2019: 31.9%), reflecting shift in product mix
- Networking Unit
  - Increasing momentum with the Group's Network Function Virtualisation ("NFV") solution, the NFVTime operating system:
    - Several successful Arm-based NFVTime proof-of-concepts conducted by tier 1 operators in Europe and APAC – including Vodafone, a leading international network and mobile operator
    - Received order for an Arm-based NFVTime deployment from AdcareIT, an outsourced ICT managed service provider in Kenya, to enable it to provide SD-WAN and Firewall services to its customers
    - NFVTime is undergoing evaluation with several leading network operators and multi-service providers worldwide, which are at an advanced stage
  - In response to the COVID-19 pandemic, the Group introduced new solutions to its T-Marc R3305 series to increase home broadband connectivity and quality, which are undergoing proof-of-concepts worldwide
  - Completed deployments of the T-Metro 8104, the Group's ultra-high capacity service aggregation platform and cloud gateway that was introduced in 2019, for numerous multiple service providers across North America
- Cyber Unit
  - Revenue in H1 2020 increased by 27.4% over H1 2019
  - Awarded a \$4m cyber security contract from the Group's long-standing government defence department customer, of which \$1.9m was delivered during H1 2020

#### **Outlook**

- Entered H2 2020 with a substantially higher backlog than at the same point in the prior year
- Bio-Medical division and Networking and Cyber division both expected to report revenue growth for full year 2020
- Total Group revenue is anticipated to increase by 32% for full year 2020 over 2019, ahead of market expectations that were updated in June, and EBITDA is expected to increase by 48%, significantly ahead of the updated market expectations
- The strong cash position at 30 June 2020 combined with the cash generation expected for H2 2020 gives the Board the confidence to reinstate its dividend policy for full year 2020

**Commenting on the results, Dr Zvi Marom, Chief Executive Officer of BATM, said:** "I am pleased to report an outstanding set of results as we delivered increased sales in all of our business units along with strong cash generation. This reflects a great performance in the first half, in particular by our Bio-Medical division, which was able to respond rapidly to the pandemic and provide solutions including COVID-19 antigen and antibody diagnostic tests and the manufacture of critical care ventilators. Our Networking and Cyber division had a strong first quarter and, together with a return towards normal business from the middle of the second quarter, it too generated revenues higher than in H1 2019. This resulted in the Group delivering 38% growth in revenues and over 100% growth in operating profit compared with H1 2019.

“Looking ahead, we entered the second half of the year with an increased backlog and with sustained demand for our COVID-19 solutions. We continue to achieve important operational milestones that significantly advance the execution on our strategy in NFV and molecular diagnostics – our key future growth markets. The strong cash position at period end combined with the cash generation expected for full year 2020 gives the Board the confidence to reinstate its dividend policy. Additionally, this strong balance sheet will support our ramp up in activities that will ensure our growth for years to come as well as enable us to pursue potential acquisition opportunities to accelerate growth in our key strategic areas. As a result, the Board continues to look to the future with great confidence.”

**Enquiries:**

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

**Investor & Analyst Presentation**

Dr Zvi Marom, Chief Executive Officer, and Moti Nagar, Chief Financial Officer, will be holding a webinar for analysts and investors today at 2.00pm BST. To register to participate, please contact Elliot Fradd at Luther Pendragon at [elliotfradd@luther.co.uk](mailto:elliotfradd@luther.co.uk).

## Operational Review

The first half of 2020 was a milestone period for BATM with revenue growth in all of its business units. As a result of the substantial investment the Group has made in recent years to build a best-in-class diagnostics platform, BATM's Bio-Medical division was able to respond rapidly to provide solutions when it was first alerted to the potential outbreak of COVID-19. This includes the development of COVID-19 antigen and antibody diagnostic tests and the manufacture of critical care ventilators in the Eco-Med unit. In the Networking and Cyber division, while there was a slowdown in some of its activities at the beginning of Q2 2020 as a result of the restrictions on travel imposed by lockdowns, the diversification of the division's revenue base enabled overall growth due to sales of its cyber and ICT solutions. In addition, the Group continued to make progress with its NFV solution – which the Group expects to become a key growth engine – conducting several successful proof-of-concepts with tier 1 operators in Europe and APAC, including Vodafone.

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## Bio-Medical Division

	<b>H1 2020</b>	H1 2019	H2 2019	FY 2019
Revenue	<b>\$50.0m</b>	\$30.2m	\$34.2m	\$64.4m
Gross margin	<b>31.9%</b>	23.3%	23.8%	23.6%
Adjusted operating profit/(loss)	<b>\$4.2m</b>	\$1.3m	\$(1.2)m	\$0.1m

Revenue for the Bio-Medical division increased by 65.5% to \$50.0m (H1 2019: \$30.2m) due to growth in all units. Gross margin for the division increased significantly to 31.9% (H1 2019: 23.3%), primarily reflecting improvement in the Diagnostics and the Eco-Med units based on the growth in sales and the high-margin nature of molecular biology and the COVID-19 products. The Bio-Medical division generated an adjusted operating profit of \$4.2m for H1 2020 compared with a profit of \$1.3m in H1 2019, an increase of 232.7%. Excluding a \$3.2m capital gain in 2019 from the part realisation of its associate company Ador, the year-on-year increase in adjusted operating profit would be 322.9%.

### ***Diagnostics***

The Diagnostics unit performed exceptionally well during the first half of 2020. As a result of the significant investment that the Group has made in advancing the Bio-Medical division in recent years, it is now able to quickly provide solutions for any new pathogen that appears. The Group also responded rapidly to prepare its Bio-Medical division when it was first alerted to the potential COVID-19 outbreak. Consequently, the Group was able to quickly launch diagnostic kits for COVID-19, with sales to public health authority customers in Europe and South America. The Group also received increased demand for its instruments (readers) as well as the test kits (reagents). This resulted in revenue growth of approximately 162.5%, with the Diagnostics unit accounting for approximately 11.9% of Bio-Medical division revenues in H1 2020 (H1 2019: 7.6%).

### ***COVID-19 diagnostic tests***

The Group launched two COVID-19 tests – an RTPCR antigen test and a serologic antibody test – and it entered a partnership to develop a test for at-home use, which is expected to be complete by Q4 2020. Both existing kits are being produced at the Group's Adaltis facility in Rome.

The Group's antigen molecular (RTPCR) test kit to detect if someone currently has the COVID-19 virus, underwent clinical verification and evaluation by leading universities and hospitals in February and received certification at the end of March 2020. Post period, the Group expanded the gene discovery

capability of this test to five (compared with a market standard of three) and, importantly, to include the spike (S) gene. The S gene is the protein that the virus uses to invade human cells. It is present in a person's blood even if they have a very low viral load of COVID-19 (which might otherwise go undetected). As a result, by being able to detect the S gene, this test can provide more accurate results, reducing the risk of false positives and false negatives. This test can run on Adaltis instruments as well as any standard PCR instrument.

The Group launched its ELISA serological test in May 2020, which diagnoses if a patient has had COVID-19 by detecting antibodies against it present in their blood. Post period, in response to growing medical research suggesting that the volumes of antibodies in the blood of someone who has recovered from COVID-19 is low and declines, the Group advanced its serologic test to be able to measure the quantity of antibodies in the blood rather than just identifying their presence or absence (qualitative test). The upgraded test measures both IgM antibodies, which are produced a few days after infection and remain in the blood for a short period, and IgG antibodies, which are longer-term (produced a few days after infection and remain in the blood for a few months) antibodies. It has the same levels of sensitivity and specificity as those of the market-leading brands, with sensitivity of 100.0% and specificity of 99.8%. This kit will run on Adaltis instruments as well as on any standard ELISA instrument.

Also during the period, the Group entered into a collaboration with Novamed Ltd, an Israeli life sciences company operating in the in-vitro rapid diagnostics market, for the joint development and marketing of a rapid testing kit for home use for diagnosing COVID-19. The new kit allows people to test a sputum sample at home and receive results within a few minutes. The development is progressing on track and the Group expects it to be available for sale in the fourth quarter of this year, first in Israel and then globally.

#### *New molecular diagnostics test*

Post period, the Group launched a new molecular diagnostics kit that is able to test for multiple respiratory pathogens at the same time that has now received CE certification. In less than an hour, it can identify the particular cause (pathogen) of a respiratory illness, enabling the correct treatment or action to be rapidly implemented. It can detect all prominent respiratory viruses as well as the bacteria that cause the serious pulmonary illnesses that are believed to be a secondary infection of COVID-19, such as pneumonia and Legionnaires' disease. The ability to rapidly identify the specific cause of a disease is particularly important for the coming winter where seasonal colds and flu could appear alongside COVID-19 and patients would present with similar symptoms. The Group expects to commence production and sales of this kit at its Adaltis facility later this year.

#### *Ador*

During the period, the Group continued to make good progress in achieving the milestones under the conditional investment agreement entered into in 2019 for advancing the commercialisation of the Group's associate company, Ador. Ador is developing the NATlab molecular biology solution 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 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%.

#### *Eco-Med*

The Eco-Med unit achieved significant growth, with revenue increasing by 273.7%, based on revenue beginning to be recognised under its contract for the provision of critical care ventilators (with the

majority to be delivered in the second half of the year). The Eco-Med unit accounted for 26.5% of the Bio-Medical division's revenues in H1 2020 compared with 11.7% in H1 2019.

As noted, during the period the Group received a €29m (c. \$31m) order for the delivery of 1,000 critical care mechanical ventilators to a European government. The ventilator, which is high-performance and suitable for infants through to adults, is aimed at Intensive Care Unit environments for patients suffering from COVID-19. It is being manufactured by the Group's Celitron subsidiary in Hungary, which has been producing equipment for medical environments globally for over 10 years. Production commenced during the period and full delivery is expected to complete this year.

The Group continued to progress the delivery of its contracts for its agri-waste treatment solution for the safe, onsite treatment of biohazardous agricultural waste. The installation of the solution for a company that is part of a major food manufacturing group in the Philippines is nearing completion, which represents the Group's first international installation of the agri-waste treatment solution.

In addition, the Group received an extension contract for its biological waste solution developed for the biopharmaceutical industry from Ceva Animal Health, a leading developer of animal health products. Under this extension, the solution that the Group installed in 2019 will be expanded to have additional functionality and will connect automatically to a new robotics system at the facility. This is the third project that the Group has undertaken at this facility, which is located in Hungary, reflecting the value that customer places in this solution. Delivery is expected to complete during Q1 2021.

### **Distribution**

Revenue in the Distribution unit increased by 26.4% in H1 2020 over the same period of the prior year and accounted for approximately 61.6% of the Bio-Medical division's revenue (H1 2019: 80.7%).

The increased revenue was based on the provision of reagents for COVID-19 tests, both PCR and serologic, to public health authorities in Eastern Europe. This compensated for the lower level of activity at the Group's Zer Laboratories subsidiary, where there was a reduction in demand for pre-natal diagnostic tests as a result of the COVID-19 outbreak.

Post period, the Group's lab in Romania commenced performing COVID-19 tests for private sector customers, which the Group expects to increase. The Group also intends to start performing COVID-19 tests at its Zer Laboratories subsidiary in the second half of the year.

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### **Networking and Cyber Division**

	<b>H1 2020</b>	H1 2019	H2 2019	FY 2019
Revenue	<b>\$27.4m</b>	\$26.0m	\$33.0m	\$59.0m
Gross margin	<b>25.8%</b>	31.9%	29.3%	30.5%
Adjusted operating profit/(loss)	<b>\$(1.4)m</b>	\$0.3m	\$4.9m	\$5.2m

Revenue in H1 2020 grew by 5.3% compared with H1 2019 reflecting increased sales of ICT and cyber solutions and lower sales of networking equipment as a result of delays caused by COVID-19 lockdowns. As a result of this shift in sales mix towards lower margin products (mainly in ICT), the Networking and Cyber division recorded an operating loss. The adjusted operating profit for H2 2019 includes an exceptional gain of \$3.4m from the sale of the Group's rights in IBC.

## ***NFV solutions***

The Group continued to make good progress with its NFVTime operating system that enables network carriers to deploy their own virtualised software-based networks. Virtual networks can be a key element in allowing operators to leverage the benefits of 5G through edge computing and provide additional differentiated services to their enterprise customers as well as reducing the costs, time and carbon footprint involved with physical networks.

During the period, the Group conducted several successful proof-of-concepts of NFVTime with tier 1 operators in Europe and APAC. In particular, as announced post period, Vodafone, a leading global network operator headquartered in the UK, completed a proof-of-concept of the Arm-based uCPE that is run on the NFVTime operating system. The solution, which was tested for both small/medium business and enterprise use-cases, performed highly successfully in the deployment and management of virtual and cloud network functions and was able to handle high traffic requirements – performing to levels not seen by other platforms. The Group continues to work closely with Arm and Vodafone for the next step in the process.

Another key development during the period was the receipt of an order for an Arm-based NFVTime deployment from AdcareIT, an outsourced ICT managed service provider in Kenya. AdcareIT intends to use NFVTime together with Clavister solutions (deployed as virtual network functions) to provide SD-WAN and Firewall services to its customers. Clavister is a leader in high-performance virtual cybersecurity solutions and it became part of the Group's NFVTime Arm-based ecosystem through a strategic partnership in 2019.

In addition, NFVTime is undergoing evaluation with several leading network operators and multi-service providers worldwide. These evaluations are at an advanced stage.

## ***ICT and Carrier Ethernet solutions and services***

As previously noted, some of the Group's activities in the Networking unit were impacted by the COVID-19 outbreak due to lockdown measures causing restrictions on travelling to the premises of customers and suppliers. Consequently, there was a reduction in revenue generated from the installation and servicing of equipment, but this was compensated by increased revenue in sales of ICT solutions, in particular for mobile and web development, as well as cyber. In addition, since late May 2020 this unit has seen a return towards near-normal trading as some customers who had temporarily postponed certain projects have commenced discussions and as lockdown measures are increasingly lifted.

The Group continued to innovate during this period. This includes introducing new solutions to its T-Marc R3305 series to increase home broadband connectivity and quality, enabling uninterrupted work online, with features such as being able to prioritise devices and applications, traffic backup and load-balancing between broadband and LTE. The Group developed these solutions, which are undergoing proof-of-concepts worldwide, in response to the COVID-19 pandemic and the increased demand for products to support productivity for people working and learning at home.

The Group also completed numerous deployments of its ultra-high capacity service aggregation and cloud gateway platform, the T-Metro 8104, for multiple service providers across North America. Following its launch in 2019, the Group has received good initial interest in this solution from service providers that want to increase their network capacity to keep up with the ever-growing demand from their customers for more bandwidth.

## Cyber

In the Group's cyber security business, revenue increased by 27.4% over the first half of 2019. During the period, the Group was awarded a \$4m contract from its long-standing government defence department customer. This further order, which was partially delivered in the first half and is expected to complete in the second half of 2020, is for the provision of additional hardware and software cyber security products as the customer rolls out the Group's solution to encompass further employees. Following this latest order, the total contracted revenue awarded to the Group to date by this customer for this cyber solution is over \$18m.

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## Financial Review

Total Group revenue for the first half of 2020 increased by 37.7% to \$77.4m (H1 2019: \$56.2m), with 65% being generated by the Bio-Medical division (H1 2019: 54%) and 35% by the Networking and Cyber division (H1 2019: 46%). The significant growth was due to a substantial increase in Bio-Medical division revenue, primarily in the Eco-Med and Diagnostics units.

On a constant currency basis, revenue for H1 2020 would have been slightly higher at \$78.1m, but operating profit would have been unchanged. Currency fluctuations also resulted in a net finance expense as described below.

The gross profit margin for the first half was 29.7% (H1 2019: 27.3%). This is due to the improvement in gross margin of the Bio-Medical division from 23.3% in H1 2019 to 31.9% in H1 2020, which offset the lower margin in the Networking and Cyber division as a result of a shift in product mix due to COVID-19.

Sales and marketing expenses were \$10.2m (H1 2019: \$8.2m), representing 13.1% of revenue compared with 14.6% in H1 2019. The increase is due to activities to support the Group's COVID-19 products.

General and administrative expenses were \$6.2m (H1 2019: \$5.6m), representing 8.0% of revenue compared with 10.0% in H1 2019. The increase in expenses reflects the growth and development of the business and associated corporate costs.

Investment in R&D was higher at \$3.9m (H1 2019: \$3.3m), primarily due to investments in the Diagnostics unit for the development of its COVID-19 tests.

The Group achieved a strong increase in operating profit, which doubled to \$2.4m (H1 2019: \$1.2m). In addition, the comparative figure for 2019 includes a capital gain of \$3.2m from the part realisation of the Group's ownership of Ador.

The Group achieved an increase in EBITDA of 36.2% to \$5.3m (H1 2019: \$3.9m).

Net finance expense was \$0.5m (H1 2019: \$0.0m). The increase is mainly due to the adverse effect of foreign exchange rate fluctuations (mainly GBP) and a reduction in interest income on deposits due to reduction in interest rates.

Net profit after tax attributable to equity holders of the parent increased to \$1.6m (H1 2019: \$0.6m) resulting in a 157.1% increase in basic earnings per share to 0.36¢ (H1 2019: 0.14¢).

As at 30 June 2020, inventory was \$26.2m (31 December 2019: \$22.7m; 30 June 2019: \$23.9m). The increase is due to the expansion of production of COVID-19 diagnostic products and equipping the Networking and Cyber division for delivering the new \$4m cyber contract to its government defence department customer. Trade and other receivables increased to \$47.2m (31 December 2019: \$42.8m; 30



June 2019: \$36.4m), with the increase due to a VAT advanced payment under the Group's contract for the provision of ventilators.

Intangible assets and goodwill at 30 June 2020 was \$23.6m (31 December 2019: \$23.7m; 30 June 2019: \$23.1m), with the slight increase compared with the same period of the prior year due to a small acquisition of a software business during the second half of 2019.

Property, plant and equipment and investment property was \$15.5m (31 December 2019: \$16.1m; 30 June 2019: \$16.9m). The decrease is primarily due to depreciation.

The balance of trade and other payables was \$51.8m (31 December 2019: \$44.5m; 30 June 2019: \$32.8m). The increase is due to an advance payment under the Group's contract for the provision of ventilators.

Cash inflow from operations was \$4.4m for H1 2020 compared with \$2.0m outflow for the prior period, which is mainly due to the increase in operating profit and in trade payables.

The Group's balance sheet remained strong with effective liquidity of \$44.3m at 30 June 2020 compared with \$44.8m at 31 December 2019 and \$16.9m at 30 June 2019. Period-end cash comprised cash and deposits up to three months' duration of \$40.0m and short-term cash deposits up to one year and held for trading bonds of \$4.3m.

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## Dividend

The Board of BATM has resolved to reinstate its dividend policy commencing from full year 2020. The Board is committed to pursuing a progressive dividend policy, with the aim of increasing the value of ordinary dividends distributed to shareholders in line with the Group's underlying growth in earnings, while taking into account capital requirements, cash flows and movements in currency. The Board will review the appropriate level of total annual dividend each year at the time of the full year results.

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## Outlook

The Group entered the second half of 2020 with a substantially higher backlog than at the same point in the prior year following a particularly strong first half performance in the Bio-Medical division. The Networking and Cyber division, while experiencing some slowdown at the beginning of Q2 2020, returned towards normal trading from the end of May 2020 and was able to achieve an increase in revenue for the first half. With both divisions making a positive start to the second half, the Group anticipates the Bio-Medical division as well as the Networking and Cyber division to report growth for full year 2020 and total Group revenue to be ahead of market expectations with an increase of 32% over 2019 and EBITDA is expected to be significantly ahead of market expectations with an increase of 48% over 2019.

The COVID-19 pandemic has shifted the attention of public health authorities globally onto the importance of medical diagnostics, with a focus on rapid diagnosis to enable the correct course of action to be taken without delay. This accelerates a trend that, for several years, BATM has been developing solutions to address. The Bio-Medical division continues to innovate in molecular diagnostics and invest in the development of unique solutions – some of which are expected to be commercially released in H2 2020 in anticipation of a second wave of several respiratory pathogens, particularly flu and coronavirus. These development efforts will benefit the Group in the second half of the year and beyond. Additionally, it is expected that the sale of antigen and antibody COVID-19 testing kits will continue throughout 2020 and into next year, with sales to public health authorities in Europe, South America as well as Asia. The Group is also continuing to deliver on its contract to provide critical care ventilators.

The Networking and Cyber division, since late May 2020, has seen a return towards normal trading as some customers who had temporarily postponed certain projects have commenced discussions and as lockdowns are increasingly lifted. While it is still early days, this gives confidence to the management team that the full year impact of the pandemic on the Networking and Cyber division will be minimal. The Group's recent proof-of-concept with Vodafone of its NFVTime operating system integrated with Arm technology is also a key validation of the Group's NFV offer. This solution, which can support network carriers in leveraging the benefits offered by 5G, is expected to be a significant contributor to revenue in the coming years as proof-of-concepts progress with tier 1 network operators.

The strong cash position at period end combined with the cash generation expected for full year 2020 gives the Board the confidence to reinstate its dividend policy. This strong balance sheet will also support the Group's ramp up in activities as well as enable it to pursue potential acquisition opportunities to accelerate growth in its key strategic areas. Additionally, the Board keeps under consideration the optimum structure for the Group and how best to create shareholder value from the IP within the business and its various constituent parts. As a result, the Board continues to look to the future with great confidence.

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

	<u>Six months ended 30 June</u>	
	2020	2019
	US\$ in thousands	
	<u>Unaudited</u>	<u>Unaudited</u>
<b>Revenue</b>	77,410	56,222
<b>Cost of revenue</b>	<u>54,407</u>	<u>40,882</u>
<b>Gross profit</b>	23,003	15,340
<b>Operating expenses</b>		
Sales and marketing expenses	10,155	8,225
General and administrative expenses	6,222	5,648
Research and development expenses	3,893	3,270
Other operating expenses/(income)	<u>330</u>	<u>(2,988)</u>
<b>Total operating expenses</b>	20,600	14,155
<b>Operating profit</b>	<u>2,403</u>	<u>1,185</u>
Finance income	529	680
Finance expenses	<u>(1,005)</u>	<u>(682)</u>
Profit before tax	1,927	1,183
Income tax (expenses)	<u>398</u>	<u>(414)</u>
<b>Profit for the period before share of a loss of a joint venture and associated companies</b>	<b>2,325</b>	<b>769</b>
Share of a loss of joint venture and associated companies	<u>(359)</u>	<u>(601)</u>
<b>Profit for the period</b>	<b><u>1,966</u></b>	<b><u>168</u></b>
<u>Attributable to:</u>		
Owners of the Company	1,585	575
Non-controlling interests	<u>381</u>	<u>(407)</u>
<b>Profit for the period</b>	<b><u>1,966</u></b>	<b><u>168</u></b>
<b>Profit per share (in cents):</b>		
From continuing and discontinued operations (Basic and Diluted)	<u>0.36</u>	<u>0.14</u>

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

	<u>Six months ended 30 June</u>	
	2020	2019
	US\$ in thousands	
	<u>Unaudited</u>	<u>Unaudited</u>
Profit for the period	1,966	168
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translating foreign operations	<u>(1,046)</u>	<u>(500)</u>
Total comprehensive profit/(loss) for the period	<u><b>920</b></u>	<u><b>(332)</b></u>
Attributable to:		
Owners of the Company	831	142
Non-controlling interests	<u>89</u>	<u>(474)</u>
	<u><b>920</b></u>	<u><b>(332)</b></u>

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

	30 June 2020	30 June 2019	31 December 2019
	US\$ in thousands		
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
<b>Current assets</b>			
Cash and cash equivalents	39,990	13,274	40,584
Trade and other receivables	47,166	36,410	42,784
Financial assets	4,285	3,648	4,254
Inventories	26,169	23,906	<u>22,672</u>
	<u>117,610</u>	<u>77,238</u>	<u>110,294</u>
<b>Non-current assets</b>			
Property, plant and equipment	13,627	14,895	14,203
Investment property	1,841	1,956	1,899
Right-of-use assets	10,298	10,719	9,945
Goodwill	16,748	16,577	16,804
Other intangible assets	6,845	6,545	6,941
Investment in joint venture and associates	9,505	9,396	9,497
Investments carried at fair value	1,078	1,061	1,013
Deferred tax assets	4,295	2,649	<u>3,234</u>
	<u>64,237</u>	<u>63,798</u>	<u>63,536</u>
<b>Total assets</b>	<u>181,847</u>	<u>141,036</u>	<u>173,830</u>
<b>Current liabilities</b>			
Short-term bank credit	4,627	4,711	5,915
Trade and other payables	51,789	32,771	44,459
Current maturities of lease liabilities	2,196	2,368	2,070
Liabilities for current tax	832	309	313
	<u>59,444</u>	<u>40,159</u>	<u>52,757</u>
<b>Non-current liabilities</b>			
Long-term bank credit	723	1,695	762
Long-term liabilities	6,256	5,788	6,215
Long-term lease liabilities	8,629	8,885	8,339
Deferred tax liabilities	635	509	626
Retirement benefit obligation	758	624	715
	<u>17,001</u>	<u>17,501</u>	<u>16,657</u>
<b>Total liabilities</b>	<u>76,445</u>	<u>57,660</u>	<u>69,414</u>
<b>Equity</b>			
Share capital	1,320	1,218	1,320
Share premium account	425,543	407,952	425,477
Reserves	(19,336)	(18,806)	(18,582)
Accumulated deficit	(297,806)	(302,689)	<u>(299,391)</u>
<b>Equity attributable to the:</b>			
Owners of the Company	109,721	87,675	108,824
Non-controlling interest	(4,319)	(4,299)	<u>(4,408)</u>
<b>Total equity</b>	<u>105,402</u>	<u>83,376</u>	<u>104,416</u>
<b>Total equity and liabilities</b>	<u>181,847</u>	<u>141,036</u>	<u>173,830</u>

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

**Six months ended 30 June 2020**

	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								
<b>As at 1 January 2020</b>	1,320	425,477	(18,070)	(512)	(299,391)	108,824	(4,408)	104,416
Profit for the period	-	-	-	-	1,585	1,585	381	1,966
Exchange differences of translating foreign operations	-	-	(754)	-	-	(754)	(292)	(1,046)
<b>Total comprehensive income/(loss) for the period</b>	-	-	<b>(754)</b>	-	<b>1,585</b>	<b>831</b>	<b>89</b>	<b>920</b>
Recognition of share-based payments	-	66	-	-	-	66	-	66
<b>As at 30 June 2020 (unaudited)</b>	<b><u>1,320</u></b>	<b><u>425,543</u></b>	<b><u>(18,824)</u></b>	<b><u>(512)</u></b>	<b><u>(297,806)</u></b>	<b><u>109,721</u></b>	<b><u>(4,319)</u></b>	<b><u>105,402</u></b>

**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								
<b>As at 1 January 2019</b>	1,217	407,796	(17,861)	(512)	(303,264)	87,376	(4,368)	83,008
Profit/(loss) for the period	-	-	-	-	575	575	(407)	168
Exchange differences of translating foreign operations	-	-	(433)	-	-	(433)	(67)	(500)
<b>Total comprehensive income/(loss) for the period</b>	-	-	<b>(433)</b>	-	<b>575</b>	<b>142</b>	<b>(474)</b>	<b>(332)</b>
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
<b>As at 30 June 2019 (unaudited)</b>	<b><u>1,218</u></b>	<b><u>407,952</u></b>	<b><u>(18,294)</u></b>	<b><u>(512)</u></b>	<b><u>(302,689)</u></b>	<b><u>87,675</u></b>	<b><u>(4,299)</u></b>	<b><u>83,376</u></b>

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

	<u>Six months ended 30 June</u>	
	2020	2019
	US\$ in thousands	
	<u>Unaudited</u>	<u>Unaudited</u>
<b>Net cash from/(used in) operating activities</b> (Appendix A)	<u>3,917</u>	<u>(2,564)</u>
<b>Investing activities</b>		
Interest received	80	69
Proceeds on disposal of property, plant and equipment	34	17
Proceeds from disposal of deposits	1,665	154
Proceeds from disposal of financial assets carried at fair value through profit and loss	450	-
Purchases of property, plant and equipment	(707)	(416)
Purchase of other intangible assets	(298)	(656)
Purchases of financial assets carried at fair value through profit and loss	(2,009)	-
Investment in deposits	(157)	(155)
Net cash outflow on acquisition of business combinations	(103)	-
Investment in joint venture, associated companies and other	(244)	(2,168)
Acquisition of subsidiaries (Appendix B)	-	(937)
<b>Net cash used in investing activities</b>	<u>(1,289)</u>	<u>(4,092)</u>
<b>Financing activities</b>		
Lease payment	(1,259)	(1,185)
Bank loan repayment	(5,251)	(3,219)
Bank loan received	3,943	3,224
Proceeds on exercise of shares	-	98
<b>Net cash used in financing activities</b>	<u>(2,567)</u>	<u>(1,082)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>	61	(7,738)
<b>Cash and cash equivalents at the beginning of the period</b>	40,584	20,811
Effects of exchange rate changes on the balance of cash held in foreign currencies	(655)	201
<b>Cash and cash equivalents at the end of the period</b>	<u>39,990</u>	<u>13,274</u>

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

**APPENDIX A**

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

	<u>Six months ended 30 June</u>	
	2020	2019
	US\$ in thousands	
	<u>Unaudited</u>	<u>Unaudited</u>
<b>Operating profit from continuing operations</b>	<b>2,403</b>	<b>1,185</b>
<b>Adjustments for:</b>		
Amortisation of intangible assets	361	406
Depreciation of property, plant and equipment and investment property	2,569	2,326
Capital loss/(gain) of property, plant and equipment	(7)	76
Capital gain from part realisation of associate	-	(3,161)
Other gain	-	(134)
Stock options granted to employees	66	59
Increase in retirement benefit obligation	46	40
Increase/(decrease) in provisions	(23)	157
<b>Operating cash flow before movements in working capital</b>	<b>5,415</b>	<b>954</b>
Decrease/(increase) in inventory	(3,464)	100
Increase in receivables	(4,609)	(1,652)
Increase/(decrease) in payables	7,498	(939)
Effects of exchange rate changes on the balance sheet	(442)	(485)
<b>Cash from/(used in) operations</b>	<b>4,398</b>	<b>(2,022)</b>
Income taxes paid	(251)	(214)
Income taxes received	40	-
Interest paid	(270)	(328)
<b>Net cash from/(used in) operating activities</b>	<b>3,917</b>	<b>(2,564)</b>

**APPENDIX B**

**ACQUISITION OF SUBSIDIARY – Remedium**

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

Acquisition of subsidiaries in the Consolidated Statement of Cash Flows in 2019 also includes the final payment for the acquisition of Green Lab Hungary Engineering Ltd.



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

**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 2019 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 2019, which have been prepared in accordance with IFRSs.

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

The Group has applied amendment to IFRS 3, Definition of a Business, and amendment to IAS 1 and IAS 8, Definition of Material, for the first time in the year 2020, but do not have an impact on the interim consolidated financial statements of the Group.

**Note 3 – Profit per share**

Profit/(loss) per share is based on the weighted average number of shares in issue for the period of 440,279,074 (H1 2019: 403,761,511). 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 443,200,168 shares (H1 2019: 408,581,998).

**Note 4 – Alternative performance measures**

	<u>Six months ended 30 June</u>	
	2020	2019
	\$'000	\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
<b>Operating profit</b>	2,403	1,185
<b>Amortisation of intangible assets</b>	<u>361</u>	<u>406</u>
<b>Adjusted operating profit</b>	<b><u>2,764</u></b>	<b><u>1,591</u></b>
<b>Depreciation</b>	<u>2,569</u>	<u>2,326</u>
<b>EBITDA</b>	<b><u><u>5,333</u></u></b>	<b><u><u>3,917</u></u></b>

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

**Note 5 – Segments**

**Business Segment**

**Six months ended 30 June 2020**

	Networking and Cyber \$'000	Bio-Medical \$'000	Unallocated \$'000	Total \$'000
Revenues	27,428	49,952	30	77,410
Adjusted operating profit/(loss) (*)	(1,458)	4,219	3	2,764
Reconciliation - other operating expenses (*)				<u>(361)</u>
Operating profit				2,403
Net finance expense				<u>(476)</u>
Profit before tax				1,927

**Six months ended 30 June 2019**

	Networking and Cyber \$'000	Bio-Medical \$'000	Unallocated \$'000	Total \$'000
Revenue	26,040	30,182	-	56,222
Adjusted operating profit (*)	323	1,268	-	1,591
Reconciliation - other operating expenses (*)				<u>(406)</u>
Operating profit				1,185
Net finance expense				<u>(2)</u>
Profit before tax				1,183

(\*) See note 4

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

**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:

	<b>Six months ended 30 June</b>	
	<b>2 0 2 0</b>	<b>2 0 1 9</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Telecommunication products</b>	7,362	7,104
<b>Software services</b>	20,107	18,936
<b>Distribution of medical products</b>	30,773	24,347
<b>Diagnostic products</b>	5,925	2,291
<b>Eco-Med products</b>	<u>13,243</u>	<u>3,544</u>
	<u><b>77,410</b></u>	<u><b>56,222</b></u>