

23 August 2021

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

Interim results for six months ended 30 June 2021

Demand for high margin diagnostic products to drive better-than-expected growth for FY 2021 – EBITDA 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, announces its interim results for the six months ended 30 June 2021.

Financial Summary

	H1 2021	H1 2020*	Change
	\$m	\$m	
Revenue**	71.4	77.4	(7.7%)
Gross profit	25.7	23.0	+11.7%
Gross margin	36.0%	29.7%	+630bps
Operating profit	20.0	2.4	+733.3%
Adj.*** operating profit	20.5	2.8	+640.1%
EBITDA	22.7	5.3	+325.3%
Earnings per share (cents)	2.72¢	0.36¢	+655.6%
Cash and financial assets	64.9	44.3	+46.6%

* H1 2020 includes a six-month contribution from NGSoft compared with three months in H1 2021 following the Group’s sale of the subsidiary in March 2021

** Excluding the contribution from NGSoft for both periods, revenue in H1 2021 was 8.1% higher than H1 2020

*** Adjusted to exclude the amortisation of intangible assets (see note 3)

Operational Summary

Bio-Medical Division (77.1% of total revenue (H1 2020: 64.6%))

- Revenue increased by 10.2% to \$55.1m (H1 2020: \$50.0m), driven by sales of COVID-19 diagnostic kits, more than offsetting the contribution to H1 2020 revenues from the exceptional critical care ventilators contract
 - Revenue increased by 36.4% when excluding the contribution to the prior period from the ventilator contract
- Gross margin improved by 570bps to 37.6% (H1 2020: 31.9%), due to product mix, including the increased contribution from new molecular diagnostics tests
- Diagnostics Unit
 - Significant sales growth driven by strong global demand for COVID-19 test kits (reagents) and diagnostic instruments throughout the first half of the year
 - Expanded COVID-19 diagnostics portfolio with launch of new solutions that enhance speed, accuracy and ease of use of the Group’s offering: a test that uses self-collected saliva samples and the RAPIDgen® SARS-CoV-2 Ag test
 - New molecular diagnostics kit that tests for multiple respiratory pathogens simultaneously has received CE certification and is being prepared for sale in winter 2021
 - Iso-thermal method, being developed by the Group for the rapid and comprehensive diagnosis of tuberculosis, received the backing of the Stop TB Partnership, an international alliance

- Eco-Med Unit
 - Delivery resumed on contracts for the installation of the Group’s ISS-based pathogenic waste treatment solution, with significant progress made in projects with Ceva Animal Health in Hungary and an agri-food conglomerate in Taiwan
- Distribution Unit
 - Increased revenue driven by the distribution of several molecular tests and of COVID-19 diagnostic reagents and equipment

Networking and Cyber Division (22.9% of total revenue (H1 2020: 35.4%))

- Revenue was \$16.4m (H1 2020: \$27.4m), reflecting the sale of the Group’s non-core NG Soft Ltd (“NGSoft”) subsidiary in March 2021
- Revenue from ongoing operations (excluding the contribution of NGSoft in both periods) was \$9.1m (H1 2020: \$9.4m)
- Gross margin improved by 480bps to 30.6% (H1 2020: 25.8%), primarily reflecting the reduced contribution to revenue from NGSoft
- Recorded a capital gain of \$13.0m from the sale of NGSoft
- Networking Unit
 - Edge Computing and network function virtualisation (“NFV”):
 - Launched, post period, Edgility brand of products and services for NFV and Edge Computing based on the Group’s NFV operating system, Edgility OS (formerly NFVTime)
 - Successful proof-of-concepts conducted with several potential customers and partners worldwide, which the Group expects will translate to orders in H2 2021
 - Established two new partnerships in EMEA to boost Edgility sales and market presence through the offering of joint solutions
 - Expanded addressable market with enhancement of Edgility OS to enable compatibility with, and received certification of use for, public cloud environments
 - Carrier Ethernet:
 - Increase in carrier ethernet revenue as normal business practices began to resume
 - Selected by tier 1 telecommunications operator in APAC to provide demarcation units for connecting business and enterprise customers – becoming the preferred supplier
- Cyber Unit
 - Awarded a \$4.1m cyber security contract from the Group’s long-standing government defence department customer, of which more than half is expected to be delivered in the current year
 - Post period, received a \$10m multi-year contract from the same customer for the delivery of an advanced cyber security solution containing elements of NFV protection

Commenting on the results, Dr Zvi Marom, Chief Executive Officer of BATM, said: “This is an excellent set of results for BATM, driven by significant demand for our high-margin diagnostic solutions, especially for COVID-19, as well as the value creation through the sale of a non-core subsidiary. Equally, on an underlying basis from ongoing operations, we achieved over 8% growth in revenue and almost 30% if also excluding our exceptional ventilator contract delivered last year. We continued to innovate and launch new products in diagnostics and networking that address the complex challenges faced by the world today. At the same time, our teams are advancing the development of disruptive technologies across our portfolio that have received important recognition as well as several patents and which will support our future growth.

“Looking ahead, we entered the second half with a strong order book and receiving sustained demand for our diagnostic solutions. We also continue to expect to generate revenue this year from the roll-out of Edgility OS by PCCW Global. As a result, we anticipate achieving better-than-expected revenue for the full year and EBITDA to be substantially ahead of market expectations with growth of over 40% year-on-year. Consequently, and supported by a robust balance sheet, the Board of BATM continues to look to the future with great confidence.

“I want to thank our Board of Directors and our teams for their dedication over this period and doing an excellent job despite the challenges of the pandemic. We are all very enthusiastic to keep striding forward and I believe that we will achieve truly great results.”

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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 Tanweer Siddique at Luther Pendragon at tanweersiddique@luther.co.uk.

Operational Review

The six months to 30 June 2021 was another period of strong operational and strategic delivery for BATM. The Bio-Medical division achieved substantial growth as demand for the COVID-19 diagnostic solutions that it developed last year was sustained while it continued to expand its portfolio with the launch of further tests offering significant advantages in speed and ease-of-use. In the Networking and Cyber division, the Group's NFV solution, Edgility OS, which the Board expects will be a key driver of future growth, has successfully completed proof-of-concepts with potential clients, and the Group established strategic partnerships to support the roll-out. In addition, BATM continued to execute on its value creation strategies with the sale of its non-core NGSoft subsidiary, which generated a capital gain of \$13.0m. The Group is also pleased to note that there was a resumption of normal of business practices in several of its markets that had experienced a slowdown due to the impact of the COVID-19 pandemic and associated restrictions on travel.

Bio-Medical Division

	H1 2021	H1 2020	H2 2020	FY 2020
Revenue	\$55.1m	\$50.0m	\$78.7m	\$128.7m
Gross margin	37.6%	31.9%	39.1%	36.3%
Adj.* operating profit	\$9.4m	\$4.2m	\$15.2m	\$19.4m

* Adjusted to exclude the amortisation of intangible assets (see note 3)

Revenue for the Bio-Medical division increased by 10.2% to \$55.1m (H1 2020: \$50.0m) due to growth in the Diagnostics and Distribution units. On an adjusted basis, excluding the contribution from the delivery of an exceptional contract for the provision of critical care ventilators by the Eco-Med unit, the Bio-Medical division revenue in H1 2021 was 36.4% higher than H1 2020 and slightly higher than H2 2020. Gross margin for the division increased significantly to 37.6% (H1 2020: 31.9%), primarily reflecting improvement in the Diagnostics unit's growth in sales and the high-margin nature of molecular biology and COVID-19 products. The Bio-Medical division generated an adjusted operating profit of \$9.4m for H1 2021 compared with \$4.2m in H1 2020, an increase of 122.9%.

Diagnostics

The Diagnostics unit performed exceptionally well during H1 2021, with revenue increasing by 200.2% and accounting for 32.3% of Bio-Medical division revenue (H1 2020: 11.9%). This growth was driven by sustained demand for the Group's diagnostic tests for COVID-19 as well as sales of its diagnostic instruments (readers) that were frequently ordered alongside the reagents. The momentum continued throughout this year with the Diagnostics unit entering the second half 2021 with a substantially higher order book than at the same point in 2020. To cater for the increased demand, the Group further expanded the production capacity of its Adaltis facility in Rome, Italy.

COVID-19 diagnostic tests

As noted above, the Group received significant demand for its COVID-19 solutions during the first half of 2021, with customers primarily being public health authorities in Europe, the Middle East and South East Asia. The Group also continued to expand its portfolio of COVID-19 tests with the launch of a saliva-based PCR test and rapid lateral flow test. Together with the COVID-19 tests launched last year, the Group now has a comprehensive range of tests catering for the requirements of different customers or users, and offering advantages compared with many competing solutions in terms of speed, accuracy and ease of use.

The Group launched, and commenced supplying, a test that uses self-collected saliva samples to diagnose COVID-19 using the RT-PCR technique. The test involves the individual spitting into a collector tube rather than deep swabbing via the nose (nasopharyngeal swab) or back of the throat (oropharyngeal swab). It is based on the Group's antigen RT-PCR kit that has five (4+1) gene discovery capability, which enables detection even with a very low viral load and has 100% accuracy for specificity and sensitivity. The saliva test can be administered without the need for trained healthcare workers in full body personal protective equipment, offering advantages in terms of speed and ease of sample collection – particularly for vulnerable groups such as children – as well as lab processing and being more cost effective than the RT-PCR process for standard swab-based tests. The Group is producing the test at its Adaltis facility.

The Group also launched the RAPIDgen® SARS-CoV-2 Ag test, a rapid lateral flow test that offers a much simpler sample preparation process and gives results in 8-15 minutes. The test has undergone validation testing by hospitals in Israel and Europe where it has demonstrated sensitivity in excess of 95%. It was developed by the Group's Adaltis subsidiary and Gamidor Diagnostics ("Gamidor"). The RAPIDgen test is being marketed under the Adaltis brand and produced at Gamidor's facility in Israel, with initial deliveries being to public health authorities.

Progress in other disease areas

The Group's new molecular PCR diagnostics test that is able to test for multiple respiratory pathogens at the same time has completed the CE certification and validation stage and the Group is preparing for it to be sold in winter 2021. In under an hour, this test can identify the specific 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.

During the period, the Group received the backing of the Stop TB Partnership, an international alliance comprising governmental and non-governmental organisations, for a new method that the Group has developed (in cooperation with a leading university in Italy) for the rapid and comprehensive diagnosis of tuberculosis. The solution combines a one-step PCR test, developed by the Group's Adaltis subsidiary, with testing on the NATlab instrument using the new isothermal RCA process developed by the Group's Ador Diagnostics associate company. This process, which tests the same sample in both phases, is expected to produce results in approximately two hours, compared with several days for the current commonly used methods. The testing and validation of the solution will take place at the University of Heidelberg and be fully funded under a programme of the Stop TB Partnership.

Ador Diagnostics

Ador Diagnostics ("Ador"), the Group's associate company, is developing the NATlab molecular biology solution that provides rapid sample-to-answer diagnosis of bacterial, viral or fungal infections using DNA or RNA sampling. During the period, Ador progressed work to incorporate into the NATlab system the innovative technology that it developed last year that uses the rolling circle amplification ("RCA") method. This enhancement will enable the NATlab system to provide test results in a significantly shorter timeframe – within 30 minutes – and with greater accuracy than Ador previously envisaged.

Eco-Med

The Eco-Med unit accounted for 7.3% of the Bio-Medical division's revenues in H1 2021 compared with 26.5% in H1 2020, reflecting the exceptional contribution to the revenue of the prior period from the Group's contract for the provision of critical care ventilators. On an adjusted basis excluding the contribution from the ventilator contract, revenue in the Eco-Med division was 8.9% higher in H1 2021 over H1 2020.

During the period, the Group resumed work on the installation of its pathogenic waste treatment solutions based on its Integrated Steriliser and Shredder (“ISS”) technology under contracts that had been paused during 2020 owing to government lockdowns and restrictions on travel. In particular, the Group made significant progress with the delivery of its contract to expand and enhance the ISS-based solution installed at the Hungarian facility of Ceva Animal Health, a leading developer of animal health products, which it expects to complete by the end of the year. The Group also made good progress with the installation of its ISS-based solution for its agri-food conglomerate customer in Taiwan. The timing of completion of the delivery of this contract, as well as that with the Group’s major food manufacturing customer in the Philippines, is subject to the ongoing government restrictions in these countries due to COVID-19.

Distribution

Revenue in the Distribution unit increased by 8.2% in H1 2021 over the same period of the prior year and accounted for approximately 60.4% of the Bio-Medical division’s revenue (H1 2020: 61.6%). The growth was driven by the distribution of several molecular biology tests and, in particular, reflects the ongoing demand for COVID-19 reagents and diagnostic equipment.

Networking and Cyber Division

	H1 2021	H1 2020	H2 2020	FY 2020
Revenue	\$16.4m	\$27.4m	\$27.5m	\$54.9m
Gross margin	30.6%	25.8%	25.1%	25.5%
Adj.* operating profit/(loss)	\$11.1m	\$(1.4)m	\$(3.1)m	\$(4.5)m

* Adjusted to exclude the amortisation of intangible assets (see note 3)

Revenue in H1 2021 was \$16.4m compared with \$27.4m in H1 2020 reflecting the sale of the Group’s NGSoft subsidiary in March 2021. Revenue from ongoing operations (excluding the contribution from NGSoft in both periods) was broadly flat at \$9.1m compared with \$9.4m for the first half of the prior year with the slight difference due to lower sales in the Cyber unit.

Gross margin increased due to the lower contribution to revenue from NGSoft, which was a lower margin business. There was a significant adjusted operating profit for H1 2021 as a result of the capital gain of \$13.0m from the sale of NGSoft. On an ongoing basis, excluding the contribution from NGSoft to the results of both periods, the Group recorded an adjusted operating loss that was reduced to \$2.7m (H1 2020 operating loss: \$3.3m).

Edge Computing and NFV solutions

The Group’s Telco Systems subsidiary launched Edgility post period, which is its new brand of networking products and services based on the Group’s NFV operating system, Edgility OS (formerly NFVTime). Edgility OS enables telecoms operators and service providers 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. ‘Edgility’ also reflects the Group’s focus on Edge compute whereby data processing takes place at the network edge, nearer to the end device, to improve response times and save bandwidth. In addition, Edge compute is fundamental in enabling Internet of Things (“IoT”) technologies.

Edgility OS continued to undergo evaluation with leading network operators and multi-service providers worldwide, with successful proof-of-concepts being conducted with several potential customers and

partners. The Group expects a number of these to translate to orders in H2 2021 and during the period it resulted in the establishment of two new partnerships in EMEA to boost Edgility sales and market presence through offering of joint solutions. This includes albis-elcon, a German-based supplier of networking products and services primarily to tier 1 telecommunications operators in Europe and Latin America, which has integrated the Group's virtualisation technology into its recently launched uSphir solution. The Group's technology will also be offered by Stem Connect, which services enterprise and telecommunication customers in the UK, France and South Africa.

During the six months to 30 June 2021, the Group completed the enhancement of Edgility OS to enable compatibility with, and receiving certification of use for, public cloud environments, such as Amazon Web Services and Microsoft Azure. This expands the addressable market for the product to customers that operate cloud-based networks, which are typically enterprise customers or larger operators with a multinational footprint, as well as those that lack the internal resource to run the software in their datacentre.

In addition, post period, the Group released its first dedicated package under the Edgility product suite, which is a Fast SD-WAN & Firewall offering (in partnership with Clavister) that provides secure network connectivity for the small office and home office ("SOHO") market. With the recent global trends of increased remote working, the Group believes there is a significant opportunity for the provision of connectivity solutions utilising Edge compute for the underserved SOHO market.

Carrier Ethernet solutions and services

There was a slight increase in revenue from carrier ethernet solutions and services as the Group began to experience a return to normal business practices in the EMEA region following the slowdown as a result of COVID-19. In addition, the Group was selected as the preferred supplier by a tier 1 telecommunications operator in APAC to provide demarcation units for connecting its business and enterprise customers, which contributed to revenue during the period and with a larger order to be delivered in the second half.

The Group also continued its product enhancements, introducing Layer 3 VPN (L3VPN) capability to all of its network edge solutions. This broadens the applicability of the Group's solutions and makes them more attractive to clients by enabling telecommunications operators and managed service providers using the Group's products to offer greater flexibility to their customers with both Layer 2 VPN and L3VPN available.

Cyber

Overall, revenue in the Group's cyber security business was slightly lower in H1 2021 than in H1 2020 as a result of the prior slowdown in orders due to the diversion of government budgets in response to the COVID-19 pandemic. However, towards the end of the first half and post period, the Group's activity in this area has increased as public authorities begin to return to postponed projects.

Towards the end of June 2021, the Group was awarded a \$4.1m contract from its long-standing government defence department customer. This further order, of which more than half is scheduled to be delivered this year, was for the provision of additional hardware and software as part of its network cyber security solution. In addition, post period, the customer awarded the Group a \$10m contract for an advanced cyber security solution that includes a unique cyber defence capability for large volume high speed network traffic combined with elements of virtualisation protection developed under the Group's NFV offering. The Group expects to complete delivery of this contract in 2023.

The Group also continued its development efforts during the period. In particular, it is in the process of integrating its cyber solutions into its NFV product and developing a version aimed beyond the defence industry, which will expand the addressable market.

Sale of NGSoft

As announced on 19 March 2021, during the period BATM sold its NGSoft subsidiary to Aztek Technologies (1984) Ltd., a provider of ICT cloud services in Israel and a portfolio company of SKY Fund. NGSoft is a software and digital services company that provides creative digital and technology solutions. Its development activities did not include any of the Group's NFV or cyber solutions. Accordingly, the Board believes that the best interests of BATM and all shareholders were served as a result of the disposal, generating a \$13.0m capital gain from the sale of NGSoft, allowing BATM to invest the proceeds to accelerate the Group's core activities.

Financial Review

Total Group revenue for the first half of 2021 was \$71.4m (H1 2020: \$77.4m), which reflects H1 2021 including three months contribution from the Group's NGSoft subsidiary compared with six months contribution to H1 2020 as a result of the sale of NGSoft in March 2021. Excluding the contribution from NGSoft to revenue in both periods, H1 2021 grew by 8.1% over H1 2020. This was driven by significant growth in the Bio-Medical division and revenue from ongoing operations (excluding NGSoft) in the Networking and Cyber division being broadly flat year-on-year, as described above.

The gross margin for the first half improved to 36.0% (H1 2020: 29.7%), reflecting a substantial increase in the gross margin in both of the divisions. The Bio-medical division gross margin increased to 37.6% (H1 2020: 31.9%) as a result of the high-margin nature of the new molecular biology diagnostic kits and COVID-19 products. For the Networking and Cyber division, the margin increased to 30.6% (H1 2020 25.8%) reflecting a shift in product mix – in particular, the reduced relatively lower margin contribution from ICT services as a result of the sale of NGSoft.

Sales and marketing expenses were \$9.2m (H1 2020: \$10.2m), representing 12.9% of revenue compared with 13.1% in H1 2020.

General and administrative expenses were \$5.7m (H1 2020: \$6.2m), representing 8.0% of revenue in both periods, with the reduction due to the period including three months of expenses from NGSoft rather than six months in H1 2020.

R&D expenses were \$3.7m (H1 2020: \$3.9m), primarily due to a reduction in liabilities to the Israeli government's Chief Scientist Officer related to an R&D repayment loan funding scheme (for further detail, see note 3 to the financial statements in the Annual Report 2020).

Adjusted operating profit increased by 640.1% to \$20.5m compared with \$2.8m in H1 2020. This growth reflects the significantly higher revenue and gross profit generated by the Diagnostics unit. It also includes a capital gain of \$13.0m from the sale of NGSoft.

As a result of the increase in adjusted operating profit, EBITDA grew by 325.3% to \$22.7m (H1 2020: \$5.3m).

Net finance expense was reduced to \$0.2m (H1 2020: \$0.5m) due to a lower impact from foreign exchange rate fluctuations compared with H1 2020.

Tax expenses were \$7.5m (H1 2020: income tax \$0.4m). The increase is mainly as a result of a tax provision related to the sale of NGSoft and tax expenses due to the increase in profit of the Bio-Medical division.

Net profit after tax attributable to equity holders of the parent increased to \$12.0m (H1 2020: \$1.6m) resulting in a significant increase in basic earnings per share to 2.72¢ (H1 2020: 0.36¢).

As at 30 June 2021, inventory decreased slightly from the position at year end to \$33.8m (31 December 2020: \$33.9m; 30 June 2020: \$26.2m). Trade and other receivables were \$38.9m (31 December 2020: \$41.5m; 30 June 2020: \$47.2m), with the decrease mainly due to the disposal of NGSoft, which offset an increase in trade receivables in the Networking and Cyber division and Bio-Medical division based on the timing of revenue collection.

Intangible assets and goodwill at 30 June 2021 were \$17.6m (31 December 2020: \$23.7m; 30 June 2020: \$23.6m). The decrease is due to the sale of NGSoft.

Property, plant and equipment and investment property was \$16.2m (31 December 2020: \$18.0m; 30 June 2020: \$15.5m). The decrease is primarily due to the disposal of property, plant and equipment related to sale of NGSoft subsidiary and to depreciation.

The balance of trade and other payables was \$43.6m (31 December 2020: \$53.6m; 30 June 2020: \$51.8m). The decrease is due to a payment to suppliers for the Group's ventilator project that was undertaken in 2020 and to the disposal of trade and other payables related to NGSoft.

Cash used in operations was \$2.3m (H1 2020: \$4.4m cash generation), which is primarily due to the payment to suppliers related to the Group's ventilator project.

The Group's balance sheet was strengthened with cash and cash equivalents and financial assets of \$64.9m at 30 June 2021 compared with \$53.4m at 31 December 2020 and \$44.3m at 30 June 2020. This is comprised of cash and cash equivalents of \$62.2m (31 December 2020: \$50.6m; 30 June 2020: \$40.0m) and financial assets of \$2.7m (31 December 2020: \$2.8m; 30 June 2020: \$4.3m). Financial assets represent cash deposits of more than three months' duration, held for trading bonds and marketable securities. The change in financial assets compared with the prior periods reflects timing of deposit disposals. The increase in cash and cash equivalents relates to the higher Group profit and the proceeds from the sale of NGSoft.

Outlook

The Group entered the second half of the year with a strong order book and it expects to achieve significant full year revenue growth from ongoing operations (excluding the contribution from NGSoft and the exceptional ventilator contract that was delivered last year).

Specifically, the Group continues to receive significant sustained demand for its new COVID-19 diagnostic tests and those launched last year. With testing expected to remain a key component of pandemic management measures globally and providing a tool to assist in the re-opening of economies, the Group anticipates the Diagnostics unit will achieve substantial year-on-year growth.

The Group continues to expect to generate revenue this year from the roll-out of Edgility OS by PCCW Global. BATM also anticipates receiving orders for Edgility OS in the second half following the successful completion of proof-of-concepts undertaken during the period.

With the lifting of lockdown restrictions and normal business practices beginning to resume, sales of the Group's carrier ethernet and cyber products have continued to gain momentum, as demonstrated by the award of the \$10m cyber security contract post period. In addition, in the Eco-Med unit, the Group expects to complete the delivery of its contract for the ISS-based solution in Hungary by year end.

As a result, the Group expects revenue for full year 2021 to be approximately 5% ahead of market expectations. With the greater than expected ongoing demand for the Group's COVID-19 diagnostic solutions, which are higher margin products, combined with the capital gain from the sale of NGSoft recognised during H1 2021, the Group anticipates full year EBITDA to be more than 20% ahead of market expectations, reflecting growth in EBITDA of over 40% year-on-year.

Consequently, and supported by a robust balance sheet, the Board of BATM continues to look to the future with great confidence.

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

	<u>Six months ended 30 June</u>	
	2021 \$'000	2020 \$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Revenues	71,448	77,410
Cost of revenues	<u>45,754</u>	<u>54,407</u>
Gross profit	25,694	23,003
Operating expenses		
Sales and marketing expenses	9,215	10,155
General and administrative expenses	5,721	6,222
Research and development expenses	3,652	3,893
Other operating expenses (income)	<u>(12,917)</u>	<u>330</u>
Total operating expenses	5,671	20,600
Operating profit	<u>20,023</u>	<u>2,403</u>
Finance income	305	529
Finance expenses	<u>(479)</u>	<u>(1,005)</u>
Profit before tax	19,849	1,927
Income tax (expenses)	<u>(7,462)</u>	<u>398</u>
Profit for the period before share of loss of a joint venture and associated companies	12,387	2,325
Share of loss of a joint venture and associated companies	<u>(401)</u>	<u>(359)</u>
Profit for the period	<u>11,986</u>	<u>1,966</u>
<u>Attributable to:</u>		
Owners of the Company	11,979	1,585
Non-controlling interests	<u>7</u>	<u>381</u>
Profit for the period	<u>11,986</u>	<u>1,966</u>
Profit per share (in cents):		
Basic	<u>2.72</u>	<u>0.36</u>
Diluted	<u>2.70</u>	<u>0.36</u>

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

	<u>Six months ended 30 June</u>	
	2 0 2 1	2 0 2 0
	\$'000	\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Profit for the period	11,986	1,966
Items that may be reclassified subsequently to profit or loss:		
Disposal of a foreign operation	(522)	-
Exchange differences on translating foreign operations	<u>(2,195)</u>	<u>(1,046)</u>
Total comprehensive income for the period	<u>9,269</u>	<u>920</u>
Attributable to:		
Owners of the Company	9,190	831
Non-controlling interests	<u>79</u>	<u>89</u>
	<u>9,269</u>	<u>920</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2021 \$'000	30 June 2020 \$'000	31 December 2020 \$'000
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Current assets			
Cash and cash equivalents	62,151	39,990	50,575
Trade and other receivables	38,902	47,166	41,467
Financial assets	2,742	4,285	2,803
Inventories	33,757	26,169	33,893
	<u>137,552</u>	<u>117,610</u>	<u>128,738</u>
Non-current assets			
Property, plant and equipment	14,379	13,627	16,109
Investment property	1,797	1,841	1,878
Right-of-use assets	6,310	10,298	9,607
Goodwill	11,407	16,748	16,838
Other intangible assets	6,219	6,845	6,879
Investment in joint venture and associate	13,138	9,505	13,271
Investments carried at fair value	1,027	1,078	1,027
Deferred tax assets	4,107	4,295	5,759
	<u>58,384</u>	<u>64,237</u>	<u>71,368</u>
Total assets	<u>195,936</u>	<u>181,847</u>	<u>200,106</u>
Current liabilities			
Short-term bank credit	4,968	4,627	5,365
Trade and other payables	43,641	51,789	53,618
Current maturities of lease liabilities	1,727	2,196	2,244
Tax liabilities	6,449	832	3,046
	<u>56,785</u>	<u>59,444</u>	<u>64,273</u>
Non-current liabilities			
Long-term bank credit	325	723	675
Long-term liabilities	4,583	6,256	6,416
Long-term lease liabilities	5,287	8,629	8,440
Deferred tax liabilities	140	635	711
Retirement benefit obligation	753	758	828
	<u>11,088</u>	<u>17,001</u>	<u>17,070</u>
Total liabilities	<u>67,873</u>	<u>76,445</u>	<u>81,343</u>
Equity			
Share capital	1,320	1,320	1,320
Share premium account	425,717	425,543	425,686
Reserves	(17,112)	(19,336)	(14,323)
Accumulated deficit	(278,111)	(297,806)	(290,090)
Equity attributable to the:			
Owners of the Company	131,814	109,721	122,593
Non-controlling interest	(3,751)	(4,319)	(3,830)
Total equity	<u>128,063</u>	<u>105,402</u>	<u>118,763</u>
Total equity and liabilities	<u>195,936</u>	<u>181,847</u>	<u>200,106</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Six months ended 30 June 2021

	Share capital	Share premium account	Translation reserve	Other reserve	Accumulated deficit	Attributable to owners of the Company	Non-controlling interests	Total equity
	\$'000							
Balance as at 1 January 2021	1,320	425,686	(13,811)	(512)	(290,090)	122,593	(3,830)	118,763
Profit for the period	-	-	-	-	11,979	11,979	7	11,986
Disposal of a foreign operation	-	-	(522)	-	-	(522)	-	(522)
Exchange differences on translating foreign operations	-	-	(2,267)	-	-	(2,267)	72	(2,195)
Total comprehensive income for the period	-	-	(2,789)	-	11,979	9,190	79	9,269
Recognition of share-based payments	-	31	-	-	-	31	-	31
Balance as at 30 June 2021 (unaudited)	<u>1,320</u>	<u>425,717</u>	<u>(16,600)</u>	<u>(512)</u>	<u>(278,111)</u>	<u>131,814</u>	<u>(3,751)</u>	<u>128,063</u>

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
	\$'000							
Balance as at 1 January 2020	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)
Total comprehensive income for the period	-	-	(754)	-	1,585	831	89	920
Recognition of share-based payments	-	66	-	-	-	66	-	66
Balance as at 30 June 2020 (unaudited)	<u>1,320</u>	<u>425,543</u>	<u>(18,824)</u>	<u>(512)</u>	<u>(297,806)</u>	<u>109,721</u>	<u>(4,319)</u>	<u>105,402</u>

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

	Six months ended 30 June	
	2 0 2 1	2 0 2 0
	\$'000	\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Net cash from (used in) operating activities (Appendix A)	<u>(4,364)</u>	<u>.....3,917</u>
Investing activities		
Interest received	13	80
Proceeds on disposal of property, plant and equipment	52	34
Proceeds on disposal of deposits	157	1,665
Proceeds on disposal of financial assets carried at fair value through profit and loss	100	450
Purchases of property, plant and equipment	(607)	(707)
Increase of other intangible assets	(400)	(298)
Purchases of financial assets carried at fair value through profit and loss	-	(2,009)
Purchases of deposits	(157)	(157)
Net cash outflow on acquisition of business combinations	(309)	(103)
Investment in joint venture, associated companies and other	(160)	(244)
Proceeds from sale of subsidiary (Appendix B)	<u>18,662</u>	<u>-</u>
Net cash from (used in) investing activities	<u>17,351</u>	<u>(1,289)</u>
Financing activities		
Lease payment	(1,147)	(1,259)
Bank loan repayment	(6,774)	(5,251)
Bank loan received	<u>6,573</u>	<u>3,943</u>
Net cash used in financing activities	<u>.....(1,348)</u>	<u>.....(2,567)</u>
Net increase in cash and cash equivalents	11,639	61
Cash and cash equivalents at the beginning of the period	50,575	40,584
Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>(63)</u>	<u>(655)</u>
Cash and cash equivalents at the end of the period	<u>62,151</u>	<u>39,990</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>	
	2021	2020
	\$'000	\$'000
	<u>Unaudited</u>	<u>Unaudited</u>
Operating profit from operations	<u>20,023</u>	<u>2,403</u>
Adjustments for:		
Amortisation of intangible assets	433	361
Depreciation of property, plant and equipment and investment property	2,226	2,569
Capital gain of property, plant and equipment	(22)	(7)
Profit from sale of a subsidiary	(13,035)	-
Stock options granted to employees	31	66
Increase (decrease) in retirement benefit obligation	(52)	46
Decrease in provisions	<u>(2)</u>	<u>(23)</u>
Operating cash flow before movements in working capital	<u>9,602</u>	<u>5,415</u>
Decrease (increase) in inventory	136	(3,464)
Increase in receivables	(5,009)	(4,609)
Increase (decrease) in payables	(4,725)	7,498
Effects of exchange rate changes on the balance sheet	<u>(2,259)</u>	<u>(442)</u>
Cash from (used in) operations	<u>(2,255)</u>	<u>4,398</u>
Income taxes paid	(1,660)	(251)
Income taxes received	-	40
Interest paid	<u>(449)</u>	<u>(270)</u>
Net cash from (used in) operating activities	<u>(4,364)</u>	<u>3,917</u>

APPENDIX B**DISPOSAL OF SUBSIDIARY – NGSoft**

On 19 March 2021, the Group entered into a sale agreement to dispose of NG Soft Ltd. (“NGSoft”) to Aztek Technologies (1984) Ltd., a provider of ICT cloud services in Israel and a portfolio company of SKY Fund (the “Buyer”). NGSoft is a software and digital services company that provides creative digital and technology solutions.

Disposal of subsidiary – NGSoft

	Six months ended 30 June
	2021
	\$'000
	<u>Unaudited</u>
Net assets disposed	
Property, plant and equipment	1,144
Right of use	3,667
Other intangible assets	968
Net working capital	73
Lease liability	(3,764)
Current tax liability	(584)
Deferred tax liability	(540)
Goodwill	5,185
Net assets disposed of	<u>6,149</u>
Disposal of a foreign operation	(522)
Gain on disposal	<u>13,035</u>
Total consideration	<u>18,662</u>
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents, net	20,903
Cash and cash equivalents disposed	<u>(2,241)</u>
	<u>18,662</u>

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 2020 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 2020, which have been prepared in accordance with IFRSs.

Note 2 – Profit per share

Profit per share is based on the weighted average number of shares in issue for the period of 440,434,124 (H1 2020: 440,279,074). 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 444,285,836 shares (H1 2020: 443,200,168).

Note 3 – Other alternative measures

	<u>Six months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
	<u>Unaudited</u>	<u>Unaudited</u>
Operating profit	20,023	2,403
Amortisation of intangible assets	<u>433</u>	<u>361</u>
Adjusted operating profit	<u>20,456</u>	<u>2,764</u>
Depreciation	<u>2,226</u>	<u>2,569</u>
EBITDA	<u>22,682</u>	<u>5,333</u>

BATM ADVANCED COMMUNICATIONS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Segments

Business Segment

Six months ended 30 June 2021

	Networking and Cyber \$'000	Bio-Medical \$'000	Unallocated \$'000	Total \$'000
Revenues	16,377	55,071	-	71,448
Adjusted operating profit (*)	11,050	9,406	-	20,456
Reconciliation - other operating expenses (*)				(433)
Operating profit				20,023
Net finance expense				(174)
Profit before tax				19,849

Six months ended 30 June 2020

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

(*) See note 3

BATM ADVANCED COMMUNICATIONS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 5 – 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	
	2021	2020
	\$'000	\$'000
	Unaudited	Unaudited
Telecommunication products	6,670	7,362
Software services	9,707	20,107
Distribution of medical products	33,289	30,773
Diagnostic products	17,786	5,925
Eco-Med products	<u>3,996</u>	<u>13,243</u>
	<u>71,448</u>	<u>77,410</u>