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12 March 2024

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

**Full Year Results**

BATM (LSE: BVC; TASE: BVC), a leading provider of real-time technologies for networking solutions and medical laboratory systems, announces its preliminary results for the year ended 31 December 2023.

**Financial Highlights**

<b>\$m</b>	<b>2023</b>	<b>2022</b>
Revenue	122.8	116.1
Gross profit	39.9	38.0
Gross margin	32.5%	32.7%
Adj. operating profit*	5.0	4.0
Adj. EBITDA*	9.3	8.3
Adj. profit before tax*	4.8	2.8
Net cash from (used in) operating activities	5.0	(2.8)

\*Adjusted to exclude amortisation of intangible assets and non-cash share-based payments. For further detail, see the Financial Review

**Strategic & Operational Highlights**

- Completion of in-depth internal review of all business operations to focus the Group on its core business lines within networking, cyber and diagnostics, whilst introducing organisational improvements
- Sales increased by 11.7% year-on-year when excluding contribution from COVID-19 products
- Revenue and adjusted EBITDA growth driven by excellent performance of the Cyber division

**Networking**

- Edgility edge computing platform:
  - Two five-year orders won from NGA 911 LLC (“NGA”), a leading provider of emergency connectivity services in North America
  - Rollout continued to progress with CEMEX and CityFibre
  - Proof-of-concepts conducted with a number of potential customers worldwide, including Tier 1 operators
  - Established new partnership to increase sales and marketing reach in EMEA
  - Launched new release of Edgility, with significantly upgraded features
- Carrier ethernet solutions:
  - Launched new 10GE platform, which is undergoing proof-of-concepts that are expected to translate to orders in the current year
  - Promoting 100G solutions with TM-8104 and TM-8106 network edge platforms to address demand for high-performance rapidly deployable service demarcation devices with advanced features and low cost per port

**Cyber**

- Won multi-year orders totalling \$32.4m from government defence department customer
- Development continued of advanced encryption solutions, including quantum key distribution integration and to expand the Group’s offering into further markets

## ***Diagnostics***

- In line with the new strategy, the Diagnostics division now comprises all of the Group’s diagnostics instrument and reagent activities
- Sales of diagnostic products increased by 20.8% year-on-year when excluding COVID-19 contribution, driven by expanded customer base and product portfolio for distributed diagnostic products
- Initiated sales of MDXlab, a new molecular diagnostics instrument, towards the end of the year, which is receiving strong interest
- Introduced a next-generation sequencing (“NGS”) preparation device with advanced capabilities for DNA and RNA sequencing
- ADOR Diagnostics progressed development of disruptive NATlab molecular diagnostics platform, with in-hospital pre-clinical trials commencing during the year, and secured \$7.5m investment

## **Commenting on the results, Moti Nagar, Chief Executive Officer of BATM, said:**

“I am proud of what we achieved in 2023. Against a challenging macroeconomic backdrop, we delivered growth in sales and adjusted EBITDA – including an outstanding performance in our Cyber business. We launched several innovative new products in Diagnostics and Networking that have been well-received, whilst progressing development of potentially game-changing solutions. Significantly, we undertook an in-depth strategic review that resulted in the establishment of a new strategy, which we began to implement in the second half of the year. Our new strategy is focused on accelerating our activities that build on our established areas of core expertise and which are in scalable and growing markets. This involves enhancing how we operate as a business, prioritising resource allocation and potential M&A activity. We have already taken important steps forward in this process and I am excited about the progress we will make in 2024. Accordingly, and supported by our strong balance sheet, we look to the future with confidence and look forward to reporting on our progress.”

## **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**

Moti Nagar, CEO, and Ran Noy, CFO, will be holding a webinar for analysts and investors on 13 March 2024 at 4.30pm GMT. To register to participate or submit a question in advance, please use the following link: <https://forms.gle/4i8HW63eMGhvSJHj6>.

### **Forward-looking statements**

*This document contains forward-looking statements. Those statements reflect the current opinions, evaluations and estimations of the Group's management, and are based on the current data regarding the Group's business as is detailed in this document and in the Group's periodical, interim and immediate reports. The Group does not undertake any obligation or make any representation that actual results and events will be in line with those statements, and stresses that they may differ materially from those statements, due to changes in the Group's business, market, competition, demand for the Group's products or services, general economic factors or other factors that can influence the Group's business and results, due to the risk factors that are detailed in the Group's Annual Report, and due to information and factors that are currently unknown to the Group's management and that, if known, would affect the management's opinions, evaluations or estimations. The Group will report the actual results and events according to its legal, accounting and regulatory obligations, and does not undertake any other obligation to report them or their deviations from the forward-looking statements, or to update any of the forward-looking statements in this document or to report that it is not valid anymore.*

## Strategic Update

During the year, an in-depth process was undertaken to assess the Group's business, strategy and markets. Through this exercise, which concluded towards the end of the first half, BATM renewed its strategic vision as a global enterprise that intends to maximise its top assets while providing high-quality solutions in growing markets with innovative technology backed by strong IP and unique know-how. Accordingly, the Networking, Cyber and Diagnostics lines of business have been established as the Group's core areas of activity and prioritised for resource allocation.

Over time, the Group intends to add capability to its core activities through M&A, and to divest other businesses where the Group can secure attractive terms. The Group began exploring potential opportunities during the second half of the year, albeit progress was hindered by the impact of the prevalent geopolitical circumstances and macroeconomic uncertainty. However, while there can be no guarantee that any transaction will take place, the Board is confident that these strategic processes will be accelerated in 2024.

The Group also began implementing certain operational changes to align the business with the new strategic vision, which has continued in the new financial year. This includes adopting a reporting structure that is aligned with the new strategy. The management team is seeking to enhance efficiency across the Group by leveraging shared resources and fostering collaboration between businesses that operate in similar markets – with the latter being particularly applicable for the Group's diagnostics businesses. The Group is in the process of establishing further Group-wide corporate functions, with VPs of Business Development and Human Resources being appointed during the year and a VP of Group Operations joining the Group shortly. In addition, the Group has commenced the process to expand and enhance the sales teams within its core activities.

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## Operational Review

Against a challenging macroeconomic backdrop and the loss of sales relating to COVID-19 products as the global pandemic subsided, the Group delivered a strong performance in 2023. The growth in sales was driven by the Cyber division, which won multi-year orders totalling over \$32m. There was an increase in revenue generated by Edgility, with the Group also winning its first contract for Edgility to be used for a government application in the US. In the Diagnostics division, revenue increased when excluding the contribution from products related to COVID-19, and was in line on an absolute basis. In addition, the Group continued its development work, including new products that were launched towards the end of the year in the Diagnostics and Networking divisions and which are receiving strong interest.

The Group significantly increased cash generated from operating activities to \$5.0m, which is primarily attributable to the Group's core activities, compared with cash used in operating activities of \$2.8m in the previous year.

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## Networking Division

\$m	2023	2022
Revenue	19.8	22.0
Gross margin*	47.1%	45.9%
EBITDA*	1.7	0.4

\* Adjusted to exclude amortisation of intangible assets and non-cash share-based payments

The Networking division provides high-performance connectivity solutions for the network edge, including:

- the innovative Edgility open edge software platform that enables the deployment and life-cycle management of apps, network functions and compute devices at the edge of the network
- a broad portfolio of carrier grade switching and routing hardware and software products

The Group delivered a substantial increase in EBITDA in the Networking division in 2023, despite a reduction in revenue and cost pressures. This primarily reflects lower operating expenses in 2023 due to measures implemented to reduce costs.

Revenue was impacted by the global slowdown in the telecommunications industry as economic uncertainty and an inflationary environment resulted in organisations pausing or delaying purchasing decisions. Revenue generated by Edgility continued to increase, however revenue generated from carrier ethernet products continued to account for the vast majority of the Networking division revenue and was lower year-on-year. Despite the cost price inflation, there was an improvement in gross margin in the Networking division, supported by the greater contribution to revenue from Edgility.

#### *Edgility edge computing platform*

The Group received two five-year orders from NGA 911 LLC, a leading provider of emergency connectivity services in North America, for its Edgility platform for edge computing. NGA is using Edgility to deliver the call-handling system for 911 Emergency Services and the 988 National Suicide Prevention & Mental Health Crisis Lifeline in the US, representing the first time Edgility is being used for a government application and to support critical public infrastructure. The Group expects to receive further orders from NGA as they continue the rollout of Edgility in the current areas of deployment and expand to NGA's network in additional US States and the Asia-Pacific region.

The rollout of Edgility with CEMEX, S.A.B. (NYSE: CX), a global construction materials company, progressed well during the year, and is on track to complete in the current year. CEMEX has already deployed more than 1,000 end points across sites in Europe and Central and South America. The rollout continued with CityFibre, the UK's largest independent carrier-neutral Full Fibre platform.

Edgility continued to undergo evaluation and successful proof-of-concepts with leading network operators (including Tier 1 operators in Europe and Latin America), multi-service providers, partners and systems integrators worldwide.

The Group continued to generate revenue through its partnerships with Advantech, a global leader in industrial IoT, and Lanner Electronics, a global provider of network appliances and edge AI systems, that are providing Edgility pre-installed on their universal edge network appliances. The Group established a further route-to-market for Edgility via a new collaboration with Innovetechs, which specialises in delivering digital transformation projects for EMEA service providers.

Towards the end of the year, the Group launched a new release of Edgility, which marks a significant upgrade to the Group's connected, intelligent edge platform. This new release includes augmented high-availability, a more intuitive user interface, integrated network functions, strengthened security and enhanced operational efficiency. Edgility now supports Kubernetes, which is an open-source container orchestration system for automating software deployment, scaling and management. In addition, the Group has introduced several Edgility connected edge as a service packages, including a full managed service package, to provide customers with the flexibility to choose the relevant network appliances and mode of operation.

#### *Carrier ethernet solutions*

The Group continued to evolve its product portfolio, with a particular focus on developing an upgraded, cost effective 10GE demarcation device that was launched towards the end of the year. The Group is conducting a number of proof-of-concepts with this device, which it expects to translate into orders. The

Group is also developing new products, which it intends to launch during 2024, that will expand its portfolio to support additional use cases.

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### Cyber Division

\$m	2023	2022
<b>Revenue</b>	10.3	5.9
<b>Gross margin*</b>	40.8%	40.6%
<b>EBITDA*</b>	2.4	0.6

\* Adjusted to exclude amortisation of intangible assets and non-cash share-based payments

The Cyber division provides integrated hardware and software solutions for network encryption, including hardware security modules (HSMs). It is a strategic provider to large government agency clients, primarily involving the security of mission critical infrastructure.

During the year, the Cyber division performed strongly, with revenue growing by 76.6%. The higher revenue combined with a slight improvement in gross margin and with operating costs remaining broadly stable resulted in a 289.9% increase in adjusted EBITDA.

The Group secured new cyber orders totalling \$32.4m during the year from its long-standing defence department customer. This included receiving, at the beginning of the year, a \$26m order for its latest high-performance encryption platform, which the Group began to deliver during the year and is to be delivered over a maximum of five years. The Group expects to receive further orders in the current year.

The Cyber division continued to progress its development programme, which includes integration of its platforms with quantum key distribution (QKD) and post-quantum encryption algorithms to address cyber risk in the quantum computing era. It also includes a new encryption offering that will allow BATM to expand its solutions to new markets, such as other government agency customers and the commercial markets.

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### Diagnostics Division

\$m	2023	2022
<b>Revenue</b>	33.3	33.5
<b>Gross margin*</b>	31.0%	31.9%
<b>EBITDA*</b>	3.0	3.3

\* Adjusted to exclude amortisation of intangible assets and non-cash share-based payments

The Diagnostics division is mainly engaged in the sale and distribution of in vitro diagnostics reagents and instruments, including the development and production of proprietary products. Its proprietary products are focused on molecular diagnostics by test type and infectious disease by application area. This represents the implementation of the Group's new strategy by bringing together its activities involving its proprietary products and distribution of third party diagnostic products. Through closer collaboration, the Group will be able to leverage the strengths across the two areas of activity, such as being able to apply for a larger number of tenders and offer a comprehensive solution combining proprietary and third party products.

Revenue in the Diagnostics division increased by 20.8% over 2022 when excluding the contribution to both years from sales related to COVID-19 products, which accounted for an immaterial amount in 2023 and c. \$7m in 2022, and was broadly in line on an absolute basis. In addition, there was growth in the second half over the first half of the year. The underlying growth was driven by the expansion of the Group's customer base and product portfolio of distributed diagnostic products.

The slight reduction in gross margin primarily reflects the contribution to 2022 from COVID-19 products, which carry a higher margin. Operating expenses were broadly maintained and, accordingly, EBITDA was lower due to the slight decrease in revenue and gross margin.

The Group continued to progress development and engineering work on new reagents, kits and instruments. In particular, towards the end of the year, the Group launched the MDXlab, a new molecular diagnostics instrument based on the real-time PCR method. MDXlab is a fully integrated sample-to-answer nucleic acid detection system. Most of today's laboratories will either have two instruments to undertake the different steps within the PCR process or they will have a large integrated instrument, which is not suitable for small- to medium-sized laboratories or point-of-care. MDXlab is designed to overcome these limitations by offering an integrated, compact, cost-effective solution. The Group is receiving strong interest in this new instrument and has commenced generating revenue in the new financial year.

Also towards the end of the year, the Group introduced the EXTRA lab NGS Prep, which it plans to commercially launch in the current year. This new molecular diagnostics instrument expands the capabilities of the Group's existing EXTRA lab with regards to NGS library preparation. NGS is an advanced technology used for DNA and RNA sequencing and variant/mutation detection, which is used for personalised precision medicine, that is capable of sequencing a vast number of genes in a short period of time. Library preparation, which is the first phase of the NGS process, is often a manual procedure. The Group's instrument automates this process, with the EXTRA lab NGS Prep being able to make relevant self-adjustments.

The Group strengthened its distribution operations by identifying new suppliers and deepening its relationship with its existing partners with a view to gaining exclusive contracts and advantageous commercial terms. The Group also conducted a direct sales & marketing campaign to clients that had been awarded government funding that management expects will translate to applicable tenders for the Group in 2024 and which it is confident of winning. As noted above, this would include offering comprehensive solutions comprising the Group's proprietary products as well as from third parties.

ADOR Diagnostics ("ADOR"), an associate company of the Group that is developing the disruptive NATlab molecular biology platform, made strong progress during the year in finalising the development of a new advanced biological process and upgraded cartridge and instrument designs, and achieved a key milestone with the commencement of pre-clinical trials of the NATlab at a hospital. This has generated valuable insights, which the Group is now using to enhance its biological process and improve the NATlab product. In addition, ADOR secured an investment of \$7.5m, of which the Group is contributing \$3.5m, which will be paid on the completion of milestones. Following this investment, the Group's shareholding in ADOR will increase to 43.6%.

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## Secondary Activities

\$m	2023	2022
<b>Revenue</b>	59.3	54.8
<b>Gross margin*</b>	27.9%	27.8%
<b>EBITDA*</b>	2.3	4.0

\* Adjusted to exclude amortisation of intangible assets and non-cash share-based payments

The Group's secondary (non-core) activities include its businesses focused on:

- the distribution of pharmaceutical and environmental monitoring products, and the administering of diagnostic tests
- the production of eco-friendly pathogenic waste treatment solutions for medical, agricultural and pharmaceutical applications

Revenue generated by the Group's secondary businesses grew by 8.3% year-on-year, driven by the distribution of pharmaceutical products and test administration. Gross margin was maintained, however, EBITDA was lower than the previous year due to an increase in operating expenses primarily as a result of inflationary cost pressures.

## Financial Review

\$m	Adjusted*		Reported	
	2023	2022	2023	2022
Revenue	122.8	116.1	122.8	116.1
Gross margin	32.9%	33.0%	32.5%	32.7%
Operating profit	5.0	4.0	1.6	3.1
EBITDA	9.3	8.3	6.8	8.0

\* Adjusted to exclude amortisation of intangible assets and non-cash share-based payments

Total Group revenue for 2023 increased by 5.8% to \$122.8m (2022: \$116.1m). This primarily reflects growth in the Cyber division and the Group's distribution activities offsetting a reduction in the Networking division. On an underlying basis, when excluding the contribution to both years of sales from products related to COVID-19, total Group revenue increased by 11.7% year-on-year and by 20.8% for the Diagnostics division specifically.

Gross margin was broadly maintained at 32.5% (2022: 32.7%), which reflects margin being largely stable across the Group's divisions.

Sales and marketing expenses were \$19.1m (2022: \$17.2m), with the increase primarily reflecting activities to support the higher revenues and the impact of cost inflation. General and administrative expenses were \$15.1m (2022: \$13.0m). The increase reflects share-based payments, which are non-cash. R&D expenses were \$5.1m (2022: \$7.0m), which reflects cost reduction and recognition of intangible assets. Other operating income was \$1.1m (2022: \$2.4m), reflecting non-recurring income in both years. As a result, total operating expenses were \$38.2m (2022: \$34.8m).

On an adjusted basis, to exclude the share-based payments expense and amortisation of intangible assets (see Note 3), operating profit grew by 24.3% to \$5.0m (2022: \$4.0m) due to the increased revenue and stable gross margin. On a reported basis, the revenue and gross profit growth was offset by the increase in total operating costs resulting in an operating profit of \$1.6m compared with \$3.1m for 2022.

As a result of the above, EBITDA (excluding share-based payments) increased to \$9.3m for 2023 compared with \$8.3m for 2022.

Net finance expenses were reduced to \$0.2m (2022: \$1.2m), primarily due to an increase in finance income resulting from higher interest rates.

Profit before tax on an adjusted basis increased to \$4.8m (2022: \$2.8m) and was \$1.5m on a reported basis (2022: \$1.9m).

The Group recorded a \$0.8m tax expense (2022: \$0.3m), which reflects the receipt of a one-time tax credit in the prior year.

On a reported basis, profit after tax before share of loss of a joint venture and associated companies was \$0.6m (2022: \$1.6m). After the share of loss of a joint venture and associated companies, the Group



recorded a loss for the year of \$0.2m compared with a profit for 2022 of \$0.9m. As a result, there was a loss per share of 0.04¢ (2022: 0.06¢ earnings per share).

As at 31 December 2023, inventories were \$38.2m (31 December 2022: \$34.5m). Trade and other receivables were \$31.2m (31 December 2022: \$36.5m). Intangible assets and goodwill at 31 December 2023 were \$20.8m (31 December 2022: \$18.5m).

Property, plant and equipment and investment property was \$16.7m (31 December 2022: \$15.9m).

Trade and other payables were \$41.7m (31 December 2022: \$46.3m).

Cash inflow from operating activities was \$5.0m, which was primarily generated by the Group's core activities, compared with an outflow of \$2.8m in 2022. This significant improvement primarily reflects a strong emphasis on cost management and collections.

Cash used in investing activities was \$6.1m (2022: \$16.3m used in), which primarily reflects investment in fixed and intangible assets and in joint ventures and associated companies, including ADOR. Cash used in financing activities was \$2.2m (2022: \$7.1m used in), which consists of lease payments. As a result, the net decrease in cash and cash equivalents was \$3.3m compared with a decrease of \$26.2m in the prior year, with the improvement primarily reflecting tax payments in 2022 relating to a business disposal along with currency impacts and returns to shareholders.

At 31 December 2023, the Group had cash and short-term investments of \$40.8m (31 December 2022: \$44.2m).

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## **Outlook**

The Group entered 2024 with positive momentum in its core activities, a new focused strategy designed to deliver sustainable, long-term growth and a strong balance sheet.

Having begun to implement the new strategy in the second half of 2023, the Board intends to ramp up the process in the current year. The Group plans to focus its resources on its core activities, including building a strong global sales team. In addition, while there is no guarantee any transaction will occur, the Group intends to explore M&A opportunities to support the Group's core activities or divestment of secondary businesses. Accordingly, the Group intends to invest to establish a solid infrastructure that will provide the foundations for sustainable growth.

With regards to the core activities specifically, the Group has a significant backlog in the Cyber division to be delivered in the current year and beyond. In addition, the Group is focused on the development of its new encryption product that will enable the Cyber division to penetrate new markets. The Group is receiving strong interest in its new diagnostic instruments, MDXlab and EXTRA Lab NGS Prep, which it expects to make a material contribution to growth in the Diagnostic division alongside a sustained increase in sales of distributed diagnostic products. In the Networking division, the Group expects growth to be driven by the actions that it is taking to enhance its sales function and other operational infrastructure.

As a result, the Board remains confident in the Group's prospects and looks forward to reporting on its progress.

**BATM ADVANCED COMMUNICATIONS LTD.  
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	Year ended 31 December	
	2023	2022
	US\$'000 <u>Unaudited</u>	US\$'000 <u>Audited</u>
Revenues	122,830	116,123
Cost of revenues	82,940	78,165
<b>Gross profit</b>	<b>39,890</b>	<b>37,958</b>
<b>Operating expenses</b>		
Sales and marketing expenses	19,130	17,209
General and administrative expenses	15,126	13,018
Research and development expenses	5,081	7,025
Other operating income	(1,096)	(2,428)
<b>Total operating expenses</b>	<b>38,242</b>	<b>34,824</b>
<b>Operating profit</b>	<b>1,648</b>	<b>3,134</b>
Finance income	1,329	772
Finance expenses	(1,516)	(2,011)
<b>Profit before tax</b>	<b>1,461</b>	<b>1,895</b>
Income tax expenses	(839)	(339)
<b>Profit for the year before share of loss of a joint venture and associated companies</b>	<b>622</b>	<b>1,556</b>
Share of loss of a joint venture and associated companies	(822)	(686)
<b>Profit (loss) for the year</b>	<b>(200)</b>	<b>870</b>
<u>Attributable to:</u>		
Owners of the Company	(193)	244
Non-controlling interests	(7)	626
<b>Profit (loss) for the year</b>	<b>(200)</b>	<b>870</b>
<b>Earnings (loss) per share (in cents):</b>		
Basic & Diluted	(0.04)	0.06

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

	<u>Year ended 31 December</u>	
	<b>2023</b> US\$'000 <u>Unaudited</u>	<b>2022</b> US\$'000 <u>Audited</u>
Profit (loss) for the period	(200)	870
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translating foreign operations	<u>3,112</u>	<u>(5,810)</u>
	3,112	(5,810)
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Re-measurement of defined benefit obligation	5	65
	5	65
<b>Total other comprehensive income (loss) for the period</b>	<b>3,117</b>	<b>(5,745)</b>
<b>Total comprehensive income (loss) for the period</b>	<b><u>2,917</u></b>	<b><u>(4,875)</u></b>
<b>Attributable to:</b>		
Owners of the Company	2,759	(5,727)
Non-controlling interests	<u>158</u>	<u>852</u>
	<b><u>2,917</u></b>	<b><u>(4,875)</u></b>

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

	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
	<b><u>Unaudited</u></b>	<b><u>Audited</u></b>
<b>Current assets</b>		
Cash and cash equivalents	32,339	35,156
Trade and other receivables	31,219	36,495
Short-term investment in deposits and other securities	8,425	9,011
Inventories	38,227	34,461
	<u>110,210</u>	<u>115,123</u>
<b>Non-current assets</b>		
Property, plant and equipment	16,051	15,309
Investment property	612	620
Right of-use assets	4,351	5,461
Goodwill	12,763	12,583
Other intangible assets	8,019	5,948
Investment in joint venture and associate	17,894	15,555
Investments carried at fair value	1,220	1,220
Deferred tax assets	3,507	3,362
	<u>64,417</u>	<u>60,058</u>
<b>Total assets</b>	<u><b>174,627</b></u>	<u><b>175,181</b></u>
<b>Current liabilities</b>		
Short-term bank credit	3,276	2,235
Trade and other payables	41,662	46,256
Current maturities of lease liabilities	1,830	1,984
Tax liabilities	359	818
	<u>47,127</u>	<u>51,293</u>
<b>Non-current liabilities</b>		
Long-term bank credit	1,328	2,000
Long-term liabilities	3,449	3,472
Long-term lease liabilities	2,650	3,758
Deferred tax liabilities	39	120
Retirement benefit obligation	598	537
	<u>8,064</u>	<u>9,887</u>
<b>Total liabilities</b>	<u><b>55,191</b></u>	<u><b>61,180</b></u>
<b>Equity</b>		
Share capital	1,320	1,320
Share premium account	428,656	426,138
Reserves	(29,865)	(32,812)
Accumulated deficit	(279,767)	(279,579)
<b>Equity attributable to the:</b>		
Owners of the Company	120,344	115,067
Non-controlling interests	(908)	(1,066)
<b>Total equity</b>	<u><b>119,436</b></u>	<u><b>114,001</b></u>
<b>Total equity and liabilities</b>	<u><b>174,627</b></u>	<u><b>175,181</b></u>

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

**Year ended 31 December 2023 (Unaudited)**

	Share capital	Share premium account	Translation reserve	Other reserve	Accumulated deficit	Attributable to owners of the Company	Non- controlling interests	Total equity
<b>US\$'000</b>								
<b>Balance as at 1 January 2023</b>	1,320	426,138	(26,039)	(6,773)	(279,579)	115,067	(1,066)	114,001
Loss for the period	-	-	-	-	(193)	(193)	(7)	(200)
Re-measurement of defined benefit obligation	-	-	-	-	5	5	-	5
Exchange differences on translating foreign operations	-	-	2,947	-	-	2,947	165	3,112
<b>Total comprehensive income (loss) for the year</b>	-	-	2,947	-	(188)	2,759	158	2,917
Recognition of share- based payments	-	2,518	-	-	-	2,518	-	2,518
<b>Balance as at 31 December 2023 (unaudited)</b>	<b>1,320</b>	<b>428,656</b>	<b>(23,092)</b>	<b>(6,773)</b>	<b>(279,767)</b>	<b>120,344</b>	<b>(908)</b>	<b>119,436</b>

**Year ended 31 December 2022 (Audited)**

	Share capital	Share premium account	Translation reserve	Other reserve	Accumulated deficit	Attributable to owners of the Company	Non- controlling interests	Total equity
<b>US\$'000</b>								
<b>Balance as at 1 January 2022</b>	1,320	425,840	(19,337)	(512)	(279,888)	127,423	(3,289)	124,134
Profit for the period	-	-	-	-	244	244	626	870
Re-measurement of defined benefit obligation	-	-	-	-	65	65	-	65
Exchange differences on translating foreign operations	-	-	(6,036)	-	-	(6,036)	226	(5,810)
<b>Total comprehensive income (loss) for the year</b>	-	-	(6,036)	-	309	(5,727)	852	(4,875)
Dividend paid to non- controlling interest	-	-	-	-	-	-	(681)	(681)
Share buy-back	-	-	-	(1,325)	-	(1,325)	-	(1,325)
Transaction with non- controlling interests	-	-	(666)	(4,936)	-	(5,602)	2,052	(3,550)
Recognition of share-based payments	-	298	-	-	-	298	-	298
<b>Balance as at 31 December 2022</b>	<b>1,320</b>	<b>426,138</b>	<b>(26,039)</b>	<b>(6,773)</b>	<b>(279,579)</b>	<b>115,067</b>	<b>(1,066)</b>	<b>114,001</b>

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

	Year ended 31 December	
	2023	2022
	<u>Unaudited</u>	<u>Audited</u>
	US\$'000	US\$'000
<b>Net cash from (used in) operating activities</b> (Appendix A)	<u>5,009</u>	<u>(2,784)</u>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(2,404)	(2,414)
Increase of other intangible assets	(2,782)	(2,054)
Investment in joint venture and associated companies	(2,060)	(4,386)
Purchases of deposits and financial assets	(1,879)	(11,733)
Proceeds on disposal of property, plant and equipment	228	4,514
Proceeds on disposal of deposits and securities	2,777	4,941
Investment in a subsidiary	-	(550)
Tax payment related to disposal of a subsidiary	-	(4,953)
Other (Appendix B)	-	293
<b>Net cash used in investing activities</b>	<u>(6,120)</u>	<u>(16,342)</u>
<b>Financing activities</b>		
Lease payment	(2,162)	(2,192)
Bank loan repayment	(7,498)	(11,017)
Bank loan received	7,500	12,465
Dividend paid	-	(4,300)
Dividend paid to NCI	-	(681)
Share buy-back	-	(1,325)
<b>Net cash used in financing activities</b>	<u>(2,160)</u>	<u>(7,050)</u>
<b>Net decrease in cash and cash equivalents</b>	(3,271)	(26,176)
<b>Cash and cash equivalents at the beginning of the year</b>	35,156	65,331
Effects of exchange rate changes on the balance of cash held in foreign currencies	454	(3,999)
<b>Cash and cash equivalents at the end of the year</b>	<u>32,339</u>	<u>35,156</u>

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

**APPENDIX A**

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

	<u>Year ended 31 December</u>	
	<b>2023</b>	<b>2022</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Operating profit from operations</b>	<b>1,648</b>	<b>3,134</b>
<b>Adjustments for:</b>		
Amortisation of intangible assets	795	557
Depreciation of property, plant and equipment and investment property	4,381	4,334
Capital gain of property, plant and equipment	(19)	(2,021)
Gain from revaluation of investment carried at fair value	-	(192)
Gain from business combination achieved in stages over an associated company	-	(404)
Share-based payments	2,518	298
Increase in retirement benefit obligation	24	23
<b>Operating cash flow before movements in working capital</b>	<b>9,347</b>	<b>5,729</b>
Increase in inventory	(3,998)	(3,258)
Decrease (Increase) in receivables	4,606	(803)
Decrease in payables	(5,644)	(1,186)
Effects of exchange rate changes on the balance sheet	1,454	(1,556)
<b>Cash from (used in) operations</b>	<b>5,765</b>	<b>(1,074)</b>
Income taxes paid	(694)	(985)
Interest paid	(62)	(725)
<b>Net cash from (used in) operating activities</b>	<b>5,009</b>	<b>(2,784)</b>

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

**APPENDIX B**

**BUSINESS COMBINATION ACHIEVED IN STAGES OVER AN ASSOCIATED COMPANY**

Towards the end of the year, the Group gained control of one of its associated companies for an immaterial amount.

	<b>2022 Audited \$'000</b>
<b>Net assets acquired</b>	
Current assets	523
Cash	29
Property, plant and equipment	22
Current liabilities	(514)
	60
Goodwill	1,429
<b>Total consideration</b>	<b>1,489</b>
<b>Satisfied by:</b>	
Disposal of investment in associated company	775
Liability of acquisition	714
	1,489
<b>Net cash inflow arising on business combination</b>	
Cash and cash equivalents acquired	29



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

**Note 1 – General**

This preliminary results announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The final results for the year ended 31 December 2023, which will be prepared in accordance with IFRS, will be presented in the full annual report and accounts.

**Note 2 – Earnings per share**

Earnings per share is based on the weighted average number of shares in issue for the period of 440,546,454 (2022: 440,167,097) including 4,495,000 ordinary shares held in treasury. The number used for the calculation of the diluted earnings per share for the period (which includes the effect of dilutive stock option plans) is 441,313,447 shares (2022: 442,357,116).

**Note 3 – Other alternative measures**

<b>Year ended 31 December 2023 (Unaudited)</b>	<b>Reported results</b>	<b>Adjustments* US\$ thousands</b>	<b>Adjusted results</b>
Gross profit	39,890	568	40,457
Gross margin (%)	32.5%	-	32.9%
Operating profit	1,648	3,313	4,961
EBITDA	6,824	2,518	9,342

<b>Year ended 31 December 2022 (Unaudited)</b>	<b>Reported results</b>	<b>Adjustments* US\$ thousands</b>	<b>Adjusted results</b>
Gross profit	37,958	414	38,372
Gross margin (%)	32.7%	-	33.0%
Operating profit	3,134	855	3,989
EBITDA	8,025	298	8,323

(\* ) Adjusted to exclude amortisation of intangible assets and share-based payments.

**EBITDA measurement**

	<b>Year ended 31 December</b>	
	<b>2023 (Unaudited)</b>	<b>2022 (Audited)</b>
	<b>US\$ thousands</b>	
Operating profit	1,648	3,134
Amortisation of Intangible assets	795	557
Share-based payments	2,518	298
Depreciation	4,381	4,334
Adj. EBITDA	9,342	8,323

## Note 4 – Segments

### Business Segments

Operational segments are identified on the basis of internal reports about the Group's components that are reviewed by the main operational decision maker of the Group ("CODM"), the CEO of the Company, for the purpose of allocating resources and evaluating the performance of the operational segments. Information reported to the CODM for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

During the year, following an in-depth process, the Group renewed its strategic vision. Accordingly, the CODM now receives reports based on the new strategy, which identifies the Group's core areas of activity, and which are prioritised for resource allocation, and secondary (non-core) activities.

The principal products and services of each of these segments are as follows: Networking – marketing, research and development of data communication products, which includes high-performance connectivity solutions for the network edge, including the innovative Edgility open edge software platform that enables the deployment and life-cycle management of apps, network functions and compute devices at the edge of the network, and a broad portfolio of carrier grade switching and routing hardware and software products. Cyber – provision of integrated hardware and software solutions for network encryption, including hardware security modules (HSMs). Diagnostics – mainly engaged in sales and distribution of in vitro diagnostics reagents and instruments, including the development and production of proprietary products. Its proprietary products are focused on molecular diagnostics by test type and infectious disease by application area. Secondary – mainly the distribution of pharmaceutical and environmental monitoring products and diagnostic tests, and the production of eco-friendly pathogenic waste treatment solutions for medical, agricultural and pharmaceutical applications.

The results for the year ended 31 December 2022 have been re-presented in accordance with the new segmentation listed above.

#### Year ended 31 December 2023 (Unaudited)

	<b>Networking</b>	<b>Cyber</b>	<b>Diagnostics</b>	<b>Secondary</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenues	19,800	10,346	33,342	59,342	122,830
Operating profit/(loss)	(224)	1,496	334	42	1,648
Net finance expenses					(187)
Profit before tax					<u>1,461</u>

#### Year ended 31 December 2022 (Audited)

	<b>Networking</b>	<b>Cyber</b>	<b>Diagnostics</b>	<b>Secondary</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenues	22,006	5,858	33,473	54,786	116,123
Operating profit/(loss)	(899)	366	1,587	2,080	3,134
Net finance expenses					(1,239)
Profit before tax					<u>1,895</u>