

22 February 2021

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

Full Year Results 2020

Transformational year with significant financial and operational delivery

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 2020.

Financial Summary

	2020	2019	Change
	\$m	\$m	
Revenue	183.6	123.4	+49%
Gross profit	60.7	33.1	+83%
Gross margin	33.1%	26.9%	+620bps
Operating profit	14.2	4.5	+218%
Adj. * operating profit	15.0	5.3	+183%
EBITDA	19.7	9.8	+100%
Cash from operations	20.1	8.4	+138%
Earnings per share (cents)	2.22¢	0.93¢	+139%
Cash and financial assets	53.4	44.8	+19%

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

Operational Summary

Bio-Medical Division (70% of total revenue)

- Revenue increased by 100% to \$128.7m (2019: \$64.4m) driven by sales of COVID-19 diagnostic kits and critical care ventilators
- Gross margin improved by 1270bps to 36.3% (2019: 23.6%) due to product mix, including the introduction of new molecular diagnostics tests
- Diagnostics Unit
 - Rapidly launched RT-PCR and serologic test kits for COVID-19
 - Received strong global demand for COVID-19 test kits (reagents) and diagnostic instruments throughout the year
 - Developed a new rapid results multi pathogen testing kit for diagnosing respiratory viruses
 - Signed agreements with several leading European universities for the co-development of new diagnostics solutions expected to be launched in 2021
 - Additional investment of \$10m, of which the Group contributed \$3m, in associate company Ador Diagnostics to expedite the development of RCA-based technology capable of providing sample-to-answer diagnostics within 30 minutes
- Eco-Med Unit
 - Delivered €29m order from a European government for 1,000 critical care ventilators
 - Entered new market with delivery of first ISS-based insect protein recovery instrument
- Distribution Unit
 - Increased revenue through existing activities and the distribution of COVID-19 diagnostic reagents
 - Commenced performing COVID-19 tests at the Group’s lab in Romania
 - Established infrastructure to expand into new geographies

Networking and Cyber Division (30% of total revenue)

- Revenue was \$54.9m (2019: \$59.0m), reflecting impact of COVID-19 on ability to travel to customers' premises and install equipment
- Gross margin of 25.5% (2019: 30.5%) due to COVID-19 impact on product mix
- Networking Unit
 - Significant milestones achieved with the Group's NFVTime operating system for enabling network function virtualisation ("NFV"):
 - Secured first tier 1 customer, PCCW Global, with multi-year licensing agreement
 - Several successful proofs-of-concept conducted by tier 1 operators in Europe and APAC, including Vodafone
 - Received an order from AdcareIT, an outsourced ICT managed services provider in Kenya
 - Completed enhancement, post period, to enable NFVTime deployment via public cloud environments
 - Introduced new carrier Ethernet solutions for increasing home broadband connectivity and quality, which are undergoing proofs-of-concept worldwide
 - Post period, entered into an option agreement to sell the Group's NG Soft Ltd subsidiary for NIS 105.1m (c. \$33m) in cash to Aztek Technologies (1984) Ltd, a provider of ICT cloud services in Israel
- Cyber Unit
 - Awarded a \$4m cyber security contract from the Group's long-standing government defence department customer, of which \$3.2m was delivered during the year

Commenting on the results, Dr Zvi Marom, Chief Executive Officer of BATM, said: "This was an outstanding year for BATM. We delivered substantial financial growth, which was driven by our Bio-Medical division that was able to respond rapidly to the outbreak of the pandemic to develop COVID-19 diagnostic tests and manufacture critical care ventilators while also continuing its regular activity. In our Networking and Cyber division, we achieved a key milestone in securing our first tier 1 customer for NFVTime, which will soon begin the roll-out of our solution. As a result, we significantly advanced the execution of our strategy in molecular diagnostics and NFV – our key future growth markets.

"Looking ahead, we entered 2021 with sustained momentum in the Bio-Medical division as we continue to receive strong demand for our COVID-19 test kits and instruments. We are also scheduled to launch various new, very advanced diagnostic testing kits this year. In the Networking and Cyber division, we expect sales of NFVTime to make a good contribution to the full year revenue of this division. This will enable us to achieve further improvement in our gross margin, reflecting the strengthened foundations of the Group. As a result, the Board of BATM looks to the future with great confidence."

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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 GMT. To register to participate, please contact Claire Norbury at Luther Pendragon at clairenorbury@luther.co.uk

Group Strategy

BATM brings world-leading expertise and IP to deliver innovative, robust, reliable and cost-effective solutions to complex challenges in mission-critical applications in the Group's focus sectors of bio-medicine and telecom networking. The Group serves a diverse range of customers globally, including large enterprises and governments. BATM delivers value creation from novel idea, to scale-up and mass-market success, and seeks to maximise the long-term value of its businesses through organic and inorganic strategies. A focus on molecular diagnostics and telecom networking reflects both the growth opportunities within those markets and BATM's ability to innovate and disrupt. The challenges that 2020 has brought have, in the Board's opinion, strengthened and accelerated the requirement for the Group's key solutions.

Operational Review

The year to 31 December 2020 was transformational for BATM, with substantial growth delivered by the Bio-Medical division and significant operational milestones achieved in the Networking and Cyber division. As a result of the investment the Group had 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 to the COVID-19 pandemic. This includes the development of COVID-19 antigen and antibody diagnostic tests, which received strong demand throughout the year, 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 as a result of the restrictions on travel imposed by lockdowns, the Group made significant progress with its NFVTime solution – which the Group expects to become a key growth engine – including securing its first tier 1 customer, PCCW Global.

Bio-Medical Division

	FY 2020	FY 2019
Revenue	\$128.7m	\$64.4m
Gross margin	36.3%	23.6%
Adj.* operating profit	\$19.4m	\$0.1m

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

Revenue for the Bio-Medical division increased by 100% to \$128.7m (2019: \$64.4m), reflecting significant growth in all units. Gross margin improved substantially to 36.3% (2019: 23.6%) due to the high-margin nature of the new molecular biology and COVID-19 products in the Diagnostics and Eco-Med units. As a result of the substantially higher revenue and gross margin, the Bio-Medical division generated an adjusted operating profit of \$19.4m for 2020 compared with \$0.1m in 2019.

Diagnostics

The Diagnostics unit performed exceptionally well during 2020, with revenue growth of 318% and accounting for 18% of Bio-Medical division revenue (2019: 9%). As a result of the investment that the Group has made in advancing the Bio-Medical division in recent years and transitioning to molecular diagnostics, it is now able to rapidly provide solutions for any new pathogen that appears. The Group also responded with speed and efficiency 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 test kits for COVID-19, which received strong demand throughout the year. In addition, sales of the Group's diagnostic instruments (readers) increased, and were frequently ordered alongside the COVID-19 test kit reagents. This momentum continued throughout the year with the Diagnostics unit entering 2021 with a substantially higher order book than at the same point of the prior year. To cater to the increased demand, the Group expanded the production capacity of its Adaltis facility in Rome, Italy.

The customers for the Group's COVID-19 solutions were primarily public health authorities in Europe and South East Asia. The Group also received an order from a major new customer that is a significant global private laboratory group, headquartered in Italy. The customer provides COVID-19 testing throughout Europe, primarily for large businesses such as airports. The Group expects to receive further orders from this customer.

COVID-19 diagnostic tests

In 2020, the Group launched both RT-PCR (reverse transcription polymerase chain reaction) antigen tests and serologic antibody tests for COVID-19, which are produced at its Adaltis facility in Rome.

The Group's antigen molecular (RT-PCR) test kit, which detects 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. The Group expanded the gene discovery capability of this test to five (4+1), compared with a market standard of three, during the second half of the year and, importantly, included 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.

In partnership with Tor Vergata University of Rome, the Group continually tests its kits against any mutation that is perceived to be clinically material. The Group has confirmed that its kits are accurately able to detect all known variants of COVID-19.

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. The Group subsequently advanced this test to be able to measure the quantity of antibodies in the blood rather than just identifying their presence or absence (qualitative test). This was 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 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. This test 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%.

New molecular diagnostics tests

During the second half of the year, the Group also developed a new molecular PCR diagnostics test that is able to test for multiple respiratory pathogens at the same time. In less than an hour, it 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. This test is in the final stages of CE certification. The Group expects to commence production and sales of this kit in the coming months.

In addition, the Group entered into agreements with several leading universities in Europe for the co-development of diagnostic solutions, which are expected to be launched in 2021. These new molecular biology tests will be for the diagnosis of infectious diseases, which are a key focus area for the Group's diagnostics activities.

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 year, Ador developed an innovative technology using the rolling circle amplification (“RCA”) method. This 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. Ador is in the advanced stages of incorporating the RCA technology into the NATlab system, which it expects to be ready for in-hospital trials in H1 2021. To expedite the development of the new RCA-based system, the Group and its partners in Ador invested an additional \$10m, of which BATM contributed \$3m. Following this investment, Ador has an enterprise value of \$54.5m and the Group’s shareholding is 37%.

Eco-Med

The Eco-Med unit achieved significant growth, with revenue increasing by 509% and accounting for 31% of the Bio-Medical division’s revenue (2019: 10%). This was as a result of the delivery of a €29m contract from a European government for 1,000 critical care ventilators to support that country’s public health response to COVID-19. The ventilators were manufactured by the Group’s Celitron subsidiary in Hungary, which has been producing equipment for medical environments globally for over 10 years.

As a result of the pandemic and the restrictions on travel, the Eco-Med unit focused its efforts on the delivery of the ventilator project in 2020. As lockdown measures are lifted, the Group is resuming work on the installation of its pathogenic waste treatment solutions based on its Integrated Steriliser and Shredder (“ISS”) technology. The Group expects to complete the delivery of its solution to its food manufacturing customers, under its existing contracts, in the Philippines and Taiwan this year. The Group also expects to complete the delivery of a contract, awarded in 2020, from Ceva Animal Health, a leading developer of animal health products, to expand and enhance the ISS-based solution installed at its facility in Hungary.

Towards the end of the year, the Group completed the delivery of the first of its new ISS-based instrument that recovers high-quality protein and oils from insects such as worms and flies. The customer, which is headquartered in Belgium, recycles insect nutrients into valuable products for the feedstock industry. It intends to use the Group’s solution to produce insect protein powder that can be a substitute for fishmeal and oils used in aquaculture feed. This marks the entry into a new market segment for the Group and is an area that the Group believes offers great potential as a sustainable source of protein.

Distribution

Revenue in the Distribution unit increased by 26% in 2020 over the prior year and accounted for approximately 51% of the Bio-Medical division’s revenue (2019: 81%).

The increased revenue was due to growth in its existing distribution activities as well as through the provision of third-party reagents for COVID-19 tests, both PCR and serologic, to public health authorities in Eastern Europe. In the second half of the year, the Group’s lab in Romania also commenced performing COVID-19 tests for private sector customers. In addition, the Group established infrastructure to expand its distribution activities into Hungary, which is expected to commence this year.

Networking and Cyber Division

	FY 2020	FY 2019
Revenue	\$54.9m	\$59.0m
Gross margin	25.5%	30.5%
Adj.* operating profit/(loss)	\$(4.5)m	\$5.2m

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

Revenue in the Networking and Cyber division was slightly lower in 2020 than the previous year due to COVID-19 lockdown measures, which continued throughout the year, causing restrictions on travelling to

the premises of customers and suppliers. As a result of a shift in sales mix towards lower margin products mainly in ICT, combined with the continued investment in new solutions, notably NFVTime, the Networking and Cyber division recorded an operating loss. The adjusted operating profit for the prior year also included an exceptional gain of \$3.4m from the sale of the Group's rights in IBC Holdings, a joint venture to construct a fibre optic broadband network in Israel that was acquired by Cellcom Israel Ltd.

NFV solutions

The Group made significant progress with its NFVTime operating system, developed by its Telco Systems subsidiary, 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.

The Group achieved a key milestone in securing its first tier 1 customer, PCCW Global, for NFVTime with a three-year licensing agreement. PCCW Global selected NFVTime to enrich its managed SD-WAN service offering, which it provides to its multinational enterprise customers as well as to operators that it services on a wholesale basis. The Group will receive a licence fee for a minimum of three years for each deployment of NFVTime. The Group expects PCCW Global will be making NFVTime available to its customers during Q1 2021.

The Group conducted several successful proofs-of-concept of NFVTime with tier 1 operators in Europe during the year. In particular, 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 comparable platforms. The Group continues to work closely with Arm and Vodafone for the next step in the process, which the Group expects will be field trials.

The Group is receiving significant interest in NFVTime from prospective customers and the pipeline of potential orders continues to expand. NFVTime is currently undergoing evaluation with several leading network operators and multi-service providers worldwide. A number of these evaluations are at an advanced stage and the Group is confident that they will translate to orders in due course.

Also during the year, the Group received an order for NFVTime 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.

Post period, the Group completed the enhancement of NFVTime 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 is 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.

ICT and Carrier Ethernet solutions and services

As noted, some of the Group's activities in the Networking unit were impacted by the COVID-19 lockdown measures and, consequently, there was a reduction in revenue generated from the installation and servicing of equipment. However, the Group expects sales of its carrier Ethernet solutions and services to return to growth as restrictions on travel are lifted.

The Group continued its development efforts during the year. This includes introducing new solutions to its T-Marc R3305 series of multiservice business routers to enable customers to increase home broadband connectivity and quality. This is designed to meet the increased demand for products to support productivity for people working and learning at home. The T-Marc R3305 platform is undergoing proofs-of-concept worldwide and is in field trials with a tier 2 operator in Europe.

The Group also received increasing interest in its ultra-high capacity service aggregation and cloud gateway platform, the T-Metro 8104, which it launched in Q4 2019. During the year, the Group completed the deployment of hundreds of units for multi-service providers across North America that want to increase their network capacity to keep up with the ever-growing demand from their customers for more bandwidth.

Cyber

Towards the start of the year, the Group was awarded a \$4m contract from its long-standing government defence department customer. This further order, the majority of which was delivered during 2020, was 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.

Overall, revenue in the Group's cyber security business was lower in 2020 than in 2019 as a result of COVID-19 restrictions as well as the diversion of government budgets in response to the pandemic. However, the Group expects increased activity in this area in 2021 as public authorities begin to return to postponed projects.

NGSoft option agreement

Post period, as announced on 12 January 2021, BATM entered into an option agreement to sell its NG Soft Ltd ("NGSoft") subsidiary for a total cash consideration of NIS 105.1m (c. \$33m), of which the Group would receive NIS 93.7m (c. \$29m), 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 do not include any of the Group's NFV or cyber solutions. Accordingly, the Board believes that it would be in the best interests of BATM and of all shareholders to generate value from the sale of NGSoft and invest the proceeds to accelerate the Group's core activities.

The Group's option is exercisable up to and including 1 March 2021, which, in accordance with the terms of the option agreement, can be extended by the Group to 17 May 2021 under certain predefined circumstances. The Group will update the market in due course.

Financial Review

	H1 2020	H2 2020	FY 2020	FY 2019
Revenue	\$77.4m	\$106.2m	\$183.6m	\$123.4m
Gross margin	29.7%	35.6%	33.1%	26.9%
Adj.* operating profit	\$2.8m	\$12.2m	\$15.0m	\$5.3m

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

Total Group revenue for 2020 increased by 49% to \$183.6m (2019: \$123.4m). This reflects significant growth in the Bio-Medical division, which accounted for 70% of total revenue (2019: 52%) and 30% was contributed by the Networking and Cyber division (2019: 48%). The second half of the year was particularly strong, with revenue in H2 2020 being 37% higher than H1 2020.

The gross margin for the year improved to 33.1% (2019: 26.9%). This is due to a substantial increase in the gross margin for the Bio-medical division to 36.3% (2019: 23.6%), and the significantly increased contribution to total revenue from the division, as a result of the high-margin nature of the new molecular biology diagnostic kits and COVID-19 products. This more than offset the lower gross margin in the Networking and Cyber division.

Sales and marketing expenses were \$20.2m (2019: \$16.3m), representing 11% of revenue compared with 13% in 2019. The increase in sales and marketing expenses is attributable to the Group's COVID-19 related products in the Diagnostics and Eco-Med units of the Group's Bio-Medical division. There was also an increase in sales activity in the Distribution unit, which reflects its ongoing business development (and only partially related to COVID-19 solutions).

General and administrative expenses were \$15.9m (2019: \$11.8m), representing 9% of revenue compared with 10% in 2019, reflecting the greater size and activity of the Group.

R&D expenses were higher in 2020 than the previous year at \$10.3m (2019: \$6.8m), which reflects investments in the Group's molecular biology and COVID-19 products as well as investment in its NFV technology.

Adjusted operating profit increased by 183% to \$15.0m compared with \$5.3m in 2019. This growth reflects the significantly higher revenue and gross profit. It also includes a capital gain of \$0.6m from the part realisation of the Group's ownership of Ador. The adjusted operating profit for 2019 includes (under other operating income) a capital gain of \$3.2m from the part realisation of the Group's ownership of Ador and \$3.4m from the sale of the Group's rights in IBC Holdings.

EBITDA grew by 100% to \$19.7m (2019: \$9.8m), reflecting the increased operating profit.

Net finance expense was \$0.9m (2019: \$0.3m income), which is primarily due to the adverse effect of foreign exchange rate fluctuations (primarily in the Euro, Moldovan Leu and Hungarian Forint), compared with a positive impact in 2019. Currency fluctuations had an immaterial impact on revenue and operating profit.

Net profit after tax attributable to equity holders of the parent increased to \$9.8m (2019: \$3.9m) resulting in a significant increase in basic earnings per share to 2.22¢ (2019: 0.93¢).

As at 31 December 2020, inventory was \$33.9m (31 December 2019: \$22.7m). The increase is primarily due to the expansion of production of diagnostic products to satisfy orders to be delivered in 2021. Trade and other receivables decreased slightly to \$41.5m (31 December 2019: \$42.8m).

Intangible assets and goodwill at 31 December 2020 were \$23.7m (31 December 2019: \$23.7m).

Property, plant and equipment and investment property was \$18.0m (31 December 2019: \$16.1m). The increase is mostly due to investments in the Diagnostics unit to expand production capacity.

The balance of trade and other payables was \$53.6m (31 December 2019: \$44.5m). The increase is primarily due to provisions for suppliers for the Group's ventilator project that are due to be paid in Q1 2021 as well as for supplies to support the ongoing demand for the Group's diagnostic solutions.

Cash generated from operations increased to \$20.1m (2019: \$8.4m) and cash from operating activities, which includes tax and interest payments, was \$18.5m for 2020 compared with \$7.2m for the prior year. The growth is mainly due to the increased profit for the year and an improvement in working capital.

The Group's balance sheet was strengthened with effective liquidity of \$53.4m at 31 December 2020 compared with \$44.3m at 30 June 2020 and \$44.8m at 31 December 2019. This is comprised of cash and cash equivalents of \$50.6m (30 June 2020: \$40.0m; 31 December 2019: \$40.6m) and financial assets of \$2.8m (30 June 2020: \$4.3m; 31 December 2019: \$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 profit and improvement in working capital.

Dividend

The Board of BATM has resolved to recommend the distribution of a dividend for full year 2020 following the publication of the Group's audited annual report and accounts, in accordance with Israeli law. The Group will provide further details in due course.

Outlook

The Group entered 2021 receiving increasing demand for the solutions in its key target areas in both of its divisions.

The momentum in the Bio-Medical division has been sustained as it continues to receive strong demand for its molecular diagnostic test kits and instruments. In the Diagnostics unit, the order book is significantly higher than at the equivalent period last year and, in the current year, management expects the Bio-Medical Division to remain the largest contributor to Group revenues.

In the Networking and Cyber division, the Group expects sales of NFVTime to make a material contribution to the full year revenue of this division resulting from the scheduled roll-out of the solution by PCCW Global and the anticipated adoption by other operators. In addition, due to the advanced technology of its carrier Ethernet and cyber security solutions, the Group is confident that sales in these product areas will return to growth once lockdown restrictions are lifted and normal business practices resume.

As noted above, in January 2021, BATM entered into an option agreement to sell its NGSoft Ltd subsidiary and the Group intends to make an announcement on this shortly. If the Group exercises its option, the Board expects to use the proceeds from the disposal to strengthen its innovation engine organically and through acquisition to enable the Group to accelerate its core activities – in particular, in NFV and molecular diagnostics. As previously noted, the Board believes these areas offer transformational growth opportunities in the short- to medium-term.

For 2021, the Group expects revenue growth from continuing operations, excluding the impact of the large ventilator contract received in 2020. Also, the Board expects to achieve further improvement in its gross margin for 2021 resulting from the anticipated increased contribution to Group revenue from its molecular diagnostics and NFV solutions. This reflects the strengthened foundations of the Group, which the Board of BATM believes positions the Group for sustainable growth in profitability.

As a result, the Board of BATM looks to the future with great confidence and will update the market on its progress.

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

	Year ended 31 December	
	2020	2019
	US\$ in thousands	
Revenues	183,566	123,396
Cost of revenues	<u>122,856</u>	<u>90,251</u>
Gross profit	<u>60,710</u>	<u>33,145</u>
Operating expenses		
Sales and marketing expenses	20,197	16,307
General and administrative expenses	15,884	11,753
Research and development expenses	10,258	6,772
Other operating expenses (income)	<u>138</u>	<u>(6,169)</u>
Total operating expenses	<u>46,477</u>	<u>28,663</u>
Operating profit	<u>14,233</u>	<u>4,482</u>
Finance income	820	1,612
Finance expenses	<u>(1,754)</u>	<u>(1,316)</u>
Profit before tax	13,299	4,778
Income tax expenses	<u>(1,043)</u>	<u>(475)</u>
Profit for the year before share of loss of a joint venture and associated companies	<u>12,256</u>	<u>4,303</u>
Share of loss of a joint venture and associated companies	<u>(774)</u>	<u>(1,033)</u>
Profit for the year	<u>11,482</u>	<u>3,270</u>
<u>Attributable to:</u>		
Owners of the Company	9,793	3,917
Non-controlling interests	<u>1,689</u>	<u>(647)</u>
Profit for the year	<u>11,482</u>	<u>3,270</u>
Profit per share (in cents):		
Basic	<u>2.22</u>	<u>0.93</u>
Diluted	<u>2.21</u>	<u>0.92</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	US\$ in thousands	
Profit for the year	11,482	3,270
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<u>3,148</u>	<u>398</u>
	14,630	3,668
Items that will not be reclassified subsequently to profit or loss:		
Losses on property revaluation	(508)	-
Re-measurement of defined benefit obligation	<u>16</u>	<u>(44)</u>
	<u>(492)</u>	<u>(44)</u>
Total comprehensive income for the year	<u>14,138</u>	<u>3,624</u>
Attributable to:		
Owners of the Company	13,560	3,664
Non-controlling interests	<u>578</u>	<u>(40)</u>
	<u>14,138</u>	<u>3,624</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December	
	2020	2019
	US\$ in thousands	
Current assets		
Cash and cash equivalents	50,575	40,584
Trade and other receivables	41,467	42,784
Financial assets	2,803	4,254
Inventories	<u>33,893</u>	<u>22,672</u>
	<u>128,738</u>	<u>110,294</u>
Non-current assets		
Property, plant and equipment	16,109	14,203
Investment property	1,878	1,899
Right-of-use assets	9,607	9,945
Goodwill	16,838	16,804
Other intangible assets	6,879	6,941
Investment in joint venture and associate	13,271	9,497
Investments carried at fair value	1,027	1,013
Deferred tax assets	<u>5,759</u>	<u>3,234</u>
	<u>71,368</u>	<u>63,536</u>
Total assets	<u>200,106</u>	<u>173,830</u>
Current liabilities		
Short-term bank credit	5,365	5,915
Trade and other payables	53,618	44,459
Current maturities of lease liabilities	2,244	2,070
Tax liabilities	<u>3,046</u>	<u>313</u>
	<u>64,273</u>	<u>52,757</u>
Non-current liabilities		
Long-term bank credit	675	762
Long-term liabilities	6,416	6,215
Long-term lease liabilities	8,440	8,339
Deferred tax liabilities	711	626
Retirement benefit obligation	<u>828</u>	<u>715</u>
	<u>17,070</u>	<u>16,657</u>
Total liabilities	<u>81,343</u>	<u>69,414</u>
Equity		
Share capital	1,320	1,320
Share premium account	425,686	425,477
Reserves	(14,323)	(18,582)
Accumulated deficit	<u>(290,090)</u>	<u>(299,391)</u>
Equity attributable to the:		
Owners of the Company	122,593	108,824
Non-controlling interests	<u>(3,830)</u>	<u>(4,408)</u>
Total equity	<u>118,763</u>	<u>104,416</u>
Total equity and liabilities	<u>200,106</u>	<u>173,830</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 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								
Balance as at 1 January 2020	1,320	425,477	(18,070)	(512)	(299,391)	108,824	(4,408)	104,416
Profit for the year	-	-	-	-	9,793	9,793	1,689	11,482
Re-measurement of defined benefit obligation	-	-	-	-	16	16	-	16
Losses on property revaluation	-	-	-	-	(508)	(508)	-	(508)
Exchange differences on translating foreign operations	=	=	<u>4,259</u>	=	=	<u>4,259</u>	<u>(1,111)</u>	<u>3,148</u>
Total comprehensive income for the year	-	-	4,259	-	9,301	13,560	578	14,138
Exercise of share based options by employees	-	51	-	-	-	51	-	51
Recognition of share-based payments	=	<u>158</u>	=	=	=	<u>158</u>	=	<u>158</u>
Balance as at 31 December 2020	<u>1,320</u>	<u>425,686</u>	<u>(13,811)</u>	<u>(512)</u>	<u>(290,090)</u>	<u>122,593</u>	<u>(3,830)</u>	<u>118,763</u>

Year ended 31 December 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								
Balance as at 1 January 2019	1,217	407,796	(17,861)	(512)	(303,264)	87,376	(4,368)	83,008
Profit (loss) for the year	-	-	-	-	3,917	3,917	(647)	3,270
Re-measurement of defined benefit obligation	-	-	-	-	(44)	(44)	-	(44)
Exchange differences on translating foreign operations	=	=	<u>(209)</u>	=	=	<u>(209)</u>	<u>607</u>	<u>398</u>
Total comprehensive income (loss) for the year	-	-	(209)	-	3,873	3,664	(40)	3,624
Issue of share capital	93	16,981	-	-	-	17,074	-	17,074
Exercise of share based options by employees	10	595	-	-	-	605	-	605
Recognition of share-based payments	=	<u>105</u>	=	=	=	<u>105</u>	=	<u>105</u>
Balance as at 31 December 2019	<u>1,320</u>	<u>425,477</u>	<u>(18,070)</u>	<u>(512)</u>	<u>(299,391)</u>	<u>108,824</u>	<u>(4,408)</u>	<u>104,416</u>

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

Year ended 31 December

2020 2019

US\$ in thousands

Net cash from operating activities (Appendix A)	<u>18,459</u>	<u>7,166</u>
Investing activities		
Interest received	101	205
Proceeds on disposal of property, plant and equipment	39	113
Tax paid on disposal of property, plant and equipment	-	(19)
Proceeds on disposal of deposits	3,122	3,234
Proceeds on disposal of financial assets carried at fair value through profit and loss	761	-
Proceeds on sale of investment	-	3,430
Purchases of property, plant and equipment	(3,386)	(686)
Increase of other intangible assets	(328)	(1,523)
Purchases of financial assets carried at fair value through profit and loss	(2,009)	(760)
Purchases of deposits	(314)	(3,112)
Investment in joint venture	(3,000)	(1,952)
Investment in associated companies	(467)	(575)
Acquisition of subsidiaries (Appendix B)	<u>-</u>	<u>(937)</u>
Net cash used in investing activities	<u>(5,481)</u>	<u>(2,582)</u>
Financing activities		
Lease payment	(2,428)	(2,361)
Bank loan repayment	(13,852)	(9,922)
Bank loan received	12,980	10,086
Proceed on issue of share capital, net	-	17,074
Proceed on exercise of shares	<u>51</u>	<u>605</u>
Net cash from (used in) financing activities	<u>(3,249)</u>	<u>15,482</u>
Net increase in cash and cash equivalents	9,729	20,066
Cash and cash equivalents at the beginning of the year	40,584	20,811
Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>262</u>	<u>(293)</u>
Cash and cash equivalents at the end of the year	<u>50,575</u>	<u>40,584</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 OPERATING ACTIVITIES

	Year ended 31 December	
	2020	2019
	US\$ in thousands	
Operating profit from operations	14,233	4,482
Adjustments for:		
Amortisation of intangible assets	718	794
Depreciation of property, plant and equipment and investment property	4,757	4,561
Capital loss of property, plant and equipment	31	31
Gain on sale of investment	-	(3,380)
Capital gain on reduce of holdings in associated company	(602)	(3,161)
Stock options granted to employees	158	105
Increase in retirement benefit obligation	96	121
Increase in provisions	<u>2,114</u>	<u>298</u>
Operating cash flow before movements in working capital	21,505	3,851
Decrease (increase) in inventory	(11,198)	1,387
Decrease (increase) in receivables	916	(7,896)
Increase in payables	7,111	11,361
Effects of exchange rate changes on the balance sheet	<u>1,729</u>	<u>(264)</u>
Cash from operations	20,063	8,439
Income taxes paid	(637)	(410)
Income taxes received	3	10
Interest paid	<u>(970)</u>	<u>(873)</u>
Net cash from operating activities	<u>18,459</u>	<u>7,166</u>

APPENDIX B

ACQUISITION OF SUBSIDIARY – Remedium

	Year ended 31 December
	2019
	US\$ in thousands
Net assets acquired	
Property, plant and equipment	1,257
Net working capital	607
Short-term bank credit	(134)
Long term liabilities	<u>(635)</u>
	1,095
Non- controlling interest	(543)
Gain from bargain purchase	<u>(248)</u>
Total consideration	<u>304</u>
Satisfied by:	
Cash	304
Consideration recorded as a liability	-
	<u>304</u>
Net cash outflow arising on acquisition	
Cash consideration	316
Cash and cash equivalents acquired	<u>(12)</u>
	<u>304</u>

Acquisition of subsidiaries in the Consolidated Statement of Cash Flows of 2019 also includes the final payment of \$0.6m for Green Lab Hungary Engineering Ltd, which was acquired in 2016.

BATM ADVANCED COMMUNICATIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General

The final results for the year ended 31 December 2020 and the comparative 2019 information will be presented in the full Annual Report in accordance with International Financial Reporting Standards (“IFRS”).

Note 2 – Profit per share

Profit per share is based on the weighted average number of shares in issue for the period of 440,291,783 (2019: 421,141,507). 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 444,055,231 shares (2019: 425,096,611).

Note 3 – Other alternative measures

	Year ended 31 December	
	2020	2019
	US\$ in thousands	
Operating profit	14,233	4,482
Amortisation of Intangible assets	<u>718</u>	<u>794</u>
Adjusted operating profit	14,951	5,276
Depreciation	2,341	2,101
Depreciation of right-of-use assets	<u>2,416</u>	<u>2,460</u>
EBITDA	<u>19,708</u>	<u>9,837</u>

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

Note 4 – Segments

Business Segment

Year ended 31 December 2020

	Networking and Cyber \$'000	Bio-Medical \$'000	Unallocated \$'000	Total \$'000
Revenues	54,884	128,682	-	183,566
Adjusted operating profit (loss) (*)	(4,479)	19,430	-	14,951
Reconciliation - other operating expenses (*)				<u>(718)</u>
Operating profit				14,233
Net finance expenses				<u>(934)</u>
Profit before tax				13,299

Year ended 31 December 2019

	Networking and Cyber \$'000	Bio-Medical \$'000	Unallocated \$'000	Total \$'000
Revenues	58,960	64,436	-	123,396
Adjusted operating profit (*)	5,144	132	-	5,276
Reconciliation - other operating expenses (*)				<u>(794)</u>
Operating profit				4,482
Net finance income				<u>296</u>
Profit before tax				4,778

(*) See note 3