

15 October 2013

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

Interim Management Statement

BATM Advanced Communications Limited (LSE: BVC; TASE: BATM), a leading provider of real-time technologies for the networked telecoms and medical laboratory equipment markets, announces its interim management statement for the period from 1 July 2013 to 30 September 2013.

Trading update

Total revenues in the third quarter of 2013 were \$27.0 million compared with \$24.7 million for the equivalent period in 2012 (or \$26.1 million including Anda, the telecom business that was categorized as part of the legacy business that has been retained within the Telecom division. It was previously included within the discontinued operations in the financial statements). The results reflect revenue growth in the Medical division as expected.

In the third quarter of the year, the sales mix consisted of 56% from the Telecom division and 44% from the Medical division compared with 58% and 42% respectively in the equivalent period last year, highlighting the growing contribution of the Medical business. The blended gross margin for the quarter was 33.4% compared with 31.7% for the same period of 2012.

Financial position

The Group's balance sheet remains strong with an effective cash balance of \$37.5 million as of 30 September 2013 (30 June 2013: \$44.5 million). The change in the cash position is primarily due to an investment of approximately \$3.6 million made into the consortium to build a new Fiber Optic infrastructure in Israel as stated earlier this year and an approximately \$2 million increase in working capital mostly to build inventories for the increase of shipments predicted during Q4 2013.

Telecom division

In 2013, BATM decided on a strategic change in its Telecom division. The division now focuses on Tier 1 and large customers in addition to supplying its existing customers with state-of-the-art networking equipment.

The first result of this new strategy was the division's win in the bid with the IEC (Israel Electrical Company) for a fiber network that will cover all of Israel. Such projects, after a period of investment, will generate a stable stream of sales and provide greater visibility of revenues. The Group expects more opportunities to emerge in the telecom and cyber field.

Post period end, on 2 October 2013, BATM launched the T-Marc 3348S, a true 10GE demarcation Ethernet/MPLS network interface device (NID) – a leap forward in 10GE Carrier Ethernet and MPLS service delivery for service providers and mobile operators. This product extends the division's leadership in the demarcation field. The product boasts 4 x 10GE plus 12 x 1GE ports with a total of 52GE capacity.

It is the most compact, dense and cost effective 10GE demarcation device in the Carrier Ethernet market today.

Appointment of Chief Operating Officer

As part of the new telecom strategy, in September 2013, Mr Ariel Efrati was appointed as Chief Operating Officer of the Telecom division.

Between 2011 and 2013, Mr Efrati was the Chief Executive Officer of CallmyName, an innovative startup in the field of mobile communications. Prior to that, Mr Efrati held various senior positions between 1998 and 2012, including Senior Vice President and General Management roles in Amdocs (NYSE:DOX), where he led rapidly growing business units and numerous acquisitions and venture investments. From 1991 to 1997, Mr Efrati served in the IDF intelligence cores as an officer, leading significant technological software initiatives. Mr Efrati is a software engineer by training and has an EMBA from Kellogg School of Management (Northwestern University) and the Tel-Aviv University.

Medical division

Diagnostics

The diagnostics business has a very healthy order book with production ramping up month by month resulting in both increased sales and improving gross margin. The new state-of-the-art production equipment ordered earlier this year is on track to arrive by year-end. This will enable the business to increase production and cope with the higher level of orders.

The diagnostics business sees growth in all the markets in which it operates. The division expects approval of more reagents in 2014.

Sterilization & Waste Management

As the division expected, the sterilization business received FDA approval for one of its products that is marketed by one of the leading vendors in this field in the US market. The business expects this to have an initial positive impact on its revenues during the fourth quarter of this year with sales ramping throughout 2014.

The previously stated operational issues that were experienced during the first half of the year have been overcome and the business continues to expand globally with significant focus on the medical waste solution. The Group is taking several steps to increase the production capacity to cope with the increased level of orders.

Distribution

The distribution business continues to become a smaller percentage of the Medical division revenues as predicted. The main reason is the growth of both the diagnostics and the sterilization businesses. This is in line with the Group's stated plan of reducing the role of the distribution business as part of the overall Group in the long term.

Outlook

As a result of the above, the Group maintains its outlook for 2013 that it expects to achieve higher revenues and EBITDA than in 2012.

Enquiries

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