

6 May 2014

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 January 2014 to 31 March 2014.

Trading update

As stated at the time of the full year results on 25 February, the Group entered 2014 maintaining the positive momentum of Q4 2013, particularly in the Medical division. Consequently, total revenues, gross profit and operating profit for the first quarter of 2014 were slightly ahead of management expectations.

Whilst the Medical division demonstrated an 8% year-on-year growth, revenues in the Telecom division were lower as the business begins to recover following the implementation of the new strategy in the second half of 2013. As a result, total revenues for the first quarter of 2014 were \$27.8m (Q1 2013: \$30.2m).

The sales mix consisted of 45% from the Telecom division and 55% from the Medical division compared with 54% and 46% respectively in the first quarter of 2013, highlighting the growing contribution of the Medical business. The blended gross margin for the quarter was 33.8% as a result of the higher revenue contribution from the Medical division, compared with 35.9% during the first quarter of 2013 and 34.7% for the full year 2013.

Financial position

The Group’s balance sheet remains strong with an effective cash balance of \$35.9m as of 31 March 2014 (31 December 2013: \$40.8m; 31 March 2013: \$42.1m). The sequential decline reflects normal seasonality and includes BATM’s investment in Myanmar.

Medical division

- The distribution business saw organic growth, ramping up in all territories
- Diagnostics:
 - The diagnostics business is increasing production of both reagents and machines with its joint venture in China commencing sales which is expected to grow progressively throughout the year
 - At the end of March 2014, as reported recently, the diagnostics business was awarded a contract by the Ministry of Health in a major country in Latin America to replace the incumbent supplier and provide the Group’s closed system immune diagnostics instruments and reagents to detect tumour markers to laboratories throughout the country
 - Several new reagents are expected to be approved during the year in numerous territories supporting continued growth
 - On track to introduce full solution for carrying out HbA1C blood tests to detect diabetes
- Sterilization:
 - The sterilization and pathogenic waste management business is growing rapidly with several orders won and a number of others believed to be in the pipeline
 - The business is expected to move to a much larger facility, near to its current location in Hungary, by the end of May 2014 in order to process the anticipated increase in orders

Telecom division

- The Telecom division during Q1 remained focused on the new strategy of concentrating on Tier 1 clients, SDN (Software Driven Networks) and NFV (Network Functions Virtualization). The division registered orders from new customers and is undertaking several POCs (Proof Of Concept) with major businesses
- The previously reported fiber network initiative, which is being rolled out with Cisco Systems, ViaEuropa and the Israeli Electrical Company, is expected to connect the first customers by the middle of 2014
- At the end of April 2014, post period, the cyber operation received a new order worth over \$2m from a major defense customer. The contract is for networking gear with extensive cyber capacity to be delivered in 2014. BATM believes this will lead to more substantial orders in due course

Outlook

The Medical division has made a strong start to 2014, with a number of developments in both the diagnostics and sterilization businesses. Management expects this to continue throughout the year. For the Telecom division, the Group continues to see improvements due to the strategic shift implemented in the second half of last year. There is increased interest in its products from Tier 1 customers and it is expected to deliver improved results in the second half of 2014.

As a result of the above, combined with the initial visibility of the forthcoming quarters, the Board feels confident of delivering improved results in 2014 compared with 2013, with good growth momentum going forward.

Enquiries

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