BATM
Advanced Communications

INTERIM RESULTS 2011

BATM Advanced Communications continues to lead the market in Metro Area Network Ethernet solutions.

BATM Medical is a leader in providing niche, cost effective diagnostics solutions to medical laboratories.

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Revenues in the first half of 2011 increased by $9.2 million to $64.5 million (H1-2010: $55.3 million). Telecoms division revenues increased 19.3% to $42.6 million (H1-2010: $35.7 million) and Medical division revenues increased 11.7% to $21.9m (H1-2010: $19.6 million). Almost all the growth during the period was organic.

The gross profit margin for the first half of 2011 was 36.1% (H1-2010: 35.8%), 1% higher than the gross profit margin in the second half of 2010. Both the Telecoms and Medical divisions showed improvements in gross margins compared to the second half of 2010.

Sales and marketing expenses were $7.9 million (H1-2010: $7.2 million), an increase of 9.7% on the previous year and slightly lower than the $8.1 million recorded in the second half of 2010. The increase is mostly due to increased distribution costs and associated sales expenses.

General and administrative expenses were $5.3 million (H1-2010: $4.8 million) representing 8.2% of revenue, compared with 8.6% in the first half of 2010.

R&D investment in the first half of 2011 was $6.5 million (H1-2010: $6.5 million). On a like-for-like basis, R&D expenses incurred were lower by $0.5m in H1 2011 because H1 2010 included a $0.5m contribution from the Israeli Chief Scientist. There was no contribution in H1 2011.

Operating profit for the first half was $1.5 million (H1-2010: loss of $1.4 million) after other operating expenses of $2.0 million (H1:2010: $2.7 million) of which $1.9 million related to non-cash amortization of intangible assets.

Net finance income was $1.1 million (H1-2010: $1.0 million), comprised of $0.5 million of interest income, as well as $1.9 million of foreign exchange gains, which have been offset by a loss of $1.0 million on forward transaction and $0.2 million of finance costs. As a result of our lower revenues in Euros, BATM has reverted back to the US dollar as its functional currency, representing the primary economic operating environment of the company.

Tax expenses of $0.8 million includes $0.7 million tax on dividends of $5.1 million.

Net profit after tax attributable to equity holders of the parent amounted to $2.45 million (H1-2010: loss $0.87 million), resulting in a basic earnings per share of 0.61¢ (H1:2010 loss: 0.21¢).

Our balance sheet remains strong with effective liquidity of $54.7 million, a decrease of $5.5 million from $60.2 million as at 31 December 2010. The reduction in cash balances is mainly as a result of the acquisition of the assets of ANDA Networks ($2.0 million) and the payment of Vigilant debt of $1.5 million as well as a mortgage on our property in Israel of $0.6 million. These payments resulted in a reduction of short and long term debt respectively. Period end cash is comprised as follows: cash and deposits up to three months duration of $18.9 million; short term cash deposits up to one year of $35.8 million.

Intangible assets and Goodwill have increased to $32.5 million (December 2010: $31.1 million). The increase is due to the acquisition of ANDA networks in April 2011.

Property, plant and equipment remain unchanged since the end of 2010.

Chairman's Statement

Total inventories increased from $19.5 million at the end of 2010 to $26.2 million at 30 June 2011. The majority of the increase is in the Telecoms division, where stocks have been increased to satisfy the growing demand for our products. In addition, we increased the inventory level at our Medical division to prepare for the launch of our new medical waste solution (ISS).

Trade and other receivables increased to $32.2 million from $30.9 million at the end of 2010. The increase is largely due to increased receivables in the medical distribution business and VAT. The trade and other payables increased to $36.6 million from $27.9 million at the end of 2010. The majority of the increase relates to the accrual for the dividends and related taxes ($5.8 million) that were paid on 18 July 2011.

Business Review

Telecoms Division

The first half of the year showed a significant improvement over the same period last year. We have seen improvements in both our OEM channels and direct business.

In May we hired Itzik Weinstein as the new CEO of Telco Systems, reporting directly to Dr. Zvi Marom, CEO of BATM. Itzik brings to BATM over 20 years of significant management experience and a strong track record in the hi-tech industry. In his previous position he served as President and CEO of ECtel, a provider of revenue management solutions to the telecommunications industry and a NASDAQ traded company.

At the end of April we acquired the major assets and intellectual property of ANDA Networks. ANDA is a leading provider of Carrier Class Ethernet and wireless backhaul platforms that deliver cost-effective Metro Ethernet services over fibre, copper and wireless networks. Ethernet over legacy networks from ANDA and Telco Systems' fibre based switching and aggregation solutions combine to offer a fully integrated range of carrier class Ethernet solutions.

Operating profit for the telecom division was $5.4 million, a significant increase over the $1.8 million recorded in the first half of 2010. The improvement is a result of higher revenues, slightly better gross margin and lower operating expenses.

We continue to execute on our strategy to first stabilize the Telecom business and then resume the growth.

Chairman's Statement

Medical Division

The sterilization business was mainly focused on the launch of our new Integrated Shredder Steriliser to treat medical waste. We now have three operating units in Hungary and Israel and performance has exceeded expectation. We expect to sell at least 20 units during the second half of this year. In addition, we have expanded our manufacturing capabilities and inventories in our manufacturing plant in Hungary to address the expected growth.

The distribution business in Romania and Moldova continues to grow. We are engaging in several new initiatives that will allow us to further accelerate the growth rate in this part of our business. From the beginning of 2011 the distribution business has returned positive cash-flow, at a rate of $1 million per annum, to allow the Group to use these cash-flows for other investments.

In the diagnostics business we have launched several projects to re-start the manufacturing of several key reagents with our own intellectual properties. This process, which requires the testing and certification of recognized notified bodies, is taking longer than originally anticipated and will continue at least until the end of 2012. Once these products are approved, we anticipate significantly improved gross margin. In addition, we have recently established a new joint venture in Hong Kong with a Chinese company to accelerate our sales of raw materials and finished products in the Chinese market.

The operating loss for the medical division was $1.9 million in the first half of 2011 (H2-2010: $1.7 million).
The higher loss is as a result of a $1.1million increase in operating expenses, mainly in Sales and Marketing.

We expect the medical group to continue to grow sales and improve gross margins during 2011. We will continue to invest in the growth of the sterilization and diagnostics business, whilst continuing to benefit from the positive cash flow from our distribution business.

Registration of Shares in Tel-Aviv

The board is pleased to announce that we have decided to list our shares also on the Tel-Aviv Stock Exchange. We are finalizing the details with the Tel-Aviv Stock Exchange and the relevant registrars in Israel and UK and expect the listing to be effective before the end of 2011.

Current Trading and Prospects

Trading since the end of June has shown a similar trend to the first six months. This gives us confidence that we continue to be on track to meet market expectations of trading for the year as a whole. In particular, the second half is expected to show an improved performance in our Medical Division.

Peter Sheldon
Chairman

18 August 2011

Consolidated Income Statements

	Six months ended 30 June	
	2011	2010
	US$ in thousands	
	Unaudited	**Unaudited**
Revenues	64,527	55,285
Cost of revenues	41,234	35,487
Gross profit	23,293	19,798
Operating expenses		
Sales and marketing expenses	7,930	7,212
General and administrative expenses	5,291	4,781
Research and development expenses	6,532	6,522
Other operating expenses	1,996	2,656
Total operating expenses	21,749	21,171
Operating profit (loss)	1,544	(1,373)
Finance income	2,323	2,529
Finance expenses	(1,190)	(1,494)
Profit / (loss) before tax	2,677	(338)
Income tax	(824)	(1,194)
Profit (loss) for the period	**1,853**	**(1,532)**
Attributable to:		
Owners of the Company	**2,452**	**(867)**
Non-controlling interests	**(599)**	**(665)**
Income / (loss) for the period	**1,853**	**(1,532)**
Earnings / (loss) per share (in cents) basic and diluted	**0.61**	**(0.21)**

Consolidated Statements Of Comprehensive Income

	Six months ended 30 June	
	2011	2010
	US$ in thousands	
	Unaudited	Unaudited
Profit / (loss) for the period	1,853	(1,532)
Exchange differences on translating foreign operations	1,824	(10,994)
Total Comprehensive Income (loss) of the Period	**3,677**	**(12,526)**
Attributable to:		
Owners of the Company	4,321	(12,144)
Non-controlling interest	(644)	(382)
	3,677	**(12,526)**

Consolidated Statements Of Financial Position

	30 June 2011	30 June 2010	31 December 2010
	US$ in thousands		
	Unaudited	Unaudited	Audited
Non-current assets			
Goodwill	13,895	11,060	11,300
Other intangible assets	18,581	20,546	19,798
Property, plant and equipment	26,234	22,106	25,943
Deferred tax assets	5,469	4,678	5,122
	64,179	58,390	62,163
Current assets			
Inventories	26,255	19,792	19,470
Financial assets	35,807	32,622	38,079
Trade and other receivables	32,193	25,920	30,900
Cash and cash equivalents	18,856	30,173	22,087
	113,111	108,507	110,536
Total assets	**177,290**	**166,897**	**172,699**
Current liabilities			
Short-term bank credit	4,850	5,875	6,135
Trade and other payables	36,646	28,969	27,900
Provisions	2,969	3,806	3,190
	44,465	38,650	37,225
Net current assets	68,646	69,857	73,311
Non-current liabilities			
Long-term payables	11,443	12,755	11,840
Retirement benefit obligation	984	793	884
	12,427	13,548	12,724
Total liabilities	**56,892**	**52,198**	**49,949**
Net assets	**120,398**	**114,699**	**122,750**
Equity			
Share capital	1,215	1,214	1,215
Share premium account	406,747	406,263	406,504
Foreign currency translation reserve and other reserves	(8,637)	(14,673)	(8,798)
Accumulated Deficit	(279,916)	(279,802)	(277,236)
Equity attributable to equity holders of the:			
Owners of the Company	119,409	113,002	121,685
Non-controlling interest	989	1,697	1,065
Total equity	**120,398**	**114,699**	**122,750**

Consolidated Statements Of Changes In Equity

Six months ended on 30 June 2011

	Share capital	Share Premium account	Translation reserve	Other reserves	Accumulated Deficit	Attributable to owners of the parent	Non-controlling interest	Total equity
				US $ in thousands				
As at 1 January 2011	1,215	406,504	(10,026)	1,228	(277,236)	121,685	1,065	122,750
Exercise of share based options by employees	-	60	-	-	-	60	-	60
Recognition of share-based payments	-	183	-	-	-	183	-	183
Purchase of non- controlling interest	-	-	(889)	(819)	-	(1,708)	568	(1,140)
Proposed Dividend	-	-	-	-	(5,132)	(5,132)	-	(5,132)
Comprehensive income for the period	-	-	1,869	-	2,452	4,321	(644)	3,677
As at 30 June 2011 (unaudited)	**1,215**	**406,747**	**(9,046)**	**409**	**(279,916)**	**119,409**	**989**	**120,398**

Consolidated Statements Of Changes In Equity (cont.)

Six months ended on 30 June 2010

	Share capital	Share Premium account	Translation reserve	Other reserves	Accumulated Deficit	Attributable to owners of the parent	Non-controlling interest	Total equity
				US $ in thousands				
As at 1 January 2010	1,214	405,961	(4,015)	786	(270,808)	133,138	1,912	135,050
Exercise of share based options by employees	-	83	-	-	-	83	-	83
Recognition of share-based payments	-	219	-	-	-	219	-	219
Purchase of non- controlling interest	-	-	-	(167)	-	(167)	167	-
Proposed Dividend	-	-	-	-	(8,127)	(8,127)	-	(8,127)
Comprehensive loss for the period	-	-	(11,277)	-	(867)	(12,144)	(382)	(12,526)
As at 30 June 2010 (unaudited)	**1,214**	**406,263**	**(15,292)**	**619**	**(279,802)**	**113,002**	**1,697**	**114,699**

Consolidated Cash Flows Statements

	Six months ended 30 June	
	2011	2010
	US $ in thousands	
	Unaudited	Unaudited
Net cash from operating activities (Appendix A)	**32**	**7,208**
Investing activities		
Interest received	393	570
Proceeds on disposal of held to maturity investments	-	1,183
Proceeds on disposal of property, plant and equipment	61	-
Proceeds on disposal of financial assets carried at fair value through profit and loss	-	13,108
Proceeds on disposal of deposits	24,268	21,805
Purchases of property, plant and equipment	(1,045)	(1,881)
Purchases of financial assets carried at fair value through profit and loss	-	(16,672)
Purchases of deposits	(22,605)	(19,328)
Net Cash outflow on acquisition of business combinations	(2,611)	(959)
Net cash used in investing activities	**(1,539)**	**(2,174)**
Financing activities		
Increase (decrease) in short-term bank credit	69	(1,779)
Bank loan received	-	1,500
Bank loan repayment	(2,072)	(462)
Purchase of non-controlling interest	(767)	-
Proceeds on issue of shares	60	83
Net cash used in financing activities	**(2,710)**	**(658)**
Increase (Decrease) in cash and cash equivalents	(4,217)	4,376
Cash and cash equivalents at the begining of the period	22,087	28,095
Effects of exchange rate changes on the balance of cash held in foreign currencies	986	(2,298)
Cash and cash equivalents at the end of the period	**18,856**	**30,173**

Appendix to Consolidated Cash Flows Statements

Appendix A

Reconciliation of operating profit (loss) for period to net cash from operating activities.

	Six months ended 30 June	
	2011	2010
	US $ in thousands	
	Unaudited	Unaudited
Operating profit (loss) from continuing operations	**1,544**	**(1,373)**
Adjustments for:		
Amortization of intangible assets	1,855	1,890
Depreciation of property, plant and equipment	1,106	1,299
Stock options granted to employees	183	219
Increase (Decrease)in retirement benefit obligation	100	(82)
Increase (Decrease) in provisions	(18)	14
Operating cash flows before movements in working capital	**4,770**	**1,967**
Decrease (Increase) in inventory	(5,577)	1,906
Decrease (Increase) in receivables	(678)	4,112
Increase (Decrease) in payables	2,148	(236)
Cash generated by operations	**663**	**7,749**
Income taxes paid	(453)	(169)
Interest paid	(178)	(372)
Net cash from operating activities	**32**	**7,208**

Notes To The Consolidated Financial Statements

Note 1 – General

The unaudited results for the six months ended 30 June 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) set out in the Annual Report and Financial Statements for the year ended 31 December 2010. The unaudited results for the six months ended 30 June 2010 were prepared on the same basis.

Note 2 – Profit (loss) per share

Profit (loss) per share is based on the weighted average number of shares in issue for the period of 402,833,721 (H1 2010: 402,393,379). 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 403,196,592 shares (H1 2010: 403,894,193).

Note 3 – Acquisition of Subsidiaries

On January 23, 2011 the company signed an agreement with the minority shareholders in part of the medical division to purchase their holding of 25%. The consideration is as follows: Cash of $1.159 million and a small percentage of the future receipts from the medical division, estimated at $373,000 as of 30 June, 2011.

In April, 2011, the Group acquired the trade and assets of an Israeli Telecoms software services provider called Mantis Ltd ("Mantis") for consideration of $0.8 million.

In April, 2011, the Group acquired the major assets and intellectual property of ANDA Networks, Inc. ("ANDA") for consideration of $2.0 million.

As at the date of this interim results statement, the Purchase Price Allocation ("PPA") of ANDA and Mantis had not been completed. The allocation used for these financial statements represent management best estimates.

Notes To The Consolidated Financial Statements

Note 4 – Segments

Business Segments

	Six months ended 30 June 2011		
	Telecommunications	Medical	Total
	US $ in thousands		
Revenues	42,568	21,959	**64,527**
Operating profit (loss)*	5,442	(1,902)	**3,540**

* Excluding other operating expenses

	Six months ended 30 June 2010		
	Telecommunications	Medical	Total
	US $ in thousands		
Revenues	35,648	19,637	**55,285**
Operating profit (loss)*	1,775	(492)	**1,283**

* Excluding other operating expenses

Note 5 – Events after the reporting period

Dividend

A dividend of GBP 0.8 per share, totalling GBP 3.208 million ($5.132 million), was declared on 7 March 2011 and paid on 18 July 2011.

Statement Of Director's Responsibilities

The Directors confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the six months ended 30 June 2011 and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the six months ended 30 June 2011 and any material changes in the related party transactions described in the last annual report.

Signed on behalf of the board by
Peter Sheldon
Chairman
18 August 2011

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