Press Release **15 September 2014**

Telit Communications PLC

("Telit" or "the Company")

Interim Results for the six months ended 30 June 2014

Revenue growth of 27.4% coupled with a significant increase in gross margin

Telit Communications PLC (AIM: TCM), a global leader in machine-to-machine (M2M) communications, the chief enabler technology area for the Internet of Things (IoT), is pleased to announce its interim results for the six months ended 30 June 2014 which show the continued growth of the Company.

Financial Highlights[1]

- First half revenues increased by 27.4% to $138.2 million (H1 2013: $108.5 million).
- Revenues from m2mAIR, Telit's Platform as a Service (PaaS) and the Company's business unit for value added, connectivity, cloud platform and other services increased by 283% to $9.2 million (H1 2013: $2.4 million).
- Gross margin increased significantly from 37.6% in H1 2013 to 39.5% in H1 2014.
- Adjusted EBITDA for the first half increased by 70% to $17.0 million (H1 2013: $10.0 million).
- Adjusted EBIT increased by 84.6% to $12.0 million (H1 2013: $6.5 million).
- Adjusted profit before tax for the first half increased by 94.7% to $11.1 million (H1 2013: $5.7 million).
- Adjusted net profit for the first half increased by 67.4% to $10.0 million (H1 2013: $6.0 million).
- Adjusted basic earnings per share increased by 55.2% to 9.0 cents (H1 2013: 5.8 cents)
- Net cash from operating activities increased by 13.4% to $12.7 million (H1 2013: $11.2 million).
- Net debt at 30.6.2014 increased to $14.6 million (31.12.2013: net debt of $11.7 million) mainly due to M&A activity during the first half of 2014.
- Net equity at 30.06.2014 increased by 24.4% to $98.8 million (31/12/2013: $79.4 million).

[1] For reconciliation from IFRS financial results to Adjusted financial results please refer to the table in page 4.

Operational highlights

- Revenue for six months increased by 27.4% to $138.2 million (H1 2013: $108.5 million). For the fifth year in a row, the Company has reported significant double-digit growth.
- Gross margin increased significantly from 37.6% in H1 2013 to 39.5% in H1 2014, due to the Company's strong positioning in the M2M industry, further improvements in the hardware business and the addition of the connectivity and cloud (PaaS) services to the business model, which contributes a higher gross margin.
- Gross profit for six months in 2014 increased by 33.8% to $54.6 million (H1:2013: $40.8 million).
- Research and development operating expenses (expenses before capitalization and amortization of internally generated development costs – see also note 4 at page 16) increased by $10.0 million to $22.7 million (16.4% of revenues) compared to $12.7 million in H1 2013 (11.7% of revenues). R&D expenses increased mainly from the development of 4G LTE modules designed for use in the most demanding automotive and industrial M2M applications and continuing investment in m2mAIR and the PaaS.
- Sales and marketing expenses increased by $5.1 million to $23.5 million (17.0% of revenues) compared to $18.4 million in H1 2013 (16.9% of revenues). The increase is mainly due to investment in the automotive segment as well as in m2mAIR division.
- General and administrative expenses increased by $1.6 million to $11.2 million, while decreasing as a percentage of revenues (8.1% of revenues) compared to $9.6 million in H1 2013 (8.8% of revenues).
- Each and every financial parameter including: EBIT, PBT, EBITDA and cash flow from operational activities, improved during the first half compared to the corresponding period in 2013.
- The Company's net equity increased significantly to $98.8 million in 30.06.2014 (31.12.2013: $79.4 million). This increase is mainly due to the Company's continued profit making and the issuance of new shares as part of ATOP acquisition from NXP and in connection with the exercise of options.

Acquisitions

In April 2014, we completed the acquisition of the Automotive Telematics On-board unit Platform (ATOP) business from Netherlands-based NXP Semiconductors (Nasdaq NXPI). ATOP is an automotive grade solution for vehicle manufacturers to implement eCall or similar functionality from a single compact and cost efficient package. The ATOP product family delivers reduction in complexity and minimized costs in vehicle designs while improving customer data security and regulatory compliance. At the same time, we launched Telit Automotive Solutions, a new business unit which is to focus exclusively on the Automotive OEM and Tier-one markets.

The acquired ATOP business unit has been fully integrated into Telit Automotive Solutions, expanding its market reach with solutions leveraging the expanded engineering and sales expertise, particularly in software-centric RFIs from Automotive and Telematics OEMs. The company first achieved automotive-critical global ISO/TS16949 certification in July 2012 and maintains one of the industry's largest product portfolios for the automotive sector with particular emphasis on advanced technologies such as LTE and HSPA+.

Industry analysts remain bullish with respect to the growth of M2M in automotive over the next several years. Analyst firm IHS™ Technology in its "Cellular Modules for M2M" report published in May 2014, indicated that the sector will sustain a CAGR of 35.3% (2012-2018) with shipped volumes going from 11.6 million in 2013 to 16.4 million in 2014 and 52.2 million 2018. The firm attributes the strong growth to three principal drivers: overall sustained global economic recovery, pending government legislation (such as eCall - Europe, Contran 345 - Brazil, ERA GLONASS - Russia) and expansion of LTE networks worldwide.

Commenting on the results, Oozi Cats, Chief Executive, said: "the first half of 2014 represents a period of achievements for Telit. We recorded strong growth in sales and profits together with robust growth in gross margin and services revenues, which reached $9.2 million in six months. Our strategic acquisitions in recent years have added a layer of recurring revenues to Telit's traditional business and we expect them to increase their contribution over the coming years.

The acquisition of the ATOP business was the catalyst for building a dedicated Automotive business unit to better address Automotive opportunities and execute our strategy to become the market leader in this segment. Together with a significant customer base, ATOP brings additional expertise in automotive platforms to complement our already thriving automotive business.

Our hard work and significant investments over the past few years have created a market-leading platform to capitalise on the 'Internet of Things' ("IoT") through which we will continue to pursue the many exciting opportunities in the market and continue increasing our market share. We are very excited about the ONE STOP. ONE SHOP. concept we are delivering to IoT customers and adopters and are confident that with the unparalleled simplification it provides, Telit is even better positioned to continue leading the space of M2M solutions providers worldwide.

The outlook for the rest of 2014 and the future looks positive for the M2M industry and promising for Telit. Our strong position in the M2M market together with our m2mAIR business unit is expected to lead Telit to further growth and further improvement in our financial results."

Below are the key financial results for H1 2014 compared to H1 2013 and FY 2013:

	H1 2014 $'000	**H1 2013 $'000**	**FY 2013 $'000**
Revenue	138,180	108,504	243,224
Gross profit	54,559	40,813	92,482
Gross profit margin	39.5%	37.6%	*38.0%*
Operating expenses	(46,366)	(34,389)	(78,346)
Operating profit	8,193	6,424	14,136
Profit before tax	**7,277**	**5,595**	**11,951**
Profit for the period	**6,347**	**5,689**	**10,886**

Reconciliation of operating profit, profit before tax and net profit to the adjusted figures:

	H1 2014 $'000	H1 2013 $'000	FY 2013 $'000
Operating profit	**8,193**	**6,424**	**14,136**
Share based payments	1,052	291	742
Non-recurring (income) expenses	685	(1,410)	1,229
Amortization – acquired intangibles	2,101	1,243	2,688
Adjusted EBIT	**12,031**	**6,548**	**18,795**
Depreciation and amortization	4,991	3,473	8,106
Adjusted EBITDA	**17,022**	**10,021**	**26,901**
Profit before tax (PBT)	**7,277**	**5,595**	**11,951**
Share based payments	1,052	291	742
Non-recurring (income) expenses	685	(1,410)	1,229
Amortization – acquired intangibles	2,101	1,243	2,688
Adjusted PBT	**11,115**	**5,719**	**16,610**
Profit for the period attributable to the owners of the Company	**6,354**	**5,791**	**10,933**
Share based payments	1,052	291	742
Non-recurring (income) expenses	685	(1,410)	1,229
Amortization – acquired intangibles	2,101	1,243	2,688
Change in deferred taxes, net	(200)	54	(126)
Adjusted profit for the period attributable to the owners of the Company	**9,992**	**5,969**	**15,466**

The calculations of adjusted basic and adjusted diluted earnings per ordinary share are based on the following results and numbers of shares:

	H1 2014 $'000	H1 2013 $'000	FY 2013 $'000
Adjusted profit for the period attributable to the owners of the Company	9,992	5,969	15,466
	Number of Shares		
Basic weighted average number of equity shares	111,219,567	103,555,093	103,826,885
Diluted weighted average number of equity shares	116,337,684	109,625,717	111,067,069
Adjusted basic earnings per share (in USD cents)	9.0	5.8	14.9
Adjusted diluted earnings per share (in USD cents)	8.6	5.4	13.9

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CHIEF EXECUTIVE'S STATEMENT AND REVIEW

Introduction

I am pleased to announce the Company's consolidated unaudited interim results for the first half of 2014 and to report continued growth compared to the first half of 2013. This growth helped Telit strengthen its position as a leading M2M module supplier worldwide, with a market share of about 30% according to the company's own analysis of the industrial internet market.

Many of the wireless M2M module providers seek to differentiate themselves by focusing on specific technology standards. Telit is one of the very few vendors to support many different cellular technologies, including GSM/GPRS, CDMA, UMTS/HSPA and LTE, while catering to the arena of short range RF technologies with offerings including ZigBee and proprietary RF mesh, as well as ready-to-use GPS and GNSS modules. Further, Telit offers a unique proposition of value added services including connectivity allowing the company to be a "one stop shop" for its customers.

During the first half of 2014 the Company continued on a strong growth trend in number of units shipped, resulting in higher Gross Profit, higher Adjusted EBITDA and higher Adjusted Profit Before Tax compared to those achieved in the first half of 2013.

Continued growth in the number of new customers contributed to the revenue growth achieved in the period. Due to continued revenue growth from its broad customer base, Telit's dependency on major customers continues to be low with the top 10 customers contributing 36% of total revenues during the first half (H1 2013: 33%).

The split of revenues on a geographical basis for the six months ended 30 June 2014 and 30 June 2013 is as follows:

	H1 2014 (M$)	**% of Total Revenues**	**H1 2013 (M$)**	**% of Total Revenues**
EMEA	58.1	42.0%	52.1	48.0%
Americas	65.9	47.7%	45.7	42.1%
APAC	14.2	10.3%	10.7	9.9%
Total	**138.2**	**100%**	**108.5**	**100%**

The continued development of Telit's global footprint is evidenced by the geographical division of revenues for H1 2014. Revenues in EMEA increased by $6 million, representing 42% of the overall revenue for the six months. Operations in the Americas continued with significant revenue growth of $20.2 million during the period. APAC also showed an increase of $3.5 million in revenues and a corresponding increase in its share of total revenues.

Basic and diluted earnings per share for the period were 5.7 and 5.5 cents respectively in H1 2014, compared to basic and diluted earnings per share of 5.6 and 5.2 cents respectively in H1 2013.
Adjusted basic and Adjusted diluted earnings per share for the period were 9.0 and 8.6 cents respectively in H1 2014, compared to Adjusted basic and Adjusted diluted earnings per share of 5.8 and 5.4 cents respectively in H1 2013.

Innovation and expansion

Telit is committed to continued investment in R&D and new technologies which will enable it to offer a wide spectrum of mobile communications and related services to respond to the requirements of customers from all market segments and geographies. During H1 2014 the Company achieved the following:

- Acquisition of ATOP division of NXP and integration of this division into the Telit Automotive business unit. Following this acquisition 2 new R&D centres, in Belgium and France, were added to the 6 existing R&D sites, increasing the overall number of Telit R&D personnel to over 350 professionals.
- Following the ATOP acquisition, a new product line of automotive connectivity modules was added to the Telit portfolio expanding its offering for this market segment. The new products offer embedded security features and processing power.
- Continued investment and development of the m2mAIR Mobile managed services business, which provides Telit with a recurring revenue stream in addition to the revenues achieved by the Company from its established module business. The m2mAIR Mobile offering covers all customer connectivity needs, including subscription management, remote module management, security, reporting and monitoring, supply of SIM cards, rate plans and customer support. With Telit's wireless module technology, these services enable M2M solution providers to easily create and manage their M2M applications, reducing total cost of ownership (TCO) necessary to operate and support M2M user-applications while ensuring the highest network quality and reliability. The m2mAIR Mobile offering is currently available for European and North American customers with rollouts in other regions scheduled for later this year.
- The ILS Technology (ILST) management, engineering and support staff (September 2013 acquisition) was integrated into and created the m2mAir Cloud services unit, expanding Telit's successful "ONE STOP. ONE SHOP." market approach with solutions to boast a broader offering in value added services. With ILST enabling m2mAIR Cloud, Telit expanded the reach of m2mAIR much deeper into Internet-side services where M2M adopters have been seeking better, more integrated solutions, particularly for on-boarding M2M assets to Cloud enabled IT infrastructures in low entry-cost, PaaS service models.
- The Company continued the development of third generation multi-constellation GNSS modules which dramatically improve navigation performance by providing access to both the Russian GLONASS global navigation satellite system and Chinese Beidou, supplementing GPS. Third generation modules offer improved performance and power consumption.
- The Company has continued sustained investments in the development of its flagship xE910 family of wireless modules featuring a single, compact form factor that is interchangeable so that solution providers and integrators can easily deploy their applications under most of the top regional cellular networks, with ubiquitous, cost effective coverage for M2M connected assets and consumer

electronics devices worldwide. Based on a Land-Grid-Array (LGA) form factor with a footprint of just 795mm^2 and a total size of 28.2 x 28.2 x 2.2mm, the Telit xE910 family's uniform design gives customers the ability to choose between global or regional cellular technologies depending upon the location and requirements of a specific application for optimum data rates and module costs. Supporting GSM/GPRS, UMTS/HSPA+ and CDMA/EV-DO and LTE cellular technologies, the xE910 family also allows applications to be easily upgraded, such as when migrating from 2G to 3.5G, while maintaining the core design of an application or device throughout its lifecycle.

- In H1 2014 the company completed the certification of LE910 variants for the US market, which include a single mode LTE variant for Verizon Wireless and a multi-mode LTE variant for the AT&T network. Certifications and Interoperability Testing are also under way for other regional variants of LTE products in several of Telit's product families in regions including the EU, Japan and Korea.

Employees

With the stated objective of continued expansion to support and strengthen its position as one of the world's leading M2M/IoT technology providers, Telit leverages the hard work and dedication of its workforce distributed around the globe and which remains crucial to Telit's success. I would like to thank the Company's employees, management team and my fellow directors for their commitment to the Company and its success. Their dedication is an invaluable asset to the Company.

The number of employees of the Group is as follows:

	30 June 2014	31 December 2013	30 June 2013
Total Employees	**733**	**641**	**557**

Market Opportunity

The ABI Research report on M2M embedded modules, released in June 2014, analyzing market trends and developments in regions around the world has forecast that the market will continue enjoying strong growth over the coming years.

Telit serves the total available market (TAM) of cellular M2M modules and services, and segments the market to improve focus and strategy execution. Industrial M2M, our core segment is comprised of application areas engaged in industrial scale, mature operations. This includes all M2M applications in Automotive OEM; Commercial Telematics; Automated Meter Infrastructure/Reading; Telemetry applications including fixed asset management ,"track and trace," with cellular connectivity which is not integrated into vehicles; Point-of-Sales & Vending systems; as well as large portions of Security & Surveillance and Telematics including usage-based auto insurance, broadband-to-the-car, and stolen vehicle recovery.

As we map Telit's Industrial M2M segment onto that used by ABI Research in its June 2014 report for M2M embedded modules, the research firm's adjusted estimates are as follows: the number of shipped M2M embedded modules for the Industrial M2M segment will reach 137 million by 2019, representing a 2014-2019 CAGR of 25%. With similar adjustments, the report also projects an average annual decline in the average selling (ASP) of 5% for 2G modules, of 5% for 3G modules, and of 9% for LTE modules between

2014-19. This results in a monetary value increase of the Industrial M2M segment with a CAGR of 27% in 2014-19, with total annual revenues for M2M modules reaching $3.1 billion in 2019. This unusual behaviour of a higher CAGR in revenues than units shipped is due to the fact that older 2G technology modules rapidly decrease volume in the total mix of shipped units in the coming years, according to the report. And with ASP for 3G units at 2.5 times the ASP of 2G and 4G ASP nearly 5 times 2G, the growth in revenues easily outpaces the growth in units shipped.

Cellular M2M connectivity services revenues, according to a study by ABI Research released in July 2014, are forecast to grow at 28% CAGR 2014-19 globally reaching annual revenues of $18.9 billion in 2019. Asia-Pacific is expected to be the leading region in revenue growth with 34% CAGR 2014-19 reaching revenues of $5.9 billion in 2019; Europe at 25%, North America at 28% and LATAM at 20% CAGR for the same period.

Shares and options outstanding

During the period, the Company issued 6,579,189 new ordinary shares of 1 pence each, due to an exercise of options under the Company's share option plan; 218,334 options lapsed and 23,774 options were cancelled due to cashless net exercise (starting from June 2014, all options under the Company's share option plans are exercised on a cashless basis). In addition, the Company issued 2,255,943 new ordinary shares of 1 pence each in April 2014 as part of the consideration for the ATOP acquisition. Following the above-mentioned issuances, the Company's total issued share capital on 30 June 2014 consisted of 113,427,822 ordinary shares. No shares are held in treasury. The number of outstanding options, as at 30 June 2014, was 11,518,090 comprising 4.14% of the Company's share capital on a fully diluted and cashless exercise basis (based on the closing price of the Company's shares on AIM on 30 June 2014, which was 216p).

Strategy

Having successfully integrated the recently acquired businesses into the Company's global organization, and with our significant market share, Telit is confident in the sustained growth of its market position and its role as a leading global player in the IoT space which is fundamentally enabled by the M2M technology which has been the Company's focus for over a decade. Telit remains committed to continued implementation of its strategy which is to grow through a four-pronged approach:

- Organically alongside the general growth in the M2M industry;
- Recurring income from our valued added services unit which will leverage long-standing market and customer relationships for Telit's cloud platform services business unit which is a leading provider of a ready-to-use, off-the-shelf, cloud platform to on-board M2M-connected devices to enterprise IT systems and machines for business-critical use;
- Development of our automotive division, corner stoned by our acquisition of NXP's Automotive Telematics Onboard unit Platform ("ATOP"); and
- Appropriate acquisition opportunities to the extent that these become available.

Outlook

The outlook for the rest of 2014 and the future looks positive for the M2M industry and promising for Telit. Our strong position in the M2M market together with our m2mAIR business unit is expected to lead Telit to further growth and further improvement in our financial results.

Telit intends to continue to take advantage of the considerable opportunities arising from this growing global market. 2014 has started well, and I look forward to providing further news of the Group's progress over the coming months.

Oozi Cats, Chief Executive

15 September 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	2014	2013	2013
	Unaudited		Audited
	$'000	$'000	$'000
Revenue	138,180	108,504	243,224
Cost of sales	(83,621)	(67,691)	(150,742)
Gross profit	54,559	40,813	92,482
Research and development expenses, net[2]	(13,054)	(*) (10,179)	(24,049)
Selling and marketing expenses	(23,484)	(18,337)	(38,617)
Administrative expenses	(11,239)	(9,575)	(22,348)
Other operating income, net	1,411	(*) 3,702	6,668
Operating profit	8,193	6,424	14,136
Investment income	1	4	25
Finance costs	(917)	(833)	(2,210)
Profit before income taxes	7,277	5,595	11,951
Tax income/(expense)	(930)	94	(1,065)
Profit for the period	6,347	5,689	10,886
Other comprehensive income/(loss)			
Foreign currency translation differences	121	(1,295)	1,092
Total comprehensive income /(loss) for the period	6,468	4,394	11,978
Profit / (loss) attributable to:			
Owners of the Company	6,354	5,791	10,933
Non–controlling interest	(7)	(102)	(47)
Profit for the period	6,347	5,689	10,886
Total comprehensive income /(loss) attributable to:			
Owners of the Company	6,469	4,477	12,033
Non–controlling interest	(1)	(83)	(55)
Total comprehensive income /(loss) for the period	6,468	4,394	11,978
Basic earnings per share (in USD cents)	5.7	5.6	10.5
Diluted earnings per share (in USD cents)	5.5	5.2	9.8
Basic weighted average number of equity shares	111,219,567	103,555,093	103,826,885
Diluted weighted average number of equity shares	116,337,684	109,625,717	111,067,069

(*) The Company has reclassified an amount of $ 2,292K which was shown as grant income in the six months to June 2013 so that in June 2014 it is shown within other operating income instead of as a reduction from the research and development expenses, in order to provide consistent presentation to the amount presented for the year ended 31 December 2013 and for the six months ended 30 June 2014.

[2] For a breakdown of research and development expenses, net, please refer to note 4 on page 16.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June		31 December
	2014	2013	2013
	Unaudited		Audited
	$'000	$'000	$'000
ASSETS			
Non-current assets			
Intangible assets	67,234	35,078	49,459
Property, plant and equipment	19,572	12,667	16,182
Other long term assets	819	538	807
Deferred tax asset	4,149	3,780	3,954
	91,774	52,063	70,402
Current assets			
Inventories	24,274	17,127	18,520
Trade receivables	68,413	50,969	63,118
Other current assets	17,641	17,192	14,338
Deposits – restricted cash	307	370	291
Cash and cash equivalents	21,308	18,831	23,886
	131,943	104,489	120,153
Total assets	223,717	156,552	190,555
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	1,933	1,849	1,791
Share premium account	90,509	78,607	78,678
Other reserve	(2,727)	(2,993)	(2,993)
Merger reserve	1,235	1,235	1,235
Translation reserve	(3,752)	(6,281)	(3,867)
Retained earnings	11,587	(1,412)	4,181
Equity attributable to owners of the Company	98,785	71,005	79,025
Non-controlling interest	-	339	367
Total equity	98,785	71,344	79,392
Non-current liabilities			
Other loans	19,980	13,457	22,134
Post-employment benefits	4,219	3,720	3,780
Deferred tax liabilities	16	27	21
Provisions	3,107	2,412	2,236
Other long-term liabilities	334	659	369
	27,656	20,275	28,540
Current liabilities			
Short-term borrowings from banks and other lenders	16,250	13,853	13,790
Trade payables	62,893	37,910	51,860
Provisions	2,187	1,663	1,217
Other current liabilities	15,946	11,507	15,756
	97,276	64,933	82,623
Total equity and liabilities	223,717	156,552	190,555

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2014	**2013**	**2013**
	Unaudited		**Audited**
	$'000	**$'000**	**$'000**
CASH FLOWS – OPERATING ACTIVITIES			
Profit for the period	6,347	5,689	10,886
Adjustments for:			
Depreciation of property, plant and equipment	1,814	1,141	2,800
Amortization of intangible assets	5,280	3,477	7,994
Loss (gain) on sale of property, plant and equipment	(49)	11	(37)
Fair value of preferential rate loan	307	-	(3,754)
Increase in provision for post-employment benefits	113	177	(50)
Finance costs, net	916	758	2,185
Tax (income)/expense	930	(94)	1,065
Decrease in fair value of earn out	-	(1,600)	(1,667)
Share-based payment charge	1,052	291	742
Operating cash flows before movements in working capital	16,710	9,850	20,164
Decrease / (increase) in trade receivables	(7,449)	4,881	(3,807)
Increase in other current assets	(2,556)	(5,129)	(3,678)
Decrease / (increase) in inventories	(1,994)	4,271	3,776
(Decrease) / increase in trade payables	11,103	(469)	11,487
Decrease in other current liabilities	(2,472)	(1,198)	(273)
(Decrease) / increase in provisions and other long term liabilities	713	(198)	320
Cash from operations	14,055	12,008	27,989
Income tax paid	-	-	(741)
Interest received	1	4	25
Interest paid	(1,363)	(824)	(1,901)
Net cash from operating activities	12,693	11,188	25,372
CASH FLOWS - INVESTING ACTIVITIES			
Acquisition of business	(2,100)	-	(9,509)
Settlement of earn out	-	-	(1,149)
Acquisition of property, plant and equipment	(4,291)	(1,516)	(4,847)
Proceed from disposal of property, plant and equipment	61	82	51
Acquisition of intangible assets	(1,415)	(1,405)	(*) (3,320)
Capitalized development expenditures	(11,887)	(4,417)	(*) (11,177)
Increase in restricted cash deposits	(8)	(26)	56
Net cash used in investing activities	(19,640)	(7,282)	(29,895)

(*) Reclassified.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Six months ended 30 June		Year ended 31 December
	2014	**2013**	**2013**
	Unaudited		**Audited**
	$'000	**$'000**	**$'000**
CASH FLOWS - FINANCING ACTIVITIES			
Proceeds from exercise of options	3,086	246	259
Acquisition of minority interest	(100)	-	-
Proceeds from other loans	-	6,540	19,301
Repayment of other loans	(2,084)	(1,474)	(2,361)
Short-term borrowings from banks and other lenders	3,869	(10,791)	(10,870)
Net cash (used in)/from financing activities	4,771	(5,479)	6,329
(Decrease)/increase in cash and cash equivalents	(2,176)	(1,573)	1,806
Cash and cash equivalents-balance at beginning of period	23,886	21,044	21,044
Effect of exchange rate differences	(402)	(640)	1,036
Cash and cash equivalents-balance at end of period	21,308	18,831	23,886

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2014 (Unaudited)

	Share capital	Share premium	Merger reserve	Other reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2014	1,791	78,678	1,235	(2,993)	(3,867)	4,181	79,025	367	79,392
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	6,354	6,354	(7)	6,347
Foreign currency translation differences	-	-	-	-	115	-	115	6	121
Total comprehensive income for the period	-	-	-	-	115	6,354	6,469	(1)	6,468
Transaction with owners:									
Issue of shares	90	8,797	-	-	-	-	8,887	-	8,887
Exercise of options	52	3,034	-	-	-	-	3,086	-	3,086
Purchase of minority interest	-	-	-	266	-	-	266	(366)	(100)
Share based payment charge	-	-	-	-	-	1,052	1,052	-	1,052
Total transactions with owners	142	11,831	-	266	-	1,052	13,291	(366)	12,925
Balance at 30 June 2014	**1,933**	**90,509**	**1,235**	**(2,727)**	**(3,752)**	**11,587**	**98,785**	**-**	**98,785**

Six months ended 30 June 2013 (Unaudited)

	Share capital	Share premium	Merger reserve	Other reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2013	1,781	78,429	1,235	(2,993)	(4,967)	(7,494)	65,991	422	66,413
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	5,791	5,791	(102)	5,689
Foreign currency translation differences	-	-	-	-	(1,314)	-	(1,314)	19	(1,295)
Total comprehensive income for the period	-	-	-	-	(1,314)	5,791	4,477	(83)	4,394
Transaction with owners:									
Exercise of options	68	178	-	-	-	-	246	-	246
Share based payment charge	-	-	-	-	-	291	291	-	291
Total transactions with owners	68	178	-	-	-	291	537	-	537
Balance at 30 June 2013	**1,849**	**78,607**	**1,235**	**(2,993)**	**(6,281)**	**(1,412)**	**71,005**	**339**	**71,344**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2013 (Audited)

	Share capital	Share premium	Merger reserve	Other reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2013	1,781	78,429	1,235	(2,933)	(4,967)	(7,494)	65,991	422	66,413
Total comprehensive income/(loss) for the period									
Profit/(loss) for the year	-	-	-	-	-	10,933	10,933	(47)	10,886
Foreign currency translation differences	-	-	-	-	1,100	-	1,100	(8)	1,092
Total comprehensive income/(loss) for the period	-	-	-	-	1,100	10,933	12,033	(55)	11,978
Transaction with owners:									
Issuance of shares									
Exercise of options	10	249	-	-	-	-	259	-	259
Share based payment charge	-	-	-	-		742	742	-	742
Total transactions with owners	10	249	-	-	-	742	1,001	-	1,001
Balance at 31 December 2013	**1,791**	**78,678**	**1,235**	**(2,993)**	**(3,867)**	**4,181**	**79,025**	**367**	**79,392**

NOTES TO THE INTERIM FINANCIAL STATEMENT AT 30 JUNE 2014 (Unaudited)

1. The Company was incorporated and registered in England and Wales as a public limited company on 30 November 2004 under the Companies Act 1985.

2. The interim financial statements include the results of operations and the financial position of the Company and its subsidiaries (together the "Group") as at and for the six months ended 30 June 2014. The consolidated interim financial statements of the Company have been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the AIM Rules using the accounting policies set out in the Group's 31 December 2013 statutory accounts. The AIM Rules do not require compliance with the requirements of IAS 34 “Interim Financial Statements” and these consolidated interim financial statements have not been prepared in compliance with the disclosure requirements of that standard. The consolidated interim financial statements have not been audited or reviewed and do not constitute the Company’s statutory accounts within the meaning of Section 435 of the Companies Act 2006. The financial information for the year ended 31 December 2013 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

3. The Directors have not declared an interim dividend.

4. Research and development expenses, net, were:

	H1 2014	**H1 2013**	**FY 2013**
	$’000	**$’000**	**$’000**
Research and development operating expenses	22,710	12,660	31,439
Capitalized development expenses	(11,887)	(4,417)	(11,177)
Amortization of internally generated development costs	2,231	1,936	3,787
Research and development expenses, net	**13,054**	(*) **10,179**	**24,049**

(*) The Company has reclassified an amount of $ 2,292K which was shown as grant income in the six months to June 2013 so that in June 2014 it is shown within other operating income instead of as a reduction from the research and development expenses, in order to provide consistent presentation to the amount presented for the year ended 31 December 2013 and for the six months ended 30 June 2014.

5. Net debt position:

	H1 2014	H1 2013	FY 2013
	$'000	$'000	$'000
Cash and cash equivalent	21,308	18,831	23,886
Restricted cash deposits	307	370	291
Working capital borrowings (1)	(13,390)	(11,355)	(10,960)
Long term loan (2)	(6,726)	(6,540)	(7,482)
Governmental loan (3)	(12,059)	(5,065)	(13,060)
Mortgage loan (4)	(4,055)	(4,350)	(4,422)
Net debt	**(14,615)**	**(8,109)**	**(11,747)**

(1) Short term borrowings, less than one year, arising from invoice advances used for working capital.

(2) Representing two long term loans from banks in Italy- (i) for $6.5 million, received in June 2013, with interest at a rate of Euribor 3 months plus 3.25% and repayable in 20 quarterly instalments that commenced in September 2013; and (ii) for $1.3 million, received in December 2013, with an interest rate of Euribor 6 months plus + 5.5% and is repayable in 6 semi-annual instalments that will commence in December 2020.

(3) Representing two preferential long term loans (i) for $7.7 million, received in December 2013, with a fixed-rate of 0.5% and repayable in 14 semi-annual instalments that will commence in December 2016, supported by the Italian MISE (Ministry of Economic Development) to develop an innovative platform for the application of M2M technologies; and (ii) for $6.1 million, received in March 2007, with a fixed-rate of 0.75% and repayable in 10 annual instalments that commenced in March 2009, supported by the Ministry of Trade and Commerce in Italy, provided in connection with the Group's business development program in Sardinia.

(4) Representing a preferential rate loan from a regional fund in Italy provided in connection with the Group's acquisition of the campus used for the Company's main R&D facility in Trieste, Italy. The mortgage loan, received at January 2012, is denominated in Euro, carries interest at a rate of 80% of Euribor 6 months and is repayable in 30 semi-annual instalments that commenced in June 2012.

6. On August 11, 2014, our subsidiaries Telit Communications SpA and Telit Wireless Solutions, Inc. amicably resolved the legal proceedings with Mentor Graphics Corporation and its Irish subsidiary, described in note 21C to the Company's 2013 annual report. The parties entered into a settlement agreement, which fully and finally settled all disputes among the parties, and dismissed all claims and counterclaims in the case with prejudice.

7. In August 2014, M2M Solutions LLC ("M2M") filed (but has not yet served the Company with) an additional complaint (the "Additional Claim") to the one detailed in note 21D to the Company's 2013 annual report (the "Original Claim"). The Additional Claim pertains to an alleged infringement by the Company and other named defendants of a patent allegedly owned by M2M and closely related to the patent asserted by M2M in the Original Claim. If and when served, the Company intends to defend against the Additional Claim vigorously. Also, between May and August 2014, the parties exchanged opening, rebuttal and reply expert reports (infringement and damages) in the Original Claim. The parties are discussing the possibility of consolidating these actions. In the opinion of the Company's management based, among other things, on the opinion of its legal and economic advisers, no provision is considered necessary in relation to the Original Claim or the Additional Claim.