8 August 2016

Telit Communications PLC

Interim results

Telit Communications PLC ("Telit", "the Group", AIM: TCM), a global enabler of the Internet of Things (IoT), has published its results for the six months ended 30 June 2016.

Financial highlights [(1)]

- Revenues up 6.3% to $166.1 million (H1 2015: $156.3 million)
- IoT services revenues grew 23.4% to $13.7 million (H1 2015: $11.1 million)
- Gross margin continued improving, to 40.1% (H1 2015: 39.7%)
- Adjusted EBITDA $21.4 million (H1 2015: $21.8 million)
- Adjusted profit before tax $11.4 million (H1 2015: $13.9 million)
- Adjusted basic earnings per share 10.0 cents (H1 2015: 11.7 cents)
- Interim dividend 2.5 cents per share (2015: nil) - 1/3 of expected full year dividend, based on 28% of the mid-range adjusted EPS guidance (27 cents)

Operational highlights

- Certifications: AT&T and Verizon for LTE Cat-1 and Cat-4 products; and Telstra (Australia) for LTE CAT-4 products
- Newly launched IoT Factory Solutions gaining traction, winning deals with Fortune 500 industrial companies, such as John Deere
- License and reseller agreement secured with SAP® for SAP to resell Telit's *deviceWISE* IoT platform
- Two acquisitions to enhance product portfolio:
  - several cellular module product lines & related IP from Novatel Wireless
  - Bluetooth Smart (otherwise known as Bluetooth Low Energy or BLE) assets from Stollman

Full year guidance

The Group is providing the following guidance for the 2016 annual results [(2)]:

- Revenues of $370-$390 million - increase of 11% to 17%
- Adjusted EBITDA of $52-$60 million - increase of 15% to 32%
- Adjusted basic earnings per share of $24-$30 cents - increase of 11% to 38%

1. *For reconciliation from IFRS financial results to adjusted financial results, please refer to the table in Note 4.*
2. *This guidance for the full year reflects current business indicators and expectations. Inherent in this guidance are risk factors that are described in greater detail in our regulatory filings. All figures are approximations based on management's current beliefs and assumptions and our actual results could differ from those presented above.*

Oozi Cats, Chief Executive, said:

"Our overall growth was held back by a slower ramp-up of the LTE Cat-1 product line due to unexpected delays in their certification in the U.S. However, these certifications are now in hand and we expect the second half of the year in the US to perform much better, achieving an annual growth rate of some 20%."

"Our IoT Services business unit is continuing to gain real momentum. Its growth rate continues to be high - 23% in the half. "

"Our ability to provide integrated end-to-end IoT solutions for corporates and enterprises - encompassing our connectivity, IoT platforms and IoT factory solutions - is gaining strong traction and recognition by customers and partners. 2 recently announced partners are SAP and Tech Mahindra."

"Although R&D, S&M and G&A growth were ahead of revenue growth, as a result of our continued investment in infrastructure, our target remains to reduce operational expenses as percentage of revenues by some 8-9% by 2018."

"Overall, we are confident of a strong second half performance, which will lead to double digit revenue growth and profitability growth for the year."

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Overview

Telit's strong competitive positioning and global reach has enabled the Group to continue to achieve solid growth during the first half of the year, despite the slower growth in the Americas and automotive business unit. All regions showed solid growth.

As expected, the Group's financial performance is weighted to the second half of the financial year. Telit expects 2016 will be another year of double-digit revenue growth with improvements expected in all profitability parameters.

Telit's IoT services business unit continued to build momentum and saw strong growth, up 23.4% to $13.7 million, up from $11.1 million in H1 2015. The Group's ability to provide a complete end-to-end solution is proving particularly attractive to multi-national customers.

IoT Platforms, within this business unit, has continued to grow steadily, securing new customers for Cloud-based application enablement services and for the newly formed IoT Factory Solutions. Recent wins include the Fortune 500 industrial company, John Deere.

Telit entered into an agreement with SAP® for SAP to license and resell the Telit deviceWISE IoT platform. The collaboration with SAP is expected to offer a foundation for easily and securely connecting devices. The goal is to deliver trusted data to SAP enterprise systems and extract value through the SAP HANA® platform, across numerous industrial environments for remote machine monitoring and control, production diagnostics, predictive maintenance, remote service and across several markets and industries worldwide.

Telit also launched a series of new products and secured significant design wins for cellular, location and timing, automotive, and short-range IoT modules including introducing a number of new 4G IoT modules across different regions, including LTE Cat-4 and Cat-1.

The Group shipped 17.9 million M2M modules in 2015. It expects to ship approximately 21 million in the current financial year.

Strategy

The Group is focussed on combining and seamlessly integrating its IoT Modules, IoT Connectivity, and IoT Platform businesses through the Telit IoT portal, to enable end-to-end IoT solutions that corporates and enterprises can easily implement with one of its ecosystem partners, or with Telit directly.

The Group will exploit its leading position in the IoT industry by:

- becoming a single point of reference, with its unique IoT-as-a-Service concept
- providing end-to-end enterprise solutions including IoT Factory Solutions for Industrial IoT and Industry 4.0
- continuing to develop strong products and services through its technology roadmap with extensive engineering support and developer resources
- Go-to-market leverage through a fast and growing ecosystem.

Telit will actively seek to improve recurring revenues, both through its robust organic growth, which is buoyed by the strong growth in the industrial and other IoT verticals, and through selective acquisitions to enhance its products and services offering.

During the first half Telit acquired a number of businesses as part of this strategy and to enhance its geographical coverage. The acquisitions made over the past few years have materially enhanced Telit's cloud platform capabilities, which is a key factor in delivering on its strategy and increasing recurring revenues in the IoT Services business unit.

Outlook

With a market leading position in modules, connectivity, connectivity management and Platform as a Service, Telit is poised to exploit the numerous opportunities developing across the Group as well as increase recurring revenues.

With a strong second half expected, the Board is confident of maintaining Telit's double-digit revenue growth for the current financial year.

It has therefore published guidance which states that Group revenues for the financial year to 31 December 2016 will be between $370 million to $390 million, up 11% to 17%; adjusted EBITDA of $52 million to $60 million, up 15% to 32%; and adjusted basic earnings per share of 24 $cents to 30 $cents, up 11% to 38%.

Financial review

Financial results*

	H1 2016 $'000	H1 2015 $'000	FY 2015 $'000
Revenue	**166,122**	**156,281**	**333,493**
Gross profit	**66,610**	**62,043**	**133,060**
Gross margin	40.1%	39.7%	**39.90%**
Research and development	(17,849)	(12,812)	**(32,768)**
Selling and marketing	(29,863)	(26,416)	**(55,508)**
General and administrative	(13,037)	(12,115)	**(26,582)**
Other operating income /(expenses)	529	(145)	**593**
EBIT	**6,390**	**10,555**	**18,795**
Adjusted EBIT	**13,078**	**15,748**	**30,617**
Adjusted EBITDA	**21,403**	**21,752**	**45,333**
Profit before tax	**4,703**	**8,705**	**15,873**
Adjusted profit before tax	**11,391**	**13,898**	**27,695**
Profit for the year from continuing operations	**3,987**	**7,385**	**14,116**
Adjusted net profit for the year	**11,506**	**13,360**	**24,941**
Adjusted basic profit per share (cents)	**10.0**	**11.7**	**21.7**

* For reconciliation from IFRS financial results to adjusted financial results, see note 4.

Revenue

Group revenue increased by 6.3% to $166.1 million (H1 2015: $156.3 million) with the Services business unit up 23.4% to $13.7 million (H1 2015: $11.1 million).

Revenue by region

The split of revenue on a geographical basis is as follows:

	H1 2016 $m	% of total revenue	H1 2015 $m	% of total revenue	2015 $m	% of total revenue
Americas	67.3	40.5%	64.8	41.5%	129.4	38.8%
EMEA	63.0	37.9%	58.5	37.4%	133.2	40%
APAC	35.8	21.6%	33.0	21.1%	70.9	21.2%
Total	**166.1**		**156.3**		**333.5**	

Americas revenues increased by 3.9% to $67.3 million. The ramp up of the LTE Cat-1 product line was slower than expected due to a slow certifications cycle which is a result of the restructuring taking place at one of Telit's blue chip suppliers. This therefore resulted in a lower level of support and a significant delay in product releases.

Based on the Group's LTE Cat-1 products that were already certified, Telit believes that the second half of the year in the US will perform much better and will drive the US market to an annual growth of about 20%.

EMEA revenues increased by 7.7% to $63 million. This is a strong growth rate in this very mature market, in which 2G remains the dominant technology. Telit expects that the significant wins in smart grid projects, in the UK and in the Netherlands, together with some automotive design wins, will lead the region to double digit growth from 2017 onwards.

APAC revenues continued increasing to $35.8 million, up by 8.5%.

Gross margin and gross profit

Gross margin continued to improve, from 39.7% in H1 2015 to 40.1% in H1 2016, due to the Group's strong positioning in the IoT industry, further improvements in the hardware business and the increasing share of revenues from the higher margin IoT services business.

Gross profit increased by 7.4% to $66.6 million (H1 2015: $62.0 million).

Operating expenses

Gross R&D operating expenses (expenses before capitalisation and amortisation of internally generated development costs - see note 3) increased to $28.8 million (H1 2015: $24.4 million). As a percentage of revenues, H1 2016 expenses increased to 17.3% of revenue (H1 2015: 15.6%).

The amount capitalised in respect to internally generated development costs is $15.3 million, an increase of $1 million compared to H1 2015. As a percentage of revenues this remains unchanged, compared to H1 2015, at 9.2%. This mainly relates to the development of 4G platforms and product variants for multiple territories and verticals.

The amortisation of internally generated development costs increased by 63.1% to $4.4 million (H1 2015: $2.7 million). This increase relates mainly to the release of 3G, 4G and IoT Services products to the market.

Sales and Marketing expenses increased by $3.4 million to $29.9 million (H1 2015: $26.4 million), and as a percentage of revenues increased to 18.0% (H1 2015: 16.9%). The increase is mainly due to the rapid build-up of a global services and end-to-end solutions sales specialist team.

General and Administrative expenses increased by $0.9 million to $13.0 million (H1 2015: $12.1 million), but remained virtually unchanged, compared to H1 2015, at 7.8% as a percentage of revenues.

Telit expects a meaningful decrease over the next few years of gross R&D, Sales and Marketing, as well as General and Administrative expenses, as a percentage of Group revenues, with a target to decrease them by 8-9%, by 2018.

Finance costs, net

	H1 2016 $m	H1 2015 $m
Non-cash expenses as fair value on Italian preferred loan	0.6	0.6
Interest on loans and overdrafts	0.6	0.4
Bank fees	0.3	0.2
Exchange rate differences	0.3	0.8
Interest income from bank deposits	(0.1)	(0.1)
Total	**1.7**	**1.9**

Finance costs, net decreased by 8.8% to $1.7 million (H1 2015: $1.9 million), mainly due to exchange rate differences which decreased from $0.8 million expenses in H1 2015 to $0.3 million expense in H1 2016.

Profitability

Adjusted EBITDA was $21.4 million (H1 2015: $21.8 million); as a percentage of revenues it represents 12.9% (H1 2015: 13.9%).

Adjusted EBIT was $13.1 million (H1 2015: $15.7 million) and adjusted profit before tax was $11.4 million (H1 2015: $13.9 million).

Adjusted basic earnings per share was 10.0 cents (H1 2015: 11.7 cents) and reported diluted earnings per share was 3.4 cents (H1 2015: 6.2 cents).

Dividend

On May 27, 2016, Telit paid a maiden dividend, for the financial year ended 31 December 2015, of 6 dollar cents per share. This dividend represented 28% of 2015 adjusted EPS.

The Directors have declared an interim dividend of 2.5 dollar cents per share. This represents approximately 1/3 of the expected dividend for the year, based on the directors' expectations (as reflected in the full year guidance) for adjusted earnings per share of 24-30 cents. The Board plan to distribute 28% of adjusted basic EPS as dividend.

The interim dividend will be paid on 23 September 2016 to shareholders on the register on 19 August 2016, with an ex-dividend date of 18 August 2016. The default payment for dividends remains in US dollars. However, shareholders can elect to have dividends paid in sterling (GBP) and the option to elect a sterling dividend payment will be available to shareholders until 5 September 2016 (the “Election Date”). The pounds sterling equivalent dividend payment will be announced as soon as practicable following the Election Date. Further details together with a copy of the Dividend Currency Election Form, which should be sent to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU when completed, will be available on the Group’s website shortly at www.telit.com/investor-relations/financial-statements. CREST shareholders must elect via CREST.

Balance sheet

Internally generated development assets, net as of 30 June 2016 increased during the period by $11.4 million to $65.6 million (31 December 2015: $54.2 million).

The main growth is driven by continued investment in 4G platforms and product variants for multiple territories and verticals. The split is as follows:

	30 June 2016 $m	**%**	**31 December 2015 $m**	**%**
Assets in development process (not amortised yet)	34.4	52	29.9	55
Assets after development process, net (began to be amortized)	31.2	48	24.3	45
Total	65.6		54.2	

Internally generated development assets that completed the development phase, moved to mass production phase and started the three to five years of amortization period increased to 48% of the total internally generated development assets (31 December 2015: 45%).

The net assets that are in development phase, before starting the amortization phase, are mainly related to automotive products, 4G products and the Platform as a Service.

Total equity grew to $112.6 million (31 December 2015: $110.2 million).

During the period, the Group repurchased 207,722 ordinary shares for a total consideration of $0.6 million.

Cash

As of 30 June 2016, the Group had net debt of $29.1 million (31 December 2015: net cash $1.1 million). The main reasons for the increase are acquisitions ($14 million), the payment of the 2015 dividend (approximately $7 million) and increase in working capital.

Operational review

Acquisitions

In April 2016 Telit acquired several cellular module product lines, related IP and inventory from Novatel Wireless, Inc., for an initial cash purchase price of $11 million and conditional earn-out consideration, which expected to be non-material.

As part of this acquisition, the Group acquired specific IP and was granted an exclusive license to other Novatel IP related to the acquired cellular module lines, including subsequent versions currently in development.

This acquisition forms an important part of the Group's strategy to enhance its product offering in the security market segment.

In February 2016 Telit acquired Bluetooth Smart, otherwise known as Bluetooth Low Energy ("BLE"), assets from Stollmann Entwicklungs und Vertriebs Gmbh ("Stollmann"), a developer and marketer of low power hardware products and software solutions for wireless communications for a cash consideration of €3.6 million, before adjustments.

The acquired assets include Stollmann's Bluetooth IP, NFC and other wireless communications IP. Thirty-five Stollmann employees, mainly R&D engineers, were transferred to Telit.

The acquisition materially enhances Telit's short-range low-power Bluetooth product offering and is another step in the Group's strategy to provide a comprehensive solution to connect edge devices, such as sensors, to the Telit IoT enablement platform.

MarketsandMarkets estimates the global BLE and "Smart-Ready" market will be worth $5.6 billion by 2020. BLE shipments are expected to surpass 1.2 billion units in five years, up from just 49 million units in 2013.

Products

Technological innovation is Telit’s core capability. The Group’s nine R&D centres provide a comprehensive portfolio of quality modules ranging from cellular to short-range RF and location technologies.

The Group’s modules are currently integrated in a wide range of applications, including asset tracking, remote industrial monitoring, automated utility meter reading, insurance telematics, consumer electronics, mobile health devices and many more.

The Group markets its industrial IoT products to numerous verticals including asset tracking, health care, security, telematics, point of sale, wearables, telemetry, industry and energy and smart metering. These verticals are set to grow significantly during the next few years, with substantial projects already in advanced stages around the world such as SMIP in the UK with energy and smart metering.

To cater to all these verticals, the Group continuously develops a wide range of LTE products, from the high-end categories down to the Cat-1, with a roadmap to launch Cat-M and narrow-band IoT products.

During the period, the Group received certifications from: AT&T and Verizon, for LTE Cat-1 and Cat-4 products; and Telstra (Australia), for LTE CAT-4 products. Telit also began mass production of the world's smallest 3G module (the UE866-EU).

IoT Services

Telit has continued to expand its IoT services offering and premium managed connectivity as well as a range of complementary value added services.

The Group's IoT Portal is designed to enable customers to manage Telit's products and services through a single portal that makes IoT deployments easier, cuts the time to market and saves money.
It provides customers with access to data management, including collection, storage and big data export, connectivity management, it facilitates interaction with mobile network operators, dash boarding tools, security and administration.

Telit continued to invest and develop the IoT connectivity business, which provides Telit with a recurring revenue stream in addition to the revenues from its established module business. The Group recently launched IoT Mobile Broadband Package - attractive Pan-European broadband plans which are helping its customers deploy new and innovative types of IoT applications that require much higher data usage with coverage across multiple countries.

As part of the IoT Platforms business and the Industry 4.0 trend, the Group launched deviceWISE for Factory, an enterprise-grade industrial automation platform designed to easily connect complex, disparate production equipment from different suppliers with different protocols and interfaces to enterprise systems and applications without custom programming. The scalable architecture is configurable to any manufacturing environment in any industry by leveraging a vast library of built-in standardised device drivers and enterprise connectors. deviceWISE is perfectly suited to all manufacturing verticals including automotive, pharmaceuticals, machinery, oil and gas, electrical power generation, water and more.

During the period, the Group secured several wins with Fortune 500 industrial companies, including John Deere.

The Group's secureWISE service has been providing secure remote connectivity to leading OEM and semiconductor FABs. Telit recently introduced a new service called Business Management Portal (BMP) providing detailed business analytics and reporting capabilities to optimize engineering support and improve customer service. A few of its OEM customers are already in initial deployment or advanced trials of the BMP service.

The Telit deviceWISE platform won Best Industrial IoT Solution at this year's IoT Evolution Expo Battle of the Platforms. The award was given for the first time at this year's event in recognition of the growing importance of IoT in industrial automation.

The Internet of Things (IoT) market opportunity

IoT has the power to completely transform businesses and industries, enhance the way in which they gather, analyse and distribute data and in turn, convert that data into productivity gains, new revenue streams, and new business models.

The ABI Research report, "M2M and IoT Embedded Modules", published on April 14, 2016 predicts that the demand for cellular IoT modules will grow significantly over the coming years. ABI predicts that the number of units in all cellular technologies to be shipped globally will reach 365 million by 2021, representing a 2016-21 CAGR of 33%.

The report projects gradual average selling price (ASP) declines for modules across the different wireless standards for the period 2016-21. This trend of declining prices is fuelling the growth of the industry. Considering the product mix forecast by ABI, the market will grow in monetary value at a CAGR of 21% from 2016 to 2021, with total revenues from cellular module sales reaching $4.9 billion in 2021.

In IoT services for connectivity and platforms, growth is estimated to be even more robust. According to IoT expert analyst firm MachNation, in its report "IoT Application Enablement Forecast: 2015 – 2025", published June 1st 2016, in 2015, IoT application enablement and device management revenues were $600 million and will increase at a CAGR of 65% over the 10-year period to $83 billion by 2025.

In its report "The Global M2M/IoT Communications Market" published in December 2015, analyst firm Berg Insight estimated that the global number of cellular IoT subscribers increased by 23% in 2015, reaching 265.2 million by the end of the year – corresponding to around 3 percent of all mobile subscribers. Through 2020, the firm estimates the number of cellular IoT subscribers will grow at a CAGR of 22.9% to reach 744.2 million at the end of the period. During the same period, cellular IoT connectivity revenues are forecasted to grow at a CAGR of 23.3% from $8.8 billion in 2015 to approximately $25.2 billion in 2020. Meanwhile the monthly average revenues per user, or ARPU, is expected to remain stable at around $2.75.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	2016	2015	2015
	Unaudited		Audited
	$'000	$'000	$'000
Revenue	166,122	156,281	333,493
Cost of sales	(99,512)	(94,238)	(200,433)
Gross profit	66,610	62,043	133,060
Research and development expenses, net[1]	(17,849)	(12,812)	(32,768)
Selling and marketing expenses	(29,863)	(26,416)	(55,508)
General and Administrative expenses	(13,037)	(12,115)	(26,582)
Other income (expenses), net	529	(145)	593
Operating profit	6,390	10,555	18,795
Finance costs, net	(1,687)	(1,850)	(2,922)
Profit before income taxes	4,703	8,705	15,873
Tax expenses	(716)	(1,320)	(1,757)
Net profit for the period	3,987	7,385	14,116
Other comprehensive income			
Foreign currency translation differences	2,102	(4,460)	(7,002)
Total comprehensive income for the period	6,089	2,925	7,114
Basic profit per share (in USD cents)	3.5	6.4	12.3
Diluted profit per share (in USD cents)	3.4	6.2	11.8
Adjusted basic profit per share (in USD cents)	10.0	11.7	21.7
Adjusted diluted profit per share (in USD cents)	9.8	11.3	20.9
Basic weighted average number of equity shares	114,837,682	114,515,414	114,809,803
Diluted weighted average number of equity shares	117,862,338	118,241,937	119,192,610

1 For a breakdown of research and development, expenses, net, please refer to Note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June		31 December
	2016	**2015**	**2015**
	Unaudited		**Audited**
	$'000	**$'000**	**$'000**
ASSETS			
Non-current assets			
Intangible assets	104,946	78,595	81,877
Property, plant and equipment	21,198	19,015	21,792
Other long term assets	1,858	888	2,198
Deferred tax asset	5,250	3,871	5,907
	133,252	102,369	111,774
Current assets			
Inventories	23,713	22,987	20,080
Trade receivables	76,673	66,464	72,157
Other current assets	15,894	14,505	13,040
Deposits – restricted cash	83	770	75
Cash and cash equivalents	19,179	36,574	29,844
	135,542	141,300	135,196
Total assets	**268,794**	**243,669**	**246,970**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	1,971	1,960	1,969
Share premium account	103	90,746	24
Other reserve	(2,727)	(2,727)	(2,727)
Merger reserve	-	1,235	-
Treasury stock fund	(1,929)	-	(1,323)
Translation reserve	(18,153)	(17,340)	(20,256)
Retained earnings	133,296	29,703	132,494
Total equity attributable to owners of the Company	112,561	103,577	110,181
Non-current liabilities			
Other loans	20,343	24,588	23,812
Post-employment benefits	5,063	4,595	4,737
Deferred tax liabilities	436	5	262
Provisions	4,530	3,289	3,894
Other long-term liabilities	2,556	23	39
	32,928	32,500	32,744
Current liabilities			
Short-term borrowings from banks	28,034	12,751	4,968
Trade payables	75,338	75,509	77,627
Provisions	576	1,327	585
Other current liabilities	19,357	18,005	20,865
	123,305	107,592	104,045
Total equity and liabilities	**268,794**	**243,669**	**246,970**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2016	**2015**	**2015**
	Unaudited		**Audited**
	$'000	**$'000**	**$'000**
CASH FLOWS – OPERATING ACTIVITIES			
Profit for the period	3,987	7,385	14,116
Adjustments for:			
Depreciation of property, plant and equipment	3,051	2,434	5,306
Amortization of intangible assets	7,792	5,624	13,532
Loss (gain) on sale of property, plant and equipment	-	113	(226)
Increase in provision for post-employment benefits	272	277	567
Finance costs, net	1,689	1,850	2,922
Tax expense	716	1,320	1,757
Share-based payment charge	3,709	2,644	6,348
Operating cash flows before movements in working capital	21,216	21,647	44,322
Increase in trade receivables	(3,345)	(3,965)	(12,486)
Increase in other current assets	(2,477)	(2,148)	(1,556)
Decrease (increase) in inventories	862	(2,814)	11
Increase (decrease) in trade payables	(2,381)	9,391	13,231
Increase (decrease) in other current liabilities	(5,214)	(1,652)	1,231
Increase in provisions and other long term liabilities	651	802	1,472
Cash from operations	9,312	21,261	46,225
Income tax paid	-	-	(3,047)
Interest received	66	71	12
Interest paid	(866)	(599)	(1,978)
Net cash from operating activities	**8,512**	**20,733**	**41,212**
CASH FLOWS - INVESTING ACTIVITIES			
Acquisition of business, net of cash acquired	(13,681)	-	(352)
Acquisition of property, plant and equipment	(2,415)	(2,979)	(8,823)
Proceeds from disposal of property, plant and equipment	463	193	677
Acquisition of intangible assets	(801)	(614)	(1,397)
Capitalized development expenditures	(15,338)	(14,333)	(26,106)
Increase (decrease) in restricted cash deposits	64	(65)	657
Net cash used in investing activities	**(31,708)**	**(17,798)**	**(35,344)**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Six months ended 30 June		Year ended 31 December
	2016	**2015**	**2015**
	Unaudited		**Audited**
	$'000	**$'000**	**$'000**
CASH FLOWS - FINANCING ACTIVITIES			
Proceeds from exercise of options	81	231	264
Purchase of own shares	(606)	-	(1,323)
Dividend paid	(6,893)	-	-
Proceeds from other loans	-	11,562	11,562
Repayment of other loans	(1,682)	(1,645)	(2,337)
Short-term borrowings from banks and other lenders	20,971	1,310	(4,949)
Net cash from financing activities	**11,871**	**11,458**	**3,217**
(Decrease)/increase in cash and cash equivalents	(11,325)	14,393	9,085
Cash and cash equivalents-balance at beginning of period	29,844	25,399	25,399
Effect of exchange rate differences	660	(3,218)	(4,640)
Cash and cash equivalents-balance at end of period	**19,179**	**36,574**	**29,844**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2016 (Unaudited)

	Share capital	Share premium	Other reserve	Treasury stock fund	Translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2016	1,969	24	(2,727)	(1,323)	(20,256)	132,494	110,181
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	3,987	3,987
Foreign currency translation differences	-	-	-	-	2,102	-	2,102
Total comprehensive income for the period	-	-	-	-	2,102	3,987	6,089
Transaction with owners:							
Exercise of options	2	79	-	-	-	-	81
Dividend						(6,893)	(6,893)
Repurchase of shares				(606)			(606)
Share based payment charge	-	-	-	-	-	3,709	3,709
Total transactions with owners	2	79	-	(606)	-	(3,184)	(3,710)
Balance at 30 June 2016	**1,971**	**103**	**(2,727)**	**1,929**	**(18,153)**	**133,297**	**112,561**

Six months ended 30 June 2015 (Unaudited)

	Share capital	Share premium	Merger reserve	Other reserve	Translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2015	1,942	90,533	1,235	(2,727)	(13,254)	20,048	97,777
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	7,385	7,385
Foreign currency translation differences	-	-	-	-	(4,460)	-	(4,460)
Total comprehensive income for the period	-	-	-	-	(4,460)	7,385	2,925
Transaction with owners:							
Exercise of options	18	213	-	-	-	-	231
Share based payment charge	-	-	-	-	-	2,644	2,644
Total transactions with owners	18	213	-	-	-	2,644	2,875
Balance at 30 June 2015	**1,960**	**90,746**	**1,235**	**(2,727)**	**(17,714)**	**30,077**	**103,577**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2015 (Audited)

	Share capital	Share premium	Merger reserve	Other reserve	Treasury stock fund	Translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2015	1,942	90,533	1,235	(2,727)	-	(13,254)	20,048	97,777
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	14,116	14,116
Foreign currency translation differences	-	-	-	-	-	(7,002)	-	(7,002)
Total comprehensive income for the period	-	-	-	-	-	(7,002)	14,116	7,114
Transaction with owners:								
Exercise of options	27	237	-	-	-	-	-	264
Reduction of share premium and merger reserve	-	(90,746)	(1,235)	-	-	-	91,981	-
Repurchase of shares	-	-	-	-	(1,323)	-	-	(1,323)
Share based payment charge	-	-	-	-	-	-	6,349	6,349
Total transactions with owners	27	(90,509)	(1,235)	-	(1,323)	**-**	98,330	5,290
Balance at 31 December 2015	**1,969**	**24**	**-**	**(2,727)**	**(1,323)**	**(20,256)**	**132,494**	**110,181**

NOTES TO THE INTERIM FINANCIAL STATEMENT AT 30 JUNE 2015 (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 2016. 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 2015 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 2015 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. Research and development expenses, net, were:

	H1 2016	H1 2015	FY 2015
	$'000	$'000	$'000
Research and development expenses	28,766	24,434	51,216
Capitalized development expenses	(15,338)	(14,333)	(26,106)
Amortization of internally generated development costs	4,421	2,711	7,658
Research and development expenses, net	**17,849**	**12,812**	**32,768**

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

	H1 2016 $'000	H1 2015 $'000	FY 2015 $'000
Operating profit	**6,390**	**10,555**	**18,795**
Share based payments	3,709	2,573	6,349
Non-recurring expenses	461	566	1,351
Amortization intangibles acquired	2,518	2,054	4,122
Adjusted EBIT	**13,078**	**15,748**	**30,617**
Depreciation and amortization	8,325	6,004	14,716
Adjusted EBITDA	**21,403**	**21,752**	**45,333**
Profit before tax (PBT)	**4,703**	**8,705**	**15,873**
Share based payments	3,709	2,573	6,349
Non-recurring expenses	461	566	1,351
Amortization intangibles acquired	2,518	2,054	4,122
Adjusted PBT	**11,391**	**13,898**	**27,695**
Net Profit for the period attributable to the owners of the Company	**3,987**	**7,385**	**14,116**
Share based payments	3,709	2,573	6,349
Non-recurring (income) expenses	461	566	1,351
Amortization – acquired intangibles	2,518	2,054	4,122
Change in deferred taxes, net	831	782	(997)
Adjusted profit for the period attributable to the owners of the Company	**11,506**	**13,360**	**24,941**

5. Net cash (debt) position:

	H1 2016 $'000	H1 2015 $'000	FY 2015 $'000
Cash and cash equivalent	19,179	36,574	29,844
Restricted cash deposits	83	770	75
Working capital borrowings (1)	(22,867)	(10,384)	(2,663)
Long term loan (2)	(4,440)	(5,595)	(4,899)
Governmental loan (3)	(18,160)	(18,160)	(18,234)
Mortgage loan (4)	(2,910)	(3,200)	(2,984)
Net cash / (debt)	**(29,115)**	**5**	**1,139**

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

(2) Representing three long term loans from banks in Italy- (i) $6.2 million bearing interest at a rate of Euribor 3 months plus 3.25%, repayable in 20 quarterly instalments that commenced in September 2013; (ii) $1.3 million bearing interest at a rate of Euribor 6 months plus 5.5% and is repayable in 6 semi-annual instalments that will commence in December 2020; and (iii) $1.1 million bearing interest at a rate of Euribor 6 months plus 5.5% and repayable in 6 semi-annual instalments that will commence in December 2020.

(3) Representing three long term loans with preferential rates (i) $8.2 million received in February 2015; ii) $7.7 million received at December 2013, both with a fixed-rate of 0.5% p.a. 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; (iii) $6.1 million with a fixed-rate of 0.75% p.a. 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 mortgage 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 is denominated in Euro, bears interest at a rate of Euribor 6 months minus 20% and repayable in 15 semi-annual instalments that commenced in June 2012.

The directors believe, based on the past performance of the relevant subsidiaries and the history of the relationships with the lending banks, that the credit facilities will remain available to the Group in the foreseeable future and that therefore the Group will be able to continue to fund its operations from these credit facilities.