Press Release **17 March 2014**

Telit Communications PLC

("Telit" or "the Company" or "the Group")

Preliminary results for the year ended 31 December 2013

Telit Communications PLC (AIM: TCM), a global leader in machine-to-machine (m2m) communications, is pleased to announce its preliminary results for the year ended 31 December 2013 and the continued growth of the Company.

Highlights[1]

- Revenues for the full year ended 31 December 2013 increased year on year by 17.3% to $243.2 million (2012: $207.4 million).
- Revenues for the 3 months ended 31 December 2013 increased by 25.3% to $72.3 million (3 months ended December 2012: $57.7 million).
- Revenues include for the first time significant revenues of $9.8 million from m2mAIR, Telit's Platform as a Service (PaaS), the Company's value added, connectivity, cloud platform and other services (2012: $1.6 million).
- Adjusted EBITDA for the year increased by 55.5% to $26.9 million (2012: $17.3 million).
- Gross margin increased from 37.1% in 2012 to 38.02% in 2013.
- Operating profit increased by 139% to $14.1 million (2012: $5.9 million).
- Profit before tax for the year increased by 145% to $12 million (2012: $4.9 million).
- Net profit for the year increased by 179% to $10.9 million (2012: $3.9 million).
- Adjusted net profit for the year increased by 73% to $15.4 million (2012: $8.9 million)
- Cash flow from operating activities increased by 370% to $25.4 million (2012: $5.4 million).
- Basic earnings per share increased by 176.3% to 10.5 cents in 2013 compared to 3.8 cents in 2012.
- Adjusted basic earnings per share increased by 73.2% to 14.9 cents in 2013 compared to 8.6 cents in 2012.
- Net debt at 31.12.2013 decreased to $11.7 million in comparison to net debt of $12.7 million at 31.12.2012, although during 2013 the Company invested approximately $11 million of its cash in acquisitions. Without this, net debt would have stood at $0.7 million.

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

Operational highlights

- Revenues increased by 17.3% to $243.2 million (2012: $207.4 million). For the fourth year in a row the Company presents a double digit growth with an average CAGR growth of about 30%.
- Gross margin increased from 37.1% in 2012 to 38.02% in 2013, due to the Company's positioning in the M2M industry and the shift in the business model to services with recurring revenues.
- Gross profit for the year increased by 20.3% to $92.5 million (2012: $76.9 million).
- Research and development expenses increased by $4.0 million to $24.0 million (9.9% of revenues) compared to $20.1 million in 2012 (9.7% of revenues). R&D expenses arose mainly from the development of 4G LTE modules designed for use in the most demanding automotive and industrial m2m applications.
- Sales and marketing expenses increased by $8.1 million to $38.6 million (15.9% of revenues) compared to $30.5 million in 2012 (14.7% of revenues). The increase is mainly due to investment in m2mAIR, Telit's Platform as a Service (PaaS), the Company's value added, connectivity and cloud platform services business unit. This business unit was bolstered during 2013 by the acquisitions of Crossbridge Solutions Inc., and of ILS Technology LLC.
- General and administrative expenses increased by $2.6 million to $22.3 million (9.2% of revenues) compared to $19.7 million in 2012 (9.5% of revenues).
- Other net income increased by $7.3 million mostly due to: (i) grants and benefits supported by the Italian Ministry of Economic Development, which granted a decree to Telit in the sum of $44 million to develop an innovative platform for the application of M2M technologies; (ii) and the release of the remaining provision for contingent consideration after the earn out on an acquisition was settled in the year.
- Net equity at 31.12.2013 increased to $79.4 million (2012: $66.4 million).

Acquisitions:

On September 3, 2013 Telit Wireless Solutions Inc., a fully owned subsidiary of Telit Communications PLC, entered into an agreement to purchase US-based ILS Technology LLC ("**ILST**"), a leading provider of a ready-to-use, off-the-shelf, cloud platform to connect enterprise IT systems to m2m-connected devices and machines for business-critical use. ILST's solutions are easy to deploy, reaching any m2m device and connected asset without the need for complex programming or development. Critical to business services, ILST delivers secure remote access, monitoring and enterprise application integration which provides customers a faster time to deployment and business value realization through a low cost PaaS services model. Employing best-in-class security practices and standards, customers can easily maintain critical data management and ownership as well as regulatory compliance.

Telit paid $8.5 million in cash for the acquisition of ILST from the Company's existing financial resources. ILST expands Telit's successful ONE STOP. ONE SHOP market approach while continuing to leverage ILST's broader offering in value added services.

Acquisitions in process:

On December 2013, Telit Wireless Solutions Srl, a fully owned subsidiary of Telit Communications Plc, entered into an agreement with NXP B.V., a fully owned subsidiary of NXP Semiconductors N.V. (Nasdaq: NXPI) to purchase NXP's ATOP business subject to fulfilment of certain closing conditions, which on the date of this report have not yet been fulfilled.

ATOP is an automotive grade solution for vehicle manufacturers enabling them, amongst other features, to implement telematics services such as eCall, the European initiative to bring rapid assistance to motorists involved in a collision anywhere in the EU, on a single compact and cost efficient package, whilst reducing complexity and minimizing costs in vehicle designs.

The acquisition of ATOP includes sales, engineering and support staff, to be integrated into Telit's automotive organization and will extend the Company's market reach with solutions leveraging the expanded engineering and sales expertise to better address automotive and telematics customers. Telit has agreed, subject to completion of appropriate due diligence and fulfilment of certain closing conditions, to appoint an individual from NXP's automotive business unit as a non-executive director of Telit on closing.

Commenting on the results, Oozi Cats, Chief Executive, said: “2013 was an important year for Telit. We achieved strong growth in sales and profits together with a strong growth in services revenues which reached $9.8 million in 2013. Our strategic acquisitions in 2012 and 2013 have added a layer of recurring revenue to Telit’s financial performance and we expect them to increase their contribution over the coming years.

Our hard work and significant investments over the past few years have created a market-leading platform for the Internet of Things (IoT) through which we are capitalizing on the exciting opportunities within the market and continuing to increase our market share. We are very excited about the ONE STOP. ONE SHOP concept we are providing to our m2m customers and are confident that Telit is now even better placed to achieve its objective of becoming the leading provider of m2m solutions worldwide. The Company remains confident about the current year outlook."

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Notes to readers

Telit is a global enabler of machine-to-machine (M2M) communications providing cellular, short range and positioning modules via its brand Telit Wireless Solutions. Through its business unit m2mAIR, Telit provides platform as a service (PaaS) including M2M managed and value added services, application enablement and connectivity including mobile network side and cloud backend services. Telit is M2M's top ONE STOP. ONE SHOP offering synergistic hardware and value added services bundles along with low-entry cost PaaS for rapid application development. With over 12 years exclusively in M2M, the company constantly advances technology through seven R&D centers around the globe; marketing products and services in over 80 countries.
By supplying scalable products interchangeable across families, technologies and generations, rapid prototyping tools for application development, and m2m tailored connectivity, Telit is able to curb development costs, protect design investments and reduce technical risk. The company provides customer support and design-in assistance through 32 sales and support offices, a global distributor network of experts with over 30 competence centers, and the Telit Technical Support Forum.

Telit provides all products services and facilities to connect organizations to the Internet of Things allowing them to wirelessly collect, process and respond to real-world data from connected devices, creating new efficiencies, revenue streams, societal and personal benefits.

Brief introduction to the machine to machine (m2m) and internet of things market

Machine to machine (m2m) technology establishes wireless communication between machines and the information centre of a business. The goal of m2m is to enable applications that allow businesses to increase productivity and competitiveness. At the heart of each m2m implementation is a communication module which receives, processes and transmits information.

The international market for machine to machine (m2m) wireless communications is rapidly growing as wireless communications are now a "must have" rather than a luxury technology. Companies that were not interested in m2m wireless solutions in the past are now looking to incorporate this technology into their businesses as their operations expand and modernise.

The IMS Research (now part of IHS) report on the m2m sector “The World Market for Modules in M2M Communications - 2012 Edition“, predicts that the market will enjoy high growth over the coming years. IMS Research believes that the number of units to be shipped will reach 118.5 million by 2016 representing a 2010-16 CAGR of 24.1%. Beecham Research in its “M2M Cellular Modules Forecast” report issued in July 2012, projects an average selling price decline of 8.9% per annum resulting in a CAGR of 13.3 % growth in monetary value of the sector from 2010 through 2016 with a total value of m2m module market of $1.96 billion in 2016.

CHAIRMAN'S STATEMENT

I am pleased to deliver our 2013 results. Our strong competitive position has helped us to achieve significant growth.

Outlook

The outlook for 2014 looks positive for the m2m industry as a whole and for Telit in particular. Notwithstanding the fact that we are operating in a competitive environment, we believe we are well positioned to take advantage of the opportunities ahead and believe that our acquisitions in 2012 and 2013 enhance our platform as a service (PaaS) including M2M managed and value added services, application enablement and connectivity including mobile network side and cloud backend services. Telit is M2M's top ONE STOP. ONE SHOP offering synergistic hardware and value added services bundles along with low-entry cost PaaS for rapid application development. With our new m2mAIR business unit, this will strengthen our already strong position within our industry. We look forward to continued organic business expansion and are constantly seeking further expansion opportunities through new technologies or by gaining access to new territories and new market segments.

We look to 2014 and beyond with excitement, as we continue to gain market share and strive to constantly improve our profitability while continuing to provide the market with first rate products as well as value added services.

People

At the end of 2013, Telit employed 641 employees worldwide, an increase of 23.5% (2012: 519). During 2013 we have made significant progress and this is a reflection of the excellent team we are proud to have at Telit. The Board believes that our skilled staff is, and will continue to be, the cornerstone of Telit’s success. I would like personally to thank all of the Company’s employees for their hard work and to welcome all the new employees that have joined the Telit family, including those joining us from the most recent acquisitions.

Dividend

The Company is not proposing to pay a dividend in respect of the period (2012: $ nil).

Enrico Testa
Chairman of the Board

CHIEF EXECUTIVE'S STATEMENT

2013 was the fourth consecutive year of double digit growth for Telit and improvements in absolute profitability. In 2013 we implemented one more major step within our strategic roadmap - the acquisition of ILS Technology LLC that augmented our location product portfolio and enhances our ability to service the needs of our customers by providing a platform as a service (PaaS) offering including M2M managed and value added services, application enablement and connectivity including mobile network side and cloud backend services.

Financial results[2]

	2013 ***$'000***	**2012** ***$'000***
Revenue	**243,224**	**207,392**
Gross profit	**92,482**	**76,884**
Gross margin	38.02%	37.1%
Research and development	(24,049)	(20,085)
Selling and marketing	(38,617)	(30,472)
General and administrative	(22,348)	(19,707)
Other operating income /(expenses)	6,668	(683)
Operating profit	**14,136**	**5,937**
Adjusted EBIT	**18,795**	**10,573**
Adjusted EBITDA	**26,901**	**17,335**
Profit before tax	**11,951**	**4,915**
Adjusted profit before tax	**16,610**	**9,551**
Profit for the year	**10,886**	**3,880**
Adjusted profit for the year	**15,466**	**8,888**

[2] For reconciliation from IFRS financial results to adjusted financial results please refer to the table in note 4.

Regional information

The split of revenue on a geographical basis for the years ended 31 December 2013 and 2012 is as follows:

	2013 $ (m)	**% of Total Revenue**	**2012 $ (m)**	**% of Total Revenue**
EMEA	110.1	45.3%	107.0	51.6%
Americas	105.2	43.3%	75.0	36.2%
APAC	27.9	11.4%	25.4	12.2%
Total	**243.2**	**100%**	**207.4**	**100%**

EMEA

Although economic conditions in the Eurozone have begun to stabilise, with signs of confidence in investment improving, 2013 was still a difficult year across almost all of our verticals. However, our results demonstrate that we nonetheless achieved moderate growth, meaning that we have again gained market share in EMEA and we have strengthened our leadership position.

We achieved this result thanks to our strong position in the telematics market together with ramping up of some new markets that we were already following closely - during 2012.

In our telematics business, acceptance of M2M applications increased among different sub-segments, especially by insurance companies, which have continued to create a big push in the market. For new markets, it is worth noting the impact of the “new but old” idea„ of different governments having a real time view and reporting of all sales done through different kinds of shops, restaurants, etc. to get tighter control of all taxes generated by those sales. Last year this type of project came back- in some significant markets and we have already seen the first such deployments and where we expect very important quantities during 2014, 2015 and 2016.

Beyond cellular, we would like to emphasize our progress in GNSS. We finished 2013 a clear second in EMEA and we are headed in the right direction to achieve leadership in this market in a few years' time. The introduction of several new products based on different chipset vendors will enable us to offer state of the art modules to the different segments using GNSS products and it will allow us to more than double number of units from 2013 to 2015, putting us in a perfect position to take market leadership in 2016.

Americas

In 2013, we saw significant momentum in the Internet of Things (IoT) trend within the Americas region. Google's recent acquisition of Nest ($3.2B), GE's Industrial Internet initiative and announcements by Cisco and Intel to re-align their organizational structure to take advantage of the IoT opportunity, indicate the growing demand for IoT solutions.

Continued improvements in price/performance of computing, advances in wireless networks and the pervasiveness of the Cloud are all driving this trend in IoT. Verizon has already covered 95% of the US population and 500 cities in the United States with 4G LTE network connectivity that has a theoretical download speed of 100MB/second and routinely delivers 20MB/second on today's networks. Developments in RESTful APIs and other Service Oriented Architectures (SOAs) have helped to enable the development of service delivery platforms (SDPs) and application enablement platforms (AEPs) that can help reduce the complexity of developing m2m solutions.

To support this trend toward IoT among enterprise customers, Telit recently acquired two companies in North America to support customers that are deploying IoT and m2m solutions- Crossbridge Solutions and ILS Technologies (ILS). Crossbridge provides mobile data connectivity services to developers across a number of network providers, including AT&T, Verizon, Sprint, Rogers, among others. Combined with ILS's AEP, Telit is now in a position to provide bundled solutions to our customers who are looking for embedded modules (cellular/GNSS/short range), data connectivity and an intelligent backend host system that provides rapid integration into existing enterprise systems.

In April 2013, we re-united Telit North America and Latin America to create a single organization that is looking after our customers in the region. The two organizations will allow our North American customers benefit from the strong relationships we have in Brazil and other countries to facilitate their own expansion into the region. In addition, our Latin America customers will benefit from the experience and capabilities of a strong North America operation.

In North America, the transition from 2G to 3G technology continued at a very rapid pace. The trend away from GPRS has been dramatic within North America, with Telit sales of GPRS products going from 50% to <20% of sales in one year's time. Although we don't advise customers to start new designs on GPRS due to the re-farming of spectrum from 2G to 3G that is going on at AT&T and others, CDMA 1xRTT does remain a viable and affordable solution for most new designs as both Verizon and Sprint have committed to maintaining their CDMA networks until at least 2019. The Company gained new important accounts in the security, metering, telematics and mobile computing verticals supporting significant sales growth in the region.

In Latin America, we successfully introduced our new GNSS and short range portfolio and today we leverage the benefits of a state of the art manufacturing facility in Brazil for 3GPP modules with installed capacity of a couple of million units per year for 2G and 3G products resulting in a gross margin increase of 57%. We continue to see solid growth and will continue to monitor the CONTRAN 245 telematics law to see if it will be implemented according to the current schedule. The Company gained new accounts with short-range and GNSS designs wins and expects these areas will contribute to sustained growth in the next few years. Unwelcome security issues, stable economies, large populations and continental distances are a combination of ingredients backing our optimistic view of the growth in Latin America in the future.

As we enter 2014, we expect another strong year of growth in the Americas region as we continue to see strong growth in many of the traditional m2m vertical markets as well as opportunity for growth in broader horizontal market applications.

APAC

In 2013 our business in APAC continued with realignment to higher growth, higher value segments and began to see some of the 2012 investment coming to fruition. The price pressure was especially fierce in the low end application of 2G modules which was compensated by the growth in 3G module demands.

In the low end application of 2G modules, the demand for quality and differentiation was low especially in the emerging countries of the APAC region. This low end segment was saturated by alternative low price local solutions. Our focus in 2G modules was concentrated on industrial segments where customer service and quality were valued. We continued to grow in market segment share of the above mentioned industrial segment.

In addition to 2G modules, most of the APAC countries are starting to adopt 3G technologies for M2M applications, while a small subset of countries like Japan, Korea, and Australia are moving towards LTE as well. We were able to capture many of these opportunities to significantly grow our 3G module shipment in 2013 versus 2012. And we expect this trend to continue in the next few years bringing new growth to the APAC M2M business.

Our 2012 investment in Japan and Australia was starting to pay off. In 2013, we secured major local accounts in automotive, remote health and remote monitoring applications. Project development was completed in 2013 and is expected to bring additional sales growth starting in 2014. We will leverage on the early success to continue growing our presence in these new markets.

Technology & Products

Technological innovation is Telit's core capability. Thanks to its seven R&D centres, the Company was again able in 2013 to provide outstanding module quality ranging from cellular to short-range RF and location technologies. Our 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.

With the acquisition of ILST, ILST management, engineering and support staff will be integrated into the m2mAir 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, Telit expands 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.

In 2013 we expanded our offering based on the XE910 form factor by introducing CL865 to extend our offering to the CDMA markets. We also introduced the HE910 V2, UE910 V2, UE910 AUTO and UL865 (UMTS, HSPA) variants to complete our xE910 and xL865 families with additional variants. To complete the offering we launched the ultra-compact GE866 (GPRS) product. We've also launched the LE910 implementing the LTE technology and completing the xE910 family offering.

Looking at the automotive sector we announced and launched the UE910 AUTO, representing the 3G entry-level solution for this sector.

Furthermore, during 2013 we launched a series of new GNSS modules. Our offering now includes the SE868-V2 and SL869-V2 (GPS), both of them supporting GPS and GLONASS constellations.
As for the Short Range portfolio, we launched the LE70-868 and LT70-868 terminal implementing the Start Network, and the LE51-868S, which features the SigFox protocol.

Strategy

Having successfully integrated the most recent businesses acquired by Telit into the Company's global organization, and with our significant market share, Telit is confident in its position as a leading global company in the strong IoT and m2m industry. Telit looks forward to continuing to implement its strategy which is to grow through a four-pronged approach:

- Organically alongside general growth in the m2m industry;
- Recurring income through our valued added services unit which will leverage the long-standing relationships with our customers and cloud platform services business unit, a leading provider of a ready-to-use, off-the-shelf, cloud platform to connect enterprise IT systems to m2m-connected devices and machines for business-critical use;
- The acquisition of NXP's Automotive Telematics Onboard unit Platform ("ATOP") which will be the cornerstone of Telit's automotive division; 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.

The hard work and dedication of Telit's staff across the globe is and will continue to be crucial to Telit's success. I would like to thank the Company's management team and all employees for their continued commitment to the Company and its success. Their dedication is an invaluable asset, indeed the core asset of the Company.

Telit intends to continue to take advantage of the considerable opportunities arising in 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013 Audited $'000	2012 Audited $'000
Revenue	243,224	207,392
Cost of sales	(150,742)	(130,508)
Gross profit	92,482	76,884
Research and development expenses	(24,049)	(20,085)
Selling and marketing expenses	(38,617)	(30,472)
General and administrative expenses	(22,348)	(19,707)
Other income (expenses) net	6,668	(683)
Operating profit	14,136	5,937
Finance costs	(2,185)	(1,022)
Profit before income taxes	11,951	4,915
Tax expenses	(1,065)	(1,035)
Profit for the year	10,886	3,880
Other comprehensive income / (loss)		
Foreign currency translation differences	1,092	479
Total comprehensive income / (loss) for the year	11,978	4,359
Profit attributable to:		
Owners of the Company	10,933	3,914
Non-controlling interests	(47)	(34)
Profit for the year	10,886	3,880
Total comprehensive income / (loss) attributable to:		
Owners of the Company	12,033	4,424
Non-controlling interests	(55)	(65)
Total comprehensive income / (loss) for the year	11,978	4,359
Basic profit per share (in USD cents)	10.5	3.8
Diluted profit per share (in USD cents)	9.8	3.6
Adjusted basic profit per share[3] (in USD cents)	14.9	8.6
Adjusted diluted profit per share[4] (in USD cents)	13.9	8.2
Basic weighted average number of equity shares	103,826,885	102,968,936
Diluted weighted average number of equity shares	111,067,069	108,272,974

[3] Adjusted basic profit per share is defined as adjusted profit for the year divided by basis weighted average number of equity shares.

[4] Adjusted diluted profit per share is defined as adjusted profit for the year divided by diluted weighted average number of equity shares.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2013 Audited $'000	2012 Audited $'000
ASSETS		
Non-current assets		
Intangible assets	49,459	35,659
Property, plant and equipment	16,182	13,588
Other long term assets	807	568
Deferred tax asset	3,954	3,840
	70,402	53,655
Current assets		
Inventories	18,520	21,659
Trade receivables	63,118	56,502
Other current assets	14,338	8,845
Deposits - restricted cash	291	365
Cash and cash equivalents	23,886	21,044
	120,153	108,415
Total assets	190,555	162,070
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	1,791	1,781
Share premium account	78,678	78,429
Merger reserve	1,235	1,235
Other reserve	(2,993)	(2,993)
Translation reserve	(3,867)	(4,967)
Retained earnings	4,181	(7,494)
Equity attributable to owners of the Company	79,025	65,991
Non-controlling interest	367	422
Total equity	79,392	66,413
Non-current liabilities		
Other loans	22,134	9,839
Post-employment benefits	3,780	3,671
Deferred tax liabilities	21	33
Provisions	2,236	1,728
Other long-term liabilities	369	3,372
	28,540	18,643
Current liabilities		
Short-term borrowings from banks and other lenders	13,790	24,293
Trade payables	51,860	38,883
Provisions	1,217	2,254
Accruals and other current liabilities	15,756	11,584
	82,623	77,014
Total equity and liabilities	190,555	162,070

CONSOLIDATED STATEMENT OF CASH FLOW

	2013 Audited $'000	2012 Audited $'000
CASH FLOWS - OPERATING ACTIVITIES		
Profit for the period	10,886	3,880
Adjustments for:		
Depreciation of property, plant and equipment	2,800	2,315
Amortization of intangible assets	7,994	6,306
Loss/(gain) on sale of property, plant and equipment	(37)	312
Change in fair value of earn-out	(1,667)	(85)
Increase / (decrease) in provisions for post-employment benefits	(50)	722
Finance costs, net	2,185	1,022
Tax expenses	1,065	1,035
Fair value of preferential rate loan	(3,754)	-
Share-based payment charge	742	1,008
Operating cash flows before movements in working capital:	20,164	16,515
Increase in trade receivables	(3,807)	(14,361)
Increase in other current assets	(3,678)	(1,368)
(Increase) / decrease in inventory	3,776	(7,222)
Increase in trade payables	11,487	12,061
Increase / (decrease) in other current liabilities	(273)	1,624
(Decrease) / increase in provisions and other long term liabilities	320	(751)
Cash from operations	27,989	6,498
Income tax paid	(741)	(374)
Interest received	25	72
Interest paid	(1,901)	(801)
Net cash from operating activities	**25,372**	**5,395**
CASH FLOWS - INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4,847)	(3,411)
Acquisition of intangible assets	(4,588)	(3,064)
Proceeds from disposal of property, plant and equipment	51	68
Capitalized development expenditures	(9,909)	(7,664)
Acquisition of business, net of cash acquired	(9,509)	(5,303)
Settlement of earn out	(1,149)	-
Decrease / (increase) in restricted cash deposits	56	(218)
Net cash used in investing activities	**(29,895)**	**(19,592)**

CONSOLIDATED STATEMENT OF CASH FLOW

	2013 Audited $'000	2012 Audited $'000
CASH FLOWS - FINANCING ACTIVITIES		
Proceeds from exercise of options	259	240
Short-term borrowings from banks and others	(10,870)	15,696
Proceeds from other loans	19,301	1,258
Repayment of other loans	(2,361)	(1,753)
Net cash from financing activities	**6,329**	**15,441**
Increase in cash and cash equivalents	1,806	1,244
Cash and cash equivalents at beginning of year	21,044	19,781
Effect of exchange rate differences	1,036	19
Cash and cash equivalents at end of year	**23,886**	**21,044**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013 (audited)

	Share capital	Share premium account	Merger reserve	Other reserve	Translation reserve	Retained earnings	Total	Minority 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 year									
Profit for the year	-	-	-	-	-	10,933	10,933	(47)	10,886
Foreign currency translation differences	-	-	-	-	1,100	-	1,100	(8)	1,092
Total comprehensive income	-	-	-	-	1,100	10,933	12,033	(55)	11,978
Transaction with owners									
Exercise of options	10	249	-	-	-	-	259	-	259
Share-based payment charge	-	-	-	-	-	742	742	-	742
Total transaction 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

Year ended 31 December 2012 (audited)

	Share capital	Share premium account	Merger reserve	Other reserve	Translation reserve	Retained earnings	Total	Minority interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2012	1,772	78,198	1,235	(2,993)	(5,477)	(12,416)	60,319	487	60,806
Total comprehensive (loss) income for the year									
Profit for the year	-	-	-	-	-	3,914	3,914	(34)	3,880
Foreign currency translation differences	-	-	-	-	510	-	510	(31)	479
Total comprehensive (loss) income	-	-	-	-	510	3,914	4,424	(65)	4,359
Transaction with owners									
Exercise of options	9	231	-	-	-	-	240	-	240
Share-based payment charge	-	-	-	-	-	1,008	1,008	-	1,008
Total transaction with owners	9	231	-	-	-	1,008	1,248	-	1,248
Balance at 31 December 2012	1,781	78,429	1,235	(2,993)	(4,967)	(7,494)	65,991	422	66,413

NOTES TO THE PRELIMINARY ANNOUNCEMENT

1. The Group's accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

2. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2013 or 2012. Statutory accounts for 2013 will be delivered to the Registrar of Companies. The auditors have reported on the 2013 and 2012 statutory accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

3. The Group meets its day to day working capital requirements through overdraft facilities and invoice advance facilities. Some of these facilities are cancellable on demand or have renewal dates within one year of the date of approval of the financial statements. In addition, the Group has received a long-term preferential rate loan supported by the Ministry of Trade and Commerce in Italy. Further information is provided within note 5.

   The management considers the uncertainty over (a) the level of demand for the Group's products which may also affect the possibility of utilizing some of these facilities since they depend upon the level of sales in specific markets and in some instances to specific customers; (b) the exchange rate between Euro and US dollar and thus the consequence for the cost of the Group's raw materials; (c) the availability of bank finance in the foreseeable future; (d) the continuity of supply from key suppliers; and (e) the forecasts in current market environments.

   The Group's forecasts and projections taking into account the Group's history of successfully renewing its facilities in the past and the fact that there are actions available to the Group to address these risks, show that the Group should be able to operate within the level of its current facilities. The Group maintains constant negotiations with its banks for renewing and increasing the credit facilities to meet the required working capital for the Group's future growth. After making enquiries, the directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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

	2013	2012
	$ '000	**$ '000**
Operating profit	**14,136**	**5,937**
Share-based payments	742	1,008
Non-recurring expenses	1,229	1,769
Amortization intangibles acquired	2,688	1,859
Adjusted EBIT	**18,795**	**10,573**
Depreciation & amortization	8,106	6,762
Adjusted EBITDA	**26,901**	**17,335**
Profit before tax	**11,951**	**4,915**
Share-based payments	742	1,008
Non-recurring expenses	1,229	1,769
Amortization of intangibles acquired	2,688	1,859
Adjusted profit before tax	**16,610**	**9,551**
Profit for the year	**10,886**	**3,880**
Loss attributable to non-controlling interest	(47)	(34)
Profit attributable to the owners of the Company	**10,933**	**3,914**
Share-based payments	742	1,008
Non-recurring expenses	1,229	1,769
Amortization of intangibles acquired	2,688	1,859
Change in deferred tax asset, net	(126)	338
Adjusted profit for the year	**15,466**	**8,888**

5. Net debt position

The table below presents the net debt position at the year-end:

	2013	**2012**
	$ ’000	**$ ’000**
Cash and cash equivalents	23,886	21,044
Restricted cash deposits	291	365
Working capital borrowing (1)	(10,962)	(23,189)
Long term loan (2)	(7,482)	-
Governmental loan (3)	(13,780)	(6,924)
Mortgage loan (4)	(3,700)	(4,019)
Net debt	**(11,747)**	**(12,723)**

(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 $6.2 million with interest at a rate of Euribor 3 months plus 3.25% and is repayable in 20 quarterly instalments that commenced in September 2013, and (ii) $1.3 million 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 preferential two long term loans (i) for $7.7 million with fixed-rate of 0.5% and is 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 with a fixed-rate of 0.75% and is 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 is denominated in Euro, attracts interest at a rate of Euribor 6 months less 20% and is 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.