



Press Release

8 September 2010

Telit Communications PLC
("Telit" or "the Company")

Interim Results for the six months ended 30 June 2010
REVENUE INCREASED BY 61% TO \$59.6 MILLION WITH ADJUSTED EBITDA
OF \$5.4 MILLION AND NET PROFIT OF \$1.4 MILLION

Rome, Italy, 8 September 2010 - Telit Communications PLC (AIM: TCM), a global leader in machine-to-machine (m2m) communications, is pleased to announce its interim results for the six months ended 30 June 2010.

Financial highlights:

- Revenue increased by 61% to \$59.6 million (H1 2009: \$36.9 million)
- Gross profit increased by 49% to \$25.2 million (H1 2009: \$16.9 million)
- Gross margin decreased to 42.2% (H1 2009: 45.8%)
- Operating profit for the period \$1.9 million (H1 2009: loss of \$2.2 million)
- Adjusted EBITDA¹ for the period \$5.4 million (H1 2009: \$0.8 million)
- Net profit for the period of \$1.4 million (H1 2009: loss of \$2.6 million)
- Basic EPS 1.5 cents (H1 2009: loss 5.9 cents)

Operational highlights:

- Strengthened position in Eastern Europe with office opened in St Petersburg, Russia
- Strong growth in the Americas region
- Continued successful product development
- Change in reporting currency from Euros to US dollars to fully reflect the Company's global operations

Post period end highlights:

- Strong trading has continued post the six month period end
- Full year results for the 12 months to 31 December 2010 expected to be ahead of current expectations

¹ Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization, share based payments and other expenses.

Commenting on the results, Oozi Cats, Chief Executive of Telit, said: "The first six months of the year have been excellent in terms of revenue and number of units sold, with a direct and positive impact on all parameters down to the net profit line. The gross margin was lower than in previous periods. We expect our gross margin to stabilise at slightly above 40%. We are constantly working on improving our cost base, logistics and purchasing, to achieve and maintain a higher level of profitability in the long run.

"We are pleased that the steps we took during the economic downturn in late 2008 and 2009 have put us in a position where we have now returned to our previous robust growth rates and we continue to gain market share. The continued erosion in the average selling price of modules has been largely compensated by rising global demand for m2m cellular wireless solutions.

"We have strengthened our presence in Eastern Europe with the opening of an office in St. Petersburg, Russia. This focus on strategic partnerships will help us to develop new customer segments and innovative m2m solutions. In 2010 we expanded our partner network on a regional scale (e.g. with Brazilian electronic security specialist JFL) as well as worldwide, by teaming up with Telco heavyweights Deutsche Telekom, T-Mobile and Orange (France). The half year results demonstrate the considerable effectiveness being achieved by our business and the opportunities going forward.

"Finally, in July 2010 the cross-holdings between Telit and BAMES were terminated, with the Company returning to full ownership of its Italian operations, in return for its 19.9% stake in BAMES' EMS subsidiary SEM and 2.7 million new shares which were issued to BAMES by the Company in early July 2010."

Below are the key financial figures for H1 2010 compared to H1 2009 and FY 2009 (note that starting from 1 January 2010, Telit is reporting the results of its operations in US dollars. All comparative figures have been translated from Euros into US dollars):

	H1 2010 \$'000	H1 2009 \$'000	FY 2009 \$'000
Revenue	59,623	36,929	88,838
Gross profit	25,170	16,911	42,681
Gross profit percentage	42.2%	45.8%	48.0%
Other income	166	544	68
Research & development	(8,722)	(7,207)	(15,140)
Selling & marketing	(8,290)	(7,110)	(15,517)
General & administrative	(6,169)	(5,318)	(11,293)
Other expenses	(300)	-	(3,832)
EBIT (operating loss)	1,855	(2,180)	(3,033)
Adjusted EBITDA	5,388	759	5,848
Net profit (loss)	1,355	(2,614)	(4,222)
<i>Euro/USD exchange rate</i>	<i>1.3284</i>	<i>1.3322</i>	<i>1.3933</i>

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CHIEF EXECUTIVE'S STATEMENT AND REVIEW - INTERIM RESULTS 2010

Introduction

I am pleased to present Telit's unaudited interim results for the first half of 2010. We are delighted to report strong revenue growth and improvement in the Company's operating margins compared to the first half of 2009, delivering substantial net profit from operations for the first time.

Telit reported strong growth in the Americas, with a number of new client wins in the first half of the year and a further strong recovery in Europe. Many of the wireless m2m module vendors differentiate themselves by focusing on specific technology standards. Telit is one of the very few players that support GSM/GPRS, CDMA and UMTS networks, while entering the arena of short range RF technologies such as WiFi, Zigbee, Bluetooth and GPS Technology. Telit delivers strong and sustainable growth and is ranked by market research firm Beecham Research (August 2010) as the third largest m2m module supplier worldwide in terms of sales, with an estimated market share of 12.4% in 2009.

Financial Results

The results for the first six months reflect recovery from the global economic recession, with particular effect in Europe. In spite of the decline in the average sale price during the period, the gross profit, EBIT and EBITDA were better than those achieved in the first half of 2009 due to the strong revenue growth, resulting in a substantial net profit for the first time.

The majority of revenue continues to come from repeat business, with new customers contributing to the high growth rate in the period. In addition to the development of existing customer relationships and the increase in the customer base, Telit has increased the number of direct customers during the period to more than 60% of the total sales, thus decreasing its dependency on the indirect distribution channels.

The continued development of Telit's global outreach can be seen by the geographical division of revenues for H1 2010. While the majority of revenue continues to come from the EMEA region, the performance in the Americas continued to show significant growth during the period and we expect that the APAC and the Americas will increase the weightings of their contribution to the total revenue performance in 2010 and beyond.

The split of revenue on a geographical basis for the six months ended 30 June 2010 and 2009 and for the full year 2009 is as follows:

	H1 2010 (M\$)	% of Total Revenues	H1 2009 (M\$)	% of Total Revenues	FY 2009 (M\$)	% of Total Revenues
EMEA	36.7	61.6%	22.7	61.5%	53.6	60.4%
APAC	10.3	17.3%	7.7	20.9%	21.0	23.6%
AMERICAS	12.6	21.1%	6.5	17.6%	14.2	16.0%
Total Revenues	59.6	100%	36.9	100%	88.8	100%

H1 2010 gross profit increased to \$25.2 million, compared to \$16.9 million in H1 2009, resulting in an overall margin of 42.2% compared to 45.8% in H1 2009. The Board expects gross margin to stabilise at slightly above 40% in the longer term.

Research and development expenses were \$8.7 million, compared to \$7.2 million in H1 2009. Sales and marketing expenses were \$8.3 million, compared to \$7.1 million in H1 2009. General and administrative expenses were \$6.2 million, compared to \$5.3 million in H1 2009. The overall operating expenses were \$23.2 million compared to \$19.6 million in H1 2009 reflecting the increase in the Company's revenue which resulted in an operating profit for the period of \$1.9 million, a significant improvement from an operating loss of \$2.2 million in H1 2009.

The other expenses are related to the Company's participation in the auction proceedings conducted by the German insolvency administrator that lead to the sale of Cinterion Wireless Modules Holdings GmbH, which has the leading market share in cellular m2m modules. These proceedings were conducted in Germany and the Company was a qualified bidder. The insolvency administrator announced the auction results at a Creditor's Assembly meeting held on 28 June 2010, where a third party won the bid. The \$0.3 million solely represents the professional fees paid to third parties for due diligence procedures and legal services.

Profit before tax was \$1.5 million, compared to a loss of \$2.7 million in H1 2009 and the net profit for the period was \$1.4 million compared to a net loss of \$2.6 million in H1 2009.

Basic and diluted profit per share from continuing operations for the period were 1.5 and 1.4 cents respectively, compared to a basic and diluted loss per share of 5.9 cents in H1 2009.

The number of employees of the group is as follows:

	June 30, 2010	June 30, 2009	December 31, 2009
Total Employees	355	369	365

Effects of Foreign Exchange and Change of Reporting Currency

38% of Telit's revenue in the period ended 30 June 2010 was generated in Euros (40% in H1 2009), with the remaining generated in, or linked to, US dollars and other currencies. However, a substantial part of the Company's cost basis is denominated in Euros therefore, despite the negative impact of the depreciation in the value of the Euro against the US dollar on Telit's revenue and gross profit, there is no material impact on the EBIT.

The Company has decided to change its reporting currency from Euros to US dollars to fully reflect the Company's global operations, while increasing management's ability to react to the effects of foreign exchange fluctuations as a result of the following developments: 1) moving the production of its products to China resulted in manufacturing costs denominated in US dollars, compared to the previous arrangement, with a European manufacturer, where production costs were denominated in Euros; and 2) revenues in US dollars, or linked to the US dollar, now comprise the biggest share of the Company's overall revenues.

The average exchange rate during the first half of 2010 (1.3284) was similar to the rate used in the first half 2009 (1.3322) and therefore the trends in the income statement are not related, in any significant manner, to the Euro-US dollar exchange rate.

Markets

The Beecham Research report, released in August 2010, analyses the latest market developments in all regions around the world and forecasts that the market will see continuous and increasing growth over the coming years. Beecham Research believes that m2m network connections will reach 75.1 million by 2014, with the number of units to be shipped achieving a CAGR of 29.2% during 2009 to 2014. Beecham Research also projects a continuing decline in the average sales price, or ASP, of the m2m products with a CAGR of -9.6% during 2009 to 2014. However, due to the greater CAGR in the number of units shipped, the total value will increase with a CAGR of 16.7% over this period, from an estimated US\$700 million in 2009 to an estimated US\$1,518 million in 2014.

Business Performance & Development

During H1 2010 the following major developments took place that contributed to the overall performance of the Company and will contribute to the Company's future results:

1. Winding Up of the Relationship with BAMES

In June 2007 and December 2008 Bartolini After Market Electronic Services ("BAMES"), as part of a strategic alliance with Telit, invested €16 million in the share capital of the Company's subsidiary, Telit Wireless Solutions s.r.l. (TWS), and became the owner of 10% of TWS' share capital. At the same time, TWS received 19.9% of the share capital of BAMES' subsidiary SEM s.r.l ("SEM"), the Italy based manufacturing arm, and an exclusive manufacturing agreement was entered into by Telit and SEM for the production of the vast majority of Telit's products by SEM.

In July 2009 the manufacturing agreement became non-exclusive, a first step in the winding down of the exclusive relationship between the Telit and BAMES groups, and the Company has since transferred the manufacturing of its products to a Chinese manufacturer.

In July 2010 the Company and BAMES concluded the unwinding of the cross holdings between the groups, whereby Telit acquired from BAMES its entire stake in TWS, giving Telit 100% ownership of TWS' share capital, in consideration of TWS' 19.9% stake in SEM and the allotment to BAMES by the Company of 2.7 million new ordinary shares. If, as of 1 February 2011, the value of the 2.7 million Telit shares is less than €1.5 million, Telit will pay BAMES a further cash sum to bring this element of the consideration to €1.5 million. If, on that date, the value of these shares is greater than €1.5 million, BAMES will pay Telit 50% of the amount from €1.5 million and €2.5 million and 100% of the amount above €2.5 million, as applicable.

2. Innovation

The R&D performance during the period was in line with our expectations. Telit is committed to continued investment in R&D and new technologies, which are the basis for the Company's growth in the future. The major R&D developments during the period include:

- UC864-G, a WCDMA/HSDPA module for the global market - completed certification for the module which has tri-band for WCDMA and quad band for GSM/GPRS/Edge, and with software and features identical to the UC864-E.
- CC864-dual, a CDMA 1X module for North America - Sprint IOT was completed for the first Telit CDMA module developed for the U.S. market which supports 800MHz and 1.9GHz band in the same form-factor as GC864 and UC864.

- GE864-Automotive, based on the E Gold Lite platform, the module designed mainly for ruggedised environments and automotive applications, was launched. The use of the GE864 subcompact form factor allows its integration into cars and other applications requiring an extended operating temperature range and mechanical ruggedness within the ever-shrinking space inside electronics bays in trucks, cars and other mobile platforms.

Outstanding Shares

In May 2010 the Company completed the transaction to issue Sherman Capital Group LLC 1,703,578 new shares of 1 penny each at 25p per share. The net consideration received by the Company was £432,200 (\$622,000) through the full settlement of a debt in the same amount.

Also in May 2010, the Company issued 5,000 new ordinary shares of 1 penny each, due to an exercise of options under the Company's share option plan.

In July 2010 the Company completed the transaction with BAMES announced on 16 June 2010 and described above, and issued BAMES 2.7 million new shares of 1 penny each.

Following the completion of the abovementioned transactions, the Company's total issued share capital on the date of this announcement consists of 76,922,859 ordinary shares of 1p each with one voting right per share. There are no shares held in treasury. The number of outstanding options, as of the date hereof, is 11,065,000, comprising 12.58% of the Company's share capital on a fully diluted basis.

Board changes

Post the period end, in July 2010 Michael Galai, Finance Director and General Counsel, stepped down from the Board of Directors due to an increased workload resulting from his other commitments. Mr. Galai remains VP Legal & General Counsel of the Company.

Also in July 2010, Mr. Yariv Dafna, the Company's CFO since 2007, was appointed to the Board of Directors. Mr. Dafna, aged 36, is a Certified Public Accountant (Israel).

Strategy

We believe that we are well positioned to take advantage of the opportunities ahead and look forward to continuing to gain market share. We are constantly seeking further expansion opportunities through new technologies or by gaining access to new territories and new

market segments. We are also continuously working on rationalising the Company's cost base. The effects of the work done to date are reflected in the improved EBIT and net profit achieved for the first time. We believe this will continue to have a positive effect on our results in the second half of the year and beyond.

Telit intends to continue to take advantage of the considerable opportunities arising in this growing global market. I look forward to providing further news of the Company's progress over the coming months.

Appreciation

Telit management's main focus is and will continue to be to expand and strengthen our position as one of the world's premier m2m technology providers, while striving to anticipate and respond to market conditions that are beyond our control.

The hard work and dedication of Telit's staff across the globe remains integral to Telit's success. I would like to thank the Company's management team, directors and employees for their commitment to the Company and its success. Their dedication is an invaluable asset to the Company.

Outlook and update on current trading

The outlook for the rest of 2010 looks positive for Telit, and we expect to continue our robust growth. Trading has remained strong since the half-year end. The Board is pleased to report that it expects the Company's full year results for the year ending 31 December 2010 to be ahead of current market expectations.

Oozi Cats

Chief Executive

8 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	2010	2009	2009
	Unaudited		Audited (*)
	\$'000	\$'000	\$'000
Revenue	59,623	36,929	88,838
Cost of sales	(34,453)	(20,018)	(46,157)
Gross profit	25,170	16,911	42,681
Other income	166	544	68
Research and development expenses	(8,722)	(7,207)	(15,140)
Selling and marketing expenses	(8,290)	(7,110)	(15,517)
General and administrative expenses	(6,169)	(5,318)	(11,293)
Other expenses	(300)	-	(3,832)
Operating profit (loss)	1,855	(2,180)	(3,033)
Investment income	2	89	118
Finance costs	(376)	(657)	(1,194)
Share of results in associated undertakings	-	15	-
Profit (loss) before income taxes	1,481	(2,733)	(4,109)
(Tax expenses)/ tax income	(126)	119	(113)
Profit (loss) for the period	1,355	(2,614)	(4,222)
Other comprehensive income (loss)			
Foreign currency translation differences	(2,194)	225	532
Total comprehensive loss for the period	(839)	(2,389)	(3,690)
Profit (loss) attributable to:			
Owners of the Company	1,101	(2,621)	(4,777)
Minority interests	254	7	555
Profit (loss) for the period	1,355	(2,614)	(4,222)
Total comprehensive loss attributable to:			
Owners of the Company	(890)	(2,388)	(4,228)
Minority interests	51	(1)	538
Total comprehensive loss for the period	(839)	(2,389)	(3,690)
Basic profit (loss) per share (in USD)	0.015	(0.059)	(0.10)
Diluted profit per share (in USD)	0.014	(0.059)	(0.10)
Basic weighted average number of equity shares	72,920,131	44,514,281	45,608,802
Diluted weighted average number of equity shares	79,600,744	44,514,281	45,608,802

(*) based on 2009 audited financial statements which have been subsequently retranslated to US dollars

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June		31 December
	2010	2009	2009
	Unaudited		Audited (*)
	\$'000	\$'000	\$'000
ASSETS			
Non-current assets			
Intangible assets	10,432	14,427	12,705
Property, plant and equipment	3,963	4,832	4,745
Investments in associated undertakings	669	685	669
Other investments	1,927	2,219	2,262
Other long term assets	516	440	566
Deferred tax asset	155	811	455
	<u>17,662</u>	<u>23,414</u>	<u>21,402</u>
Current assets			
Inventory	11,076	12,387	8,674
Trade receivables	32,966	23,984	31,226
Other current assets	6,931	6,579	8,001
Deposits – restricted cash	3,265	228	4,979
Cash and cash equivalents	3,957	3,180	11,378
	<u>58,195</u>	<u>46,358</u>	<u>64,258</u>
Total assets	<u>75,857</u>	<u>69,772</u>	<u>85,660</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity			
Share capital	1,330	857	1,305
Other reserve	(354)	(354)	(354)
Share premium	47,724	38,693	47,126
Translation reserve	(5,013)	(3,337)	(3,022)
Retained deficit	(22,599)	(21,859)	(23,800)
Total equity attributable to equity holders of the Company	<u>21,088</u>	<u>14,000</u>	<u>21,255</u>
Non –controlling interest	<u>1,705</u>	<u>510</u>	<u>1,654</u>
Total equity	<u>22,793</u>	<u>14,510</u>	<u>22,909</u>
Non-current liabilities			
Other loans	3,782	4,452	4,538
Post-employment benefits	2,382	2,530	2,925
Deferred tax liabilities	-	254	99
Provisions	1,021	1,076	1,199
Other long-term liabilities	326	281	318
	<u>7,511</u>	<u>8,593</u>	<u>9,079</u>
Current liabilities			
Short-term borrowings from banks and other lenders	18,899	21,597	22,221
Trade payables	18,439	11,106	25,968
Provisions	1,091	173	218
Other current liabilities	7,124	13,793	5,265
	<u>45,553</u>	<u>46,669</u>	<u>53,672</u>
Total equity and liabilities	<u>75,857</u>	<u>69,772</u>	<u>85,660</u>

(*) based on 2009 audited financial statements which have been subsequently retranslated to US dollars

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June		Year ended 31
			December
	2010	2009	2009
	Unaudited		Audited (*)
	\$'000	\$'000	\$'000
CASH FLOWS – OPERATING ACTIVITIES			
Profit (loss) for the period	1,355	(2,614)	(4,222)
Adjustments required for presenting cash flow from operations	(4,918)	(970)	6,819
Net cash (used in)/from operating activities	<u>(3,563)</u>	<u>(3,584)</u>	<u>2,597</u>
CASH FLOWS - INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(687)	(492)	(1,295)
Proceed from disposal of assets	30	-	139
Purchase of intangible assets	(747)	(2,229)	(4,433)
Decrease / (increase) in restricted cash deposits	976	324	(4,416)
Net cash used in investing activities	<u>(428)</u>	<u>(2,397)</u>	<u>(10,005)</u>
CASH FLOWS - FINANCING ACTIVITIES			
Issuance of shares	1	-	8,881
Repayment of long term loans	(83)	(538)	(549)
Short-term borrowings from banks and others	(3,780)	2,970	3,650
Net cash (used in) / from financing activities	<u>(3,862)</u>	<u>2,432</u>	<u>11,982</u>
(Decrease) / increase in cash and cash equivalents	<u>(7,853)</u>	<u>(3,549)</u>	<u>4,574</u>
Cash and cash equivalents-balance at beginning of period	11,378	6,428	6,428
Effect of exchange rate differences	<u>432</u>	<u>301</u>	<u>376</u>
Cash and cash equivalents-balance at end of period	<u><u>3,957</u></u>	<u><u>3,180</u></u>	<u><u>11,378</u></u>

Non – cash transaction:

In May 2010 the Company issued 1,703,578 new shares in consideration for full settlement of a debt.

(*) based on 2009 audited financial statements which have been subsequently retranslated to US dollars

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2010 (Unaudited)

	Share capital	Share premium	Other reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 January 2010	1,305	47,126	(354)	(3,022)	(23,800)	21,255	1,654	22,909
Total comprehensive income for the period								
Profit for the period	-	-	-	-	1,101	1,101	254	1,355
Other comprehensive income								
Foreign currency translation differences	-	-	-	(1,991)	-	(1,991)	(203)	(2,194)
Total comprehensive income for the period	-	-	-	(1,991)	1,101	(890)	51	(839)
Transaction with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issuance of shares	25	597	-	-	-	622	-	622
Exercise of options	-	1	-	-	-	1	-	1
Share-based payment charge	-	-	-	-	100	100	-	100
Total transaction with owners	25	598	-	-	100	723	-	723
30 June 2010	1,330	47,724	(354)	(5,013)	(22,599)	21,088	1,705	22,793

Six months ended 30 June 2009 (Unaudited)

	Share capital	Share premium	Other reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 January 2009	857	38,693	(354)	(3,571)	(19,584)	16,041	512	16,553
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(2,621)	(2,621)	7	(2,614)
Other comprehensive income								
Foreign currency translation differences	-	-	-	234	-	234	(9)	225
Total comprehensive income for the period	-	-	-	234	(2,621)	(2,387)	(2)	(2,389)
Transaction with owners, recorded directly in equity								
Contributions by and distributions to owners	-	-	-	-	-	-	-	-
Share-based payment charge	-	-	-	-	346	346	-	346
Total transaction with owners	-	-	-	-	346	346	-	346
30 June 2009	857	38,693	(354)	(3,337)	(21,859)	14,000	510	14,510

Year ended 31 December 2009 (Audited) (*)

	Share capital	Share premium	Other reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 January 2009	857	38,693	(354)	(3,571)	(19,584)	16,041	512	16,553
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(4,777)	(4,777)	555	(4,222)
Other comprehensive income								
Foreign currency translation differences	-	-	-	549	-	549	(17)	532
Total comprehensive income for the period	-	-	-	549	(4,777)	(4,228)	538	(3,690)
Transaction with owners, recorded directly in equity								
Contributions by and distributions to owners	-	-	-	-	-	-	-	-
Issuance of shares	448	8,433	-	-	-	8,881	-	8,881
Share-based payment charge	-	-	-	-	561	561	-	561
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	604	604
Total transactions with owners	448	8,433	-	-	561	9,442	604	10,046
31 December 2009	1,305	47,126	(354)	(3,022)	(23,800)	21,255	1,654	22,909

(*) based on 2009 audited financial statements which have been subsequently retranslated to US dollars

**NOTES TO THE INTERIM FINANCIAL STATEMENT
AT 30 JUNE 2010 (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 2010.
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 2009 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 2009 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. In May and June 2010 the Company's remuneration committee and Board of Directors approved the granting of 1,850,000 options over ordinary shares in the capital of the Company to Messers. Cats, Testa and Dafna, directors in the Company at an exercise price of 32p. This grant was authorised as part of a group-wide grant of new options to employees and managers of Telit, at an exercise price of 25p per share (the May 2010 grant) and 32p (the June 2010 grant). The total number of options granted is 4,905,000, of them 4,893,000 are outstanding at the date hereof, vesting in 3 equal instalments until May/June 2013.
5. During the period the Company participated in an insolvency proceeding for the sale of Cinterion Wireless Modules Holdings GmbH, which has the leading market share in cellular m2m modules. This proceeding was conducted in Germany and the Company was a qualified bidder. The insolvency administrator announced the auction results at a Creditor's Assembly meeting held on June 28, 2010, where a third party won the bid. The Company recorded as other operation expenses \$0.3 million which solely represents the professional fees paid to third parties for due diligence procedures and legal services related to this deal.
6. Reconciliation of operating profit to Adjusted EBITDA:

	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Operating profit (loss)	1,855	(2,180)	(3,033)
Depreciation & amortization	3,133	2,593	4,488
Other expenses (see note 5)	300	-	3,832
Share based payment charge	100	346	561
Adjusted EBITDA	5,388	759	5,848

7. Net debt position:

	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current borrowings	18,899	21,597	22,221
Non-current borrowings	3,782	4,452	4,538
Total borrowings (1)	22,681	26,049	26,759
Cash and cash equivalent	(3,957)	(3,180)	(11,378)
Restricted cash deposits	(3,265)	(228)	(4,979)
Net debt	15,459	22,641	10,402

(1) Included within borrowings are:

- \$3.9 million represents a preferential rate loan from the Ministry of Trade and Commerce in Italy relating to the provision of a \$4.8 million facility provided in connection with the Group's business development programme in Sardinia. The loan attracts interest at a rate of 0.75% and is repayable in ten annual instalments that commenced on 20 March 2009.
- A drawn amount of \$6.4 million on a loan. The interest rate on this short-term bank loan is Euribor plus 2.325% per annum. The short-term bank loan is a bridging loan in advance of funds to be received from a grant from the Italian government to Telit Italy to support a development project in Sardinia which was successfully completed on 31 December 2009. The availability of this facility was extended until October 2010 when the final payment from the Italian government is expected, subject to satisfaction of the lending bank that the Group has met certain qualifying expenditure targets with regard to its research and development project.
- \$0.4 million represents a loan from an Israeli bank provided in May 2010 to the company subsidiary. The loan bears variable interest at a prime base rate plus 4.5% and is repayable in 54 monthly instalments to be commenced on 1 December 2010.
- Drawn letters of credit and borrowings arising from invoice advances totaling \$9.7 million
- Factoring facilities against qualifying receivables totaling \$2.3 million. These borrowings are secured against the factored receivables and are with recourse to the Company in the event that the receivables are not collected.

8. In July 2010 the Company signed an agreement with BAMES, whereby the Company will acquire from BAMES its 10 percent of the ordinary shares in TWS. Following this transaction Telit will own 100 percent of the ordinary shares in Telit s.r.l. and the cross-holdings between the two groups will end. This agreement follows the announcement of 24 July 2009 whereby Telit announced that its manufacturing agreement with SEM, the Italy based manufacturing arm of BAMES, became non-exclusive.

The key terms of the agreement are as follows:

- The Company shall acquire from BAMES its entire shareholding in Telit s.r.l. being 10 percent of the share capital.
- By way of consideration for the shares in Telit s.r.l., The Company has undertaken to transfer to BAMES its stake in SEM, being 19.9 percent of the corporate capital of SEM.
- In addition, the Company will allot to BAMES 2.7 million ordinary shares in Telit.
- If, as of 1 February 2011, the value of the 2,700,000 Telit shares is less than €1.5 million, Telit will pay a further amount in cash to bring this element of the consideration to €1.5 million.
- If, on that date, the value of these shares is greater than €1.5 million, BAMES will pay Telit 50% of amount from €1.5 million and €2.5 million and 100% of the amount above €2.5 million, as applicable.

The transaction was completed in July 2010 and therefore will be reflected in the Company's annual report for 2010.