18 August 2020

Telit Communications PLC

Interim results – continued improvement in profitability

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 2020.

Financial highlights[1]

- **Group revenues** were $166.9 million, down by 7.4% reflecting the impact of COVID-19 (H1 2019: $180.3 million excluding revenue from the automotive division sold in February 2019)
- **IoT Cloud & Connectivity revenues** were $21.0 million, up by 12.3% (H1 2019: $18.7 million) in line with strategic refocus on industrial IoT services
- **Adjusted EBITDA**[2], increased by 12.5% to $18.0 million (H1 2019: $16.0 million)
- **Gross Margin** increased to 35.2% (H1 2019: 32.0%) as a result of supply chain optimisation and increasing share of service revenues
- **Profit in cash**[3] increased to $5.9 million (H1 2019: $2.6 million), supported by improved Adjusted EBITDA and management's disciplined approach to capital expenditure
- **Adjusted profit before tax** improved to $12.1 million, (H1 2019: $4.0 million); as reported Profit before tax: $9.7 million (H1 2019: $58.1 million including exceptional profit from sale of automotive business)
- **Net cash position** improved to $56.2 million at 30 June 2020 (31 December 2019: net cash $48.2 million), including improved collection of receivables from Titan

Operational highlights

- **Continued supply chain improvements** with new production facility in Vietnam now fully operational and expected to contribute to further gross margin improvement
- **Sustained investment and innovation across product and services** with focus on key sector opportunities related to integration, scalability, security and management
- **Commercial launch of OneEdge**, Telit's flagship integrated hardware and services IoT solution with roll out to customers underway
- **Positive product certification progress in H1 2020** further expanding availability on an international level**,** including first 5G product addressing demand for high bandwidth products; global certification for NB-IoT and LTE-M modules from major US networks
- **Advanced IoT connectivity solution to be launched in H2 2020** following receipt of Mobile Virtual Network Operator ("MVNO") licence and core network in 2019

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[1] For reconciliation from IFRS financial results to adjusted financial results, see Note 3.

[2] Adjusted EBITDA is defined as Adjusted EBIT plus depreciation and other amortisation; Adjusted EBIT is defined as Earnings Before Interest, Tax, share based payment expenses, amortisation of acquired intangibles, impairment of intangible assets, exceptional expenses related to restructuring and other exceptional items

[3] Profit in cash defined as Adjusted EBITDA less development costs capitalised, less capital expenditures, less lease expenses in cash

Paolo Dal Pino, Chief Executive Officer, said:

"Over the past two years Telit has undergone a major transformation and, as demonstrated by our strong performance in H1 2020, is now a business built on strong operational, financial and governance foundations.

As a result of this transformation, Telit is now fully focused on industrial IoT products and services and is deploying an effective strategy using our OneEdge platform that offers both hardware and services solutions.

The COVID-19 pandemic is accelerating the adoption of IoT solutions as a "mission critical" service, mainly due to the increased need to manage assets remotely, which will create medium and long-term benefits for Telit. We are working for the future and 5G will be a game changer in the connected devices industry. Thanks to our position in 4G and fast connectivity devices we are the natural partner for customers investing in 5G-enabled devices.

The evolution of the business has also enabled Telit to respond effectively to COVID-19 by executing a targeted programme of efficiencies to protect both our supply chain and our strategic and financial targets.

We remain confident both that we will be able to deliver full-year profitability in line with the Board's expectations and that the business is well positioned to create further value for shareholders as markets recover."

For further information:

Telit Communications PLC Paolo Dal Pino, Chief Executive Officer Yariv Dafna, Finance Director & President	Tel: +44 203 289 3831
finnCap (Nomad and broker) Henrik Persson/Giles Rolls/Charlie Beeson (corporate finance) Tim Redfern/Richard Chambers (ECM)	Tel: +44 20 7220 0500
FinElk Robin Haddrill/ Cornelia Schnepf	Tel: +44 20 7631 8618 Email: telit@finelk.eu

Operational Overview

During the first half of 2020, Telit made continued good progress in executing its strategy as a key player in the industrial IoT market with a focus on both operational and customer focused improvements.

The Group's new contract manufacturer in Vietnam is now fully operational with a plan to increase volumes until year end that will reduce supply chain risks and ensure our products are competitively priced.

Telit's IoT connectivity business continued to grow with improved profitability, highlighting both the growing demand for dedicated IoT connectivity services, and the scalability of the business. Following the receipt of the MVNO licence, the Group is in the final stages of developing a more flexible and cost-effective solution by investing in core-network based services and in IoT modules with the iSIM offer. As a result, Telit plans to roll out its advanced connectivity solutions in the second half of 2020, which will enable the Group to offer a solution for global, large scale projects.

OneEdge, Telit's integrated hardware and services IoT solution, has now launched commercially and will continue to ramp up, first in EMEA and later on in North America. With several projects on this platform, the Group expects this solution to contribute to the synergy between the IoT Product business and the Cloud & Connectivity business, with improved attachment rates between the businesses.

Telit received global certification for its first 5G data card, which addresses the demand for high bandwidth products including applications like gateways and routers. This certification provides additional verification that devices will perform on major network operators worldwide. The data card incorporates support for all scenarios prescribed by the 3GPP for short, mid and long-term deployments of 5G.

Financial Overview

In the first half of the year, Group revenues for the period were $166.9 million (H1 2019: $180.3 million, excluding revenues from the divested automotive business). Customer demand softened as the reporting period progressed after early indications that the Group's sales and supply chain would be relatively unaffected. Whilst revenues are below those of the previous year, they have remained resilient.

The composition of revenues and associated profit margins have also been encouraging. Demonstrating the positive impact of the Group's strategic refocusing efforts, IoT Connectivity and Platform revenues grew by 12.3% to $21.0 million (H1 2019: $18.7 million) and the gross margin in the first half improved slightly to 35.2%.

Adjusted EBITDA increased by 12.5% to $18.0 million (H1 2019: $16.0 million). Adjusted EBITDA improved due to the enhanced gross profitability and thanks to the impact of the cost rationalisations implemented in recent years.

Improved cash generation is a priority for Telit, with a focus on a disciplined approach to operating expenses and improvements in gross margin. At the beginning of the COVID-19 outbreak, the Group took swift action to protect against a slowdown in customer demand and the introduction of lockdown measures across the world.

As a result, together with the wider strategic measures taken by the Group over the longer term, profit in cash improved in the first half of the year to $5.9 million (H1 2019: $2.6 million) supported by the improved EBITDA and disciplined approach to capital expenditures. This leaves the Group with net cash of $56.2 million at 30 June 2020 (31 December 2019: net cash $48.2 million).

During the period, the Group launched a cost reduction plan that included, a temporary salary reduction, primarily for the Group's management, and a reduction in all areas of discretionary expenditure, including marketing and travel costs. These savings will not affect our strategic, development and operational plans, which remain on track.

The Group continues to monitor the COVID-19 situation closely and is taking all necessary actions to minimise any impact on the Company's workforce, operational and financial performance for the full year.

R&D and Investment

Investment and innovation across the Group's range of products and services integration remains a priority for Telit. One area of investment is the OneEdge software suite which enables solutions for a new generation of Telit cellular LPWA IoT modules. With integrated, secure, easy-to-use tools, OneEdge simplifies design, deployment and management of IoT products and solutions, across a variety of verticals such as Smart Asset Tracking, Smart Metering and Security which enable a leap ahead into the new 5G super-connected world. Combined with Telit's iSIM solution, simWISE, these technologies solve long-standing challenges related to integration, scalability, security and management.

In recent years, the Group has also invested in the development of best in class, award winning high bandwidth products such as LM960, and the new 5G FN980 data card. The Group will continue to invest in the integration of its products and services into a cohesive solution which is ready to connect and send data, in order to simplify all aspects of IoT implementation for customers in order to save them time and money, reducing risks and speeding up time to market.

Outlook

Telit is now focused solely on the growing and dynamic market for industrial IoT products and services. Whilst there are short-term uncertainties for all businesses with regard to underlying consumer demand, Telit remains well positioned to capitalise on growth opportunities over the medium and longer term.

Telit responded swiftly to the pandemic by taking effective operational and financial measures. These, together with the Group's performance for the year to date and prospects for the second half, underpinned by the addition of our 5G offering, by OneEdge and by new offerings within the Cloud & Connectivity business, leave the Board confident in delivering growth and performance in line with its existing expectations.

Financial review

Financial results

	H1 2020 $m	**H1 2019 $m**	**Change $m**
Revenues	**166.9**	**190.7**	**(23.8)**
Gross profit	**58.8**	**61.0**	**(2.2)**
Gross margin	35.2%	32.0%	
Other operating income	0.9	1.7	(0.8)
Research and development	(18.4)	(24.4)	6.0
Selling and marketing	(22.6)	(24.4)	1.8
General and administrative	(11.7)	(12.1)	0.4
Exceptional expenses (income)	(0.8)	56.4	(57.2)
Operating profit - EBIT	**6.1**	**58.2**	**(52.1)**
Adjusted EBIT	**8.6**	**4.1**	**4.5**
Adjusted EBITDA	**18.0**	**16.0**	**2.0**
Profit in cash	**5.9**	**2.6**	**3.3**
Profit before tax	**9.7**	**58.1**	**(48.4)**
Adjusted profit before tax	**12.1**	**4.0**	**8.1**
Basic profit per share (cents)	**6.6**	**35.0**	**(28.4)**
Adjusted basic profit per share (cents)	**8.0**	**2.2**	**5.8**

- ***Adjusted EBIT*** *is defined as Earnings Before Interest, Tax, share based payment expenses, amortisation of acquired intangibles, impairment of intangible assets and Exceptional expenses (income)*
- ***Adjusted EBITDA*** *is defined as Adjusted EBIT plus depreciation and other amortisation*
- ***Adjusted Profit before tax*** *as Profit before tax plus share based payment expenses, amortisation of acquired intangibles, impairment of intangible assets and Exceptional expenses (income)*
- ***Adjusted net profi****t for the year as net Profit for the year plus share based payment expenses, amortisation of acquired intangibles, impairment of intangible assets and Exceptional expenses (income) less change in deferred tax assets, net.*

Revenues

Revenues decreased by 7.4% to $166.9 million (H1 2019: $180.3 million excluding two months contribution from the automotive business which was sold in February 2019). IoT Cloud & Connectivity revenues were up 12.3% to $21.0 million (H1 2019: $18.7 million).

The split of revenues is as follows:

	H1 2020 $m	**% of total revenues**	**H1 2019 $m**	**% of total revenues**	**Change H1-20 over H1-19**	**2019 $m**	**% of total revenues**
Americas	89.6	53.6%	88.1	46.2%	1.7%	194.1	49.4%
EMEA	48.5	29.1%	54.1	28.4%	(10.3%)	114.2	29.1%
APAC	28.8	17.3%	38.1	20.0%	(24.4%)	74.5	19.0%
Total	**166.9**		**180.3**		(7.4%)	**382.8**	**97.5%**
Automotive	-		10.4	5.4%		9.7	2.5%
Total	**166.9**		**190.7**		(12.5%)	**392.5**	

Americas - revenues were up by 1.7% to $89.6 million (H1 2019: $88.1 million). This minor growth, which is below expectation due to the impact of the COVID-19, does demonstrate the underlying strength of our business in this region.

EMEA - revenues decreased by 10.3% to $48.5 million (H1 2019: $54.1 million). This region was significantly affected by the slowdown in demand for our customers' products due to the COVID-19 pandemic.

APAC - revenues decreased by 24.4% to $28.8 million (H1 2019: $38.1 million). While a decrease was broadly expected, the decline is mainly attributed to a significant slowdown in the deployment of a large project which we expect to recover in 2021.

Gross margin and gross profit

Gross profit in H1 2020 was $58.8 million (H1 2019: $61.0 million) following the decline in IoT products revenue, offset by a better gross margin.

Gross margin improved by 3.2% to 35.2% (H1 2019: 32.0%) mainly due to stronger growth of our Cloud & Connectivity business with higher gross margins and the optimisation of the supply chain of the IoT products business.

Operating expenses

The Group's cost base and expenses were substantially reduced in H1 2020, reflecting both the removal of automotive operating costs from 28 February 2019 as well as the impact of the optimisation plan.

Cash OPEX decreased by $5.8 million to $50.7 million (H1 2019: $56.5 million) supported by the operating cost optimisation implemented in response to COVID-19, the decline related to the automotive business expenses and the optimisation plan implemented in 2017-2019:

	H1 2020 $m	**H1 2019 $m**	**Change $m**
Gross research & development expenses	21.3	26.1	(4.8)
Selling and marketing expenses	22.6	24.4	(1.8)
General and administrative expenses	11.7	12.1	(0.4)
	55.6	**62.6**	**(7.0)**
Less share-based payment charges	(0.7)	(1.1)	0.4
Less other depreciation and amortisation	(6.1)	(6.9)	0.8
Add back lease expenses in cash	1.9	1.9	-
Total Cash OPEX	**50.7**	**56.5**	**(5.8)**

- Gross R&D expenses as follows:

	H1 2020 $m	**H1 2019 m$**	**Change $m**
Gross research & development expenses (1)	21.3	26.1	(4.8)
Less – Capitalisation (2)	(7.1)	(8.1)	1.0
Add – Amortisation	4.2	6.2	(2.0)
Add – Impairment	-	0.2	(0.2)
Research and development, net	**18.4**	**24.4**	**(6.0)**

(1) Gross research and development expenses decreased to $21.3 million, or 12.8% of revenues (H1 2019: $26.1 million 13.7% of revenue) reflecting the further optimisation of the R&D teams, transferring some resources and knowledge to more efficient R&D centre, the removal of automotive R&D from 28 February 2019, and due to the COVID-19 we also saw delay in the certification activity which were moved from H1 to H2 this year.

(2) The amount capitalised in respect of internally generated development assets decreased slightly in H1 2020. The percentage of the capitalisation from gross R&D was 33.3% (H1 2019: 31.0%). The capitalised costs in H1 2020 mainly relate to the development of additional 4G and 5G products.

- Selling and marketing expenses decreased to $22.6 million, or 13.5% of revenues (H1 2019: $24.4 million, 12.8% of revenues). The decrease was affected by the cost saving plan implemented by management due to COVID-19 and mainly comprised a decrease in marketing and travel expenses.

- General and administrative expenses decreased to $11.7 million, or 7.0% of revenues (H1 2019: $12.1 million, 6.3% of revenues). The decrease was affected by the cost saving plan and mainly comprised a decrease in professional fees and travel expenses.

- Other exceptional items declined significantly due to the profit on disposal from the sale of the automotive business which was disposed in February 2019.

Finance cost (income), net

	H1 2020 $m	H1 2019 $m	Change $m
Bank fees and other bank expenses	0.2	0.8	(0.6)
Non-cash expenses related to effective interest rate on preferred loan	0.5	0.5	-
Interest related to lease liabilities (1)	0.2	0.3	(0.1)
Interest expense on bank loans and overdrafts	0.2	0.6	(0.4)
Loss from Hedging Transactions (2)	-	0.3	(0.3)
Exchange rate differences, net (3)	(4.3)	(1.9)	(2.4)
Interest income	(0.4)	(0.5)	0.1
Total	**(3.6)**	**0.1**	**(3.7)**

(1) Interest related to IFRS 16
(2) In 2019 the Company entered a hedging arrangement to protect the operating costs denominated in Euro – as the Euro currency against the USD was lower than expected, the hedging arrangement resulted in a loss. In H1-2020, the Company did not enter to any hedging arrangement
(3) The exchange rate income in H1 2020 derives mainly from the weakness of GBP over US dollar

Net cash and cash flow

As at 30 June 2020, net cash was $56.2 million (31 December 2019: net cash $48.2 million).

Cash flow generated from operating activity before working capital, increased by $2.3 million to $18.4 million (H1 2019: $16.1 million), due to the improved financial performance.

Cash flow generated from operating activity, after working capital movement, was $22.4 million (H1 2019: used in $11.8 million), the improvement in the working capital movement is mainly related to better receivables collection, including improved collection of the receivables from Titan.

Cash flow used in investing activity was $10.1 million related mainly to investment in equipment and capitalisation of R&D costs (H1 2019: provided by $90.9 million, including the consideration from the sale of the automotive business).

Cash flow used in financing activity was $3.2 million (H1 2019: $39.4 million, related mainly due to the repayment of all bank loans following the sale of the automotive business).

Dividend

The Board is not proposing to pay an interim dividend.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	Unaudited		Audited
	$'000	$'000	$'000
Revenue	166,936	190,732	392,537
Cost of sales	(108,181)	(129,742)	(263,277)
Gross profit	58,755	60,990	129,260
Other operating income	882	1,651	3,399
Research and development expenses, net	(18,422)	(24,393)	(46,687)
Selling and marketing expenses	(22,613)	(24,430)	(48,194)
General and administrative expenses	(11,666)	(12,078)	(25,849)
Exceptional income (expenses)	(800)	56,497	51,693
Operating Profit – EBIT	6,136	58,237	63,622
Operating Profit – EBIT	6,136	58,237	63,622
Share based payment charges	724	1,081	1,688
Impairment of internally generated development assets	-	196	1,316
Exceptional expenses (income)	800	(56,497)	(51,693)
Amortisation of intangible assets acquired	913	1,084	1,996
Adjusted EBIT (*)	8,573	4,101	16,929
Finance income	4,648	2,377	1,212
Finance costs	(1,101)	(2,523)	(4,965)
Profit before income taxes	9,683	58,091	59,869
Tax expense	989	12,229	12,469
Net profit	8,694	45,862	47,400

* Adjusted EBIT is a company specific non-GAAP measure which excludes share based payment charges, impairment of internally generated development assets, Exceptional expenses (income) and amortisation of intangible assets acquired. The Group's management believes that non-GAAP measures provide useful information to investors to evaluate operating results and profitability for financial and operational decision-making purposes and to provide comparability between the companies in this sector, as they eliminate non-cash items and exceptional items, which are not inherent to the business.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Six months ended 30 June		Year ended 31 December
	2020	**2019**	**2019**
	Unaudited		**Audited**
	$'000	**$'000**	**$'000**
Net profit	8,694	45,862	47,400
Other comprehensive income (Loss)			
Items to be reclassified in subsequent periods to profit and loss:			
Foreign currency translation differences	(5,702)	(3,923)	(1,021)
Items not to be reclassified in subsequent periods to profit and loss:			
Remeasurement income (loss) on defined benefit plan, net of tax	-	182	(49)
Total other comprehensive income (Loss)	(5,702)	(3,741)	(1,070)
Total comprehensive income for the period	2,992	42,121	46,330

Basic profit per share (in USD cents)	6.6	35.0	36.0
Diluted profit per share (in USD cents)	6.5	34.2	35.7
Adjusted basic profit per share (in USD cents)	8.0	2.2	12.5
Adjusted diluted profit per share (in USD cents)	7.9	2.2	12.4
Basic weighted average number of equity shares	132,357,921	131,045,493	131,507,097
Diluted weighted average number of equity shares	133,432,579	134,276,207	132,674,790

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June		31 December
	2020	2019	2019
	Unaudited		Audited
	$'000	$'000	$'000
ASSETS			
Non-current assets			
Intangible assets	65,068	66,396	64,052
Property, plant and equipment	24,023	27,819	27,153
Other long-term assets	1,091	1,313	1,179
Deferred tax asset	3,148	2,505	2,507
	93,330	98,033	94,891
Current assets			
Inventories	16,762	21,292	14,966
Trade receivables	64,482	80,336	83,351
Income tax receivables	1,087	782	1,494
Other trade receivable	14,618	25,085	23,309
Other current assets	15,977	12,302	15,332
Deposits – restricted cash	656	1,611	646
Cash and cash equivalents	88,309	73,849	81,304
	201,891	215,257	220,402
Total assets	**295,221**	**313,290**	**315,293**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	2,176	2,167	2,176
Share premium account	49,935	49,932	49,935
Other reserve	(2,746)	(2,727)	(2,746)
Translation reserve	(24,772)	(21,972)	(19,070)
Retained earnings	113,472	101,547	104,054
Total equity	138,065	128,947	134,349
Non-current liabilities			
Long term borrowings	20,393	24,676	23,999
Post-employment benefits	2,184	2,050	2,230
Deferred tax liabilities	666	649	626
Provisions	2,219	1,658	1,952
Long term lease liability	5,465	8,054	6,326
	30,927	37,087	35,133
Current liabilities			
Short-term borrowings	12,344	6,107	9,782
Trade payables	79,895	107,657	95,887
Provisions	2,129	2,692	1,239
Income tax payables	2,338	1,218	2,893
Short term lease liabilities	2,334	3,244	3,848
Accruals and other current liabilities	27,189	26,338	32,162
	126,229	147,256	145,811
Total equity and liabilities	**295,221**	**313,290**	**315,293**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2020	**2019**	**2019**
	Unaudited		**Audited**
	$'000	**$'000**	**$'000**
CASH FLOWS – OPERATING ACTIVITIES			
Profit for the period	8,694	45,862	47,400
Adjustments for:			
Depreciation of property, plant and equipment	4,564	4,891	9,546
Amortisation of intangible assets	5,780	8,118	13,720
Impairment of intangible assets	-	196	1,316
Profit on disposal of the automotive business	-	(57,221)	(54,472)
Gain (Loss) on sale of property, plant and equipment	13	-	(238)
Change in provision for post-employment benefits	(8)	1,098	231
Change in long term provisions, net	1,173	761	(362)
Finance costs, net	(3,547)	147	3,523
Tax expenses	989	12,229	12,469
Share-based payment charge, net	724	46	1,467
Operating cash flows before movements in working capital:	18,382	16,127	34,600
Decrease (Increase) in trade receivables	26,399	(15,998)	(13,702)
Decrease (Increase) in other current assets	(123)	2,468	(453)
Decrease (Increase) in inventories	(2,005)	4,257	11,426
Decrease in trade payables	(17,800)	(9,757)	(17,211)
(Decrease) increase in other current liabilities	(2,441)	(6,165)	2,416
Cash from operations	22,412	(9,068)	17,076
Income tax paid	(135)	(1,852)	(2,068)
Interest received	278	451	1,212
Interest paid	(177)	(1,296)	(2,247)
Net cash from / (used in) operating activities	**22,378**	**(11,765)**	**13,973**
CASH FLOWS - INVESTING ACTIVITIES			
Proceeds from sale of subsidiary, net of cash deal cost	-	103,760	96,292
Acquisition of property, plant and equipment	(2,540)	(1,467)	(4,642)
Acquisition of intangible assets	(458)	(2,437)	(2,824)
Capitalised development expenditure	(7,160)	(8,074)	(15,289)
Proceeds from sale of property, plant and equipment	109	374	199
Increase in restricted cash deposits	(11)	(1,267)	(311)
Net cash (used in) / from investing activities	**(10,060)**	**90,889**	**73,425**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	Unaudited		Audited
	$'000	$'000	$'000
CASH FLOWS - FINANCING ACTIVITIES			
Proceeds from exercise of share options	-	154	168
Proceeds from long-term borrowings	-	3,707	7,047
Repayment of lease liabilities	(1,737)	(1,822)	(3,924)
Repayment of long-term borrowings	(3,086)	(18,316)	(22,218)
Short-term borrowings, net	1,652	(23,127)	(20,682)
Net cash used in financing activities	**(3,171)**	**(39,404)**	**(39,609)**
Increase in cash and cash equivalents	9,147	39,720	47,789
Cash and cash equivalents-balance at beginning of period	81,304	35,006	35,006
Effect of exchange rate differences	(2,142)	(877)	(1,491)
Cash and cash equivalents-balance at end of period	**88,309**	**73,849**	**81,304**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2020 (Unaudited)

	Share capital	Share premium account	Other reserve	Translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2020	2,176	49,935	(2,746)	(19,070)	104,054	134,349
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	8,694	8,694
Total other comprehensive income	-	-	-	(5,702)	-	(5,702)
Total comprehensive income/ (loss) for the period	-	-	-	(5,702)	8,694	2,992
Transactions with owners:						
Exercise of options	-	-	-	-	-	-
Share based payment charge	-	-	-	-	724	724
Total transactions with owners	-	-	-	-	724	724
Balance at 30 June 2020	**2,176**	**49,935**	**(2,746)**	**(24,772)**	**113,472**	**138,065**

Six months ended 30 June 2019 (Unaudited)

	Share capital	Share premium account	Other reserve	Translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2019	2,165	49,778	(2,727)	(18,049)	55,319	86,486
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	45,862	45,862
Other comprehensive income	-	-	-	(3,923)	182	(3,741)
Total comprehensive Income /(loss) for the period	-	-	-	(3,923)	46,044	42,121
Transactions with owners:						
Exercise of option	2	154	-	-	-	156
Share based payment charge	-	-	-	-	184	184
Total transactions with owners	2	154	-	-	184	340
Balance at 30 June 2019	**2,167**	**49,932**	**(2,727)**	**(21,972)**	**101,547**	**128,947**

NOTES TO THE INTERIM FINANCIAL STATEMENT AT 30 JUNE 2020 (Unaudited)

Note 1 - General

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

Note 2 – Basis of preparation

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 2020. The consolidated interim financial statements of the Company have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted by the EU ("EU adopted IFRSs") and the disclosure requirements of the AIM Rules using the accounting policies set out in the Group's 31 December 2019 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 2019 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.

Note 3 - Alternative performance measures

EBITDA is not a financial measure defined by IFRS as a measurement of financial performance and may not be comparable to other similarly titled indicators used by other companies. Adjusted EBIT, adjusted EBITDA, adjusted profit before tax and profit in cash are provided as additional information only and should not be considered as a substitute for operating profit/loss (EBIT) or net cash provided by operating activities.

Adjusted EBIT is defined as Earnings Before Interest, Tax, share based payment expenses, amortisation of acquired intangibles, impairment and exceptional items; Adjusted EBITDA as Adjusted EBIT plus depreciation and other amortisation; profit/loss in cash as Adjusted EBITDA less capitalisation of internally generated development assets, less acquisition of tangible and intangible assets net of proceeds from disposal of assets.

Adjusted (Loss) / Profit before tax as (Loss) / Profit before tax plus share based payment expenses, amortisation of acquired intangibles and exceptional items; and Adjusted net (loss) / profit for the year as net (Loss) / Profit for the year plus share based payment expenses, amortisation of acquired intangibles and non-recurring items less deferred tax (credit) / expense. The Group's management believes that these non-GAAP measures provide useful information to investors to evaluate operating results and profitability for financial and operational decision-making purposes and to provide comparability between the companies in this sector, as they eliminate non-cash items and other exceptional items, which are not inherent to the business. Consequently, Adjusted EBIT, Adjusted EBITDA, profit / (loss) in cash, Adjusted (loss) / profit before tax and Adjusted net (loss) / profit for the year are presented in addition to the reported results.

	H1 2020	H1 2019	FY 2019
	$'000	**$'000**	**$'000**
Operating profit - EBIT	**6,136**	**58,237**	63,622
Share based payments	724	1,081	1,688
Exceptional expenses (income)	800	(56,497)	(51,693)
Impairment of internally developed assets	-	196	1,316
Amortization of intangibles acquired	913	1,084	1,996
Adjusted EBIT	**8,573**	**4,101**	**16,929**
Depreciation and amortization (1)	9,430	11,947	21,270
Adjusted EBITDA	**18,003**	**16,048**	**38,199**
Capitalisation of internally generated development assets	(7,160)	(8,074)	(15,289)
IFRS 16 (Rental costs)	(1,947)	(1,877)	(3,897)
Acquisition of tangible and intangible assets, net of proceeds from disposal of assets	(2,998)	(3,529)	(7,266)
Profit in cash	**5,898**	**2,568**	**11,747**

Profit before tax	**9,683**	**58,091**	**59,869**
Share-based payments	724	1,081	1,688
Exceptional expenses (income)	800	(56,497)	(51,693)
Impairment of internally developed assets	-	196	1,316
Amortisation of intangibles acquired	913	1,084	1,996
Adjusted profit before tax	**12,120**	**3,955**	**13,176**

Net profit for the period	**8,694**	**45,862**	**47,400**
Share-based payments	724	1,081	1,688
Exceptional expenses (income)	800	(56,497)	(51,693)
Impairment of internally developed assets	-	196	1,316
Amortisation- intangibles acquired	913	1,084	1,996
Deferred taxes charge	(601)	11,200	15,713
Adjusted net profit for the period	**10,530**	**2,926**	**16,420**

Note 4 - Net cash position:

	H1 2020	H1 2019	FY 2019
	$'000	**$'000**	**$'000**
Cash and cash equivalent	88,309	73,849	81,304
Restricted cash deposits	656	1,611	646
Working capital borrowings (1)	(5,599)	-	(3,934)
Long term loans (2)	(3,342)	(3,020)	(3,353)
Governmental loan (3)	(22,232)	(25,800)	(24,675)
Mortgage loan (4)	(1,564)	(1,963)	(1,819)
Net cash	**56,228**	**44,677**	**48,169**

(1) Credit facilities of up to Euro 10.5 million used for working capital and bear average interest at a rate of 0.85%.

Note 4 - Net cash position (Continued):

(2) Representing a Euro based loan from banks in Italy 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 a Euro-based preferential long-term loan with fixed rate of 0.5% and is repayable in 14 semi-annual instalments that commenced in December 2016, supported by the Italian MISE (Ministry of Economic Development) to develop an innovative platform for the application of IoT technologies. The loan is initially recognised at fair value and subsequently measured at amortised cost.

(4) Representing a preferential rate mortgage 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 80% of Euribor 6 months, with a minimum interest rate of 0.85%, and is repayable in 30 semi-annual instalments that commenced in June 2012. The loan was initially recognised at fair value and subsequently measured at amortised cost. In July 2020, this loan was fully repaid - see also Note 7.

Note 5 – Shareholder equity

Net shareholders' equity increased to $138.1 million as at 30 June 2020 from $134.3 million as at 31 December 2019, mainly due to the net profit in the period.

The issued share capital of Telit as at 30 June 2020, comprised 132,691,291 Ordinary Shares, each with voting rights. There are no shares held in treasury.

The outstanding options and restricted stock units (RSU's) as at 30 June 2020 were 9,306,826 representing approximately 7.0%, of the outstanding share capital of the Company.

Note 6 - Sale of automotive business

In connection with its agreement to sell the automotive business to TUS International Limited ("TUS"), Telit agreed to provide certain transitional IT, procurement and production management services to Titan Group ("Titan"), pursuant to a transitional services agreement (TSA). Titan is required to pay Telit for these services and, as at 30 June 2020, the account receivable balance under the TSA, presented as "Other trade receivables", was approximately $14.6 million (31 December 2019: $23.3 million), out of which, approximately $7.0 million was overdue (31 December 2019: $1.2 million).
Telit made good progress with TUS and Titan to resolve the payment delay and as at the date of this report, most of the overdue amount has already been paid. Telit expects the TSA to end on 31 December 2020.

Note 7 - post balance sheet events

- On 8 July 2020, the Mortgage loan related to the company facility in Trieste Italy was fully repaid without any penalty for the early payment. The total paid amount was approximately Euro 1.6 million.

- During August 2020, 1,783,332 stock options to employees and 166,666 stock options to director which were granted in 2015, lapsed following the 5-year terms of these options.