



Press Release

26 February 2008

Telit Communications PLC

("Telit" or "the Company")

Unaudited Preliminary Results for the twelve months ended 31 December 2007

**TELIT ACHIEVES EBITDA OF €1.4 MILLION AT FULL YEAR
AND OPERATING PROFIT OF €0.9 MILLION AT H2 2007**

Rome, Italy, 26 February 2008 - Telit Communications PLC (AIM: TCM), a global leader in machine-to-machine (m2m) communications, is pleased to announce its unaudited preliminary results for the twelve months ended 31 December 2007.

Financial & Business Highlights:

- 2007 revenue increased by 73% to €52.2 million (2006: €30.1 million)
 - H2 2007 over H1 2007 revenue up 28% to €29.3 million (H1 2007: €22.9 million)
 - H2 2007 revenue includes royalty income of €1.5 million for the lifetime use of the tradename "Telit" by the Italian company, Bardi, as detailed in note 3 to the accompanying financial information.
- 2007 gross profit increased by 89% to €22.0 million (2006: €11.7 million)
 - H2 2007 over H1 2007 gross profit up 40% to €12.8 million (H1 2007: €9.2 million)
- 2007 gross margin increased to 42.1% (2006: 38.7%)
 - H2 2007 over H1 2007 gross margin up 9% to 43.7% (H1 2007: 40.2%)
- 2007 operating loss reduced to €1.1 million (2006: loss of €7.1 million)
 - H2 2007 operating income of €0.9 million (H1 2007: loss of €2.0 million)
- 2007 EBITDA¹ of €1.4 million (2006: loss of €4.9 million)
 - H2 2007 EBITDA of €2.0 million (H1 2007: loss of €0.6 million)
- 2007 loss before tax of €0.9 million (2006: loss of €7.4 million)
 - H2 2007 income before tax of €0.3 million (H1 2007: loss of €1.2 million)

- 2007 net loss of €1.5 million from continuing operations (2006: loss of €7.5 million)
 - H2 2007 net loss of €0.2 million from continuing operations (H1 2007: loss of €1.3 million)
- Cash and cash equivalents (including restricted cash) of €11.3 million (2006: €11.0 million)
- An initial investment by BAMES of €9.0 million in cash, out of a total of €16.0 million, was completed in June 2007

¹ EBITDA is defined as earnings before interest, tax, depreciation and amortization and share based payments from continuing operations

Commenting on the results, Oozi Cats, Chief Executive Officer of Telit Communications PLC, said: "2007 has been another year of strong growth for Telit. We have achieved an operating profit of €0.9 million in H2 2007, as well as achieving a positive EBITDA of €1.4 million for the full year. Impressive revenue growth of 73% has been achieved, as we have met the market's increasing awareness and demand for our superior m2m technology. Telit's performance during the second half of the year has been very positive as we continued to win new business and gain market share. Indeed, the impressive second half over first half 2007 improvements in EBITDA performance demonstrate both the growing market opportunity and Telit's strengthening position in the marketplace."

"The success of the Group's international expansion has been a major feature of the year. For example the expansion of the Company's global footprint has seen over 150 new design wins secured in our operations in Telit Americas and Telit APAC. It is no exaggeration to say that 2007 has seen Telit demonstrate beyond doubt that it is now a first tier global player in the m2m market. The global m2m market is gathering momentum and Telit is very much in the ascendancy among its peers, delivering strong and sustainable growth."

"The first installment of the €16 million investment by BAMES into Telit Wireless Solutions, and the strategic agreement with BAMES's electronics manufacturing subsidiary, SEM, were also major developments during the year. The agreement provides confirmation of the value and potential of Telit's technology in the m2m market. We are now working very closely with BAMES and SEM and have already begun to enjoy the fruits of this alliance."

"Having exceeded our forecast break-even position at the operating level for the second half of the year, Telit is now entering a new chapter in its development, one of profitable growth and positive earnings performance. The year has started well and the new business book is strong in all of our geographical markets. We are confident that the growing reputation of Telit in terms

of technology, service and support in a growing market, will result in a strong performance this year."

"Delivering maximum returns to our shareholders is a top priority and Telit now has the operational and financial strength to take advantage of the considerable opportunities arising in this growing global market. We are currently in the midst of a global wireless-communications revolution and I fully expect that 2008 will see further accelerated growth both of the m2m market and of Telit. I look forward to providing further news of the Company's progress over the coming months."

Below are the key financial performance measures for continuing operations for 2007 and 2006:

	H2 2007	H1 2007	2007	2006
	€000	€000	€'000	€'000
Revenue ¹	29,307	22,882	52,189	30,140
Gross profit	12,793	9,195	21,988	11,653
Gross margin	43.7%	40.2%	42.1%	38.7%
Other income	939	1,518	2,457	729
Research & Development ²	(4,719)	(3,953)	(8,672)	(8,058)
Selling & Marketing ²	(4,720)	(4,072)	(8,792)	(4,948)
General & Administrative ²	(2,990)	(3,962)	(6,952)	(6,106)
Share based compensation	(429)	(709)	(1,138)	(340)
Operating profit / (loss)	874	(1,983)	(1,109)	(7,070)
EBITDA	2,024	(626)	1,398	(4,871)
¹ Including royalty income (2007: €2.3 million; 2006: €1.7 million)				
² excluding share-based payment charges.				

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CHIEF EXECUTIVE'S STATEMENT AND REVIEW - PRELIMINARY RESULTS 2007

Introduction

I am pleased to present Telit Communications PLC's Unaudited Preliminary Results for the year ended December 31 2007.

2007 has been a year of strong growth for Telit. We have achieved an operating profit of €0.9 million in H2 2007, as well as achieving positive EBITDA of €1.4 million for the full year. Impressive revenue growth of 73% has been achieved, as we have met the market's increasing awareness and demand for our superior m2m technology. Telit's performance during the second half of the year has been very positive as we have continued to win new business and gain market share. Indeed, the impressive second half over first half 2007 improvements in EBITDA performance demonstrate both the growing market opportunity and Telit's strengthening position in the marketplace.

The success of the Group's international expansion has been a major feature of the year. For example the expansion of the Company's global footprint has seen over 150 new design wins secured in our operations in Telit Americas and Telit APAC. The second half of the year has been a highly successful period in terms of new client wins and this has been translated into the further operational improvements and operating profitability achieved during the last six months. Therefore, it is no exaggeration to say that 2007 has seen Telit demonstrate beyond doubt that it is now a first tier global player in the m2m market. The global m2m market is gathering momentum and Telit is very much in the ascendancy among its peers, delivering strong and sustainable growth.

The first instalment of the €16 million investment by BAMES into Telit Wireless Solutions, and the strategic agreement with BAMES's electronics manufacturing subsidiary, SEM, were also major developments during the year. The agreement provides confirmation of the value and potential of Telit's technology in the m2m market. We are now working very closely with BAMES and SEM and have already begun to enjoy the fruits of this alliance.

Financial Results

Following the indications we provided in our trading update on 31 January 2008, the results for the year are in line with market expectations and underline the new course the Company is taking, supported by the geographical expansion begun in 2006 and strengthened during 2007.

The results for the twelve month period ended on 31 December 2007 reflect strong like-for-like growth, strong margins and excellent underlying sales momentum. Telit increased total revenue by 73% to €52.2 million, compared to €30.1 million for 2006.

2007 revenue includes royalty income of €1.5 million for the lifetime use of the tradename "Telit" by the Italian company, Bardi, as detailed in note 3 to the accompanying financial information.

The majority of revenue continues to come from repeat business with existing customers. In addition to the development of existing customer relationships, Telit has increased the number of customers to more than 2,000 OEMs, communications solutions providers and system integrators in over 50 countries.

The split of revenue on a geographical basis for the years ended 31 December 2007 and 2006 is as follows:

	2007 (M€)	% of Total Revenue	2006 (M€)	% of Total Revenue
EMEA	36.8	71	24.2	80
APAC	13.7	26	5.8	20
AMERICAS	1.7	3	0.1	-
Total Revenue	52.2	100%	30.1	100%

The continued development of Telit's global outreach can be seen by the geographical division of revenue for 2007. The weighting of Telit's revenue is becoming increasingly distributed across the geographies, with increasingly higher contributions being made to total revenue from the APAC and Americas regions. While the majority of revenue continue to come from EMEA, we fully expect that the APAC and Americas regions will continue to increase the weightings of their contribution to total revenue performance in 2008 and beyond.

As we have previously reported, Telit's position as a global player in the m2m market was attained by the penetration into the Asia Pacific and Americas markets in 2006. Since its inception, Telit APAC has successfully established its position as a sales gateway to the region for the CDMA and GSM/GPRS product lines and as a leading R&D centre for CDMA, UMTS/HSDPA and other advanced technologies. The new sales offices opened during the year in China (Shenzhen and Shanghai) and in Taiwan (Taipei) have made excellent progress during the year and secured more than 70 design wins in the region.

In addition, Telit Americas began making headway in the region and has secured more than 80 design wins with new customers and, as previously announced, an order worth \$10 million over a period of two years. Telit Americas is now well established to meet increasing levels of demand in the region.

The market opportunity for Telit in both these regions is substantial and the level of major approvals achieved during 2007, combined with the expected new business due to the numerous design wins during the year, are testament to the success of Telit's expansion into these important growth markets.

2007 gross profit increased 89% to €22.0 million, compared to €11.7 million in 2006, resulting in an overall margin of 42.1% compared to 38.7% for 2006.

During the course of the year Telit continued to benefit from governmental grants related to our R&D activities in Trieste, Italy and recorded other income amounting to €2.1 million from such grants, up from €0.7 million in 2006.

Research and development expenses, excluding share-based payments, were €8.7 million, compared to €8.1 million in 2006. Sales and marketing expenses, excluding share-based payments, were €8.8 million, compared to €4.9 million in 2006, with a majority of the increase stemming from the full year impact of Telit APAC and Telit Americas (which were acquired and incorporated, respectively, towards the end of the first half of 2006). General and administrative expenses, excluding share-based payments, were €7.0 million, compared to €6.1 million in 2006. The G&A expenses reflect the expansion of Telit through the acquisition and introduction of Telit APAC and Telit Americas. Share based compensation charges were €1.1 million in 2007 and €0.3 million in 2006.

This resulted in an operating loss for 2007 of €1.1 million (operating profit during the second half of the year offsetting, in part, the operating loss in the first half of the year), down from a loss of €7.1 million in 2006. Loss before tax was €0.9 million, compared to a loss of €7.4 million in 2006. Net loss for the period from continuing operations was €1.5 million compared to €7.5 million in 2006.

Basic and diluted loss per share for continuing operations was 3.3 Euro cents for the period compared to a 17.4 Euro cents loss per share in 2006. The total continuing and discontinued

basic and diluted loss per share was 15.3 Euro cents, compared to a 25.8 Euro cents loss per share in 2006.

Employees

The number of employees on a geographical basis as at 31 December 2007 and 2006 is as follows:

	31 Dec. 2007	31 Dec. 2006
EMEA	184	170
APAC	62	48
AMERICAS	11	9
Total Employees	257	227

Business Performance

During 2007 the following major developments took place that contributed to the overall performance of the Company and will contribute to the Company's future results.

Sales and Marketing:

- Reinforced distribution network by adding Rutronik, the largest independent European Distributor, CEP AG in Germany & Poland as well as MT System in Russia.
- Telit signed Symmetry Electronics as a distributor for US and Mexico. Telit signed SPI Technologies to represent Telit as a manufacturer's representative in Eastern Canada.
- Worldwide customers increased to over 2000 customers compared to 1500 customers in 2006. APAC and EMEA contributed to this growth by winning 150 designs.
- Extended global relationship with Arrow, one of the largest distributors of electronic components by signing distribution agreements with Arrow Asia and Sasco Holz for Central European and CIS countries.
- Selected by a major European toll-collect customer, for a field trial with 10,000 units in place.
- Opened sales offices in Taiwan and China with sales staff and technical support engineers.

- Signed distribution agreement with Soanar, Singapore for the South Asia market and Arrow Asia Pac for the whole Asia Pacific market.
- \$10 million deal signed by Telit Wireless Solutions (U.S.) with major North American client.
- In November Telit announced a strategic alliance with Infineon Technologies to provide 4 million GSM/GPRS chipsets for its new line of m2m modules, to be launched in Q4 2008.

Product Highlights:

- In October, Telit's m2m module, the GE864-PY, received PTCRB certification. This module is expected to be produced en masse in 2008 in VeriFone's POS Terminals.
- In July, Telit introduced a new groundbreaking design in its module range, offering its customers high-performance at lower cost of ownership. The new GE863-PRO3 GSM/GPRS module simplifies m2m design for POS terminals, fleet management systems and AMR applications. Equipped with two powerful microprocessors, this quad-band module is suited for a wide range of applications requiring high processing power. The GE863-PRO3 also offers significant cost benefits for the development and production of complex m2m solutions.
- Telit introduced a new product GE863-SIM with embedded chip SIM. This product enables higher degree of integration and provides increase reliability by eliminating the traditional SIM card and connector.
- Telit entered into an agreement with Selex for the joint development of modules according to the GSM-R standard in order to address railway operators in Europe and China.
- Signed agreement for development of M2M Smart platform for Telefónica. Finished development of M2M Smart platform for Telefónica
- Started process of partnership for M2M card (embedded chip SIM) with Telefónica
- Release of new GT864-QUAD and GT864-PY terminal products that complete the Telit terminal product line.
- Release of updated low power GPRS/GPS combined products (GM862-GPS and GE863-GPS) with 35% less power consumption than the previous versions.

- Completed homologation and certification in several countries and networks including China & Taiwan (SRRC and DGT), Brazil (ANATEL), Australia (A-Tick), Israel (Cellcom and Orange), Spain (Telefonica and Vodafone), UK (O2), Ukraine and US/Canada (KORE and RACO).
- BCM865 was introduced in the Korea and China markets in February, as well as a MSM6025 based CDMA-1X embedded module for general purpose m2m applications.
- Achieved China type approval (SRRC) and Taiwan approval (DGT) for GM862, GC864 and GE864.
- Introduced a WCDMA/HSDPA embedded module product that was launched in Europe in Q4, 2007 and is planned to be launched in North America in Q1, 2008.
- Having obtained approval of six products on the Cingular / AT&T network and Annetel Brazil homologation, Telit Americas is in a position to begin delivering sales to customers in the US and Latin America. Telit America will shortly achieve homologation in Mexico and is currently in the process of gaining network approvals in Canada.

Operational Highlights:

- In November Telit announced a strategic alliance with Infineon Technologies to provide 4 million GSM/GPRS chipsets for its of m2m modules, effective as of Q4 2008.
- During 2007 Telit doubled its production capacity.
- During 2007 significant cost reduction was achieved in BOM prices and production costs, contributing to the increase in GM.
- Achieved the ISO 9001:2000 Telit corporate certificate for EU, US and Korean facilities.
- Successfully completed implementation of an Enterprise Resource Planning (ERP) system from SAP in the Group's major subsidiary, to be rolled out to other subsidiaries in 2008 and 2009.
- Successfully transferred production of GSM/GPRS products to SEM, subsidiary of BAMES in Italy.

EVAR Business developments

In the second half of the year Telit sold its Italian EVAR business to a third party, thus marking the final disposal of Telit's European EVAR business unit. The sale of the remaining EVAR business in Israel, announced during the second half of the year, is expected to complete by the end of H1 2008.

Due to the Company's decision to dispose of the EVAR business, the results of operations of this business unit are included in the Company's financial statements as "discontinued operations".

Strategy

Our strategy for 2008 is to continue to leverage our position as a leading player in the m2m market, offering customers a competitive edge by reducing their total cost of ownership and optimising the performance of their products. We plan on doing this through continued investment in R&D and building on the foundations laid by our regional operations to date.

This strategy takes advantage of two key trends in the m2m market:

- The performance trajectory offered by many of the m2m module manufacturers overshoots the needs of the average customer, resulting in feature-rich, expensive products that deliver inferior returns on investment; and
- the inability of many module manufacturers to meet the demands of early adopters due to the fact that they do not control the protocol stack required for customised product modifications.

To execute our strategy, Telit relies on three core competencies that differentiate it from the competition:

- Complete Control of the Protocol Stack: Telit owns and develops the Protocol Stack in its modules. The Protocol Stack controls all connectivity and communication with the GSM network and is a critical success factor in being able to offer customers the flexibility required for rolling out cost-effective m2m solutions.
- Commitment to Customer-Driven Innovation: Telit's comprehensive expertise in R&D enables it to help its customers win new business by working with them to develop the most innovative, cost-effective m2m applications.
- Multinational Organisation Staffed with Industry Experts: Telit's R&D and Sales and Marketing units are comprised of a team of dynamic experts with proven industry experience in the m2m and semiconductor industry.

Change of control

In May 2007 Boostt B.V., a consortium of investors including Oozi Cats, CEO of Telit, and a group of Italian investors led by Mr. Franco Bernabe purchased 12,000,000 shares in Telit from Polar Investments Ltd. The purchase represented 27.77% of the Company's issued voting share capital at a price of GBP 0.43 per share. Boostt subsequently nominated Mr. Enrico Testa, as Chairman of the Board of Directors of Telit and also nominated an additional director, Mr. Giovanni Stella, to the Board. These two directors replaced two directors nominated by Polar, who resigned upon completion of the transaction.

In July 2007, FB Net Holding B.V. ("FB Net") and Oozi Cats purchased an additional 750,000 shares of the Company and 250,000 shares of the Company, respectively, at a price of GBP 0.53 per share. FB Net effectively controls Franco Bernabe & T S.L. ("FBT"), which is the corporate entity that holds 50% of Boostt B.V. (50% is held by Mr. Oozi Cats).

In September 2007 FBT purchased an additional 500,000 shares of the Company at a price of GBP 0.72 per share.

Following these purchases, FB Net, FBT, Boostt, and Oozi Cats are interested in a total of 37.72% of the Company's outstanding shares.

Also in July 2007, Clal Insurance Enterprise Holdings Ltd., one of Israel's largest insurance and finance companies, became a substantial shareholder with holdings of approximately 4% of the Company's issued shares.

Board changes

In April 2007, having completed a mandate for two years from the listing of the Company in 2005, Mr. David Hobley, an independent non-executive director, resigned from the Board.

In May 2007, Mr. Enrico Testa and Mr. Giovanni Stella were appointed to the Board of Telit by Boostt B.V., replacing Mr. Avigdor Kelner and Mrs. Pnina Bitterman-Cohen. Mr. Testa was nominated Chairman of the Board.

Mr. Testa, aged 56, is currently the Chairman of Roma Metropolitane, the company set up by the Rome municipality to implement the city's new underground system, and a board member of Rothschild Spa and of Lloyd Adriatico. He also served as a board member of Riello Group as well as on the advisory board of the Carlyle Group. From 1996 to 2002 Mr. Testa served as Chairman of ENEL, Italy's largest electricity company. From 1994 to 1996 he served as

Chairman of ACEA, the energy and environment company of the Rome Municipality. Mr. Testa is a former member of the Italian Parliament, elected in 1987 and in 1994.

Mr. Giovanni Stella, aged 60, began his career as an Internal Auditor at Eni, the Italian oil and gas giant. During his tenure at Eni, he had an active role in the restructuring of the major subsidiary companies of the group. Mr. Stella also held a number of positions within the Eni Group of companies, including Managing Director of Enichem, Chairman of Chemfin, Chairman & CEO of Enichem Finance SA and of Agip Petroli International, Chairman of Enichem International Holding and CFO of Agip Petroli. In 1998, Mr. Stella joined Telecom Italia to become the Assistant to the CEO. He was later appointed Senior Vice President for Finance and Control and a Member of the Board of TIM and Sirti. In 1999 he became Chairman of Stream S.p.A. During his career, Mr. Stella was also a member of several work groups for Eni and for Consob. From 1989 to 1993 he was visiting lecturer of the Internal Auditing Course of the La Sapienza University of Rome. Mr. Stella is currently Managing Director of Rothschild S.p.A. and Vice Chairman of Kelyan S.p.A.

In August 2007, Mr. Amir Scharf was appointed to the Board of Telit, as an independent non-executive director, as well as the chairman of the audit committee. Mr. Scharf, aged 41, is a Partner and Head of Securities Law practice at Tadmor & Co., Attorneys at Law, in Tel Aviv. He is also a Director and Chairman of the audit committee at Analyst I.M.S. Investment Management Services Ltd., a full service investment house traded on the Tel Aviv Stock Exchange. Before joining Tadmor & Co. he was the General Counsel and Corporate Secretary of El Al Israel Airlines Ltd., and before that he served as Deputy Director of the Legal Department of the Israeli Securities Authority. In 2004 - 2006 he served as a member of The "Goshen Committee", the public committee for setting an Israeli Corporate Governance code. Mr. Scharf was also a director of Superstar Holidays Limited in the UK between 2005 and 2006.

In September 2007, Mr. Avi Israel resigned from the position of Finance Director of the Company and took up the position of Chief Executive Officer of Telit's Wireless Products division, which the Company has decided to sell. On the same date, Mr. Michael Galai was appointed Finance Director of the Company.

Before his appointment, Mr. Galai, 41, served since October 2006 as the Company's Vice President, Legal and General Counsel. Before joining Telit, Mr. Galai was General Counsel of Lipman Electronic Engineering Ltd. (Nasdaq, TASE: LPMA), where he took an active part (legal, accounting and finance) in a secondary offer to the public in 2005 and the company's sale to VeriFone Holdings, Inc. (NYSE: PAY) in late 2006 for \$1 billion. Prior to Lipman, Mr. Galai was an associate at one of Israel's leading law firms, where he took part in numerous cross-border transactions, M&As and public offerings. Before that, Mr. Galai spent six years with the Israel

Securities Authority, holding a variety of enforcement and legal positions. Mr. Galai holds an MBA (major in finance), an L.L.B from the Tel Aviv University School of Law and is a member of the Israeli Bar.

Outlook

Telit's competitive advantage in terms of flexibility, scalability and product innovation is now making substantial headway in the market as the main challenger to the top market players. We will continue to expand and strengthen our position as one of the world's premier m2m technology providers during 2008.

Having delivered our forecasts, Telit is now entering a new chapter in its development, one of profitable growth and positive earnings performance. The year has started well and the new business book is strong in all of our geographical markets. We are confident that the growing reputation of Telit in terms of technology, service and support in a growing market, will result in a strong performance this year.

Delivering maximum returns to our shareholders is a top priority and Telit now has the operational infrastructure and financial strength to take advantage of the considerable opportunities arising in this growing global market. We are currently in the midst of a global wireless-communications revolution and I fully expect that 2008 will see further accelerated growth both of the m2m market and of Telit. I look forward to providing further news of the Company's progress over the coming months.

Oozi Cats

Chief Executive

CONSOLIDATED INCOME STATEMENT (Unaudited)

	Year ended 31 December	
	2007	2006
	€000	(Restated*) €000
Revenue	52,189	30,140
Cost of sales	(30,201)	(18,487)
Gross profit	21,988	11,653
Other income	2,139	729
Non-recurring credit relating to negative goodwill	318	-
Research and development expenses	(8,940)	(8,058)
Selling and marketing expenses	(8,999)	(4,948)
General and administrative expenses	(7,615)	(6,446)
Operating loss	(1,109)	(7,070)
Investment income	277	190
Finance costs	(1,241)	(492)
Share of results in associated undertakings	(2)	(41)
Gain on partial deemed disposal of subsidiary	1,194	-
Loss before income taxes	(881)	(7,413)
Income taxes	(597)	(91)
Loss for the period from continuing operations	(1,478)	(7,504)
Loss for the period from discontinued operations	(5,180)	(3,636)
Loss for the period	(6,658)	(11,140)
Attributable to:		
Equity shareholders of the parent	(6,627)	(11,136)
Minority interests	(31)	(4)
	(6,658)	(11,140)
Basic and diluted loss per share (in euro cents)		
From continuing operations	(3.3)	(17.4)
From discontinued operations	(12.0)	(8.4)
Total continuing and discontinued	(15.3)	(25.8)
Weighted average number of equity shares in issue	43,214,281	43,214,281

(*) Restated for the finalisation of the provisional purchase price allocation of Telit APAC. See note 4.

CONSOLIDATED BALANCE SHEET (Unaudited)

	31 December	
	2007	2006 (Restated*)
	€000	€000
ASSETS		
Non-current assets		
Intangible assets	9,050	6,755
Property, plant and equipment	2,612	3,019
Investments in associated undertakings	568	579
Other investments	1,570	-
Other long term assets	310	303
Deferred tax asset	3,130	3,803
	<u>17,240</u>	<u>14,459</u>
Current assets		
Inventory	8,212	10,284
Trade receivables	16,591	17,452
Other current assets	5,379	6,699
Deposits – restricted cash	6,132	7,115
Cash and cash equivalents	5,212	3,926
	<u>41,526</u>	<u>45,476</u>
Assets included in disposal group held for sale	<u>8,162</u>	<u>-</u>
Total assets	<u>66,928</u>	<u>59,935</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	627	627
Other reserve	(260)	(260)
Share premium	29,651	29,651
Translation reserve	(1,734)	(584)
Retained earnings	(12,112)	(6,486)
Total shareholders' equity	<u>16,172</u>	<u>22,948</u>
Minority interests	<u>605</u>	<u>796</u>
Total equity	<u>16,777</u>	<u>23,744</u>
Non-current liabilities		
Loan from parent company	-	2,035
Post-employment benefits	1,555	1,226
Deferred tax liabilities	329	507
Other long-term liabilities	7,308	244
	<u>9,192</u>	<u>4,012</u>
Current liabilities		
Short-term borrowings from banks and other lenders	17,336	17,375
Trade payables	13,498	10,584
Other current liabilities	3,692	4,220
	<u>34,526</u>	<u>32,179</u>
Liabilities included in disposal group held for sale	<u>6,433</u>	<u>-</u>
Total equity and liabilities	<u>66,928</u>	<u>59,935</u>

(*) Restated for the finalisation of the provisional purchase price allocation of Telit APAC. See note 4.

CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

	Year ended 31 December	
	2007	2006
	€000	(Restated*) €000
CASH FLOWS - OPERATING ACTIVITIES		
Net cash used in continuing operations	(1,540)	(9,588)
Net cash (used in) /from discontinued operations	(2,239)	17,634
Net cash (used in) / from operating activities	(3,779)	8,046
CASH FLOWS - INVESTING ACTIVITIES		
Net proceeds from issue of shares in subsidiary to a third party	7,604	-
Purchase of property, plant and equipment	(1,251)	(1,760)
Purchase of intangible assets	(3,733)	(513)
Acquisition of subsidiaries (nil cash acquired)	-	(5,396)
Decrease /(Increase) in restricted cash deposits	1,000	(3,000)
Additions to long term receivables	-	(56)
Net cash from / (used in) continuing operations	3,620	(10,725)
Net cash used in discontinued operations	(741)	(289)
Net cash from / (used in) investing activities	2,879	(11,014)
CASH FLOWS - FINANCING ACTIVITIES		
Repayment of other loans	(1,500)	-
Short-term borrowings from banks and others	3,001	8,660
Net cash from continuing operations	1,501	8,660
Net cash from / (used in) discontinued operations	1,167	(14,903)
Net cash from / (used in) financing activities	2,668	(6,243)
Increase / (decrease) in cash and cash equivalents	1,768	(9,211)
Cash and cash equivalents-balance at beginning of year	3,926	13,207
Effect of exchange rate differences	(482)	(70)
Cash and cash equivalents-balance at end of year	5,212	3,926

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2007 (Unaudited)

	Share capital	Share premium	Other reserve	Translation adjustment	Retained earnings	Total	Minority interest	Total
	€000	€000	€000	€000	€000	€000	€000	€000
1 January 2007	627	29,651	(260)	(584)	(6,486)	22,948	796	23,744
Arising on deemed disposal - minority in Telit Wireless Solutions srl							275	275
Arising on deemed acquisition - Telit APAC							(318)	(318)
Translation adjustments				(1,150)		(1,150)	(129)	(1,279)
Share-based payment charge					1,001	1,001	12	1,013
(Loss) / profit for the period					(6,627)	(6,627)	(31)	(6,658)
31 December 2007	<u>627</u>	<u>29,651</u>	<u>(260)</u>	<u>(1,734)</u>	<u>(12,112)</u>	<u>16,172</u>	<u>605</u>	<u>16,777</u>

Year ended 31 December 2006 (Audited) (Restated*)

	Share capital	Share premium	Other reserve	Translation adjustment	Retained earnings	Total	Minority interest	Total
	€000	€000	€000	€000	€000	€000	€000	€000
1 January 2006	627	29,651	(260)	(284)	3,432	33,166	-	33,166
Arising on acquisition- as previously reported							1,317	1,317
Arising on acquisition- adjustments (note 5)							(513)	(513)
Translation adjustments				(300)		(300)	(4)	(304)
Share-based payment charge					1,218	1,218		1,218
Loss for the year- as previously reported					(11,319)	(11,319)	(65)	(11,384)
Loss for the year- adjustments (note 4)					183	183	61	244
31 December 2006	<u>627</u>	<u>29,651</u>	<u>(260)</u>	<u>(584)</u>	<u>(6,486)</u>	<u>22,948</u>	<u>796</u>	<u>23,744</u>

NOTES TO THE UNAUDITED PRELIMINARY ANNOUNCEMENT

1. While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs by April 2008. The financial information included in this preliminary announcement has been prepared with consistent accounting policies to those set out in the Group's 2006 published financial statements, with the exception of new and revised standards and interpretations adopted during 2007.
2. The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 31 December 2007 or 2006. The financial information for the year ended 31 December 2006 is derived from the statutory accounts for that year, as restated as set out in note 3, which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s. 237(2) or (3) Companies Act 1985. The auditors have not reported on the financial information as at and for the year ended 31 December 2007 and as such the information set out herein is unaudited. The auditors have indicated that, without qualifying their opinion, their report will include an emphasis of matter paragraph referring to the uncertainty over the recoverability of the deferred tax asset of 3.1 million. This is discussed further in note 7 below.
3. In November 2007 Telit entered into a lifetime license agreement with the Italian company Bardi, granting Bardi the right to use the Telit tradename in the marketing and sale in Europe of cellular phones and accessories and other electronic equipment excluding, specifically, the m2m arena, for a consideration of €1.5 million. These royalties were recorded in the income statement as revenue.
4. On 26 May 2006 Telit acquired 75% of the issued ordinary share capital of, and voting rights in, Bellwave M2M Co., Ltd. (since renamed Telit Wireless Solutions Co. Ltd ("Telit APAC")), a company incorporated and located in Korea, engaged in the production and sale of cellular communication products for the machine to machine (m2m) market. The cost of the business combination was €5,396,000 in cash, including directly attributable costs of €526,000.

The provisional purchase price allocation has been finalised in the six months ended 30 June 2007. This has resulted in a reduction in the amount allocated to customer lists from €4,306,000 to €1,500,000 and technology from €689,000 to €645,000 with a consequential reduction in the related deferred tax liability from €1,374,000 to €590,000. As a result, goodwill has increased from €1,445,000 to €2,998,000.

The transaction has been accounted for by the purchase method of accounting. The fair value of the assets and liabilities of Bellwave recognised at the acquisition date is as follows:

	Book value	Fair value adjustments	Fair value
	€000	€000	€000
Assets:			
Trade and other receivables	457	-	457
Inventory	840	-	840
Tangible assets	331	-	331
Intangible assets:			
Customer list	-	1,500	1,500
Development cost	-	645	645
Other	19	-	19
Deferred tax liabilities	-	(590)	(590)
	<u>1,647</u>	<u>1,555</u>	3,202
Minority interests			(804)
Goodwill			<u>2,998</u>
Total purchase consideration			<u>5,396</u>
Net cash outflow arising on acquisition			<u>5,396</u>

The consolidated balance sheet and income statement as at and for the year ended 31 December 2006 have been restated as a result of the final purchase price allocation in accordance with the provisions of IFRS 3. The impact of the restatement is presented below:

	Balance as at 31 December 2006	Restatement	Restated Balance
	€000	€000	€000
Intangible assets	7,710	(955)	6,755
Deferred tax liabilities	(1,193)	686	(507)
Total shareholders' equity	(22,765)	(183)	(22,948)
Minority interests	(1,248)	452	(796)
Operating loss	(7,406)	336	(7,070)
Loss for the year	(7,748)	244	(7,504)

The impact of the restatement has been to reduce the basic and diluted loss per share by 0.42 euro cent for the year ended 31 December 2006 from that previously reported.

- During May and June 2007 Telit increased its interest in Telit APAC to 90% of the issued ordinary share capital by way of a further share subscription for cash amounting to €2,403,000. The Company has accounted for this deemed acquisition based on the book values of the net assets of Telit APAC at the date of the injection. As a result of this transaction, minority interests have been reduced by €318,000. The negative goodwill of €318,000 arising has been recorded as a credit to the income statement.
- Telit has entered into an investment agreement with Bartolini After Market Electronic Services S.r.l. ("BAMES").

Under the terms of transaction, on 21 June 2007, BAMES provided TWS S.r.l with €9 million in equity in consideration of 5.625% of Telit Wireless Solutions S.r.l ("**TWS**"), and an additional €7 million will be invested in December 2008, providing Telit meets certain m2m module minimum purchase commitments. Upon completion of the second investment BAMES will receive an additional 4.375% of the share capital of TWS. Management currently assesses that, given current market conditions and the expected growth of the Company, these minimum purchase commitments are attainable.

In addition to the investment agreement, Telit Communications SpA entered into a strategic manufacturing agreement with Services for Electronic Manufacturing S.r.l ("**SEM**"), BAMES' electronics manufacturing subsidiary, for all present and future production of Telit's m2m modules, with certain exceptions, at competitive market prices for a term of not less than five years. This enables Telit to consolidate its European manufacturing into one geographical location, streamline operations while keeping control of the Company's intellectual property and increasing its control over its supply chain. This has been achieved by the Telit taking a 19.9% equity stake in SEM and the right to nominate one director to SEM's board of directors. SEM has also provided Telit with a €7 million line of credit for finished goods, which will defer payment until the second equity investment referred to above.

- At 31 December 2006, the Group had recorded a deferred tax asset of €3.7 million relating to losses incurred in its Italian subsidiary, Telit Communications SpA. The directors consider that under existing Italian tax law, the time period over which these losses are available for relieving future profits is unlimited. Telit Communication SpA has incurred losses to date since formation in 2003, and has incurred further losses since this date. During the year the applicable tax rate in Italy at which the asset is expected to be recovered has been reduced from 33% to 27.5%. As a result the deferred tax asset has been reduced to €3.1 million at 31 December 2007.

In 2006, the Directors approved a four year business plan for Telit Communications SpA, based on which management expected to begin to recover the deferred tax asset during the year ending 31 December 2008, with full recovery forecast in the year ending 31 December 2010. The trading performance of the continuing operations of Telit Communications SpA for 2007 has been in line with

the forecast for 2007 in the four year business plan. The Directors have approved an updated business plan for 2008-2010 which continues to support the beginning of recovery of the deferred tax asset during the year ending 31 December 2008, with full recovery forecast in the year ending 31 December 2010. However, as this assessment is a judgment about future events, there is no certainty as to this matter.