



Press Release

8 March 2010

## Telit Communications PLC

("Telit" or "the Company")

### Preliminary Results for the year ended 31 December 2009 (unaudited)

## Telit Returns to Strong Growth; H2 Revenues increase by 30%

Telit Communications PLC (AIM: TCM), a global leader in machine-to-machine (m2m) communications, announces its preliminary results for the year ended 31 December 2009.

### Highlights

#### Financial

- Revenue increased by 10.7% to €63.8 million (2008: €57.6 million, excluding non-recurring royalties of €1.5 million).
- Revenue in H2-2009 increased by 30% to €36.0 million (H1-2009: €27.8 million).
- Gross profit increased by 11% to €30.6 million (2008: €27.6 million, excluding non-recurring royalties of €1.5 million)
- Operating profit for the year (excluding one time compensation charges of €2.75 million) of €0.6 million (2008: €0.6 million)
- Adjusted EBITDA<sup>1</sup> for the year €4.2 million (2008: €3.7 million)
- Loss before tax of €2.9 million (2008: profit of €1.2 million)
- Loss for the year of €3.0 million (2008: loss of €3.2 million)

#### Operational

- Accelerated growth of Telit's Americas and APAC regions increases Telit's diversification.
- The transfer of the manufacturing of Telit's products to China was substantially completed at the end of the year.
- The Company continued its penetration of the automotive sector by entering into agreements with Magneti Marelli (Italy), a leading global supplier in the sector; with MetaSystem (Italy) and with Positron (Brazil), a PST Electronics company.

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<sup>1</sup> Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization and share based payments from continuing operations and, for 2009 only, expenses related to manufacture restructuring costs.

- The Company entered into a strategic collaboration agreement with Deutsche Telekom and T-Mobile which will see the three companies working closely together, worldwide, on sales and marketing in their target markets and to jointly develop innovative M2M products and services in the future.

### **Services and Products**

- Launched INFINITA Services offering with Premium FOTA and extended Hardware warranty
- Presented new Short-Range product series and the smallest GSM/GPRS m2m module in the world
- Presented extremely powerful and cost-effective GPS module SE867-AGPS

Commenting on the results, Oozi Cats, Chief Executive, said: "2009 has been a supremely challenging year for the global economy in general, and Telit's market, the machine to machine industry, in particular. Despite the difficulties, Telit continued its acquisition of market share and trend of year-on-year revenue growth, albeit at a slower pace than in previous years but with the pace picking up in H2-2009, showing an increase of 30% over H1-2009. We successfully transferred our production to China in order to increase efficiency and are confident in our ability to continue our leading performance in the m2m industry and increase our rate of growth in 2010. Telit has emerged from the turmoil of 2009 as a much stronger company, ready to continue its ascent in its markets".

#### **For further information:**

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## **Chairman's statement**

2009 has been a very challenging year for the global economy, and the m2m market was no exception. We focused this year on continued revenue growth, while trying to minimize operating costs. In 2009 we did incur substantial costs in connection with the transfer of the manufacturing of our products to our new manufacturing partner in China, and this is reflected in our results for the year. These expenses were an investment facilitating the achievement of our goal of decreasing manufacturing costs and we believe that the long term return on this investment will be substantial and will cement Telit's position as a market leader in the m2m arena.

### **Results**

- Revenues for the year increased by 10.7% to €63.8 million (2008: €57.6 million, excluding non-recurring royalties of €1.5 million received in 2008). After a slow start to the year, H2 revenues increased 30% to €36.0 million over the €27.8 million revenues in H1.
- Gross profit increased by 11% to €30.6 million (2008: €27.6 million excluding non-recurring royalties of €1.5 million).
- Other income decreased to €0.05 million (2008: €1.0 million). This is due to a delay in obtaining the necessary approvals for the recognition of €0.8 million in relation to governmental grants in Italy. The grants had initially been expected to be recognised in 2009 but this was delayed due to external reasons which are not under the Company's control.
- Research & Development expenses (€10.9 million during the year), as a percentage of revenues, increased slightly to 17.0% (2008: 16.3%, €9.6 million).
- Sales & Marketing expenses (€11.1 million during the year), as a percentage of revenues, decreased to 17.4% (2008: 18.3%, €10.8 million).
- General & Administrative expenses (€8.1 million during the year), as a percentage of revenues, decreased to 12.7% (2008: 15.3%, €9.0 million).
- Operating profit for the year, excluding one-time charges of €2.75 million in connection with the transfer of manufacturing to China, €0.6 million (2008: €0.6 million).
- Adjusted EBITDA increased to €4.2 million (2008: €3.7 million).

## Trading

In spite of the global economic crisis, Telit continued to increase its revenues. This was achieved in a period when the m2m market did not grow at all, with certain segments even contracting. The weakness in the European market was more than compensated for by the strong growth in the Americas and APAC regions, resulting in an increasingly diversified geographical split of our revenues, as follows:

|                      | <b>2009 (M€)</b> | <b>% of Total Revenue</b> | <b>2008 (M€)</b> | <b>% of Total Revenue</b> |
|----------------------|------------------|---------------------------|------------------|---------------------------|
| EMEA                 | 38.5             | 60.3%                     | 44.2             | 74.8%                     |
| APAC                 | 15.1             | 23.7%                     | 9.6              | 16.2%                     |
| AMERICAS             | 10.2             | 16.0%                     | 5.3              | 9.0%                      |
| <b>Total Revenue</b> | <b>63.8</b>      | <b>100%</b>               | <b>59.1</b>      | <b>100%</b>               |

The Group's natural hedging reduces the impact of currency fluctuations; 37% of Telit's revenue in 2009 was generated in Euro, with the remaining 63% generated in, or linked to, other currencies (mainly US dollar and Korean Won), with a substantial part of the Company's material purchases materials denominated in those currencies.

## Cash

The Group continues to use cash in its operating activities, investing heavily in R&D and S&M. Despite this, the Group's net debt position at the end of 2009 improved to €7.2 million (2008: net debt of €11.9 million) due the successful placing of 28 million shares in August and December 2009 for a gross consideration of £5.7 million.

## Outlook

The outlook for the rest of 2010 and beyond looks promising for Telit. We believe we are well positioned to take advantage of the opportunities ahead with the heavy investments made during the year in R&D and in the transfer of the manufacturing of our products to China. This will enable us to maintain our gross profitability in spite of the erosion in the average sale price. We are confident in our ability to maintain and enhance our strong position within our industry as we did in 2009 and look forward to continue business expansion.

I would like to thank the company's management team and employees across the globe for their commitment to the company and its success. Their dedication is an invaluable asset, and core strength of the company.

Enrico Testa  
Chairman

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

|  | 2009              | 2008              |
|--|-------------------|-------------------|
|  | <u>€000</u>       | <u>€000</u>       |
| Revenue  | 63,761            | 59,083            |
| Cost of sales  | <u>(33,129)</u>   | <u>(29,987)</u>   |
| <b>Gross profit</b>                                      | 30,632            | 29,096            |
| Other income   | 49                | 1,002             |
| Research and development expenses                        | (10,866)          | (9,647)           |
| Selling and marketing expenses                           | (11,137)          | (10,829)          |
| General and administrative expenses                      | (8,105)           | (9,058)           |
| Other expenses   | <u>(2,750)</u>    | <u>-</u>          |
| <b>Operating profit (loss)</b>                           | (2,177)           | 564               |
| Investment income  | 85                | 192               |
| Finance costs  | (857)             | (1,171)           |
| Share of results of associated undertakings              | -                 | 18                |
| Gain on deemed partial disposal of subsidiary            | <u>-</u>          | <u>1,614</u>      |
| <b>Profit (loss) before income taxes</b>                 | (2,949)           | 1,217             |
| Income taxes   | <u>(81)</u>       | <u>(2,586)</u>    |
| <b>Loss for the year from continuing operations</b>      | (3,030)           | (1,369)           |
| Loss for the year from discontinued operations           | <u>-</u>          | <u>(1,864)</u>    |
| <b>Loss for the year</b>                                 | <u>(3,030)</u>    | <u>(3,233)</u>    |
| <b>Other comprehensive income</b>                        |                   |                   |
| Translation adjustments                                  | <u>(140)</u>      | <u>(1,904)</u>    |
| <b>Total comprehensive income for the period</b>         | <u>(3,170)</u>    | <u>(5,137)</u>    |
| <b>Attributable to:</b>                                  |                   |                   |
| Equity shareholders of the parent                        | (3,466)           | (3,052)           |
| Minority interests                                       | 436               | (181)             |
|  | <u>(3,030)</u>    | <u>(3,233)</u>    |
| <b>Basic loss per share (in euro cents)</b>              |                   |                   |
| From continuing operations                               | (7.6)             | (2.7)             |
| From discontinued operations                             | <u>-</u>          | <u>(4.3)</u>      |
| Total continuing and discontinued                        | <u>(7.6)</u>      | <u>(7.0)</u>      |
| <b>Diluted loss per share (in euro cents)</b>            |                   |                   |
| From continuing operations                               | (7.6)             | (2.7)             |
| From discontinued operations                             | <u>-</u>          | <u>(4.3)</u>      |
| Total continuing and discontinued                        | <u>(7.6)</u>      | <u>(7.0)</u>      |
| <b>Weighted average number of equity shares in issue</b> | <u>45,608,802</u> | <u>43,430,948</u> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

|  | 2009          | 2008          |
|--|---------------|---------------|
|  | <u>€000</u>   | <u>€000</u>   |
| <b>ASSETS</b>                                      |               |               |
| <b>Non-current assets</b>                          |               |               |
| Intangible assets                                  | 8,819         | 9,883         |
| Property, plant and equipment                      | 3,294         | 3,779         |
| Investments in associated undertakings             | 605           | 629           |
| Other investments                                  | 1,570         | 1,570         |
| Other long term assets                             | 393           | 3,437         |
| Deferred tax asset                                 | 316           | 548           |
|  | <u>14,997</u> | <u>19,846</u> |
| <b>Current assets</b>                              |               |               |
| Inventories  | 6,021         | 10,750        |
| Trade receivables                                  | 21,676        | 14,575        |
| Other current assets                               | 5,554         | 4,799         |
| Deposits – restricted cash                         | 5,500         | 6,000         |
| Cash and cash equivalents                          | 7,898         | 4,619         |
|  | <u>46,649</u> | <u>40,743</u> |
| <b>Total assets</b>                                | <u>61,646</u> | <u>60,589</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>        |               |               |
| <b>Shareholders' equity</b>                        |               |               |
| Share capital                                      | 956           | 644           |
| Share premium account                              | 36,043        | 30,188        |
| Other reserve                                      | (260)         | (260)         |
| Translation reserve                                | (3,604)       | (3,464)       |
| Retained earnings                                  | (18,207)      | (15,143)      |
| <b>Total shareholders' equity</b>                  | <u>14,928</u> | <u>11,965</u> |
| <b>Minority interests</b>                          | <u>1,115</u>  | <u>77</u>     |
| <b>Total equity</b>                                | <u>16,043</u> | <u>12,042</u> |
| <b>Non-current liabilities</b>                     |               |               |
| Other loans  | 3,150         | 3,531         |
| Post-employment benefits                           | 2,030         | 1,807         |
| Deferred tax liabilities                           | 69            | 245           |
| Provisions   | 832           | 748           |
| Other long-term liabilities                        | 221           | 119           |
|  | <u>6,302</u>  | <u>6,450</u>  |
| <b>Current liabilities</b>                         |               |               |
| Short-term borrowings from banks and other lenders | 17,469        | 19,026        |
| Trade payables                                     | 18,026        | 11,140        |
| Other current liabilities                          | 3,806         | 11,931        |
|  | <u>39,301</u> | <u>42,097</u> |
| <b>Total equity and liabilities</b>                | <u>61,646</u> | <u>60,589</u> |

**CONSOLIDATED CASH FLOW STATEMENT (Unaudited)**

|  | <b>2009</b>    | <b>2008</b>    |
|--|----------------|----------------|
|  | <u>€000</u>    | <u>€000</u>    |
| <b>CASH FLOWS – OPERATING ACTIVITIES</b>   |                |                |
| Net cash from (used in) continuing operations  | 1,913          | (6,735)        |
| Net cash used in discontinued operations   | -              | (1,441)        |
| <b>Net cash from (used in) from operating activities</b>   | <u>1,913</u>   | <u>(8,176)</u> |
| <b>CASH FLOWS - INVESTING ACTIVITIES</b>   |                |                |
| Purchase of property, plant and equipment  | (940)          | (1,732)        |
| Proceed from disposal of property, plant and equipment   | 50             | 46             |
| Decrease in restricted cash deposits   | 500            | -              |
| Purchase of intangible assets  | (3,182)        | (4,888)        |
| Grant contribution towards intangible assets   | 49             | 2,606          |
| Acquisition of subsidiaries ( net of €9,000 cash acquired)   | -              | (15)           |
| Net proceeds from issuance of share capital in a subsidiary to third party   | -              | 7,000          |
| <b>Net cash (used in) from investing activities</b>  | <u>(3,523)</u> | <u>3,017</u>   |
| <b>CASH FLOWS - FINANCING ACTIVITIES</b>   |                |                |
| Short-term borrowings from banks and others  | (1,010)        | 757            |
| Preferential rate loan   | -              | 3,909          |
| Repayment of long term loans   | (381)          | -              |
| Net proceeds from issuance of share capital  | 6,167          | -              |
| <b>Net cash from financing activities</b>  | <u>4,776</u>   | <u>4,666</u>   |
| <b>(Decrease) / increase in cash and cash equivalents</b>  | 3,166          | (493)          |
| <b>Cash and cash equivalents - balance at beginning of year</b>  | 4,619          | 5,212          |
| <b>Effect of exchange rate differences</b>   | <u>113</u>     | <u>(100)</u>   |
| <b>Cash and cash equivalents - balance at end of year</b>  | <u>7,898</u>   | <u>4,619</u>   |
| <b>Supplemental disclosure of cash flow information<br/>(included in cash flow from (used in) operating activities):</b> |                |                |
| Interest paid  | 857            | 988            |
| Interest received  | 85             | 177            |
| Income taxes paid  | 29             | 92             |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

### Year ended 31 December 2009

|   | Share capital | Share premium account | Other reserve | Translation adjustment | Retained earnings | Total         | Minority interest | Total         |
|---|---------------|-----------------------|---------------|------------------------|-------------------|---------------|-------------------|---------------|
|   | €000          | €000                  | €000          | €000                   | €000              | €000          | €000              | €000          |
| <b>1 January 2009</b>   | 644           | 30,188                | (260)         | (3,464)                | (15,143)          | 11,965        | 77                | 12,042        |
| <b>Comprehensive income for the period</b>                            |               |                       |               |                        |                   |               |                   |               |
| Loss for the year   |               |                       |               |                        | (3,466)           | (3,466)       | 436               | (3,030)       |
| <b>Other comprehensive income</b>                                     |               |                       |               |                        |                   |               |                   |               |
| Translation adjustment  |               |                       |               | (140)                  |                   | (140)         | 183               | 43            |
| Total comprehensive income for the period                             |               |                       |               | (140)                  | (3,466)           | (3,606)       | 619               | (2,987)       |
| <b>Transaction with owners, recorded directly in equity</b>           |               |                       |               |                        |                   |               |                   |               |
| Issuance of shares  | 312           | 5,855                 |               |                        |                   | 6,167         |                   | 6,167         |
| Share-based payment charge  |               |                       |               |                        | 402               | 402           |                   | 402           |
| Arising on deemed disposal – minority in Telit Wireless Solutions Srl |               |                       |               |                        |                   |               | 419               | 419           |
| Total transaction with owners   | 312           | 5,855                 |               |                        | 402               | 6,569         | 419               | 6,988         |
| <b>31 December 2009</b>   | <b>956</b>    | <b>36,043</b>         | <b>(260)</b>  | <b>(3,604)</b>         | <b>(18,207)</b>   | <b>14,928</b> | <b>1,115</b>      | <b>16,043</b> |

### Year ended 31 December 2008

|   | Share capital | Share premium account | Other reserve | Translation adjustment | Retained earnings | Total         | Minority interest | Total         |
|---|---------------|-----------------------|---------------|------------------------|-------------------|---------------|-------------------|---------------|
|   | €000          | €000                  | €000          | €000                   | €000              | €000          | €000              | €000          |
| <b>1 January 2008</b>   | 627           | 29,651                | (260)         | (1,734)                | (12,512)          | 15,772        | 605               | 16,377        |
| <b>Comprehensive income for the period</b>                            |               |                       |               |                        |                   |               |                   |               |
| Loss for the year   |               |                       |               |                        | (3,052)           | (3,052)       | (181)             | (3,233)       |
| <b>Other comprehensive income</b>                                     |               |                       |               |                        |                   |               |                   |               |
| Translation adjustment  |               |                       |               | (1,730)                |                   | (1,730)       | (174)             | (1,904)       |
| Total comprehensive income for the period                             |               |                       |               | (1,730)                | (3,052)           | (4,782)       | (355)             | (5,137)       |
| <b>Transaction with owners, recorded directly in equity</b>           |               |                       |               |                        |                   |               |                   |               |
| Issuance of shares  | 17            | 537                   |               |                        |                   | 554           |                   | 554           |
| Share-based payment charge  |               |                       |               |                        | 421               | 421           | 15                | 436           |
| Arising on deemed disposal – minority in Telit Wireless Solutions Srl |               |                       |               |                        |                   |               | (188)             | (188)         |
| Total transactions with owners  | 17            | 537                   |               |                        | 421               | 975           | (173)             | 802           |
| <b>31 December 2008</b>   | <b>644</b>    | <b>30,188</b>         | <b>(260)</b>  | <b>(3,464)</b>         | <b>(15,143)</b>   | <b>11,965</b> | <b>77</b>         | <b>12,042</b> |

## 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) as adopted by the European Union, 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 2010. The financial information included in this preliminary announcement has been prepared with consistent accounting policies to those set out in the Group's 2008 published financial statements.
2. The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 31 December 2009 or 2008. The financial information for the year ended 31 December 2008 is derived from the statutory accounts for that year, 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 2009 and as such the information set out herein is unaudited.
3. The Group meets its day to day working capital requirements through overdraft facilities, invoice advance facilities and factoring. In the main, these facilities are cancellable on demand or have renewal dates within one year of the date of approval of the financial statements. In addition, the Group has received a long-term preferential rate loan. Further information on the Group's borrowings is provided in note 7. The current economic conditions create uncertainty particularly over (a) the level of demand for the Group's products which may also affect the possibility of utilising some of these facilities since they depend upon the level of sales in specific markets and in some instances to specific customers; (b) the exchange rate between Euro and U.S. dollars and thus the consequence for the cost of the Group's raw materials; (c) the availability of bank finance in the foreseeable future; (d) the continuity of supply from key suppliers; and (e) the uncertainty over forecasts in current market environments.

The Group's forecasts and projections, taking account of the fact that there has been a loss for the year from continuing operations, of the general economic environment and impact on specific markets supplied, reasonably possible changes in trading performance, the Group's history of successfully renewing its facilities in the past and the fact that there are actions available to the Group to address risks, show that the Group should be able to operate within the level of its current facilities. The Group will open renewal negotiations with the banks in due course and has at this stage not sought any evidence that the facilities will not be renewed. The Group has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accompanying financial information.

#### 4. Revenue

|                              | <u>2009</u><br><u>€000</u> | <u>2008</u><br><u>€000</u> |
|------------------------------|----------------------------|----------------------------|
| Sales of goods               | 63,761                     | 57,426                     |
| Licence and royalty income   | -                          | 1,657                      |
| Revenue                      | <u>63,761</u>              | <u>59,083</u>              |
| Investment income            | 85                         | 192                        |
| <b>Continuing operations</b> | <b><u>63,846</u></b>       | <b><u>59,275</u></b>       |
| Discontinued operations      | -                          | 1,288                      |
|                              | <u>63,846</u>              | <u>60,563</u>              |

5. During July 2009 the Company signed an agreement with BAMES in order to convert the agreement with SEM, a leading global electronics service provider, (the Vimercate, Milan based manufacturing arm of BAMES), to be non-exclusive.

The agreement provided for SEM to produce all of Telit's m2m modules (with some exceptions) for a five year period starting from March 12, 2007. As a result of the cancellation of the exclusivity, SEM is entitled to a compensation of €2.75-3.50 million to be settled by set-off against the receivable balance Telit has from the license agreement entered into by the parties in December 2008. In addition, manufacturing costs will remain fixed through the end of the year. Telit and SEM will continue to cooperate in various projects and SEM will continue to provide specific manufacturing services to Telit, such as manufacturing of prototypes, on a nonexclusive basis.

6. The Group is currently the subject of ongoing tax audits in respect of tax returns made in certain jurisdictions. The calculation of the Group's charges to taxation, including income tax, employment tax, sales taxes and other taxes involves the exercise of judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The probable outcome of the tax audits has been considered in determining the appropriate level of provision for such taxes. The final resolution of some of these items may give rise to material profit and loss and/or cash flow variances.

7. Reconciliation of operating profit to EBITDA and Adjusted EBITDA

|                                | <u>2009</u><br><u>€'000</u> | <u>2008</u><br><u>€000</u> |
|--------------------------------|-----------------------------|----------------------------|
| <b>Operating profit (loss)</b> | <b>(2,177)</b>              | <b>564</b>                 |
| Depreciation & amortization    | 3,259                       | 2,673                      |
| <b>EBITDA</b>                  | <b><u>1,082</u></b>         | <b><u>3,237</u></b>        |
| Share-based payments           | 402                         | 436                        |
| Other expenses (*)             | 2,750                       | -                          |
| <b>Adjusted EBITDA</b>         | <b><u>4,234</u></b>         | <b><u>3,673</u></b>        |

(\*) See note 5.

## 8. Net Debt position

|                            | <u>2009</u>         | <u>2008</u>          |
|----------------------------|---------------------|----------------------|
|                            | <u>€'000</u>        | <u>€000</u>          |
| Current borrowings (1)     | 17,469              | 19,026               |
| Non-current borrowings (2) | 3,150               | 3,531                |
| Cash and cash equivalents  | (7,898)             | (4,619)              |
| Restricted cash deposits   | (5,500)             | (6,000)              |
| <b>Total</b>               | <b><u>7,221</u></b> | <b><u>11,938</u></b> |

(1) Included within current borrowings are:

- The short-term element of the preferential rate loan from the Ministry of Trade and Commerce in Italy, amounting to €0.4 million.
  - A drawn amount of €5.2 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 December 31, 2009. Management believes the availability of this facility will be extended until the final payment from the Italian government, subject to satisfaction of the lending bank that the Group has met certain qualifying expenditure targets with regard to its research and development project.
  - Bank overdrafts of €2.8 million. The overdraft facilities, which are available up to €5.5 million, is cancellable on demand but is without a fixed renewal date.
  - Drawn letters of credit and borrowings arising from invoice advances totaling €7.5 million
  - Factoring facilities against qualifying receivables totaling €1.6 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.
- (2) The €3.15 million represents the long-term element of a preferential rate loan from the Ministry of Trade and Commerce in Italy of €3.9 million provided in connection with the Group's business development program in Sardinia. The loan attracts interest at a rate of 0.75% and is repayable in ten annual installments commenced on 20 March 2009.

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