

## **EUROTECH: BOARD OF DIRECTORS APPROVES RESULTS OF CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2014**

*As a result of the sale of the US subsidiary Parvus Corp. on 1 October 2013, the operating results at 30 June 2013 were classified to "Net Profit (Loss) of non-current assets held for sale and discontinued operations" as required by the provisions of IFRS5.*

*Following this transaction, the term "operating assets" will mean all assets falling within the new scope of consolidation of the Eurotech Group existing since 1 October 2013.*

Amaro (UD), 29 August 2014

- Consolidated revenues: from €28.29 million to €31.03 million
- Consolidated gross profit: from €14.32 million to €15.15 million
- Consolidated EBITDA: from -€2.36 million to -€1.35 million
- Consolidated EBIT: from -€5.53 million to -€3.92 million
- Consolidated pre-tax result: from -€4.73 million to -€4.17 million
- Group net result: from -€4.56 million to -€4.67 million
- Net financial position (Net cash): €10.24 million
- Shareholders' equity pertaining to the Group: €105.76 million

The Board of Directors of Eurotech S.p.A. examined and approved the results of the first half of 2014 today.

The six months ended 30 June 2014 were marked by recovery of turnover, partly offset by the worse exchange rates of the currencies in which the group's foreign companies operate. At constant rates, the turnover increase would have been 16.0% instead of the 9.7% shown.

In taking a look at margins, despite a number of investments in the different company areas, the percentage of operating costs on turnover at 30 June however is still beneath that of previous years, and this is evidence of the management's intention to calibrate investments to turnover's progress.

The goal of the investments being made in the structure and employees is to strengthen the Group's ability to put the new M2M platforms, security and surveillance solutions and green HPCs on the market. In particular Eurotech Group continues to believe in the great opportunities that may offer applications Machine-to-Machine (M2M) and Internet of Things (IoT). As pointed out by many sources now, we're entering a new era called Internet of Intelligent Things. Regardless of these different definitions, (M2M, IoT, IoE) it's happening and – as stressed by McKinsey – at least 80% of

worldwide businesses will be impacted by such new technology. Also according to Gartner, the Internet of Things is becoming a vibrant part of the IT landscape and business of their clients and partners. The investments made by Eurotech Group in this field, are generating the expected results in terms of developing business opportunities and negotiations, and others should generate some visible results in terms of new orders already in the upcoming quarters.

Group revenues in the first six months of 2014 totalled €31.03 million, compared to €28.29 million in the first half of 2013. This increase is mainly due to recovery of turnover in the Japanese area, with a 6.8% increase. The Japanese market holds good growth prospects for Eurotech in consideration of the domestic economy conditions and the current exchange rates of the Yen against other currencies. The US market registered substantial stability and is waiting for existing contracts in the transport sector to become active. The policy of developing turnover towards key customers with substantial orders is fundamental for medium-long-term turnover growth, but the time needed for these orders to become active is longer than initial forecasts. In analysing the European market, stability of turnover despite a rather uncertain economic situation in the half-year periods considered is noted.

As for orders, while an improvement that should generate turnover in the short term is noted in the American area, in Europe the uncertain economic conditions are causing poor visibility: opportunities arise intermittently to generate discontinuous flows of orders for the group's core business.

Although lower than initial forecasts, new orders in the half-year are in line with last year. The order book and existing contracts allow us to continue to take a positive view of the year in progress. Beyond the current situation, attention is continuously paid to the performance of operating costs. Targeted and cautious investments are being made and focus is centred on Group's organisation in order to maintain its effectiveness with lower costs.

Gross profit for the period was 48.8%, in line with that of 2013 year-end, although slightly lower than expected. Gross margin in the same 2013 half-year was 50.6%. Slight fluctuations in gross profit were historically seen and are tied to the mix of products sold, which give different margins depending on the type of product, the fields of application and the geographic market.

During the period of reference, operating costs before adjustments decreased by 1.5%, equal to €273 thousand, dropping from €17.77 million of the first half of 2013 to €17.49 million of the first half of 2014. This lowering of costs made a positive impact on Group EBITDA. Due to the revenues performance previously described, gross operating costs as a percentage of revenues decreased from 62.8% in the first half of 2013 to 56.4% in the first half of 2014, representing an improvement also on the first quarter of 2014 (59.3%).

The reduction in costs was also due, as in previous quarters, to measures taken by managers to make the Group's structure more efficient and to lower the activation threshold for operating leverage.

Curbing fixed costs and rationalising existing resources are still a management priority this year, in order to achieve the profit targets set at the beginning of the year. Fixed costs as a percentage of turnover are expected to drop over 12 months.

EBITDA in the periods considered went from -€2.36 million in the first half of 2013 to -€1.35 million in the first half of 2014. The difference between the two periods is mainly due to higher turnover and lower operating costs.

EBIT came to -€3.92 million in the first half of 2014, compared with -€5.53 million in the first half of 2013. EBIT as a percentage of revenues was -12.6% in the first half, compared with -19.5% in the same period of 2013. This performance reflects the EBITDA performance described above as well as depreciation and amortisation recognised in the income statement in the first six months of 2014. Depreciation and amortisation derive from both operating assets becoming subject to depreciation in the first half and the non-monetary effects arising from price allocation relating to the acquisitions of Dynatem Inc. and Advanet Inc. (also regarding Eurotech Inc. - former Applied Data Systems Inc. for 2013). The effect on EBIT of the higher values attributed as a result of PPA was €1.19 million in the first half of 2014, compared with €1.62 million in the first half of 2013.

Financial management during the first six month of 2014 generated a loss of €0.30 million, compared with a gain of €0.77 million in the first six months of 2013. Contributing to this performance were the exchange differences (with just a positive effect of €105 thousand in the first half of 2014 while was positive of €1,251 thousand in the first half of 2013) and, to a lesser extent, the reduced financial charges owing to the performance of the net financial position (with an effect of €402 thousand in the first half of 2014 and €481 thousand in the first half of 2013).

A pre-tax loss of operating assets of €4.17 million was registered for the first half of 2014 (compared with a loss of €4.73 million in the first half of 2013). This performance was influenced by the factors outlined above. The effect of PPA on the pre-tax result was €1.19 million in the first half of 2014 and €1.62 million in the first half of 2013.

The Group registered a net loss in operating assets of €4.67 million in the first half of 2014, compared with a net loss of €4.66 million in the first half of 2013. Not only does it reflect the changes in the pre-tax result, but the performance also was caused by the effect of the tax burden on the Group's various units.

Net profit from operating assets sold and held for sale has a value only in 2013 and amounted to €98 thousand. The amount relates to the operating results that the US company Parvus Corp. achieved in the half-year period of 2013 before its sale.

The Group net result for the first half of 2014 was affected only by the result of the operating assets, which consequently amounted to -€4.67 million, while the contribution of profit coming from the assets held for sale gave a Group net result of -€4.56 million in the first half of 2013.

At 30 June 2014, the Group reports a net financial position (net cash) of €10.24 million, up from the figure at 31 March 2014 of €8.83 million.

Working capital is still in line with the 31 December 2013 figure: €12.43 million compared to €12.05 million. The slight change is due to the greater reduction of current liabilities compared to current assets.

*Pursuant to the provisions set out by CONSOB, it is reported that the Consolidated Half-Year Financial Report at 30 June 2014 is at the disposal of whoever requests it at the company's registered office. The Report is also available on the Eurotech website at [www.eurotech.com](http://www.eurotech.com) (investors section) and on the "1Info" Centralised Storage system at [www.1info.it](http://www.1info.it).*

*Pursuant to Art. 154 bis, paragraph 2 of the Italian Consolidated Law on Finance (TUF), the Corporate Financial Reporting Manager of Eurotech S.p.A., Sandro Barazza, declares that the information on accounts disclosed in this press release corresponds to the documentable results, books and accounting records of the company.*

## **THE EUROTECH GROUP**

Eurotech (ETH.MI) is a global company based in Italy with offices in Europe, North America and Asia. The Eurotech group develops and sells miniaturised computers for special uses (NanoPCs) and High Performance Computers (HPCs). With these two product categories, Eurotech sets out to become leader in implementing the pervasive calculation scenario that by leveraging on the Cloud IT infrastructure, aims to activate an entire range of added value activities and services in the transport, security, industrial and medical sectors.

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**ANNEXES - FINANCIAL STATEMENTS**
**CONSOLIDATED INCOME STATEMENT**

CONSOLIDATED INCOME STATEMENT				change (b-a)		
(€ '000)	1H 2014 (b)	%	1H 2013 (a)	%	amount	%
Sales revenue	31,028	100.0%	28,294	100.0%	2,734	9.7%
Cost of material	(15,879)	-51.2%	(13,969)	-49.4%	(1,910)	-13.7%
<b>Gross profit</b>	<b>15,149</b>	<b>48.8%</b>	<b>14,325</b>	<b>50.6%</b>	<b>824</b>	<b>5.8%</b>
Services costs	(6,638)	-21.4%	(6,120)	-21.6%	(518)	-8.5%
Lease & hire costs	(826)	-2.7%	(861)	-3.0%	35	4.1%
Payroll costs	(9,442)	-30.4%	(9,684)	-34.2%	242	2.5%
Other provisions and costs	(588)	-1.9%	(1,102)	-3.9%	514	46.6%
Other revenues	996	3.2%	1,077	3.8%	(81)	-7.5%
<b>EBITDA</b>	<b>(1,349)</b>	<b>-4.3%</b>	<b>(2,365)</b>	<b>-8.4%</b>	<b>1,016</b>	<b>43.0%</b>
Depreciation & Amortization	(2,574)	-8.3%	(3,162)	-11.2%	588	18.6%
<b>EBIT</b>	<b>(3,923)</b>	<b>-12.6%</b>	<b>(5,527)</b>	<b>-19.5%</b>	<b>1,604</b>	<b>29.0%</b>
Share of associates' profit at equity	50	0.2%	29	0.1%	(21)	72.4%
Finance expense	(904)	-2.9%	(1,031)	-3.6%	127	12.3%
Finance income	607	2.0%	1,801	6.4%	(1,194)	-66.3%
<b>Profit before tax</b>	<b>(4,170)</b>	<b>-13.4%</b>	<b>(4,728)</b>	<b>-16.7%</b>	<b>558</b>	<b>11.8%</b>
Income tax	(497)	-1.6%	70	0.2%	(567)	n.s.
<b>Net profit before minority interest</b>	<b>(4,667)</b>	<b>-15.0%</b>	<b>(4,658)</b>	<b>-16.5%</b>	<b>(9)</b>	<b>-0.2%</b>
<b>Minority interest</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>n/a</b>
<b>Profit (Losses) from discontinued operations</b>	<b>0</b>	<b>0.0%</b>	<b>98</b>	<b>0.3%</b>	<b>(98)</b>	<b>-100.0%</b>
<b>Group net profit (loss)</b>	<b>(4,667)</b>	<b>-15.0%</b>	<b>(4,560)</b>	<b>-16.1%</b>	<b>(107)</b>	<b>-2.3%</b>
<b>Base earnings per share</b>	<b>(0.136)</b>		<b>(0.130)</b>			
<b>Diluted earnings per share</b>	<b>(0.136)</b>		<b>(0.130)</b>			

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>BALANCE SHEET</b>	<b>at June 30,</b>	<b>at December 31,</b>	<b>Changes</b>
<b>(€'000)</b>	<b>2014</b>	<b>2013</b>	
<b>ASSETS</b>			
Intangible assets	84,830	83,233	1,597
Property, Plant and equipment	3,734	3,518	216
Investments in affiliate companies	662	607	55
Investments in other companies	250	248	2
Deferred tax assets	1,499	1,397	102
Other non current financial assets	0	2,342	(2,342)
Other non-current assets	560	535	25
<b>Total non-current assets</b>	<b>91,535</b>	<b>91,880</b>	<b>(345)</b>
Inventories	13,693	14,156	(463)
Contracts in progress	361	0	361
Trade receivables	15,977	18,673	(2,696)
Income tax receivables	96	268	(172)
Other current assets	2,392	2,404	(12)
Other current financial assets	2,267	101	2,166
Cash & cash equivalents	16,488	27,995	(11,507)
<b>Total current assets</b>	<b>51,274</b>	<b>63,597</b>	<b>(12,323)</b>
<b>Total assets</b>	<b>142,809</b>	<b>155,477</b>	<b>(12,668)</b>
<b>LIABILITIES AND EQUITY</b>			
Share capital	8,879	8,879	0
Share premium reserve	136,400	136,400	0
Other reserves	(39,519)	(37,180)	(2,339)
<b>Group shareholders' equity</b>	<b>105,760</b>	<b>108,099</b>	<b>(2,339)</b>
<b>Equity attributable to minority interest</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total shareholders' equity</b>	<b>105,760</b>	<b>108,099</b>	<b>(2,339)</b>
Medium-/long-term borrow ing	1,556	2,729	(1,173)
Employee benefit obligations	1,806	1,699	107
Deferred tax liabilities	5,809	6,023	(214)
Other non current financial liabilities	0	118	(118)
Other non-current liabilities	838	884	(46)
<b>Total non-current liabilities</b>	<b>10,009</b>	<b>11,453</b>	<b>(1,444)</b>
Trade payables	12,090	14,677	(2,587)
Short-term borrow ing	6,817	12,319	(5,502)
Derivative instruments	100	159	(59)
Income tax liabilities	1,167	1,657	(490)
Other current liabilities	6,828	7,113	(285)
Other current financial liabilities	38	0	38
<b>Total current liabilities</b>	<b>27,040</b>	<b>35,925</b>	<b>(8,885)</b>
<b>Total liabilities</b>	<b>37,049</b>	<b>47,378</b>	<b>(10,329)</b>
<b>Total liabilities and equity</b>	<b>142,809</b>	<b>155,477</b>	<b>(12,668)</b>

### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2013	8,879	39	136,400	4,196	(45,711)	(159)	(254)	(1,399)	(2,132)	8,240	108,099	-	108,099
2013 Result allocation	-	998	-	-	7,242	-	-	-	-	(8,240)	-	-	-
Profit (loss) as at June 30, 2014	-	-	-	-	-	-	-	-	-	(4,667)	(4,667)	-	(4,667)
<i>Comprehensive other profit (loss)</i>													
- Hedge transactions	-	-	-	-	-	59	-	-	-	-	59	-	59
- Foreign balance sheets conversion difference	-	-	-	3,045	-	-	-	-	-	-	3,045	-	3,045
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	189	-	-	189	-	189
Comprehensive result	-	-	-	3,045	-	59	-	189	-	(4,667)	(1,374)	-	(1,374)
- Other changes and transfers	-	-	-	-	-	-	-	-	(965)	-	(965)	-	(965)
Balance as at June 30, 2014	8,879	1,037	136,400	7,241	(38,469)	(100)	(254)	(1,210)	(3,097)	(4,667)	105,760	-	105,760

### CONCISE CASH FLOW STATEMENT

(€'000)	at June 30, 2014	at December 31, 2013	at June 30, 2013
Cash flow generated (used) in operations	(2,815)	6,206	2,147
Cash flow generated (used) in investment activities	(2,367)	23,349	683
Cash flow generated (absorbed) by financial assets	(6,675)	(8,315)	(1,995)
Net foreign exchange difference	350	(2,947)	(1,530)
Increases (decreases) in cash & cash equivalents	(11,507)	18,293	(695)
Opening amount in cash & cash equivalents	27,995	9,702	9,702
Cash & cash equivalents at end of period	16,488	27,995	9,007

### NET FINANCIAL POSITION

(€'000)		at June 30, 2014	at December 31, 2013	at June 30, 2013
Cash & cash equivalents	A	(16,488)	(27,995)	(9,007)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(16,488)</b>	<b>(27,995)</b>	<b>(9,007)</b>
Other current financial assets	C	(2,267)	(101)	(101)
Derivative instruments	D	100	159	231
Short-term borrow ing	E	6,817	12,319	13,642
Other current financial liabilities	F	38	0	0
<b>Short-term financial position</b>	<b>G=C+D+E+F</b>	<b>4,688</b>	<b>12,377</b>	<b>13,772</b>
<b>Short-term net financial position</b>	<b>H=B+G</b>	<b>(11,800)</b>	<b>(15,618)</b>	<b>4,765</b>
Other non current financial assets	I	0	(2,342)	0
Other non current financial liabilities	J	0	118	0
Medium/long term borrow ing	K	1,556	2,729	8,730
<b>Medium-/long-term net financial position</b>	<b>L=I+J+K</b>	<b>1,556</b>	<b>505</b>	<b>8,730</b>
<b>(NET FINANCIAL POSITION) NET DEBT</b>	<b>M=G+L</b>	<b>(10,244)</b>	<b>(15,113)</b>	<b>13,495</b>
(Migliaia di Euro)		30.06.2014	31.12.2013	30.06.2013
Disponibilità liquide	A	(16.488)	(27.995)	(9.007)
<b>Liquidità</b>	<b>B=A</b>	<b>(16.488)</b>	<b>(27.995)</b>	<b>(9.007)</b>
Altre attività finanziarie correnti	C	(2.267)	(101)	(101)
Strumenti finanziari derivati	D	100	159	231
Finanziamenti passivi a breve termine	E	6.817	12.319	13.642
Altre passività correnti finanziarie	F	38	0	0
<b>Indebitamento finanziario corrente</b>	<b>G=C+D+E+F</b>	<b>4.688</b>	<b>12.377</b>	<b>13.772</b>
<b>Indebitamento finanziario corrente (Posizione finanziaria corrente) netto</b>	<b>H=B+G</b>	<b>(11.800)</b>	<b>(15.618)</b>	<b>4.765</b>
Altre attività finanziarie non correnti	I	0	(2.342)	0
Altre passività finanziarie non correnti	J	0	118	0
Finanziamenti passivi a medio/lungo termine	K	1.556	2.729	8.730
<b>Indebitamento finanziario non corrente</b>	<b>L=I+J+K</b>	<b>1.556</b>	<b>505</b>	<b>8.730</b>
<b>(POSIZIONE FINANZIARIA NETTA) INDEBITAMENTO FINANZIARIO NETTO</b>	<b>M=G+L</b>	<b>(10.244)</b>	<b>(15.113)</b>	<b>13.495</b>

### WORKING CAPITAL



(€'000)	at June 30, 2014 (b)	at December 31, 2013 (a)	at June 30, 2013	Changes (b-a)
Inventories	13,693	14,156	17,204	(463)
Contracts in progress	361	0	0	361
Trade receivables	15,977	18,673	15,666	(2,696)
Income tax receivables	96	268	182	(172)
Other current assets	2,392	2,404	2,050	(12)
<i>Current assets</i>	<i>32,519</i>	<i>35,501</i>	<i>35,105</i>	<i>(2,982)</i>
Trade payables	(12,090)	(14,677)	(12,667)	2,587
Income tax liabilities	(1,167)	(1,657)	(479)	490
Other current liabilities	(6,828)	(7,113)	(6,003)	285
<i>Current liabilities</i>	<i>(20,085)</i>	<i>(23,447)</i>	<i>(19,392)</i>	<i>3,362</i>
<b>Net working capital</b>	<b>12,434</b>	<b>12,054</b>	<b>15,713</b>	<b>380</b>