

## **EUROTECH: THE BOARD OF DIRECTORS APPROVES THE DRAFT ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2015**

Amaro (UD), 11 March 2016

- Consolidated revenues: from €63.90 million to €65.55 million.
- Consolidated gross profit: from €30.75 million to €32.98 million
- Consolidated EBITDA: from €-3.62 million to €-0.95 million
- Consolidated EBIT: from €-8.99 million to €-6.60 million
- Consolidated pre-tax result: from €-8.28 million to €-6.16 million
- Group net result: from €-8.92 million to € -6.22 million
- Net financial debt: €0.22 million compared with a net financial position of €5.94 million at 31 December 2014
- Group shareholders' equity: €105.34 million
- Eurotech S.p.A.: net result from €3.26 million to €3.69 million

The Board of Directors of Eurotech S.p.A. has reviewed and approved today the Draft Annual and Consolidated Financial Statements at 31 December 2015, which will be submitted to the Ordinary Shareholders' Meeting.

The Group closes 2015 with a €65.55 million turnover, compared with €63.90 million in 2014, a 2.6% increase. The currency exchange rate at the conversion time of the financial statements into Euro, has impacted the 2015 figures with an increase compared to the previous year. Considering the distribution of the turnover based on the geographic location of the customers in the three areas where the Group operates – USA, Europe, Asia – the USA area has reported a growth thanks to expanding its Professional Services and acquiring a new portfolio of customers who have shown great interest in the innovative solutions offered by Eurotech, counterbalancing the delay in some contracts by existing customers, from whom a greater speed was expected. The European area has faced the general stagnation in demand of traditional products by exploring new business opportunities in the M2M/IoT sector areas and creating solid foundations for new market openings. Finally, the Asian area, although experiencing a slow down in exports by the major local players, has managed to develop some good opportunities in sectors of great interest to us thanks to high technical skills and the capacity to foster innovation and develop products that are highly technological.

Gross profit, in line with the expectations of management at the beginning of the year, stands at 50.3%, up from 48.1% in 2014,. The margins obtained during the year were the result of a mix of sold products – with different margins according to the types of product, the application sectors and the relevant markets – and cost reductions realised in as much in production as in procurement. The activities undertaken were partially mitigated by a price pressure involving mainly the Japanese area due to some discounts granted to the major customers based on ordered volumes.

In the reference period, before adjustments for internal increases, operating costs rose mainly due to the effect of the currency exchange rate in Euro in absolute value by €0.78 million, from €36.56 million (57.2% as a percentage of revenues) to €37.34 million (57.0% as a percentage of revenues). The increase in costs, quite moderate if calculated at constant exchange rates, is related to the application of the strategy identified that forecasts a growth not only in the traditional business of board & embedded systems but also in the development of the M2M/IoT platforms. It is exactly this line of products innovative and reliable that is garnering important recognition from the major market players. The results obtained in economic terms are not yet aligned with the investments made but starting from 2016 we expect to see the pursued results. During the year, some important agreements were executed regarding both partnerships with key players in the IoT world and supplies to companies that see in the solutions offered by Eurotech the technologically innovative components that allow them to enter the IoT paradigm and acquire a competitive advantage in the markets where they operate. Investments made in the operational structure and in particular with personnel aim at enhancing the capacity of the Group to launch on the market its new offer of M2M platforms and IoT solutions while remaining innovative also in the embedded computer sector. These investments are producing the expected results in terms of the international position of the brand, creation of a partnerships ecosystem and the development of business opportunities. Overall, the Group's structure can still sustain higher levels of sales than those achieved in recent years, and with the investment in new resources and know-how, particularly in the new M2M/IoT segment, the Group expects to generate a return in the next few years.

EBITDA increased by €2.67 million amounting to €-0.95 million compared to €-3.62 million in 2014. The ratio of EBITDA 2015 to revenues was -1.4% versus an EBITDA 2015 ratio of -5.7%. The difference between one period and the other is to be attributed to the growth in absolute value of the gross profit, which has more than offset the annual increase in operating costs.

EBIT showed an improvement in the two periods being compared, from €-8.99 million in 2014 to €-6.60 million in 2015, due to the EBITDA performance commented on above, and to the amortisation/depreciation and write-downs recorded for the year. Non-monetary effects on EBIT, deriving from "price allocation" and concerning the acquisitions of Dynatem Inc. and Advanet Inc. were at €2.68 million in 2015, compared with €2.39 million in 2014.

The pre-tax result in 2015 was a loss of €6.16 million (compared with a loss of € 8.28 million in 2014). This performance was affected not only for the reasons described above, but also by the performance in financial operations which has shown a positive ratio of €0.81 million in foreign exchange differences, due to the trend in foreign currencies (2014: positive foreign exchange differences for € 1.11 million). The impact on the pre-tax result from price allocation and extraordinary write-downs was €2.68 million in 2015 and €2.39 million in 2014.

The Group net result in 2015 was €-6.22 million while in 2014 this result was €-8.92 million.

Total non-monetary effects deriving from "price allocation" impacted the Group net results for the 2015 period by € 1.62 million (2014: € 1.44 million).

The improvement in margins described above is derived primarily from Eurotech "core" business, its boards&systems and IoT business lines

(€'000)	FY 2015	FY 2014
<b>SALES REVENUES</b>	<b>65,551</b>	<b>63,898</b>
- Sales revenues core business	62,655	61,853
- Sales revenues BU HPC	1,572	1,176
- Sales revenues business line sold	1,324	869
<b>EBITDA</b>	<b>(948)</b>	<b>(3,619)</b>
- EBITDA core business	731	(1,431)
- EBITDA BU HPC	(1,029)	(1,422)
- EBITDA business line sold	(650)	(766)
<b>EBIT</b>	<b>(6,602)</b>	<b>(8,993)</b>
- EBIT core business	(4,458)	(6,578)
- EBIT BU HPC	(1,200)	(1,582)
- EBIT business line sold	(944)	(833)

The tables above represent revenues and some intermediate results from Eurotech “core” business, net of the data related to the SBU HPC (High Performance Computer) and of the “security, surveillance and traffic” business line which, as communicated on February 29 2016 was being sold to parties outside the Group. The data underlines EBITDA of “core” business is positive at €0.73 million in 2015 (with a margin on sales of 1.1%) compared to a loss of €1.43 million in 2014.

The Group, at 31 December 2015, showed a net financial debt of €0.22 million compared with a net financial position of €5.94 at the end of 2014. The decrease of €6.16 million is due to the use of available cash for Group business and investment operations. More specifically, it should be noted that: € 1.95 million was used for capitalised development activities referring to the item “purchase of intangible assets”; €0.72 million was used for the purchase of tangible assets; €2.92 million was used to boost the working capital.

Group shareholders' equity, equal to the consolidated Shareholders' equity, since there are no minority interests, amounted to €105.34 million (€101.99 million in 2014).

### ***Annual Financial Statements of the Parent Company Eurotech S.p.A.***

The revenues of the Parent Company Eurotech S.p.A. amounted to €10.52 million compared with €10.40 million in 2014, an increase of 1.2%. The net result was positive for €3.69 million, compared with a €3.26 million profit in 2014. Shareholders' equity of Eurotech S.p.A. at 31 December 2015, was €114.28 million compared with €110.54 million in 2014. The Parent Company shows in 2015 a net financial position of €32.64 million, a growth compared with the 2014 figure of €30.54 million.

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

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*The Board also approved the Corporate Governance Report that also contains the information on the ownership structure pursuant to Art. 123 bis of the Italian Consolidated Law on Finance (TUF), which will be published within the time frame and according to the methods required by current regulations.*

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*In compliance with the requirements of the new provisions of paragraphs 1 and 1 bis of Art. 154 of the Italian Consolidated Law on Finance (TUF), the annual financial report, which includes the draft annual financial statements, the consolidated financial statements, the report on operations, the Corporate Governance Report and the certification of the corporate financial reporting manager, together with the reports of the independent auditor and the board of statutory auditors, will be published by and no later than 30 March 2016.*

## **About Eurotech**

Eurotech (ETH:IM) is a global company that designs, creates and delivers full Internet of Things solutions, including services, software and hardware to leading systems integrators and enterprises large and small. With Eurotech solutions in place, clients have access to the latest open source and standardized software stacks, flexible and rugged multi-service gateways and sophisticated sensors to bring actionable data from the field into business operations. Working with world-class ecosystem partners, Eurotech delivers on the promise of the Internet of Things either from end to end, or with best in class building blocks, including device and data management, connectivity and communication platform, intelligent edge devices and smart objects following business models that fit today's business world. Learn more about Eurotech at [www.eurotech.com](http://www.eurotech.com).

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

	(€/000)	FY 2015	%	FY 2014	%
<b>Revenues from sales of products and services</b>		65,551	100.0%	63,898	100.0%
Cost of materials	(32,568)	-49.7%		(33,147)	-51.9%
<b>Gross profit</b>	<b>32,983</b>	<b>50.3%</b>		<b>30,751</b>	<b>48.1%</b>
Service costs	(13,501)	-20.6%		(14,096)	-22.1%
Lease & hire costs	(1,800)	-2.7%		(1,700)	-2.7%
Payroll costs	(20,775)	-31.7%		(18,976)	-29.7%
Other provisions and other costs	(1,268)	-1.9%		(1,792)	-2.8%
Other revenues	3,413	5.2%		2,194	3.4%
<b>Profit before depreciation and amortization (EBITDA)</b>	<b>(948)</b>	<b>-1.4%</b>		<b>(3,619)</b>	<b>-5.7%</b>
Depreciation & amortisation	(5,443)	-8.3%		(5,214)	-8.2%
Asset impairment	(211)	-0.3%		(160)	-0.3%
<b>Operating profit</b>	<b>(6,602)</b>	<b>-10.1%</b>		<b>(8,993)</b>	<b>-14.1%</b>
Share of associates' profit of equity	165	0.3%		45	0.1%
Subsidiaries management	6	0.0%		0	0.0%
Finance expense	(1,573)	-2.4%		(1,317)	-2.1%
Finance income	1,841	2.8%		1,984	3.1%
<b>Profit before taxes</b>	<b>(6,163)</b>	<b>-9.4%</b>		<b>(8,281)</b>	<b>-13.0%</b>
Income tax	(60)	-0.1%		(641)	-1.0%
<b>Net profit (loss) before minority interest</b>	<b>(6,223)</b>	<b>-9.5%</b>		<b>(8,922)</b>	<b>-14.0%</b>
<b>Minority interest</b>	<b>0</b>	<b>0.0%</b>		<b>0</b>	<b>0.0%</b>
<b>Group net profit (loss) for period</b>	<b>(6,223)</b>	<b>-9.5%</b>		<b>(8,922)</b>	<b>-14.0%</b>
<b>Base earnings (losses) per share</b>	<b>(0.182)</b>			<b>(0.260)</b>	
<b>Diluted earnings (losses) per share</b>	<b>(0.182)</b>			<b>(0.260)</b>	

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	at December 31,	
(€'000)	2015	2014
<b>ASSETS</b>		
Intangible assets	89,682	83,735
Property, Plant and equipment	3,325	3,391
Investments in affiliate companies	930	730
Investments in other companies	308	286
Deferred tax assets	1,351	1,231
Other non-current assets	608	547
<b>Total non-current assets</b>	<b>96,204</b>	<b>89,920</b>
Inventories	20,198	15,295
Contracts in progress	0	79
Trade receivables	15,715	19,846
Income tax receivables	180	215
Other current assets	1,650	1,659
Other current financial assets	76	2,570
Cash & cash equivalents	11,430	14,104
<b>Total current assets</b>	<b>49,249</b>	<b>53,768</b>
<b>Total assets</b>	<b>145,453</b>	<b>143,688</b>
<b>LIABILITIES AND EQUITY</b>		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(39,942)	(43,292)
<b>Group shareholders' equity</b>	<b>105,337</b>	<b>101,987</b>
<b>Equity attributable to minority interest</b>	<b>0</b>	<b>0</b>
<b>Total shareholders' equity</b>	<b>105,337</b>	<b>101,987</b>
Medium-/long-term borrow ing	3,401	2,756
Employee benefit obligations	2,127	1,924
Deferred tax liabilities	4,572	5,109
Other non-current liabilities	940	909
<b>Total non-current liabilities</b>	<b>11,040</b>	<b>10,698</b>
Trade payables	14,381	15,272
Short-term borrow ing	8,316	7,930
Derivative instruments	8	52
Income tax liabilities	866	507
Other current liabilities	5,505	7,242
<b>Total current liabilities</b>	<b>29,076</b>	<b>31,003</b>
<b>Total liabilities</b>	<b>40,116</b>	<b>41,701</b>
<b>Total liabilities and equity</b>	<b>145,453</b>	<b>143,688</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	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
(€'000)													
Balance as at December 31, 2014	8,879	1,037	136,400	4,413	(38,469)	(52)	(346)	2,144	(3,097)	(8,922)	101,987	-	101,987
2014 Result allocation	-	163	-	-	(9,085)	-	-	-	-	8,922	-	-	-
Profit (loss) as at December 31, 2015	-	-	-	-	-	-	-	-	-	(6,223)	(6,223)	-	(6,223)
(loss):													
- Hedge transactions	-	-	-	-	-	44	-	-	-	-	44	-	44
Actuarial gains/(losses) on defined benefit plans for	-	-	-	-	-	-	(26)	-	-	-	(26)	-	(26)
- Foreign balance sheets conversion difference	-	-	-	5,981	-	-	-	-	-	-	5,981	-	5,981
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	3,574	-	-	3,574	-	3,574
Comprehensive result	-	-	-	5,981	-	44	(26)	3,574	-	(6,223)	3,350	-	3,350
- Other changes and transfers	-	-	-	207	(207)	-	-	-	-	-	-	-	-
Balance as at December 31, 2015	8,879	1,200	136,400	10,601	(47,761)	(8)	(372)	5,718	(3,097)	(6,223)	105,337	-	105,337

## CONCISE CASH FLOW STATEMENT

	at December 31, 2015	at December 31, 2014
(€'000)		
Cash flow generated (used) in operations	(3,503)	(6,267)
Cash flow generated (used) in investment activities	(459)	(4,053)
Cash flow generated (absorbed) by financial assets	419	(4,362)
Net foreign exchange difference	869	791
Increases (decreases) in cash & cash equivalents	(2,674)	(13,891)
Opening amount in cash & cash equivalents	14,104	27,995
Cash & cash equivalents at end of period	11,430	14,104

### NET FINANCIAL POSITION

		at December 31, at December 31,	
(€'000)		2015	2014
Cash & cash equivalents	A	(11,430)	(14,104)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(11,430)</b>	<b>(14,104)</b>
Other current financial assets	C	(76)	(2,570)
Derivative instruments	D	8	52
Short-term borrow ing	E	8,316	7,930
Other current financial liabilities	F	0	0
<b>Short-term financial position</b>	<b>G=C+D+E+F</b>	<b>8,248</b>	<b>5,412</b>
<b>Short-term net financial position</b>	<b>H=B+G</b>	<b>(3,182)</b>	<b>(8,692)</b>
Other non current financial liabilities	I	0	0
Medium/long term borrow ing	J	3,401	2,756
<b>Medium-/long-term net financial position</b>	<b>K=I+J</b>	<b>3,401</b>	<b>2,756</b>
<b>(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions</b>	<b>L=H+K</b>	<b>219</b>	<b>(5,936)</b>

### NET WORKING CAPITAL

(€'000)	31, 2015 (b)	31, 2014 (a)	Changes (b-a)
Inventories	20,198	15,295	4,903
Contracts in progress	0	79	(79)
Trade receivables	15,715	19,846	(4,131)
Income tax receivables	180	215	(35)
Other current assets	1,650	1,659	(9)
<b>Current assets</b>	<b>37,743</b>	<b>37,094</b>	<b>649</b>
Trade payables	(14,381)	(15,272)	891
Income tax liabilities	(866)	(507)	(359)
Other current liabilities	(5,505)	(7,242)	1,737
<b>Current liabilities</b>	<b>(20,752)</b>	<b>(23,021)</b>	<b>2,269</b>
<b>Net working capital</b>	<b>16,991</b>	<b>14,073</b>	<b>2,918</b>