

## EUROTECH: THE BOD APPROVES THE CONSOLIDATED INTERIM MANAGEMENT STATEMENT AT 31 MARCH 2016, WHICH IS MADE AVAILABLE TO THE PUBLIC

*As a result of the sale of the business unit of the subsidiary IPS Sistemi Programmabili S.r.l. on 29 February 2016, which generated a Euro 1,705 thousand capital gain, the business results of the sold BU were classified according to the instructions of IFRS 5, under the item "Net profit (loss) from discontinued operations and assets held for sale". For a clearer representation of the Group's operating performance, the historical data from the income statement, compared with 2016, were reconstructed taking account of the classification of these assets as discontinued operations.*

*Following this operation, the term "continuing operations" will mean all operations existing within the new scope of consolidation of the Eurotech Group starting from 1 March 2016.*

Amaro (UD), 11 May 2016

- Consolidated revenues: from €14.51 million to €12.45 million
- Consolidated gross profit: from €7.14 million to €6.03 million
- Consolidated EBITDA: from -€1.39 million to -€0.69 million
- Consolidated EBIT: from -€2.72 million to -€1.92 million
- Consolidated pre-tax result from current operations: from -€1.81 million to -€2.25 million
- Group net loss in operating assets: from -€1.74 million to -€1.73 million
- Consolidated result from discontinued operations: from -€172\* thousand to -€152 thousand
- Group net result: from -€1.91 million to -€1.89 million
- Net financial debt: €0.24 million
- Shareholders' equity pertaining to the Group: €103.09 million

*\* the 2015 figure was reclassified compared to the one presented last year in order to reflect application of IFRS 5*

The Board of Directors of Eurotech S.p.A. examined and approved the results of the first quarter of 2016 today.

The company pursued the policy that marked the previous year also during this first half of the year including, as a result, internal investments in order to support the expected growth in both the characteristic sector of embedded computers and the innovative sector concerning the new offer of M2M/IoT platforms.

Focus was placed on coordination between the various Group structures, also outside the single national borders, on both the technological and product levels, and this activity is generating good results and the new products that have been presented to the market are attracting the interest of old and new customers.

Even though a climate of economic uncertainty persists, which leads to a prolonged period of time for finalising opportunities and generating the expected turnover, Eurotech's strategy remains to become shortly one of the reference

leader in technologies and solutions in the field of industrial IoT, thus giving the opportunity to grow in a market, that industry analysts predict booming from year to year and from which we expect to get a significant increase both in terms of turnover and profitability. The implementation of this strategy involves the Group's ongoing investments in technology, knowledge and organization, in proportion with available resources, and continuous actions, designed to reduce the cost of goods sold and cost containment of the structure in general.

In a closer analysis of the figures, in the first three months of the year, as forecasted in the budget, Group revenues amounted to €12.45 million, compared to €14.51 million of the first three months of last year. This was due to a different breakdown of the turnover on an annual basis. Historically, first quarter performance is not highly significant since it is the weakest of the year, but the numerousness and type of opportunities being seized, particularly in the M2M/IoT business line both in Europe and in the USA area convey confidence. These signals, together with the awards and references Eurotech continuously receives in reference to his IoT platform and to the signed partnership agreements, lead one to believe that the direction taken is the right one.

In analysing the performance of the individual geographical areas in which the Group operates, in the first quarter of 2016 the USA area was still the one that generated the highest turnover, posting 39.7% of the total (first quarter 2015: 38.0%), followed by the Japanese area with 31.7% (first quarter 2015: 35.4%), while the European area represented the remaining 28.6% (first quarter 2015: 26.6%).

The gross profit margin of the first quarter 2016 amounted to €6.03 million, with a percentage of sales of 48.4%, compared to the percentage of 49.2% in the first quarter of 2015 and of 50.2% at year-end 2015.

This change in percentage of the gross profit margin is due to the fluctuation of margins in the different geographical areas caused by the different contribution, the different volume of generated turnover, and the different mix of products sold. Lastly, some sales in the Japanese area influenced the margins of the quarter, which however should be recovered by the end of the year.

Operating costs before adjustment dropped 2.0%, from €9.00 million in the first quarter 2015 to €8.82 million in the first quarter 2016. This demonstrates that attention is paid to cutting costs with specific controls in order to find efficiency in the various areas.

The capital gain amounting to €1.70 million coming from the sale on 29 February 2016 of the security and traffic business unit of the subsidiary IPS Sistemi Programmabili S.r.l. also positively affected the EBITDA of the quarter.

EBITDA totalled -€692 thousand for the first three months of the year, compared with -€1,386 thousand for the same three months of 2015.

EBIT came to -€1.92 million in the first quarter of 2016, reflecting the performance of the gross profit margin, operating costs and other revenues. This result also reflects the effects of the depreciation and amortisation charged to the income statement in the first quarter 2016, which derive from both the operating assets becoming subject to depreciation up to 31 March 2016 and the effects arising from price allocation relating to the acquisition of Advantet Inc. The effect on EBIT of the PPA amounts in 3M16 was €0.58 million, versus €0.63 million in 3M15.

The pre-tax result on current operations in the three months under review was negative for €2.25 million (negative for €1.81 million in the first three months of 2015) and was influenced not only by the considerations made above with regard to the EBIT, but also by a financial management that was negative owing to the differences on exchange rates for €321 thousand, while it was positive for €915 thousand in the first three months of 2015. The effects of price allocation on the pre-tax result amounted to €0.58 million in 3M16 (€0.63 million in 3M15).

The net loss from discontinued operations and assets held for sale amounted to €152 thousand and refers to the result attained in the first two months of the year by the BU of the subsidiary IPS Sistemi Programmabili S.r.l. sold on 29 February 2016.

Group net loss was -€1.89 million for the quarter, marking a slight improvement compared to that of the first three months of 2015 (-€1.91 million), and is in line with the pre-tax result just described.

At 31 March 2016 the Group recorded cash and cash equivalents totalling €11.91 million and net financial debt amounting to €238 thousand.

### ***Filing of consolidated interim management statement at 31 March 2016***

Pursuant to Art. 154-ter of Italian Legislative Decree 58/1998 as amended, it is hereby notified that the consolidated interim management statement at 31 March 2016, approved by the Board of Directors, has been filed and is at the disposal of whoever should request it within the time limits and following the procedures of law at the Company's registered office in Amaro, via Fratelli Solari 3/A, and on the website [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:IM) is a multinational that designs, develops and supplies Internet of Things solutions, complete with services, software and hardware, to the leading system integrators and to large and small companies. By adopting Eurotech's solutions, customers gain access to the most recent open-source software stacks and standards, flexible and sturdy multiservice gateways and sophisticated sensors in order to collect data from the field and make them usable for corporate processes. In collaboration with a large number of partners of a world ecosystem, Eurotech contributes toward building the vision of the Internet of Things by supplying complete solutions or single "best-in-class" blocks, from managing devices and data to the connectivity and communication platform as well as from the smart peripheral devices to the smart objects, with business models appropriate for the world of modern enterprise. For more information on Eurotech, please visit [www.eurotech.com](http://www.eurotech.com).

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## ANNEXES - FINANCIAL STATEMENTS

**CONSOLIDATED INCOME STATEMENT**

CONSOLIDATED INCOME STATEMENT					change (b-a)	
(€ '000)	1Q 2016 (b)	%	1Q 2015 (a)	%	amount	%
Sales revenue	12,448	100.0%	14,511	100.0%	(2,063)	-14.2%
Cost of material	(6,417)	-51.6%	(7,369)	-50.8%	(952)	12.9%
<b>Gross profit</b>	<b>6,031</b>	<b>48.4%</b>	<b>7,142</b>	<b>49.2%</b>	<b>(1,111)</b>	<b>-15.6%</b>
Services costs	(2,942)	-23.6%	(3,025)	-20.8%	(83)	-2.7%
Lease & hire costs	(444)	-3.6%	(438)	-3.0%	6	1.4%
Payroll costs	(5,178)	-41.6%	(5,210)	-35.9%	(32)	0.6%
Other provisions and costs	(254)	-2.0%	(329)	-2.3%	(75)	22.8%
Other revenues	2,095	16.8%	474	3.3%	1,621	342.0%
<b>EBITDA</b>	<b>(692)</b>	<b>-5.6%</b>	<b>(749)</b>	<b>-5.2%</b>	<b>57</b>	<b>-7.6%</b>
Depreciation & Amortization	(1,233)	-9.9%	(1,338)	-9.2%	(105)	-7.8%
<b>EBIT</b>	<b>(1,925)</b>	<b>-15.5%</b>	<b>(2,724)</b>	<b>-18.8%</b>	<b>799</b>	<b>29.3%</b>
Finance expense	(491)	-3.9%	(425)	-2.9%	66	-15.5%
Finance income	170	1.4%	1,340	9.2%	(1,170)	-87.3%
<b>Profit before tax</b>	<b>(2,246)</b>	<b>-18.0%</b>	<b>(1,809)</b>	<b>-12.5%</b>	<b>(437)</b>	<b>24.2%</b>
Income tax	511	4.1%	71	0.5%	(440)	n.s.
<b>Net profit (loss) of continuing operations before minority interest</b>	<b>(1,735)</b>	<b>-13.9%</b>	<b>(1,738)</b>	<b>-12.0%</b>	<b>3</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>(152)</b>	<b>-1.2%</b>	<b>(172)</b>	<b>-1.2%</b>	<b>20</b>	<b>-11.6%</b>
<b>Group net profit (loss)</b>	<b>(1,887)</b>	<b>-15.2%</b>	<b>(1,910)</b>	<b>-13.2%</b>	<b>23</b>	<b>1.2%</b>
<b>Base earnings per share</b>	<b>(0.055)</b>		<b>(0.070)</b>			
<b>Diluted earnings per share</b>	<b>(0.055)</b>		<b>(0.070)</b>			

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(€'000)	at March 31, 2016	of which related parties	at December 31, 2015	of which related parties
<b>ASSETS</b>				
Intangible assets	88,370		89,682	
Property, Plant and equipment	3,174		3,325	
Investments in affiliate companies	930		930	
Investments in other companies	298		308	
Deferred tax assets	1,482		1,351	
Other non-current assets	620		608	
<b>Total non-current assets</b>	<b>94,874</b>		<b>96,204</b>	
Inventories	20,413		20,198	
Trade receivables	10,860	883	15,715	742
Income tax receivables	497		180	
Other current assets	1,688		1,650	
Other current financial assets	76		76	
Cash & cash equivalents	11,908		11,430	
<b>Total current assets</b>	<b>45,442</b>		<b>49,249</b>	
<b>Total assets</b>	<b>140,316</b>		<b>145,453</b>	
<b>LIABILITIES AND EQUITY</b>				
Share capital	8,879		8,879	
Reserves	(40,304)		(33,719)	
Share premium reserve	136,400		136,400	
Net profit (loss) for period	(1,887)		(6,223)	
Other reserves	(42,191)		(39,942)	
<b>Group shareholders' equity</b>	<b>103,088</b>		<b>105,337</b>	
<b>Equity attributable to minority interest</b>	<b>0</b>		<b>0</b>	
<b>Total shareholders' equity</b>	<b>103,088</b>		<b>105,337</b>	
Medium-/long-term borrow ing	3,841		3,401	
Employee benefit obligations	2,144		2,127	
Deferred tax liabilities	4,455		4,572	
Other non-current liabilities	717		940	
<b>Total non-current liabilities</b>	<b>11,157</b>		<b>11,040</b>	
Trade payables	11,719	471	14,381	1,038
Short-term borrow ing	8,365		8,316	
Derivative instruments	16		8	
Income tax liabilities	220		866	
Other current liabilities	5,751		5,505	
<b>Total current liabilities</b>	<b>26,071</b>		<b>29,076</b>	
<b>Total liabilities</b>	<b>37,228</b>		<b>40,116</b>	
<b>Total liabilities and equity</b>	<b>140,316</b>		<b>145,453</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
<b>(€'000)</b>													
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
2015 Result allocation	-	185	-	-	(6,408)	-	-	-	-	6,223	-	-	-
Profit (loss) as at March 31, 2016	-	-	-	-	-	-	-	-	-	(1,887)	(1,887)	-	(1,887)
<i>Comprehensive other profit (loss):</i>													
- Hedge transactions	-	-	-	-	-	(8)	-	-	-	-	(8)	-	(8)
Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	35	-	-	-	35	-	35
- Foreign balance sheets conversion difference	-	-	-	1,170	-	-	-	-	-	-	1,170	-	1,170
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(1,559)	-	-	(1,559)	-	(1,559)
Comprehensive result	-	-	-	1,170	-	(8)	35	(1,559)	-	(1,887)	(2,249)	-	(2,249)
- Other changes and transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2016	8,879	1,385	136,400	11,771	(54,169)	(16)	(337)	4,159	(3,097)	(1,887)	103,088	-	103,088

**CONCISE CASH FLOW STATEMENT**

(€'000)		at March 31, 2016	at December 31, 2015	at March 31, 2015
Cash flow generated (used) in operations	A	258	(3,503)	(3,778)
Cash flow generated (used) in investment activities	B	77	(459)	(1,129)
Cash flow generated (absorbed) by financial assets	C	378	419	1,148
Net foreign exchange difference	D	(235)	869	934
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	478	(2,674)	(2,825)
Opening amount in cash & cash equivalents		11,430	14,104	14,104
Cash & cash equivalents at end of period		11,908	11,430	11,279

### NET FINANCIAL POSITION

(€'000)		at March 31, 2016	at December 31, 2015	at March 31, 2015
Cash & cash equivalents	A	(11,908)	(11,430)	(11,279)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(11,908)</b>	<b>(11,430)</b>	<b>(11,279)</b>
Other current financial assets	C	(76)	(76)	(2,889)
Derivative instruments	D	16	8	52
Short-term borrowing	E	8,365	8,316	9,172
Other current financial liabilities	F	0	0	0
<b>Short-term financial position</b>	<b>G=C+D+E+F</b>	<b>8,305</b>	<b>8,248</b>	<b>6,335</b>
<b>Short-term net financial position</b>	<b>H=B+G</b>	<b>(3,603)</b>	<b>(3,182)</b>	<b>(4,944)</b>
Other non current financial liabilities	I	0	0	0
Medium/long term borrowing	J	3,841	3,401	2,662
<b>Medium-/long-term net financial position</b>	<b>K=I+J</b>	<b>3,841</b>	<b>3,401</b>	<b>2,662</b>
<b>(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions</b>	<b>L=H+K</b>	<b>238</b>	<b>219</b>	<b>(2,282)</b>

### NET WORKING CAPITAL

(€'000)	at March 31, 2016 (b)	at December 31, 2015 (a)	at March 31, 2015	Changes (b-a)
Inventories	20,413	20,198	17,798	215
Contracts in progress	0	0	85	0
Trade receivables	10,860	15,715	18,370	(4,855)
Income tax receivables	497	180	302	317
Other current assets	1,688	1,650	2,438	38
<b>Current assets</b>	<b>33,458</b>	<b>37,743</b>	<b>38,993</b>	<b>(4,285)</b>
Trade payables	(11,719)	(14,381)	(13,435)	2,662
Income tax liabilities	(220)	(866)	(434)	646
Other current liabilities	(5,751)	(5,505)	(7,290)	(246)
<b>Current liabilities</b>	<b>(17,690)</b>	<b>(20,752)</b>	<b>(21,159)</b>	<b>3,062</b>
<b>Net working capital</b>	<b>15,768</b>	<b>16,991</b>	<b>17,834</b>	<b>(1,223)</b>