

EUROTECH: THE BOD APPROVES THE CONSOLIDATED INTERIM MANAGEMENT STATEMENT AT 31 MARCH 2017, WHICH IS MADE AVAILABLE TO THE PUBLIC

The figures presented at 31.03.2016 were reinstated in line with what was done for the 2016 half-yearly report and the 2016 consolidated financial statements as regards the representation of the sale of the security and traffic business unit of the subsidiary IPS Sistemi Programmabili S.r.l. finalised on 29 February 2016.

Amaro (UD), 12 May 2017

- Consolidated revenues: from €12.55 million to €9.11 million
- Consolidated gross profit: from €6.08 million to €4.28 million
- Consolidated EBITDA: from -€0.82 million to -€2.88 million
- Consolidated EBIT: from -€2.08 million to -€4.09 million
- Consolidated pre-tax result: from -€2.39 million to -€4.30 million
- Group net result: from -€1.89 million to -€3.73 million
- Net financial debt: €3.31 million
- Shareholders' equity pertaining to the Group: €101.46 million

The Board of Directors of Eurotech S.p.A. examined and approved the results of the first quarter of 2017 today.

Consequently to the sluggish demand from some historical customers recorded at the end of 2016, the results generated in the first quarter of the year were lower than in the same period of last year.

Changes were made in 2016 in various geographical areas but the desired effects in terms of revenues have not been seen yet. Nevertheless, in order to remain one of the most significant technological players at global level, internal investments were continued to support the development regarding hardware and software products for the industrial IoT.

The Group structures remain closely coordinated, also outside the individual national borders at both technological and product level, and the new products are arousing interest in new and historical customers alike.

The most important elements characterising this quarter include the longer terms required to finalise the opportunities and the consequent generation of the expected turnover, in addition to the natural restart phase after some changes were made.

At IoT level, the Group continued to build an indirect sales channel to benefit from our partners' vertical skills and face different markets through a single solution, which continues to be implemented with new functions and is increasingly closer to our customers' needs.

Revenues earned by the Group in the first three months of 2017 amounted to €9.11 million compared to €12.55 million in the first three months of 2016, down 27.4%.

With reference to the localisation of the Group activities, the highest turnover in the quarter was generated in the Japanese area, accounting for 44.4% of the total (31.5% in the first quarter of 2016), followed by North America with 34.9% (39.4% in the first quarter of 2016, representing the most important area at the time), while Europe covers the remaining 20.7% (first quarter of 2016: 29.1%).

The performance of the first quarter is traditionally not very significant, this being the weakest quarter of the year, and some of the opportunities that had arisen are taking their time to come to fruition, with orders and turnover being delayed compared to expectations at the start of the year. Nevertheless, the actions taken and the changes made in North America especially are expected to bring short-term results also based on the returns being received from the market, potential customers and the opportunities being offered.

Gross profit in the first quarter of 2017 equalled €4.28 million, accounting for 46.9% of revenues, compared to 48.5% in the first quarter of 2016. The drop, compared to the same quarter of the previous year, is due, based on a lower turnover than the previous period, to some sales in Japan, UK and North America with lower than standard profits. These values should be reabsorbed by a recovery of the turnover in the future quarters in order to maintain a gross profit margin at year-end close to 50%.

In the three months of reference, operating costs before adjustments decreased by €868 thousand, from €9.00 million in the first quarter of 2016 to €8.13 million in the first quarter of 2017.

As a percentage of turnover, the decrease does not show all of its effects owing to the revenues performance commented on above; as a consequence, gross operating costs rose as a percentage of revenues, from 71.7% in the first quarter of 2016 to 89.2% in the first quarter of 2017.

The decrease, in absolute terms, reflects the attention and the checks devoted to curbing operating costs, and affected the performance of the gross profit margin as well as Group EBITDA.

In the first three months of the year EBITDA amounted to €-2.876 thousand (-31.6% of revenues) compared to €-815 thousand for 2016 (-6.5% of revenues); this result is significantly influenced by the capital gain of €1,705 thousand from the sale of the business unit of IPS Sistemi Programmabili S.r.l. commented on at year end.

EBIT went from €-2.08 million in the first three months of 2016 (-16.6% of revenues) to €-4.09 million in the first three months of 2017 (-44.9% of revenues), reflecting the performance of the gross operating margin and of the operating costs and other revenues.

This performance also reflects the depreciation and amortisation recognised in the income statement in the first quarter of 2017, deriving from operating assets becoming subject to depreciation until 31 March 2017 and the effects arising from price allocation relating to the acquisition of Advanet Inc.. The effect on EBIT of the PPA amounts in 3M17 was €0.61 million, versus €0.58 million in 3M16.

Net finance expense was negative for €209 thousand in the first three months of 2017, just like in the first three months of 2016 for €313 thousand. This performance was affected by the different trend in exchange rates, in terms of average value in the periods under review.

The Group booked a pre-tax loss in 3M17 of €4.30 million, versus a loss of €2.39 million in 3M16. The decrease of €1.90 million reflects the combined effect of the lower EBIT for €2.00 million and the positive net financial position performance for €0.10 million consequently to the different trend in exchange rates.

In terms of Group net loss, the tax burden on the Group's various units led to a loss of €3.73 million in the quarter (-€1.89 million in the first three months of 2016). In addition to reflecting the changes in the pre-tax result, the performance derives from the different tax burden recorded overall on the Group's units.

At 31 March 2017 the Group recorded cash and cash equivalents totaling €7.92 million and net financial debt amounting to €3.31 million.

Filing of consolidated interim management statement at 31 March 2017

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 2017, 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 (Investors section) and on the "1Info" Centralised Storage system at 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.

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ANNEXES - FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT		of which		of which		change (b-a)	
(€ '000)	1Q 2017 (b)	related parties	%	1Q 2016 (a)	related parties	amount	%
Sales revenue	9,114	266	100.0%	12,549	557	(3,435)	-27.4%
Cost of material	(4,836)	(292)	-53.1%	(6,462)	(356)	(1,626)	25.2%
Gross profit	4,278		46.9%	6,087		(1,809)	-29.7%
Services costs	(2,636)	(1)	-28.9%	(3,060)	(9)	(424)	-13.9%
Lease & hire costs	(450)		-4.9%	(450)		0	0.0%
Payroll costs	(4,823)		-52.9%	(5,230)		(407)	7.8%
Other provisions and costs	(220)		-2.4%	(257)		(37)	14.4%
Other revenues	975		10.7%	2,095	1,705	(1,120)	-53.5%
<i>- of which non recurrent</i>				1,705	1,705		
EBITDA	(2,876)		-31.6%	(815)		(2,061)	-252.9%
Depreciation & Amortization	(1,215)		-13.3%	(1,270)		(55)	-4.3%
EBIT	(4,091)		-44.9%	(2,085)		(2,006)	96.2%
Finance expense	(388)		-4.3%	(491)		(103)	-21.0%
Finance income	179		2.0%	178		1	0.6%
Profit before tax	(4,300)		-47.2%	(2,398)		(1,902)	79.3%
Income tax	567		6.2%	511		(56)	-11.0%
Net profit (loss) before minority interest	(3,733)		-41.0%	(1,887)		(1,846)	97.8%
Minority interest	0		0.0%	0		0	n/a
Group net profit (loss)	(3,733)		-41.0%	(1,887)		(1,846)	97.8%
Base earnings per share	(0.109)			(0.055)			
Diluted earnings per share	(0.109)			(0.055)			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at March 31, 2017	of which related parties	at December 31, 2016	of which related parties
ASSETS				
Intangible assets	90,574		89,715	
Property, Plant and equipment	2,860		2,993	
Investments in affiliate companies	11		11	
Investments in other companies	298		301	
Deferred tax assets	1,919		1,465	
Medium/long term borrow ing allow ed to affiliates companies and other Group	94	94	95	95
Other non-current assets	657		640	
Total non-current assets	96,413		95,220	
Inventories	20,545		19,337	
Trade receivables	8,826	732	15,813	1,037
Income tax receivables	338		155	
Other current assets	2,000		1,414	
Other current financial assets	76		76	
Cash & cash equivalents	7,925		9,186	
Total current assets	39,710		45,981	
Non-current assets classified as held for sale	769		769	
Total assets	136,892		141,970	
LIABILITIES AND EQUITY				
Share capital	8,879		8,879	
Share premium reserve	136,400		136,400	
Net profit (loss) for period	(3,733)		(5,069)	
Other reserves	(43,823)		(41,722)	
Group shareholders' equity	101,456		103,557	
Equity attributable to minority interest	0		0	
Total shareholders' equity	101,456		103,557	
Medium-/long-term borrow ing	2,824		3,475	
Employee benefit obligations	2,538		2,437	
Deferred tax liabilities	3,716		3,767	
Other non-current liabilities	861		869	
Total non-current liabilities	9,939		10,548	
Trade payables	11,135	93	13,459	300
Short-term borrow ing	8,571		8,210	
Derivative instruments	9		12	
Income tax liabilities	403		642	
Other current liabilities	5,379		5,542	
Total current liabilities	25,497		27,865	
Total liabilities	35,436		38,413	
Total liabilities and equity	136,892		141,970	

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, 2016	8,879	1,385	136,400	12,689	(54,109)	(12)	(398)	6,889	(3,097)	(5,069)	103,557	-	103,557
2016 Result allocation	-	-	-	-	(5,069)	-	-	-	-	5,069	-	-	-
Profit (loss) as at March 31, 2017	-	-	-	-	-	-	-	-	-	(3,733)	(3,733)	-	(3,733)
- Performance Share Plan	-	-	-	-	66	-	-	-	-	-	66	-	66
Comprehensive other profit (loss):													
- Hedge transactions	-	-	-	-	-	3	-	-	-	-	3	-	3
Actuarial gains/(losses) on defined benefit plans for	-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign balance sheets conversion difference	-	-	-	2,098	-	-	-	-	-	-	2,098	-	2,098
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(535)	-	-	(535)	-	(535)
Comprehensive result	-	-	-	2,098	-	3	-	(535)	-	(3,733)	(2,167)	-	(2,167)
Balance as at March 31, 2017	8,879	1,385	136,400	14,787	(59,112)	(9)	(398)	6,354	(3,097)	(3,733)	101,456	-	101,456

CONCISE CASH FLOW STATEMENT

(€'000)		at March 31, 2017	at December 31, 2016	at March 31, 2016
Cash flow generated (used) in operations	A	(481)	(1,426)	(1,618)
Cash flow generated (used) in investment activities	B	(482)	(34)	1,953
Cash flow generated (absorbed) by financial assets	C	(390)	(566)	378
Net foreign exchange difference	D	92	(218)	(235)
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(1,261)	(2,244)	478
Opening amount in cash & cash equivalents		9,186	11,430	11,430
Cash & cash equivalents at end of period		7,925	9,186	11,908

NET FINANCIAL POSITION

(€'000)		at March 31, 2017	at December 31, 2016	at March 31, 2016
Cash & cash equivalents	A	(7,925)	(9,186)	(11,908)
Cash equivalent	B=A	(7,925)	(9,186)	(11,908)
Other current financial assets	C	(76)	(76)	(76)
Derivative instruments	D	9	12	16
Short-term borrow ing	E	8,571	8,210	8,365
Short-term financial position	F=C+D+E	8,504	8,146	8,305
Short-term net financial position	G=B+F	579	(1,040)	(3,603)
Medium/long term borrow ing	H	2,824	3,475	3,841
Medium-/long-term net financial position	I=H	2,824	3,475	3,841
(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions	J=G+I	3,403	2,435	238
Medium/long term borrow ing allow ed to affiliates companies and other Group companies	K	(94)	(95)	0
(NET FINANCIAL POSITION) NET DEBT	L=J+K	3,309	2,340	238

NET WORKING CAPITAL

(€'000)		at March 31, 2017	at December 31, 2016	at March 31, 2016	Changes
		(b)	(a)		(b-a)
Inventories	20,545	19,337	20,413	1,208	
Trade receivables	8,826	15,813	10,860	(6,987)	
Income tax receivables	338	155	497	183	
Other current assets	2,000	1,414	1,688	586	
Current assets	31,709	36,719	33,458	(5,010)	
Trade payables	(11,135)	(13,459)	(11,719)	2,324	
Income tax liabilities	(403)	(642)	(220)	239	
Other current liabilities	(5,379)	(5,542)	(5,751)	163	
Current liabilities	(16,917)	(19,643)	(17,690)	2,726	
Net working capital	14,792	17,076	15,768	(2,284)	