EUROTECH

Imagine. Build. Succeed.

Introducing Eurotech

STAR Conference Milan

March 26th, 2014

Quick Facts Sheet

Founded in	1992
Public Listing on	November 30th, 2005
Stock Tickers	Bloomberg: ETH:IM; Reuters: E5T.MI
Sales FY 2013	66.1 M€
President & CEO	Roberto Siagri
Headquarters	Amaro (UD) - Italy
Global Presence	Italy, United Kingdom, France, India, China, Japan, USA
Development & Engineering Locations	Amaro (Italy), Brescia (Italy), Columbia (MD,USA), Huntsville (AL, USA), Mission Viejo (CA,USA), Okayama (Japan)
Manufacturing Locations	Amaro (Italy), Okayama (Japan), Columbia (MD, USA)
Worldwide Employees	354

(as at December 31st, 2013)

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Eurotech's Main Shareholders

7.07%

11.08%

5.18%

2.31%

74.36%

- Eurotech Management
- Finmeccanica S.p.A.
- Dino Paladin
- Rollo Capital
- Free Float
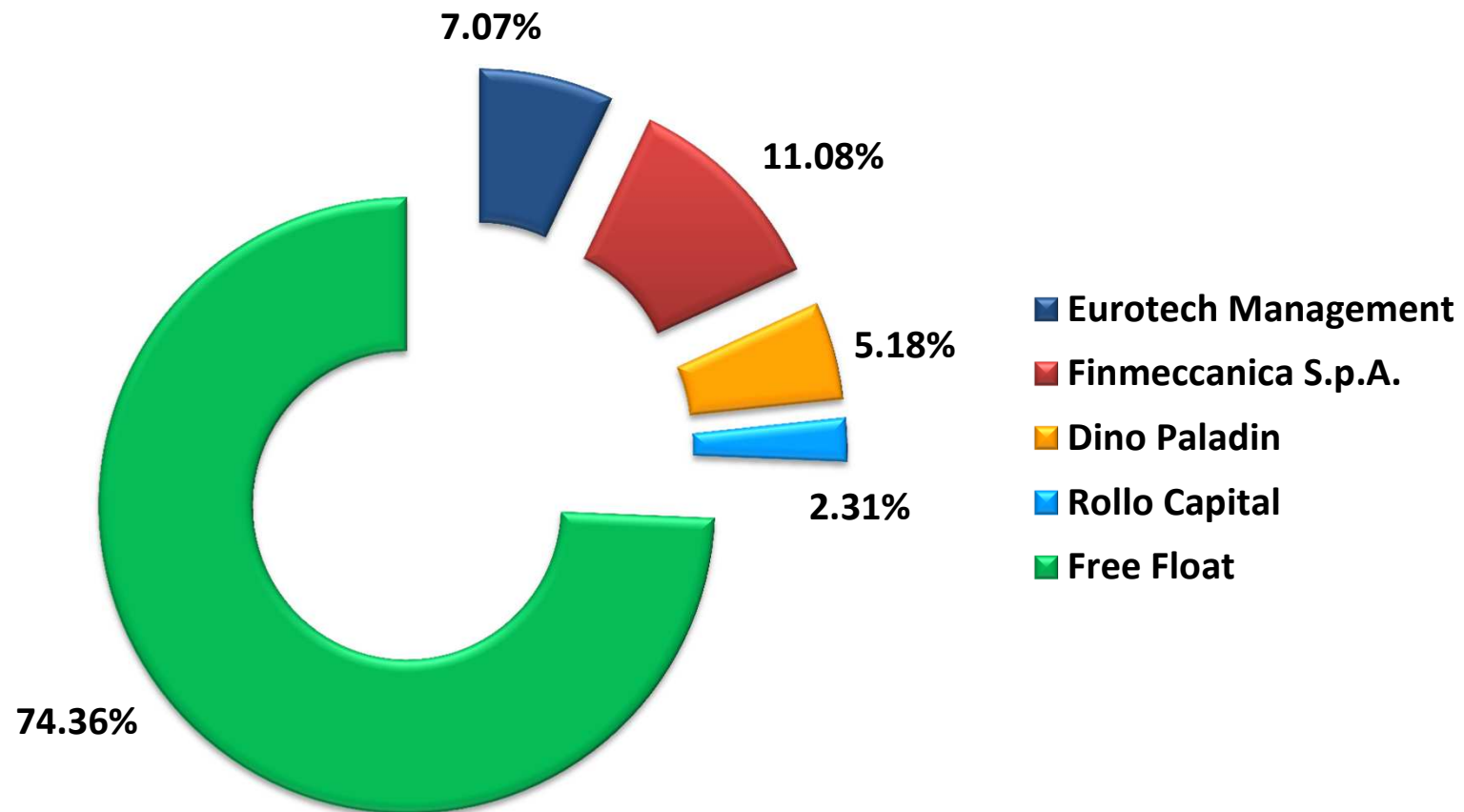
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Eurotech's Essence

- **Behind the products of more than 20 Global 500**

- **World top 10 player in the Embedded Computers market**

- **One of two European producers of High Performance Computers**

- **True global footprint spanning over 3 continents**

- **Public Company, in the STAR segment of Borsa Italiana**

- **Member of the UN Global Compact**

- **2 Strategic Business Units:**
  - NanoPC SBU: Pervasive Computing Devices & Device Data Management
 - HPC SBU: Green Petascale Supercomputers

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Eurotech's Pillars

- Technological background: **Embedded Computing**
  Pervasive Computing

- Core competences: **Miniaturization, Ruggedization, High energy efficiency, High computing density, Interconnection of devices, Data logistics**

- Focus on higher value-add for Customers
  - → **Selling enabling platforms, not just components**
  - → **Eurotech as Partner for Innovation rather than just Supplier**

- Fabless
  - → **No constraints on product development**
  - → **No inertia on business development**

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Eurotech's approach to Embedded Computing

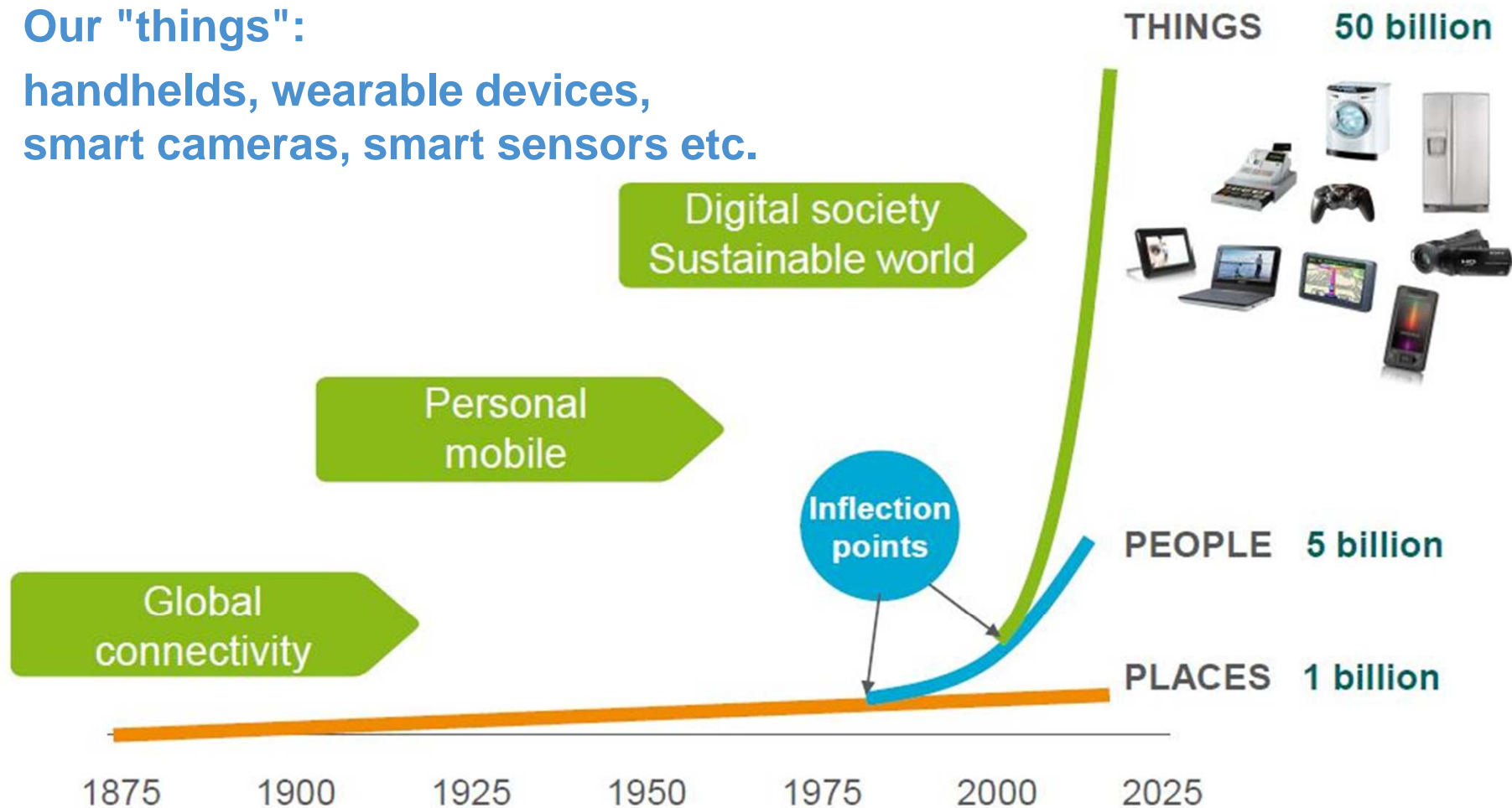**Finding the right PLATFORM to reduce Customer's TCO and TTM**

It's a matter of SW vs. HW

SW COST

-$

For Embedded
the PC
is the platform
choosen by
Eurotech

HW COST

Cost

Time
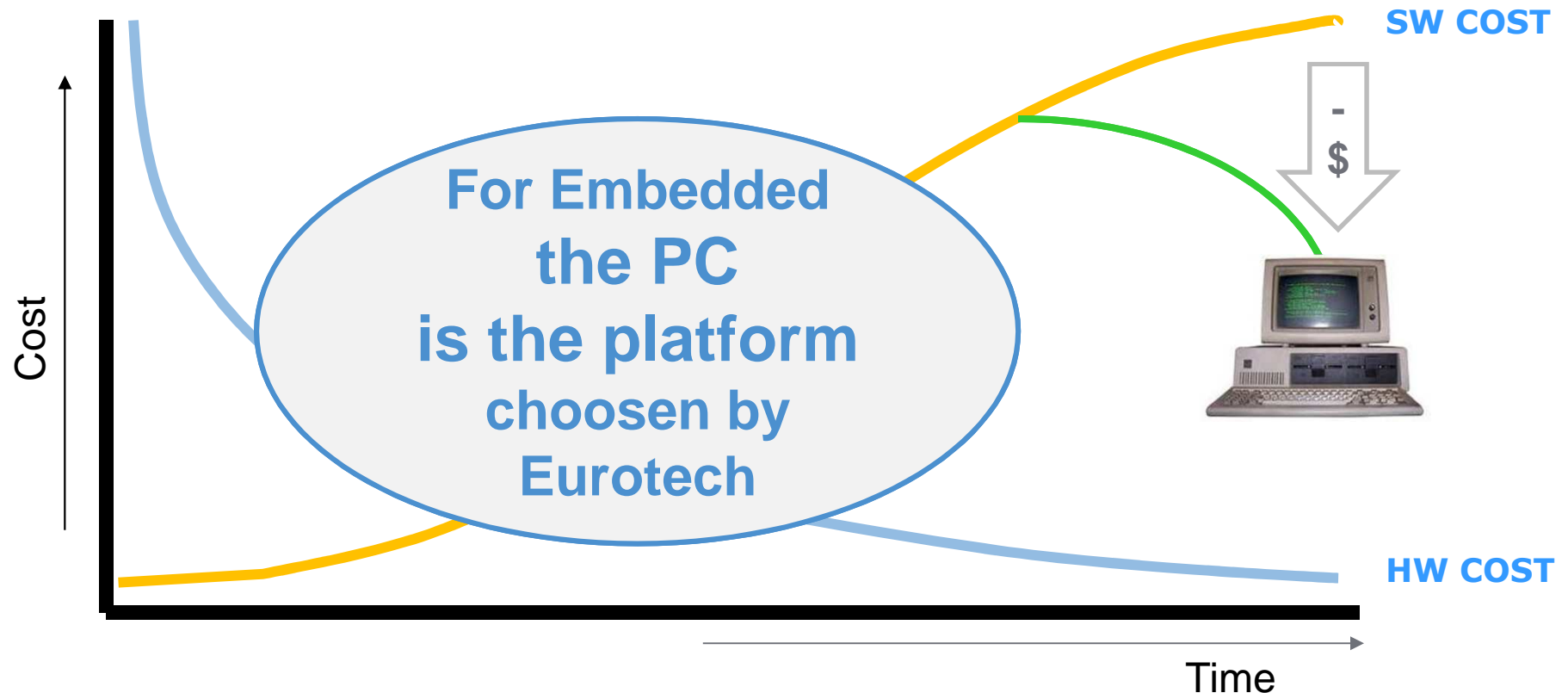
Wirth's law: "Software gets slower faster than hardware gets faster"
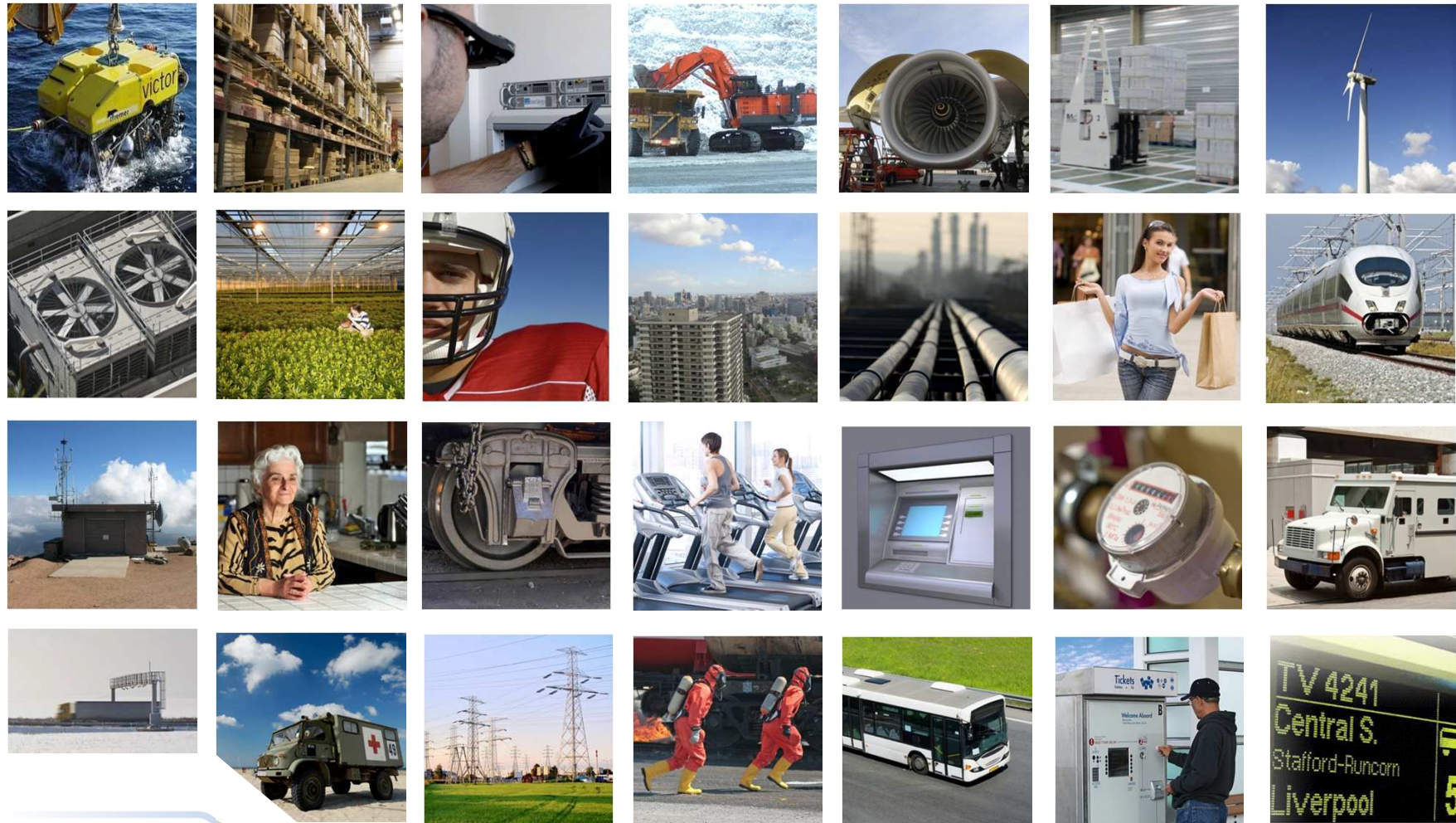
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The "Internet of Things" challenge: adding IT integration to Embedded PCs

Our "things":

handhelds, wearable devices,
smart cameras, smart sensors etc.

THINGS 50 billion

Digital society
Sustainable world

Personal
mobile

Inflection
points

Global
connectivity

PEOPLE 5 billion

PLACES 1 billion

1875   1900   1925   1950   1975   2000   2025
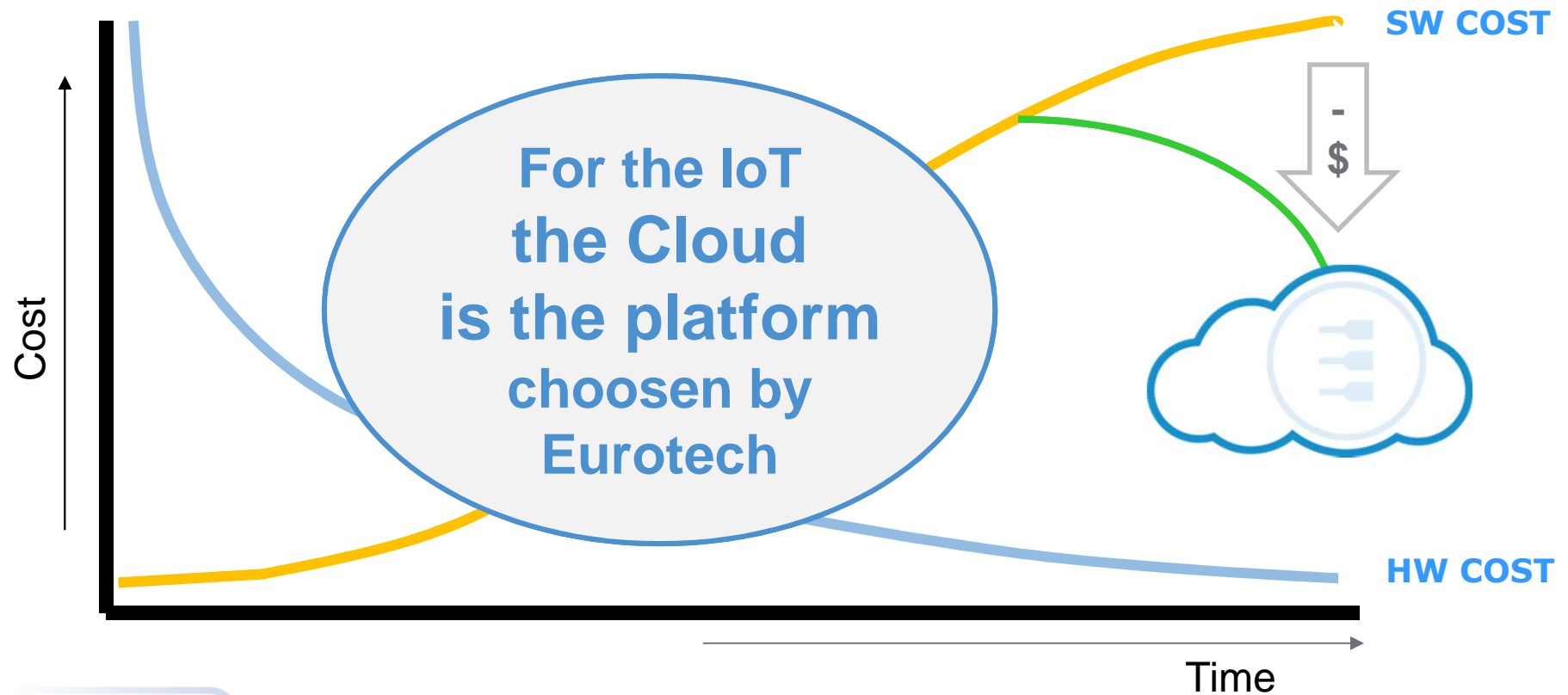
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The Internet of Things
Machine-2-Machine Applications Everywhere …

Eurotech's approach to the Internet of Things

Finding the right PLATFORM to reduce Customer's TCO and TTM

Again!

It's a matter of scalable SW vs. scalable HW

For the IoT
the Cloud
is the platform
choosen by
Eurotech

SW COST

HW COST

-$

Cost

Time

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Eurotech's Approach

WHERE IS THE INNOVATION?

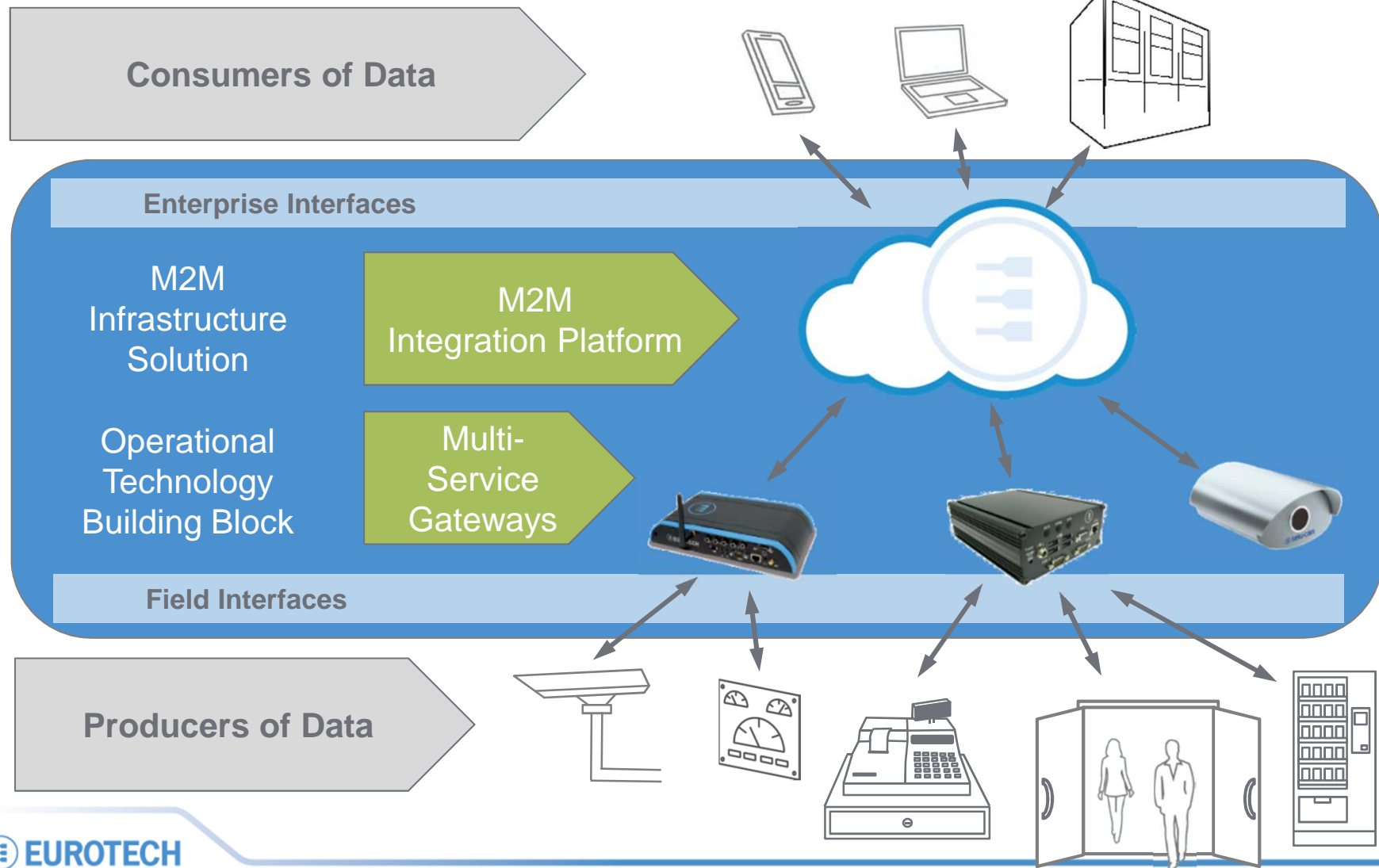**We enable the Internet of Things scenarios exploiting the Cloud Infrastructure**

<u>decoupling</u>

distributed data Producers (the "Things")

and

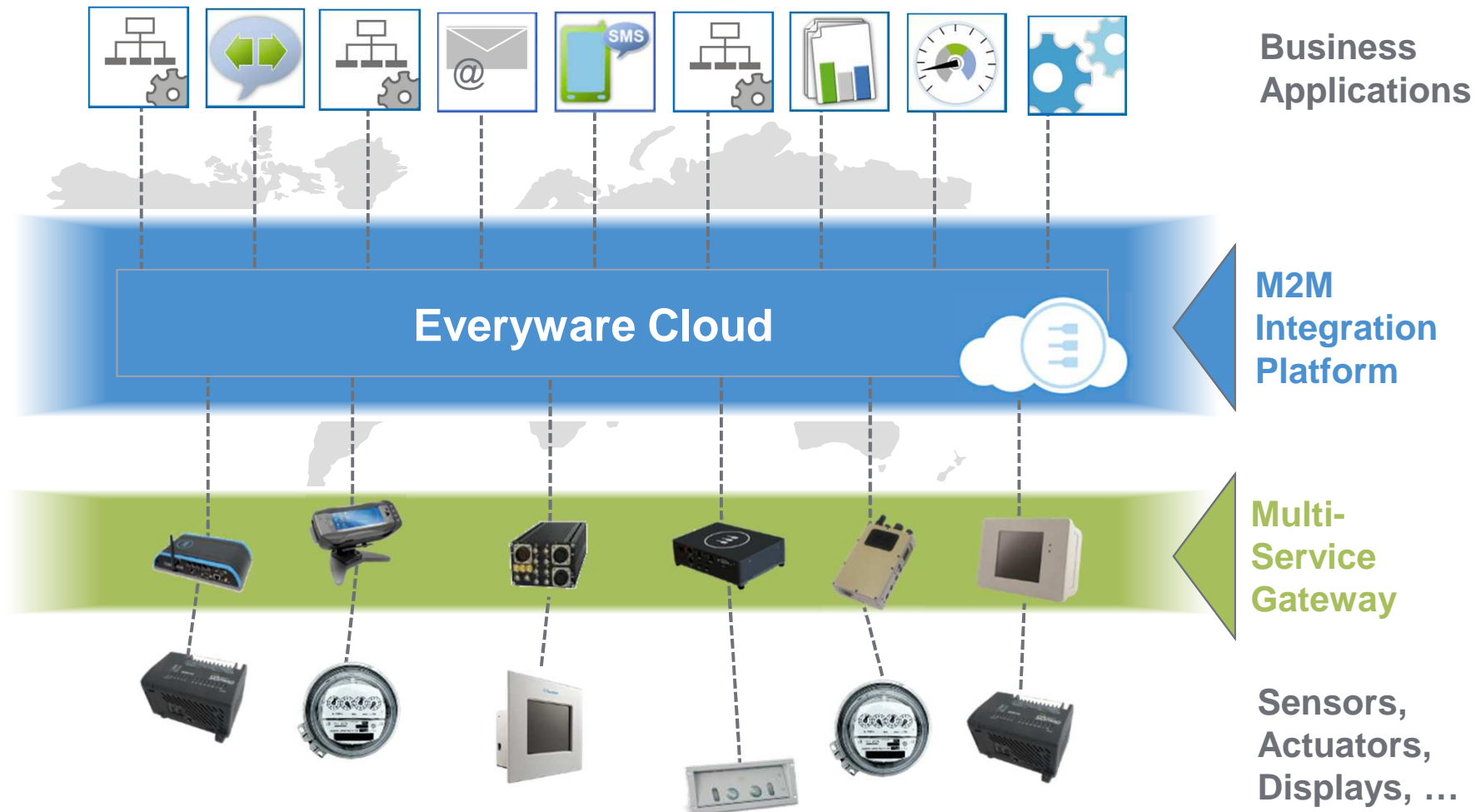**distributed data Consumers (the Business Apps, … and ultimately Human Beings)**

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The Internet of Things
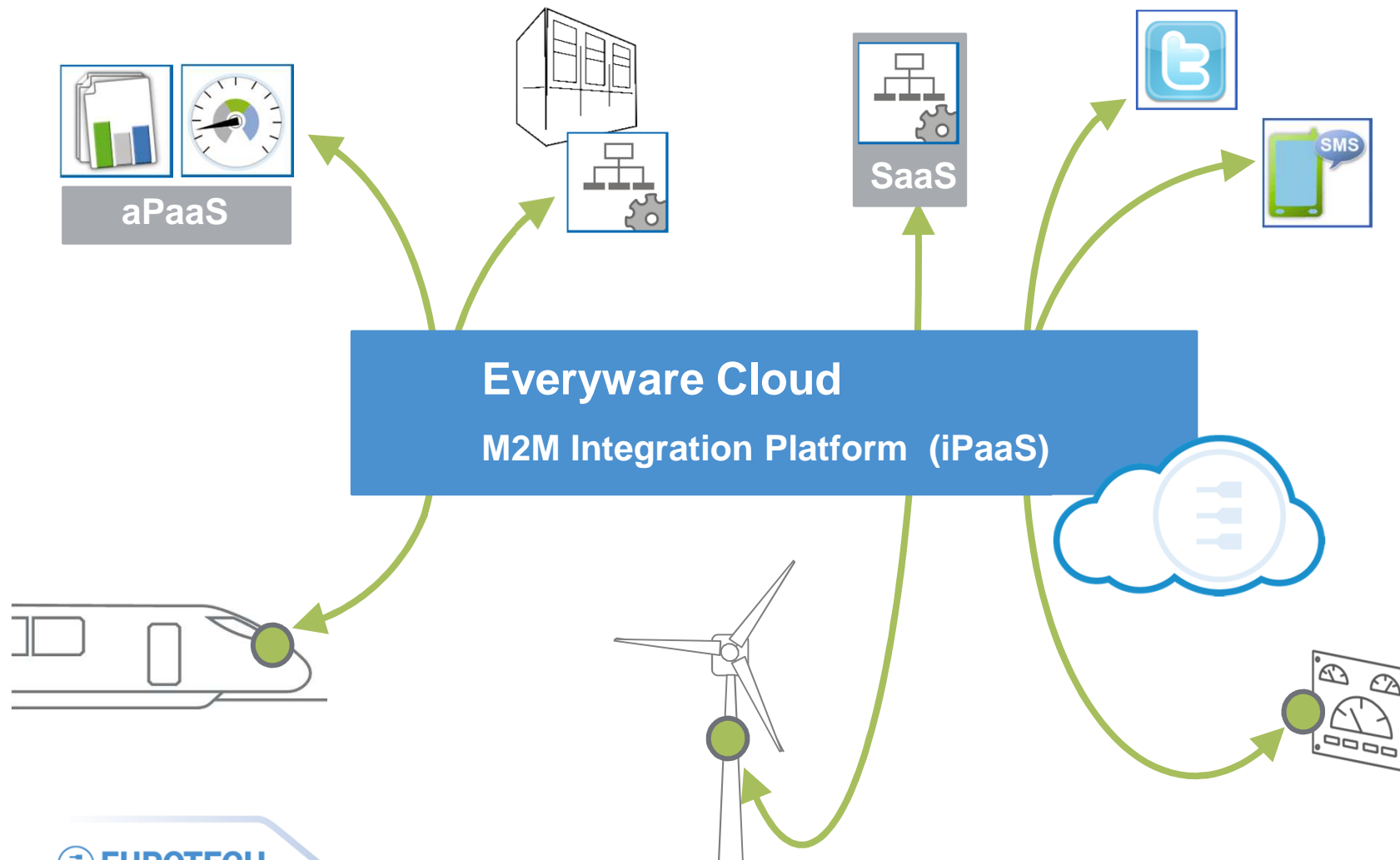## Making it happen. For real.

Consumers of Data

Enterprise Interfaces

M2M Infrastructure Solution

M2M Integration Platform

Operational Technology Building Block

Multi-Service Gateways

Field Interfaces

Producers of Data

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The full picture

Building a bridge between Real World and Business Apps

Business Applications

Everyware Cloud

M2M Integration Platform

Multi-Service Gateway

Sensors, Actuators, Displays, …

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12

M2M Integration Platform
Integrating Distributed Devices with Enterprise IT

aPaaS

SaaS

SMS

Everyware Cloud

M2M Integration Platform (iPaaS)

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Everyware Cloud
Integration Platform-as-a-Service (iPaaS)

Application Service Layer — SaaS

Application Infrastructure Service Layer — PaaS — iPaaS — **Everyware Cloud**

System Infrastructure Service Layer — IaaS

System Infrastructure
(Servers, Storage, Networking, OS)

System Infrastructure Services
(IaaS)

On-Premises Appliance

Public/Private Cloud

Everyware Server

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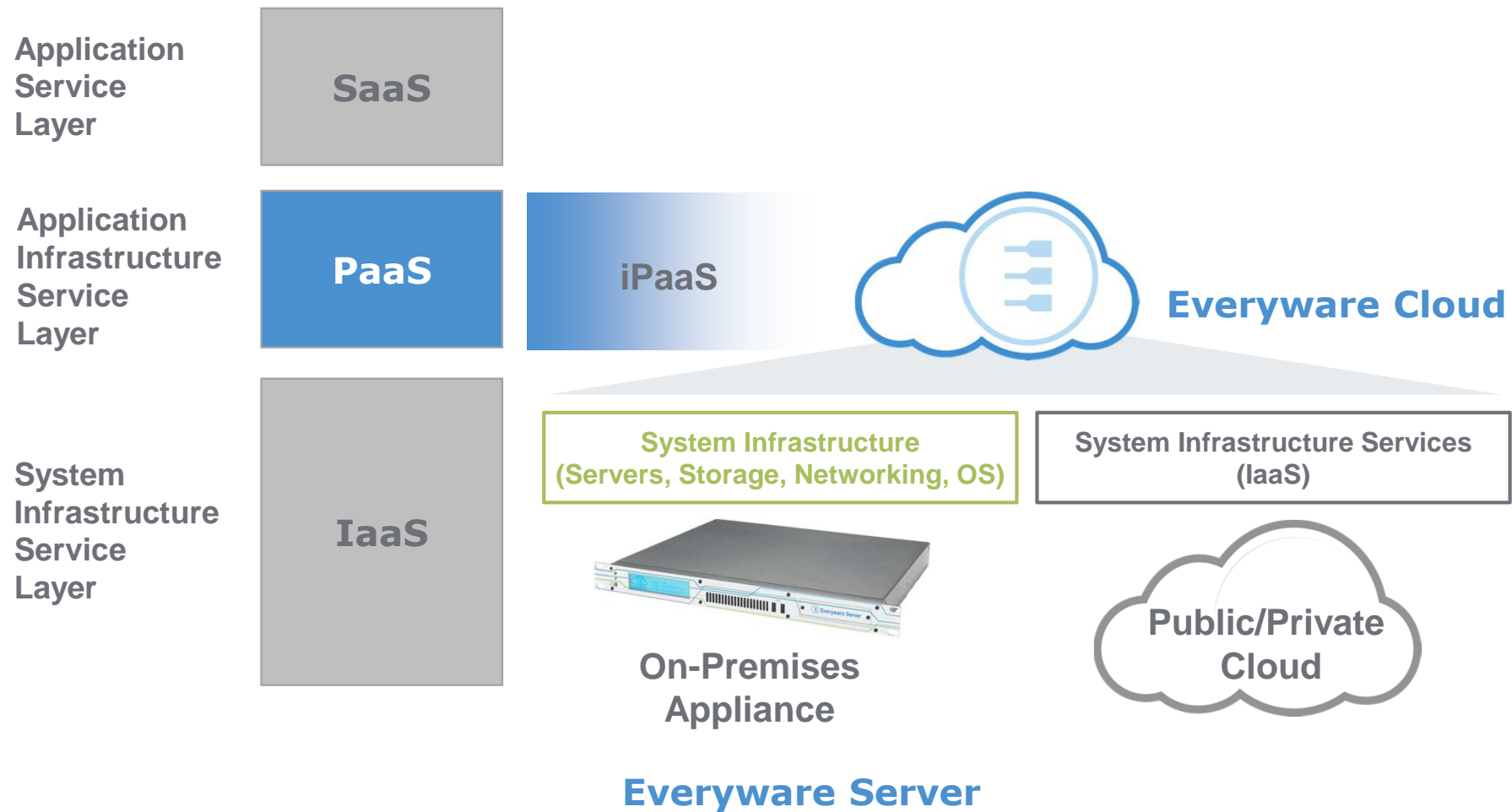
What is Everyware Cloud?
Towards an OS for the IoT…

- Everyware Cloud **is about Device Data, about M2M**
  - built from ground-up to provide an infrastructure specialized in device data comunication, collection, analysis and management.

- It is an **Integration Platform**: Everyware Cloud is designed to act as an intermediate system between the distributed devices and the applications making use of the data coming from these devices and controlling them.

- Everyware Cloud is conceptually like an **Operating System for the Internet of Things** enabling the logistics of device data independent of any other language, platform or OS

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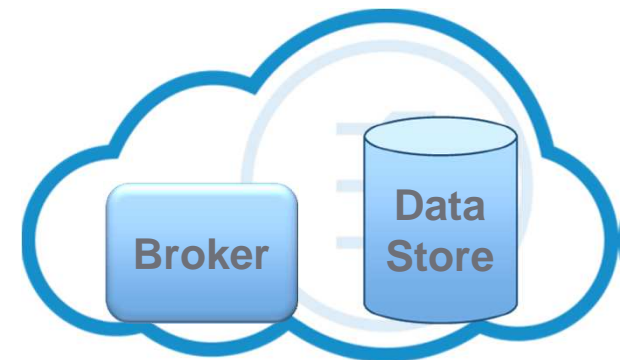# Goal: expanding the Total Addressable Market

Estimates for 2017…

From:

$8B TAM of Embedded Computers

To:

$86B TAM of IoT / M2M Devices (Hardware & Platform Services)

To:

$290B TAM of IoT / M2M Communication (Traffic & Services)

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ACHIEVEMENTS

WHAT DID EUROTECH ACCOMPLISH IN 2013?

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Achievement #1
EUROTECH IS COOL...

- Eurotech named by Gartner as one of four "Cool Vendors" in the 2013 IT/OT Alignment and Integration report

- The recognition is for Eurotech's innovative Everyware Cloud and Everyware Software Framework.

- Gartner defines a "**Cool vendor**" as a company that offers technologies or solutions that are:

"**innovative, impactful and intriguing**"

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Achievement #2
EUROTECH IS THE GREENEST…

- Two Eurotech supercomputers scored both first and second place in the June 2013 Green 500, the list of **most energy efficient supercomputers in the world**

- The Eurora supercomputer, installed at CINECA, was ranked 1st
- The Aurora Tigon supercomputer, installed at Selex ES for cyber security applications, was ranked 2nd

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Achievement #3
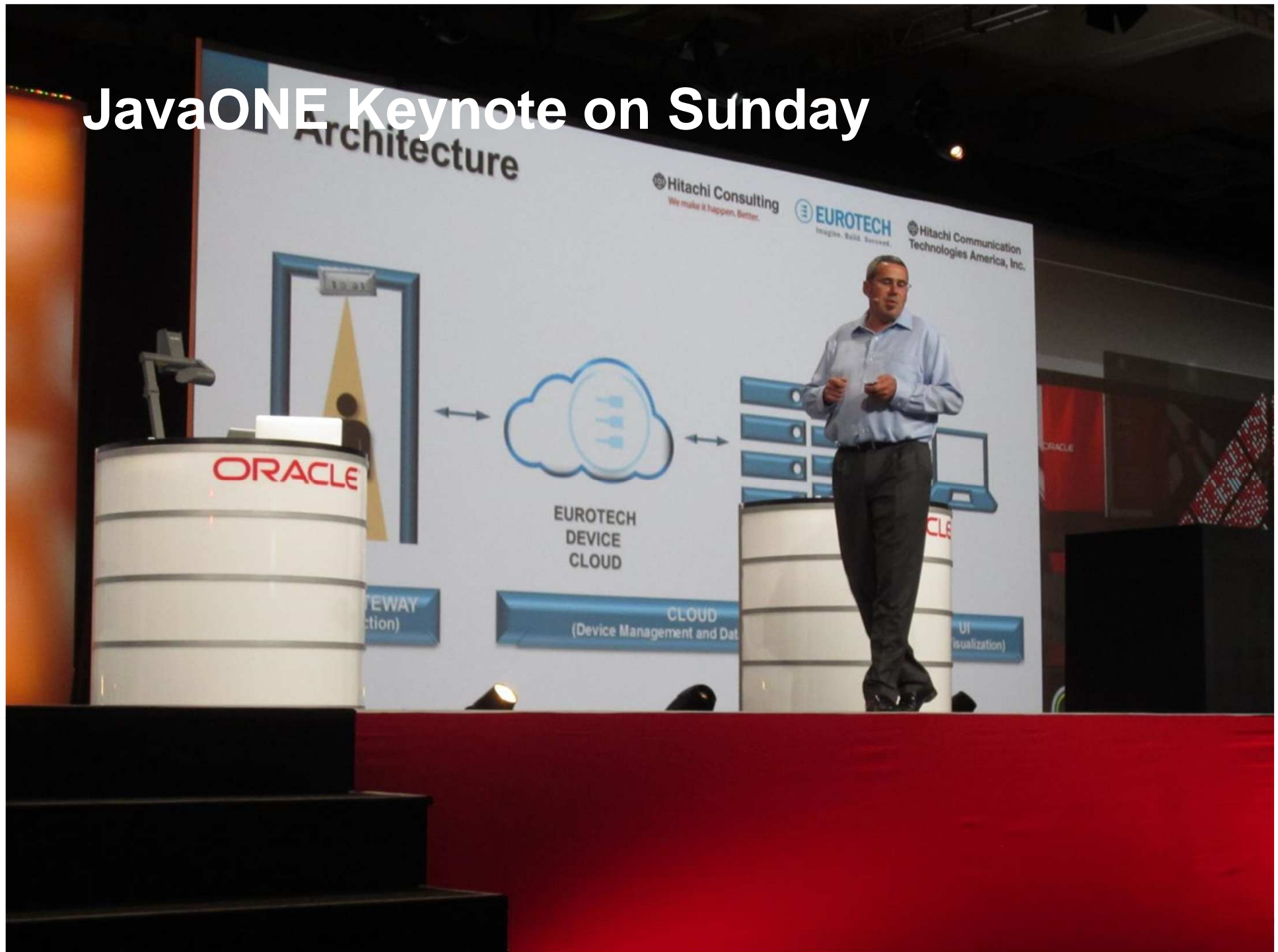## EUROTECH AT JavaONE / Oracle OpenWorld 2013

"Internet of Things in Motion": live demo of real-time visitors counting on Cloud platform

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JavaONE Keynote on Sunday

OpenWorld Keynote on Thursday

Achievement #4
SALE OF PARVUS CORP.

- **Sold to Curtiss-Wright Corp. for 38M USD (about 28M Euro)**
  - Acquired in 2003 for 2,26 M USD (€1,95M)
- **Strategic rationale:**
  - Parvus still focused on pure HW Vs. Eurotech going towards HW + SW platforms
  - Low integration of Parvus with the rest of the Group, i.e. easy to sell
  - Interesting evaluation from CW, on the high-end side for this kind of deals at the time of the transaction
  - "Foreign ownership" becoming a possible issue in the US defence market in the next 3 years
  - Possibility to get cash to invest in the business development of our M2M, HPC and S&S offering

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Eurotech today

A NEW BEGINNING

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A lean organization ready to grow
… and with cash available…

- We got in advance the cash flows that Parvus would have generated over the next 7-8 years

- We simplified the operational structure of the Group, with a benefit on both the strategic focus and the agility

- The traditional NanoPCs business can rely on a well-calibrated structure with costs under control and working capital properly sized, ready to support a turnover between 90 and 100 million euros.

- With the expected growth of our traditional business of embedded computers we will have the opportunity to recover both the turnover and the EBITDA formerly coming from Parvus in about 18-24 months.

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Investing in Marketing & Sales
Pushing our innovation into markets

- We will work to align the organization to the needs of business development of M2M solutions, solutions for security & surveillance and the Green HPCs.

- We will immediately make some shrewd investments to strengthen the marketing and sales structures that support these three strategic lines of business.

- We will continue with the investments in proportion to our spending power and modulating the actions on the M&S structure chasing the development of turnover.

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More indirect sales channels

And more recurrent business…

- In connection with the expansion of the organization of direct sales, will push the development of indirect channels through new partnerships and new distribution agreements, which will complement the internal structure of direct sales.

- With the new type of products that combine hardware and a software platform as-a-Service, we have the ability to transform our hardware devices in devices as-a-Service

- We have the possibility of starting a business model with recurrent sales of services, user fees and support.

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Tackling M&A opportunities
Accelerating growth

- To strengthen our Group and accelerate the market penetration of M2M solutions, solutions for security & surveillance and the Green HPCs, we will also consider the option of strategic acquisitions.

- In our approach, they are the catalysts of the implementation of the strategy

- We are looking at what the market offers today, aiming at targets that can be easily integrated in the existing Group organization.

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The future ahead

IN THE RIGHT PATH.
AT THE RIGHT TIME.

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HPC: a New Deal in EU

And we are there

- Worldwide, HPC applications are spreading outside the traditional scope of the research centers

- The so-called "Big Data" will need HPCs to analyze huge amounts of data to extract information hidden in them

- Even in Europe the HPC market is getting traction, thanks to the drive that the EU is giving to the sector.

- 2011: Eurotech was one of the founders of the European Technology Platform for HPC (ETP4HPC) to promote the strategic importance of HPCs for the future of EU

- Dec 2013: the ETP4HPC and the European Commission signed a public-private partnership (cPPP) with which the Commission and the representatives of the industry will provide funding to the field of High Performance Computing: EUR 700 million, of which EUR 142 million in the period 2014-2015.

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The time of IoT has come
Two signals from two acquisitions…

- PTC acquired Thingworx in December 2013
  - → Competition in the IoT era will be played a lot on SW platforms

- Google acquired Nest in January 2014:
  - → Having control over data from the devices will be of strategic importance

- Since 2009, Eurotech has been investing in SW platforms for Device Data Management…

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A new Economy of Digital Data

Where logistics still rules…

- We are facing an imminent Cambrian revolution of business models: alongside with the economy of atoms, a great economy of digital data – the bits – will grow.

- As in the world of atoms the development on a global scale has been enabled by the logistics of goods, in the same way in the world of bits the development on a global scale of a new economy of data will be linked to the availability of a logistics of data.
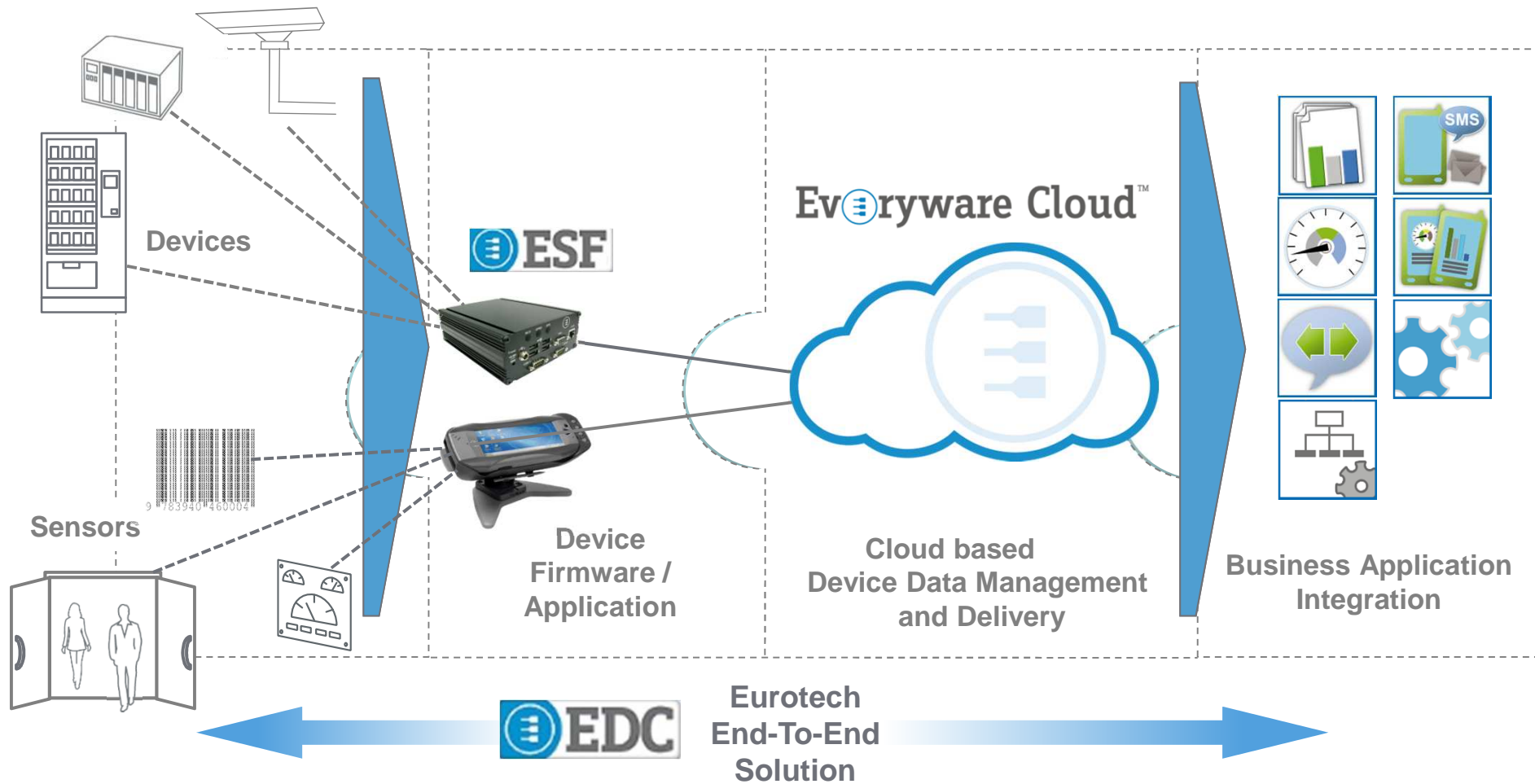
SW platforms as logistics operators
The paradigm ahead

- **In the world of physical goods handling is done by means of logistics platforms of national and international operators**
- **In the cyber world made of bits the logistics of data will be carried out by software platforms, resident in the Cloud and available as-a-service**
- **Such SW platforms will connect machines with machines and machines with humans**
- **That's why we've invested in that direction during last 5 years**
  - Among the first in the world, we have learned to collect the data from real-world processes and to transport them quickly, efficiently and securely towards the business applications
  - We enable our partners and customers to easily build flexible and scalable distributed systems, capable of supporting asset monitoring applications and new value-added services.

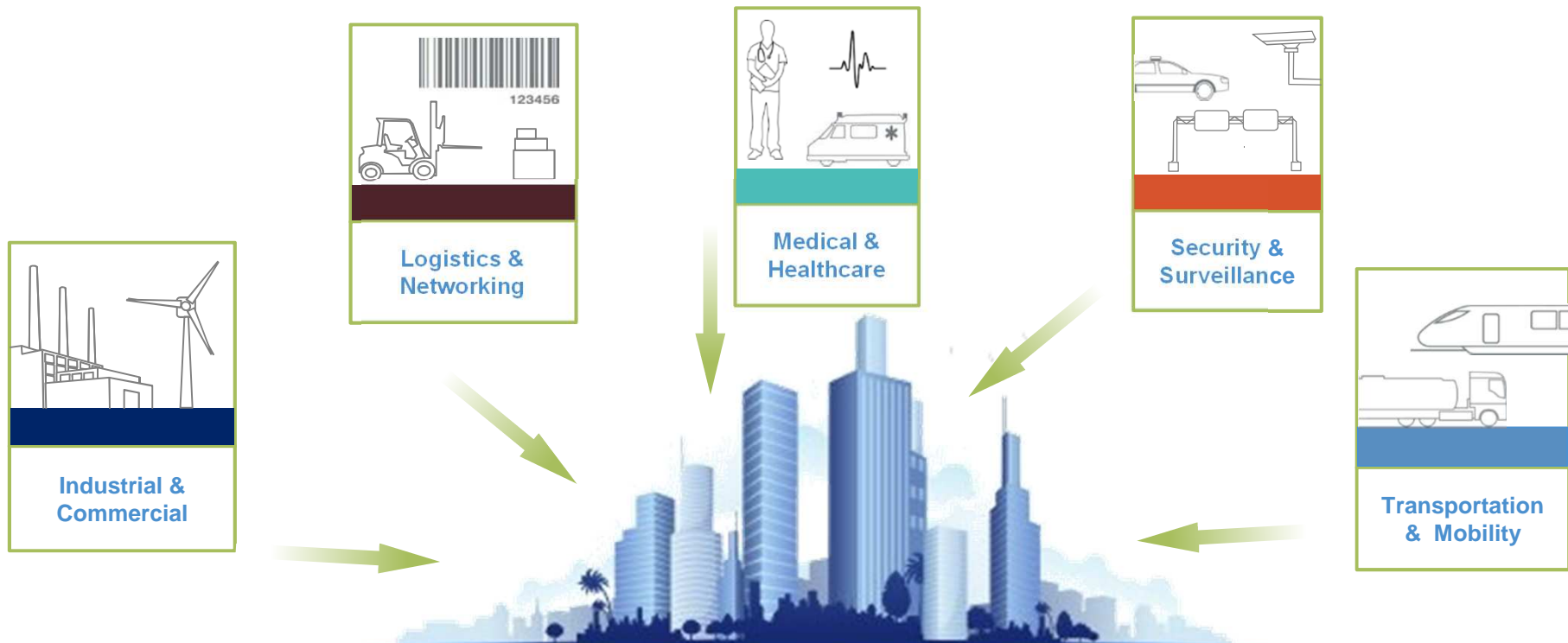# Eurotech vision: "FedExing Data"

Transforming Bits of Data at the Edge of the Network into Actionable Information in the Business Users' Hands

Devices

Sensors

ESF

Everyware Cloud™

Device Firmware / Application

Cloud based Device Data Management and Delivery

Business Application Integration

EDC

Eurotech End-To-End Solution

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The New Eurotech
Ready to address the challenges of today's world:
Internet of Things, Smart Cities, Big Data.

Logistics & Networking

Medical & Healthcare

Security & Surveillance

Industrial & Commercial

Transportation & Mobility

The Eurotech Product portfolio is a fundamental element for the development of complex technology architectures such as Smart Cities, whose criticality lies in simplifying the collection of data and their analysis (Open Data and Big Data). In these technological area we expect a lot of investments in the coming years.

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Whosoever desires constant success
must change his conduct with the times.

Niccolò Machiavelli

ANNEX

FY2013 Results

KEY FINANCIALS

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Consolidated Revenues
FY2013

- **Big impact of different exchange rates in 2013 vs 2012**
  - Especially between JPY and EUR
  - Forex effect YoY: 9.3%
- **HPC business: cyclical fluctuation of revenues due to concentration of business on a few customer**
  - very variable depending on the timing with which we collect orders
  - 2012 was good, 2013 was not, 2014 will be good again
  - HPC effect on total revenues: - 4.2%
- **NanoPC business: lack of growth due to a shift in the delivery of two contracts related to our transportation sector in the U.S.**
  - Such shifts are related to procedures for the qualification and testing of our customers' products.
- **Consolidated revenues: EUR 66.11 M vs EUR 78.74 M in 2012.**

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Gross Profit Margin
FY2013

- **Gross Profit Margin very close to 50%**

  - in line with the 2012 figure for the same consolidation scope

- **Even in a price sensitive market, customers recognize and reward the value add of our solutions**

- **Cost control always on: the rapid evolution of digital technologies constantly opens up new spaces for improvement, which should be addressed every day through a continuous process.**

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EBITDA Margin
FY2013

- **EBITDA slightly positive**
  - even with a lower level of turnover compared to the real capacity of our industrial machine

- **Eurotech has today reached a good degree of efficiency and is ready to generate profits as soon as major contracts in the backlog will enter the delivery phase.**

- **Efficiency of the operating structure achieved in recent years without affecting our investments in innovation !**
  - 2013 achievements are there to prove it.

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NFP & NWC
FY2013

- **We have cash of 28 million euros**

- **We have net cash of 15 million euros**

- **Net Working Capital dropped below the threshold of 20% of revenues**
  - compared with a value of over 25% in 2012 considering the same scope of consolidation

- **The control processes in place work**

- **Growth can occur in a financially sustainable way.**

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CONSOLIDATED INCOME STATEMENT

OPERATING RESULTS €'000	FY 2013	%	FY 2012 Restaded^	%	FY 2013 adjusted	%	FY 2012 Restaded^ adjusted	%
SALES REVENUES	66.106	100,0%	78.739	100,0%	66.106	100,0%	78.739	100,0%
GROSS PROFIT	32.809	49,6%	39.511	50,2%	32.809	49,6%	39.511	50,2%
EBITDA	449	0,7%	3.662	4,7%	449	0,7%	3.662	4,7%
EBIT	(11.927)	-18,0%	(3.891)	-4,9%	(2.693)	-4,1%	(97)	-0,1%
PROFIT (LOSS) BEFORE TAXES	(11.387)	-17,2%	(4.192)	-5,3%	(2.153)	-3,3%	(398)	-0,5%
PROFIT FROM DISCONTINUED OPERATIONS	21.395	32,4%	2.656	3,4%	21.395	32,4%	2.656	3,4%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	8.240	12,5%	(2.783)	-3,5%	16.232	24,6%	(551)	-0,7%

(^) Some of the amounts shown in this table do not correspond to those shown in the original consolidated financial
statements at 31 December 2012, since they reflect the adjustments related to the IAS 19 revised.
(^) As per IFRS 5: Parvus 2012 figures reclassified as discontinued operations

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CONSOLIDATED BALANCE SHEET

(€'000)	at Dec 31, 2013	at Dec 31,2012 Restated^
ASSETS		
Intangible assets	83.233	112.853
Property, Plant and equipment	3.518	4.756
Investments in non-consolidated subsidiaries	0	0
Investments in affiliates companies	607	275
Investments in other companies	248	257
Deferred tax assets	1.397	1.083
Other non current financial assets	2.342	0
Other non-current assets	535	672
Total non-current assets	**91.880**	**119.896**
Inventories	14.156	18.282
Contracts in progress	0	850
Trade receivables	18.673	26.641
Income tax receivables	268	362
Other current assets	2.404	2.170
Other current financial assets	101	144
Cash & cash equivalents	27.995	12.116
Total current assets	**63.597**	**60.565**
Total assets	**155.477**	**180.461**

(€'000)	at Dec 31, 2013	at Dec 31,2012 Restated^
LIABILITIES AND EQUITY		
Share capital	8.879	8.879
Share premium reserve	136.400	136.400
Other reserves	(37.180)	(25.315)
Group shareholders' equity	**108.099**	**119.964**
Equity attributable to minority interest	**0**	**0**
Total shareholders' equity	**108.099**	**119.964**
Medium-/long-term borrowing	2.729	10.327
Employee benefit obligations	1.699	1.884
Deferred tax liabilities	6.023	9.486
Other non current financial liabilities	118	0
Other non-current liabilities	884	846
Total non-current liabilities	**11.453**	**22.543**
Trade payables	14.677	15.084
Short-term borrowing	12.319	13.036
Derivative instruments	159	344
Income tax liabilities	1.657	2.103
Other current liabilities	7.113	7.387
Total current liabilities	**35.925**	**37.954**
Total liabilities	**47.378**	**60.497**
Total liabilities and equity	**155.477**	**180.461**

(^) Some of the amounts shown in this column do not correspond to those shown in the original consolidated financial statements at 31 December 2012, since they reflect the adjustments related to the IAS 19 revised.

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