EUROTECH

Imagine. Build. Succeed.

Annual Report 2015

This document has been translated into English for the convenience of readers outside Italy. The original Italian document should be considered the authoritative version.

The financial statements included in this document are unaudited.

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EUROTECH S.p.A.
Registered offices: Via Fratelli Solari 3/A, Amaro (Udine), Italy
Paid-in share capital: €8,878,946 fully paid in
Tax code and
Udine Company Register no. 01791330309

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Letter to shareholders

Letter of the President

Dear Shareholders,

the year just ended has been a year of transition in terms of financial results: we have seen a recovery in gross profit and a significant improvement in gross operating profit at constant revenues, although we are not yet back to profit.

But I would like to give visibility to what has been done and that the numbers still don't show. Using the metaphor that compares knowledge to potential energy and results to kinetic energy, I would say that in 2015 we still continued to accumulate a lot of potential energy, which is ready to be transformed into kinetic energy as soon as the market demand will begin to show its effects.

Like never before, in the first three months of 2016 we announced agreements, partnerships, awards, all related to the building of an ecosystem around our hardware, software and services offering for the Internet of Things (IoT), and in particular for the Industrial IoT. By leveraging our hardware technologies we have developed a very competitive family of IoT gateways that allow to make the first transformation of the signals coming from the machines or from the real world into internet streams, which are sent by these IoT gateways to a platform in the Cloud, very innovative easy to use, which will allow our customers to address the digital transformation of processes and business models in a smooth way, without forcing them to acquire specific knowledge or allocate large investments. This digital transformation is known as the fourth industrial revolution and is based on the real-time availability of data produced by all the different departments of a company and by the products once installed and in use.

Given the variety and abundance of case studies that Industrial IoT may address, during 2015 we reorganized our development and support activities so that we can complement the standard offering with a whole range of complementary professional services that allow us to accompany our clients during this digital transformation in a personalized way.

The Internet of Things, from our point of view, is the manner in which our vision of pervasive computers, that has been our distinctive mark since our inception in 1992, is finally becoming real and tangible. The IoT for Eurotech is nothing but the right mix of embedded computers – which continue to be the major source of our revenues – wireless data networks, secure and fast connection to the Cloud and a software platform (an orchestration software that acts as the IoT operating system) that allows to manage all these components. We could also say that the IoT is nothing more than a simple and cheap way to connect a large number of embedded computers (that are into things) to the Cloud. If the apex of the third industrial revolution was the Personal Computer, which made it easy to develop software and ensured its compatibility with the hardware evolution, the beginning of the fourth industrial revolution is linked to the App economy and thus revolves around platforms which enable a further acceleration of software development and a wider compatibility with different kinds of hardware. This phase, which at first glance might seem not so revolutionary, will actually generate so many data and so much ability to extract knowledge from them that this, in turn, will significantly change the efficiency of business processes, the products, the interaction between the product and its user and the business models.

In the last seven years, Eurotech has worked with passion and dedication on the creation of the key elements to enable this revolution, and everything has been fine-tuned to capture the advent of the digital transformation that will involve almost all businesses.

What is happening at CeBIT in Hanover – the global exhibition of the new digital economy – as this letter comes to you, is a clear and tangible example of what we are building: representatives of the open source community, technology partners, business partners on vertical markets, will be with us at our booth to show how an ecosystem of complementary players is growing around our horizontal platform to build IoT projects. All these players share the same vision and can mutually benefit from working together. The demonstrated applications range from retrofit of existing systems to reduce downtime with predictive maintenance, to new products improving the customer experience as well as enabling the transformation of the business model from selling the product to selling the service provided by the same product.

I often hear the question: "who will win the battle for the IoT market?". The answer is that there will be many winners in various ways, but surely all of them will be united by having created around them an ecosystem capable of self-sustaining and able to function as a market in the market, such as a solar system within a galaxy. The impact on production processes and on the global economy of the fourth industrial revolution will be unprecedented, and also the debate at the World Economic Forum this year has focused on this issue. No organization can neglect the change taking place and this will create a very wide market space for the IoT over the next ten years: according to a recent study by McKinsey, in 2025 the IoT market will reach an estimated size between 3.9 and 11.1 trillion dollars, that is 4 to 11 times the current size of the IT services market.

After doing a bit of math, considering the most conservative forecast of 3.9 trillion dollars for the IoT market size, there will be room for approximately 10 Google, 10 Microsoft, 10 Cisco, 10 Intel, 10 IBM, 10 Oracle and 10 SAP. And this is only the pessimistic estimate.

Today all these great players are not there yet: lining up all the great names of ICT you don't count 50 of them, so even assuming that all the great players that have been dominating the ICT market since here will remain major player in the future IoT market – which is actually something not obvious – there will be room for many other new players.

It will not be necessary to be big to have a place in the market. It will not be needed to have large market shares in order to have a solid and defensible position. But as I said, it will be essential to be part of an ecosystem, and the engines of these ecosystems will become in fact the small and large market leaders.

Today we are in a first mover position that gives us two advantages: on competitors in terms of technology offerings, and for the ecosystem creation in terms of chances of attracting players with a complementary offer but a common vision of a possible future.

Several market researches highlight that one of the key issues to overcome resistance in the adoption of IoT technologies, and thus enable the transition from euphoria on a new idea to true business, is security: security on the identity of devices that generate data, security on the integrity of the device that is generating the data, safe transport of data, security of the remote access to products, systems, equipment. We do believe that the security is a key node and this is why we have invested heavily in the security of our software platform for the IoT and we are now at the forefront on this topic.

Another key aspect of our action is closely linked to the role of open standards and communities. The Linux case teaches that a freemium model – consisting of providing on the one hand free open source software and on the other hand paid premium versions, tested and guaranteed for industrial applications by enterprise vendors – is worthwhile to accelerate the adoption of a technology or a platform. This is because the removal of the adoption costs and the lock-in constraint with a producer allow free and voluntary participation to the evolution of the open platform of an entire community of experts, supporters and researchers. When companies have access to free open source solutions they are encouraged to try them, and this is why over one year ago we started with the Eclipse Foundation the open source project Kura, compared to which our Everyware Software Framework (ESF) is the freemium version. KURA and ESF provide the necessary software modules for the realization of an IoT gateway from any hardware as long as suitably dimensioned in speed and memory. In this manner an innovative Software Defined Gateway for the IoT has been made and the working group that has been created around the open-source project Kura is the one that last year has had the highest growth rate. Moreover, Kura is the most successful IoT project within Eclipse in terms of contributions received by the developers community.

As we work to build the ecosystem, we continue to work to maintain a leadership position also in embedded high performance systems, the so-called HPEC (High Performance Embedded Computer) for which demand begins to be felt in areas such as the management and processing of high-definition images, both in civil and medical; the processing of large amounts of data in cybersecurity; the high-speed processing in fields such as artificial intelligence and deep learning. As in the nineties the PC has replaced the microcomputer, so now in the era of smartphones and tablets the Personal Supercomputer will replace the PC. Given that these new promising scenarios are increasingly materializing, we have decided to increase the focus of the Group and thus the management buyout of the security, surveillance and traffic business line should be seen in this perspective.

With this spin-off, in addition to a capital gain of 1.7 million Euros, we obtain a focusing on embedded PC and embedded HPC with a neutral stance on the offer of horizontal platforms. We continue to vigorously pursue our initial mission, which is to provide components and technology solutions that enable our customers to reduce time to market and total cost of ownership. With the latest technologies developed these advantages are much more obvious than in the past and this will then also give us a greater competitive advantage.

To conclude, we are well equipped to face in the best possible way an organic growth path and we are determined to reap the fruit of our labour.

14 March 2016

signed
Roberto Siagri
President & CEO

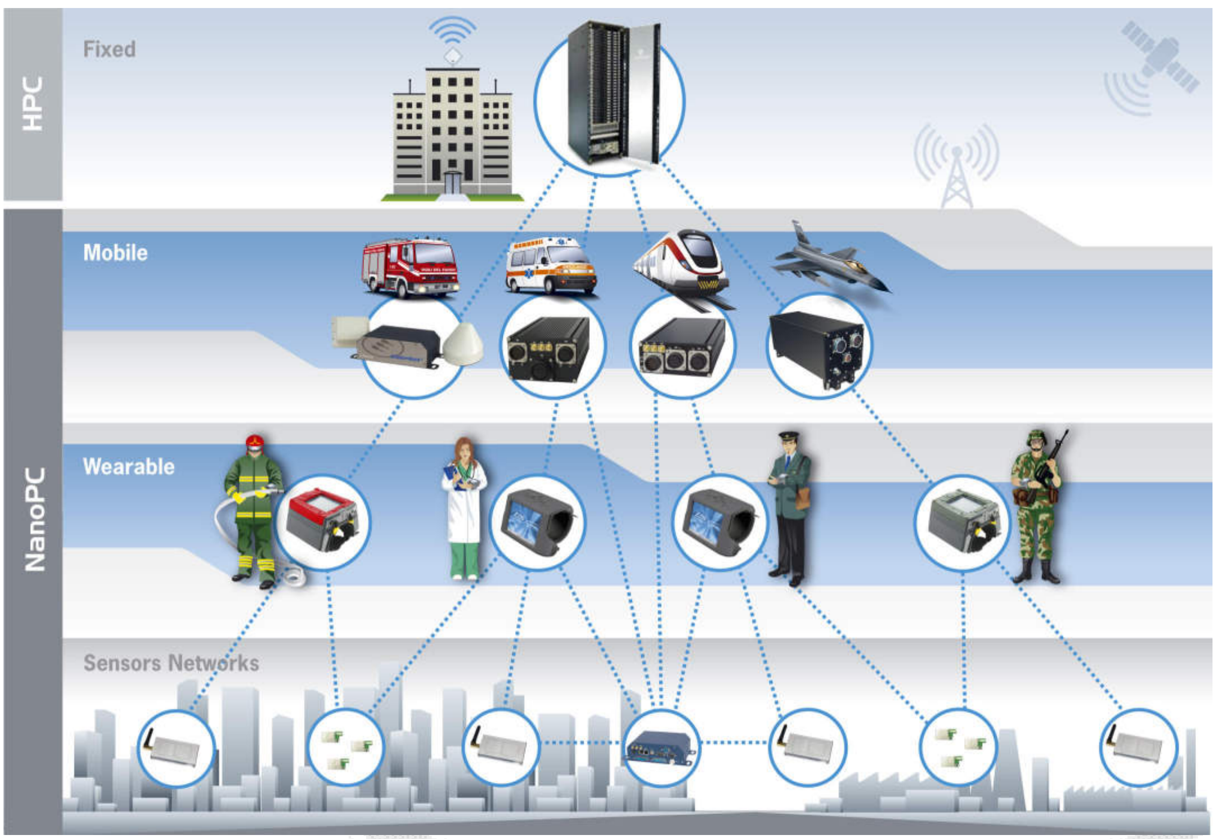
Profile of the Eurotech Group

Introduction to Eurotech

Eurotech is a global company with a strong international focus, which generates sales on three continents. It's a Group that has operating locations in Europe, North America and Japan, led and coordinated by the headquarters in Italy.

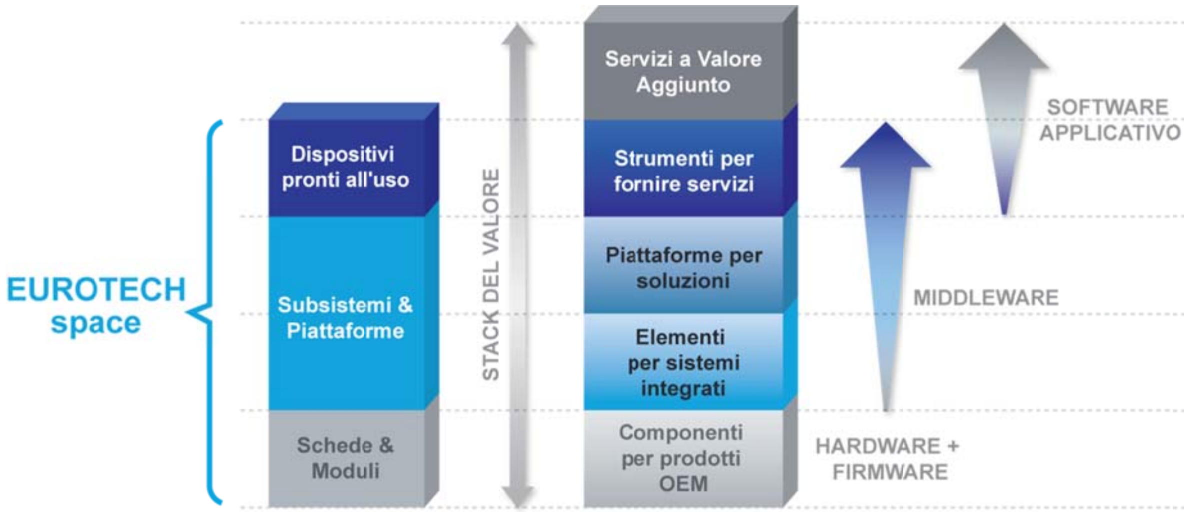
The technological paradigm followed by Eurotech is 'pervasive computing' or 'ubiquitous computing'. The pervasive concept combines three key factors: (1) miniaturisation of 'smart' devices, i.e. devices capable of processing information; (2) their spread in the real world – inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment; and (3) their ability to connect with each other in a network and communicating.

In this perspective, Eurotech engages in research, development and marketing of miniaturised computers for special uses (NanoPC) and green supercomputers featuring high computing performances together with high energy efficiency (HPC). NanoPCs and HPCs are the two major classes of devices that, by connecting to and co-operating with each other, form the pervasive computing infrastructure commonly known as the "pervasive computing grid" or "cloud."



In the NanoPC segment, the Group's offering varies according to the positions of the various products in the value stack. The NanoPC is typically a miniature computer that can take the form of:

- an embedded board, often used as component in OEM products
- an application-ready subsystem or platform, used as element of integrated systems
- a ready-to-use device employed in a great variety of application settings, often as support for the provision of value-added services.



All these NanoPCs have wireline or wireless communication channels to ensure their interconnection. It is this combination of computing and communication capabilities that makes Eurotech's NanoPCs key elements of the pervasive scenario that the company wants to create.

The Group's NanoPC offering is used in several application fields, both conventional and emerging. Eurotech is most active in the transport, defence, industrial, medical and logistics sectors. The feature common to many of our customers in all these sectors is they are seeking not only a supplier but also a centre of technological competence – and they often see in Eurotech a partner for innovating their products and their way of doing business. They want to reduce their time-to-market and focus on their core businesses. They often need solutions for harsh operating conditions and for mission-critical applications, or supplies assured for long periods.

In the HPC sector, Eurotech designs and builds supercomputers with very large computing capacity and high energy efficiency, created via the massive and parallel connection of high-performance miniaturised computers. These supercomputers – in the past aimed at cutting-edge research institutes, computing centres, and universities – are turning out to be indispensable in advanced sectors such as nanotechnology, biotechnology and cyber security. We also expect them to have a significant impact on the medical and industrial fields in the near future.

From the time of its foundation in 1992, Eurotech has focused its business model on four guiding principles, which, like four pillars, have underpinned its growth and development and continue to do so. These are:

- excellence within standards
- a fabless production model
- development of its business model towards ready-to-use products (closer to the application scenario of the purchaser or end-customer)
- strong interaction with the academic and research worlds.

Above all, Eurotech aimed to excel within sector standards right from the start. In other words, it understood that, to supply its customers with solutions that both performed well and were open to the future, excellence could not be achieved only with proprietary solutions, but as far as possible with state-of-the-art solutions remaining compliant to the standards, which are themselves evolving.

Eurotech's second strength is the adoption of a fabless production model, i.e. featuring the almost total absence of production facilities. Within the value chain, Eurotech performs research, development, engineering, prototyping, quality control and logistics. The great majority of NanoPC manufacturing is outsourced to third parties. Only HPCs are assembled in-house, as this is considered to be a strategically important activity.

The third key element of the business model is constant attention to ongoing changes in systems integration, i.e. from simply boards (or hardware) to systems (hardware with a specific enclosure), to application-ready platforms (a combination of boards, systems and middleware, i.e. a layer of software that speeds up application development and permits disconnection of application software development from the hardware), and even to ready-to-use devices (products already able to perform a specific function and which do not require any software programming in order to be ready to operate).

The last – but not least important – component of the business model is the network of external relations with universities and research centres. This 'knowledge network' fuels innovation and helps to keep Eurotech solutions at the state-of-the-art level of technologies and standards available.

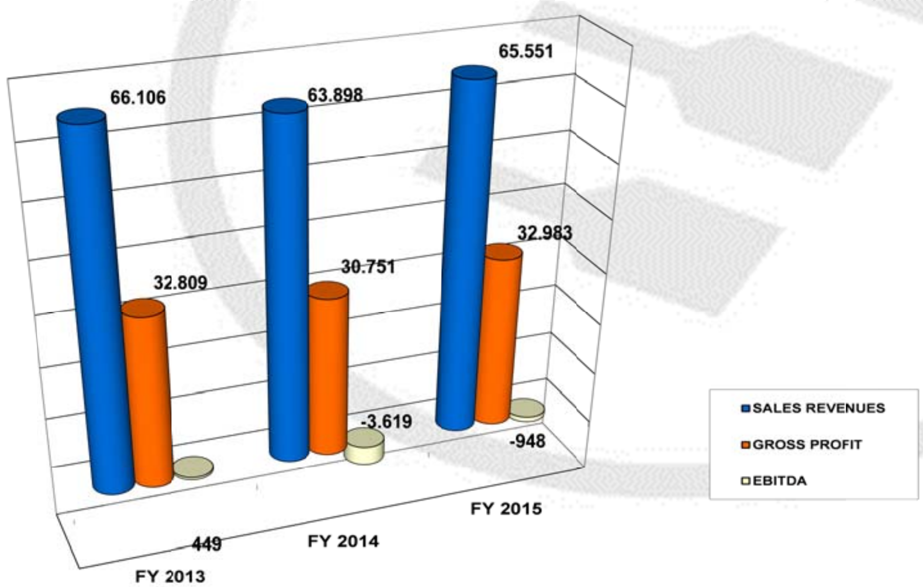
The Eurotech Group in numbers

Introduction

The Eurotech Group's business and financial results for FY2015 and comparative periods have been drawn up according to the international accounting and financial reporting standards (IASs/IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union. Unless otherwise stated, data are expressed in thousands of euro.
Due to the sale of US company Parvus Corp., which was completed on 1 October 2013, the business results for 2013 were classified under "Net profit (loss) from discontinued operations and assets held for sale".

Group business and financial results

(€'000)	FY 2015	%	FY 2014	%	FY 2013	%
OPERATING RESULTS						
SALES REVENUES	65,551	100.0%	63,898	100.0%	66,106	100.0%
GROSS PROFIT MARGIN	32,983	50.3%	30,751	48.1%	32,809	49.6%
EBITDA	(948)	-14%	(3,619)	-5.7%	449	0.7%
EBIT	(6,602)	-10.1%	(8,993)	-14.1%	(11,927)	-18.0%
PROFIT (LOSS) BEFORE TAXES	(6,163)	-9.4%	(8,281)	-13.0%	(11,387)	-17.2%
PROFIT (LOSSES) FROM DISCONTINUED OPERATIONS	0	0.0%	0	0.0%	21,395	32.4%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(6,223)	-9.5%	(8,922)	-14.0%	8,240	12.5%



Revenues by business line

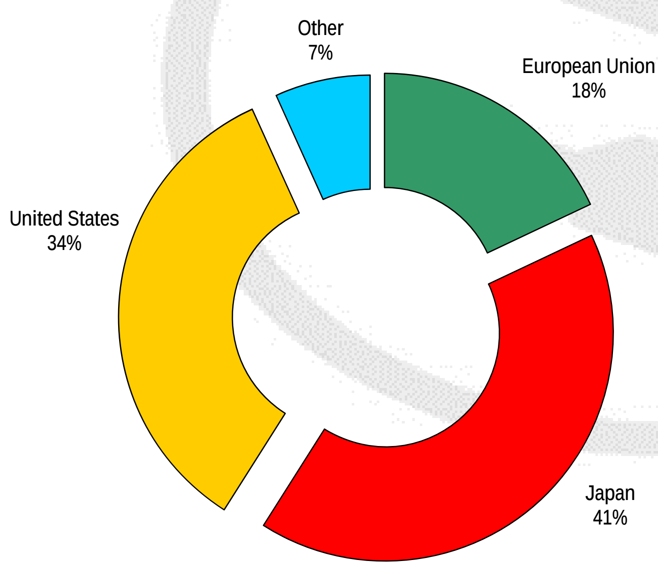
(€'000)	NanoPC			High Performance Computer			Total		
	FY 2015	FY 2014	% YoY Change	FY 2015	FY 2014	% YoY Change	FY 2015	FY 2014	% YoY Change
Sales revenues	63,979	62,722	2.0%	1,572	1,176	33.7%	65,551	63,898	2.6%

SALES BY BUSINESS SEGMENT	FY 2015	%	FY 2014	%	FY 2013	%	FY 2012	%
NanoPC	63,979	97.6%	62,722	98.2%	65,729	99.4%	75,367	95.7%
High Perf. Computer	1,572	2.4%	1,176	1.8%	377	0.6%	3,372	4.3%
TOTALE SALES AND SERVICE REVENUE	65,551	100.0%	63,898	100.0%	66,106	100.0%	78,739	100.0%

The sales amounts shown here, not audited for 2012, do not include sales generated by US company Parvus Corp. and are therefore consistent with the audited 2015, 2014 and 2013 figures.

High Performance Computer (HPC) sales again accounted for a limited proportion of total Group sales in 2015.
The supercomputer architecture based on standard processors and equipped with an innovative liquid cooling system allows us to expand our potential customer base therefore not only over research centres and universities, but also in the world of industrial customers where the supercomputer appears to find more and more opportunities, above all if it is small in size. This new strategy should bring the Eurotech division out of the cyclical nature of the purchases of the research sector, and should offer the possibility to achieve a more constant growth in turnover.

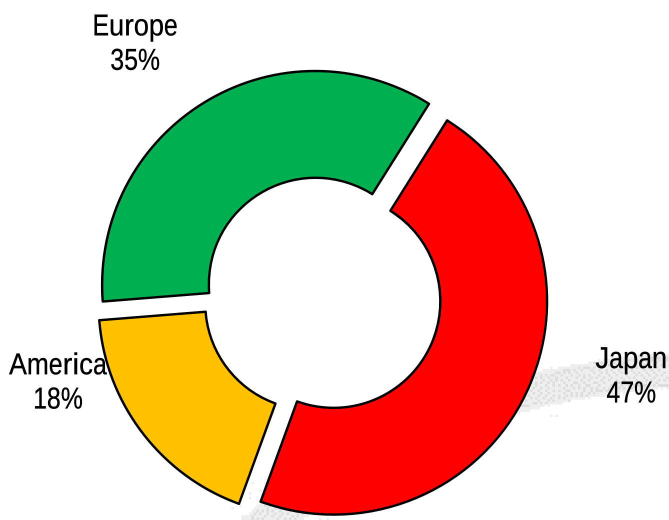
2015 sales revenues by geographical area



Group employees

	at December 31, 2015	at December 31, 2014	at December 31, 2013	at December 31, 2012
EMPLOYEES	341	365	354	371

2015 geographical breakdown of employees



Milestones in our history

1992-1994: the 'ideas factory'

1992 A group of young technicians found EuroTech Srl, based on the idea of miniaturising the PC and using it in as yet unexplored application fields. It is an 'ideas factory' and 'fabless' model, open to Europe – and to the world – (*Euro*) and to new technologies (*Tech*).

1993 The first products based on the PC/104 standard for embedded PCs are developed.

1994 Friulia SpA, a development finance company owned by the Friuli-Venezia-Giulia regional authorities, buys into the company by subscribing to a capital increase.

1995-2000: from laboratory to industry

1995 Eurotech becomes the first producer in the world to launch on the market a PC/104 module based on the Intel 32-bit 486DX processor.

1997 Start of the internationalisation strategy's implementation via the first partnerships with European distributors.

Eurotech creates one of the world's first 3U boards based on the Intel Pentium processor and compactPCI form factor.

The HQ is moved to Amaro (province of Udine in North-East Italy) and the company becomes a joint-stock company (Italian acronym = SpA).

1998 Eurotech completes the range of products based on the compactPCI standard and starts production of a new line based on the PC/104Plus standard.

The company Neuricam SpA is set up, a spin-off of the Trento institute for scientific and technological research (IRST). The aim is to design and produce integrated circuits capable of complex image elaboration directly on chips, thus providing neural processors, CMOS digital cameras, and intelligent sensors.

The internationalisation strategy continues with the start of sales in the US, Asia and Australia.

1999 Activity of the HPC (High Performance Computers) Strategic Business Unit (SBU) starts with creation of APEmille supercomputers. Designed by the INFN (the Italian national institute of nuclear physics), this was the result of the APE (Array Processor Experiment) project, which aimed to develop a computer capable of processing 1,000 billion operations per second (1 TeraOps).

2000 The US commercial branch is set up.

Launch on the HPC market of clusters based on compactPCI systems.

2001-2007: external growth and internationalisation

2001 The venture capital fund First Gen-e of Meliorbanca SpA and Friulia, as merchant bank, become shareholders of Eurotech following a capital increase.

Eurotech inaugurates a new production site in Amaro (province of Udine).

Development starts of the new generation of APEnext HPCs

2002 Activities start in China and a commercial office is opened in Shanghai.

Acquisition of IPS Srl of Varese, permitting extension of the product offering to the industrial sector.

2003 Acquisition of Parvus of Salt Lake City (Utah) is completed in order to consolidate and expand the presence in the US.

2004 Eurotech first acquires Finnish company Vikerkaar, renamed Eurotech Finland, to cover the northern European and Chinese markets, and then French company Erim (Lyon), thus entering what is a strategic market for the Group.

2005 Eurotech presents APENext, the generation of supercomputers following APEmille, able to provide computing capacity 10 times higher than that of the previous model.

A research centre is launched in China at the NJUT (Nanjing University of Technology) together with sponsorship at the same university of a new course on design of embedded systems.

The Scientific Committee is set up, dedicated to the study and identification of trends in future technological scenarios. Its members are prominent figures of major universities and research institutes. Co-ordinated from inside Eurotech by the CTO Giampietro Tecchili, their task is to cover, manage and develop the Eurotech Group's 'knowledge network'.

Eurotech is chosen as technological partner for supercomputing architectures and systems for the 5-year period 2005-2010 by the LITBIO (Laboratory for Interdisciplinary Technologies in Bioinformatics) consortium, founded by the Italian University & Research Ministry.

On 30 November, Eurotech SpA, the Parent Company of the Eurotech Group, is listed in the STAR (Segment for High Requirement Stocks) of the Milan stock market. The total number of shares on offer was 8,652,000; of these 7,450,000 were new shares, while 1,202,000 were existing shares put up for sale by the venture capital fund First Gen-e, which ceased to be a shareholder at the time of listing. The remaining 1,297,992 shares owned by First Gen-e prior to the IPO go to form the green shoe, wholly exercised in view of the very high subscription rate of investors. At the end of the IPO, the total number of shares rose to 18,625,296 and the net proceeds of the capital increase came to €25.3 million.

2006 Eurotech launches the project for development in the Trento area of ETH Lab, the Group's research centre. As part of the project a co-operation agreement is signed between Trento University, ITC-IRST, and Eurotech to activate a series of research activities in the pervasive and ubiquitous computing sector.

Acquisition is completed of the Arcom Group, consisting of 100% of the share capital of the companies Arcom Control Systems Ltd. based in the UK (Cambridge) and Arcom Control Systems Inc. based in the US (Kansas City).

French subsidiary Erim changes its name to Eurotech France.

In June, Eurotech's Board of Directors decides to increase share capital by issuing ordinary shares for a total value of €109.2 million.

Presentation of the first prototype of the Zypad, a revolutionary wrist-worn computer that is the result of a technological effort combining circuit miniaturisation, integration of various hardware functions, consumption optimisation, and ergonomic requirements.

Zypad wins the prize for the most innovative product presented at the 2006 Soldier Technologies Conference in London.

Eurotech signs a partnership agreement with Finmeccanica SpA, with the aim of exploiting Eurotech's ability to innovate and to develop new-frontier technologies and Finmeccanica's international leadership as a supplier of complex solutions and systems to the aerospace, defence, security, transport, and energy sectors.

In September, Eurotech attempts to acquire Radstone Technology PLC, launching a public tender offer for 100% of the UK company's shares. The Group's action attracts the attention of its competitor GE Fanuc, which launches a higher counterbid and purchases Radstone. Eurotech nevertheless profits from this transaction, making a capital gain of €1.3 million net of purchase costs, due to the sale to GE Fanuc of the Radstone shares already purchased.

Eurotech inaugurates the new base in Amaro (province of Udine) on 31 October. The facility, of an area of over 2,000 sq m, has been designed paying the utmost attention to the environment. Due to installation of a system of photovoltaic modules, the new Eurotech site is also an example of sustainable building.

Eurotech invests in the UGV (Unmanned Ground Vehicles) sector, subscribing to some 20% of the share capital of US company Kairos Autonomi. The company, active in the research and development of integrated systems for driverless vehicles, is headed by George (Troy) A. Takach Jr., who founded Parvus.

The wearable PC wins the prestigious Frost & Sullivan award for the most innovative product at the 2006 edition of 'Ambient Intelligence'.

Eurotech reaches an agreement with IBM to integrate IBM Lotus Mobile Connect software inside NanoPC devices.

2007 Eurotech completes the acquisition of Applied Data Systems, Inc. (ADS), based in Maryland (US). Through this acquisition, Eurotech also receives 65% of the equity of Chengdu Vantron Technology Ltd, a Chinese R&D company operating in the NanoPC sector.

Eurotech and Selex Communications, a Finmeccanica Group company, signs a commercial agreement for the international sale of wearable computers. Selex Communications becomes Eurotech's exclusive partner for sales of the Zypad wearable computer to Finmeccanica Group companies and, in Italy, to customers in the defence sector and the police, fire-fighting, quasi-military police, finance police and penitentiary police forces. This agreement is a first important result of the partnership agreement signed by Eurotech and Finmeccanica in July 2006.

Eurotech unveils Janus, the world's first computing platform capable of achieving the astounding number of 8 PetaOps, i.e. 8 million billion operations per second. It does so by consuming just 10kWh and occupying a volume of just 2 cubic metres. Janus is the result of a collaboration between Italy and Spain involving, from the second half of 2005, the following prestigious research centres: the physics departments of the University of Ferrara and the University of Rome (La Sapienza), the Institute for Biocomputation and Physics of Complex Systems (BIFI) in Saragozza, the University of Saragozza, the Engineering Investigation Institute of Argon, the Complutense University of Madrid and the University of Extremadura in Badajoz.

Eighteen months after joining the Eurotech Group, Arcom UK changes its name to Eurotech Ltd.

Eurotech announces completion of the acquisition of 65% of the shares of Advanet, a Japanese company based in Okayama, and its subsidiaries Spirit 21, Vantec and Advanet R&D (together, the 'Advanet Group'). The purchase agreement also provides for a put & call mechanism for the remaining 35% of the shares of Advanet.

The Civil Protection & Rescue Service (Protezione Civile) of the Friuli-Venezia-Giulia Region chooses Eurotech as its partner for development and testing of a fully wearable and non-invasive computerised visualisation, computing, and communication system for operators working in extreme conditions. The aim is to combine the field experience of the Protezione Civile with Eurotech's technologies to equip operators in future with a sort of 'personal mini-operations centre', enabling them to receive real-time information (maps, data, etc.) useful for rescue work and also optimising mission coordination and management.

Eurotech invests in mini- and micro-UAVs (Unmanned Aerial Vehicles), by acquiring a 21% equity interest in the company UTRI S.p.A. In consequence, Eurotech has further strengthened its presence in the emerging market for unmanned vehicles.

2008-today: integration and synergies

2008 The MBTA (Massachusetts Bay Transport Authority) chooses the RiderNet Wi-Fi platform for the pilot "Wi-Fi Commuter Rail Connect Program", the first US project aiming to provide wireless internet access on trains.

The Zypad wrist computer is chosen by US company ProCat Management Service as the basis for PickRight, the solution developed by ProCat to streamline product picking processes in large distribution centres.

Janus, the new supercomputer designed by a pool of Italian and Spanish researchers and built by Eurotech in laboratories at its Ethlab research centre in Trento, is officially unveiled at the headquarters of the European Centre for Theoretical Studies in Nuclear Physics and Related Areas (ECT) in Trento. Giorgio Parisi, one of the most important figures in the international scientific community, also participates in presenting the Janus project. At the time of its launch, JANUS is the smallest, fastest and most energy efficient supercomputer in performing the specific computing functions for which it was designed.

The innovative Catalyst Module is created, based on the brand new Intel® Atom™ processor. The size of a playing card, the Catalyst Module sets a record in the segment of embedded boards based on the Intel® Atom™ processor, with a typical power consumption of about 3W and peak consumption of less than 5W.

Eurotech announces, at the Embedded System Conference in April, that its US subsidiaries Applied Data Systems and Arcom will be merged into a single company, Eurotech Inc. This is a key step in the process of integration of the Eurotech Group after the major acquisitions carried out in the previous two years. On 1 July, the merger between ADS and Arcom is completed and Eurotech Inc. is officially created.

In May, the Board of Directors of Finmeccanica approves the acquisition of about 11.1% of Eurotech share capital from some of its founding shareholders (Dino Feragotto, Roberto Chiandussi and Giorgio Pezzulli) at a price of €4.6 per share. The aim of buying the shareholding is to strengthen the strategic partnership forged in July 2006. In November, Finmeccanica completes the purchase of 11.1% of the share capital of Eurotech and the Board of Directors approves the cooption of three new directors representing Finmeccanica.

Eurotech and Intel initiate a joint venture to develop HPC systems. Under the multi-year technological co-operation agreement, signed during the visit to Italy of Pat Gelsinger, Vice President and General Manager of the Intel Digital Enterprise Group, the two companies are going to work together to develop HPC (high-performance computing) systems based on Intel processors that will satisfy the computing requirements of medical, industrial and scientific users.

Eurotech's wearable technology brings to fruition the first applications for remote assistance for senior citizens: the Zypad wrist computer and the innovative ZTag pendant becomes key components of the innovative remote care solution for senior citizens implemented in the Region of Abruzzo by Selex Service Management, a Finmeccanica Group company.

At the ceremony held for the Business Connections Award given by Intel's Embedded Communications Alliance (ECA), Eurotech receives the 2008 Prize for Excellence for the best 'Growth in Co-selling of the Intel® Atom™ Processor'. This prestigious prize reflects the quantity and variety of opportunities pursued by Eurotech in many diverse sectors throughout the United States, including the medical, military, industrial and biometric applications sectors.

2009 Eurotech wins the Platinum Award 2008 from VDC Research Group in the Embedded Board Vendor category. End-users placed Eurotech at the highest level (platinum), based on more than 45 assessment criteria. The award highlights Eurotech's excellent capability in providing a complete service to users of its solutions in terms of technical support, experience, reliability and other factors.

Eurotech joins PROSPECT e.V. (PROmotion of Supercomputing and PEtaComputing Technologies), a leading European consortium for the development and use of next-generation supercomputers, headed by three institutions that are also among the biggest European supercomputer: the Jülich Supercomputing Centre, the Barcelona Supercomputing Centre and the Leibniz-Rechenzentrum Garching.

At the International Supercomputer Conference (ISC) 2009 in Hamburg, Eurotech unveils Aurora, a revolutionary HPC system for installations of any size, up to several PetaFlops. The developed technology on which it is based provides unprecedented levels of operating performance, sets a record in footprint reduction and dramatically cuts TCO (Total Cost of Ownership) for installations of every size, with an energy saving of up to 60% due to an innovative direct liquid cooling system, which eliminates the additional costs associated with conventional cooling systems whilst using every available watt to the maximum.

Military Embedded Systems magazine, which specialises in analysis of COTS technologies for various military programmes, names the DuraCOR 820 for the Editor's Choice Award, due to this subsystem's particularly high levels of resistance in hostile environments.

Advanet receives official recognition from the JAEA (Japanese Atomic Energy Agency) and from KEK (High Energy Accelerator Research Association) for its contribution to the creation of the J-PARC particle accelerator complex in Ibaraki, Japan, which is one of the world's most important particle accelerator centres.

Eurotech announces an agreement with DynaVox Mayer-Johnson to produce DynaVox Xpress™, the world's first portable assisted communication device, which can help people affected by pathologies such as autism, motor neuron disease, cerebral lesions, stroke or Down's Syndrome to communicate with their friends and families and to study and work.

Eurotech joins the United Nations Global Compact, a strategic policy initiative for businesses that are committed to ensuring that markets, trade, business and finance produce economic and social benefits everywhere in the world. The initiative involves a commitment to align operations and strategies with ten fundamental principles in the areas of human rights, work, environment and the fight against corruption. The Global Compact involves both the public and private sectors, and is the world's most important initiative focusing on sustainability and corporate citizenship. Once again, Eurotech has shown itself to be a frontline defender and promoter of the fundamental principles in which it strongly believes and that it has always applied, such as respect for human rights and human dignity and full respect for the law and environmental protection.

2010 Eurotech announces an agreement with a top electricity company with more than 2 million customers for the supply of ZyWAN cellular routers to support Smart Grid initiatives: the project involves the installation of the ZyWAN unit in the base stations along the entire network to wirelessly connect the smart meters for industrial and domestic users, enabling an almost real time management of energy by users.

Eurotech announces the introduction of Aurora Au-5600, the “green” supercomputer with liquid cooling, based on the cutting edge Intel® Xeon® 5600 processor. The launch of Aurora Au-5600 follows on the heels of Intel introducing Intel Xeon 5600 processors and places Eurotech among the very first market leaders offering an HPC platform to adopt it.

Eurotech and the AuroraScience Collaboration announce a joint program to install an Aurora AU-5600 system in the forthcoming Interdisciplinary Computational Science Laboratory (LISC), a joint initiative of the Bruno Kessler Foundation (FBK) and the University of Trento. AuroraScience is a research project financed by the Autonomous Province of Trento (PAT) and INFN whose many scientific partners deal the challenge of defining new generations of high performance computers for scientific and technological applications using a global approach. Thanks to the Aurora liquid cooling system, the installation is most of the "greenest": the heat produced by the computer is reused to heat the data processing centre, drastically reducing the operative costs and ecological impact.

Eurotech signs a USD 7.5 million contract in the US with King County Metro Transit to install DurMAR Mobile Access Routers in more than 1,000 buses in the Seattle area. With this implementation, King County can activate wireless communication with various onboard systems, such as vehicle diagnostics, GPS positioning and toll payment using a single router on board the bus. The Eurotech DuraMar will especially be used to transfer operative data to and from the bus in transit and to display bus departure information on electronic signs along the selected routes, in addition to improving traveller safety by supporting the extensive use of on board digital cameras.

Eurotech obtains a USD 10 million contract to supply embedded computers for electronic ticketing systems from Cubic Transportation, the global leader in supplying complete solutions for managing the automatic payment of public transportation tickets. The contract is for the use of the Eurotech computers with the electronic ticketing system for public transportation in one of the main European capitals. The project means that more than 20,000 Eurotech computers will be installed on buses and station access points along the network. Each unit will interact directly with the smart card reader and will manage the information flow for each individual passenger and his journey through a central rate management system.

Eurotech and Wind River announce a strategic partnership to accelerate the development of embedded applications: specific Development Kits will allow software developers to being the development of an application in less than an hour whereas the traditional systems require days, if not weeks. This way, the two companies plan to bring the ready-to-use experience of PCs to the embedded market.

Eurotech exercises the scheduled option to purchase another 25% of the Advanet Inc capital and thus has 90% of the Japanese subsidiary. The transaction, which occurred in three stages, has a total cost of 1,114,809,631 Yen, equal to about €10 million.

Eurotech launches a new family of Handheld Rugged Computers, the HRC-4200 and the HRC-3100, natively able to connected to the Eurotech cloud platform, allowing customers to create end-to-end solutions to make data immediately visible within companies without having to purchase, configure and maintain a proprietary IT infrastructure.

Eurotech becomes Solution Technology Integrator for Cisco, thus getting access to technological and commercial resources of the American giant to offer its customers products that are able to fully take advantage of the Cisco mobile connectivity, which is de facto an industry standard.

The Eurotech Everyware™ Device Cloud solution wins the “Best Electronic Design 2010” prize in the Embedded – Cloud Computing category, as described in the 9 December issue of Electronic Design. With the Best Electronic Design 2010 award for Everyware Device Cloud, Eurotech has capitalized on the results it obtained with the Everyware Software Framework (ESF) platform, the previous year winner of the best software prize along with the Google Android platform.

2011 The ESF platform (Everyware™ Software Framework) by Eurotech is used in the reference designs for Machine-to-Machine (M2M) gateways based on Intel® Atom™ processes to significantly reduce the development cycle of applications and services based on the connection between devices. This new class of

M2M platforms marry the many functions of the device with the complete flexibility of an embedded industrial computer to enable mission critical applications. The reference platform for the M2M gateway based on Intel® Atom™ with Wind River Linux and Everyware Software Framework by Eurotech, allow developers to implement new services more quickly, easily and economically.

The embedded ISIS XL card is selected as one of the two reference hardware platforms for PTC applications (Positive Train Control) by Meterocomm, LLC. The American PTC program intends to increase railway safety through a train monitoring and control system. The widespread installation of interoperative PTC systems in the United States was approved with the Rail Safety Improvement Act in 2008 on railway safety. Since the reference hardware platform has been approved, ISIS XL can connect the Wayside Interface Units (WIU) to the PTC network to share vital data, such as information on the line condition, train location and speed detection. In this way, ISIS XL becomes the best starting point for applications based on the PTC requirements for customers in the railway sector.

The new rugged wearable Zypad BR2000 computer is presented, perfect for installation in difficult areas like those found in the oil&gas sector, first responders, industrial plant maintenance and transportation. Compact, light and efficient, the Zypad BR2000 can be worn on the belt, carried in a pocket or placed in a backpack or work vest. It can even be installed on board a vehicle. The Zypad BR2000 was designed to be certified based on military standards: this guarantees that the user can count on a reliable and resistant device regardless of the situation in which he is working. Moreover, the native readiness for connection with the Cloud allows users to rapidly integrate the device within the company processes to manage, acquire and share important operative information.

The Board of Directors, following the Ordinary Meeting of Shareholders, which renewed the company positions, confirms Roberto Siagri as the CEO of Eurotech S.p.A.

Eurotech acquires the remaining shares of Advanet Inc, equal to 10% of the share capital, and thus obtains 100% of the Japanese subsidiary.

Starting on 1 June, Dynatem Inc with offices in Mission Viejo, California becomes part of the group. the company has worked in the embedded computer market since 1981, especially in the VME, VPX and CPCI boards sectors, posting revenues of about USD 3.6 million in 2010. With the purchase of Dynatem, the Group is consolidating its presence in the United States, adding the West Coast to its coverage area, and acquires the experience and know-how of the emerging VPX standard. Moreover, this company's long tradition with the VME and CPCI platforms allows for additional synergy between the US and Japan.

Mondialpol Service S.p.A., the national operator in Italy of cash transport and counting services for Intesa Sanpaolo, decides to monitor activities in real time through cloud-ready equipment from Eurotech with cloud computing data management. This is the first security application in Italy to use this technology, and Eurotech's partnership with the Mondialpol group is intended to transform the cash transport sector, which has previously been managed in the traditional way. Another innovation is the "Device-as-a-Service" (DaaS) model, which will enable Mondialpol to purchase the Eurotech solution by paying a monthly fee for a period of three years for each Eurotech HRC4200 device that will be put into service and assigned to a fleet of armoured vans at 130 armoured car companies. Thanks to Eurotech's device-to-cloud technology, value-added data generated by all the different portable devices is collected and conveyed securely in real time to the cloud infrastructure. The cloud provides controlled access to data, enabling everyone to see or manage the data for which they are responsible; data of interest can then be downloaded from the cloud to Mondialpol Service's ERP system, so that it can be integrated with the information produced by the rest of the process. Once again, Eurotech has shown its ability to anticipate the needs of the market with technology that is always cutting edge, applicable in a wide variety of sectors. The Device Data Management via Cloud solution enables to relieve companies of the need to manage and protect with their own IT infrastructure growing quantities of heterogeneous data arriving from devices spread in different geographical locations, and the Device-as-a-Service supply model relieves Customers of the burden of the initial investment, which often slows companies' adoption of new technologies.

Selex Elsag, the strategic hub of the Finmeccanica group in the electronics sector for defence and security, has selected the Eurotech AURORA supercomputer to use it in the emerging Cyber Security field. The use of HPCs outside of the academic and scientific world is progressively becoming more wide-spread and the increased digitalization of information means even the security sector needs to process millions of data rapidly, in just a few seconds. From its creation, the Aurora architecture has been imagined to be efficiently used not just for scientific research but also for industrial and service uses, and this application in the field of cyber security confirms the accuracy of this initial vision.

Connected World Magazine places Eurotech on the CW 100 list for leadership in the M2M Technology and Connected Devices sector. The CW 100 list represents the best companies that are driving the market and that are involved in the introduction of new technologies for connectivity. This list provides a guide of companies that make the difference in the interconnection of devices and M2M technologies, selected by the editors of the Connected World magazine. "The CW 100 shows which M2M companies are pushing the envelope in this market, and Eurotech fits the bill," claims Peggy Smedley, Editorial Director of Connected World. "Customers want useful data from the field, and Eurotech is making it simpler and more cost-effective to capture, access and use that vital information to run their businesses."

Eurotech and IBM donate the Message Queuing Telemetry Transport (MQTT) protocol to the Open Source Eclipse Foundation community with the declared intent of creating a new standard for the connectivity of the Internet of Things. The software in question, initially developed by IBM and Eurotech, is today used for various mobile applications: MQTT uses include diversified projects, which range from monitoring ConocoPhilipps pipelines in real time to a new and light mobile message application for Facebook. Billions of integrated devices, like RFID tag readers, smartphones, cardiac monitors, environmental parameter control systems and intelligent devices can be interconnected. Many of these devices, however, are specific of a given industry and are tied to proprietary technologies and platforms, thus making it more difficult to reach an effective connectivity. Connecting all these devices through an open-source and standardized messaging technology, new "systems of systems" can be created in order to cooperate as never before. The architecture provided by the MQTT technology can easily adapt to existing systems and provide a new level of connectivity through a wide range of systems without requesting programming or complex reconfigurations for the existing monitoring systems. Just like the Hyper Text Transfer Protocol (HTTP) allowed open communication through the Internet, the creation of an open messaging protocol can have the same impact on creating distributed intelligent systems. In this sense, the MQTT technology can represent the missing link necessary to inaugurate a new level of accessibility and connectivity between the systems in addition to allowing the creation of next generation Machine-to-Machine (M2M) solutions.

The main European suppliers of HPC technologies such as Allinea, ARM, Bull, Caps Entreprise, Eurotech, ParTec, ST Microelectronics and Xyratex, associated with BSC, CEA, Cineca, Fraunhofer, Forschungszentrum Juelich and LRZ research centres join forces to create a European Technology Platform (PTE), starting from the PROSPECT and Teratec work results. The main PTE objective is to coordinate all European forces involved in the HPC sector, including SMEs, large European and international companies and research centres, proposing an ambitious research plan to the European Commission. This initiative is an important step to encourage and strengthen the European industry's position in the HPC sector. The impressive contribution by the members of this initiative shows that, in the years to come, if an ambitious research and development program is created, Europe can obtain a cutting-edge position in the HPC sector. The PTE will lead this movement, giving life to a European HPC sector that can create added value for both research and industry.

2012 Eurotech unveiled the CPU-111-10, the new 6U VPX Single Board Computer (SBC), a rugged, high-performance Blade Server featuring a quad-core Intel L5408 Xeon processor and integrated 10 Gigabit Ethernet switch to support full-mesh backplane data layer interconnectivity for up to eight SBCs integrated into a single chassis. Available in air cooled or conduction cooled formats, the CPU-111-10 conforms to the OpenVPX (VITA 65) profile. The CPU-111-10 serves as an ideal open-architecture building-block for the defence, industrial, medical and scientific sectors.

Eurotech also launched SekuPLATE, a new family of IP-based License Plate Recognition Systems that target security applications where intelligent association of vehicles and permission rights is needed. Based on cutting-edge recognition algorithms, SekuPLATE delivers top-notch reliability plate recognition systems, that dramatically minimize detection failures in all weather and light conditions. Compact, versatile, and easily configurable, SekuPLATE systems read license plates, including in Arabic characters, and process them automatically, to monitor the passage of vehicles through toll gates, checkpoints, access areas, parking lots and other similar applications. The design is compatible with traditional IT architectures and also benefits from connectivity to Eurotech's cloud platform, dramatically cutting time-to-market when building scalable, robust applications that integrate devices with customer applications.

Eurotech also launched SekuFACE, a new family of IP-based Biometric Face Recognition Systems that target security applications where intelligent association of personal identity and permission rights is needed. Based on biometric mapping of face images and their automatic validation against the ICAO standard (ISO/IEC 19794-5), SekuFACE systems dramatically simplify compliancy and privacy issues, while providing at the same time fast and reliable facial recognition. SekuFACE enables effective monitoring of large structures by activating multiple access security levels, tracking simultaneous targets and managing hierarchical access gates. Easy to interface with other ID devices, such as document and badge readers, SekuFACE systems are allow for cross-checking of credentials whenever a higher level of security is required.

Eurotech launched version 2.0 of its Everyware Cloud™. This cloud-based M2M platform is a base for transmission and management of M2M data in an industrial, logistical and transport context. Everyware Cloud 2.0 is based on open standards, allowing users to connect their applications rapidly to the cloud platform using an open Application Programming Interface (API). Safe and effective, it enables businesses of all sizes to access information and capacity that used to be reserved for companies able to invest huge quantities of time and resources into building major IT structures and complex processes. The key advantages of Everyware Cloud 2.0 are: better connectivity of devices with a data model that is optimized for data communication; managing data in real time, with the option of immediate data analysis; option of long-term data storage: the data can also be queried later (for 36 months and over); storage of data in any format in the high-performance schemaless database; easy-to-use web interface for managing the device and platform; wide variety of API through a standard REST interface for easy integration with IT infrastructure; zero configuration for a new connectivity device; total independence from the device.

Eurotech unveiled ReliaGATE 50-21, an industrial grade multi-service gateway designed to enable M2M applications in a broad variety of environments. Based on the Intel® Atom™ processor, it delivers communications, computation power, a middleware application framework and an integration platform for rapid implementation and immediate activation of M2M services. The ReliaGate 50-21 is a flexible, application-ready platform with enhanced wireless capabilities to simplify connecting devices to the Cloud. The platform is easy to install and natively integrated with the Everyware Cloud 2.0 M2M platform to collect and manage distributed device data and quickly deploy solutions on the Internet of Things. The new ReliaGate smart gateway family immediately connects devices and sensors with IT infrastructure and business applications. For the developer, it is the entry point to our cloud solution: on the embedded device side, it delivers the benefits of Eurotech ESF (Everyware Software Framework), the software framework for effortless, highly portable programming; on the enterprise side, it delivers an easy path to data consumption and device monitoring through Eurotech Cloud services.

Eurotech developed the highest-density GPU-accelerated supercomputer cluster in the HPC sector: the machine is the result of an agreement with NVIDIA to expand the Aurora supercomputer product line with new energy-efficient, high-performance GPU (graphic processing units)-accelerated systems. The agreement builds upon an existing agreement with NVIDIA, which has enabled Eurotech to develop and install a series of custom GPU-based solutions to customers throughout Europe. It will include joint engineering efforts to develop the highest density Eurotech supercomputer cluster, the Aurora Tigon, featuring 256 NVIDIA® Tesla® K20 GPUs. The new systems are expected to deliver more than 500 teraflops of performance per rack and above 3.6 GFlops per watt, establishing an unmatched new frontier for energy-efficient supercomputer performance.

Eurotech signed a co-design agreement with CINECA for the development and installation of an HPC prototype called Eurora, in a project co-founded by PRACE 2IP. CINECA, a Consortium made up of 54 Italian universities, is the largest Italian computing centre and hosts Fermi, the second fastest supercomputer in Europe. The new Aurora Tigon product will serve as the technological foundation for development of the Eurora prototype. CINECA will deploy this new prototype system in the fields of computational sciences, including fundamental constituents of matter, condensed matter, astrophysics, life sciences and Earth sciences. Eurotech, the first company in the industry to offer a commercial hot water cooled supercomputer in 2009, has recently extended such technology to hybrid energy-efficient systems. This is in line with the CINECA goal to set up a many integrated core prototype with hot water cooling to implement a system that excels in power saving and lowers total cost of ownerships (TCO) without any compromise in computing performance.

Eurotech Japanese subsidiary Advanet received a letter of appreciation from RIKEN and JASRI (Japan Synchrotron Radiation Research Institute) for their contribution to the construction of the X-Ray Free Electron Laser (XFEL) facility, 'SACLA' (SPring-8 Angstrom Compact free electron Laser), which went into full operation in 2012. SACLA enables the emission of light waves that are employed for the advancement of basic and applied science in many areas, including: Protein Structure Analysis, Nanotechnology, Ultra-High Speed Imaging, Cellular Biology, and Matter-Antimatter interaction. Advanet, one of the first contributors to the project, participated in development of the accelerator controller of ‘SPring-8,’ the world’s largest third-generation synchrotron research facility by delivering high-speed analog boards and CPU boards to the facility for 15 years.

Science Applications International Corporation (SAIC) chose Eurotech's ISIS ICE rugged, low-power embedded platform for a Positive Train Location (PTL) system. The projected total value of the contract is USD 60 million over three years. The Federal Railroad Administration and the North American railroad industry have been developing various elements for a Positive Train Control (PTC) system; the industry is now focusing on train length data accuracy and positive determination of train location through PTL projects. The first phase of the project uses the ISIS ICE, a rugged sub-system based on the low power, high performance ISIS single board computer, which was certified last year as one of two hardware reference designs for PTC applications. The ongoing deliveries for this SAIC contract consist of the Eurotech computer on module, Catalyst TC, with custom board set and enclosure.

A new partner agreement has been signed with PROSOFT Ltd., a leading distributor and integrator of embedded components and systems, to target the Russian market. The agreement will enable Eurotech to increase its presence in the territory of Russia and in the CIS (Commonwealth of Independent States) countries. Thanks to this agreement, PROSOFT will bring to the Russian market a broad spectrum of Eurotech's embedded solutions, from processor boards and computer modules to Cloud platforms.

2013 Eurotech presents the installation in CINECA of the Eurora supercomputer, which ranks as the world's most energy efficient high-performance computing system based on measurements taken following the Green500 guidelines. Eurora serves as the base technology for the development of the PRACE 2IP co-funded prototype, led by the CINECA supercomputing center in Italy. CINECA will deploy the Eurora prototype to fields of computational sciences. The Eurora supercomputer provides the technological base for the Eurotech Aurora Tigon, expanding the Eurotech Aurora supercomputer product line to include GPU-accelerated systems.

Eurotech expands distribution agreement with Avnet Electronics Marketing in North America to include M2M platform. This contract extension includes Eurotech's Everyware™ Software Framework (ESF) and Everyware Cloud (EC). Eurotech solutions will be distributed through the Avnet Embedded division of Avnet Electronics Marketing Americas.

Eurotech launches the CPU-301-16 with Freescale i.MX6 processor, a low consumption power board and with Single Board Computer (and Computer on Module configurations. It is an ARM-based embedded platform that further extends the Eurotech family of products enabling the Internet of Things (IoT) and Machine-to-Machine (M2M) applications. The CPU-301-16 supports Everyware Software Framework (ESF) and Everyware Device Cloud (EDC), making it an embedded platform that is scalable, connected and easy to deploy.

The application by SENSUSS with the Eurotech M2M platform received a prestigious recognition for the year 2013 from the Computerworld Honors programme, founded by the International Data Group (IDG) in 1988 and part of the non-profit Computerworld Information Technology Awards Foundation. Computerworld Honors is the longest running global program to honor individuals and organizations that use information technology to promote positive social, economic and educational change. SENSUSS, an innovator of sensor technologies, is developing a portfolio of products that provide immediate information about impact levels that an athlete has sustained during participation. The product monitors impacts and captures that data; it then uses Eurotech's M2M technology to transmit and store that data, and through cloud based applications provides real time assessments that protect the athlete from further potential harm. Coaches, doctors and parents can find out about potentially harmful hits immediately and even compare the data to previous hits or specific medical issues the athlete may have.

RTX, a provider of Internet Protocol (IP) based low-power wireless communication solutions, signs a partnership with Eurotech to help customers connect devices and send data to the cloud. By virtue of the partnership, RTX customers wanting to implement M2M wireless solutions will have access to the Eurotech multi-service gateway and to the M2M Everyware Cloud integration platform.

A new distribution agreement with Insung Information CO., Ltd to address the South Korean market is signed. The agreement is signed through Advanet Inc. The partner agreement has been signed through the fully owned Japanese subsidiary Advanet Inc. Thanks to this agreement, Insung Information CO.,Ltd – a leading distributor and integrator of embedded components and systems – will bring to the Korean market a broad spectrum of Eurotech's solutions, from processor boards and computer modules to systems addressing several vertical market segments.

Eurotech expands the product range for passenger counting with the DynaPCN 10-20, a fully integrated passenger counter with Ethernet communications, specifically designed for public vehicles.

The ReliaGATE 50-21 multi-service gateway achieves Verizon Wireless Wireless Open Development certification with which it will be able to guarantee M2M (machine-to-machine) services and the Internet of Things (IoT) technology on the Verizon Wireless data network. The Verizon Wireless' Open Development Initiative (ODI) is the company's program designed to allow and encourage the development community to create new products, applications and services beyond what Verizon Wireless offers in its portfolio and bring these to the marketplace on the Verizon Wireless network.

Eurotech scores first and second place in the Green500, the ranking of most efficient supercomputers in the world, with the Eurora supercomputer installed at CINECA and the Aurora Tigon supercomputer installed at the Finmeccanica company Selex ES, specialised in information technology and security. Eurora, the supercomputer of CINECA, entered in first place with 3210 MFlop/s per Watt, while the system of Selex ES, Aurora Tigon, was ranked 2nd with a value of 3180 MFlop/s per Watt. To give an idea of the importance of the result, the 3rd place of the Green500 is occupied by a system with 2450 MFlop/s per Watt, which is a value 25% lower than that obtained from the computers produced by Eurotech. Compared to a conventional air-cooled system, Aurora HPCs enable computing centers to save up to 50% on energy bills, while reducing space occupancy by 5 times due to higher density system configurations. Speaking about "green" implications, the Eurora system of CINECA, when compared to an equivalent performance air cooled system, brings a reduction of more than 2,300 tons of CO2 emissions per rack during its lifetime.

The Satellite Applications Catapult, a UK government-funded technology innovation centre (https://sa.catapult.org.uk), purchases a suite of Eurotech's multi service gateway devices and the Everyware Cloud machine-to-machine (M2M) integration platform to provide new businesses and entrepreneurs with the infrastructure to develop and test new technology and applications. The incubator will use a version of the Everyware Cloud platform designed for its own specific requirements, along with multi service gateway edge devices to create an open framework for customers to build and test Machine to Machine and Internet of Things applications.

On 1 October, Eurotech announces it has signed with Curtiss-Wright Controls, Inc. – a segment of Curtiss-Wright Corporation – for the sale of 100% of the share capital of Parvus Corporation, the American fully-owned subsidiary of the Eurotech Group specialized in embedded computers and COTS subsystems for the US Defence market. The consideration for the transaction has been set by the parties at USD 38 million (equal to approx. €28.1 million at current exchange rates), net debt free. This amount is subject to adjustments based on the working capital as at 30 September 2013. Positive adjustments in favour of Eurotech have a cap of USD 300 thousand. The collection of the consideration, net of escrow deposit for 18 months to cover contractual warranties, has been USD 35 million at the closing date, which is 1 October 2013, while the adjustment based on the working capital will take place within 150 days from that date. According to the US GAAP, in 2012 Parvus had revenues equal to USD 20.19 million and EBITDA equal to USD 4.86 million. Eurotech S.p.A. acquired Parvus Corporation in 2003 for a counter value of USD 2.26 million (equal to €1.95 million) and in 2002 Parvus had revenues equal to USD 3.55 million and EBITDA equal to USD 254 thousand.

The Board of Directors of Eurotech S.p.A, following the authorisation for the purchase and disposal of treasury shares voted by the Shareholders' meeting, approves a treasury shares purchase program within the purposes contemplated by "market practice" as allowed by the Consob (Italian securities & exchange commission). In particular, the objective of the purchase program is the constitution of a "warehouse" of shares to be used in the execution of possible future investment transactions. The purchase may involve a maximum of 1,100,000 shares, with a maximum counter value of €3 million; the purchase program may be conducted in several installments, during the whole time period defined by the Shareholders' Meeting and hence until 23 October2014.

Eurotech announces CPU-71-15 high performance Single Board Computer based on 2nd generation Intel® Core i7™. Based on the VMEbus 6U form factor, the CPU-71-15 is offered in both convection cooled and ruggedized conduction cooled variants. The CPU-71-15 supports several operating systems, including Microsoft Windows, Linux, and real-time operating systems like QNX and VxWorks.

In order to meet the growing demand for smaller HPC systems that cater SMEs and departments computational needs, Eurotech presents to the market the Aurora G-Station, powered by GPU accelerators, and the Aurora Cube, the CPU-only version. Built on the same architectural grounds of the innovative and world greenest Aurora Tigon Supercomputers, the Aurora G-Station and Cube maximize performance, energy efficiency and high density. Direct liquid cooling (Aurora Direct Liquid Cooling) and high density design provide noiselessness and compactness to allow the deployment of Aurora mini clusters even in an office, with no need of a controlled environment at all.

CEA, the French Alternative Energies and Atomic Energy Commission, purchases a small module of the new Aurora Tigon hot water-cooled high performance computing (HPC) family. The unit will be hosted in the CEA Compute Complex in Bruyères-le-Châtel and will serve as an R&D platform in order to assess and develop software addressing the challenge of energy efficiency. CEA considers this a major challenge for future HPC platforms.

Eurotech, a founding member of the European Technology Platform for High Performance Computing (ETP4HPC), announces that a Public-Private Partnership has been signed today between ETP4HPC and the European Commission with which the EU and industry will provide vital funding for research and innovation activities in the High Performance Computing sector, which is considered as one of the essential factors to Europe's industrial leadership in the next years. The cPPP will implement the strategic research and innovation agenda through co-funded projects selected through Horizon 2020 calls for proposals.

2014 Eurotech achieves the qualification of “Partner” supplier from John Deere in its “Achieving Excellence” programme. It is the highest supplier classification level. The US subsidiary was selected for this recognition by virtue of its dedication to supplying products and services of top quality on the one hand, and on the other, of its commitment to continuous improvement. The suppliers taking part in the Achieving Excellence programme are assessed each year on many key performance categories, including quality, cost management, deliveries, technical support and "wavelength", which is a reactivity measurement. The John Deere purchasing managers created the programme in 1991 to have a supplier assessment process and to give suppliers feedback that would foster continuous improvement.

Eurotech announces DynaCOR 30-10, the new Core i7 fanless rack mount computer ideal for critical environments.

Equipped with a high performance Intel Core i7 CPU, the DynaCOR 30-10 offers server class performance in a sturdy and compact 1U format, and is just 352 mm deep so it is fully compliant with the standard 19" rack. The DynaCOR 30-10 is able to offer high computing capacities where reliability is considered an essential requirement, and it is equipped with specially designed heat exchangers that replace the fans. The system is thus ideal for a wide range of industrial applications and in the transport sector.

Eurotech announces the embedded module Catalyst BT, an Intel® Atom™ E3800 processor series-based Computer-on Module. It is able to satisfy those customers who need an industrial level of quad, dual or single-core performance by supplying advanced networking and video capabilities while at the same time keeping consumption at absolutely the lowest level of the entire Caralyst line of products. Suited to an extensive temperature range - from -40°C to +85°C - it is the ideal solution for devices that have to meet specific temperature thresholds and small spaces in the medical, industrial, automotive, video games and retail sectors. Catalyst BT is a native IoT/M2M module that supports the Eurotech scalable Everyware Device Cloud platform. It is also compatible with ESF (Everyware Software Framework).

Eurotech announces the rugged ReliaCELL cellular module specially designed for being integrated with multi-service gateways to ensure fast and highly reliable cellular connectivity in M2M applications. ReliaCELL is a product certified and approved by telephony operators for speeding up time-to-market. Customers can save time and money by avoiding the complex mobile telephony operator certification issuance processes because they are already obtained and integrated in the ReliaCELL module.

Eurotech presents the ReliaSENS 18-12 environmental monitoring system connected to the cloud and equipped with high precision sensors to measure air pollution, with access to data in real time. It is a sturdy and compact system developed to monitor ambient temperature and the levels of polluting gases, particulate, electromagnetic fields and radioactivity (with a noise pollution option) in traffic areas, urban and industrial areas and near construction sites. ReliaSENS 18-12 is scalable from a single device to an extended monitoring network, with a simple Web interface and app for Android and iOS to manage the device and access data. The system can be easily installed and mounted on a post with power supplied by battery or cable. The user can set thresholds and automatic notifications. Based on the data the sensors collect, the system generates measurement reports every hour and every day. ReliaSENS can easily be integrated with existing IT systems to analyse the data coming from the field and intervene as a result.

Eurotech: Everyware Software Framework (ESF) joins the Intel Software Stack for the Internet of Things (IoT), thus completing the validation of Everyware Software Framework (ESF) on the Intel® Gateway Solutions for the Internet of Things (IoT). By using ESF on devices and at the nodes of the sensor networks, the device and data management functions can be accessed via open, standard-based solutions to get maximum flexibility in the Internet of things and in the Machine-to-Machine (M2M) solutions. "Eurotech, a long-time member of Intel's Intelligent Systems Alliance, collaborated with Intel to achieve complete solutions for Internet of Things gateways, and this becomes software solutions combined with a rugged hardware for the connectivity, manageability and security of the Internet of Things networks," said Kumar Balasubramanian, General Manager of Intel's IoT Solutions Group. "Intel fielded considerable resources to enable an ecosystem for the Internet of Things and working with Eurotech helps us extend our offer to meeting the market demand and make new, interesting IoT applications and services possible."

Eurotech presents the ReliaGATE 15-10 multi-service gateway for M2M applications

Based on the low-consumption SoC Intel® Quark processor, the ReliaGATE 15-10 Multi-Service Gateway is a sturdy and reliable gateway and edge controller for aggregating, processing and transferring data, so it is ideal for M2M applications. ReliaGATE 15-10 includes the Eurotech Everyware Software Framework (ESF) solution for developing applications existing on the device so that time-to-market can be shortened and the available functions can be expanded, including remote management of the device. ReliaGATE 15-10 is an application-ready platform that comprises the pre-certified Eurotech ReliaCELL 1020 cellular module, thanks to which the gateway can be immediately implemented on different mobile networks. The ReliaGATE 15-10 hardware platform is natively integrated with the Eurotech M2M Everyware Device Cloud integration platform so integration with the company applications and the supply of device management services are quick.

Eurotech shares the open standard application framework for gateways designed for M2M services with the Eclipse community through the Eclipse Kura project, an open source incubator whose purpose is to implement an OSGi (Open Service Gateway initiative) container for M2M applications on services gateways. Implementing and configuring a device that serves as a node on the Internet of Things (IoT) is relatively simple. It is more complex doing it for hundreds or thousands of devices that support many local applications. The new Eclipse Kura projects falls precisely within this context. Kura offers a platform that lies on the borderline between the private network of the device and the local network, the public Internet or the mobile telephony network, to make available a manageable and smart gateway able to run applications that can collect information locally and reliably supply it to the cloud. Eurotech is a founding member of the IoT Working Group (formerly M2M Working Group) within the Eclipse Foundation, and it contributed to the Kura project by developing the original technology for all types of devices: from generic ones to rugged laptops, from wearable devices to service gateways, and from vehicle consoles to the Raspberry Pi. Like the Java platform, Kura can be installed on Linux devices and it provides a system that can be managed remotely. It is complete with all the primary services which applications need, and a level of abstraction from the device to access the hardware of the gateway.

Eurotech commences collaboration with ALYT to integrate the ALYT SmartHome Manager, a multi-connected wireless gateway with Android operating system for domestic security and automation systems, with the Eurotech Everyware Cloud. Collaboration between Eurotech and ALYT involves porting the Application Framework with the recently released OSGi Kura open-source technology on the ALYT gateway. This integration will allow ALYT customers, both private and small companies and application developers, to benefit from a sturdy and open IoT platform such as the M2M Everyware Cloud Integration Platform to share information on the cloud.

Everyware Server won the M2M Evolution magazine 2014 Product of the Year award. The publication is specialised in the machine-to-machine market. Everyware Server is an advanced M2M integration platform for applications in on-premise mode. By having the proven range of functions and services of Everyware Cloud integrated with a powerful and reliable hardware component, companies today can both achieve high levels of data security and confidentiality and manage the data and distributed devices through a locally installed system. Many customers want to take advantage of the tools and benefits of a public cloud service, but need to keep their data secure in their own data centers. Eurotech developed Everyware Server to meet the needs of customers operating in the industrial, medical and transport sectors, and in many other markets, by offering them an easy to implement, efficient and secure solution that can be perfectly integrated in the company IT infrastructure. "The solutions selected for the M2M Evolution Product of the Year awards represent the enormous innovation capability of the current machine-to-machine market. Congratulations to Eurotech for their innovative work and for the huge contribution to the rapid evolution of the M2M segment," said Carl Ford, CEO of Crossfire Media, co-publisher of the M2M Evolution magazine.

Eurotech signs distribution agreement with Mouser Electronics

According to the terms of the agreement, Mouser Electronics will promote and resell the Eurotech product portfolio to its customers: embedded boards and modules, M2M systems and devices, and also the M2M platforms and software tools for enabling applications in the "Internet of Things". The distribution agreement with Mouser will provide visibility to the key people of the product design processes when they are looking for solutions that enable the Internet of Things.

The M2M/IoT Everyware Cloud integration platform was named “Best Vertical Implementation” at the “battle of the platforms” held at the M2M Evolution Conference in Las Vegas. The Las Vegas "Battle of the Platforms" presented the state of the art of platforms that help implement and manage M2M solutions. TMC and Crossfire Media sponsored the "Battle of the Platforms". "In the name of Crossfire Media and M2M Evolution, it is with great pleasure that I acknowledge the innovation Eurotech has demonstrated at the 2014 edition of the battle of the platforms here in Las Vegas," said Carl Ford, CEO and co-founder of Crossfire Media. "Platforms like Everyware Cloud are the driving force of the wave of developments in the machine-to-machine field that are turning what is possible to do into the Internet of Things. Eurotech truly deserves this award, and I can't wait to see what innovative new solutions they will present to us in the future."

Eurotech presents integrated open-source solutions for Internet of Things at JavaOne: the Eurotech hardware and software solutions exhibited at JavaOne include a new gateway on which implementation of Kura runs. It is the open-source software infrastructure project developed within the Eclipse Foundation. Also on display was Everyware Software Framework (ESF), the complete Eurotech Java-based software infrastructure, as well as the Everyware Cloud solution for the remote management of devices and for storing data for future statistical analyses.

Eurotech presents DynaDOT traveller information panels at Innotrans Eurotech's presence at the international transport technologies show in Berlin is focused on the DynaDOT displays in the 10-13 and 10-14 versions specifically studied for railway applications, and more in particular for the passenger information panels (PIS, Passenger Information System) installed in narrow spaces both on board trains and along the platforms. DynaDOT is a dot matrix panel with EN50155 certification and IP 54-rated protection without cooling fan, complete with high efficiency and high brilliance LED in a very thin casing. Easy to install both on board the trains and at the stations, it is ideal for those situations in which traditional displays cannot be used owing to their depth, for example for installations incorporated in train doors. With its depth of just 35 mm, DynaDOT is one of the thinnest dot matrix panels on the market today.

Eurotech presents HiVe, the new high performance computing solution. It is a new line of high performance computing (HPC) systems based on the innovative "Brick" supercomputing architecture recently presented at the ISC14 show that sets out to "raise the bar" in terms of acceleration, optimization and flexibility. The HPC HiVe systems are optimized for accelerated work loads, and boast unprecedented energy efficiency performance levels. This result is achieved thanks to a high degree of modularity together with the liquid cooling of all the components. The system is configured to adapt to different applications and it eliminates the non-essential components to concentrate on those that provide maximum performance for the specific work load of the customer. Each module of the system can have a combination of ARM-64 or x86 CPU, Intel or NVIDIA graphics cards (GPU) and other PCIe components. The modules, featuring an innovative format, have hot water cooling and support different component configurations. They offer computing and control capabilities (Intel or ARM processors), graphic acceleration (up to 5 Intel Phi or NVIDIA GPU cards), Infiniband network and added optional storage and display functions. These modules form the logic nodes of a larger system. The nodes can be housed in the Aurora HiVe rack in any combination up to 128 per rack. With the introduction of Aurora HiVe, Eurotech is pushing accelerated computing to unprecedented energy efficiency and density levels. The Aurora HiVe systems are one important step taken toward technically feasible and economically accessible Exascale systems.

Eurotech becomes Red Hat ISV Advanced Partner

The concurrence of embedded and business-oriented technologies is moving forward at high speed with the growing spread of open source solutions and open standards for M2M gateways and M2M integration platforms. Red Hat is one of the leading companies on an international scale in the field of open source and the open standards and for Eurotech, working with Red Hat is a natural evolution of this concurrence. The collaboration between Red Hat and Eurotech fortifies the offer of IT technologies available to M2M/IoT applications. Thanks to the collaboration with Red Hat, Eurotech is extending its ecosystem on a global scale and is establishing new relationships with partners that share the same technological vision and propensity to innovate. This agreement opens up new opportunities in the vertical markets in which the Red Hat solutions play an important role and broadens the field of action of today's software technology.

Significant events in 2015

JANUARY

Eurotech wins the M2M Evolution 2014 IoT Excellence award

The ReliaSENS 18-12 environmental system is selected due to its outstanding contribution to innovation. The award was given to this product due to its environmental monitoring system connected to the cloud. Compact and user-friendly, it is equipped with high precision sensors to measure air pollution. ReliaSENS 18-12 also guarantees real time access to the temperature, gaseous pollutant, particulate, electromagnetic field, radioactivity and noise pollution data so that heavy traffic areas, industrial areas, construction sites and urban areas can be monitored. This is why Eurotech won the 2014 IoT Excellence award, recognition given to innovative products that support the availability of information taken, extracted and collected directly from the sensors, systems or any other instrument designed to improve a company's operations and decision-taking activities.

FEBRUARY

Eurotech announces the release of the M2M/IoT Everyware Cloud 3.5 Integration Platform

Everyware Cloud™ is a Machine-to-Machine (M2M) Integration Platform that simplifies device and data management by connecting devices spread out over the field via secure and reliable cloud services. EC 3.5 provides a set of new functions that strengthen remote device management by performing remote device configuration, control, procurement and updating operations. With these functions, the Everyware Cloud Web Console is a single administration point for all the connected devices, while the Everyware Cloud REST APIs become the standardized programming interface for all the remote devices. With Everyware Cloud 3.5 Eurotech is taking a giant step forward as an M2M/IoT integration platform.

Eurotech announces its partnership with InVMA Limited, a company specialised in the IoT and M2M field that develops IoT applications on consolidated platforms

The collaboration agreement offers Eurotech and InVMA the chance to combine capabilities and experience necessary for supplying customers a complete IoT/M2M solution that ranges from sensors and smart gateways to the Eurotech EC (Everyware Cloud) platform and highly flexible applications for any sector. Now with InVMA's expertise in complete hardware and software solutions that link people, systems and equipment ("objects") in order to improve the efficiency of organisations, Eurotech can supply its customers a complete suite made up of a platform and IoT/M2M applications that can be applied to any IoT/M2M project in the shortest possible time.

APRIL

Eurotech and WebRatio reinforce their Technological Collaboration for IoT

Eurotech and WebRatio announce the strengthening of their technological collaboration to develop Internet of Things (IoT) applications on the Enterprise level by combining the IFML® Interaction Flow Modeling Language with Everyware Device Cloud.

The reinforcement of this partnership ensures that the visual modeling approach WebRatio follows perfectly integrates with the Eurotech IoT vision. It is innovative, simplifies and speeds up the development of web and mobile Internet of Things applications implemented on the Eurotech Everyware Device Cloud, and makes it possible to integrate the complexity of the M2M/IoT operating technologies in a simple to use and simple to integrate Platform-as-a-Service (PaaS).

iNebula Connect emerges from collaboration between iNebula and Eurotech

iNebula Connect is the first cloud service that offers a distributed and secure platform designed to support "smart objects", collect data, archive them and distribute them in a smart way with high value application workloads and to perform real time analyses while guaranteeing a practically limitless scalability and full compliance with data management regulations.

The platform, offered in SaaS mode, is extremely scalable and flexible and it lets companies working in all markets to adapt it to their requirements thanks to the multitude of personalization options. This union brings together Eurotech's experience in the field of IoT platforms and iNebula's experience in providing security-focused services, a problem that is becoming more and more important in business applications.

Eurotech takes part in the Fuorisalone with Eventometers, Mobile App integrated with IoT sensors and Social Analytics to monitor the success of the events.
Eventometers is the product created by WebRatio, Fluxedo and that is integrated with the Eurotech Everyware Device Cloud to involve participants of an event and measure its success. The application also demonstrates the integration of data coming from the Eurotech stereoscopic cameras, which are able to automatically count the flow of people in certain rooms and read their proximity to the points of interest, in this way profiling the public.
Eventometers lets event companies and organisers increase the effectiveness of their events by involving participants and being able to rely on sure measurements to analyse returns on investments in trade show, music and sports events and, in general, any people assembly activity.

The ordinary shareholders' meeting held on 22 April 2015 appoints Alberto Felice De Toni, rector of the University of Udine, Independent Director

MAY
The BoD brings itself up to date on the composition of its members
The BoD that approves the Consolidated Interim Management Statement at 31 March 2015 appoints Marina Pizzol as director to replace Paola Bonomo, who resigned from the office she held on 28 April 2015 due to professional commitments. In fact, Ms Bonomo was called by Facebook to cover the role of Global Marketing Solutions Director, Southern Europe.

Eurotech wins the IoT Evolution Product of the Year 2015 award
The rugged ReliaCELL 10-20 cellular adapter is selected due to its exceptional contribution to innovation.
The Eurotech ReliaCELL 10-20 is a rugged cellular modem that simplifies implementation of solutions, shortens time-to-market and reduces the certification costs tied to implementing a cellular solution. It can be mounted on a device via a standard USB connection and SMA connectors for antennas to easily extend the functions of new or existing devices. The modem is designed for integration with Internet of Things (IoT) devices, M2M, industrial computers and other enterprise equipment, which in this way are equipped with fast and extremely reliable cellular connectivity.

JUNE
Eurotech receives the award as best partner of the year in Smart Buildings solutions from Intel Technology Provider at the 2015 Intel Solution Summit
The recognition achieved both in the IoT applications in the field of smart cities and in the innovation of software demonstrates how Eurotech has grown and increasingly responds to the market's needs by offering innovative solutions in dynamic environments.
In addition to being used in different industrial contexts owing to its specificities, the platform for IoT Everyware Cloud integrations is particularly suited to applications in the smart city field thanks to the integrated development of hardware and software that makes it highly competitive in the Internet of Things solutions.

JULY
Eurotech installs the Booster system to complete the DEEP supercomputer at the Jülich Supercomputing Centre
With the DEEP Booster, Eurotech completes installation of the DEEP system at the Jülich Supercomputing Centre (JSC) which started at the end of 2012 when the Cluster was put into operation. The Cluster-Booster architecture ensures very high scalability and flexibility, and at the same time offers first class energy efficiency, thus taking one more step toward technically feasible and economically accessible Exascale systems. The system, whose peak power is 505 TFlop/s with over 3 GFlop/s per watt of efficiency, will remain in operation at the JSC for the next two years and will be accessible to developers outside the Consortium. The DEEP system has been specifically designed for those applications whose structure has more or less scalable code parts. In the first case, the code runs on the Booster, while in the second case it runs on the Cluster. The DEEP Booster has 384 nodes connected via 3D-Torus and they are liquid-cooled using "Eurotech Direct Hot Water Cooling" technology. Each blade consists of two nodes, each with its own Intel® Xenon Phi™ accelerator. Twenty-four BICs (Booster Interface Cards) control node operation and guarantee the I/O functions. The innovative architecture of the DEEP system will be further developed and upgraded with the next project, DEEP-ER (DEEP Extended Reach), on which Eurotech is already working. The goal is still that of developing an economically and energetically sustainable Exascale system.

Eurotech announces a distribution agreement with IPC2U for Germany, Austria, German Switzerland and Eastern Europe

The distribution agreement with IPC2U GmbH, one of the foremost suppliers of industrial computers in Germany, meets the rising demands of partners, system integrators and companies that are looking for European industrial communication solutions. The agreement marks an important milestone along Eurotech's path whose goal is to generate greater income from the commercial partner channel and offers IPC2U the possibility to enrich its range.
The demand for M2M solutions for applications in harsh conditions is constantly increasing in different sectors, and thanks to the opening up to new partnerships in strategic markets, Eurotech will be able to exploit the commercial strength of IPC2U which on its part will gain access to our entire range of services and consolidated expertise in implementing IT projects for production automation applications, communication between the field and cloud, or Customized Engineering services.

Frost & Sullivan awards a prize to Eurotech for having revolutionised communications between systems with the advanced M2M integration platform for Internet of Industrial Things (IoT) applications
Eurotech receives the prestigious award from the London company Frost & Sullivan, Growth Partnership Company, for Product Line Strategy Leadership for Cloud-enabled M2M Platform for IoT Applications in Europe.
With this award, Frost & Sullivan not only recognises Eurotech's twenty-year experience in the market, but also the value of the best-in-class M2M platform that facilitates the interconnection of embedded devices and offers a wide range of solutions. All Eurotech M2M solutions integrate hardware, software and services to offer an optimum return on investment (ROI). The perfect flexibility exceeds the customer's expectations and represents an ideal solution in a highly competitive market owing to overall advanced performance and assistance to the end user in connecting, configuring and managing devices along the entire life cycle of the product, up until the moment in which it becomes obsolete.

Eurotech supports Ariston Thermo Group in the Internet of Things
Eurotech M2M technology is selected for interconnecting Ariston Thermo Group products.
In this project, Eurotech provides Ariston Thermo Group with its technologies and expertise in M2M to consolidate the role of Ariston Thermo Group in the new Internet of Things paradigm, and it in fact is entering the big Italian industrial world with a flexible, scalable solution featuring an intuitive interface, with an immediate advantage not only for the end customer, but for service people and Ariston Thermo as well, which is in this way enabled to follow its product in real time starting from its very entry on the market.

AUGUST
Eurotech and Arkessa become partners to deploy the best IoT solutions on a global scale
The partnership agreement with Arkessa, global supplier of multi-network cellular connectivity, allows Eurotech to add connectivity management services to its M2M devices and gateways by virtue of the cellular and satellite multi-network service that covers all regions around the world. The Arkessa connectivity solutions, which are agnostic compared to the mobile networks, can be used on a wide range of Eurotech products and complete the rugged IP67 class cellular adapter ReliaCELL in a particularly effective manner. This combination of technologies lets Eurotech extend its differentiating end-to-end approach to also include global M2M connectivity.
The integration between Everyware Cloud, the Eurotech platform for Device & Data Management, and the Arkessa connectivity management platform finally gives customers a single solution for managing their connected assets while exceptionally simplifying the implementation of IoT projects.

Eurotech releases Everyware Cloud 4.0
Everyware Cloud 4.0, Eurotech's M2M/IoT integration platform, offers top security in remote management of connected devices and integration with application software on the Internet. With Everyware Cloud 4.0, messaging management is also strengthened through the support to Red Hat JBoss A-MQ. Now software programmers can take advantage of its benefits both for multi-protocol conversions and for creating broker clusters. The MQTT messages used for two-way communication between the connected devices and the Cloud Platform can be turned into AMQP or JMS messages to integrate company applications in typical ESB (Enterprise Service Bus) scenarios, thus offering a quicker and more direct implementation in the IT infrastructures of our customers.

Eurotech releases ESF 3.1, the Java OSGi software infrastructure for multiservice gateways and M2M smart devices.
ESF 3.1 offers a development environment for Java programmers that considerably simplifies the creation and remote management of embedded applications by providing a set of common services for Java developers who create M2M applications with I/O access, data services, network configuration and remote management.
ESF 3.1 serves as the bridge between the private device network and the local network, the public Internet network or the mobile telephony network. The infrastructure is a mechanism for the secure, reliable and optimized sending of data

between devices in the field (sensors, actuators and man-machine interfaces), and between these devices and the cloud platforms via optimized M2M/IoT protocols like MQTT.

SEPTEMBER
Eurotech sets new standards in authenticating devices for IoT security
Eurotech presents the new secure authentication and tracking functions of the devices integrated in Everyware Device Cloud, the complete solution for managing devices and data, at the IoT Security event in Boston (USA).
Protecting IoT infrastructures is a complex challenge, especially for distributed devices. These devices are scattered in different unmonitored areas, often mobile or connected via unreliable communication channels with a relatively narrow band. In addition to the measures necessary to implement secure execution environments for the IoT applications on these devices, it is important to guarantee that the devices themselves can be reliable and perform their task securely.
Eurotech has thus decided to offer its customers authentication solutions that ensure the top security level amongst the devices in the field and the company applications in the IT area. The chosen solution, based on X.509 certificates and integrated PKI functions, has now been enriched with new functions in order to effectively manage security in a wide range of Internet of Things projects.

OCTOBER
Eurotech releases Everyware Cloud 4.1 for the remote management of M2M/IoT devices on a large scale.
Everyware Cloud™ is the machine-to-machine (M2M) integration platform that simplifies device and data management by connecting different distributed devices via secure and reliable cloud and on-premise services.
Everyware Cloud 4.1 enriches the functions for the device software updates in wireless mode in order to manage M2M/IoT installations on a large scale. When updates for hundreds or thousands of devices are programmed and run, problems with schedules, band width and hardware resources are inevitably encountered. EC 4.1 introduces a new device software updating process that guarantees particularly effective large-scale updates for devices that demand the transmission of heavy files. The procedure can be managed with the new EC 4.1 functions, such as execution of the activity following reconnection, large-scale device software updates, scheduled activities and support for incremental software updates.

NOVEMBER
Eurotech wins the award for best IoT application on the market at the IDTechEx Show in Santa Clara, California for the excellence of the application supplied to its customer Ariston Thermo Group.
The IDTechEx award is a recognition given to innovation, completeness and value generated by the solution Eurotech offered to Ariston Thermo Group. It includes the ESF software platform, Everyware Cloud and a set of web and mobile applications that permit real time connection between the installed equipment distributed in the area and all the players involved in the business.

DECEMBER
Eurotech wins the Internet of Things Award for the most innovative platform on the market at the World Communication Awards in London
Total Telecom recognised Everyware Cloud - the proprietary device and data management platform - as the most innovative solution at the IoT Awards.
The Internet of Things Awards is the first and most important programme that recognises innovation and excellence within the IoT ecosystem. The Total Telecom award is a recognition for the clear and evident innovation of the platform and the concrete applicability of the project. The selection for awarding the prize was open to the entire spectrum of companies operating in the IoT world, and the categories receiving awards were selected both on the basis of impact on individuals and on the fullest effect at the social level.

Vision

Computers will be increasingly miniaturised and interconnected. They will merge with the surroundings of everyday life until they become indistinguishable from them, to improve our sensorial and perceptive capabilities.

If we look at the progress of computing technology, it is not difficult to see a clear meta-trend; a movement from a computer for many people (the mainframe computer) to a computer for just one person (the personal computer) and, lastly, to many interconnected computers for everyone (e.g. smartphones, e-books, tablets, satellite navigators, multi-media kiosks, digital cameras, Wi-Fi routers, smart tags, ATMs, etc.). The computers of yesterday filled entire rooms due to their size; the computers of tomorrow will 'fill' entire rooms 'invisibly' due to their number.

We will no longer use computers as distinct devices: they will be sophisticated elements that give us the means to augment external reality and our comprehensive presence on the network and through the Cloud. Progress will be such that we will no longer see computers as computers, but as an integral part of our world, as an extension of ourselves. This is what we mean when we talk about the disappearance or invisibility of computers: they will become a part of our surroundings and will escape our attention.

All of us can see that there are computers in telephones, household appliances, machinery, cars and in a host of devices and equipment used daily. This ubiquitous presence is not, however, enough. We must not simply make our devices more intelligent or more powerful from the point of view of computation – we have to give them the ability to 'perceive' the world. The pervasive computing grid that we now call the Cloud must be fuelled by data from the real world, and the network of wireless sensors is the missing link. When this gap has been bridged, we will finally have an extension of our five senses. We will be able to virtually extend ourselves, going from a human body with good computing power but weak sensors to a 'hyperbody' with a wealth of sensors and outstanding computing power.

"It will be a time when all human beings on our planet will be able to eloquently communicate with ubiquitous and smart technological systems, and use them on a daily basis to resolve a vast number of real and concrete human problems." (John Smart, founder and chairman of the Acceleration Studies Foundation)

"We will have true reality amplified. Computers will look at what you look at, will listen to what you say, and will be helpful. So if you look at someone, little pop-ups will appear in your field of vision, reminding you who it is, giving you information about him, and reminding you that his birthday is next Tuesday." (Ray Kurzweil, American inventor and futurist)

Mission

Integrate the state of the art of computing and communication technologies to develop innovative applications, able provide a competitive advantage to our customers.
Improve everyday life, making it simpler, safer and more pleasant through the ubiquitous and pervasive use of technology.

"The purpose of a computer is to help you do something else". This memorable quote from Mark Weiser sums up the essence of the usefulness for human beings of the spread of miniaturised and interconnected computers throughout our surroundings.
We see this as a means of relieving man from risky, tiring, distasteful or simply boring activities. We like to give our work an aim that preserves and encapsulates a natural attention to the human and social dimension.

"Invisible computers should help us to free our minds of unessential activities so as to reconnect us to the fundamental challenges that humans have always had: understanding the universe and our place within it." (Mark Weiser, former head researcher at Xerox PARC)

"It is no longer a question of computers. It is a question of life." (Nicholas Negroponte, co-founder of MediaLab at MIT and the magazine WIRED)

The pervasiveness and ubiquity of miniaturised and interconnected computers means that it is no longer a matter of computers – in terms or objects or tools – but is increasingly a matter relating to everyday life.
The opportunity that computers provide to amplify our senses and reality lets us look at the world from a new angle.
Currently existing technologies can really change the man/computer relationship, making their co-existence increasingly symbiotic. Thanks to digital technologies, humans will be able to increase their potential without sacrificing their security and quality of life. The more integrated digital technologies are in everyday life, the more effective digital technologies will be.

Values

Social responsibility is essential for the entire Eurotech Group.
Our objective has always been to combine competitiveness and honesty. In pursuing growth, innovation and business results, we also dedicate the utmost attention to promoting quality of life, employment standards and human rights. We are also very attentive to the environment in which we operate and we work on the basis of objectives indicated by international conventions on sustainable development. For this reason, we have joined the United Nations Global Compact, the world's largest sustainability and corporate citizenship initiative.

"A school can be founded on a group of theories, but a culture, a civilisation, a new way to live together among men can be founded on a group of values." (Ignazio Silone, Italian writer and politician)

Besides aiming for ongoing reinforcement of structural capital, we work very hard on developing human, relational and social capital. We do so because we consider it an investment fundamental for assuring competitiveness, stability and longevity for the entire Group.

This commitment is reflected in the policies and attitudes of our management, which encourages creativity and innovation and adopts operating approaches based on the ethics of relations.
We place great importance on the quality of our management team, with the aim of aiding communication, the exchange of ideas and creation of a strong group identity.

"A man without ideals is like a ship without a rudder" (Mahatma Gandhi)

We invest in people, in enhancement of their 'key' skills, and in their continuous training and development. We cultivate and champion creation of a work environment based on reciprocal respect and trust and on the safeguarding of health and safety in the workplace.

We believe our tasks include that of assuring all workers the same job and professional opportunities, and equitable treatment based on merit.
In Eurotech, we also want to give the right space to all those people who have ideas, passion, and determination.
We recognise and encourage development of each employee’s ability together with teamwork, so that the energy and creativity of individuals is fully expressed in achievement of shared, group-wide successes.

Business model

The four key elements of the Eurotech model

Even before creating Eurotech, its founders had it clear in their minds that – to compete successfully in such an effervescent market as that of embedded computers in the 1990s – it was vitally important to manage to emerge. To be able to embark on a growth course, Eurotech had to get out of the scrum very fast indeed. And it had to do so without needing huge initial capital. This was why, right from the start, focusing on excellence seemed to be the key to standing out from the crowd, disposing of great intellectual capital but of little economic capital.

For Eurotech this term – excellence – meant a combination of innovation and quality. But that combination as such was not enough. What was needed was an even more distinctive connotation of excellence, one that, above all, worked as well as possible for achievement of sound growth. Because of this, it was immediately clear to everyone that excellence had to be sought remaining within sector standards.

Given this, instead of investing in proprietary or totally customised solutions, Eurotech immediately believed in the standards' strength as a launch pad to project the entire company into the future. The founders had understood from the very outset that it was not enough to give customers high-performance products. Those products also had to be open to the future evolution of technology – which looks set to be overwhelming – whilst also saving on investments in software, which are the largest part of any implementation. Standards could therefore permit innovation based on continuity, endowing products with the prospect of relative compatibility with future discoveries without having to rewrite the software application from scratch. Although retaining the ability and skills to develop customised solutions for special uses or customers, Eurotech chose right from the start to seek excellence with solutions representing the state of the art of the most universally recognised standards.

Today, Eurotech, partly due to its policy of acquiring complementary companies, not only covers all the main electrical and mechanical standards of reference for the embedded market (PC/104, PC/104plus, cPCI, cPCI Express, VME, VPX, EPIC, EBX, COM Express and PMC), but also has a multi-platform offering, as it is able to supply modules and processor boards with x86, PowerPC and ARM architecture.

The second important choice immediately made – and one which has turned out be a winner – was to be an 'ideas factory' without a 'machinery factory'. This is an approach called 'fabless'. This means that Eurotech has no mass production plants or facilities. Within the value chain, the Eurotech Group carries out research, development, engineering and prototyping, quality control and logistics. In NanoPCs, therefore, the production divisions produce only prototypes, small series and takes care of some product testing when volumes mean that outsourcing is not financially expedient. For HPCs, production of boards and mechanical parts is carried out externally, while final assembly, testing and burn-in are carried out in-house.

After the acquisition of Advanet, the Group also has a small amount of production capacity, which, however, does not exceed 20% of total capacity and is focused on high-end products. The Group thus continues to keep limited in-house production capacity for low-volume production, prototypes and any strategic works. Mass production is nearly all outsourced to outside producers, who then send the products to Group's various companies for final functional testing and quality control.

The third key element of Eurotech's model is constant monitoring of systems integration and the dynamics of the value chain.

In the 1980s, the value chain for products based on digital technologies was very long: creating a complete system required numerous and individually specialised parts, and every section of the value chain required specific, specialist players. In practice, those who worked on boards were very far removed from the final customer. But there was already a clear trend towards integration of the various components (as described by Moore's Law concerning the exponential increase in the number of transistors that it is possible to place in an integrated circuit) and a consequent reduction in the number of players in the value chain. Consequently, the distance from the end-user was also decreasing and this meant that the business approach had to adapt accordingly.

Boards changed from being finished products to become increasingly often system components. Given the increase in system complexity and the increasing standardisation of functions, hardware and operating system have increasingly become an inseparable combination. Today, from mere hardware we have progressed to application-ready platforms (ARPs), consisting of enclosures that encapsulate hardware, the operating system and middleware, an essential element today for those who want to transfer XML, SOAP, web service, and SOA applications to platforms with different architectures. In future, with the increase in function standardisation, the move will increasingly be towards addition to such platforms of even more software and of possible accessories, to create ready-to-use (R2U) devices.

A further effect of the progressive integration of systems is the changing prospects for man/machine interaction: while in the beginning, the low degree of integration put the focus on machines, it has now shifted to human needs and necessities. Thanks to advances in miniaturisation, the computer is becoming increasingly integrated with man and the real world: from the desk-bound PC we have moved to increasingly portable computers, including wearable computers and networks of miniaturised sensors able to make our surroundings 'intelligent'. There is now therefore a need to create systems and interfaces enabling man not to notice interaction with machines (seamless interface): Eurotech's idea for the future is therefore increasingly to create R2U products that fully integrate with the user's surroundings and personal space, but which, at the same time, do not monopolise his attention and do not force him to interrupt what he is doing. The use of new products and processes based on this concept of invisibility is still in the very early stages in many sectors, and there is scope for providing incentives to create major growth opportunities.

Another trend shaping the way in which computers interact with each other and with people relates to the success of digital information and communication technologies, which are leading an irreversible revolution that will lead to profound changes both in society and in individuals. everything around us will have to become more 'intelligent' and 'interconnected' so that it can be better managed and better used, increasing efficiency and reducing waste.

With some seven billion people on the planet we will have to do a lot more with a lot less. This shift will rely increasingly on technology and on ever-smaller, interconnected, high-performance computers. Eurotech already has the solutions and skills to gather data from the real world and put it on the world wide web: from onboard parameters of vehicles on the move to the operating data of equipment; and from the environmental conditions of specific monitored areas to information on individuals' physiological parameters. We can build technology platforms that enable a full range of value-added services and functions in the transport, logistics, security, industrial and medical sectors.

Increasingly powerful, small and closely-interconnected computers will generate a 'computer exoskeleton', where computers, hidden from view, will acquire the ability to be anywhere there is a wireless connection. These ubiquitous and interconnected computers will increase the world's visibility, making it more pleasant and sustainable as a result.

The fourth key pillar of Eurotech's business approach springs from an awareness that technologies and products are like human beings: they struggle to grow at first, then grow very rapidly, then adjust and settle down before finally declining. For this reason, both products and the technologies on which they are based have to be periodically refreshed, and this is the purpose of constant innovation.

There is, however, intrinsic difficulty in understanding which will be the next driving technology or the next winning product. To do so it is necessary to try, test, and explore. It also has to be said that this exploration of virgin paths may not even produce any type of result at all. Some paths may in fact turn out not to be feasible or, more simply, not economically viable. If the life cycle tells us that sooner or later our products will decline, then the question is: of the many alternative technologies, not all of which are successful, which is the right one? Some technologies are doomed to die before they even get to market; others instead will enter the market and will determine its development. In order to maintain our technological leadership, we have to explore as many evolutionary scenarios as possible. In order to do this effectively and cost efficiently, we use external partnerships with universities and research institutes, on the basis of two fundamental assumptions: This is a win/win relationship: the university researches topics that will not be consigned to the drawer because they are already 'sponsored' by a company, and the company can draw upon a network of researchers capable of parallel exploration of different scenarios that it would otherwise be impossible to create.

Strategic approach to innovation

Generally speaking, innovation means two approaches: technology-push and market-pull. The first approach starts from what technology is able to give, and the second from what the market demands or is able to absorb. They are two opposing approaches – but they can be effectively combined. And that is what we have chosen to do in Eurotech.

For a company like ours, which very much bases its success on technological innovation and on anticipating demand, it is essential that research be driven by a technology-push approach. Only with this approach is it possible to maintain technological leadership and continue developing state-of-the-art solutions. To make the technology-push approach more efficient and effective, the complex of external relations with the 'network of knowledge' is vitally important. This is how we can explore several alternative routes simultaneously and cost-effectively. The centre of gravity of technology-push research is therefore very much skewed towards the outside world, with a target outside/inside ratio of 80-20. Given this, in order to maintain an effective hold over research, it is important that control be centralised at corporate level.

The development part is a different matter. To bring the results of research efficiently to market, it is important to focus on an approach that starts with what the market itself wants or might appreciate: Moreover, whilst research benefits from the simultaneous existence of several open fronts, development has to converge towards a product or product family, and it is therefore advisable to limit dispersion of energy and outside interference. Another particular feature of development is that it implies specificity in sectors and geographical regions, and centralised control would not allow for all these specificities to be gathered together: This means that each company can conjugate a given product idea in the best way, understand/exploit local specific needs, and turn research results into commercial success.

Strategic approach to growth

In Eurotech, we quickly initiated an external growth strategy, with the aim of achieving critical mass (the so-called tipping point) on a fast-track basis. To rapidly grow, we should also rapidly enter new markets for us like the US or Japanese markets. Starting from scratch, without a customer base and without a brand reputation, increased risks and the time needed. we wanted to grow at a rate of 50% YoY and to maintain that pace we needed acceleration factors that could be found only by going beyond the original company's boundaries.

From 2006 to 2007, we completed three significant acquisitions, which allowed us to reach a global footprint and a company size that has today positioned us among the top 10 in the embedded computer market. This "change in scale" enables us, among other things, to look at growth from a new, stronger perspective.

Today our approach is based on three strategic guidelines.

The first of these is combined growth:

- First of all, organic, leveraging Group synergies and looking at new types of customers, new sectors and new regions. On the internal front, we have accumulated, by virtue of the acquisitions completed, organic growth potential that has only partly been expressed, and which must now be expressed in full.
- In a tactical way for external lines, still giving space for acquisitions, which are seen as catalysts for organic growth. There are still many acquisition opportunities, and it is therefore important to continue to monitor them so that we can be ready to take advantage of them.

The second guideline is constant enhancement of the Eurotech brand's reputation. To do this we are working on three fronts:

1. consolidation of corporate identity and promotion of the Eurotech brand
2. corporate visibility due to innovative products
3. partnerships with major industrial and commercial partners.

The third guideline is to maintain technological leadership, which is essential to keep to our aim of creating innovative solutions combining state-of-the-art computing and communication technologies. The levers we use are: investments in R&D, co-operation with research centres and universities, and acquisition of minority interests in start-ups active in technologies and sectors with high potential.

Strategic approach to the market

The Eurotech Group's sales model has historically featured clear predominance of the direct channel. This choice was justified, on the one hand, by the desire to maintain a direct relationship with the market and, on the other, by the need to build a strong brand before approaching the market via indirect channels.

Today the technological paradigm followed by Eurotech is "Pervasive Computing". This combination of the direct and indirect sales models goes well with the evolution of our product offering. the superior strength of the Eurotech brand attracts resellers and intermediaries that find in our offering increasing availability of ready-to-use products: i.e., devices that benefit from the particular features of the indirect channel more than boards or systems and that pave the way to commercial partnerships in which Eurotech provides computing and communication platforms that can enable and support the applications or services of the partner.

Our strategic approach to the market therefore includes strengthening indirect sales alongside direct sales.

Products

The essence of Eurotech products

Embedded technology is the basic technology of Eurotech products. It is an enabling technology, in that it permits miniaturisation. It is the technology on which Eurotech based its foundation and that continues to be in the Group's DNA.

Over the years, there have been two key changes in the embedded computer scenario. First, software has increasingly been added to hardware, becoming incorporated with it and creating a symbiosis that is now indissoluble. Secondly, the dimension of communication has been added to that of computing.

In each phase of our history we have constantly explored new ways of using computers. In more recent years it is their growing pervasiveness that has stimulated our creativity. Computers interconnected on a large and small scale enable us to amplify reality, not only to visualise or virtualise it. Today the possibility offered by computers to generate enhanced-reality situations enables us to look at the world from a different angle.

Today the technological paradigm followed by Eurotech is "Pervasive Computing". This combination of the direct and indirect sales models goes well with the evolution of our product offering. the superior strength of the Eurotech brand attracts resellers and intermediaries that find in our offering increasing availability of ready-to-use products: i.e., devices that benefit from the particular features of the indirect channel more than boards or systems and that pave the way to commercial partnerships in which Eurotech provides computing and communication platforms that can enable and support the applications or services of the partner.

In this perspective, the Eurotech Group develops and markets Pervasive Computing Devices. These are devices whose key components include the embedded boards on which Eurotech was founded, even though they are more and more often concealed inside application-ready platforms (ARPs) or ready-to-use (R2U) systems.

Eurotech products have always stood out because they are specifically capable of operating in particularly demanding environments: extreme temperatures, humidity, vibrations and shocks are all normal working conditions for our solutions. This is why we have a long tradition of application in harsh environments such as the military, aerospace, and transport sectors.

The durability and reliability of Eurotech products makes them suitable for all uses where malfunctioning is not an option and must not happen, that is to say where anomalous operation or breakdowns may cause major economic damage. This is why our customers include companies that make extremely high-precision industrial machinery or plants required to ensure extremely high levels of productivity without sacrificing product quality and without machine outages.

All Eurotech products draw on our continuous research and on the experience that we have built up over the years in the technological fundamentals of miniaturisation, low consumption and durability. They all meet the strictest standards of reference.

Markets

Our typical customer

The Eurotech Group distributes and markets its solutions globally, both directly and via qualified partners. The Group's customers operate in a variety of sectors, both conventional and emerging, and therefore have different needs. The majority of our customers nevertheless choose us because they see in our Group the ideal supplier or partner to meet some recurrent specific needs.

More specifically, our customers feature increasingly demanding requirements in terms of:

- Low consumption, for devices able to operate for long periods powered by a battery
- Minimum heat generation
- Compact formats and sizes
- Wireless connections (e.g. Wi-Fi, GPS, 3G, Bluetooth and ZigBee)
- Ease of integration within distributed ICT infrastructures
- Durability, for solutions able to withstand harsh environments from all points of view:
- Superior reliability
- Compliance with specific certification standards, e.g.: MIL, EN, DIN, IPxx, NEMAxx.

Besides these functional requirements, our customers also seek in Eurotech a centre of technological competence. They want to reduce their time-to-market and focus on their core businesses. They often need solutions for mission-critical applications, supply of which must be assured for long periods. Because of this, they appreciate our long life cycle, which we achieve also via a Form-Fit-Function approach.

Applications

The Eurotech Group's NanoPC offering is structured in product lines and solutions, each dedicated to a specific market segments:

- Industrial & Commercial
- Medical & Healthcare
- Transportation & Mobility
- Logistics & Networking
- Security & Surveillance
- Defence & Aerospace

Eurotech products and solutions share the same set of base technologies and are employed in many specific application environments, both conventional and emerging. Here are some examples:

PUBLIC
TRANSPORT

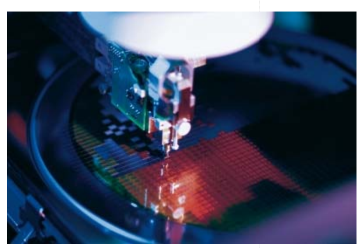




LOGISTIC



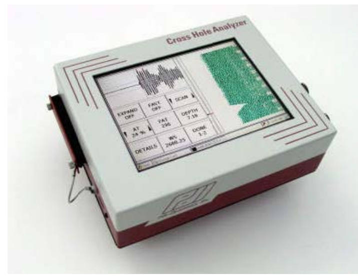
MACHINE
AUTOMATION




PROCESS
CONTROL

MEDICAL AND HEALTHCARE



MEASURING AND TESTING INSTRUMENTS

DEFENCE AND AEROSPACE

Our HPC offering targets research centres, computing centres, and universities requiring extremely high processing capacity, occupying limited space and with minimum power consumption. Our compact, low-power HPCs are proving useful also in advanced industrial and services sectors, such as nanotechnology, biotechnology and cyber security.

COMPUTER CENTERS

Corporate information

Board of Directors	
Chairman	Roberto Siagri [7]
Director	Giulio Antonello [1, 2, 3, 7]
Director	Sandro Barazza [1, 4]
Director	Riccardo Costacurta [1, 2, 3, 5, 6]
Director	Alberto Felice De Toni [1, 2]
Director	Chiara Mio [1, 2, 3, 5, 6, 7, 8]
Director	Dino Paladin [1]
Director	Giuseppe Panizzardi [1, 6]
Director	Marina Pizzol [1, 5]

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 24 April 2014 and supplemented by the Annual General Meeting of 24 April 2015; it and will remain in office until approval of the 2016 financial statements.

Board of Statutory Auditors	
Chairman	Claudio Siciliotti
Statutory auditor	Michela Cignolini
Statutory auditor	Giuseppe Pingaro
Substitute statutory auditor	Laura Briganti
Substitute statutory auditor	Gianfranco Favaro

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 24 April 2014, and will remain in office until the approval of the 2016 financial statements.

Independent auditor	
	PricewaterhouseCoopers S.p.A.

The independent auditor was appointed for the period 2014-2022 by shareholders at the Annual General Meeting of 24 April 2014.

Corporate name and registered offices of the parent company	
	Eurotech S.p.A. Via Fratelli Solari, 3/A 33020 Amaro (UD), Italy Udine Companies Register number 01791330309

[1] Non-executive Directors.
[2] Independent Directors pursuant to the Corporate Governance Code issued by the Italian Corporate Governance Committee for Listed Companies.
[3] Member of the Committee for Related Party Transactions.
[4] Corporate Financial Reporting Manager as from 29 May 2008.
[5] Member of the Control and Risks Committee.
[6] Member of the Remuneration Committee.
[7] Member of the Appointments Committee.
[8] Lead Independent Director.

Information for shareholders

The ordinary shares of Eurotech S.p.A., the Parent Company of the Eurotech Group, have been listed in the STAR segment of the Milan stock market since 30 November 2005.

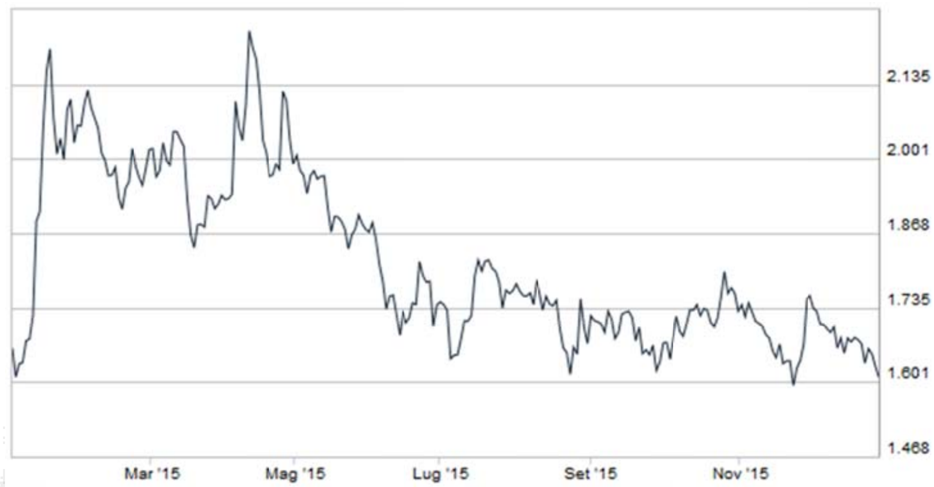
Share capital of Eurotech S.p.A. at 31 December 2015

Share capital	€8,878,946.00
Number of ordinary shares (without nominal unit value)	35,515,784
Number of savings shares	-
Number of Eurotech S.p.A. treasury shares	1,319,020
Stock market capitalisation (based on the share's average price in December 2015)	€57 million
Stock market capitalisation (based on the share's reference price at 31 December 2015)	€57 million

Performance of Eurotech S.p.A. shares

Absolute performance of EUROTECH S.p.A. shares
01.01.2015 – 31.12.2015

The line graph shows the share's performance based on daily reference prices



The candle chart shows the share's daily maximum and minimum prices

Management report

Introduction

The Eurotech Group's results in the 2015 financial year and the comparative period were drawn up according to the IASs/IFRSs issued by the International Accounting Standards Board and endorsed by the European Union. Unless otherwise stated, data are expressed in thousands of euro.

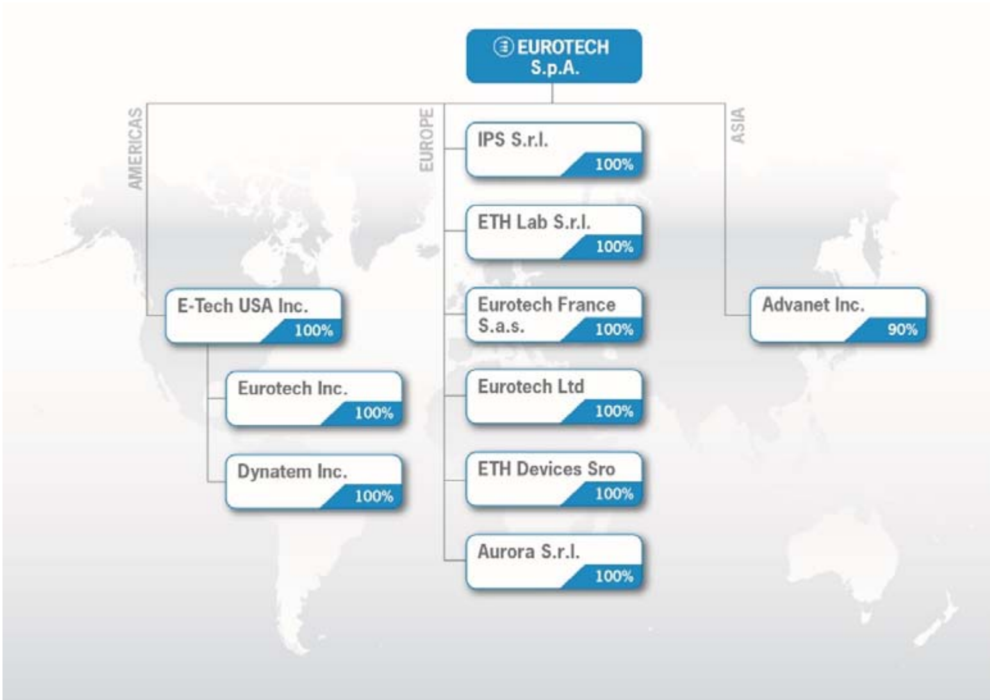
The Eurotech Group

The Eurotech Group operates in the sector of research, development, production and marketing of miniaturised computers for special uses (NanoPCs) and supercomputers with high energy efficiency (HPCs).
"NanoPCs" and "HPCs" are therefore the business areas identified. In the NanoPC segment, the Group's product offering consists of miniaturised electronic modules and systems, and of software platforms for Machine-to-Machine (M2M) integration currently targeting the transportation, logistics, defence, security, medical, and industrial sectors.
In the HPC segment, the Group's offering is represented by supercomputers that pair very high computing power, up to dozens of PetaFlops, with compact sizes and very high energy efficiency and that are sold to both research institutions and computing centres as well as industry and service customers.

At 31 December 2015, the Eurotech Group consisted of the following companies:

Company name	Business	Share capital	Group share
Parent company			
Eurotech S.p.A.	Operates in the NanoPC segment with its main focus on the Italian market and in the HPC market at global level. In terms of organisation, it performs the role of coordinating holding company at corporate level	€8,878,946	
Subsidiaries and companies consolidated on a line-by-line basis			
Aurora S.r.l.	Mainly operates in the High Performance Computer market supplying services to support the parent company	€10,000	100.00%
Dynatem Inc.	Operates in the US NanoPC market	USD 1,000	100.00%
E-Tech USA Inc.	Holding company that controls 100% of Eurotech Inc. and Dynatem Inc.	USD 8,000,000	100.00%
ETH Devices S.r.o.	Operates in the Eastern European NanoPC sector, mainly in the handheld devices segment	€10,000	100.00%
EthLab S.r.l.	Handles research on the Group's behalf (since 2005)	€115,000	100.00%
Eurotech France S.A.S.	Operates in the French NanoPC market	€795,522	100.00%
Eurotech Inc.	Operates in the US market in the NanoPC segment with a focus on the industrial, medical and transport sectors	USD 26,500,000	100.00%
Eurotech Ltd.	Operates in the NanoPC segment and is active primarily in the UK	GBP 33,333	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Operates in the NanoPC segment under the IPS brand and also operates in the high-tech security sector under the ETH Security brand	€51,480	100.00%
Advanet Inc.	Operates in the Japanese NanoPC market	JPY 72,440,000	90.00% (1)

(1) For the purposes of consolidation 100% is taken into account, since the company holds the remaining 10% in the form of treasury shares.


EUROTECH S.p.A.
AMERICAS
EUROPE
ASIA
IPS S.r.l. 100%
ETH Lab S.r.l. 100%
E-Tech USA Inc. 100%
Eurotech France S.a.s. 100%
Advanet Inc. 90%
Eurotech Inc. 100%
Eurotech Ltd 100%
Dynatem Inc. 100%
ETH Devices Sro 100%
Aurora S.r.l. 100%

Operating performance

(€'000)		FY 2015	%	FY 2014	%
OPERATING RESULTS					
SALES REVENUES		65,551	100.0%	63,898	100.0%
GROSS PROFIT MARGIN	(*)	32,983	50.3%	30,751	48.1%
EBITDA	(**)	(948)	-1.4%	(3,619)	-5.7%
EBIT	(***)	(6,602)	-10.1%	(8,993)	-14.1%
PROFIT (LOSS) BEFORE TAXES		(6,163)	-9.4%	(8,281)	-13.0%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(6,223)	-9.5%	(8,922)	-14.0%

(*) Gross profit is the difference between revenues from sales of goods and services and use of raw materials.

(*) Result before depreciation, amortisation and impairment of assets, valuation of equity interests in affiliates using the equity method, financial income and charges and income tax for the year (EBITDA).

(***) Operating result (EBIT) before valuation of equity interests in affiliates using the equity method, financial income and charges and income tax for the year.

As occurred last year, the Group recorded a 2.6% increase in revenues and this change reflects the yen/euro and USD/euro exchange rate during the translation phase of the financial statements from one year to the next.
Turnover therefore rose from €63.90 million in 2014 to €65.55 million, with only slight differences between the different geographic areas.

Although difficult in management terms, management continues to believe that geographical coverage of three continents is still one of the Eurotech Group's biggest advantages in both absolute terms and in terms of outlook. In fact, it enables maximizing the Company’s chances of seizing business opportunities wherever these arise, and mitigates the effects of temporary stagnation in specific geographical areas due to political or monetary uncertainty or simple falls in demand, for example.

The USA area recorded good growth, which demonstrates the new customers and new opportunities can be found even though some customers already acquired are going through a period of stagnation on the launch of new product generations or the testing stage extends beyond the normal expectations of local management. The risk of reduced growth in turnover following a production start-up slump of several customers was averted since the Group was able to identify some customer niches to whom it can offer its range of advanced solutions and new products in both the board & system and the M2M/IoT areas.

The European area continued to show a certain stagnation in demand, and the European Group companies had to get ready to broaden their range of action and look for customers outside national borders and Europe in general, going out to seize opportunities in other EMEA countries. The Middle Eastern area above all might generate an interesting development of opportunities for the new business lines. In principle, Europe is still an area with good potential, but that turnover that otherwise is more difficult to generate at this historical time can be generated only with opportunistic businesses.

As for Japan, we are still waiting for the orders of the big local players, who are coming against hardships in exports despite the yen being weaker. This situation generates an anticipatory situation, which from the commercial viewpoint is reflected in a certain pressure on prices that involves a reduction in margin, particularly on the low valued-added products. The market is still interesting and important for the Group in consideration of the customers that, although they are local, have important businesses on a worldwide scale.

In keeping with the strategy singled out in the multi-year plan, the year that has just ended was marked by investments in several corporate areas considered essential for future business growth. More specifically, development of the M2M/IoT platforms is giving important results and the product is without a doubt acknowledged by the players of the market as innovative and reliable. The results achieved in economic terms are still not in line with the investments made, but it is believed that they might reach the expected satisfaction already in 2016. Several important agreements were concluded during the half-year. They included both partnerships with recognised players of the IoT world and supply agreements with companies that see Eurotech solutions as technologically innovative elements that allow them to enter the IoT paradigm and to achieve a competitive edge in their respective markets. Other agreements were recently announced, and yet others are in the formalisation stage.
As regards the Group's traditional business that is still generating the vast majority of turnover, on the other hand, several delays on the part of the customers in starting up a few projects and the turnover level in the Asian area have not allowed the goals set at the beginning of the year to be met.
The EBIT achieved can be explained by the joint delay in turnover and the investments made to stay in line with the technological innovations. The investments made, and those that will continue to be made in the years to come, are part of a strategic path expected to involve growth in turnover in the short term.
If on the one hand investments are necessary to implement strategy and for future growth, in this phase of stable turnover management is paying close attention to the overall trend in costs and to controlling
them in order to keep operating costs down which makes it possible to aim at breaking even as soon as possible.
As commented on several times in previous quarters, the objective of the investments made in the operational structure, and in particular in employees, is to strengthen the Group's ability to put the new offer of M2M platforms and IoT solutions on the market while at the same time remaining innovative in the embedded computer segment as well.
These investments are generating the expected results in terms of international brand positioning, creation of a partner ecosystem and development of business opportunities.
By virtue of the progress of the focus in the strategy's implementation, more tangible results should be seen during 2016.

Before commenting on the income statement figures in more detail, we must point out that some of them reflect the effects of the recognition in the accounts of purchase price allocations [A] relating to the business combinations of Dynatem Inc. and Advanet Inc. and the write-down for impairment [B] of Dynatem Inc. in financial year 2015 only.
Actual interim results and results calculated without taking into account the effect of purchase price allocation and costs arising from events and transactions not representative of normal business operations are summarized below:
- EBIT would be €-3.92 million rather than €-6.60 million;
- rather than -€6.16 million, the pre-tax result would have been -€3.48 million;
- Group net profit would be -€4.60 million rather than -€6.22 million.

The gross margin falls into line with the expectations of the beginning of the year and with the result of past years, reaching 50.3% which is an improvement over the 2014 result, which amounted to 48.1%. The good result comes from both the mix of products sold, which have different margins depending on the type of product, the sectors in which they are used and the geographic markets, and from the results achieved procurement and production efficiency activity even if a slight pressure on the price is perceived, especially in the Japanese area.
The Group's focus on close control of materials purchasing in recent years is still essential to maintain competition without losing the profit margins needed to achieve our goals.

Before adjustments for internal increases, operating costs increased in absolute value by €0.78 million due to the investments, from €36.56 million (57.2% as a percentage of revenues) to €37.34 million (57.0% as a percentage of

[A] More specifically, the effects of recognition in accounts of PPA relating to the business combinations of Dynatem Inc. and Advanet are as follows:

- Amortisation: €2,540 thousand (€2,390 thousand in 2014), due to higher amortization of amounts allocated to intangible assets (particularly customer relations);
- Lower income taxes: €1,058 thousand (€945 thousand for 2014) resulting from the tax effect on adjustments made

[B] The impairment of the Dynatem Inc. had the following effects on the income statement for the year 2015:

- a write-down of the customer relations item of €138 thousand.

revenues). This performance affected Group EBITDA, thereby making the positive effect arising from improvement in the gross margin less evident. Operating costs as a percentage of turnover were affected by costs tied to a structure that due to new investments, mainly in people in the research & development and marketing & sales areas, increased its market penetration capabilities and thus its ability to achieve the expected results of increased turnover and business in general.
Overall, the Group's structure can still sustain higher levels of sales from the traditional embedded business than those achieved in recent years, but additional and new skills are needed, particularly in the new M2M/IoT segment, which the Group expects to generate returns in the next few years.

EBITDA improved by €2.67 million and amounted to -€0.95 million, compared with -€3.62 million in 2014. EBITDA in 2015 as a percentage of revenues was -1.4%, compared with -5.7% in 2014.
The difference between one period and the next reflects the increase in gross profit in absolute terms, which more than offset the increase in operating costs for the year.

EBIT improved in the periods in question, rising from -€8.99 in 2014 to -€6.60 million in 2015. EBIT as a percentage of revenues changed from -€14.1% in 2014 to -€10.1% in 2015.

EBIT in 2015 was affected by the write-downs and amortisation recording during the year and the performance of the EBITDA commented on above.
The 2015 write-downs refer both to the product development costs that did not achieve the market success initially forecast amounting to € 0.07 million and to the write-down of the residual portion of the Dynatem Inc. customer relations item of €0.14 million.
On the contrary, depreciation and amortisation derive from both operating assets becoming subject to depreciation in 2015 and the non-monetary effects arising from price allocation relating to the acquisitions of Dynatem Inc. and Advanet Inc. The effect on EBIT of the higher values attributed as a result of purchase price allocation in 2015 was €2.68 million, compared with €2.39 million in 2014.

The financial result was affected by foreign exchange differences caused by the trend in foreign currencies, as well as by the net financial position performance. Overall, foreign exchange differences had a positive effect on the period of € 0.81 million (compared with a positive effect of € 1.11 million in 2014), while financial management relating to interest had an effect of € 0.57 million (€ 0.44 thousand in 2014).

The Group booked a pre-tax loss of € 6.16 million in 2015 (compared with a loss of € 8.28 million in 2014). This performance was influenced by the factors outlined above. The impact on the pre-tax result of PPA was €2.68 million in 2015, compared with €2.39 million in 2014.

The Group net result was -€6.22 million, compared with -€8.92 million in 2014. This performance not only reflects the pre-tax profit result, but is due to the tax burden on the Group's various units (see Note 31 for more details).
Price allocation had a €1.62 million effect on the Group's net result in 2015 (2014: €1.44 million).

As indicated in the explanatory notes to the consolidated financial statements (Note F), the Group discloses segment information based on the product segment in which it develops its activity (NanoPCs and HPCs) and, exclusively in the NanoPC segment, based on the regions in which the various Group companies operate that are currently monitored. These are defined by the location of goods and operations carried out by individual Group companies. The regions identified within the Group are: Europe, North America and Asia.

Changes in revenues and margins for individual business segments and the relative changes in the periods under review are set out below.

(€'000)	NanoPC			High Performance Computer			Total		
	FY 2015	FY 2014	% YoY Change	FY 2015	FY 2014	% YoY Change	FY 2015	FY 2014	% YoY Change
Sales revenues	63,979	62,722	2.0%	1,572	1,176	33.7%	65,551	63,898	2.6%
Gross profit	32,819	30,677	7.0%	164	74	121.6%	32,983	30,751	7.3%
EBITDA	81	(2,197)	-103.7%	(1,029)	(1,422)	-27.6%	(948)	(3,619)	-73.8%
EBITDA margin - %	0.1%	-3.5%		-65.5%	-120.9%		-1.4%	-5.7%	
EBIT	(5,402)	(7,411)	27.1%	(1,200)	(1,582)	24.1%	(6,602)	(8,993)	26.6%
EBIT margin - %	-8.4%	-11.8%		-76.3%	-134.5%		-10.1%	-14.1%	

Analysis of revenues by the main business areas shows that the HPC area is no longer significant, pending projected developments at European level in this business segment. Business in this area is still characterized by large contracts with a limited number of customers, traditionally in the science and research field, but now also in industry and services due to the development of the Aurora line. The concentration of sales from a small number of accounts and from activities tied to European projects generated in 2015, as in the previous years, a sales performance by the HPC line not in line with what could have been expected and with the investments made.
NanoPC revenues were €63.98 million in 2015 and €62.72 million in 2014, representing a decrease of 2.0%. This decrease was due to the factors previously described relating to overall sales, and particularly to the effect of currency translation.

For the NanoPC segment, the regional breakdown is as follows:

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	FY 2015	FY 2014	%YoY Change	FY 2015	FY 2014	%YoY Change	FY 2015	FY 2014	%YoY Change	FY 2015	FY 2014	%YoY Change	FY 2015	FY 2014	%YoY Change
Third party Sales	25,550	20,953		15,949	19,376		22,480	22,393		0	0		63,979	62,722	
Infra-sector Sales	545	306		3,197	2,953		352	418		(4,094)	(3,677)		0	0	
Total Sales revenues	26,095	21,259	22.7%	19,146	22,329	-14.3%	22,832	22,811	0.1%	(4,094)	(3,677)	-11.3%	63,979	62,722	2.0%
Gross profit	10,718	7,832	36.8%	8,936	10,168	-12.1%	13,457	12,966	3.8%	(292)	(289)	10%	32,819	30,677	7.0%
Gross profit margin - %	41.1%	36.8%		46.7%	45.5%		58.9%	56.8%					51.3%	48.9%	
EBITDA													81	(2,197)	-103.7%
EBITDA margin - %													0.1%	-3.5%	
EBIT													(5,402)	(7,411)	-27.1%
EBIT margin - %													-8.4%	-11.8%	

North American revenues increased by 21.9%, from €20.95 million in 2014 to €25.55 million in 2015. This change is due not only to a forex effect, but also to the activities embarked on to regain new customers on the various business lines while waiting for the contracts signed, particularly in the transport market, to become activated. Moreover, the policy of developing turnover towards key customers with substantial orders already implemented is still fundamental for medium-long-term turnover growth and is beginning to bear fruit, despite the fact that the time needed for these orders to become active is longer than initial forecasts.
The European business area is showing a decrease from €19.38 million in 2014 to €15.95 million in 2015. This is mainly the effect of the lower turnover (-17.6%) of the UK subsidiary. Performance continues to be seesaw because the three major European countries where the Group operates (Italy, France and the UK) are still undergoing economic stagnation and are experiencing ups and downs, depending on the period.
Lastly, the Asian business area represented turnover levels in line with the previous year due to the foreign exchange differences arising from the conversion of figures in yen into euro. The area's revenues, in fact, rose from €22.39 million to €22.48 million.

The breakdown of revenues by type shows a slight increase in revenues from services compared to the majority of industrial revenues.

SALES BY TIPE	FY 2015	%	FY 2014	%
Industrial revenues	63,239	96.5%	60,211	94.2%
Services revenues	2,312	3.5%	3,687	5.8%
TOTALE SALES AND SERVICE REVENUES	65,551	100.0%	63,898	100.0%

The regional breakdown of revenues by customer location is shown below:

BREAKDOWN BY GEOGRAPHIC AREA	FY 2015	%	FY 2014	%	var. %
European Union	11,793	18.0%	11,939	18.7%	-1.2%
United States	26,884	41.0%	24,790	38.8%	8.4%
Japan	22,435	34.2%	22,366	35.0%	0.3%
Other	4,439	6.8%	4,803	7.5%	-7.6%
TOTAL SALES AND SERVICE REVENUES	65,551	100.0%	63,898	100.0%	2.6%

On the basis of the breakdown of turnover by customer's region, an 8.4% increase in turnover in the USA region is noted. The US accounted for 41.0% of total annual sales in 2015.
The Japanese area registered a turnover very similar to the one recorded in 2014, with the increase being just 0.3%. Also in terms of effect of the Japanese area on the consolidated financial statements, the percentage came in at 34.2%, compared to 35% in 2014.
In the European area, again with reference to customer location, turnover was essentially stable (a 1.2% reduction) and the area is still affected by stagnated demand. Europe accounted for 18.0% of total sales, in line with the figure of the previous year.

(€'000)	FY 2015	%of sales	FY 2014	%of sales	var. %
Purchases of raw materials, semi-finished and finished products	34,720	53.0%	32,215	50.4%	7.8%
Changes in inventories of raw materials	811	1.2%	763	1.2%	6.3%
Change in inventories of semi-finished and finished products	(2,963)	-4.5%	169	0.3%	n.s.
TOTAL COST OF MATERIALS	32,568	49.7%	33,147	51.9%	-1.7%

Consumption of raw and auxiliary materials and consumables, shown in the table above, slightly decreased from €33.15 million in 2014 to €32.57 million in 2015. A 1.7% drop in consumption was recorded in the period under review despite an increase of 2.6% in turnover. The difference between the changes in consumption and turnover is the direct result of the mix of products sold. Costs for raw and auxiliary materials and consumables as a percentage of revenues rose from 51.9% in 2014 to 49.7% in 2015.

(€'000)	FY 2015	%of sales	FY 2014	%of sales	var. %
Service costs	13,501	20.6%	14,096	22.1%	-4.2%
Rent and leases	1,800	2.7%	1,700	2.7%	5.9%
Payroll	20,775	31.7%	18,976	29.7%	9.5%
Accruals and other costs	1,268	1.9%	1,792	2.8%	-29.2%
Cost adjustments for in-house generation of non-current assets	(1,953)	-3.0%	(1,787)	-2.8%	9.3%
Operating costs net of cost adjustments	35,391	54.0%	34,777	54.4%	1.8%

As a percentage of revenues, other operating costs, net of cost adjustments for internal increases, increased from 54.4% in 2014 to 54.0% in 2015.
In absolute terms, net operating costs were up 1.8%, from €34.78 million in 2014 to €35.39 million in 2015. The increase in absolute value is mainly the result of the different conversion ratio when translating the values of the single companies into euro. Although lower than in the past, costs for services supporting the various company activities continue to be considerable, with particular reference to development and commercial costs.

The trend in service costs is shown below.

(€'000)	FY 2015	%	FY 2014	%	var. %
Industrial services	5,424	40.2%	5,397	38.3%	0.5%
Commercial services	2,952	21.9%	3,169	22.5%	-6.8%
General and administrative costs	5,125	38.0%	5,530	39.2%	-7.3%
Total costs of services	13,501	100.0%	14,096	100.0%	-4.2%
% impact on sales	20.6%		22.1%		

Service costs decreased 4.2% or €0.60 million, down from €14.10 million in 2014 to €13.50 million in 2015. This item dropped as a percentage of revenues, and is currently at about 20.6%.

Industrial costs were up 0.5%, from €5.40 million in 2014 to €5.42 million in 2015.

Commercial service costs were down due to less use of outside resources despite the constant sales thrust imparted especially on the type of products, and they were recorded at €2.95 million in 2015 (2014: €3.17 million), with a €0.22 million reduction (6.8%).

Costs for general and administrative services were down 7.3% compared to the previous year, from €5.53 million in 2014 to €5.12 million in 2015.

Leasehold improvement costs accounted for around 2.7% of revenues, recording constancy in the two years compared in terms of both percentage and absolute value.
In absolute value they rose from €1.70 million in 2014 to €1.80 million in 2015.

(€'000)	FY 2015	%	FY 2014	%	var. %
Wages, salaries and Social Security	19,641	94.5%	17,901	94.3%	9.7%
Severance indemnities	459	2.2%	333	1.8%	37.8%
Other costs	675	3.2%	742	3.9%	-9.0%
Total cost of personnel	20,775	100.0%	18,976	100.0%	9.5%
% impact on sales	31.7%		29.7%		

In the period under review, payroll costs increased 9.5%. The difference is due to the currency exchange rate effect. At the end of the year the Japanese subsidiary also rationalized its resources due to the strategy to contract out part of the production, which will have its economic effects in 2016.

Payroll costs as a percentage of revenues increased to 31.7% in 2015, from 29.7% in 2014.

As shown in the table below, the number of Group employees at the end of the periods under review fell from 365 in 2014 to 341 in 2015. In terms of average number of employees, the values are quite similar: 367.4 units in 2014 and 349.8 units in 2015.

In the table below, staff on the management team and who head management teams at the individual subsidiaries (managers) has been extrapolated from the "office staff" item.

Employees	Average 2015	at December 31, 2015	Average 2014	at December 31, 2014
Manager	11.2	10	11.2	12
Clerical workers	313.5	303	325.3	325
Line workers	25.1	28	31.0	28
TOTAL	349.8	341	367.4	365

(€'000)	FY 2015	%	FY 2014	%	var. %
Doubful debt provision	147	11.6%	793	44.3%	-81.5%
Other Provisions	76	6.0%	165	9.2%	-53.9%
Other costs	1,045	82.4%	834	46.5%	25.3%
Total accruals and other costs	1,268	100.0%	1,792	100.0%	-29.2%
% impact on sales	1.9%		2.8%		

The “doubtful accounts” item refers to provisions made during the years under review to cover any trade receivables that cannot be collected.
During the year losses were realized on receivables totalling €118 thousand, whereas the figure was €182 thousand on 31 December 2014.
As a percentage of revenues, other provisions and other costs fell from 2.8% in 2014 to 1.9% in 2015.

(€'000)	FY 2015	FY 2014	%	var. %
Government grants	942	211	51.8%	346.4%
Sundry revenues	518	196	48.2%	164.3%
Total other revenues	1,460	407	100.0%	258.7%
% impact on sales	2.2%	0.6%		

The "Other income" item increased by 258.7% in the reporting period, from €0.41 million in 2014 to €1.46 million in 2015. This increase was mainly due to the greater contributions booked in the period and to a lesser extent to the increase in the “Miscellaneous revenues” item, which includes €131 thousand relating to the reduction of several reserves for risks whose value was a surplus compared to the previous year.

Other revenues rose from 0.6% in 2014 to 2.2% in 2015 as a percentage of total revenues.

(€'000)	FY 2015	%	FY 2014	%	var. %
Amortisation of intangile assets	4,567	80.8%	4,256	79.2%	7.3%
Amortisation of property, plant and equipment	876	15.5%	958	17.8%	-8.6%
Write-dow n of fixed assets	211	3.7%	160	3.0%	31.9%
Total amortisation and depreciation	5,654	100.0%	5,374	100.0%	5.2%
% impact on sales	8.6%		8.4%		

Amortisation fell from €5.21 million in 2014 to €5.44 million in 2015. This change is mainly attributable to the greater impact of the amortisation of capitalised development costs compared to last year, in addition to the different impact of the amortisation relating to the investments made in the period in and the previous periods.
The asset write-down in the year is related for €73 thousand to some projects posted to the development costs item for products that did not achieve the expected market success and for €138 thousand to the write-down related to the impairment made on the customer relations item of the business unit attributable to Dynatem Inc.

Depreciation, amortisation and impairment of assets as a percentage of revenues remained basically unchanged, dropping from 8.6% in 2015 from 8.4% in 2014.

Valuation of equity interests in associates led to a revenue of €165 thousand, compared with €45 thousand in 2014.
Like in 2014, the net effect of 2015 mainly derived from revaluation of the equity interest in associate Emilab S.r.l. and Chengdu Vantron Technology Inc.

(€'000)	FY 2015	FY 2014	change %
Exchange-rate losses	961	750	28.1%
Interest expenses	463	387	19.6%
Interest expenses due to the discounting	0	19	-100.0%
Expenses on derivatives	53	115	-53.9%
Other finance expenses	96	46	108.7%
Financial charges	1,573	1,317	19.4%

(€'000)	FY 2015	FY 2014	change %
Exchange-rate gains	1,776	1,859	-4.5%
Interest income due to the discounting	22	0	n/a
Interest income	14	65	-78.5%
Other finance income	29	60	-51.7%
Financial incomes	1,841	1,984	-7.2%
Net financial income	268	667	-59.8%
% impact on sales	0.4%	1.0%	

The increase in financial expense from €1.32 million in 2014 to €1.57 million in 2015 was particularly due to the increase in the negative foreign exchange differences relating to trends in the US dollar, the Japanese yen and the UK pound by an increase in interest expense and other financial expenses.

Financial income showed a reduction, down from €1.98 million in 2014 to €1.84 million in 2015. The change is due to the lower forex effect (USD, GBP and JPY) compared to the previous year, and by a lesser effect of positive interest related to average cash in bank accounts.

Net charges from financial operations as a percentage of revenues were 0.4% in 2015, compared with 1.0% in 2014.

(€'000)	FY 2015	%of sales	FY 2014	%of sales	var. %
Pre-tax result	(6,163)	-9.4%	(8,281)	-13.0%	-25.6%
Income taxes	(60)	-0.1%	(641)	-1.0%	-90.6%
Income taxes as a percentage of profit before taxes (effective tax rate)	-1.0%		-7.7%		

The Group booked a pre-tax loss of -€6.16 million in 2015 (compared with a loss of -€8.28 million in 2014). As already noted, this change is the effect of the performance of the gross profit margin, the trend in operating costs and financial management. Income tax as a percentage of the pre-tax result in the period under review reflects tax trends at the consolidated companies, as well as the lack of recognition of deferred tax assets on the accrued reportable losses of each company, since to date the prerequisites for recognition do not exist.

The schedule below breaks down the income tax sustained by Group companies for both years under review, distinguishing between current tax and deferred tax assets and liabilities, and between taxes due under Italian law and those due under foreign law.

(€'000)	FY 2015	%of sales	FY 2014	%of sales	var. %
IRES (Italian corporate income tax)	161	0.2%	381	0.6%	-57.7%
IRAP (Italian Regional business tax)	(3)	0.0%	5	0.0%	-160.0%
Foreign current income taxes	895	1.4%	983	1.5%	-9.0%
Total current income tax	1,053	1.6%	1,369	2.1%	-23.1%
Net (prepaid) deferred taxes: Italy	52	0.1%	1	0.0%	5100.0%
Net (prepaid) deferred taxes: Non-italian	(1,094)	-1.7%	(738)	-1.2%	48.2%
Net (prepaid) deferred taxes	(1,042)	-1.6%	(737)	-1.2%	41.4%
Previous years taxes	49	0.1%	9	0.0%	444.4%
Previous years taxes	49	0.1%	9	0.0%	444.4%
TOTAL INCOME TAXES	60	0.1%	641	1.0%	-90.6%

With regard to current national taxes, Eurotech S.p.A. operates in a national tax consolidation scheme for Italian companies.

The Group registered a loss of €6.22 million, compared with a loss of €8.92 million in 2014.

Balance sheet

Non-current assets

(€'000)	at December 31, 2015	at December 31, 2014	Changes
ASSETS			
Intangible assets	89,682	83,735	5,947
Property, Plant and equipment	3,325	3,391	(66)
Investments in affiliate companies	930	730	200
Investments in other companies	308	286	22
Deferred tax assets	1,351	1,231	120
Other non-current assets	608	547	61
Total non-current assets	**96,204**	**89,920**	**6,284**

The "Non-current assets" item increased from €89.92 million in 2014 to €96.20 million in 2015.
The change mainly reflects changes in intangible assets arising from the different conversion ratio for financial statements in foreign currency, also due to the price allocations in the currency of the combined foreign entity and the investments made.
The Group's main investments break down as follows:

(€'000)	at December 31, 2015	at December 31, 2014	Chg.
Intangible assets	2,149	1,985	164
Property, plant and equipment	725	820	(95)
Investments	0	12	(12)
TOTAL MAIN INVESTMENTS	2,874	2,817	57

Current assets

(€'000)	at December 31, 2015	at December 31, 2014	Changes
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)
Other current financial assets	76	2,570	(2,494)
Cash & cash equivalents	11,430	14,104	(2,674)
Total current assets	**49,249**	**53,768**	**(4,519)**

The current assets item decreased, from €53.77 million in 2014 to €49.25 million in 2015. The decrease is attributable to the reduction in other current financial assets, which on 31 December 2014 included an escrow account collected during the first half of 2015, connected to the transfer of Parvus Corp. in 2013, to the decrease in cash and cash equivalents due to the absorption deriving from the operating assets and to an increase in inventories not totally offset by a reduction in trade receivables.

Working capital

Working capital, which comprises current assets net of cash and cash equivalents and non-financial current liabilities, underwent the following changes in the reporting period:

(€'000)	at December 31, 2015 (b)	at December 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)
Current assets	*37,743*	*37,094*	*649*
Trade payables	(14,381)	(15,272)	891
Income tax liabilities	(866)	(507)	(359)
Other current liabilities	(5,505)	(7,242)	1,737
Current liabilities	*(20,752)*	*(23,021)*	*2,269*
Net working capital	**16,991**	**14,073**	**2,918**

Net working capital increased by €2.92 million. This increase mainly derives from the reduction in current liabilities. In particular, increases in inventories and reductions in trade receivables, trade payables and other current liabilities were recorded. Net working capital as a percentage of turnover was 25.9%, higher than the figure obtained at year-end 2014 (22.0%). The increased value of the inventories is due to products ready in the warehouse to be delivered in the upcoming quarters.

Net financial position

The Group's net debt at 31 December 2015 was €0.22 million, compared with a positive net financial position of €5.94 million at 31 December 2014.

Net financial position (net financial debt) is an indicator of the financial structure and is defined as the sum of "Long-term loans", "Current portions of long-term loans" and "Short-term loans", net of "Cash and cash equivalents" and financial receivables included in "Non-current financial assets" and in "Current financial assets". More generally speaking, net financial position (net financial debt) is determined by highlighting what is required in paragraph 127 of the CESR/05-054b recommendations that implement Regulation 809/2004/EC and in line with the CONSOB provisions of 26 July 2007 for defining net financial position after deducting the financial receivables and non-current securities.
The net financial position at the end of both periods is broken down in the schedule below.

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

Existing financial liabilities of €6.97 million, plus current account overdrafts at year-end 2015 of €4.75 million, combine to form total debt toward banks of €11.72 million, of which €8.32 million is payable in the short term.

The medium- to long-term borrowings, current portion item contains the medium/long-term portion (€1.43 million) of an existing loan relating to which one of the covenants provided for in the respective loan agreement was not met based on the consolidated date on 31 December 2015.

Therefore, on the basis of application of the provisions of IAS 1.65, Eurotech classified the portion of medium- to long-term loans which were to become payable beyond 12 months on 31 December 2015 based on the original due dates as current, even if the waiver was requested of the bank involved and it informally said it was willing to not demand immediate payment of the debt as a result of failure to observe a covenant.
Based on the definitions set out in the loan agreement, the covenants on the other two existing loans should be verified starting from 31 December 2016.

Cash flows

(€'000)		at December 31, 2015	at December 31, 2014
Cash flow generated (used) in operations	A	(3,503)	(6,267)
Cash flow generated (used) in investment activities	B	(459)	(4,053)
Cash flow generated (absorbed) by financial assets	C	419	(4,362)
Net foreign exchange difference	D	869	791
Increases (decreases) in cash & cash equivalents	E=A+B+C+D	(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

Owing to the actions taken compared to the previous year, operations showed cash flows used of €3.50 million, compared with cash flows used of about €6.27 million in 2014.

Investment activity derives from the investments made in developing new products in the modules, embedded systems, Machine to Machine (M2M) platforms and internal investments in industrial, commercial and hardware equipment.

Finally, cash flows from lending activities were mainly due to the repayment of short-term portions of medium-term loans offset by the opening of new loans to support investment activities.

Intragroup relations and transactions with related parties

Within the scope of transactions aimed at routine management of the business of the Eurotech Group and the search for new production and commercial synergies, the Group companies maintain reciprocal commercial relations whereby they sell products and services to some Group companies and buy products and services from the same companies. Relations between Group companies are governed by market conditions, taking into account the quality of the goods and services provided. The outstanding balances at the reporting date are not supported by guarantees, do not generate interest (except loans) and are settled in cash. No guarantees, whether given or received, exist in relation to related party receivables and payables. For the period ended 31 December 2015 the Group made no provision to a doubtful debt reserve for sums owed by related parties, except for the €539 thousand write-down already made in 2010 on the receivable from associate company in liquidation Rotowi Technologies S.p.A. (former UTRI S.p.A.). This valuation is performed every year by examining the financial position of the related parties and the market in which they operate.
Some of the Group companies also have service relations with the Parent Company, which provides administrative, tax, corporate, business and strategic services for Eurotech Group subsidiaries. The reciprocal services and obligations between the subsidiaries and the Parent Company are governed by a specific master service contract.

Relations with related parties include transactions arising in the course of normal business and financial relationships with companies in which the Directors of the Company or its subsidiaries have senior positions, and in relations with the Finmeccanica Group, which owns 11.08% of the capital of Eurotech SpA. These transactions are regulated under market conditions.

Information on related party transactions, as required by Consob Resolution 6064293 of 28 July 2006, are described in Note n. 32 of the consolidated financial statements.

Based on the information received from Group companies, no unusual or atypical transactions took place as defined by Consob in its notice 6064293 of 28 July 2006.

The schedule below shows information on equity interests held in the Company and its subsidiaries by members of the management and supervisory bodies, general managers and managers with strategic responsibilities as well as spouses not legally separated and underage children, directly or through subsidiaries, trust companies or third parties, taken from the shareholders' register, notifications received and other information acquired by the members of the management and supervisory bodies, general managers and managers with strategic responsibilities, pursuant to Art. 79 of Consob Regulation 11971/99 as subsequently amended.

Name	Nomination	Company	Possessory title	Share at January 1 or appointment	Share acquired in the period	Share disposed in the period	Share at the end of the period	of which shares at the end of the period indirectly
		at December 31, 2015						
Siagri Roberto	President	Eurotech	Ownership	2,140,531	-	(690,500)	1,450,031	980,371
Antonello Giulio	Director	Eurotech	Ownership	-	-	-	-	-
Barazza Sandro	Director	Eurotech	Ownership	2,000	-		2,000	-
Bonomo Paola	Director up to April 28, 2015	Eurotech	Ownership	-	-	-	-	-
Costacurta Riccardo	Director	Eurotech	Ownership	-	-	-	-	-
De Toni Alberto Felice	Director from April 24, 2015	Eurotech	Ownership	6,000	-	-	6,000	-
Mio Chiara	Director	Eurotech	Ownership	-	-	-	-	-
Paladin Dino	Director	Eurotech	Ownership	2,243,587	60,554	(41,537)	2,262,604	-
Panizzardi Giuseppe	Director	Eurotech	Ownership	-	-	-	-	-
Pizzol Marina	Director from May 14, 2015	Eurotech	Ownership	-	-	-	-	-
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	10,000	-	-	10,000	-
Cignolini Michela	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-
Pingaro Giuseppe	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-

Reconciliation statement of results for the year and shareholders' equity

The schedule below shows the reconciliation of net income and consolidated shareholders' equity of the Issuer at 31 December 2015 and 31 December 2014:

(€'000)	Profit (Loss) 12/31/2015	Shareholders' Equity 12/31/2015	Profit (Loss) 12/31/2014	Shareholders' Equity 12/31/2014
Financial report of the Parent Company	3,694	114,280	3,260	110,541
Group share of shareholders' equity and pro-quota value in consolidated companies	(2,312)	(65,435)	(3,537)	(61,302)
Differential arising from consolidation		48,709	-	44,217
Customer relationship	(2,678)	4,151	(2,390)	6,217
Trademark		8,079	-	7,292
Reversal of Impairment of equity transactions	1,460		613	-
Effect of valuing equity investments using th enet equity method	55	143	1	88
Exchange differences on equity investments in foreign companies	(3,574)		(3,544)	-
Offset dividends	(3,866)		(4,230)	-
Tax effects on consolidation adjustments listed above	998	(4,590)	905	(5,066)
Consolidated financial statements	(6,223)	105,337	(8,922)	101,987

Treasury shares of the Parent Company owned by the Parent Company or subsidiaries

The Parent Company Eurotech SpA held 1,319,020 treasury shares at the end of the reporting period. Treasury shares changed as follows in 2014:

	No. of shares	Face value of a share (Thousand of Euro)	% share capital	Carrying value (€'000)	Average unit value
Status as at 1 January 2015	1,319,020	330	3.71%	3,097	2.35
Purchases	-	-	0.00%	0	
Status as at 31 December 2015	1,319,020	330	3.71%	3,097	2.35

Investments and research and development

At 31 December 2015, technical investments (tangible assets) in equipment and instruments amounted to €397 thousand, investments in property and other assets amounted to €328 thousand, investments to purchase user, software and know-how licenses amounted to €240 thousand.
During the period, the Group invested in industrial research and development and technological innovation for new products and improving current processes.
Research resulted in the development of new products/applications in the field of computers and embedded systems, high-integration and low-consumption computers, network appliances, software platforms and supercomputers. Research also led to improvements in the quality of products, the creation of new products, reduced manufacturing costs and a resulting increase in company competitiveness. During the period development costs for new products were capitalised for €1.95 million. About 28.0% relate to the development of new products based on Intel's new, ultra-low power architectures. About 43.2% relate to software projects in the Cloud computing segment, and the remainder of about 25.3% was used for a range of purposes in both hardware and software, including projects launched in previous years.

Main risks and uncertainties to which the Group is exposed

Risks connected to general economic conditions

The global macroeconomic situation affects the balance sheet, business performance and financial status of the Group. In 2009 the global economy entered a recession phase that continued into 2015 to different extents.
The Group's presence in various regions of the world however enables it to spread risk and to benefit from any positive situations arising in some regions in relation to or before other regions.
The Group's presence in sectors such as industry, trade and transportation, which are more affected by reduced consumption, may generate losses and risks of loss, above all in a scenario of considerable weakness of overall economic conditions.
Furthermore, leaving aside slow economic growth or recession, other economic conditions such as fluctuating raw materials prices or reduced spending on infrastructure may negatively affect the markets in which the Group operates, and may, in combination with other factors, have a significant impact on the Group's business outlook, operating performance and/or financial situation.

Risks connected to exchange rate and interest rate fluctuations

The Eurotech Group operates at global level and has invested in countries such as the US, Japan and the UK, deriving cash flows from these countries that are not consistent. In addition, the individual foreign subsidiaries tend to operate on their respective core markets with the respective functional currencies. Owing to these considerations, exchange rate hedging operations are not carried out, despite the fact that the consolidated financial statements are affected by exchange rate fluctuations when the financial statements of companies outside the Eurozone are translated.
The Group is exposed via medium-term, variable-rate loans, particularly in Europe and to a lesser extent in Japan. The Group uses hedging instruments to mitigate the effects of interest rate variations.
Steep exchange rate or interest rate fluctuations may have an impact on the Group's business performance and financial results.
For more information, refer to that indicated in note n. 34.

Risks connected to liquidity and required financial resources

In view of its current net financial position, the Group plans to meet requirements for expiring financial payables with available cash and cash flows from operations.
The Group believes that in order to generate positive cash flow it must maintain its turnover at least the current level and focus on the rationalization of its operating structures implemented in previous years.
The Group has to comply with financial parameters, and particularly tied to the net debt/EBITDA and debt/equity ratios. Failure to achieve the figures set out in loan agreements exposes the company to the risk of repayment or possible increased financial costs.
Group strategy is to maintain the available cash invested in at-sight or very short-term bank deposits, dividing the deposits between a sufficient number of selected banking counterparties operating in various regions.
Since the Group has implemented measures designed to maintain adequate levels of working capital and cash, any contraction in sales volumes may have a negative effect on the cash-generating capacity of the Group's operational units. The Group may therefore find it necessary to arrange further loans and/or refinancing of existing debt, including in unfavourable market conditions, with a general reduction in available financing sources and higher costs. Any difficulties in raising such financing could have a negative effect on the Group's business outlook, as well as on its operational results and/or its financial position.

Risks connected to management

The Group's success largely depends on the ability of certain Executive Directors and other members of management to run the Group and the individual local entities efficiently. Loss of the services of an Executive Director or other key resources without adequate replacement, and any inability to attract and retain new and qualified resources, could have negative effects on the Group's outlook, business performance and operating and financial results.

Risks connected to competitiveness in the sectors in which the Group operates

With some exceptions, the Group's markets are competitive in terms of product quality, innovation, reliability and customer support.
The Group's success will depend on its ability to maintain and build on its share of the markets in which it operates and/or to expand into new markets with innovative products and high quality standards ensuring profit levels similar to those on its current markets.
In recent years competition has become more intense, particularly in terms of price, especially in the embedded screens and modules segment and to a lesser extent in ready-to-use systems and devices.
If the Group were not able to offer more competitive and innovative products than its competitors, the Group's market share could decline, with a negative effect on the profitability and operating and financial results of the Eurotech Group.

Risks connected to customers

In some regions, the Group operates with a limited number of customers. Due to this dependency on certain customers, the loss of these large customers or a significant reduction in the turnover generated from them could have a negative impact on the Group's sales revenues and profitability.
Generally speaking, these customers are not the end-users of our products. Any lack of success of products into which our products are incorporated, and any difficulty experienced by our customers in selling the products that we design or produce for them, could have a negative effect on sales and margins.
Adverse economic conditions in markets where our customers may sell or use our products would lead to a reduction in supplies to these customers. Some of these markets are characterised by intense competition, rapid technological change and economic uncertainty. The Group's exposure to economic cycles and related fluctuations in demand from these customers could have a negative effect on revenues and therefore on the Group's financial situation.
In addition, a decision by some customers to make the products supplied by us in-house would reduce supplies to these customers and therefore sales revenues and profitability.

Risks connected to environmental policy

The Group's businesses and products have to comply with national, community and international environmental legislation. This legislation is becoming increasingly stringent in the countries where the Group operates.
The potential risk to which the Group is subject relates to the processing of electric and/or electronic parts that, pursuant to new legislation, could become unusable in production or separately saleable.
The consequent disposal of such products, or of others that have become obsolete due to technological advances, incurs increasingly high costs.
In order to comply with legislation in force, the Eurotech Group envisages having to continue to sustain costs that may rise in future years.

Risks connected to relations with employees and suppliers

In some of the countries in which the Group operates, employees are subject to various laws and/or collective employment agreements that guarantee them – including by means of local and national representation – the right to be consulted on certain questions, such as workforce reductions. Such laws and/or collective employment agreements applicable by the Group could affect Group flexibility in the redefinition and/or strategic repositioning of its operations. Any unagreed decisions could lead to problems in workforce management.
In addition, the Group acquires raw materials and parts from numerous suppliers and depends on the services and products supplied by other companies external to the Group. Collaboration between producers and suppliers is normal in the segments in which the Group operates, and while this leads to economic benefits in the forms of reduced costs, it also means that the Group has to rely on these suppliers, with the consequent possibility that difficulties they experience (whether due to external or internal factors), including financial difficulties, could have negative repercussions on the Group's business outlook, as well as its operating results and/or its financial situation.

Risks connected to development activity

The Group conducts major research and development projects that can last for more than 24 months. Development activities believed to be capable of producing future benefits in terms of revenues are posted as intangible fixed assets. Not all development activities may lead to production at a level that allows for complete recoverability of the posted asset. When products related to capitalised development activities do not achieve the success expected, the impact on expected Group revenues and profits is determined, as well as whether the asset has to be written down.

Risks connected to the capacity to enrich the product portfolio and offer innovative products

The success of the Group's businesses depends on its ability to maintain or increase its share of the markets in which it operates, and/or to expand into new markets with innovative products of a high standard of quality ensuring adequate levels of profitability. More specifically, if the Group were unable to develop and offer more innovative and competitive products than its main competitors, including in terms of price, quality and functionality, or if there were delays in the development of new innovative products, the Group's market share could contract, with a negative impact on the Group's business outlook as well as its operating results and/or financial situation.

Risks and uncertainties connected to goodwill and assets with an indefinite life

The Group carries out impairment tests on goodwill and other intangible assets with an indefinite useful life (trademarks), at least annually and during the course of the year if there are indications of loss in value. The test requires an estimate of the value in use of the cash generating unit to which the goodwill and other intangible assets with an indefinite useful life are attributed, based in turn on the estimated expected cash flows of the unit and on the discounting of these flows at an appropriate rate.
In view of the general macroeconomic picture and the key sectors in which the Group operates, there is intrinsic uncertainty in estimating the cash flows used to test the assets for impairment. This uncertainty could give rise to the risk of failure to write down goodwill and intangible assets with an indefinite useful life, due to possible overestimation of future cash flows.

Risks connected with the performance of the Group's operating results

This risk factor brings out the risks connected with investment in the Company's capital in consideration of the performance of the Group's operating result in recent years and of current market conditions.
It is difficult to foresee the Group's future performance in consideration of the sectors in which it operates. It is however evident that every external event, such as a significant drop in one of the major markets of reference, the volatility of financial markets and the resulting deterioration of the capital market, the increase in cost of raw materials, unfavourable interest and exchange rate fluctuation, government policies, etc., might make a negative impact on the sectors in which the Group operates and negatively affect its prospects and activity, as well as affect its operating and financial results. The profitability of the Group's activities is also subject to risks tied to the fluctuation of interest rates, solvency and ability of the commercial counterparties to finance themselves, as well as to the overall economic conditions of the countries where the Group operates.

Disclosure on the environment and on personnel

Although the Group does not carry out activities that could impact local areas or the environment, it has always tried to operate in line with national and international best practice, in accordance with the rationale of risk prevention and reducing and minimising environmental impacts.

The Eurotech Group has always paid close attention and been highly committed to questions of employee safety, spreading a culture of safety within the organisation, minimising risk exposure in every activity and conducting activities to control, prevent and protect against risk exposure.
There have been no major work-related accidents at the Eurotech Group, and there is currently no risk of work-related illness.

Disclosure of sovereign exposure

Pursuant to Consob Communication DEM/11070007 of 5 August 2011 (a continuation of ESMA document 2011/266 of 28 July 2011) relating to disclosure in financial reports of the exposure of listed companies to sovereign debt, note that the Group does not hold sovereign debt securities

Regulatory simplification process based on the Italian CONSOB resolution No. 18079/2012

Pursuant to Art. 3 of Consob Resolution no. 18079 of 20 January 2012, Eurotech adheres to the simplification procedure provided for by Art. 70, paragraph 8, and 71, paragraph 1-bis of the Regulations adopted by Consob with its resolution no. 11971 of 14 May 1999 as amended and supplemented, therefore benefiting from the right to derogate from the obligations to disclose information documents provided for by Annex 3B of the aforesaid Consob Regulations at the time of significant transactions concerning mergers, spin-offs, increases in capital by way of contributions in kind, purchases and sales.

Events after the reporting period

No other significant events took place after the end of the year other than those indicated in Note 37.

Report on corporate governance and ownership structure

The information required by Art. 123-bis, paragraphs 1 and 2 of Legislative Decree 58 of 24 February 1998 as amended and supplemented can be found in Annex 1 of this report.

Subsidiaries created and regulated according to the law of states outside the European Union

The Board of Directors hereby declares that conditions for listing exist pursuant to Art. 36 of Consob Regulation 16191/2007 (the "Stock Market Regulation"). In this regard, note that at 31 December 2015 the subsidiaries created and regulated under the laws of countries outside the European Union, pursuant to Art. 36, paragraph 2 of the above Regulation, are US companies Eurotech Inc., Parvus Corp. and E-Tech USA Inc. and Japanese company Advanet Inc., and that the requirements set out in paragraph 1 of said article are met for these subsidiaries.

Competitive scenario, outlook and future growth strategy

Thanks to the integration and strengthened relations between the Group's various companies, the global positioning of individual subsidiaries, as well as the Group's balance sheet and financial solidity, the outlook for 2016 is positive, even though market conditions in some sectors remain uncertain.

The Group will pursue strategic development in 2016, along guidelines similar to those adopted in the last few years. The implementation of the strategic plan specifically includes the following actions:

- in the field of NanoPCs, the development and offering of new products/solutions with greater added value, with a particular focus on the creation of application-ready platforms and ready-to-use products;
- in the field of both NanoPCs and HPCs, a focus on products/solutions increasingly closer to the paradigm of pervasive computing or ubiquitous computing;
- strengthening commercial activities, particularly with regard to indirect as well as direct sales channels;

- heightened integration between individual Group companies, to (a) achieve greater operating effectiveness, (b) benefit from the economies of scale achievable, and (c) consolidate the Eurotech brand image;
- the continuous monitoring of opportunities for new acquisitions to extend the Group's presence in specific markets or as cross-selling catalysts between subsidiaries.

EUROTECH S.p.A.

Report on corporate governance and ownership structure

pursuant to article 123-*bis* of the Consolidated Finance Act (TUF)

Issuer: EUROTECH S.p.A.

Website: www.eurotech.com

Reporting period: financial year: 2015

Report approval date: 11 March 2016

CONTENTS

** **

GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code for listed companies, approved by the *Corporate Governance* Committee in July 2014 and promoted by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria; available online at www.borsaitaliana.it, under Borsa Italiana - Regulations – *Corporate Governance".*

Civ. Code/ C.C.: the Italian Civil Code.

Board/Board of Directors: the Board of Directors of the Issuer.

Eurotech, Issuer or Company: the issuer of listed shares to which the Report refers.

Financial Year: the financial year to which the Report refers.

CONSOB Issuer Regulation: regulations issued by CONSOB with resolution 11971 in 1999 (as subsequently amended), relating to issuers.

CONSOB Market Regulation: regulations issued by CONSOB with resolution 16191 in 2007 (as subsequently amended), relating to markets.

CONSOB Related Party Regulation: regulations issued by CONSOB with resolution 17221 on 12 March 2010 (as subsequently amended), relating to transactions with related parties.

Report: the report on corporate governance and company structure that the companies are obliged to prepare, pursuant to art. 123-*bis* of the TUF.

Consolidated Finance Act/TUF: Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act).

Stock Market Regulation Instructions: instructions for the regulation of the markets organised and managed by Borsa Italiana SpA.

MTA: the Mercato Telematico Azionario (screen-based equities market) organised and managed by Borsa Italiana SpA.

Stock Market Regulation: the regulation of the markets organised and managed by Borsa Italiana SpA. (as amended).

To our Shareholders,

As Chairman of the Board of Directors of Eurotech and on behalf of the Board, pursuant to article 123-*bis* of the TUF, I wish to provide you with the following information on the *corporate governance* system adopted by the Company in compliance with the principles set out in the Corporate Governance Code.

The following Annual Report will provide you with mandatory information regarding actual implementation of the Corporate Governance Code for the financial year ended 31 December 2015.

The information and data set out in this document will be updated annually by the Board of Directors, in future reports on compliance with the Corporate Governance Code.

1. ISSUER PROFILE

Eurotech is a "*global company*" based in Italy with operating locations in Europe, North America and Asia. The group is active in the research, development, construction and marketing of miniaturised computers (NanoPCs) and high-performance computers featuring high computing capacity (HPCs). The technological paradigm used by Eurotech is "*Pervasive Computing*", which combines three key elements: pervasive concept combines three key factors: (1) miniaturisation of 'smart' devices, i.e. devices capable of processing information; (2) their spread in the real world – inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment; and (3) their ability to connect with each other in a network and communicating. NanoPCs and HPCs are the two major classes of devices that, by connecting to and cooperating with each other, form the pervasive computing infrastructure commonly known as the "*Cloud*" or "*Grid*". Eurotech is most active in the transport, defence, industrial and medical sectors. A common feature of many of our customers is that they are seeking a centre of technological expertise – and they often see in Eurotech a partner for innovating their products and their way of doing business. They want to reduce their *time-to-market* and focus on their core businesses. They often need solutions for harsh operating conditions and for *mission critical* applications, or supplies assured for long periods. In the HPC sector, Eurotech develops supercomputers aimed at advanced research institutes, computing centres and universities. These supercomputers are proving indispensable in advanced sectors such as nanotechnology, biotechnology and subatomic physics. We also expect them to have a significant impact on the medical and industrial fields in the near future.

Eurotech is organised according to the traditional management and control model, with a Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (*PURSUANT TO* ART. 123-*BIS, PARAGRAPH 1,* TUF) AS AT 31 DECEMBER 2015

a) Share capital

As at 31 December 2015, the share capital was € 8,878,946.00, fully subscribed and paid up, divided into 35,515,784 ordinary shares with no nominal value. At the date of this Report, the share capital had not changed since the end of the financial year.

At the date of this Report, the Company holds 1.319.020 treasury shares, equivalent to 3.3714% of the current share capital.

The shares are indivisible and dematerialised.

The classes of stock comprising the share capital are summarised in Table 1 attached to this Report.

At the date of this Report, there are no share-based incentive plans.

b) Restrictions on the transfer of shares

There are no restrictions on the transfer of shares, limits on ownership or acceptance clauses of the Issuer or other owners.

c) Significant shareholdings

Note that the Issuer is qualified as an SME pursuant to Art. 1, paragraph 1, letter w-*quater*.1), TUF since it falls within the parameters provided for by this regulation. Therefore, the threshold for notifying significant shareholdings pursuant to Art. 120 TUF is 5% of the share capital with voting rights (see Art. 120, paragraph 2, last sentence, TUF). Bearing the recent introduction of the mentioned regulation in mind, please note that the shareholdings published on the CONSOB website on the date of this Report might not be updated to the new applicable threshold.

As at 31 December 2015, Shareholders who directly or indirectly hold significant shares of the share capital of the Issuer through pyramid structures or cross holdings, according to the communications received pursuant to Art. 120 of the TUF, are the following:

SIGNIFICANT SHAREHOLDINGS

Reporting party	Direct Shareholder	% of ordinary capital	% of voting capital
Dino Paladin	Dino Paladin	5.178 %	5.178 %
Finmeccanica SpA	Finmeccanica SpA	11.084 %	11.084 %
Rollo Alessandro	Rollo Capital Management LLC	2.309 %	2.309 %

At the date of this Report, the Company holds 1,319,020 treasury shares, equivalent to 3.3714% of the current share capital (amounting to € 8,878,946.00, divided into 35,515,784 ordinary shares).

d) Shares granting special rights

There are no shares which grant special control rights or special powers assigned to the shares.
The bylaws of the Issuer contain no provisions regarding increased voting pursuant to Art. 127-*quinquies* TUF.

e) Employee shareholdings: voting mechanism

No system of employee shareholdings exists.

f) Restrictions on voting rights

There are no restrictions on voting rights.

g) Shareholder agreements

To the Issuer's knowledge, as at 31 December 2015 there are no shareholder agreements pursuant to Art. 122 of the TUF.

h) Change of control clauses and statutory provisions relating to PTOs

On 19 December 2007, a loan agreement was signed with Unicredit Banca d'Impresa SpA for € 15,000,000. One of the agreement's covenants imposes a limit on "change of control/ownership", obliging the Company to notify the bank of any changes in the legal or ownership structure (e.g. form, capital, Directors, Statutory Auditors and shareholders, mergers (including by incorporation), demergers, disposals and transfers), administration, assets and liabilities or financial position (e.g. bond issues), or change in the operating and technical situation, as indicated in the figures, items and documents provided when the loan was requested, and of any facts that might change the current structure and organisation of the Company in any way. This covenant will be verified annually and certified by the Company. Failure to comply with this covenant will allow the bank to increase the interest spread by 50 bp if it does not exercise its right to terminate the agreement. This loan closed on 31 December 2015 with payment of the last instalment that fell due.

The Issuer's subsidiaries have not entered into other significant agreements that take effect, are amended or terminate upon a change of control of the contracting company.

The Issuer's Bylaws do not depart from the passivity rule provisions pursuant to Art. 104, paragraphs 1 and 2 of the TUF, and do not require application of the neutralisation rules envisaged in Art. 104-bis, paragraphs 2 and 3 of the TUF.

i) Powers to increase the share capital and authorisations for the purchase of treasury shares

In 2015 the Board of Directors was not granted powers to increase the share capital, pursuant to article 2443 of the Civil Code, or to issue equity instruments.

The Annual General Meeting of 24 April 2015, in renewing a similar authorisation of 24 April 2014 pursuant to articles 2357 and 2357-*ter* of the Civil Code, and Art. 132 of the TUF and the related implementation provisions, resolved:

(A) to authorise the purchase and sale of treasury shares for the purposes envisaged in market practice relating to the purchase of treasury shares to create a "bank of shares", permitted by CONSOB pursuant to Art. 180, paragraph 1, letter c) of the Legislative decree 58/1998 with resolution 16839 of 19 March 2009, in accordance with the operating conditions established for the aforementioned market practice and by EC Regulation 2273/2003 of 22 December 2003 where applicable, and therefore:

1. to authorise, pursuant to Art. 2357 of the Civil Code, the purchase, in one or more tranches, during a period of 18 months from the date of this approval by the Ordinary Shareholders' Meeting, of ordinary Eurotech shares up to a maximum number that, taking into account the ordinary Eurotech shares held at any time by the Company and its subsidiaries, does not in total exceed the upper limit set out under applicable laws in force, at a price no higher than the highest price between the last independent transaction and the price of the highest current independent offer at the trading venues where the purchase is made, provided that the unit price is no lower than 15% less and no higher than 15% more than the official price recorded by the Eurotech share on the stock market trading day preceding each purchase transaction;

2. to authorise the Board of Directors to identify the amount of shares to be purchased in respect of each of the aforementioned purposes prior to the opening of each individual purchase programme and to purchase shares under the conditions and for the purposes mentioned above, conferring the broadest possible powers to carry out share purchase transactions pursuant to this resolution, as well as any other formality related to these purchases, including the delegation of tasks to intermediaries authorised pursuant to law and with the power to appoint special attorneys, at the pace deemed most advantageous for the

Company, in compliance with the legislation in force and using the methods set out in Art. 144-bis, paragraph 1, letter b) of Consob Issuer Regulation 11971/1999, as subsequently amended;

3. *to authorise the Board of Directors to sell, pursuant to Art. 2357-ter of the Civil Code, in one or more tranches, treasury shares purchased on the basis of this resolution or in the Company portfolio at any time, by selling these shares on- or off-market, potentially also by selling real and/or personal rights, including but not limited to securities lending, in compliance with the legal and regulatory provisions currently in force and for the purposes set out in this resolution, using the terms, methods and conditions of disposal of the treasury shares deemed most advantageous for the Company, conferring the broadest possible powers to carry out share transactions pursuant to this resolution, as well as any other formality related to these purchases, including the delegation of tasks to intermediaries authorised pursuant to law and with the power to appoint special attorneys, provided that (a) disposals carried out as part of extraordinary transactions, including equity exchanges with other parties, may take place at the price or value that is congruous and in keeping with the transaction, according to the characteristics and nature of the transaction and also taking account of market performance; and that the placing of treasury shares at the disposal of distribution programmes, for a consideration or free of charge, of options on shares or shares to Directors, employees and consultants of the company or its subsidiaries, as well as programmes to assign free shares to shareholders, may take place at a price established by the competent corporate bodies as part of these programmes, and considering the market performance and applicable legislation, including tax law, i.e., free of charge if so stated in these programmes; all the foregoing must be carried out in compliance with the terms and methods, also operational, established under the applicable provisions of Consob resolution 16839 of 19 March 2009 and EC Regulation 2273/2003 of 22 December 2003 where applicable. The authorisation relating to this point is granted without time limits;*

(B) to ensure, in accordance with the law, that the purchases covered by this authorisation do not exceed the limits of distributable earnings and available reserves as recorded in the most recent annual report (also interim) approved at the time the transaction is carried out, and that, at the time of the purchase and sale of treasury shares, the necessary accounting information has been recorded, in compliance with the applicable laws and accounting standards.

At the date of this Report, the Company owns 1,319,020 treasury shares, equivalent to 3.1714% of the share capital (amounting to € 8,878,946.00, divided into 35,515,784 ordinary shares). The value of these shares is recorded in the financial statements at € 3,097,127.

I) Management and Co-ordination

Eurotech is not subject to management and coordination pursuant to Art. 2497 et seq. of the Civil Code.

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For further information pursuant to article 123-*bis* of the TUF, notice is hereby given that:

- information required by article 123-*bis*, paragraph 1, letter i) relating to agreements between the Company and the Directors that provide for compensation in the event of resignation or dismissal without just cause or in the event that the employment relationship ends due to a public purchase offer, is provided in Section 9 of the Report and in the remuneration report prepared pursuant to Art. 84-*quater* of the CONSOB Issuer Regulation available in accordance with legal requirements, on the Company's website www.eurotech.com in the "Investors" section;

- information required by Art. 123-*bis*, paragraph 1, letter l) relating to the appointment and replacement of Directors and amendments to the Company Bylaws, where these differ from the applicable laws and regulations as supplemented, is provided in Section 4.1 of the Report;
- information required by Art. 123-*bis*, paragraph 2, letter b) relating to the main features of the risk management and internal control systems is provided in Sections 10 and 11 of the Report;
- information required by Art. 123-*bis*, paragraph 2, letter c) relating to information on the operational mechanisms of the Shareholders' Meeting, its main powers, shareholder rights and how these are exercised, is provided in Section 16 of the Report;
- information required by Art. 123-*bis*, paragraph 2, letter d) relating to information on the composition and functioning of the management and supervisory bodies and their committees is provided in Sections 4, 6, 7, 8, 10, 13 and 14 of the Report.

3. *COMPLIANCE*

Eurotech has adopted the Corporate Governance Code by basically adapting to the principles contained therein, according to what is specified hereunder in this Report. The Code is available to the public on the website of Borsa Italiana at the address http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2015.pdf.

Eurotech SpA and its subsidiaries are not subject to non-Italian law provisions that influence the Company's corporate governance structure.

The Company will introduce the adjustments required by the revision of the Code approved in July 2015, taking into account the transitional rule contained therein.

4. BOARD OF DIRECTORS

4.1. *Appointment and replacement of Directors*

Pursuant to Article 14 of the Bylaws, the Board of Directors has no less than five and no more than eleven members. The Ordinary Shareholders' Meeting determines their number at the time of appointment. If the number of Directors has been set at a level lower than the maximum limit, the Shareholders' Meeting may increase this number during the Board's term. Directors must satisfy the requirements envisaged by law and other applicable measures, and a minimum number of Directors, corresponding to the legal minimum, must satisfy the independence requirements envisaged in Art. 148, paragraph 3 of the TUF, as well as in Art. 3 of the Code. With reference to the rules on the balance between genders in the composition of management bodies pursuant to art. 147-*ter*, paragraph 1-*ter* of the TUF, as introduced by Law 120/2011, and the implementation provisions of CONSOB, the Board adapted the Bylaws to the aforesaid regulations pursuant to articles 2365, paragraph 2 of the Civil Code, and 19, paragraph 1, of the Bylaws at the 15 March 2013 meeting.

Note that, since it is listed on the STAR Segment of the MTA, the Issuer is obliged to have a sufficient number of Independent Directors on its Board of Directors in order to continue to qualify, and therefore to fulfil the criteria established by article IA.2.10.6 of the Stock Market Regulation, which make provision for: at least two Independent Directors for Boards of Directors with up to eight members; at least three Independent Directors for Boards of Directors with nine to 14 members; and at least four Independent Directors for Boards of Directors with more than 14 members.

The Directors serve for a term of three years, expiring on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term. They may be re-elected at the end of their mandate.

Article 14 of the Company bylaws in force stipulates a list voting system for the appointment of Directors. The lists must be presented by shareholders following the procedures specified below, in which the candidates are listed in numerical order.

The lists that are submitted and signed by the shareholders must be lodged with the registered office of the Company and made available to anyone who requests them, at least 25 days before the single call of the Shareholders' Meeting, and will be subject to other forms of notice and filing methods in accordance with the laws in force. In particular, at least 21 days before the date of such meeting the lists are made available to the public at the registered headquarters, on the Company's website and in any other manner set out in the CONSOB Regulation.

Shareholders, including those party to shareholders' agreements pursuant to Art. 122 of the TUF, the Parent Company, subsidiaries, and companies subject to joint control pursuant to Art. 93 of the TUF, must not, directly, or through an intermediary or a trust company, submit more than one list or participate in the preparation of more than one list, and must not vote for different lists. Candidates are restricted to one list only, on penalty of disqualification. Acceptances and votes cast in breach of this rule will not be assigned to any list.

Only those shareholders who, either alone or together with other shareholders submitting lists, own a total of voting shares that represent at least 2.5% of the voting capital at the Ordinary Shareholders' Meeting, or representing any other percentage established by legal and regulatory provisions, may submit lists. With resolution 19499 of 28 January 2016, CONSOB set the minimum shareholding for submitting lists of candidates for the election of the Issuer's Board of Directors at 4.5% of the share capital.

Each list must be filed by the above deadlines, together with the following documentation:

(i) statements in which the individual candidates accept their candidacy and certify, under their own responsibility, that there are no grounds for their ineligibility or incompatibility, and that they satisfy the requirements for the respective positions;

(ii) curricula vitae setting out the personal details and professional qualifications of each candidate, indicating any reasons why the candidate qualifies as independent.

The lists containing a number of candidates equal to or greater than three must be formed by candidates belonging to both genders so that at least one-third (however rounded up to the excess) belong to the less represented gender of the candidates.

Proof of ownership of the equity interest required for submission of the list, declared according to the terms and methods provided for in the laws and regulations currently in force.

Lists not submitted according to the above rules shall be considered null and void.

The Board of Directors shall be elected as follows:

a) all Directors to be elected but one shall be taken from the list receiving the highest number of votes, and they shall be elected in the numerical order of listing;

b) the remaining Director is taken from the minority list with no direct or indirect links with the shareholders submitting or voting for the list described in point a) above and receiving the second highest number of votes. If the minority list referred to in point b) does not receive a percentage of votes that is at least equal to one half of those required for submitting the lists, pursuant to article 14.3 of the bylaws, all the Directors to be elected shall be taken from the list referred to in point a).

If the candidates elected using the methods described above do not ensure the appointment of the minimum number of Directors fulfilling the independence requirements established for Statutory Auditors by Art. 148, paragraph 3 of the TUF prescribed by law in relation to the total number of Directors, the non-independent candidate elected last in numerical order on the list receiving the greatest number of votes, pursuant to point a) above, will be replaced by the first independent unelected candidate in numerical order on the same list, or, failing this, by the first independent unelected candidate in numerical order on the other lists, according to the number of votes obtained by each list. This procedure shall be applied until the Board of Directors comprises a number of members that complies with the requirements set out in Art. 148, paragraph 3 of the TUF, equal to at least the minimum prescribed by law. Finally, if this procedure does not ensure the final result indicated above, the vacant position shall be filled by shareholders' resolution passed with a relative majority, following the submission of candidates satisfying the aforementioned requirements.

Moreover, if the election of candidates according to the aforementioned procedures does not ensure that the composition of the Board of Directors complies with the requirements in force concerning balance between genders, the candidate of the more represented gender elected last in progressive order on the list that won the highest number of votes shall be replaced by the first candidate of the less represented gender not elected on the same list in progressive order. This replacement procedure shall be followed until it is ensured that the composition of the Board of Directors complies with the regulations in force on balance between genders. Finally, if this procedure does not ensure the final result indicated above, the vacant position shall be filled by Shareholders' resolution passed with a relative majority, following the submission of candidates belonging to the less represented gender.

If a single list is submitted or if no list is submitted, the Shareholders' Meeting passes a resolution by legal majority, without complying with the procedure described above, compliance with the balance between genders regulations in force being understood.

If one or more Directors' positions become vacant during the year, and providing that the majority of the remaining Directors were elected by the Shareholders' Meeting, the following provisions of Art. 2386 of the Civil Code apply:

a) the Board of Directors shall fill the vacant positions with individuals on the list from which the departing Director was elected, and the Shareholders' Meeting shall pass a resolution with a legal majority, in compliance with the same criterion;

b) if the aforementioned list does not contain any more candidates who have not been previously elected or candidates satisfying the envisaged prerequisites, or if it is not possible for any reason to comply with the provisions of point a) above, the Board of Directors shall fill the vacancy as the Shareholders' Meeting shall subsequently decide, by legal majority without a voting list. In any event, the Board of Directors and the Shareholders' Meeting shall appoint replacements in order to ensure the presence of as many Independent Directors as necessary to comply with regulations currently in force and observance of the balance between genders regulations in force. If the majority of Directors appointed by the Shareholders' Meeting resign or leave office for other reasons, the remaining Directors must call a Shareholders' Meeting to fill the vacant positions.

If one or more Directors' positions are vacated during the year, the provisions of law shall apply to their replacement if the Shareholders' Meeting does not resolve to reduce the number of Directors set in accordance with the aforementioned procedures. If the majority of Directors appointed by the Shareholders' Meeting resign or leave office for other reasons, the remaining Directors must call a Shareholders' Meeting to fill the vacant positions.

In accordance with the provisions of article 14.2 of the Company bylaws, the current Directors satisfy the applicable regulations or legislation.

Plans for the succession of the Executive Directors

Considering the Issuer's size and organisational structure, as well as the practice to appoint the office of Executive Director to parties who have gained significant experience with the Company, the Board of Directors during its meeting on 7 March 2016 considered that at present it is unnecessary to adopt a plan for the succession of the Executive Directors, however in any case with the intention to make further assessments in the future.

Amendments to the Company bylaws

Amendments to the Company bylaws must be made by resolution of the Extraordinary Shareholders' Meeting through a legal majority vote.

Pursuant to Art. 19 of the Bylaws, the Board of Directors is responsible for passing resolutions on the following matters, in compliance with Art. 2436 of the Civil Code: (i) simplified mergers and demergers, pursuant to Art. 2505, 2505-*bis*, 2506-*ter*, final paragraph of the Civil Code; (ii) relocation of the Company's registered office within Italy; (iii) capital reductions in the event of redemption; and (iv) updating the Company bylaws to comply with regulatory provisions, without prejudice to the fact that these resolutions may also be adopted by the Extraordinary Shareholders' Meeting.

4.2. *Composition*

The Board of the Issuer was appointed by the Shareholders' Meeting held on 24 April 2014, which decided the number of members of the management body will be 9 (nine).

The Board of Directors was appointed based on the single majority list presented by the shareholder Roberto Siagri, also in the name and on behalf of the shareholder Finmeccanica S.p.A., pursuant to the current bylaws, and it obtained 9,444,216 votes in favour, equal to 100.00% of the voting capital. The Board of Directors will remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2016.

For more information about the lists filed for the appointment of the management body, please refer to the Company's website at www.eurotech.com in the Investors section, where the *curricula vitae* of the Directors are also made available.

Note that on 27 November 2014 the Vice Chairman Giampietro Tecchiolli resigned from the office of vice chairman and member of the board, as announced to the market on the same date. During its meeting on 12 February 2015, the Board of Directors decided to not appoint a new director considering the number of Directors in office, that the Director who left was not a member of any board meeting and the approach of the shareholders' meeting called to approve the financial statements at 31 December 2014, and to refer the appointment of the director to that very shareholders' meeting. Afterwards, the director Alberto Felice De Toni was appointed upon recommendation lodged by the shareholder Roberto Siagri by the shareholders' meeting on 24 April 2015.

On 28 April 2015 Paola Bonomo resigned from the office of board member. On 14 May 2015 the Board appointed Marina Pizzol by cooption, and she will remain in office until the next shareholders' meeting.

Table 2 attached to this Report lists the members of the Board of Directors in post at the date of this Report, and provides information on the position held and the date this position was assumed; it also indicates whether the Director is non-executive or independent, the Director's percentage attendance of Board meetings and the number of director/auditor positions held by each Director in other companies listed on regulated markets (including abroad), in financial companies, banks, insurance companies or large companies.

Maximum number of positions allowed in other companies

All members of the Board of Directors are required to take decisions in an informed, independent manner with the aim of creating value for shareholders, and are committed to dedicating the time necessary to discharge their functions diligently. Accordingly, each candidate for a Director’s position shall first determine whether he/she can discharge the assigned duties with due care and effectiveness when accepting a position at the Company, particularly in view of the number of director/statutory auditor positions held at other companies listed on regulated markets in and outside Italy, in financial companies, banks, insurance companies, or large companies, and the overall commitment required by these other positions. Each member of the Board of Directors must also inform the Board of Directors if he/she has accepted positions as director or statutory auditor in such companies, so that full disclosure thereof may be provided in the annual report on operations.

The Board of Directors does not deem it necessary to impose preset limits on numbers of positions held by Eurotech Directors in the management and supervisory bodies of other companies. It is understood, however, that it is the duty of each Director to assess whether director/auditor positions held in other companies listed on regulated markets, financial, banking, insurance or large-scale companies is compatible with diligent performance of the tasks assumed as a Director of Eurotech. At its meeting of 07 March 2016, the Board, after reviewing the positions currently held by board members in other companies, decided that the number and nature of these positions do not interfere and are compatible with the effective performance of their roles as Directors of the Issuer.

With regard to the positions held by Eurotech Directors (including Directors whose mandates expired during the year) in other listed companies and in financial, banking, insurance or large-scale companies, the following table shows the main activities carried out by members of the Board of Directors outside the company, in accordance with application criterion 1.C.2. of the Corporate Governance Code:

Name and surname	Company	Management and supervisory positions
Roberto Siagri	EUROTECH S.p.A. (Italy – Amaro (UD)) (Eurotech SpA Group)	Chairman of the Board of Directors
	E –Tech USA Inc. (USA) (Eurotech Group)	Chairman of the Board of Directors
	Eth Devices S.r.o. (SK) (Eurotech Group)	Executive Director
	Advanet Inc. (Japan) (Eurotech Group)	Director
	ETHLab S.r.l. (Eurotech Group)	Chairman of the Board of Directors
	Eurotech France SA (Eurotech Group)	Chairman of the Board of Directors
	DITEDI – Distretto Industriale delle Tecnologie Digitali S.c.a.r.l.	Vice Chairman of the Board of Directors
	Aurora S.r.l. (Eurotech Group)	Chairman of the Board of Directors
	Nextra Gen Srl	Sole Director
	Fondazione Museo carnico delle arti e tradizioni popolari "Luigi e Michele Gortani" di Tolmezzo (UD)	Chairman
Alberto Felice De Toni	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director
	ILCAM S.p.A. (Italy – Cormons (GO))	Director
	Fondazione CRUi (Italy – Rome (RM))	Director
	Ferriere Nord S.p.A. (Italy – Osoppo (UD))	Director
Sandro Barazza	IPS - Sistemi Programmabili S.r.l. (Eurotech Group)	Chairman of the Board of Directors
	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director - Financial Reporting Manager
	Eurotech Inc. (USA) (Eurotech Group)	Director
	Aurora S.r.l. (Eurotech Group)	Director
	E-Tech USA Inc. (Eurotech Group)	Director
	Eurotech Ltd (UK) (Eurotech Group)	Director
	Advanet Inc. Advanet Inc. (Japan) (Eurotech Group)	Executive Director
	Eurotech France SA (Eurotech Group)	Director
Chiara Mio	EUROTECH S.p.A. (Italy – Amaro (UD)) (Eurotech SpA Group)	Independent director
	Banca Popolare Friuladria (Pordenone)	Chairman of the Board of Directors
	Zignago Vetro Spa (Fossalta di Portogruaro – Ve)	Independent director
	Anteo S.r.l.	Director
	Danieli e c. Officine meccaniche S.p.A. – (Italy – Buttrio (UD))	Director
	MCZ SpA	Director
Marina Pizzol	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director
	Eurofighter Simulation Systems GmbH – (Hallbergmoos Germany)	Director
Giuseppe Panizzardi	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director
	Fata S.p.A.	Chairman of the Board of Directors
	Bredamenarinibus S.p.A.	Chairman of the Board of Directors
	Sukhoi Civil Aircraft	Director
	World's Wing SA	Director

Dino Paladin	Company Dott Dino Paladin (Italy - Padua and Trieste)	Owner
	Tecna S.r.l. (Italy – Trieste)	Member of the Board of Directors
	Kaleao Limited (Cambridge – UK)	Member of the Board of Directors
	Veneto Biomedical District (Italy - Padua)	Committee member
	Companies in the scientific and technological sector	Consultant and Collaborator (following the marketing and sales aspects)
Giulio Antonello	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director
	Italcementi S.p.a.	Director
	Finanziere Phone 1690 S.A.	Director
Paola Bonomo 2015	Piquadro S.p.A.	Director
		Chairman of the Remuneration and Appointments Committee
		Member of the Control and Risks Committee.
	MoneyFarm SIM S.p.A.	Director
	AXA Assicurazioni S.p.A.	Director
	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director
	Fondazione Cinetica Italiana	Director
Riccardo Costacurta	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director

Induction Programme

The characteristics of board reporting enable the Directors to obtain adequate knowledge of the field of activity in which the Issuer operates, its dynamics and their evolutions, as well as the relevant regulatory and control framework.
A meeting was held on 24 April 2015 with all Board of Directors and Board of Statutory Auditors members attending, including those not newly appointed, during which the key data, historical development and various business units of the Company were explained.

4.3. *Role of the Board of Directors*

The Board of Directors plays a key role in the Company organisation. It develops and is responsible for strategic and organisational policies, and verifies the existence of the controls necessary for monitoring performance of the Company and the companies of the Eurotech Group.

The Board of Directors is vested with full authority for Company management and may accordingly resolve or carry out all those acts deemed necessary or useful for implementation of the corporate purpose, with the exception of what is reserved by law or the Company bylaws for the Shareholders' Meeting.

The Board of Directors is also responsible for resolving on the following matters, in compliance with Art. 2436 of the Civil Code:

(i) simplified mergers and demergers, pursuant to Art. 2505, 2505-*bis*, 2506-*ter*, final paragraph of the Civil Code;

(ii) establishment or closure of branch locations;

(iii) relocation of the Company's registered office within Italy;

(iv) indicating which Directors have been made legal representatives;

(v) reducing the share capital following redemption;

(vi) amending the Company bylaws in line with regulatory provisions;

without prejudice to the fact that these resolutions may also be taken by the Extraordinary Shareholders' Meeting.

On 14 May 2014, the Company's Board of Directors assumed exclusive responsibility for the following matters, in addition to the resolutions indicated above and without prejudice to matters that cannot be delegated by law:

- examining and approving the strategic, business and financial plans of the Company and the corporate structure of the group that it heads; specifically, this includes examination and approval of the business plan and annual investment budget, as well as additions and/or changes to the same documents in an amount exceeding 20% of what was originally envisaged;
- monitoring general operating performance; while carrying out this function, the Board of Directors carefully assesses potential conflicts of interest, considers the information received from the Chief Executive Officers and periodically compares the results achieved with budget targets;
- monitoring the adequacy of the general organisational and administrative structure of the Company and Group put in place by the Chief Executive Officers;
- approval and amendment of the basic organisational structure of the Company and Group;
- programmes and proposals for new investments for amounts exceeding:
    - € 500,000.00 (five hundred thousand/00) for each investment in stationary plants
    - € 1,000,000.00 (one million/00) for each multi-year investment in research and development.
- sale and purchase of know-how.
- examining and approving transactions having a specific impact on operating results, equity and the financial position pursuant to the CONSOB regulations governing listed companies;
- purchase and sale of equity investments, mergers, transformations, demergers and/or transfers of holdings and business units; an equity investment for operating needs in consortia or consortium companies not fall within the aforesaid requirement; increases in capital of companies already held that involve an investment of less than € 100,000 (one hundred thousand) and that do not involve increasing the share held are excluded;
- capital transactions, transformation, listing on the stock market, merger, spin-off, liquidation, execution of shareholders' agreements regarding direct subsidiaries;
- hiring, appointment or dismissal of executives and determining their wages;
- purchasing or selling property assets;
- entering into receivable and payable loan agreements even with subsidiaries, affiliates and other companies over the medium and long term and assuming lines of credit with any technical form of use for amounts exceeding € 3,000,000.00 (three million/00) for each transaction;
- issuing fidejussory bonds and/or secured guarantees for third parties for amounts exceeding € 3,000,000.00 (three million/00) for each transaction.

During the year the Board, in line with the recommendations of the Code:

- examined and approved the strategic, business and financial plans of the Issuer and the Group that the Issuer heads; and monitored their implementation;
- examined and approved the corporate governance system of the Issuer and the structure of the Group that the Issuer heads, drafting and adopting the Company's corporate governance rules and the Group's governance guidelines;
- assessed, on at least an annual basis, the adequacy of the organisational, administrative and general accounting structure of the Issuer and the strategically important subsidiaries put in place by the Chief Executive Officer, with a particular focus on the internal control system and the management of risks according to the procedures adopted by the Issuer in this regard. In carrying out this activity the Board received, according to individual cases, the support of the Internal Control and Risks

Committee, the Internal Audit Officer and the Financial Reporting Manager, and made use of procedures and audits, including those set out in Italian Law 262/2005. During its meeting of 11 March 2016, the Board, on the basis of the calculations of the Internal Control and Risks Committee, assessed the organisational, administrative and general accounting structure of the Company and it strategically important subsidiaries pursuant to criterion 1.C.1, letter c) of the Code, and expressed a positive opinion on the internal control system and, more generally, on the corporate governance system of the Company and the Group that the Issuer heads.

- after examining the proposals of the Remuneration Committee and consulting the Board of Statutory Auditors, determined the compensation of the Chief Executive Officers and other Directors holding specific positions, and subdivided the total remuneration for individual Directors;
- evaluated, on at least a quarterly basis, overall operation performance, taking into account, in particular, the information received by the delegated bodies, and comparing the results achieved with projections on a regular basis;
- examined and approved in advance, in accordance with current regulations: (*i*) transactions of the Issuer and its subsidiaries with strategic, business, asset or financial importance for the Issuer; (*ii*) transactions in which one or more Directors have an interest on their own behalf or on behalf of third parties and (*iii*) more generally, related party transactions; for more information on the management of conflicts of interest and related party transactions of the Issuer, see Section 12 below.

The Shareholders' Meeting has not authorised any exemptions from the provisions relating to competitors laid down in Art. 2390 of the Civil Code.

Pursuant to Art. 17 of the Company bylaws, a majority of current Directors must be in attendance for resolutions to be valid. Resolutions are passed by a majority of the voting members, with the abstaining members not being included in the calculation.

Pursuant to Art. 19.2 of the Company bylaws, the Board of Directors – within the limits imposed by law or the bylaws – may delegate its own authority and powers to the Executive Committee and may also appoint one or more Chief Executive Officers to whom to delegate authority and powers.

The same article envisages that the Executive Committee, the Chief Executive Officer or the Chief Executive Officers if appointed, must adequately and promptly report to the Board of Directors and the Board of Statutory Auditors at least once every quarter on the exercise of the delegated authority and activities performed, the general operating performance and business outlook, and the most significant transactions in terms of scale and characteristics carried out by the Company and its subsidiaries. Pursuant to Art. 21 of the Company bylaws, the Board of Directors may appoint an Executive Committee, setting its term and number of members in advance. The Chairman and Vice Chairman or Vice Chairmen (if more than one and if appointed) are ex-officio members of the Committee.

Pursuant to Art. 22 of the Bylaws, the terms and conditions for calling and operating the Executive Committee, without prejudice to the provisions of applicable laws or regulations or the Bylaws – are defined by the specific Regulation approved by the Board of Directors.

Board meetings

Board meetings are chaired by the Chairman or, if he/she is absent or prevented from attending, by the sole Vice Chairman or, if there are several Vice Chairmen, the one with the greatest seniority in that position who is in attendance and, if they have the same seniority, the oldest in age. The Chairman – or the person acting for him/her in the cases set out above – calls the Board meetings, sets their agenda and moderates their proceedings, ensuring that the Directors are promptly provided with the necessary documents and information pursuant to Art. 16 of the Company bylaws. The Chairman also chairs the Shareholders' Meeting, performing the roles and functions set out in Art. 10.2 of the Company bylaws.

The Board of Directors meets regularly, and whenever the Chairman deems necessary, or when it is requested by the Chief Executive Officer or at least three board members. Board meetings may also be called by two Statutory Auditors, upon notification to the Chairman of the Board of Statutory Auditors.

The Board of Directors held 8 (eight) meetings during the year, on: 12 February, 11 and 13 March, 2 April, 14 May, 4 June, 28 August, 13 November

The meetings were minuted.

The Board meetings lasted for 1 hour and 02 minutes on average.

The members of the Board of Directors and the Board of Statutory Auditors regularly attended these meetings.

At least 7 (seven) Board of Directors meetings are planned for the current year, according to the calendar of Board meetings (four dates of which have already been communicated to the market and Borsa Italiana S.p.A. in accordance with regulatory provisions). In addition to the meetings held on 25 February, 7 and 11 March 2016 to approve the draft financial statements and the consolidated financial statements of the Group, the Board of Directors is scheduled to meet on the following dates:

- 11 May (approval of the first-quarter results to 31 March 2016);
- 29 August (approval of the first-half results to 30 June 2016);
- 11 November (approval of the quarterly results to 30 September 2016);

The financial calendar is available in Italian and English in the Investors section of the Company website at www.eurotech.com.

Pursuant to Art. 16, paragraph 3 of the Bylaws, the Chairman of the Board coordinates the work of the Board of Directors and ensures that adequate information on the agenda of the meeting is given to all Directors. In particular, this information is always given in such a way as to allow the Board members to express an informed opinion on the matters submitted for examination by providing them documentation and information relating to the document drafts submitted for approval sufficiently in advance, with the sole exception being cases of particular and proven urgency.

Timeliness and completeness of the pre-meeting information is guaranteed by sending documentation at least three days before the date of the Board meeting. This deadline was normally met, and if in specific cases it was not possible to provide the necessary disclosure early enough in advance, the chairman ensured that adequate in-depth analyses were made during the board meetings.
Board meetings may also be attended by managers of the Issuer and the Group that is now at the head in order to provide additional information on the items on the agenda.

4.4. *Delegated bodies*

a) **Chairman of the Board of Directors**

Pursuant to Art. 25 of the Company bylaws, the Chairman is the legal representative of the Company and has power of signature for it. If the Chairman is absent or prevented from attending, these powers are exercised by the Vice Chairman or Vice Chairmen (if appointed), according to the provisions of the bylaws. The Chief Executive Officer(s), if appointed, is/are also legal representatives of the Company, within the limits of the delegated authority.

The Board meeting held on 14 May 2014 granted Roberto Siagri, Chairman of the Board of Directors, full powers of representation and ordinary management with free power of signature, including those in the following (non-exhaustive) list, to carry out and supervise the organisation and management of the Company and its subsidiaries:

Legal representative:

- representation of the Company before any third party;

- representation of the Company, either actively or passively, before the Italian and foreign civil, penal, administrative and financial authorities, at every order and level of jurisdiction, including for judgements of revision and appeal, appointing and terminating as necessary lawyers, attorneys and experts, filing complaints and making applications to take part in proceedings as a civil party. Settling and reconciling judgements and withdrawing from proceedings; submitting disputes for arbitration and carrying out all formalities related to arbitration judgments;

- promoting and pursuing actions in any judicial, civil, criminal and administrative venue, at any level of jurisdiction, whether as a plaintiff or as a defendant;

- filing of all reports or declarations that the Company must submit pursuant to law;

- delegation of authority and conferring special and/or general powers of attorney to establish acts or categories of acts within the scope of the powers conferred;

- as the Company's representative, discussion and settlement of all administrative matters before any authority and agency, ministry or state entity, signing petitions and appeals, requesting and collecting refunds;

- representation of the Company before all authorities, agencies or entities with jurisdiction over tax matters;

- filing of all reports or declarations that the Company must submit pursuant to law;

- signing and filing tax returns and declarations;

Administrative and tax representative:

- signing and submitting petitions, appeals, objections and reservations against tax assessments, arranging and defining practice in all tax matters, requesting and collecting refunds;

- participate in inspections by the tax police and all other authorities, signing the relevant reports

- filing of all reports or declarations that the Company must submit pursuant to law;

- request any authority with jurisdiction for administrative and public safety licenses, particularly trade licenses, including registration thereof in his own name as the Company's legal representative in force;

Representative to CONSOB and Borsa Italiana SpA

- represent the Company before Consob and at the market management companies, including in any proceedings that might have been filed with them, with the authority to draft notices and/or any other document pursuant to law and regulations;

- filing of all reports or declarations that the Company must submit pursuant to law;

Trademarks and Patents:

- deposit, abandon, limit and expand patents for inventions of ornamental, utility and industrial models, for factory and trade marks in Italy and at the international level, protect them in administrative venues, carrying out all acts as necessary pursuant to current law, appointing correspondents for this purpose and granting them authority as necessary;

• represent the company for all matters regarding the deposit, registration, and cancellation of patent, trademark and utility model rights.

Representation in associated companies:

• the exercising of voting rights and representation of the Company at Shareholders' Meetings, in consortia or other entities in which the Company has equity interests, and the exercising of all the Company's other rights in relation to its interest in these other companies, consortia or other entities, delegating authority to third parties as necessary;

• representation of the Company to subsidiaries or foreign affiliates, as well as representatives and customers outside Italy in general, and before foreign bodies and authorities in general;

Employees:

• recruitment, suspension and termination of employees, with the exception of executives, executing the relevant agreements, defining remuneration, duties and any bonds, and satisfying all relevant obligations consequent upon administration of employment relationships;

• execution, amendment and termination of agreements with external consultants and freelance employees;

• represent the Company before trade unions, with the power to settle disputes;

• represent the company before all authorities, entities and institutes in regard to labour matters;

• Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations;

Contracts of sale and exchange:

• participation in tenders held by state agencies and public and private entities in Italy and abroad, for the supply of goods and services in general, submitting bids and, if the contract is awarded, signing and granting authority for signing the contracts for each individual tender or bid for amounts up to € 5,000,000.00 (five million/00);

• execution and approval of all documents and agreements relating to the transfer of goods and provision of services, with the exception of capital assets, connected with the Company's activity, for a value of up to € 5,000,000.00 (five million/00) and/or with a duration of three years or more;

• examination, amendment, approval and cancellation of contracts of sale and exchange, including those that envisage the receipt of commissions, finished and semi-finished products, raw materials and goods for performing corporate activities for a value of up to € 5,000,000.00 (five million/00);

Agency agreements:

• examination, amendment, approval and cancellation of agency, commercial licensing or sub-licensing, commission and bailment agreement;

Company management agreements:

• examination, amendment, approval, execution and termination of programmes and proposals for new investments for amounts up to:

- € 500,000 (five hundred thousand/00) for each investment in stationary plants;
- € 1,000,000 (one million/00) for each multi-year investment in research and development.

• examination, amendment, approval, execution and termination of any document and agreement necessary for management of the Company whose individual value is less than € 1,500,000/00 (one million five hundred thousand/00) and whose duration is less than three years;

• examination, amendment, approval, execution and termination of partnership agreements with universities and research institutes and joint venture agreements, except, in the latter case, where the Board of Directors is exclusively responsible for transactions with a specific impact on the operating results, equity and financial position pursuant to CONSOB regulations for listed companies;

• examination, amendment, approval, execution and termination of lease agreements, including finance leases and commercial leases and subleases for the use of goods in the amount of up to € 500,000.00 (five hundred thousand/00) and with a duration of up to nine years;

• requesting all forms of new loans and credit lines from banks, amending, approving and cancelling loans in euro and/or foreign currency, with the power to sign the related documentation for amounts of up to € 3,000,000.00 (three million/00) for each loan and/or credit line, with a total annual limit of € 5,000,000.00 (five million/00), excluding financial transactions in countries on the black list kept by the Ministry of Economic Affairs;

• execute all transactions with factoring companies, including the execution of agreements, sale of receivables and/or acceptance of sales by suppliers, the establishment of guarantees, collection orders, discounting and whatever else connected with factoring relationships;

• examination, amendment, approval and cancellation of supply contracts in general, including service agreements, work agreements and similar provision of goods and all relevant and consequent acts for an amount equal to or less than € 1,500,000.00 (one million five hundred thousand/00) per single agreement, other than the sale of goods, provision of services and participation in tenders as described in the previous two points;

• definition of guidelines for cash pooling operations, such as, but not limited to, opening and closing of deposit accounts, swaps, negotiation of interest rates, the commencement and termination of operating mandates and, in general, all similar transactions;

• subscription of increases in capital of subsidiaries, affiliates and other companies already held that involve an investment of less than € 100,000 (one hundred thousand/00) and that do not involve increasing the share held are excluded;

Vehicles:

• represent the Company before all authorities and entities, signing all documents regarding the legal status of the transport vehicles and grant authorisations to drive Company owned vehicles to employees or third parties.

• the purchase, sale and exchange, up to a limit of € 100,000/00 (one hundred thousand/00), of any land transport vehicle, executing the related formalities with the competent public automotive registers, including the arrangement and cancellation of mortgage;

Financial transactions and relations with banks:

- within the limits of the granted credit lines, execution of any debit or credit transaction on the Company’s current accounts at banks and post offices in Italy and abroad, excluding countries on the black list published by the Ministry of Economic Affairs; issuing, endorsing and collecting bank cheques and having issued, endorsing and collecting banker’s drafts;

- issue, receipt and endorse bills of exchange; have issued, accept and endorse merchandise notes;

- execution or release of security deposits in cash or securities;

- depositing public or private securities with banks, in custodian, trust or pledge accounts; withdrawing them by issuing a receipt in release thereof;

- rental and cancellation of the rental of safe deposit boxes, with the power to open them and remove their contents;

- issuing bills of exchange and endorsements only to suppliers and for legal transactions, accepting bills only from suppliers and only if issued on legally compliant orders;

Administrative matters:

- collection of postal and telegraph money orders and issuance of the related receipts;

- collection of postal packets, registered and insured letters from any post office and issuance of the related receipts;

- giving and accepting security deposits;

- executing all customs clearance transactions, making and withdrawing the required deposits and all other matters with the Customs Offices, signing all documents as necessary;

Endorsement and collection of negotiable instruments

- negotiate, sign and collect bills (paper and IOUs), promissory notes, cheques and any other trade instrument or bills, signing the relevant documents, endorsements and receipts;

- endorsement of bills, cheques and all other negotiable instruments for collection;

- filing protests, issuing orders to pay, taking preventive and enforcement measures and handling their revocation if necessary;

Correspondence and other documents:

- signing all company correspondence;

- issuing, signing and issuing receipts for invoices, debit and credit memoranda, and receiving them;

- signing and issuing waybills and transport bills, and receiving them;

Collection of receivables:

- demands for receivables, collection and withdrawal of cash and cash equivalents for any reason from any bank, entity or person, issuance of receipts and releases;

- issuance of bills to customers and other debtors;

- serving notices of placement in default and having bank protests issued;

• taking enforcement and preventive measures, obtaining injunctions, orders, attachments and seizures;

• filing bankruptcy petitions, representing the mandating Company in bankruptcy proceedings, filing the relevant credit claims, certifying their effective existence, voting in arrangement, collecting final and partial distributions, participating in procedures for arrangements with creditors and receivership and carrying out all acts involved in those procedures;

Special mandates:

• within the limits of his own powers, grant mandates and special powers of attorney to Company employees and third parties that authorise them to execute specific transactions and classes of actions in the name and on behalf of the Company, using the power of Company signature to do so and revoking these mandates as necessary;

• even if not expressly specified here, do whatever else is appropriate and necessary on behalf of the principal, with no exceptions except for those specified, with the foregoing list of powers having to be considered examples but not mandatory. All of the foregoing authority is granted with promise of full ratification and approval and full exemption from liability for any party.

Specific activities:

• Execution, amendment and termination of agreements for the purchase of spaces and/or systems for advertising services and advertising, promotion and experimentation materials; agreements for the Company's advertising activity and market research;

• perform all supervisory duties and implement statutory and regulatory provisions pertaining to listed companies and established by competent authorities;

• perform any activity deemed necessary for attending to relations with investors, the national and international press, and the market;

• overseeing the organisation of communication programmes, participating in events and fairs and whatever else is considered useful for the purpose of promoting the image of the Company;

• coordinate the research and development activities of the Company, and in particular:

  - take those initiatives as necessary to realise corporate and group research and development programmes;
  - take all measures as necessary to promote the study, design and completion of new products, exploiting the assistance of all members of the Company and Group organisation as defined in the Company and Group organisational chart, and using the creative talents and experience of all personnel;
  - coordinating Group research and development activities, reporting on these to the Executive Committee once a month;
  - Monitoring public/publicly funded research projects, including international projects, and taking part in those of interest to the Company and the Group.

* * *

The Chairman is recognised as the chief executive officer.

Note that the *interlocking* directorate situation provided for by criterion 2.C.5 of the Corporate Governance

Code does not apply.

The Board believes that the assignment of management powers to the Chairman meets appreciable organisational needs of the Issuer which lie in streamlining the running of the Board of Directors of the Company, also taking its size into account. In the presence of this situation, it should be noted that the Company appointed the Director Chiara Mio as Lead Independent Director pursuant to the Code. For more information about the figure of Lead Independent Director, please refer to section 4.7.

b) Vice Chairman and Executive Director

The Board meeting held on 14 May 2014 granted Giampietro Tecchiolli, Vice Chairman of the Board of Directors, full powers of representation and ordinary management with free power of signature, including those in the following (non-exhaustive) list, to carry out and supervise the organisation and management of the Company and its subsidiaries:

Legal representative:

- representation of the Company before any third party;
- represent the company before any Italian or foreign judicial or administrative authority, at any level of jurisdiction, in disputes of any nature and vis-à-vis anyone;
- promoting and pursuing actions in any judicial, civil, criminal and administrative venue, at any level of jurisdiction, whether as a plaintiff or as a defendant;
- delegation of authority and conferring special and/or general powers of attorney to establish acts or categories of acts within the scope of the powers conferred;

Shareholders' Meetings:

- as the Company's representative, discussion and settlement of all administrative matters before any authority and agency, ministry or state entity, signing petitions and appeals, requesting and collecting refunds;
- representation of the Company before all authorities, agencies or entities with jurisdiction over tax matters;
- filing of all reports or declarations that the Company must submit pursuant to law;
- signing and filing tax returns and declarations;

Trademarks and patents:

- depositing, abandoning, limiting and expanding invention patents for ornamental, utility and industrial models for factory and commercial trademarks in Italy and internationally, protecting them in administrative venues, carrying out all necessary acts pursuant to the laws in force, appointing correspondents for this purpose and granting them all necessary powers;
- represent the company for all matters regarding the deposit, registration, and cancellation of patent, trademark and utility model rights.

Representation in associated companies:

- the exercising of voting rights and representation of the Company at Shareholders' Meetings, in consortia or other entities in which the Company has equity interests, and the exercising of all the

Company's other rights in relation to its interest in these other companies, consortia or other entities, delegating authority to third parties as necessary;

- representation of the Company to subsidiaries or foreign affiliates, as well as representatives and customers outside Italy in general, and before foreign bodies and authorities in general;

Employees:

- represent the Company before trade unions, with the power to settle disputes;

- represent the company before all authorities, entities and institutes in regard to labour matters;

- Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations;

Contracts of sale and exchange:

- participation in tenders held by state agencies, public and private entities in Italy and abroad, for the supply of goods and services in general, submitting bids and, if the contract is awarded, granting authority for signing the contracts for each individual tender or bid for an amount up to € 1,000,000.00 (one million/00);

- execution of all documents and agreements relating to the sale of goods, with the exclusion of capital goods, and the provision of services related to the Company's activity whose value is less than € 1,000,000.00 (one million/00) and whose duration is less than three years;

- examination, amendment, approval and cancellation of contracts of sale and exchange, including those providing for the receipt of commissions, finished and semi-finished products, raw materials and goods for performing corporate activities for a value of up to € 1,000,000.00 (one million/00);

Agency agreements

- execute, amend and terminate agency agreements, commercial licensing or sub-licensing agreements, commission agreements and bailment agreements when the value of each individual agreement is less than € 50,000.00 (five hundred thousand/00);

Company management agreements:

- execute all documents and agreements necessary for management of the company whose individual value is less than € 250,000.00 (two hundred fifty thousand) and for a term of less than three years;

- execution and termination of partnership agreements with universities and research institutes;

Vehicles:

- represent the Company before all authorities and entities, signing all documents regarding the legal status of the transport vehicles and grant authorisations to drive Company owned vehicles to employees or third parties;

- purchase, sell and exchange all land transport vehicles, with a limit of € 50,000.00 (fifty thousand);

Financial transactions and relations with banks:

- issue, receipt and endorse bills of exchange; have issued, accept and endorse merchandise notes;

Administrative matters:

- collection of postal and telegraph money orders and issuance of the related receipts;
- collection of postal packets, registered and insured letters from any post office and issuance of the related receipts;
- giving and accepting security deposits;
- executing all customs clearance transactions, making and withdrawing the required deposits and all other matters with the Customs Offices, signing all documents as necessary;

Endorsement and collection of negotiable instruments

- negotiate, sign and collect bills (paper and IOUs), promissory notes, cheques and any other trade instrument or bills, signing the relevant documents, endorsements and receipts;
- endorsement of bills, cheques and all other negotiable instruments for collection;
- filing protests, issuing orders to pay, taking preventive and enforcement measures and handling their revocation if necessary;

Correspondence and other documents:

- signing all Company correspondence;
- issuing, signing and issuing receipts for invoices, debit and credit memoranda, and receiving them;
- signing and issuing waybills and transport bills, and receiving them;

Collection of receivables:

- demands for receivables, collection and withdrawal of cash and cash equivalents for any reason from any bank, entity or person, issuance of receipts and releases;
- issuance of bills to customers and other debtors;
- serving notices of placement in default and having bank protests issued;
- taking enforcement and preventive measures, obtaining injunctions, orders, attachments and seizures;
- filing bankruptcy petitions, representing the mandating Company in bankruptcy proceedings, filing the relevant credit claims, certifying their effective existence, voting in arrangement, collecting final and partial distributions, participating in procedures for arrangements with creditors and receivership and carrying out all acts involved in those procedures;

Special mandates:

- within the limits of his own powers, grant mandates and special powers of attorney to Company employees and third parties that authorise them to execute specific transactions and classes of actions in the name and on behalf of the Company, using the power of Company signature to do so and revoking these mandates as necessary;

• even if not expressly specified here, do whatever else is appropriate and necessary on behalf of the principal, with no exceptions except for those specified, with the foregoing list of powers having to be considered examples but not mandatory. All of the foregoing authority is granted with promise of full ratification and approval and full exemption from liability for any party.

Specific activities:

• within the scope of the strategic guidelines issued by the Board of Directors, the coordination of Company research and development, specifically:

- take those initiatives as necessary to realise corporate and group research and development programmes;
- take all measures as necessary to promote the study, design and completion of new products, exploiting the assistance of all members of the Company and Group organisation as defined in the Company and Group organisational chart, and using the creative talents and experience of all personnel;
- coordinating Group research and development activities, reporting on these to the Executive Committee once a month;
- chairing and coordinating the activities of the Scientific Committee;
- Monitoring public/publicly funded research projects, including international projects, and taking part in those of interest to the Company and the Group.

Note that on 27 November 2014 the Vice Chairman Giampietro Tecchiolli resigned from the office of vice chairman and member of the board, as announced to the market on the same date. During its meeting on 12 February 2015, the Board of Directors decided to not appoint a new director considering the number of Directors in office, that the Director who left was not a member of any board meeting and the approach of the shareholders' meeting called to approve the financial statements at 31 December 2014, and to refer the appointment of the director to that very shareholders' meeting. Afterwards, the director Alberto Felice De Toni was appointed during the Annual General Meeting of 24 April 2015.

Disclosure to the Board and to the Board of Statutory Auditors

As prescribed in Art. 19 of the Bylaws, the delegated bodies promptly reported on their activities, the general operating performance and business outlook, and the on most significant transactions in terms of scale and characteristics carried out by the Company and its subsidiaries to the Board of Directors and to the Board of Statutory Auditors at least quarterly during the Board meetings and in such a way as to allow the Board to express an informed opinion on the matters submitted for examination.

c) Executive Committee

The Issuer’s Board of Directors has not created an Executive Committee.

4.5. *Other Executive Directors*

With regard to article 2.C.1. of the Code, there are no other Executive Directors.

Pursuant to article 2.C.2. of the Code, the Chairman encourages the attendance of the Directors at meetings of the Board of Directors and Shareholders’ Meetings, as well as their participation in other initiatives designed to enhance their knowledge of the situation and dynamics of the business, such as face-to-face meetings with key Group managers.

4.6. Independent Directors

Pursuant to the combined provisions of articles 147-*ter* (4) and 148 (3) of the TUF, in accordance with article 2.2.3(3)(l) of the Stock Market Regulation and article IA.2.10.6 of the Stock Market Regulation Instructions – both applicable to STAR-qualified issuers – and in accordance with Principle 3 of the Corporate Governance Code, the Board of Directors currently contains four Independent Directors – Chiara Mio, Giulio Antonello, Riccardo Costacurta and Alberto Felice De Toni – who:

(i) do not control the Company directly or indirectly, through subsidiaries, trust companies, or intermediaries, and cannot exercise significant influence over it;

(ii) are not, directly or indirectly, party to any shareholders' agreement through which one or more persons can exercise control or significant influence over the Company;

(iii) are not and have not during the past three financial years been key executives (i.e. the legal representative, the Chairman of the board of Directors, an Executive Director or manager with strategic responsibilities) of the Company, one of its strategic subsidiaries, a company subject to joint control with it or a company or entity that, either separately or jointly with others through a shareholders' agreement, controls the Company or can exercise significant influence over it;

(iv) do not have and have not had during the previous year, directly or indirectly (e.g. through subsidiaries or companies in which they are key executives, in the sense set out in point (iii) above, or as the partner in a professional or consulting firm), a significant commercial, financial or professional relationship, or employment, with: (*a*) the Company, one of its subsidiaries or a key executive, in the sense set out in point (iii) above, at these companies; (*b*) a party that, either separately or jointly with others through a shareholders' agreement, controls the Company or – in the case of a company or entity – a key executive, in the sense set out in point (iii) above, at these companies;

(v) without prejudice to point (iv) above, do not have freelance or employee working relationships, or other financial or professional relationships that could compromise their independence: (*a*) with the Company, its subsidiaries or parent companies, or with companies subject to joint control; (*b*) with Directors of the Company; (*c*) with spouses or relatives to the fourth degree of the Directors of the companies referred to in point (a) above;

(vi) do not receive and have not received during the last three financial years from the Company or a subsidiary or parent company, significant remuneration in addition to the fixed compensation as a Non-Executive Director of the Company and remuneration for taking part in Committees recommended by the Code, even in the form of participation in incentive plans linked to Company performance, including stock option plans;

(vii) have not been Directors of the Company for more than nine of the last 12 years;

(viii) are not Executive Directors at any other company where an Executive Director of the Company serves as Director;

(ix) are not shareholders or Directors of any company or entity within the network of the company responsible for auditing the accounts of the Company;

(x) are not close relatives of a person who is in one of the situations described in the preceding points, and are not spouses or relatives to the fourth degree of Directors of the Company, its subsidiaries, companies that control it and those subject to joint control with it.

Upon presentation of the list for appointment of the current Board of Directors, declarations attesting to the fulfilment of the requirements set out in the Corporate Governance Code for Independent Directors were deposited at the registered office of the Company.

The Board of Directors assesses compliance with these requirements using information that the interested parties are required to provide under their own responsibility and any other information available to it.

Satisfaction of the pre-requisites for independence set out in Article 3 of the Corporate Governance Code and Article 148 (3) (b, c) of the TUF by the Independent Directors currently in position was verified by the Board of Directors both at its meeting on 14 May 2014 (as announced to the market with the press release issued on the same date), and annually, most recently at the meeting held on 7 March 2016, as disclosed to the market by a special press release. At the same meeting, the Independent Directors promised to maintain their independence during the term of office, and in any event to inform the Board of Directors of any situation that could compromise their independence. It should also be noted that pursuant to Art. 14, paragraph 2 of the corporate by-laws of the Issuer, a Director's loss of the pre-requisites for independence set out in Art. 148, paragraph 3 of the TUF does not bring about forfeiture if the minimum number of Directors that according to current legislation must meet this requirement still meet said pre-requisites. The Board used the criteria set out in the Corporate Governance Code to carry out this assessment.

The Board of Statutory Auditors, pursuant to application criterion 3.C.5 of the Corporate Governance Code, has verified the correct application of the criteria and procedures used by the Board of Directors to assess the independence of its members; the results of this audit will be included in the Statutory Auditors' Report to the Shareholders' Meeting, pursuant to Art. 153 of the TUF.

On 7 March 2016, the Board of Directors of Eurotech carried out the annual assessment pursuant to article 1.C.1(g) of the Corporate Governance Code, finding that the composition and functions of the Board of Directors and its Committees are appropriate for the operating and organisational requirements of the Company. The presence of seven non-executive directors, including three Independent Directors, out of a total of nine Directors, ensures that Board of Directors committees have the right balance of members.

In compliance with the Corporate Governance Code, the assessment process concerned the financial year and it was performed based on a management body self-assessment questionnaire sent to all directors. The questionnaire - divided into different survey areas (i.e. composition, structure, size and operation of the Board, interaction with management, risk governance, composition and structure of the committees, etc.) and with the possibility to provide comments and recommendations - was filled in by all Directors and shared by the Board. The self-assessment results showed that the Board effectively managed the issues for which they are responsible in 2015, with the involvement of all Directors, in a climate of expertise and collaboration on the issues regarding the company. No elements of weakness requiring the need to take immediate correction actions were found, but they will be analysed and considered in order to improve the work of the Directors, and make it more efficient.

During the year, the Independent Directors worked together to maintain and promote an active dialogue with Directors with delegated powers and with the Director responsible for monitoring the Company's performance and the approach to its future results.

One meeting of the independent directors was held during the year, on 13 March 2015, during which the activity of the various committees within the board of directors was checked.

The meeting lasted for 30 minutes.

4.7. *Lead Independent Director*

On 14 May 2014 the Board of Directors appointed Chiara Mio, an Independent Director, as *Lead Independent Director*, in order to enhance further the role of the Independent Directors in accordance with best practice in corporate governance. The *Lead Independent Director* is the contact for coordinating the requests and contributions of Independent Directors, works with the Chairman of the Board of Directors in order to ensure that the Directors receive adequate information in a timely and may also call Independent Directors executive sessions, either independently or at the request of the other Directors.

During the year, *Lead Independent Director* coordinated dialogue between the Independent Directors and the other members of the Board of Directors, particularly the Directors with delegated powers and the Financial Reporting Manager. This role was performed by activating discussion where necessary, monitoring the frequency of communication and encouraging information sharing, including outside formal meetings.

5. HANDLING OF CORPORATE INFORMATION

5.1. *Inside information*

At its meeting of 14 March 2014, the Company's Board of Directors updated the "Procedure for managing inside information" adopted by the Board of Directors on 12 November 2010. The new procedure also governs methods and procedures for the external communication of documents and information relating to Eurotech, and specifically inside information, pursuant to articles 114 and 181 of the TUF, in accordance with recommendations made by CONSOB and Borsa Italiana SpA.

The procedure is designed to maintain the secrecy of inside information, while simultaneously ensuring that market disclosures of Company information are accurate, complete, appropriate, timely and non-selective.

The procedure generally confers responsibility for the management of inside information to the Company's delegated bodies, setting out specific procedures to be followed for the external communication of Company documents and information, with a particular focus on the disclosure of inside information, and meticulously governs the terms and conditions by which Company officers manage contacts with the press and other channels of mass communication (i.e. with financial analysts and institutional investors).

Specifically, pursuant to this procedure, the Chief Executive Officer, the Director of Administration, Finance and Control and the Issuer's *Investor Relations* department ensure the correct management of the diffusion of inside information to the market, overseeing compliance with the procedure.

The Investor Relations department, provided with information by Group senior management or aware of the salient facts concerning the Company or its subsidiaries, meets with the Director of Administration, Finance and Control and with the Business Affairs department to verify the obligations set out in law and in particular whether the information in question should be regarded as privileged.

In the event that information is deemed privileged or legislation in force stipulates that it must be communicated externally, the Investor Relations department prepares a press release with the assistance of the Corporate Communication department. Working with the Director of Administration, Finance and Control and with the assistance of the Business Affairs department, the Investor Relations department ensures that the press release complies with the relevant legislation in force.

The text of the press release must be submitted to the Chief Executive Officer and, if necessary, to the Board of Directors, for final approval before external release, following a declaration, if the information relates to the accounts, of the Financial Reporting Officer pursuant to article 154-*bis* of the TUF.

The press release is diffused according to the methods stipulated for the diffusion of regulated information. The Issuer also ensures that the press release is made available on the Company website www.eurotech.com before the market opens on the day following its diffusion, and that it is available for a minimum period of five years.

To ensure management of the inside information within the Group, the Regional Directors are notified of the above procedure and the Directors of operating activities at the Group's various facilities are also informed; these are, according to the case, Chief Executive Officers, Managing Directors, or General Managers of the main subsidiaries, i.e. companies controlled by the Issuer that fall within its scope of consolidation.

The management of inside information relating to the subsidiaries is the responsibility of the Regional Directors, who must promptly provide the Company's Investor Relations department with any information that, on their assessment, could qualify as privileged pursuant to the above procedure.

Once notified about the inside information by the Group's regional Directors, the Investor Relations department meets with the Director of Administration, Finance and Control and with the Business Affairs department to verify the obligations set out in law and in particular whether the information should be regarded as privileged.

5.2. *Code of Conduct – Internal Dealing*

With regard to the management of the disclosure obligations set out in the Internal Dealing regulations, pursuant to Art. 114, paragraph 7 of the TUF and articles 152-*sexies*, 152-*septies* and 152-*octies* of the CONSOB Issuer regulation, in force for listed companies since 1 April 2006, the Company's Board of Directors resolved on 28 March 2006 to adopt the procedure for compliance with internal dealing obligations (the "***Internal Dealing*** Procedure"), which is designed to ensure maximum transparency and consistency of information disclosed to the market. At the meeting of 29 March 2007, the Eurotech Board of Directors amended the Internal Dealing Procedure by prohibiting certain persons from executing transactions during the 15 days prior to the Board meeting called to approve period accounts (black-out period), pursuant to article 2.2.3, paragraph 3, letter p) of the Stock Market Regulation, applicable to issuers with the STAR qualification, as recently amended. The aforementioned procedure was subject to revision at the Board meeting of 14 March 2014.

Notices of material transactions pursuant to the Internal Dealing Procedure that were executed during the year were disclosed to the market in accordance with the Internal Dealing Procedure. However, this information is available in the Investors section of the Company website at www.eurotech.com.

5.3. *Register of persons possessing inside information*

Specifically, regarding the obligation of listed issuers, the parties that control them and the persons that act in their name or on their behalf to set up and maintain a register of persons with access to inside information, pursuant to article 115-*bis* of the TUF and articles 152-*bis* et seq. of the CONSOB Issuer Regulation (the "**Register**"), the Company's Board of Directors resolved to establish the Register and approved the "Procedure for managing the register of persons with access to inside information," in effect since 1 April 2006. The Board of Directors then set up the Group Register of persons with access to inside information ("**Group Register**"), which replaces the register kept at Eurotech on behalf of all Eurotech Group companies, by Andrea Barbaro in his capacity as Group Register Officer. The aforementioned procedure was subject to revision at the Board meeting of 14 March 2014.

6. COMMITTEES WITHIN THE BOARD OF DIRECTORS

The Appointments Committee, Remuneration Committee, the Control and Risks Committee and the Committee for Related Party Transactions were set up within the Board of Directors. The Company has not set up either a committee to perform the functions of two or more committees as provided for in the Corporate Governance Code, or committees other than those provided for in the Corporate Governance Code.

7. APPOINTMENTS COMMITTEE

In compliance with the provisions of the Code and considering that the bylaws contain the list voting system for the appointment of the Management Body, the Board has formed an Appointments Committee.
The majority of the appointments committee members are non-executive independent directors.
The committee members were appointed during the 14 May 2014 Board of Directors meeting, and they are Roberto Siagri (Executive Director), Paola Bonomo (Independent Director) and Chiara Mio (Independent Director). On 28 April 2015 Paola Bonomo resigned from the office director and member of the Committee.

Therefore, the Director Giulio Antonello was appointed member of the Appointments Committee, as well as its Chairman, during the meeting held on 14 May 2015.

The Appointments Committee advances its opinions on its size and composition to the Board of Directors and puts forward recommendations regarding the professional figures whose presence on the board is considered advisable and regarding the topics described in the Art. 1.C.3 and 1.C.4 of the Corporate Governance Code, that is regarding the maximum number of offices of director or statutory auditor that can be considered compatible with effective performance of the office of director in the Issuer and regarding the advisability to authorise exemptions from the provisions relating to competitors; it also proposes candidates for the office of Director to the Board of Directors in the case of cooption if it is necessary to replace Independent Directors.

No financial resources were allocated to the Appointments Committee since it makes use of the business resources and structures of the Issuer in carrying out its duties.
One Committee meeting was held during the year, during which the candidacy of the director to appoint to replace the director who resigned in 2015 was examined.
The meeting lasted 30 minutes.

8. REMUNERATION COMMITTEE

The Company Board of Directors has set up a Remuneration Committee pursuant to article 2.2.3(3)(n) of the Stock Market Regulation, applicable to STAR-qualified issuers, and in accordance with the Corporate Governance Code. This Committee was set up pursuant to a resolution by the Board of Directors on 2 September 2005 and will hold office as long as the Board of Directors that appointed it is in office.
The Board of Directors appointed the Committee members Chiara Mio (Chairman), Paola Bonomo and Riccardo Costacurta, all non-executive independent directors, during its 14 May 2014 meeting. On 28 April 2015 Paola Bonomo resigned from the office director. The non-executive director Giuseppe Panizzardi was appointed Committee member at the 14 May 2015 meeting.

In accordance with the Corporate Governance Code, this Committee may only make proposals and advisory. In particular, the Chief Executive Officers remain responsible for defining the policies and remuneration levels for senior management.

In accordance with article 2.2.3(3)(n) of the Stock Market Regulation and the Corporate Governance Code, the Committee exclusively comprises Non-executive Directors, most of whom are independent.

The Remuneration Committee is responsible for:

- proposing the adoption of the Remuneration Policy for Directors and key management personnel;
- proposing or expressing opinions to the Board of Directors on the remuneration of Executive Directors and other Directors who hold specific positions and on the setting of any performance objectives related to any variable remuneration component, monitoring the implementation of decisions taken by the Board and verifying, in particular, the actual achievement of the performance objectives;
- periodically assessing the adequacy, overall consistency and practical application of the Remuneration Policy of Executive Directors, other Directors assigned special duties and key management personnel, availing itself with regard to the latter of information provided by the Chief Executive Officers; submitting proposals to the Board of Directors.

In particular, the Committee takes into due account the following in determining said remunerations: consistency with remunerations recognised in previous mandates, compliance with the commitments assumed and responsibilities of the positions held, professional qualifications possessed by the parties concerned, and the size of the Company, Group and respective prospects for growth.

During the year the Remuneration Committee held 2 (two) meetings, 12 February and 30 March. The meetings were minuted. The first meeting focused on assessing the recruitment proposal and remuneration level of a new manager for the Chief Product Officer position. The second meeting concerned the preliminary analysis of the variable Remuneration Plan at the group level relating to 2014, the proposals for the 2015 Remuneration Plan and the proposal to change the "Remuneration Policy" following the amendments introduced to the Corporate Governance Code for listed companies in July 2014.

The average duration of the meetings was 1 hour and 07 minutes.

At least one meeting in the month of April 2016 is planned for the current year.

In performing its functions, the Remuneration Committee has the power to access the information and business departments necessary for carrying out its duties and may also make use of external consultants, if deemed advisable, under the terms established by the Board of Directors.

No financial resources were allocated to the Remuneration Committee since it makes use of the business resources and structures of the Issuer in carrying out its duties.

The Directors Chiara Mio and Giuseppe Panizzardi have financial or remuneration policy experience.

Pursuant to Article 6, paragraph 6 of the Code, no Director shall attend the meetings of the Remuneration Committee in which proposals to the Board of Directors regarding their remuneration are put forward.

9. DIRECTORS' REMUNERATION

As prescribed by article 20 of the Company bylaws, the members of the Board of Directors are entitled to annual compensation, determined by the Shareholders' Meeting for the entire period of their term, and reimbursement of the expenses they incur on official business. After receiving the opinion of the Board of Statutory Auditors, the Board of Directors determines the remuneration of the Chairman, Vice Chairmen, Chief Executive Officers and members of the Executive Committee. Alternatively, the Shareholders' Meeting may determine a total amount for remuneration of all Directors, including those assigned special duties, with the allocation of that aggregate amount being determined by the Board of Directors upon consultation with the Board of Statutory Auditors.

A significant portion of the remuneration of the Executive Directors and Directors with strategic responsibility is linked to the operating results obtained by the Company and/or the achievement of specific targets set previously by the Board of Directors.

The compensation of Non-executive Directors is based on the commitment requested from each one, considering the participation of each on one or more committees. Their remuneration is not related to the operating results of the Company. The Non-executive Directors are not beneficiaries of share-based incentive plans.

The Shareholders' Meeting of 24 April 2014 resolved €15,000 as the gross annual fee to be paid to each director for each of the financial years from 2014 to 2016, in addition to reimbursement of expenses and without prejudice to the Board of Directors, after having heard the opinion of the Board of Statutory Auditors, establishing further remuneration to be paid to the members of the Board of Directors holding special offices, in addition to a termination indemnity (TFM - to pay only to directors with delegation of authority) that can be no higher than 10% of the total fee paid to the directors with delegation of authority for each year; said termination indemnity shall be paid in full at the time the current term of office ends.

Information on the Remuneration Policy adopted by the Issuer and on the remuneration received by the members of the Board of Directors during the financial year is fully provided in Section II of the Remuneration Report prepared pursuant to art. 123-*ter* of the TUF and art. 84-*quater* of the Consob Issuer Regulation, available in accordance with legal requirements on the Company's website www.eurotech.com in the "Investors" section.

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Incentive mechanisms of the Internal Audit Officer and Financial Reporting Manager

There are no incentive mechanisms of the Internal Audit Officer and Financial Reporting Manager.

10. CONTROL AND RISKS COMMITTEE

On 2 September 2005, the Board of Directors set up a Control and Risks Committee with the functions prescribed by the Corporate Governance Code. It mandated the Chairman of the Board of Directors to define and adopt internal operating and administrative procedures that would ensure healthy and efficient company management.

In accordance with article 2.2.3(3)(o) of the Stock Market Regulation, applicable to STAR-qualified issuers, and article 7.C.2 of the Corporate Governance Code, the Control and Risks Committee provides advice and proposals to the Board of Directors on the internal control and risk management system

More specifically, this Committee in assisting the Board of Directors:

a) evaluates, together with the Financial Reporting Officer and consulting the Independent Auditor and the Board of Statutory Auditors, the correct application of accounting policies and, in the case of groups, their suitability for the preparation of the consolidated financial statements;

b) expresses opinions on specific issues regarding the identification of key business risks;

c) discusses with the Internal Audit the evaluation of the internal control and risk management system and, if necessary examines the reports on topics of particular relevance to the Internal Audit function;

d) monitors the independence, adequacy, efficacy and efficiency of the Internal Audit function;

e) may request the Internal Audit to perform checks on specific operating areas, giving concomitant communication to the Chairman of the Board of Statutory Auditors;

f) reports also informally to the Board at least every six months, upon approval of the financial statements for the full-year and the half-year report, on its activity and the adequacy of the internal control and risk management system.

At its meeting of 14 May 2014, the Board of Directors appointed the following members of the Control and Risks Committee: Chiara Mio (Chairman), Paola Bonomo and Riccardo Costacurta, all of whom are Independent Non-executive Directors. On 28 April 2015 Paola Bonomo resigned from the office director. Marina Pizzol was appointed non-executive director and member of the Control and Risks Committee at the meeting held on 14 May 2015.

The Control and Risks Committee reported to the Board of Directors on Committee activities and the adequacy of the internal control system at least once every six months, upon approval of the financial statements for the full-year and the half-year report;

All the members of the Control and Risks Committee have appropriate accounting and financial experience. The Control and Risks Committee held 7 (seven) meetings during the reporting period, on 26 February, 30 March, 14 April, 22 June, 28 August, 19 October and 13 November, all of which were duly minuted.

The Control and Risks Committee meetings lasted two hours and 24 minutes on average.

During the financial year the Committee analysed the company's economic and financial performance and continued to monitor the risks in the current and successive reporting periods and information was exchanged periodically with the Board of Statutory Auditors, the Oversight Committee and with the planned Independent Auditor to allow any critical issues in the respective areas of responsibility to be brought up. Some of the members of the Board of Statutory Auditors also attended the meetings.

At least five meetings are planned for the current financial year, on dates that will be set according to the requirements of the Company and the Control and Risks Committee. One such meeting took place 26 January 2016.

Parties who are not members of the Control and Risks Committee may attend meetings at the invitation of the Committee Chairman.

In performing its functions, the Control and Risks Committee had access to the information and business departments necessary to carry out its tasks. The Committee may also make use of, where deemed advisable, external consultants, under the terms established by the Board of Directors.

No financial resources were allocated to the Control and Risks Committee, since it makes use of the business resources and structures of the Issuer in carrying out his tasks.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board of Directors has set up an internal control and risk management system for auditing - once full operational efficiency is reached - effective compliance with the internal operating and administrative procedures adopted to ensure healthy and efficient management and – where possible – identification, prevention and management of financial and operating risks and fraud against the Company.

The Board of Directors defines the guidelines for the internal control and risk management system, construed as a set of processes designed to monitor the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations, and the protection of Company assets.

To this end, the Board, after consultation with the Control and Risks Committee:

(i) handles the prevention and management of Company risks relating to the Issuer and Group through the definition of control and risk management system guidelines that can ensure that these risks are properly identified and adequately measured, monitored, managed and assessed, also in view of protecting corporate assets and healthy and fair corporate management, in line with the identified strategic objectives;

(ii) assesses the adequacy of the internal control and risk management system on a periodic basis, and at least once annually, in relation to the characteristics of the company and risks assumed, as well as its efficacy;

(iii) assesses, consulting the Board of Statutory Auditors, the result set out by the Independent Auditor in the letter of suggestions, if any, and in the report on key matters arising from the auditing of the accounts.

The Board also, at the proposal of the Chief Executive Officer in charge of overseeing the functioning of the internal control system (the "**Delegated Director**") and after consultation with the Control and Risks Committee, as well as consulting the Board of Statutory Auditors:

(a) appoints and revokes the Internal Audit Officer;

(b) ensures that he or she has resources adequate for discharging his or her responsibilities;

(c) defines the remuneration in line with company policy.

The internal control and risk management system is therefore organised and managed by four bodies: the Board of Directors, the Delegated Director, the Internal Audit Officer and the Control and Risks Committee (see section 10 hereinabove).

On 11 March 2016 the Board of Directors, with the approval of the Control and Risks Committee and consulting the delegated director of the internal control and risk management system and the Board of Statutory Auditors, approved the plan prepared by the Internal Audit officer for the period 2016.

On 11 March 2016, the Board of Directors reviewed the adequacy, effectiveness and actual functioning of the internal control system as well as risk management with respect to the characteristics of the risk profile.

11.1. *Executive Director responsible for the internal control system*

The Delegated Director is responsible for:

(i) identifying typical corporate risks, according to the characteristics of Company activity and the activity of its subsidiaries and the sector in which they operate;

(ii) Implement - through the design, management and monitoring of the internal control system, the guidelines established by the Board of Directors, reporting on its operations to the Board of Directors when requested. In order to carry out these functions, the Delegated Director relies on the assistance of the Compliance Officer.

The Director may also require the Internal Audit to perform checks on specific areas of operation and compliance with the rules and internal procedures in the execution of business operations, notifying the Chairman of the Board of Directors, the chairman of the Audit and Risk Committee and the Chairman of the Board of Auditors; during the year it was not necessary to exercise that power.

The Board of Directors designated Vice Chairman and CEO Roberto Siagri as Delegated Director on 14 May 2014.

11.2. *Internal Audit Officer*

The functions of the Internal Audit Officer (formerly the Internal Control Officer) are carried out by Stefano Bertoli, appointed by the Board of Directors on 14 May 2014 on the proposal of the Delegated Director, with the approval of the Control and Risks Committee and consulting the Board of Statutory Auditors.

The Internal Audit Officer is not in charge of any operating area and reports hierarchically to the Board.

The Internal Audit Officer is assigned the following duties:

(a) checking, both continuously and in connection with specific requirements and in observance of the international standards, the operation and appropriateness of the internal control and risk management system using an audit plan approved by the Board of Directors that is based on a structured analysis plan that prioritizes the main risks;

(b) informing with periodic reports containing adequate information on his or her activity, the procedures followed to manage the risks and observance of the plans defined to reduce them. The periodic reports contain an assessment of the adequacy of the internal control and risk management system;

(c) promptly preparing reports on particularly important events;

(d) discussing the reports described under paragraphs (b) and (c) with the chairmen of the Board of Statutory Auditors, the Internal Control and Risks Committee and the Board of Directors, as well as with the Delegated Director of the internal control and risk management system;

(e) checking the reliability of the information systems, including the accounting systems, as part of the audit plan.

The Internal Audit Officer had direct access during the reporting period to all information useful for performing his duties.

No financial resources were allocated to the Internal Audit Officer, since he makes use of the business resources and structures of the Issuer in carrying out his tasks.

No remuneration was allocated to the Internal Audit Officer other than what was paid as an employee of the Company.

During the year the Internal Audit Officer reported on his activities to the Control and Risks Committee, the Board of Statutory Auditors and the Delegated Director.

The principal purpose of the activities carried out during the year are related to analysis of business risk and the auditing of corporate procedures regarding those risks.

11.3. *Organisation model pursuant to Legislative Decree 231/2001*

The Organisation, Management and Control Model (the "**Model**") was approved on 29 March 2008 pursuant to Legislative Decree 231 of 8 June 2001.

The Model is based on the principles and guidelines set out in the:

a) Stock Market Regulation;
b) Corporate Governance Code;
c) guidelines for drafting organisational, management and control models pursuant to Legislative Decree 231/01, approved by Confindustria on 7 March 2002, as subsequently amended in July 2014.

The Model makes provision for the following:

1. Oversight Committee
   a. designation of an existing body or establishment of a new body;
   b. definition of the flow of information from and to the Oversight Committee.

2. Identification of the principal areas at risk of criminal offences (articles 24 and 25)
   a. historical analysis;
   b. identification of the principal corporate areas involved in possible cases of criminal offence;
   c. identification of the persons concerned.

3. Risk assessment (articles 24 and 25)
   a. identification and assessment of existing controls;
   b. identification of any defects in controls.

4. Other parts of the Model
   a. code of ethics;
   b. organisational system;
   c. delegations of authority, including power of signature;
   d. manual and IT procedures;
   e. management control system;
   f. information and training of personnel on the Model;
   g. disciplinary system;
   h. formalisation of the model summary document.

5. Model monitoring
   a. analysis of results and definition of corrective measures;
   b. Assisting the Supervisory Body in:
      i. defining an audit plan;
      ii. carrying out audits on the Model.

Since the Oversight Committee ceased to exist when the mandate of the previous Board of Directors expired, on 14 May 2014 Stefano Fruttarolo (Chairman), Chiara Mio and Stefano Bertoli were appointed as the new members of the Oversight Committee. They all fulfil the relevant legal requirements.

11.4. Independent auditor

Since the mandate given to the independent auditor Reconta Ernst & Young had expired, the Annual General Meeting of 24 April 2014 gave the auditing of the annual accounts appointment for the period 2014-2022 to the independent auditor PricewaterhouseCoopers S.p.A. upon recommendation of the Board of Statutory Auditors, also pursuant to Art. 13 of Italian Legislative Decree 39/2010.

11.5. *Financial Reporting Manager*

Pursuant to Art. 19, paragraph 4 of the Company bylaws, the manager assigned to prepare the company's accounts (the "**Financial Reporting Manager**") must be appointed by the Board of Directors of the Company following mandatory consultation with the Internal Control Committee. The Financial Reporting Manager must satisfy the professional requisites of specific expertise in the administration and accounting and must be granted adequate powers and resources to perform the above functions. He/she must also be paid adequate compensation.

On 14 May 2014, the Board, with the approval of the Board of Statutory Auditors, reconfirmed Sandro Barazza, Administration and Finance Officer and a member of the Board of Directors, as the Financial Reporting Manager. Upon appointment, the Board verified that she has the requisites required by law and the Bylaws.

The Financial Reporting Manager is delegated full powers directly and/or indirectly related to the performance of the duties assigned to him/her, including the power to access all types of information and/or documents relating to the Company and/or Group companies as deemed relevant and/or appropriate for discharging the duties legally assigned to him/her.

Main features of the current risk management and internal control systems relating to the financial disclosure process pursuant to Art. 123-bis, paragraph 2, letter b) of the TUF

Introduction

According to the Corporate Governance Code, the internal control system comprises all the rules, procedures and organisational structures designed to allow, through an appropriate identification process, the measurement, management and monitoring of the main risks, for the healthy and proper management of the business, in line with pre-set objectives.

The definition provided in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) identifies the internal control system as a process designed to provide reasonable security in pursuing the objectives of efficiency and effectiveness in operating activities, reliable information in the financial statements and compliance with laws and regulations in force.

In line with the definitions described, the system for managing existing risk relating to Eurotech's financial disclosure process is one part of the Group's wider system of internal control.

Description of the main features of the current internal control and risk management system relating to the financial disclosure process

a) General operating principles of the internal control and risk management system

Eurotech's internal control and risk management system is based on the following key elements:
- Eurotech's Code of Ethics;
- clear business organisation with well-defined responsibilities;
- business policy and procedure;
- information systems (particularly relating to the objectives of a correct segregation of functions);

- management control and the directional reporting system;
- continuing training of company personnel;
- a structured and controlled external communication process.

Given the definitions of the internal control and risk management system provided above, control is intended to mean an action undertaken by a manager to increase the probability that pre-set objectives are achieved or to reduce the impact of any risks related to these objectives.

These controls may be exercised *ex-ante* (to prevent the occurrence of unwanted events), or *ex-post* (to identify and correct unwanted events that have taken place).

The company Directors and managers, within their respective areas of competence, are responsible for:
- identifying and assessing risks to business operations;
- defining and establishing policy, operating standards, procedures, systems and other tools to reduce the probability and/or impact of any risks to a minimum;
- issuing operating instructions for control processes and encouraging employees to carry out their tasks in a controllable and controlled way;
- maintaining the adequacy and efficiency of the control processes established.

The four key objectives for control operations that every business manager is required to fulfil are:
1. safeguarding business resources, including human and financial resources;
2. ensuring the reliability of the data and information used internally or communicated externally;
3. promoting efficient and effective actions;
4. ensuring that senior management guidelines, (including the budget, plans, policies and procedures) are respected and executed according to the laws and regulations under which the Company operates.

b) <u>Internal control and risk management system in the financial disclosure process</u>

Of the four objectives, the second and the fourth are closely connected to the financial disclosure process, which is mainly governed by the Chief Executive Officer and the Financial Reporting Manager pursuant to article 154-*bis* of the TUF.

In line with the operational principles of Eurotech's internal control system, the Chief Executive Officer and the Financial Reporting Manager carefully and scrupulously identify the main risks to the financial disclosure process every year. The risk identification process involves identifying the Group Companies and the operating flows that are vulnerable to material errors or fraud, with reference to the business results in Eurotech's separate and/or consolidated financial statements.

In response to the risks identified and evaluated according to the probability that they will happen and the effects of this on the financial statements, appropriate control procedures are created, which are assessed at both the design and the operational stage. Assessment of the design of the control procedures helps to guarantee that they are appropriate for the risks for which they were created. Assessment of operational effectiveness over time ensures that the procedures continue to be appropriate throughout the financial disclosure period.

c) <u>Roles and responsibilities within the internal control and risk management system</u>

Apart from the duties of each company manager as described in point a), the main players in the system for the internal control of the financial disclosure process are as follows:
- the Chief Executive Officer and the Financial Reporting Manager pursuant to article 154-*bis* of the TUF, who are responsible for defining and assessing specific control procedures governing risks involved in the process of drawing up the accounting documents;

- the Control and Risks Committee, which analyses the results of the audit of the internal control and risk management system and reports periodically to the Board of Directors on the action to be taken;
- the Oversight Committee pursuant to Italian Legislative Decree 231/01, which monitors for corporate offences pursuant to Italian Legislative Decree 231/01, identifying risk scenarios and verifying first hand that control regulations have been respected. The Oversight Committee also monitors compliance with and application of the Group's code of ethics.

11.6. Coordination between the parties involved in the internal control and risk management system

Coordination between the various actors involved in the internal control and risk management system (Board of Directors, Delegated Director, Internal Control and Risks Committee, Board of Statutory Auditors, Internal Audit Officer, Financial Reporting Manager and Independent Auditor) occurs through a continuous flow of information between these parties and the provision of regular meetings, which allows adequate visibility of business risks impending and managed in the Eurotech Group and of the issues raised and brought to the attention of the different supervision and control bodies.

12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

On 19 October 2010, the Board of Directors assigned the Control and Risks Committee, which comprises three Independent Directors, the task of issuing an opinion on the procedure for identifying, approving and managing related party transactions.

At its meeting of 12 November 2010, the Company's Board of Directors, with a positive opinion given by the Control and Risks Committee, adopted the Committee's regulations on related party transactions and a dedicated procedure for related party transactions (the "**Related Party Procedure**"), adopted pursuant to Consob Regulation no. 17221 of 12 March 2010, as subsequently amended ("**Related Party Regulation**") and went into force starting from 1 January 2011.

The Related Party Procedure governs the identification, approval and management of related party transactions. Specifically, the Related Party Procedure:

- governs methods for identifying related parties, defining methods and schedules for the preparation and updating of the list of related parties, and identifying the business departments involved;
- identifies rules to identify related party transactions before completion;
- regulates procedures for the execution of related party transactions by the Company, including via subsidiaries pursuant to article 2359 of the Civil Code or subject to management and coordination activity;
- establishes methods and a schedule for fulfilling the obligations of disclosure to the corporate bodies and the market.

In applying the Related Party Procedure, the Company also takes account of CONSOB communication DEM/10078683, published on 24 September 2010, which contains indications and guidelines for the implementation of the Related Party Regulation.

The Board of Directors, in the meeting from March 14, 2014, as provided for in paragraph 6.1 of the Consob Communication no. DEM/10078683, and having sought the opinion of three independent Directors, in office, conducted an assessment of the need to revise the Related Parties Procedure in the belief that it is sufficient for the operational structure of the Issuer, having taken into account the absence of major changes in the ownership structure of the Issuer and having demonstrated effectiveness of the procedure in practical application. The regular assessment of the adequacy of the Related Party Procedure was made during the meeting of 22 February 2016, with its validity being confirmed.

The Related Party Procedure and the related annexes can be found in the Investors section of the Issuer's website at http://www.eurotech.com/it/investitori/corporate+governance, in the "Investors/Corporate Governance" section.

Committee for Related Party Transactions

On 12 November 2010, the Board of Directors also resolved to create a Committee for Related Party Transactions, comprising Independent Directors and performing all the tasks set out in the Related Party Procedure. Since the Committee for Related Party Transactions ceased to exist when the mandate of the previous Board of Directors expired, the Committee members were appointed during the 14 May 2014 meeting and they are Riccardo Costacurta (Chairman), Chiara Mio and Giulio Antonello, all non-executive independent directors.

The Committee for Related Party Transactions performs all the activities required by the Related Party Procedure. Specifically, the Committee for Related Party Transactions is authorised to release, before approval and/or execution of related party transactions, a non-binding reasoned opinion on the interest for the Company in performing these transactions, and the convenience and substantive correctness of the relative terms.

The Committee for Related Party Transactions meets at the registered office or in other locations mutually agreed by its members, whenever the Committee Chairman deems necessary, as frequently as required to fulfil the tasks assigned to the Committee or when a Committee member makes a reasoned request to the Chairman.

Members of the Board of Statutory Auditors may attend meetings of the Committee for Related Party Transactions; on a case-by-case basis, depending on the transaction concerned, persons authorised to approve and/or execute transactions (including persons tasked with leading discussions related to the transaction), and/or persons whose attendance is deemed useful in conducting the meeting, may also attend.

The Chairman of the Committee for Related Party Transactions is responsible for calling meetings and setting the agenda. At least three days' notice is given for meetings of the Committee for Related Party Transactions. The meeting may be called by fax or e-mail. If the meeting is urgent (the Chairman must assess whether this is the case), it may be called by telephone with one day's notice. The Committee for Related Party Transactions may also validly meet without notice if all its members are present.

Meetings of the Committee for Related Party Transactions are valid if the majority of its members are present, and resolutions are made by majority of those present, with abstentions not included in the result.

Meetings may also take place via teleconferencing or videoconferencing systems, provided that all the participants can be identified and that they can follow the discussion, speak in real time as agenda items are being discussed and transmit and receive documents, and provided that the context of examination and resolution can be guaranteed. If these conditions exist, the meeting is regarded as taking place at the location of the Chairman and the Secretary. In the event of emergency, the Chairman has the power to communicate with the Committee members in writing, taking minutes of the resolutions adopted.

On 30 March 2015, the Committee for Related Party Transactions held one meeting which was duly minuted. The meeting concerned the analysis of the questionnaires received, checking that no significant transactions exist and assessment of the adequacy of the existing related party procedure.

The meeting lasted for 40 minutes.

During the year, the Committee for Related Party Transactions performed its duties in accordance with the Procedure.

13. APPOINTMENT OF STATUTORY AUDITORS

Pursuant to Art. 26 of the Bylaws, the Board of Statutory Auditors is comprised of three Statutory Auditors and two Alternate Auditors. Their term is for three financial years and expires on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term. They may be re-elected. The Statutory Auditors must satisfy the requirements, including those governing the possession of various positions at the same time, envisaged by law and other applicable provisions. Pursuant to article 1(3) of Ministry of Justice Decree 162 of 30 March 2000, research, development, production and marketing of software, systems, and devices in the IT, electronic and electro-mechanical sectors must be considered strictly related to Company activities. With reference to the rules on the balance between genders in the composition of control bodies pursuant to art. 148, paragraph 1-*bis* of the TUF, as introduced by Law 120/2011, and the implementation provisions of CONSOB, the Board adapted the Bylaws to the aforesaid regulations pursuant to Art. 2365, paragraph 2 of the Civil Code, and 19, paragraph 1, of the Bylaws at the 15 March 2013 meeting.

In observance of the balance between genders regulations in force, the Board of Statutory Auditors is appointed based on the lists the Shareholders submit, in which the candidates are listed by progressive number. The list comprises two sections: one for candidates for the post of Statutory Auditor and the other for candidates for the post of Substitute Auditor.

The lists containing a number of candidates equal to or greater than three must be formed by candidates belonging to both genders so that at least one-third belong to the less represented gender (however rounded up to the excess) of the candidates for the office of Statutory Auditor and at least one-third (however rounded up to the excess) of the candidates for the office of Substitute Auditor.

Only those shareholders who, either individually or in combination with others, own voting shares equivalent to at least 2 (two) per cent of the voting capital at the Ordinary Shareholders' Meeting, or representing any other percentage that may be established or cited by statutory or regulatory provisions, may submit lists. With resolution 19499 of 28 January 2016, CONSOB set the minimum shareholding for submitting lists of candidates for the election of the Issuer's control body at 4.5% of the share capital.

Ownership of the equity interest required, pursuant to the foregoing, for submission of the list, declared according to the terms and methods provided for in the laws and regulations currently in force.

No shareholder, including shareholders in a relevant shareholders' agreement pursuant to article 122 of the TUF, or the controlling shareholder, subsidiaries or companies subject to joint control pursuant to Art. 93 of the TUF, may submit or participate in the submission of more than one list or vote for different lists, either directly or through an intermediary or trust company. No candidate may run on more than one list, on penalty of ineligibility. The lists may not include candidates who (without prejudice to any other cause of ineligibility or forfeiture) do not satisfy the requirements set out in any applicable laws or regulations are that are envisaged in Art. 148(2) of the TUF.

Outgoing Statutory Auditors may be re-elected. The submitted lists must be deposited at the registered office of the Company at least twenty-five days before the scheduled date of the Shareholders' Meeting on its single call, and mention thereof shall be made in the meeting notice, without prejudice to any other forms of public notice and procedures of deposit required pursuant to any applicable laws and regulations. If, when the deadline for the submission of lists has passed, only one list has been submitted, or only lists presented by shareholders with significant relationships pursuant to the applicable laws and regulations currently in force, lists may also be submitted within the time period stipulated by the applicable rules in force; in this case the minimum shareholding threshold is halved.

The lists must contain:

a) information on the identities of the shareholders presenting the lists, indicating their total percentage shareholding;

b) a statement by shareholders other than those that individually or jointly own a controlling or relative majority equity interest in the Company, attesting to the absence of relationships with the latter pursuant to current laws and regulations;

c) complete information about the candidates' experience and qualifications, and statements from the candidates attesting to their satisfaction of legal requirements and acceptance of candidacy, as well as a list of any management and supervisory positions held at other companies.

Any list that does not comply with the foregoing requirements will be regarded as null and void.

The Statutory Auditors are elected as follows:

1) two Statutory Auditors and one Substitute Auditor are elected from the list receiving the highest number of votes at the Shareholders' Meeting, according to their numerical order of listing in the respective sections of the list;

2) one Statutory Auditor, who is appointed Chairman of the Board of Statutory Auditors, and a Substitute Auditor are elected from the list that receives the second highest number of votes at the Shareholders' Meeting and that, pursuant to applicable laws and regulations, is not directly or indirectly associated with the shareholders that submitted or voted for the list receiving the highest number of votes, according to their numerical order of listing in the respective sections of the list. In the case of a tie vote between two or more lists, the most senior candidates in terms of age shall be elected.

If the composition of the Board of Statutory Auditors is not ensured by following the procedures set out above, the necessary replacements of its Statutory Auditors will be made in compliance with the balance between genders regulations in force with candidates for the office of statutory auditor on the list that received the highest number of votes, following the progressive order of the candidates listed.

A Statutory Auditor forfeits his/her position in the cases envisaged by law and regulation, and when the requirements established in the bylaws for his/her candidacy are no longer satisfied. When a Statutory Auditor's seat is vacated, it is filled by the Substitute Auditor elected on the same list as that of the former Statutory Auditor. However, the Board of Statutory Auditors must always be chaired by the Statutory Auditor elected on the minority slate and the composition of the Board of Statutory Auditors must comply with the balance between genders regulations in force. When the Shareholders' Meeting is required to appoint Statutory and/or Substitute Auditors to expand the Board of Statutory Auditors, it proceeds as follows: when Auditors elected from the majority list are to be replaced, the appointment is made by relative majority vote without list restrictions; when Auditors elected from the minority list are to be replaced, the Shareholders' Meeting makes the appointment by relative majority vote, choosing between the candidates on the same list as that of the outgoing Auditor, provided that the balance between genders regulations are observed. When this procedure does not permit, for any reason, the replacement of Auditors on the minority list, the Shareholders' Meeting will vote by relative majority; however, the results of this last vote may not include the votes of the shareholders who, according to the notices served pursuant to applicable laws and regulations, own directly or indirectly or jointly with other shareholders in a relevant shareholders' agreement pursuant to Art. 122 of the TUF, the relative majority of exercisable votes at the Shareholders' Meeting, or the votes of the shareholders that control, are controlled or are subject to joint control with them. However, the balance between genders regulations in force must always be observed. The preceding provisions for election of Statutory Auditors do not apply at the Shareholders' Meetings where only one list is submitted or only one list is voted. In these cases, the Shareholders' Meeting resolves by relative majority, provided that the balance between genders regulations are observed.

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

Since the mandate of the previous control body ceased to exist with approval of the financial statements of the year that closed on 31 December 2013, on 24 April 2014 the Ordinary Shareholders' Meeting appointed the new Board of Statutory Auditors in the persons of Claudio Siciliotti, Michela Cignolini and Giuseppe

Pingaro as Statutory Auditors, and Gianfranco Favaro and Laura Briganti as Substitute Auditors on the basis of a single majority list submitted by the shareholder Roberto Siagri, also in the name and on behalf of the shareholder Finmeccanica S.p.A., which got 9,444,216 votes in favour representing 100% of the voting capital (equal to 9,444,216 ordinary shares), according to the bylaws in force for a period of three years and however until the financial statements of the fiscal year ending on 31 December 2016 are approved.

The current composition of the Board of Statutory Auditors is shown in Table 3 attached to this Report.

For more information about the list filed for the appointment of the control body, please refer to the Company's website at www.eurotech.com, in the "Investors" section, where the *curricula vitae* of the Directors are also available.

The following table shows the other positions held by members of the Board of Statutory Auditors at companies pursuant to Book V, Title V, Chapters v, vi and vii of the Civil Code.

Name and surname	Position at Eurotech	Company	Management and supervisory positions
Claudio Siciliotti	Chairman of the Board of Statutory Auditors	Eurotech S. p. A. Amaro (UD);	Chairman of the Board of Statutory Auditors
		FriulanaGas SpA, Campoformido (UD);	Chairman of the Board of Statutory Auditors
		Mangiarotti SpA, Sedegliano (UD);	Chairman of the Board of Statutory Auditors
		Sager SpA, San Giovanni al Natisone (UD);	Chairman of the Board of Statutory Auditors
		Kion S.p.A., Casalecchio di Reno (BO)	Chairman of the Board of Statutory Auditors
		SartogoSpA, Udine(UD),	Chairman of the Board of Statutory Auditors
		Stark SpA, Trivignano Udinese (UD);	Chairman of the Board of Statutory Auditors
		Ente per la gestione accentrata servizi condivisi (UD);	Chairman of the Board of Statutory Auditors
		Cineca Consorzio Interuniversitario, Casalecchio di Reno (BO);	Statutory Auditor
		E.F.Fim SpA, Udine (UD);	Statutory Auditor
		Valagro SpA, Atessa (CH).	Statutory Auditor
		Geber S.p.A. – Tavagnacco (UD)	Substitute Statutory Auditor
		Arteni Confezioni S.p.A. – Tavagnacco (UD)	Substitute Statutory Auditor
		Delta Erre S.p.A. – Padua (OD)	Chairman of the Board of Directors
Michela Cignolini	Statutory Auditor	Eurotech SpA., (Eurotech Group) Amaro (UD);	Statutory Auditor
		Geber SpA, Tavagnacco (UD);	Statutory Auditor
		Prestitalia S.p.A. – Bergamo (BG)	Statutory Auditor
		Snaidero S.p.A, Majano (UD);	Statutory Auditor
		FriulanaGas SpA, Campoformido (UD);	Statutory Auditor
		Finest S.p.A., Pordenone (PN)	Substitute Statutory Auditor
		Friulia SGR Udine (UD);	Substitute Statutory Auditor
		Sager SpA, San Giovanni al Natisone (UD);	Substitute Statutory Auditor
		Kion S.p.A., Casalecchio di Reno (BO)	Substitute Statutory Auditor
		Erresse Immobiliare Srl, Udine (UD).	Director
Giuseppe Pingaro	Statutory Auditor	Eurotech S.p.A. (Eurotech Group)	Statutory auditor
		Associazione per l'Assistenza Sanitaria Integrativa ai Dirigenti della Finmeccanica – ASID	Statutory Auditor
		Industria Italiana Autobus S.p.A.	Chairman of the Board of Statutory Auditors
		Cassa di Previdenza per i Dirigenti del	Statutory Auditor

		Gruppo Finmeccanica – Fondo Pensione Complementare	

For information on the significant administrative and supervisory duties vested in the members of the Board of Statutory Auditors pursuant to articles 144-*duodecies* et seq. of the CONSOB Issuer Regulation, also see the figures published by CONSOB pursuant to article 144-*quinquiesdecies* of the CONSOB Issuer Regulation, in the Corporate Boards section of the www.sai.consob.it website.

The Board of Statutory Auditors held 8 (eight) meetings during the financial year: 22 January, 26 February, 30 March, 25 May, 27 July, 06 and 28 August, and 26 October 2015.

The average meeting duration was about two hours.

For the current year there are at least 6 (six) meetings scheduled, two of which were already held 26 January and 21 February and others are scheduled on the following dates: 30 March, 23 May, 18 July and 17 October 2016.

At its meeting held 30 March 2015 the Board of Statutory Auditors confirmed that its members still satisfied the requirement that its members be independent in accordance with the provisions of the Corporate Governance Code governing the independence of Directors. The results were included in the Statutory Auditors' Report to the Shareholders' Meeting, pursuant to Art. 153 of the TUF.

Any Statutory Auditor who, on his/her own account or on behalf of third parties, has an interest in a given transaction by the Issuer, shall promptly provide the other Auditors and the Chairman of the Board of Directors with comprehensive information on the nature, terms, origin and scope of this interest. The Board of Statutory Auditors periodically monitors the independence of the Independent Auditor, verifying compliance with relevant regulatory provisions and the nature and scale of the services rendered. The results of the assessment are included annually in the report to the Shareholders' Meeting.

Attendance of the Chairman of the Board of Statutory Auditors and Auditors at the meetings of the Board of Directors and the characteristics of board reporting enabled the Auditors to obtain adequate knowledge of the field of activity in which the Issuer operates, its dynamics and their evolutions, as well as the relevant regulatory framework.

In carrying out its duties, the Board of Statutory Auditors regularly collaborated with the Control and Risks Committee through contact with the Internal Audit Officer. For information on coordination procedures, please refer to paragraph 11 above.

Pursuant to Art. 27 of the Company bylaws, the Board of Statutory Auditors performs the functions delegated to it by law and other applicable regulatory provisions. In the case of the listing of the Company's shares on an Italian regulated market, the Board of Statutory Auditors also exercises all other duties and powers envisaged by special laws. The Directors must report to it on a quarterly basis pursuant to Art. 150 of the TUF. The Board of Statutory Auditor meetings may also be held by conference call and/or video conference, provided that: a) the Chairman and the person taking the meeting minutes are present at the same meeting location; and b) all participants can be identified and can follow the discussion, receive, transmit and read documents, and orally participate in real time on all matters. If these requirements are satisfied, the meeting of the Board of Statutory Auditors is considered to be held at the location of the Chairman and person taking the minutes.

The Company accounts are audited by a qualified Independent Auditor or firm of auditors (on point see *supra* par. 11.4).

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The Board of Statutory Auditors is assigned the functions of the Internal Control and Audit Committee and, in particular, the supervisory functions of (i) the financial disclosure process; (ii) the effectiveness of the internal control, internal auditing, if applicable, and risk management systems; (iii) the auditing of the annual accounts and the consolidated accounts; and (iv) the independence of the Independent Auditor or auditing firm, particularly with regard to the rendering of services not related to auditing to the entity subject to the account audit.

In particular, with reference to the provisions of Art. 19 of Legislative Decree 39/2010, the attendance of the Board of Statutory Auditors at the meetings of the Control and Risks Committee has been identified as a "modus operandi", in order to be able to exchange information useful for discharging duties assigned by the regulations in accordance with the specific areas of competence.

15. SHAREHOLDER RELATIONS

The Company believes that it has a specific interest, as well as duty to the market, in establishing a continuous dialogue based on mutual understanding of roles with the majority of shareholders and institutional investors. This dialogue must be conducted in compliance with the procedure governing external disclosure of corporate documents and information.

On 8 August 2008, the Company's Board of Directors appointed Andrea Barbaro as *head of relations with institutional investors and other shareholders* (*Investor Relator*), in order to ensure fair, continuous and complete communication in accordance with article 2.2.3.(3)(i) of the Stock Market Regulation, applicable to STAR-qualified issuers. Nonetheless, the disclosure of information regarding the Company in the course of these relations must be made in compliance with the internal Inside Information Regulation.

Disclosure is also provided by the prompt publication of corporate documents on the Company website. On the website investors can freely consult, in Italian and English, all press releases issued to the market, the Issuer’s periodical accounting documents, approved by the competent corporate bodies (annual financial report, half-year financial report, interim reports on operations), the Report on Corporate Governance and Ownership Structure and documentation distributed at meetings with professional investors, analysts and the financial community.

They can also find the Company bylaws, documentation provided for Shareholders' Meetings, communications related to Internal Dealing, this Report on corporate governance and any other document whose publication on the Issuer's website is mandatory under the applicable regulations. Remember that to transmit or to store the regulated information the Issuer has decided to use the authorised mechanism called “1info”, accessible at the website www.1info.it,

16. SHAREHOLDERS’ MEETING AND SHAREHOLDERS’ RIGHTS

Pursuant to article 8 of the current Company bylaws, only shareholders with voting rights may take part in the Shareholders' Meeting. Legitimacy of participation in the Shareholders’ Meeting and the exercising of voting rights is established via communication to the Company by the intermediary legally authorised to keep the accounts, on the basis of records in the accounts as at the end of the accounting day on the seventh open market day preceding the date set for the Shareholders’ Meeting in single call, and received by the Company in accordance with the law. Shareholders with voting rights may, by law, be represented by proxy.

Ordinary and Extraordinary Shareholders’ Meetings are convened, by law, at the Company’s registered office or at any other location indicated in the meeting notice, provided that it is within Italy.

Pursuant to Art. 6 of the Company bylaws, Ordinary and Extraordinary Shareholders’ Meetings may be held via videoconference or teleconference with participants in more than one location, whether adjoining or remote, provided that the principles of collective decision-making, good faith and parity of shareholder treatment are respected.

The agenda for the Shareholders’ Meeting is established by the person exercising the power to call the meeting, pursuant to law and the Company bylaws, or, if the meeting is called at the request of the shareholders, on the basis of the items to be discussed indicated in the request.

Pursuant to Art. 9 of the Company bylaws, those with the right to participate in the Shareholders’ Meeting, either on their own account or on behalf of others, may by law be represented by proxy. Electronic proxy notification may be sent, as indicated in the meeting notice, either via a message to the certified electronic mailbox at the address provided in the notice, or via the dedicated section of the Company’s website.

Pursuant to Art. 11 of the Company bylaws, in order for the constitution and resolutions of the Shareholders’ Meeting (whether Ordinary or Extraordinary) to be valid, the provisions of law and the Company bylaws must be observed. As well as the provisions of law and the Company bylaws, the Shareholders' Meetings are conducted according to the specific Shareholders’ Meeting Regulation as approved by the Shareholders’ Meeting.

Art. 127-*ter* of the TUF establishes that only shareholders with voting rights may submit questions on the agenda also before the Meeting. Questions received before the Meeting will be answered during it at the latest. The Company will have the opportunity to provide a single answer to questions having the same content. The notice of call shall specify a period within which the questions submitted before the Meeting must be received by the Company. The term cannot be more than three days prior to the Meeting date in first or single call, or five days if the notice of call contemplates that the Company provides an answer to the questions received before the Meeting. In this case, the answers are given at least two days before the Meeting by publishing them in a special section of the Company's website.

In accordance with Principle 9.P.1 of the Corporate Governance Code, the Directors are required to encourage and facilitate the broadest possible participation of shareholders at Shareholders’ Meetings. Since Company Shareholders’ Meetings have always been held on an orderly basis, the Board of Directors does not currently deem it necessary to propose adoption of a specific regulation to govern the proceedings of Shareholders’ Meetings.

The Directors and Statutory Auditors are also required to attend the Shareholders’ Meetings, during which they are required to provide the shareholders with information regarding the Company in accordance with the rules governing price sensitive information.

As prescribed by Art. 10.2 of the bylaws, the Chairman of the Shareholders’ Meeting is responsible for ascertaining the identity and legitimacy of those present, confirming that the Shareholders’ Meeting was duly convened, and confirming the presence of a quorum of shareholders necessary for valid resolution. The Chairman is also required to moderate the proceedings, establish the voting procedures and verify the results of the votes.

At Shareholders’ Meetings during the year, the Directors and Statutory Auditors, to ensure that shareholders took decisions falling within the scope of the meeting in an informed manner, provided shareholders with Company information in accordance with current regulations on price sensitive information.

A Meeting was held on 24 April 2015, which six Directors attended.

Pursuant to Art. 3, paragraph 2 of the bylaws, in the event of a resolution to extend the term of the Company, shareholders who do not approve the resolution will not have the right of withdrawal.

According to the provisions of article 29 of the bylaws, the net profits identified in the financial statements, minus the portion allocable to the legal reserve up to the legal limit, are allocated by resolution of the Shareholders' Meeting. Specifically, the Shareholders’ Meeting, at the proposal of the Board of Directors, may resolve to create and increase other reserves. With regard to shareholders’ rights that are not described in this Report, see the applicable laws and regulations currently in force.

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At its meeting of 07 March 2015, pursuant to application criterion 9.C.4 of the Code, the Board did not find it necessary to propose to the Shareholders' Meeting amendments to the bylaws relating to the percentage established for the exercising of minority rights following the significant change in the market capitalisation of the shares of the Company, insofar as, pursuant to article 144-quater of the CONSOB Issuer Regulation, for the submission of lists for the appointment of members of the Board of Directors and the Board of Statutory Auditors, articles 14 and 26 of the Issuer’s bylaws stipulate respective thresholds of 2.5% and 2% of the voting capital or any different percentage established or prescribed by legal or regulatory provisions. Note in this regard that, with resolution 19499 of 26 January 2016, CONSOB set the minimum shareholding for submitting lists of candidates for the election of the Issuer’s Board of Directors at 4.5% of the share capital.

17. OTHER CORPORATE GOVERNANCE PRACTICES

The Issuer does not use corporate governance structures other than those set out in the legal and regulatory standards described in this Report.

18. CHANGES SINCE THE END OF THE REPORTING PERIOD

Eurotech has not made any changes to the corporate governance structure during the year other than those specifically identified in this report.

TABLES

TABLE 1 INFORMATION ON THE OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE

	No. of shares	% of the share capital	Listed (indicate the markets) / unlisted	Rights and obligations
Ordinary shares	35,515,784	100%	MTA/ STAR Segment	Every share entitles the shareholder to one vote. The rights and duties of shareholders are set out in Art. 2346 et seq. of the Civil Code
Shares with restricted voting rights	0	0		
Shares with no voting rights	0	0		

TABLE 2 STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES

BOARD OF DIRECTORS													**Control and Risks Committee**		**Remuneration Committee**		**Eventual Appointments Committee**		**Eventual Executive Committee**		**Committee for Related party transactions**	
Office	Members	Year of Birth	Date first appointed	In office since	In office until	List (M/m) *	Exec.	Non-exec.	Ind. by Code	Ind. by TUF	(%) **	Number of other positions ***	****	**	****	**	****	**	****	**	****	**
Chairman and Chief Executive Officer	Roberto Siagri	1960	30/09/1992	24/04/2014:	Approval of financial statements at 31/12/2016	M	X				100	9					X	100				
Director Financial Reporting Manager	Sandro Barazza	1968	08/08/2008	24/04/2014	Approval of financial statements at 31/12/2016	M		X			100	7										
Director and Lead Independent Director	Chiara Mio	1964	05/05/2008	24/04/2014	Approval of financial statements at 31/12/2016	M		X	X	X	100	5	X	100	X	100	X	100			X	100
Director	Alberto Felice De Toni	1955	21/07/2005	24/04/2015	Approval of financial statements at 31/12/2016	---		X	X	X	50	3										
Director	Marina Pizzol	1969	14/05/2015	14/05/2015	Next shareholders' meeting	---		X			100	1	X	100	X	-						
Director	Dino Paladin	1954	24/04/2014	24/04/2014	Approval of financial statements at 31/12/2016	M		X			50	4										
Director	Riccardo Costacurta	1961	24/04/2014	24/04/2014	Approval of financial statements at 31/12/2016	M		X	X	X	100	0	X	100	X	100					X	100
Director	Giuseppe Panizzardi	1963	24/04/2014	24/04/2014	Approval of financial statements at 31/12/2016	M		X			75	4										
Director	Giulio Antonello	1968	24/04/2014	24/04/2014	Approval of financial statements at 31/12/2016	M		X	X	X	100	2									X	100

-------------------------------------DIRECTORS DEPARTED IN THE REPORTING PERIOD--------------------------------																						
Office	Name Surname																					
Director	Paola Bonomo	1969	24/04/2015	24/04/2014	Approval of financial statements at 31/12/2016 Resigned on 28/04/2015	M	X				75	6	X	100	X	100						
Number of meetings held during the year: Control and Risks Committee: 7 Remuneration Committee 1 Appointments Committee 1 Executive Committee: 0																						
Specify the quorum required for presentation of the lists by the minority interest for election of one or more members (pursuant to Art. 147-ter TUF): 4.5%																						

NB:
*This column indicates whether the member was elected from the majority list (M) or minority list (m). See Section 4.2 of the Report.
**This column indicates the respective percentage attendance of the Directors at meetings of the Board of Directors and the committees (no. of times attended/no. of meetings held during the effective mandate of the party concerned).
***This column indicates the number of Director/Auditor positions held by the party concerned at other companies.
****This column indicates the membership of the Board of Directors member to the Committee with an "X".

TABLE 3 STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Office	Members	Year of Birth	Date first appointed	In office since	In office until	List (M/m)*	Independence re. Code	** (%)	Number of other positions ***
Chairman	Claudio Siciliotti	1952	23/07/1996	24/04/2014	Approval of financial statements at 31/12/2016	M	X	75%	13
Statutory Auditor	Michela Cignolini	1967	09/04/1999	24/04/2014	Approval of financial statements at 31/12/2016	M	X	100%	9
Statutory Auditor	Giuseppe Pingaro	1957	27/04/2009	24/04/2014	Approval of financial statements at 31/12/2016	M	X	50%	3
Substitute Statutory Auditor	Favaro Gianfranco	1954	24/01/2014	24/04/2014	Approval of financial statements at 31/12/2016	M	X		
Substitute Statutory Auditor	Briganti Laura	1961	24/04/2014	24/04/2014	Approval of financial statements at 31/12/2016	M	X		
------------------STATUTORY AUDITORS DEPARTED IN THE REPORTING PERIOD-----------------									
Indicate the required quorum for presentation of the lists at the time of the last appointment 4.5%									
Number of meetings held during the year 8									

NB:

*This column indicates whether the member was elected from the majority list (M) or minority list (m). See Section 14 of the Report.

**This column indicates the percentage attendance of the Statutory Auditors at meetings of the Board of Statutory Auditors (no. of times attended/no. of meetings held during the effective mandate of the party concerned).

Indicates the total number of offices held at the companies pursuant to Book V, Title V, Chapters V, VI and VII of the Italian Civil Code.** For the information on the significant administrative and supervisory duties vested in the members of the Board of Statutory Auditors pursuant to articles 144-duodecies*** et seq. of the CONSOB Issuer Regulation, also see the figures published by Consob pursuant to article 144-***quinquiesdecies*** of the CONSOB Issuer Regulation, in the Corporate Boards section of the **www.sai.consob.it** website.

Consolidated financial statements at 31 December 2015 prepared according to international accounting standards

Consolidated statement of financial position

(€'000)	Notes	at December 31, 2015	of which related parties	at December 31, 2014	*of which related parties*
ASSETS					
Intangible assets	1	89,682		83,735	
Property, Plant and equipment	2	3,325		3,391	
Investments in affiliate companies	3	930		730	
Investments in other companies	3	308		286	
Deferred tax assets	31	1,351		1,231	
Other non-current assets	4	608		547	
Total non-current assets		**96,204**		**89,920**	
Inventories	5	20,198		15,295	
Contracts in progress	6	0		79	
Trade receivables	7	15,715	742	19,846	2,037
Income tax receivables	8	180		215	
Other current assets	9	1,650		1,659	
Other current financial assets	11	76		2,570	
Cash & cash equivalents	10	11,430		14,104	
Total current assets		**49,249**		**53,768**	
Total assets		**145,453**		**143,688**	
LIABILITIES AND EQUITY					
Share capital		8,879		8,879	
Share premium reserve		136,400		136,400	
Other reserves		(39,942)		(43,292)	
Group shareholders' equity	13	**105,337**		**101,987**	
Equity attributable to minority interest	13	**0**		**0**	
Total shareholders' equity	13	**105,337**		**101,987**	
Medium-/long-term borrowing	15	3,401		2,756	
Employee benefit obligations	16	2,127		1,924	
Deferred tax liabilities	31	4,572		5,109	
Other non-current liabilities	17	940		909	
Total non-current liabilities		**11,040**		**10,698**	
Trade payables	18	14,381	1,038	15,272	505
Short-term borrowing	15	8,316		7,930	
Derivative instruments	35	8		52	
Income tax liabilities	8	866		507	
Other current liabilities	19	5,505		7,242	
Total current liabilities		**29,076**		**31,003**	
Total liabilities		**40,116**		**41,701**	
Total liabilities and equity		**145,453**		**143,688**	

Consolidated income statement

(€'000)	Notes	FY 2015	*of which related parties*	FY 2014	*of which related parties*
Revenues from sales of products and services	G	65,551	2,276	63,898	2,425
Other revenues	26	1,460		407	
Cost of materials	21	(32,568)	(2,245)	(33,147)	(1,827)
Service costs	23	(13,501)	(52)	(14,096)	(62)
Lease & hire costs		(1,800)		(1,700)	
Payroll costs	24	(20,775)		(18,976)	
Other provisions and other costs	25	(1,268)		(1,792)	
current assets	27	1,953		1,787	
Depreciation & amortisation	28	(5,443)		(5,214)	
Asset impairment	28	(211)		(160)	
Operating profit		**(6,602)**		**(8,993)**	
Share of associates' profit of equity	30	165		45	
Subsidiaries management		6		0	
Finance expense	29	(1,573)		(1,317)	
Finance income	29	1,841		1,984	
Profit before taxes		**(6,163)**		**(8,281)**	
Income tax	31	(60)		(641)	
Net profit (loss)		**(6,223)**		**(8,922)**	
Minority interest		**0**		**0**	
Group net profit (loss) for period		**(6,223)**		**(8,922)**	
Base earnings (losses) per share	14	**(0.182)**		**(0.260)**	
Diluted earnings (losses) per share	14	**(0.182)**		**(0.260)**	

Consolidated statement of comprehensive income

(€'000)	Notes	FY 2015	FY 2014
Net profit (loss) before minority inerest (A)		**(6,223)**	**(8,922)**
Other elements of the statement of comprehensive income *Other comprehensive income to be reclassified to profit or loss insubsequent periods:*			
Net profit/(loss) from Cash Flow Hedge	34	44	107
Tax effect		-	-
		44	*107*
Foreign balance sheets conversion difference		*5,981*	*217*
Exchange differences on equity investments in foreign companies	13	3,574	3,543
Tax effect		-	-
		3,574	*3,543*
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)		*9,599*	*3,867*
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit plans for employees	16	(43)	(135)
Tax effect		17	43
		(26)	(92)
After taxes net other comprehensive income not being reclassified to profit orloss in subsequent periods (C)		*(26)*	*(92)*
Comprehensive net result (A+B)		**3,350**	**(5,147)**
Comprehensive minority interest		**-**	**-**
Comprehensive Group net profit (loss) for		**3,350**	**(5,147)**

Statement of changes in consolidated 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 December 31, 2014	-	-	-	-	-	-	-	-	-	(8,922)	(8,922)	-	(8,922)
Comprehensive other profit (loss)													
- Hedge transactions	-	-	-	-		107	-	-	-	-	107	-	107
Actuarial gains/(losses) on defined benefit plans for	-	-	-	-	-	-	(92)	-	-	-	(92)	-	(92)
- Foreign balance sheets conversion difference	-	-	-	217	-			-	-	-	217	-	217
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	3,543	-	-	3,543	-	3,543
- Other changes and transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive result	-	-	-	*217*	-	*107*	*(92)*	*3,543*	-	*(8,922)*	*(5,147)*	-	*(5,147)*
- Other changes and transfers					-	-			(965)		(965)		(965)
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

(€'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, 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)
Comprehensive other profit (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

Consolidated cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (€'000)	at December 31, 2015	at December 31, 2014
CASH FLOWS GENERATED BY OPERATIONS:		
Group net profit	**(6,223)**	**(8,922)**
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:		
Depreciation & amortization intangible assets, property, plant and equipment	5,654	5,374
Write-down of receivables	147	793
Interest income	(14)	(65)
Interest paid	612	
Share of net profit of associate and non-consolidated subsidiaries	(165)	(45)
Income taxes (paid) get	(1,603)	(3,260)
Losses/(Gains) for bringing up-to-date	(22)	19
Provision for (use of) cumulative inventory write-down	171	
Provision for (use of) long-term employee severance indemnities	177	133
Provision for (use of) risk provision	31	25
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability	(657)	(748)
Changes in current assets and liabilities		
Trade receivables	437	(1,985)
Other current assets	44	798
Inventories and contracts in process	(1,426)	(1,218)
Trade payables	(891)	595
Other current liabilities	225	2,239
Total adjustments and changes	**2,720**	**2,655**
Cash flow generated (used) in operations	**(3,503)**	**(6,267)**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sales of tangible and intangible assets	25	22
Assignment for deconsolidation	0	3
Interest income	14	65
Purchase of intangible fixed assets	(2,149)	(1,985)
Purchase of tangible fixed assets	(725)	(868)
Purchase of own shares	0	(965)
Decreases (Increases) other financial assets	2,494	6
Net investments in long-term investments and non-current assets	(118)	(128)
Cash flow generated (used) in investment activities by Discontinued Operations	0	(251)
Cash flow generated (used) in investment activities	**(459)**	**(4,053)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Loans taken	4,500	3,200
Interest paid	(612)	(548)
(Repaid) loans short and medium/long term	(3,469)	(7,014)
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**

Explanatory notes to financial statements

A – Corporate information

The publication of the consolidated financial statements of Eurotech SpA for the financial year ended 31 December 2015 was authorised by resolution of the Board of Directors on 11 March 2016. Eurotech S.p.A. is a joint stock company incorporated and domiciled in Italy. The Group has its registered office in Amaro, Italy.
Eurotech is a group active in the research, development, and marketing of miniaturised computers (NanoPCs) and high-performance computers featuring high computing capacity (HPCs). For more information, see Note D.

B – Reporting policies and IFRS compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and approved by the European Commission pursuant to Art. 6 of EC Regulation 1606/2002 of the European Parliament and European Council of 19 July 2002 by 31 December 2015, as well as with the measures enacted to implement Art. 9 of Legislative Decree 38/2005. IFRSs include all international accounting standards that have been revised (IAS) and all the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).
Consolidated financial statements are based on recognition at cost, except for derivative financial instruments, which are normally recognised at fair value. Despite the difficult global economic situation, Eurotech found no significant uncertainties (as defined in paragraph 25 of IAS 1) related to business continuity, also taking into account actions taken to deal with the situation, industrial flexibility, the existing order portfolio and ongoing opportunities.
The Group applied the content of CONSOB resolution 15519 of 27 July 2006 on the subject of financial statements.

The accounting standards applied are the same as those used as at 31 December 2014, except for the following new or revised IFRSs or IFRICs, applied for the first time by the Group as of 1 January 2015.

The type and impact of each new standard/amendment are listed below:

Defined benefit plans: employee contributions – IAS 19 – IAS 19 asks, but does not require, that an entity consider the contributions of employees or third parties in the accounting treatment of defined benefit plans. When the contributions are tied to the service rendered, they should be attributed to the periods of service as negative benefit. This amendment clarifies that if the amount of the contributions is unrelated to the number of years of work, the entity is allowed to recognise these contributions as a reduction in the cost of the service during the period when the service is rendered instead of allocating them to the periods of service. The amendments are retroactively applicable for the financial years that started on or after 1 February 2015. This amendment is not significant for the Group since none of its member entities have plans that envisage contributions of employees or third parties.

Property, plant and equipment – IAS 16 and Intangible Assets – IAS 38 – The amendment applies retrospectively and clarifies that in IAS 16 and IAS 38 an asset can be revalued with reference to observable data both by adjusting the gross book value of the asset to the market value and by calculating the market value of the book value and adjusting the gross book value proportionately so that the book value is equal to the market value. Moreover, the accumulated amortisation is the difference between the gross book value and the book value of the asset. This amendment had no impact on the Group.

Joint arrangements – IFRS 11 – The amendments regarding the recognition of the purchase of equity interests in jointly controlled activities that require that an entity adopt the IFRS 3 standards in order to recognise the accounting effects of purchases of Equity interests in jointly controlled activities forming a business. This amendment had no impact on the Group.

Presentation of the financial statements – IAS 1 – The objective of the amendments is to clarify a few doubts regarding the presentation and disclosure obligations in addition to ensuring that the companies can use professional judgement in determining which information to disclose in their financial statements, focusing on the major information. These amendments will become applicable for the financial years that will commence starting from 1 January 2016. This amendment will have no impact on the Group.

Annual Improvements to the IFRSs - 2010-2012 Cycle

Except for the improvements concerning IFRS 2 *Share-based payments* applied to transactions with an assignment date starting from 1 July 2014 or afterwards, these improvements are in effect since 1 July 2014 and the Group applied them for the first time in these consolidated financial statements. They include:

Share-based payments - IFRS 2 - This improvement is applied prospectively and clarifies several points tied to definition of the conditions for attaining results and service that represent the vesting conditions. The clarifications are consistent with the procedures with which the Group identified the conditions for attaining results and service, which represent the vesting conditions, in the previous periods. Furthermore, the Group did not give any bonus during the second half of 2014. Therefore, these improvements have no effect on the financial statements or accounting principles of the Group.

Business combinations – IFRS 3 - The amendment is applied prospectively and clarifies that all agreements concerning potential considerations classified as liabilities (or assets) that arise from a business combination must be later measured at fair value with a contra entry in the income statement, whether or not it falls within the scope of IAS 39. This is consistent with the accounting principles that the Group applies, so this amendment had no impact on the Group's accounting principles.

Operating segments – IFRS 8 - The amendment applies retrospectively and clarifies that:

- An entity should disclose information on the assessments made by management in applying the combination criteria pursuant to paragraph 12 of IFRS 8, including a brief description of the operating segments that have been combined and the economic characteristics (e.g.: sales, gross margin) used to determine whether the segments are "similar".
- It is necessary to submit reconciliation of the assets of the segment with the total assets only if the reconciliation is presented at the highest decision-taking level, as required for the liabilities of the segment.

The Group did not apply the combination criteria required by IFRS 8.12. The Group presented the reconciliation of the assets of the segment with the total assets in previous periods, and continues to submit it in Note f since the reconciliation is provided at the highest decision-taking level.

Related party disclosures – IAS 24 - The amendment applies retrospectively and clarifies that a management body (and entity that provides services regarding key management personnel) is a related party subject to disclosure on the transactions with related parties. Furthermore, an entity that resorts to a management body must disclose the expenses borne for the management services. This amendment is irrelevant for the Group since it does not receive management services from other entities.

Annual Improvements to the IFRSs - 2011-2013 Cycle

These improvements have been in effect since 1 July 2014 and the Group applied them for the first time in these condensed consolidated financial statements. They include:
Business combinations – IFRS 3 - The amendment is applied prospectively and, for the purpose of exclusion from the scope of IFRS 3, clarifies that:

- Not only joint ventures, but also joint arrangements are outside the scope of IFRS 3
- This exclusion from the scope applies only in booking the joint arrangement in the financial statements

Eurotech is not a joint arrangement, so this amendment is irrelevant for the Group and its subsidiaries.

Fair value measurement – IFRS 13 - The amendment applies prospectively and clarifies that the portfolio exception provided for by IFRS 13 can be applied not only to financial assets and liabilities, but to the other contracts falling within the scope of IAS 39 as well. The Group does not apply the portfolio exception provided for by IFRS 13.

Investment property – IAS 40 - The description of additional services in IAS 40 differs between investment property and property for owner's use (e.g.: property, plant and equipment). The amendment applies prospectively and clarifies that IFRS 3 must be used in determining whether an operation represents the purchase of an asset or business combination, and not the description of additional services of IAS 40. The Group relied on IFRS 3, not on IAS 40, in determining whether an operation represents the purchase of an asset or business combination in past periods. Therefore, this amendment has no impact on the accounting principles of the Group.

On 25 September 2014 the IASB issued the document, "Annual Improvements to IFRSs - 2012–2014 Cycle" (applicable to the financial years ending after 1 January 2016) as part of the annual programme of improvements introduced to the standards. Most of the amendments are clarifications or corrections of existing IFRSs, or amendments consequent to changes previously introduced to the IFRSs.

The consolidated financial statements were drafted in euro, rounding amounts to the nearest thousand unless otherwise indicated. The financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement, and the following explanatory notes.

The data used for consolidation have been taken from the income statements and balance sheets prepared by the Directors of individual subsidiaries. These figures have been appropriately amended and restated as necessary to align them with international accounting policies and with uniform group-wide classification policies.

C – Discretionary evaluations and relevant accounting estimates

The preparation of the Group's financial statements requires all directors to make subjective assessments, estimates and assumptions that may affect the value of revenues, expenses, assets, liabilities, their disclosure and contingent liabilities at the reporting date. However, uncertainties about such assumptions and estimates may determine effects which will require significant adjustments to the accounting value of said assets and/or liabilities.

Discretionary evaluations

In applying Group accounting policies, directors made decisions based on the following discretionary evaluations (not including those involving estimates) with a significant effect on the values posted in the financial statements:

Recognition of revenue – Sale of components – According to directors, sales of components made by the Group to outsourcers (which use these components in their operations and subsequently resell their products to the Group) imply a continued relationship with the transferred assets and do not give rise to collection of the contracted consideration. Consequently, on the basis of IAS 18, these transactions are not recognised as sales.

Uncertainty in the estimates

The estimates at year-end are reviewed periodically and could lead to significant adjustments in the book value of the assets and liabilities within the subsequent financial period. Estimates are used to recognise:

Impairment of non-financial assets

At every reporting date, the Group tests for impairment of all non-financial assets.

Specifically, goodwill and other intangible assets with an indefinite useful life (trademarks) are submitted to review at least annually and during the year to check for impairment; this check requires the Group to make an estimate of the value in use of the cash generating unit to which goodwill and other intangible assets with a definite useful life are attributed, in turn based on the estimated cash flows expected from the unit, time-discounted at an appropriate rate

As at 31 December 2015, the book value of goodwill was €72,171 thousand (2014: €65,359 thousand). Further details are provided in Note 1.

Other non-financial assets are annually tested for impairment when there is evidence that the assets may be impaired.

In preparing calculations to determine value in use, directors need to estimate expected cash flows from operations or from the cash-generating unit and choose a discount rate that can adequately calculate the present value of these cash flows. Further details and a sensitivity analysis of key assumptions are provided in Note 1.

Deferred tax assets

Deferred tax assets are recognised against all temporary differences and tax losses carried forward, to the extent that future taxable profits are likely that can absorb said temporary differences or that can use said tax losses. The Board of Directors is required to make a significant discretionary evaluation to determine the amount of deferred taxes that can be posted. Directors have to determine the most likely timing and amount of future taxable profits and a planned strategy of future taxes payable.

At 31 December 2015, unrecognised tax losses carried by the Parent Company were estimated at €37,255 thousand (2014: €36,487 thousand), reported unlimitedly. In the Group as a whole, unrecognised tax losses came to €55,282 thousand (2014: €51,955 thousand), reported unlimitedly.

Development costs
Development costs are capitalised as per the accounting standard described in Note E. Initial cost capitalisation is based on the Directors' assessment of the technical and economic feasibility of the project, normally when the project itself has reached a certain stage in the development plan and it is likely that the asset will generate future economic benefits. In order to determine capitalised amounts, Directors need to make assumptions about expected future cash flows from fixed assets, discount rates to be applied and periods in which benefits will accrue. On 31 December 2015 the best estimate of the book value of capitalised development costs was €4,935 thousand, of which €2,396 thousand are in progress (2014: €4,582 thousand, of which €2,426 thousand are in progress).

Other items subject to estimates
Estimates are also used to recognise provisions for risks on receivables, for inventory obsolescence, amortisation, write-downs of assets, employee benefits, taxes, and provisions for risks and charges, to determine the total costs of jobs and the respective state of progress, in order to record deferred tax assets and allocate the purchase price of recent business acquisitions.

D – Scope of consolidation

The consolidated financial statements include the annual financial statements of the Parent Company, Eurotech SpA, and the Italian and foreign subsidiaries in which Eurotech directly or indirectly (through subsidiaries and affiliates) exercises control, makes financial and operating decisions and obtains the respective benefits.
The companies included in the basis of consolidation on a line-by-line basis at 31 December 2014 are as follows:

Company name	Registered offices		Share capital	Group share
Parent company				
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)		€8,878,946	
Subsidiary companies consolidated line-by-line				
Aurora S.r.l.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro	10,000	100.00%
Dynatem Inc.	Mission Viejo (USA)	USD	1,000	100.00%
Eth Devices S.r.o.	Bratislava (Slovakia)	Euro	10,000	100.00%
EthLab S.r.l.	Via Dante, 300 – Trento	Euro	115,000	100.00%
Eurotech Inc.	Columbia (USA)	USD	26,500,000	100.00%
Eurotech Ltd.	Cambridge (UK)	GBP	33,333	100.00%
E-Tech USA Inc.	Salt Lake City (USA)	USD	8,000,000	100.00%
Eurotech France S.A.S.	Venissieux Cedex (France)	Euro	795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Via Piave, 54 – Caronno Varesino (VA)	Euro	51,480	100.00%
Advanet Inc.	Okayama (Japan)	JPY	72,440,000	90.00% (1)

(1) Officially, the Group owns 90% of the company, but as Advanet holds 10% of the share capital in the form of treasury shares, it is fully consolidated.

The following affiliates are consolidated at equity:

Affiliated companies consolidated at equity		
Chengdu Vantron Technology Inc.	Chengdu (China)	45.00%
eVS embedded Vision Systems S.r.l.	Ca' Vignal2, Strada Le Grazie 15 - Verona	24.00%
Emilab S.r.l.	Via F.lli Solari 5/A – Amaro (UD)	24.82%
Rotowi Technologies S.p.A. in liquidazione (formerly U.T.R.I. S.p.A.)	Via del Follatolo, 12 – Trieste	21.31%

Other smaller companies valued at cost		
Kairos Autonomi Inc.	Sandy (USA)	19.00%

The main changes with regard to subsidiaries and affiliates compared with 31 December 2014 are as follows:

- 09/01/2015 establishment of the company Aurora S.r.l. to carry on HPC segment activities;
- 16/06/2015 Giampietro Tecchiolli purchased 0.01% of the company EthLab S.r.l. to thus become 100% held by Eurotech S.p.A.;
- 30/06/2015 the value recorded in the financial statements regarding the final phase of liquidation of the company Delos S.r.l. is reclassified to other receivables since it corresponds to the receivable to be collected regarding the allocation of the company's assets.

E – Accounting standards and policies

Accounting basis

The consolidated financial statements consist of the income statement, the statement of financial position, the statement of changes in equity, the cash flow statement and the explanatory notes.
In the statement of financial position, assets and liabilities are classified in the balance sheet according to the "current/non-current" criterion, with specific separation of the assets held for sale and the liabilities associated with assets held for sale, if any. Current assets, including cash and cash equivalents, are those held to be realised, sold or consumed within the normal operating cycle of the Group or within the twelve months following the end of the year. Current liabilities are those whose extinction is expected within the normal operating cycle of the Group or within the twelve months after the end of the year.
The income statement is classified based on the nature of the costs, while the cash flow statement is presented using the indirect method.

Consolidation policies

Consolidation policies from 1 January 2015

The consolidated financial statements comprise the financial statements of Eurotech S.p.A. (parent company) and its subsidiaries drawn up at 31 December of each year. The financial statements of the subsidiaries are drawn up using the same accounting standards as for the Parent Company; any consolidation adjustments are carried out to make consistent the items affected by the application of different accounting standards. All intragroup balances and transactions, including any unrealised profits deriving from relationships between Group companies, are completely derecognised. The portion pertaining to the Group of unrealised profits and losses with associates is derecognised. Unrealised losses are derecognised, except in cases where they represent impairment.

Subsidiaries are fully consolidated from the acquisition date, i.e. the date at which the Group acquires control, and cease to be consolidated on the date at which control is transferred outside the Group.

Losses are attributed to minority interests, if there are any, even when this gives rise to a negative balance for minority shareholdings.

Changes in the equity interest of the Parent Company in a subsidiary that do not involve loss of control are booked as equity transactions. Specifically, in the case of acquisitions of minority interests, the difference between the price paid and the book value of the portion of the net assets purchased is posted directly to equity.

If the Parent Company loses control of a subsidiary, it:

- derecognises the subsidiary's assets (including any goodwill) and liabilities
- derecognises the carrying value of any minority interest in the former subsidiary
- derecognises cumulative exchange rate differences recognised in equity
- recognises the fair value of the payment received

- recognises the fair value of any equity interest retained in the former subsidiary
- recognises any profit or loss in the income statement
- restates the portion held by the Parent Company of the components previously posted to the statement of comprehensive income to the income statement or to retained earnings, as appropriate.

Conversion of foreign currency items and financial statements from non-euro currency

The consolidated financial statements are presented in euro, which is the functional and presentation currency used by the Group. Each Group entity determines its own functional currency, which is used to value the items in the individual financial statements.

Transactions in foreign currency are initially recognised at the exchange rate (in relation to the functional currency) in force at the transaction date. Monetary assets and liabilities denominated in foreign currency are converted to the functional currency at the exchange rate in force at the reporting date. All exchange rate differences are posted to the income statement, except for differences deriving from loans in foreign currency that form part of a net investment in a foreign company, which are recognised directly in equity until the net investment is disposed of, at which time it is recognised in the income statement. Taxes and tax receivables attributable to exchange rate differences on these loans are also posted directly to equity. Non-monetary items valued at historic cost in foreign currency are translated using the exchange rates in force at the date at which the transaction is initially recognised. Non-monetary items posted at fair value in foreign currency are converted using the exchange rate in force at the date of calculation of this value.

Any goodwill deriving from the acquisition of a foreign operation, and any changes in fair value that change the book values of the assets and liabilities deriving from the acquisition of this foreign operation, are booked as assets and/or liabilities of the foreign operation. These values are therefore expressed in the functional currency of the foreign operation and are translated at the exchange rate in force at the reporting date.

Before 1 January 2005, the Group chose to treat goodwill, and any changes in fair value that change the book value of the assets and liabilities at the time of acquisition, as Group assets and liabilities. Therefore, these assets and liabilities are already expressed in the presentation currency or they are non-monetary items, and there is therefore no further translation difference.

The functional currency used by US subsidiaries Eurotech Inc., Dynatem Inc. and E-Tech USA Inc. is the US dollar; the functional currency used by UK subsidiary Eurotech Ltd. is the pound sterling; and the functional currency used by Japanese subsidiary Advanet Inc. is the Japanese yen.

At the reporting date, the assets and liabilities of these subsidiaries were translated to the presentation currency of the Eurotech Group (the euro) at the exchange rate in force on this date, while the income statement was converted using the average exchange rate for the year. Exchange rate differences arising from the conversion of income statement items at a different rate from that in force at the reporting date, and those arising from the translation of opening equity at a different rate from that in force at the reporting date, are recognised directly in equity and presented separately in a dedicated reserve. When a foreign company is disposed of, the cumulative exchange rate differences recognised in equity relating to that particular foreign company are posted to the income statement.

The schedule below shows the exchange rates used, as issued by the Italian Foreign Exchange Bureau:

Currency	Average 2015	As of December 31, 2015	Average 2014	As of December 31, 2014
British pound sterling	0.72600	0.73395	0.80612	0.77890
Japanese Yen	134.28658	131.07000	140.30612	145.23000
USA Dollar	1.10963	1.08870	1.32850	1.21410

Accounting policies

The accounting standards and policies applied to prepare the consolidated financial statements for the year ended 31 December 2015 are shown below.

Intangible assets

Intangible assets acquired separately are initially capitalised at cost, while assets acquired through business combinations are booked at fair value. After initial posting, intangible assets are booked net of accumulated amortisation and accumulated value losses. Intangible assets produced in-house, except for development costs, are not capitalised and are reported in the income statement in the year in which they are incurred. The useful life of intangible assets is valued as definite or indefinite.
Intangible assets with a definite useful life are amortised throughout their useful life and submitted to congruence tests whenever there are indications of possible impairment. The period and method of amortisation to be applied are re-examined at the end of each financial year or more frequently as necessary. Changes in the expected useful life and the methods with which future economic benefits related to intangible assets are achieved by the Group are posted by modifying the period or method of amortisation, as adjusted, and treated as modifications of the accounting estimates. Amortisation allowances of intangible assets with finite useful life are reported in the income statement in the cost category matching the function of the intangible asset.
Intangible assets with indefinite useful life are submitted to annual impairment testing on an individual or cash generating unit basis. No amortisation is reported for these assets.

Profits or losses arising from the sale of an intangible asset are measured as the difference between the net proceeds of the sale and the carrying value of the intangible asset and are recognised in the income statement when the asset is derecognised.

Business combinations and goodwill

<u>Business combinations from 1 January 2010</u>

Business combinations are booked using the purchase method. The purchase cost is measured as the sum of the payment made at fair value at acquisition date and the amount of any minority interest in the acquiree. For every business combination, the acquirer must value any minority interest in the acquiree at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquiree. Acquisition costs are paid and classified in administrative expenses.
When the Group acquires a business, it must classify or designate the financial assets acquired or liabilities assumed in accordance with the contractual terms and financial conditions and other pertinent conditions existing at acquisition date. This includes establishing whether an embedded derivative must be separated from the primary contract.
If the business combination is carried out in more than one stage, the acquirer must recalculate the fair value of the equity interest previously held and valued using the equity method, recognising any resulting profit or loss in the income statement.
Any potential payment must be recognised by the acquirer at fair value at acquisition date. Changes in the fair value of the potential payment classified as an asset or liability shall be recognised, pursuant to IAS 39, in the income statement or as other components of comprehensive income. If the potential payment is classified in equity, its value must not be recalculated until its extinction is booked against equity.
Goodwill is initially valued at cost, calculated as the excess between the sum of the payment made and the amount recognised for minority interests, and the identifiable assets acquired and liabilities assumed by the Group. If the payment is less than the fair value of the net assets of the acquired subsidiary, the difference is posted to the income statement.
After initial recognition, goodwill is valued at the reduced cost of the accumulated impairment losses. For the purposes of the impairment test, goodwill acquired in a business combination must, at acquisition date, be allocated to every Group cash generating unit expected to benefit from the combination, aside from the fact that the other assets or liabilities of the acquired entity are assigned to these units.
If goodwill is allocated to a CGU and the entity sells part of the assets of this unit, the goodwill associated with the asset sold must be included in the carrying value of the asset when calculating the gain or loss deriving from the disposal. The

goodwill associated with the asset sold must be calculated on the basis of the relative values of the asset sold and the portion retained by the CGU.

Business combinations before 1 January 2010

Differences by comparison with the above policies are set out below.
Business combinations were booked using the purchase method. Transaction costs directly attributable to the combination were regarded as part of the purchase cost. Minority interests were calculated according to the portion of the identifiable net assets of the acquiree pertaining to minorities.
Business combinations carried out in stages were booked at separate times. Each new acquisition of shares did not affect the goodwill previously recognised.
The potential payment was recognised if, and only if, the Group had a current obligation, and cash outflows were probable and the estimate could be reliably calculated. Subsequent changes to the potential payment were booked as part of goodwill.

On first-time adoption of IFRS, the Group decided to not apply IFRS 3 – Business Combinations retroactively to acquisitions made before 1 January 2004; as a result, goodwill generated on acquisitions prior to the date of transition to IFRS was maintained at the previous value, determined according to Italian accounting standards, subject to testing and adjustment for impairment.

Research and development costs

Research costs are recognised in the income statement at the time they are incurred.

Development costs incurred with reference to a specific project are only capitalised when the Group can demonstrate (a) that it is technically practicable to complete the fixed asset so as to make it available for use or for sale; (b) that it intends to complete the fixed asset for use or for sale; (c) the way in which it will probably generate future benefits; (d) the availability of technical, financial and all other resources needed to complete the asset; and (e) its ability to reliably determine the costs attributed to the asset throughout its development.
Capitalised developed costs are amortised over the period in which all future expected revenues will occur.
During the development period, the asset is re-examined annually to verify potential impairment. After the initial posting, development costs are assessed at cost, minus any other amortisation or accumulated losses. Amortisation of the asset begins as soon as development is completed and the asset becomes available for use.
All other development costs are reported in the income statement in the period they are incurred.

Patents and trademarks

Patents have been granted by the competent body for a minimum of ten years with renewal option by the Group if the patent continues to produce utility over time.
Trademarks acquired separately are initially recognised at cost inclusive of ancillary charges. Trademarks acquired through business combinations are recognised at their fair value measured at the acquisition date.
Following initial recognition, trademarks are recorded at cost, net of goodwill provisions and any accumulated impairment losses.
Trademarks with a definite useful life recognised in the statement of financial position are amortised over a period of between 8 and 10 years and subject to impairment testing whenever a loss of value is indicated. Its useful life is reviewed on an annual basis.
Trademarks with an indefinite useful life are not amortised but are subject to impairment testing at least annually.

Registration costs in other countries of trademarks and patents developed internally are recorded in the income statement when they are incurred.

Other intangible assets

Other intangible assets purchased or produced internally are recorded as assets, in accordance with IAS 38 - *Intangible Assets*, when it is likely that the asset will generate future economic benefits and when the cost of the asset can be reliably determined.
Intangible assets with a definite useful life recognised within a business combination, such as customer relationships and order portfolios, are initially recognised at fair value at the date of acquisition, separately from goodwill, if this value can be reliably determined. After initial recognition, they are recognised net of related cumulative amortisation and of any impairment determined in the same way as for tangible assets. Customer relationships are amortised on a straight-line basis in a period of 5 to 10 years, while amortisation of the order book correlates to the processing of orders in the book at the time of acquisition.
Useful life is re-assessed annually, and any changes are applied prospectively as necessary.

Gains or losses arising from the sale of an intangible asset are measured as the difference between the net revenues from the sale and the carrying value of the intangible asset and are recognised in the income statement when the asset is derecognised.

Tangible assets

The value of property, plant and equipment is stated at historical cost, including any direct ancillary charges for making the asset suitable for the use for which it was intended, increased, where relevant and in the case of current obligations, by the current value of the estimated cost for disposal or removal of the asset. If significant portions of these tangible assets have different useful lives, these components are booked separately. Land, whether the site of buildings or free from construction, is not depreciated since it is considered to have an unlimited life.

The value of a building, subject to revaluation in periods prior to 1 January 2004 (the date of transition to IFRS), is recognised according to fair value at the transition date and this value is the replacement cost starting from that date (*deemed cost*).

Property, plant and equipment are listed net of respective accumulated depreciation and any impairment determined according to the methods described below. Depreciation is calculated on a straight-line basis, according to the estimated life of the asset for the company, which is re-examined annually and adjusted for changes on a case-by-case basis. The main technical amortisation rates used are based on the useful life of each individual item:

Buildings	33 years
Plant and machinery	from 7 to 10 years
Industrial and commercial equipment	from 4 to 6 years
Production equipment	from 4 to 6 years
Furniture and fixtures	from 7 to 10 years
Electronic office equipment	from 3 to 5 years
Automobiles and motor vehicles	from 4 to 5 years

The carrying value of tangible assets is tested for impairment if events or situational changes indicate that the carrying value cannot be recovered. If there is such an indication and if the carrying value exceeds the estimated realisable value, the assets are written down to reflect their realisable value. The realisable value of a tangible asset is the higher of its net selling price and value in use.

In determining value in use, estimated future cash flows are discounted to their current value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate cash flows independently, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. Impairment is booked in the income statement under amortisation, depreciation and write-downs. The initial value is reinstated if the causes of impairment in previous financial years are no longer valid.

At the time of the sale or when future economic benefits no longer exist on the use of an asset, it is derecognised from the statement of financial position and related losses or gains (calculated as the differences between the sale price and the carrying value) are reported in the income statement in the year of its elimination.

The outstanding value of the asset, useful life and methods applied are reviewed annually and adjusted if necessary at the end of every financial year.

Financial charges incurred for investments in assets for which there is generally a certain period of time to make the asset ready for use or sale (qualifying assets, pursuant to IAS 23 – *Financial Charges*) are capitalised and depreciated throughout the useful life of the class of assets to which they refer. All other financial charges are recognised in the income statement as they are incurred.

Equity investments in associates

Equity investments in associates, in which the Eurotech Group has significant influence, are valued using the equity method. The income statement reflects the Group share of the results of the associate. Equity investments in an associate are booked in the income statement at cost, increased by subsequent changes pursuant to acquisition of the Group share in the net assets of the associate, according to the net equity method. Goodwill relating to the associate is included in the carrying value of the shareholding and is not subject to amortisation or to impairment testing.

The Group share of the results of the associate is recognised in the income statement. This share represents the profits of the associate attributable to shareholders, and therefore profits net of tax and the portions payable to the other shareholders of the associate.

If an associate enters adjustments directly in equity, the Group recognises its share and posts it, where applicable, in its statement of changes in shareholders' equity. Gains and losses arising from transactions between the Group and the associate are derecognised in proportion to the investment in the associate.

If the Group share of losses exceeds the carrying value of the equity investment, the latter is derecognised and the surplus is recorded in a special reserve in the amount in which the Group has legal or implicit obligations toward the subsidiary company to cover its losses or, in any event, to make payments on its behalf.

After applying the equity method, the Group assesses whether it is necessary to recognise a further impairment of its equity interest in the associate. The Group makes this assessment at every reporting date if there is objective evidence of impairment of the equity interest in the associate. If this is the case, the Group calculates the impairment as the difference between the recoverable value of the associate and the carrying value of the associate in its statement of financial position, recognising this difference in the annual income statement and classifying it under "Group share of the results of associates".

When significant influence over the associate has been lost, the Group calculates and recognises any residual equity interest at fair value. Any difference between the carrying value of the equity interest at the date of loss of significant influence and the fair value of the residual interest and of the payments received must be posted to the income statement.

Associates end their financial year on the same date as the Group; when the accounting policies used do not comply with those used by the Group, they are adjusted at year-end to make them the same as those used by Group for transactions and events of the same nature and occurring in similar circumstances.

Equity investments in other companies

If the fair value of financial assets made up of equity investments in other companies cannot be measured at the reporting date because the shares are not listed, they are valued at the purchase or subscription cost, after deducting capital refunds, which is adjusted for impairment using the methods described for tangible assets. If the reasons for a write-down cease to exist, equity investments valued at cost are written back to the initial value, and the effect is entered in the income statement. The risk deriving from any losses exceeding shareholders' equity is recorded in an appropriate provision to the extent to which it is committed to fulfil the legal or implicit obligations of the subsidiary company, or in any event to cover its losses.

Other non-current assets

Receivables and other long-term investments held until expiration date are booked at cost, represented by the fair value of the initial amount given in exchange, increased by applicable transaction costs. The initial carrying value is subsequently adjusted to take account of capital refunds and any write-downs or amortisation of the difference between the repayment value and the initial posted value. Amortisation is charged according to the effective internal interest rate, which is the rate that equalises, at the time of their initial recognition, the current value of expected cash flows and the initial posted value (amortised cost method).

Inventories

Inventories, except for work in progress, are stated at the lower of the purchase or production cost and the estimated realisable value represented by the amount that the company expects to obtain from their sale in the course of normal operations.

The cost of raw materials and finished products is calculated by applying the average weighted purchase cost for each transaction, including all ancillary purchase charges.

The production cost of finished and semi-finished products comprises the direct cost of raw materials and labour plus a portion of general production expenses calculated according to standard production capacity, excluding any financial charges.

Obsolete and/or slow-turnover inventories are written down based on their current potential use or on future realisation. The write-down is reversed in subsequent periods if the reason for maintaining it no longer exists.

Contracts in progress

Contracts in progress are valued according to the contractual amounts that have accrued with a reasonable degree of certainty, in accordance with the percentage-of-completion method, so as to attribute revenues and profits to the relevant individual accounting periods, in proportion to completion status. The progress of the contract is determined as the contract costs incurred for work performed to date as a proportion of the estimated total contract costs. The positive or negative difference between the value of the contracts accrued at year-end and the amounts billed is booked respectively under liabilities or assets in the statement of financial position.

Contract revenues, in addition to contract considerations, include changes, price adjustments, and recognition of incentives to the extent to which it is probable that these represent actual revenues that can be reliably determined. Actual losses are recognised regardless of the state of progress of jobs.

Trade receivables and other receivables

Receivables included in current and non-current assets are initially recognised at fair value and then at amortised cost and adjusted for impairment.
Trade receivables whose expiration date falls within the normal commercial terms are not time-discounted and are booked at cost (identified by their face value), net of the respective impairment, which is booked to a specific reserve. Amounts considered uncollectible are estimated according to the current value of expected future cash flows. Impaired receivables are written off and reversed when they become uncollectible.

Impairment of financial assets

At every reporting date the Group tests for impairment of financial assets or groups of financial assets.

Assets determined using the amortised cost method

If there is an objective indication that a loan or receivable recognised at amortised cost may be impaired, the impairment is measured as the difference between the asset's carrying value and the present value of expected future cash flows (excluding future loan losses not yet incurred) discounted at the initial interest rate of the financial asset (i.e., the effective interest rate calculated at initial recognition). The carrying value of the asset is written down using a specific reserve and the impairment is recognised in the income statement.

If the impairment is reduced in subsequent periods and there is objective evidence that the reduction is due to an event occurring after the recognition of the impairment loss, the impairment may be reversed. Any impairment loss reversals are recognised in the income statement to the extent that the carrying value of the asset does not exceed the amortised cost at the date of reversal.

With regard to trade receivables, an impairment provision is made when there is objective evidence (e.g., the probability of default or significant financial distress of borrowers) that the group will not be able to recover all amounts due according to the original terms and conditions of the invoice.

Treasury shares

Treasury shares purchased are deducted from equity according to the relative purchase cost. The purchase, sale, issue or cancellation of the company's own equity instruments does not entail recognition of any gain or loss in the income statement.

Cash and cash equivalents

Cash and cash equivalents include ready cash, i.e., values that are either available on demand or which can be quickly liquidated, will give good results and do not have collection costs. For the purposes of the consolidated cash flow statement, cash was represented gross of bank overdrafts at the reporting date.

Financial liabilities

Trade payables and other liabilities

Trade payables, whose expiration date falls within the normal commercial terms, are not time-discounted and are booked at cost (identified by their face value), net of the respective impairment, which is booked to a specific reserve.

Other liabilities included in both current and non-current assets are initially recognised at cost, which corresponds to the fair value of the liability, net of transaction costs directly attributed to the issue of the liability. Following initial recognition, financial liabilities are valued using the amortised cost criterion and the effective initial interest rate method.

Loans

All loans are initially recognised at the fair value of the amount received net of ancillary charges related to acquiring the loan. After initial recognition, loans are valued using the amortised cost criterion and the effective interest rate method. Every gain or loss is booked to the income statement when the liability is extinguished, unless this takes place through the amortisation process.

If a long-term loan agreement provision is breached at the reporting date or prior to this date, with the result that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before approval of the financial statements for publication, not to demand payment due to breach of contract. The liability is classified as current at the reporting date because the company does not have an unconditional right to defer settlement for at least 12 months after this date.

Derivative financial instruments

The Group uses derivative financial instruments such as interest-rate swaps in order to hedge any risk from fluctuations of interest rates. Such derivative financial instruments are initially recognised at fair value at the date they are entered into; their fair value is recalculated periodically. They are recognised as assets when their fair value is positive and as liabilities when it is negative. Pursuant to IAS 39, hedging derivative financial instruments are recognised based on hedge accounting standards only when:
a) a formal designation exists and a hedging relationship report was prepared at the beginning of the hedging transaction;
b) the hedging relationship is expected to be highly effective;
c) the hedging relationship effectiveness can be reliably measured;
d) the hedging relationship itself is highly effective in all accounting periods for which it was designated.

When derivative financial instruments are used to hedge the fair value of underlying instruments (so called fair value hedges, as in the case of hedging the fair value of fixed-rate assets/liabilities), they are recognised at fair value through the income statement; and the hedged instruments are adjusted accordingly for changes in fair value of the hedged risk.
When derivatives are cash-flow hedges, e.g. hedging the change in cash flows of assets and liabilities at a variable rate due to interest-rate fluctuations, changes in the fair value are initially recognised on the statement of financial position and are then charged to the income statement consistent with the economic effects produced by the hedged transaction.
Consistent with strategy, the Group does not enter into speculative transactions on derivative instruments. In any event, if these transactions cannot be qualified as hedge transactions, they are registered as speculative transactions. Changes in the fair value of derivatives that do not meet the requirements for qualification as hedging instruments are recognised in the income statement.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable, part of a financial asset or part of a group of similar assets) is derecognised from the financial statements when:

- rights to receive the cash flows from the asset are extinguished;
- the Group holds the right to receive cash flows from the asset, but has undertaken a contractual obligation to pay for them in full and immediately to a third party;
- the Group has transferred the right to receive cash flows from the asset and (a) has essentially transferred all the risks and benefits of ownership of the financial asset or (b) has not transferred nor retained the risks and benefits of the asset, but has transferred its control.

If the Group has transferred the rights to receive cash flows from an asset and has neither transferred nor held all the risks and benefits or has not lost control of them, the asset is recognised in the Group financial statements to the extent of its residual involvement in the asset. Residual involvement which takes the form of a guarantee on the transferred asset is valued at the lesser of the initial carrying value of the asset and the maximum value of the amount that the Group could be required to pay.
If the residual involvement takes the form of an option issued and/or acquired on the transferred asset (including the options regulated by cash or similar), the amount of Group involvement corresponds to the amount of the transferred asset that the Group can re-acquire; however, in the case of a put option issued on an asset measured at fair value (including options regulated in cash or with similar dispositions), the measure of residual involvement of the Group is limited to the lesser between the fair value of the transferred asset and the strike price of the option.

Financial liabilities

A financial liability is derecognised from the financial statements when the obligation underlying the liability is extinguished, voided or completed.
If an existing financial liability is replaced by another by the same lender, at substantially different conditions, or the conditions of an existing liability are essentially changed, this exchange or change is treated like an accounting

elimination of the original liability and a new liability is recorded, posting to the income statement any differences between the accounting values.

Employee benefit obligations

Benefits guaranteed to employees, paid concurrent to or subsequent to the cessation of the employment relationship through defined benefit plans (employee severance indemnity accrued at 31 December 2010 or pension plans) or other long-term benefits (withdrawal indemnity) are recognised in the period when this right vests.

The Group implemented defined benefit and/or defined contribution pension plans, based on conditions and local practices in the countries where the Group operates.

Liabilities related to defined benefit programmes, net of any activities to service the plan, are determined based on actuarial assumptions and are recognised on an accrual basis consistent with the employment services necessary to obtain the benefits. The liabilities are valued by actuarial staff. Gains and losses arising from the actuarial calculation relating to the defined-benefit plan are fully recognised in the statement of comprehensive income in the period in which they occur. These actuarial gains and losses are immediately classified as retained earnings and are not reclassified in the income statement in successive reporting periods.

Pursuant to amendments to severance indemnities under Law 296 of 27 December 2006 (2007 Budget Law), the severance indemnities of Italian companies accrued at 1 January 2007 or at the date employees choose the option they will exercise are included in the defined benefit plan category, both in the event of option for supplementary pension and option for allocation to the treasury fund at INPS. The accounting treatment of severance indemnities is now similar to that used for other types of pension scheme contributions.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover losses or liabilities of a stated nature or of a certain or probable existence, the amount or date of which was not identified at year-end. Provisions are recognised when there is a current obligation (legal or implicit) arising from a past event that necessitates an amount of resources to meet the obligation and a reliable estimate can be made of the amount of the obligation. When the Group believes that a provision to the reserve for risks and charges is partly or totally repaid, e.g. in the case of risks covered by insurance policies, the indemnity is only recognised as a separate item in the assets if, and only if, it is virtually certain. In this case, the cost of the provision in the income statement is stated net of the amount recognised for indemnity.
Provisions are booked at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties at the reporting date. If the effect of time-discounting the value of the cash is significant, provisions are determined by time-discounting expected future cash flows at a pre-tax discount rate that reflects the current market evaluation of the cost of money in relation to the time. When time-discounting is performed, the increase in the provision due as time passes is recognised as a financial charge.

Liabilities for decommissioning
An accrual for decommissioning expenses was made against costs that some foreign operations will incur in future periods for the decommissioning, demolition, dismantling and removal of some fixed assets at the end of their useful life. A credit to the plant and machinery entry was stated as a contra entry.
Decommissioning costs are carried at the present value of expected costs needed to settle the obligation, by using estimated cash flows and a pre-tax discount rate that reflects the specific risks related to the decommissioning liability.
The unwinding of the discount is recognised in the income statement as it occurs. Estimated cash flows are revised annually and adjusted as appropriate. Any change in cost estimates or in the discount rate applied is used to reduce the costs of the asset.

Grants

Grants made by public bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions provided for obtaining them are met.
If grants relate to cost components, they are recognised as income but are consistently spread out over the periods so that they refer to the costs they are intended to offset. If the grant is related to any activity or development activity whose value is recognised as a fixed asset, it directly reduces the value of the fixed assets.

Operating grants (granted in order to provide immediate self-financing to the business or as compensation for expenses and losses incurred in a prior financial year) are fully recognised in the income statement at the time when the conditions for posting are met.

Leasing

A contractual agreement is defined as a lease (or containing a leasing transaction) according to the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use this asset. A review is carried out after the start of the agreement only if one of the following conditions appears:

a) there is a change in the agreement conditions, other than renewal or extension of the agreement;
b) a renewal option is exercised or an extension is granted, unless the terms of the renewal or extension are not initially included in the terms of the lease transaction;
c) there is a change in the conditions whereby adaptation depends on a specific activity; or
d) there is a substantial change in the asset.

When a re-examination is carried out, the accounting treatment of the lease will begin or cease on the date at which the circumstances that have given rise to the review for scenarios a), c) or d) change and at the date of renewal or extension for scenario b).
Financial lease agreements that transfer to the Group all the risks and benefits associated with ownership of the leased asset are capitalised from the start date of the lease agreement at the fair value of the leased asset, or at the present value of lease payments if this is lower. Lease payments are apportioned between principal and interest in order to apply a constant periodic rate of interest on the remaining balance of the liability (principal). Financial charges are written to the income statement. Capitalised leased assets are depreciated on the shorter of the estimated useful life of the asset and the duration of the lease agreement, if it is not reasonably certain that the Group will obtain ownership of the asset at the end of the agreement.

Lease agreements in which the lessor essentially retains all the risks and benefits typical of ownership are classified as operating leases. Lease payments are charged to the income statement on a straight-line basis according to the duration of the agreement.

Revenues and costs

Recognition of revenues

Revenues are recognised in the measure in which it is possible to reliably determine the fair value and it is probable that the respective economic benefits will be used.

Depending on the type of transaction, revenues are recognised according to the specific criteria reported below:

- revenues from sales of goods are recognised when the significant risks and benefits of ownership of the goods are transferred to the buyer, generally at the date the goods are shipped;
- revenues for performing services are recognised according to the state of completion of the assets based on the criteria envisaged for contract work in progress. If it is not possible to reliably estimate the value of revenues, these are recognised up to the amount of the costs incurred that is deemed recoverable.

Interest

Interest income and expenses are recognised according to interest accrued on the net value of related assets and liabilities using the effective interest rate (the rate that discounts all future cash flows based on the expected useful life of the financial instrument to equal the net carrying amount of the financial asset).

Dividends

Dividends are reported when the shareholders' right to receive payment is established.

Income tax

Current tax assets and liabilities for the period and for all prior periods are carried at the amount expected to be recovered or to be paid to the tax authorities pursuant to tax legislation in force. Tax rates and fiscal provisions used to calculate the amount are as issued or substantially issued at the reporting date of 31 December 2015.
Current taxes relating to elements recognised directly in equity are recognised directly in equity and not in the income statement.

Deferred tax liabilities are calculated using the liability method on temporary differences at the reporting date between tax amounts related to assets and liabilities and the amounts recognised in the derecognise.
Deferred tax liabilities are recognised with regard to all taxable temporary differences, except for:

- when deferred tax assets arise from initial posting of goodwill or an asset and liability in a transaction which is not a business combination and which, at the time of the transaction, does not have an effect on income in the financial year calculated for the financial statements, nor on the income or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, in the event that recharging temporary differences can be controlled and it is likely that it will not take place in the foreseeable future.

Deferred tax assets are recognised against tax losses carried forward to the extent that the company is likely to earn taxable income in the future which can make applicable the use of deductible temporary differences and fiscal losses carried forward, unless:

- the deferred tax asset related to temporary deductible differences arises from the initial recognition of an asset or liability in a transaction that is a business combination and which, at the time of the transaction, does not influence the profit for the year calculated for the purposes of the financial statements or gains or losses calculated for fiscal purposes;
- in the case of taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, tax assets are recognised in the amount that temporary differences might be used in the immediate future and that there is adequate taxable income against which the temporary differences can be used.

The recoverability of deferred tax assets is reviewed at the end of every year and is reduced if it is unlikely that sufficient income will be earned in the future to allow all or part of this credit to be used. Unrecognised deferred tax assets are reviewed annually at year-end and are recorded to extent to which taxable profit is likely to be sufficient to allow these deferred tax assets to be recovered.
Deferred tax assets and liabilities are recognised based on the tax rates expected to be applied during the year when these activities are realised or these liabilities extinguished, taking into account the rates in force and those issued or allocated at year-end.
Income taxes related to items posted to equity are directly recognised in equity and not in the income statement.
Deferred tax assets and deferred tax liabilities are offset if there is a legal right to offset current tax assets and liabilities and deferred income tax referring to the same taxable object and the same tax authorities.

F - Segment information

For management purposes, the Group is organised into business segments: the NanoPC segments and the HPC (high performance computers) segment are the largest of these. In view of the low revenues currently generated by the HPC segment, we chose to provide disclosure on the nanoPC segment only, divided by the regions in which the Group operates through its various entities and based on the way in which senior management monitors performance. There were no significant infragroup transactions between business segments.
Besides the HPC segment, the Group's regions in the NanoPC segment are defined according to the localisation of Group assets and operations. They are: Europe, North America and Asia.
Management monitors the EBIT of the individual business units separately for the purposes of resources allocation and performance assessment.

Business segments

The following schedule presents data on revenues, results and information on assets and liabilities and investments of the Group for the periods ended 31 December 2014 and 31 December 2015.

(€'000)	NanoPC			High Performance Computer			Total		
	FY 2015	FY 2014	%YoY Chg	FY 2015	FY 2014	%YoY Chg	FY 2015	FY 2014	%YoY Chg
Sales and service revenue by segment									
Sales and service revenue by segment	63,979	62,722	2.0%	1,572	1,176	33.7%	65,551	63,898	2.6%
Ebitda by segment	81	(2,197)	-103.7%	(1,029)	(1,422)	27.6%	(948)	(3,619)	-73.8%
Ebit by segment	(5,402)	(7,411)	27.1%	(1,200)	(1,582)	24.1%	(6,602)	(8,993)	26.6%
Total EBIT							(6,602)	(8,993)	26.6%
Net finance income (expense)							268	667	59.8%
Shares of associates' profit (loss)	165	45					165	45	266.7%
(Charges) Incomes from PTO transaction							0	0	n/a
Profit before tax of continuing operations							(6,169)	(8,281)	25.5%
Income tax							(60)	(641)	90.6%
Net profit (loss)							(6,229)	(8,922)	30.2%

Revenues from sales and services in nanoPC business segment came to €62,722 thousand in 2014 and €63,979 thousand in 2015, representing an increase of 2.0%. This increase is due to the different yen and USD into euro conversion ratio.
Revenues from sales and services in the HPC business segment, which came to €1,176 thousand in 2014 and €1,572 thousand in 2015, posted growth that however sustained the cyclical nature of the orders of the segment just the same, which caused slow-downs in the sale of products in the Aurora family.

The breakdown of revenues for the NanoPC segment is as follows:

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	FY 2015	FY 2014	%YoY Change	FY 2015	FY 2014	%YoY Change	FY 2015	FY 2014	%YoY Change	FY 2015	FY 2014	%YoY Change	FY 2015	FY 2014	%YoY Change
Third party Sales	25,550	20,953		15,949	19,376		22,480	22,393		0	0		63,979	62,722	
Infra-sector Sales	545	306		3,197	2,953		352	418		(4,094)	(3,677)		0	0	
Total Sales revenues	26,095	21,259	22.7%	19,146	22,329	-14.3%	22,832	22,811	0.1%	(4,094)	(3,677)	-11.3%	63,979	62,722	2.0%
Gross profit	10,718	7,832	36.8%	8,936	10,168	-12.1%	13,457	12,966	3.8%	(292)	(289)	1.0%	32,819	30,677	7.0%
Gross profit margin - %	41.1%	36.8%		46.7%	45.5%		58.9%	56.8%					51.3%	48.9%	
EBITDA													81	(2,197)	-103.7%
EBITDA margin - %													0.1%	-3.5%	
EBIT													(5,402)	(7,411)	-27.1%
EBIT margin - %													-8.4%	-11.8%	

The sales performance by region set out in the table above shows an increase in the North America, a reduction in Europe and a substantially unchanged level in Asia.
The table below shows assets and investments in the Group's individual business segments at 31 December 2015 and 31 December 2014.

(€'000)	NanoPC		High Performance Computer		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Assets and liabilites						
Segment assets	142,408	139,793	1,718	2,726	144,126	142,519
Investments in subsidiaries non consolidated, associate & other companies	1,238	1,016	0	0	1,238	1,016
Unallocated assets					89	153
Total assets	**143,646**	**140,809**	**1,718**	**2,726**	**145,453**	**143,688**
Segment liabilities	36,782	37,188	3,334	4,513	40,116	41,701
Unallocated liabiities					0	0
Total liabilities	**36,782**	**37,188**	**3,334**	**4,513**	**40,116**	**41,701**
Other segment information						
Investments in tangible assets	709	820	16	0	725	820
Investments in intangible assets	2,118	1,985	31	0	2,149	1,985
Depreciation & amortisation	5,483	5,214	171	160	5,654	5,374

Assets and investments in the NanoPC segment by region are shown in the table below:

(€' 000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Activities by sector	45,590	39,894	66,938	71,083	73,212	67,267	(43,332)	(38,451)	142,408	139,793
Investments	1,125	1,272	1,176	912	526	621	0	0	2,827	2,805

Segment assets at 31 December 2015 do not include investments in affiliates and other companies (€1,238 thousand) and the current income taxes of the Parent Company (€89 thousand).

G - Composition of the principal asset entries

1 – Intangible assets

The following table shows the changes in the historical cost and accumulated amortisation of intangible assets in the reporting period:

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	10,449	72,006	21,067	2,475	26,452	132,449
Previous years' impairment	(970)	(6,647)	(8,078)	(49)	-	(15,744)
Previous years' amortisation	(7,323)	-	(5,418)	-	(20,229)	(32,970)
OPENING BALANCE	2,156	65,359	7,571	2,426	6,223	83,735
Purchases	391	-	68	1,518	172	2,149
Disposals	-	-	(10)	-	-	(10)
Other changes	127	7,503	1,703	199	2,812	12,344
Impairment in period	(73)	-	-	-	(138)	(211)
Transfers	1,747	-	-	(1,747)	-	-
Amortisation in period	(1,826)	-	(144)	-	(2,597)	(4,567)
Reversal of cumulative amortisation	-	-	10	-	-	10
Other changes in cumulative impairment	(20)	(691)	(696)	-	(3)	(1,410)
Other changes in cumulative amortisation	37	-	(198)	-	(2,197)	(2,358)
TOTAL CHANGES	383	6,812	733	(30)	(1,951)	5,947
Purchase or production costs	12,714	79,509	22,828	2,445	29,436	146,932
Impairment	(1,063)	(7,338)	(8,774)	(49)	(141)	(17,365)
Cumulative amortisation	(9,112)	-	(5,750)	-	(25,023)	(39,885)
CLOSING BALANCE	2,539	72,171	8,304	2,396	4,272	89,682

The change in the intangible assets item is mainly due to their increase following the change in exchange rates, other changes items (net value €8,576 thousand), to amortisation for the period (€4,567 thousand), as well as the investments made for €2,149 thousand and the write-downs recording during the period, totalling €211 thousand.

Investments refer primarily to recognition of development costs by the Group companies, the costs incurred for net software licenses and the costs for implementing new management tools.
The “other changes” item refers to the exchange differences accrued on the beginning balances of the values expressed in foreign currency, particularly in relation to the “goodwill” item and the “other fixed assets” item, which includes the value of customer relationships defined at the time of allocation of the price of the acquisitions, in addition to the reversal of intangible assets entirely amortised during the previous year.

In 2015 the Group also spent about €10.7 million in costs for research and development of numerous projects regarding product and process innovations that will allow, also in the future, to maintain a market leadership position in all high technology segments.

The "trademarks" item reflects write-downs on the ADS and Arcom trademarks following the decision made by Eurotech management in the final months of 2008 to no longer use these trademarks.
The "Advanet" trademark, which was booked at the time of acquisition of the Advanet Group, is still defined by management as an asset with an indefinite life, as its use for commercial and production purposes has no time limits, considering its characteristics and its position on the Japanese market. As a result, it is not subject to amortisation, but instead to annual impairment tests.

Goodwill refers to the higher value paid, when fully consolidated subsidiaries were acquired, in excess of the fair value of the assets and liabilities acquired. Goodwill is not subject to amortisation but is subject to annual impairment tests.

The increased development costs relative to internal activities carried out by the Group during the year are capitalised net of any contributions received. These fixed assets with a definite useful life are amortised on a straight-line basis based on the life cycle of the products developed, which is estimated at three to five years, beginning from the date of completion of the reference development project. This asset is subject to impairment tests whenever loss of value is indicated. Development costs capitalised in previous years were written down by €73 thousand this year because they referred to products that did not achieve market success within the timeframe initially estimated.

The "software, trademarks, patents and licences" item mainly includes the costs incurred to implement what became the Group's sole information system. Software is amortised on a straight-line basis over three financial years. The increase during the year was mainly due to costs incurred to acquire software licences for security systems and new products for these systems, as well as management programme licences.

The "assets in progress" item of €2,396 thousand is entirely made up of development costs (internal payroll, materials and services) related to new products in M2M and Internet of Things, and to the nanoPC modules and systems, including the "rugged" version of the wrist worn computer, which were still in the project stage at year-end or for which production had not yet been launched.

Book value of goodwill and the trademarks allocated to each of the cash generating units:

In order to carry out the annual impairment test, the posted individual goodwill and trademarks with an indefinite useful life acquired through business combinations were allocated to their respective cash flow generating units, corresponding to the legal entity or group of companies to which they refer to test for impairment.

Cash generating units	at December 31, 2015		at December 31, 2014	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	42,548	8,079	38,399	7,292
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	22,532	-	20,212	-
Eurotech Ltd. (ex Arcom Ltd.)	5,950	-	5,607	-
Eurotech France S.a.s.	1,051	-	1,051	-
Other	90	-	90	-
TOTAL	72,171	8,079	65,359	7,292

The recoverable amounts of the individual CGUs were calculated according to their value in use, which was determined using the discounted cash flow (DCF) method. The projected discounted cash flows set out in the 2016-2018 operating and financial plan, approved by Parent Company directors by resolution of 7 March 2016, were used to calculate the relative value, while cash flows beyond the time horizon set out in the plan, and for the purposes of calculating terminal value were extrapolated using the perpetual annuity method, based on flows not dissimilar to those contained in the third year of the approved plan. The plans were prepared in the respective functional currencies, and the consequent recoverable values were uniformly compared with the book values in foreign currency allocated to the various cash generating units. Sensitive elements of the approved operating and financial plan were, if necessary, taken into account in calculating recoverable value.

The growth rate “g” used to calculate terminal value was 1.5% (2014: 1.5%), less than the average long-term growth rate for the embedded PC segment forecast for the various core markets. The discount rate (WACC – Weighted Average Cost of Capital) applied to prospective cash flows varies within a range of 5.40% to 9.12%, calculated according to the country where the individual companies operate and the debt structure of each company and net of tax effects.
The key parameters used for impairment tests are as follows:

	ITA	JAP	USA	FRA	UK
Risk free	1,77%	0,36%	2,21%	0,92%	1,93%
Total Market Premium	5,50%	5,50%	5,50%	5,50%	5,50%
Beta unlev ered	0,930	0,930	0,930	0,930	0,930
WACC	6,87%	5,40%	9,12%	6,02%	7,09%

The average yield rates at the starting date of the budget reference period for 10-year government bonds were used for the risk free category.
The average unlevered Beta of some comparables of the Parent Company was used for all the CGUs considered. The WACC of the individual CGUs was calculated by using the beta coefficient, recalculated using the leverage effect deriving from the average ratio of debt/equity.
Taking account of the assumptions underlying the 2016-2018 operating and financial plans, reviewed conservatively for each CGU by the Parent Company directors in an analysis of internal sensitivity and use of the main parameters identified for the single markets of reference, the values in use coming from the impairment tests performed showed no need to reduce the value of goodwill and trademarks with indefinite life.
A higher WACC was used for Eurotech Inc. and Dynatem Inc., due to the application of an additional risk premium of 2% to further reflect the riskiness of the CGU.
Please note, however, that recoverability of the values of intangible assets regarding the acquisition of some CGUs, including Advanet Inc. and Eurotech France, appears to be conditional upon on the occurrence of possible changes in the key assumptions used to estimate them. Specifically, a simultaneous reduction of 0.5% in the long-term growth rate and a 0.5% WACC increase could cause the carrying values to exceed their recoverable value.
Other conditions being equal, the WACC that would bring about an impairment situation should be equal to or higher than 17.2% for Eurotech Ltd., 6.7% for Eurotech France, 11.2% for Eurotech Inc., 44.8% for Dynatem Inc. and 5.8% for Advanet Inc.
Furthermore, management believes that the long-term growth estimate for 2015 of 1.5%, the same as for 2014, is far below estimates for the Japanese and US embedded PC markets.
Generally, the directors also assumed in their assessments that, although some external indicators (particularly Eurotech's stock market performance and market capitalisation) might signal net asset impairment, there was no need to carry out any write-downs. They believe that the market performance reflects the international economic situation and that it did not vary significantly during 2015 from the performance of the index for the sector in which Eurotech operates.
Future developments at the Eurotech Group and expectations for the coming years based on existing orders, ongoing opportunities, stakeholder relations and products currently in the portfolio, as well as products developed, particularly in recent years, are regarded by the Directors as important factors in support of their decision not to change the values posted.

2 – Property, plant and equipment

The table below shows changes in the historical cost and accumulated depreciation and the value of the assets in the period under review:

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	LEASED ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchase or production cost	1,644	6,010	4,291	5,246	95	192	17,478
Previous year's depreciation	(412)	(5,423)	(3,938)	(4,215)	-	(99)	(14,087)
OPENING BALANCE	**1,232**	**587**	**353**	**1,031**	**95**	**93**	**3,391**
Purchases	4	25	372	324	-	-	725
Disposals	-	(603)	(42)	(90)	-	-	(735)
Other changes	-	455	221	259	(95)	21	861
Depreciation in period	(36)	(343)	(240)	(216)	-	(41)	(876)
Reversal of cumulative depreciation	-	597	40	73	-	-	710
Other changes in cumulative amortisation	(1)	(238)	(176)	(324)	-	(12)	(751)
TOTAL CHANGES	**(33)**	**(107)**	**175**	**26**	**(95)**	**(32)**	**(66)**
Purchase or production cost	1,648	5,887	4,842	5,739	-	213	18,329
Cumulative depreciation	(449)	(5,407)	(4,314)	(4,682)	-	(152)	(15,004)
CLOSING BALANCE	**1,199**	**480**	**528**	**1,057**	**-**	**61**	**3,325**

The land and buildings item, amounting to €1,199 thousand, includes the carrying value of the land and buildings owned by subsidiary I.P.S. Sistemi Programmabili S.r.l. and the value of the property (Amaro (UD) site, including land and improvement costs) where the Parent Company's production site is located.
The increases of €25 thousand in plant and machinery, €372 thousand in industrial and commercial equipment and €324 thousand in other fixed assets refer mainly to equipment replacement and new assets required to make the operations of the individual Group companies more efficient and effective.
Fixed assets under lease includes, for €61 thousand, assets subject to lease agreements, which are booked using the financial method and relate entirely to equipment attributable to the subsidiary Advanet. Inc.

The "other changes" item refers to exchange differences accrued on the opening balances of the values at cost and cumulative depreciation.

3 – Investments in affiliates and other companies

The table below shows changes in investments in affiliates and other companies in the reporting period:

(€'000)	at December 31, 2015 INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	%OWNERSHIP
Investments in associate companies:							
Chengdu Vantron Technology Inc.	616	-	-	110	42	768	45.00%
Delos S.r.l. in liquidation	7	-	(7)	-		-	
Emilab S.r.l.	98	-	-	54	-	152	24.82%
eVS embedded Vision Systems S.r.l.	9	-	-	1	-	10	24.00%
Rotowy Technologies S.p.A. (ex U.T.R.I. S.p.A.)	-	-	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	730	-	(7)	165	42	930	
Investments in other companies:							
Cosint	4	-	-		-	4	
ALC Consortium	3	-	(3)	-		-	
Consorzio Ecor' IT	2	-	-	-	-	2	
Consorzio Aeneas	5	-	-	-	-	5	
Consorzio Ditedi	11	-	-	-	-	11	7.69%
Inasset S.r.l.	44	-	-	-	-	44	2.90%
Kairos Autonomi	216	-	-	-	25	241	19.00%
Others	1	-	-	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	286	-	(3)	-	25	308	

At 31 December 2014 Eurotech owned the following shareholdings in affiliates consolidated at equity:

- Chengdu Vantron Technology Inc., already consolidated and currently 45% owned following the buyback of 7% of the share capital in 2013;
- Emilab Srl = 24.82%, created in 1998;
- eVS embedded Vision Systems Srl = 24%, a spin-off from the University of Verona;
- Rotowi Technologies S.p.A. (former UTRI S.p.A.) = 21.32%, following a series of share purchases in 2007 and 2008. This affiliate presented a debt restructuring plan in 2010 pursuant to Art. 182-bis of the Budget Law, which led to a non-recoverability valuation for the booked value. The carrying value had therefore already been fully written down in 2010.

The closing dates of the financial statements and the financial years of all the affiliates coincide with those of the Parent Company.

The schedule below shows the values of the assets, liabilities, revenues and annual results of equity interests in affiliates at 31 December 2014, as operating and financial information for year-end 2015 is not yet available:

(€'000)	At December 31, 2015					At December 31, 2014					
	Emilab	Rotowi Tech.	evS	Vantron	TOTAL	Emilab	Delos	Rotowi Tech.	evS	Vantron	TOTAL
Share of the Associate's balance sheet:	(*)	(*)	(*)	(*)		(**)	(***)	(**)	(**)	(**)	
Current assets	912	197	139	3,100	4,348	577	75	233	125	1,620	2,630
Non current assets	830	0	40	508	1,378	905	0	0	52	443	1,400
Current liabilities	(886)	(15)	(109)	(1,393)	(2,403)	(791)	0	(42)	(131)	(708)	(1,672)
Non current liabilities	(246)	(784)	(18)	(513)	(1,561)	(297)	0	(788)	(15)	0	(1,100)
Net assets	610	(602)	52	1,701	1,761	390	75	(578)	30	1,126	1,258
Revenue	1,283	0	169	3,281	4,733	945	0	0	177	1,912	3,034
Profit (Loss)	216	(6)	4	259	473	3	(15)	(17)	1	123	95
Carrying amount of the investment	152	0	10	768	930	98	7	0	9	616	730

(*) FY2014
(***) Financials of liquidation as of September 30, 2011
(**) FY2013

4 – Other non-current assets

The schedule below shows the breakdown of other non-current assets at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Other non-current receivables	608	547
TOTAL OTHER NON CURRENT ASSETS	608	547

Other receivables mainly comprise security deposits that do not accumulate interest; they are in line with the previous year. The increase is essentially due to a forex effect on the values expressed in JPY.

5 - Inventories

The schedule below shows the breakdown of inventories at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Raw & auxiliary materials and consumables - gross	7,965	6,816
Inventory write-down provision	(1,249)	(1,289)
Raw & auxiliary materials and consumables - net	**6,716**	**5,527**
Work in process and semi-finished goods - gross	2,540	2,783
Inventory write-down provision	(635)	(772)
Work in process and semi-finished goods	**1,905**	**2,011**
Finished poducts and goods for resale - gross	12,933	8,841
Inventory write-down provision	(1,418)	(1,112)
Finished products and goods for resale - net	**11,515**	**7,729**
Advances	**62**	**28**
TOTAL INVENTORIES	20,198	15,295

Inventories at 31 December 2015 amounted to €20,198 thousand (€15,295 thousand at 31 December 2014), net of inventory write-down provision totalling €3,302 thousand. The increase in inventories, and in particular those concerning finished products, is due to the existence of finished products whose shipment is scheduled in the upcoming quarters of 2016.

The schedule below shows changes in the inventory write-down reserve in the periods under review:

CHANGES IN CUMULATIVE INVENTORY WRITE-DOWN PROVISION - € '000	at December 31, 2015	at December 31, 2014
OPENING BALANCE	**3,173**	**3,000**
Provisions	864	319
Other changes	(42)	582
Utilisation	(693)	(728)
CLOSING BALANCE	3,302	3,173

The “other changes” item refers to changes in the write-down reserves due to foreign exchange differences.
The raw materials inventory write-down reserve of €1,249 thousand refers to obsolete or slow moving materials, whose full posted value some Group companies do not expect to recover.

The finished products write-down reserve of €1,418 thousand, which covers the risk of slow turnover in certain standard and custom finished products, increased by €306 thousand to reflect the possible recovery value of obsolete products or the slow turnover of several standard and custom finished products.

6 - Work in progress

The schedule below shows information related to work in progress at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Contract revenues recognised as revenue in the period	0	79
Contract costs bome as at balance-sheet date	0	69
Profits recognised as at balance-sheet date	-	10
Dow n payments received	0	0
Gross amount ow ed by customer for contractual w ork	0	79
Contract costs and proits recognised as at balance-sheet date	0	79
Revenues recognised in previous periods	0	387
Billing based on completion status	0	387
Gross amount owed by customer for contractual work	-	79

7 – Trade receivables

The schedule below shows the breakdown of trade receivables and the respective adjustment reserves at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Trade receivables - customers	17,958	22,376
Trade receivables - affiliate companies	0	4
Doubtful debt provision	(2,243)	(2,534)
TOTAL TRADE RECEIVABLES	15,715	19,846

Trade receivables falling due within 12 months are normally non-interest bearing and generally fall due at 90/120 days.

Trade receivables decreased by €4,422 thousand compared to the 31 December 2014 figure. The receivables include €85 thousand in bank receipts presented subject to collection, but not yet due at the end of the period.

Receivables are shown net of a doubtful debt provision of €2,243 thousand. Changes in doubtful debt provision in the years under review were as follows:

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION - € '000	at December 31, 2015	at December 31, 2014
OPENING BALANCE	**2,534**	**1,680**
Provisioning	147	793
Other changes	263	244
Utilisation	(701)	(183)
CLOSING BALANCE	2,243	2,534

Provisions of €147 thousand made during the year were necessary to adjust the value of individual receivables to their presumed realisable value.
Group policy is to specifically identify the individual receivables to be written down, and the allocations made therefore reflect a specific write-down. "Other changes" includes the effect of translating financial statements in foreign currency.

At 31 December 2015, trade receivables that were past due but not written down were as follows:

			Overdue but not write-off				
€ '000	Total	Not overdue	<30 days	30 - 60 days	60 - 90 days	90 - 180 days	Over 180 days
2015	15,715	11,492	2,104	415	368	65	1,271
2014	19,846	11,462	2,217	347	323	503	4,994

Receivables more than 180 days due represented 8.1% of trade receivables at 31 December 2015, a much better amount compared to the 25.2% relating to 2014. The Directors believe that the amount is still recoverable notwithstanding the extension of collection granted.

8 – Tax receivables and payables

Receivables for income taxes represent receivables from individual governments for direct taxation (IRES and income taxes in various countries) which should be recovered within the next year as well as receivables for withholdings made by the US companies following payment of interest charges on infragroup loans and dividends distributed to the Parent Company by Advanet Inc. Compared to 31 December 2014, the value dropped by €35 thousand, from €215 thousand in 2014 to €180 thousand in 2015.

Income tax payables are made up of current taxes relating to the year still to liquidate and represent the amounts that the companies must pay to the tax authorities of the respective countries. These payables are calculated according to

the tax rates currently in force in each country. Payables for foreign taxes amounted to €756 thousand (2014: €428 thousand), while Italian tax payables amounted to €110 thousand (2014: €79 thousand).
The amount of Italian taxes mainly covers the residual debt paid in instalments for taxes pertaining to previous years assessed on the subsidiary IPS, and on which the appeal gave a negative result.

Income tax payables and receivables are offset if there is a legal right to do so.

9 – Other current assets

The schedule below shows the composition of other current assets at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Amounts receivable for grants	300	141
Advance payments to suppliers	222	162
Tax receivables	237	441
Other receivables	121	144
Accrued income and prepaid expenses	770	771
TOTAL OTHER CURRENT ASSETS	1,650	1,659

Grants receivable relate to grants that will reasonably be received by Parent Company Eurotech SpA by the end of the following year for the development of new products and technologies carried out in previous years.

Tax receivables mainly comprise receivables for indirect tax (VAT). VAT receivables do not bear interest and are generally settled with the competent tax authority on a monthly basis.

Prepaid expenses refer to costs incurred in advance for banking charges, maintenance fees, utilities, various services and insurance.

10 – Cash & cash equivalents

The schedule below shows the composition of cash and equivalents at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Bank and post office deposits	11,397	14,082
Cash and valuables in hand	33	22
TOTAL CASH & CASH EQUIVALENTS	11,430	14,104

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents is €11,430 thousand (€14,104 thousand at 31 December 2014).
The item shows a €2,674 thousand decrease compared to 31 December 2013.

The decrease is due to use of the available cash for operations.

11 - Other financial assets and liabilities

The amount recorded of €76 thousand totally referred to 2500 shares of Veneto Banca Holding S.c.a.r.l. held in the portfolio and purchased at the end of June 2012. These assets were classified as financial assets recorded in the income statement at fair value.

In 2014 the current financial assets items included for €2,469 thousand the residual receivable of USD 3 million from the sale of the company Parvus Corp and concerning the portion of the price tied to the purchaser's guarantee for 18 months, starting from 1 October 2013, by an escrow deposit. The amount was collected in 2015.

12 – Net financial position

The table below shows the Group's net financial position at 31 December 2015 and 31 December 2014:

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

The Group's net financial debt at 31 December 2015 was €219 thousand, compared with net financial position of €5,936 thousand at 31 December 2014.

At 31 December 2015, short-term financial liabilities (pursuant to IAS 1.65) included the medium-to-long-term portion (€1,430 thousand) of an existing loan with respect to which not all the contractual conditions had not been met at year-end since the Group had a negative EBITDA. While awaiting a waiver from the bank, the entire loan, whose residual amount was €1,813 thousand, was reclassified as falling due in the short term.

13 – Shareholders' equity

The schedule below shows the composition of shareholders' equity at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(39,942)	(43,292)
Group shareholders' equity	**105,337**	**101,987**
Equity attributable to minority interest	**0**	**0**
Total shareholders' equity	**105,337**	**101,987**

The share capital at 31 December 2015 was made up of 35,515,784 ordinary shares, wholly subscribed and paid up, with no nominal value.

The balance of the Issuer's legal reserve at 31 December 2015 amounted to €1,200 thousand and increased by €163 thousand following allocation of part of the 2014 annual results of the Parent Company.

The share premium reserve, which relates entirely to the Parent Company, is shown at a total amount of €136,400 thousand.

The positive translation reserve of €10,601 thousand is generated by inclusion in the consolidated financial statements of the balance sheets and income statements of US subsidiaries Dynatem Inc., Eurotech Inc. and E-Tech USA Inc., as well and of UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc.

The item "Other reserves" was negative by € 47,761 thousand and, as well as other reserves, consisted of the parent company's surplus reserve, formed by losses carried forward, allocations of retained earnings from prior years and other reserves of different origin. The change in the year is to be attributed to allocation of the 2014 results net of the value allocated to the legal reserve.
The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €8 thousand and decreased by €44 thousand gross of the tax effect, and was not recorded due to the absence of the relative prerequisites.
The foreign exchange reserve in which – based on IAS 21 – foreign exchange differences relating to intragroup foreign-currency loans that constitute part of a net investment in foreign operations are recognised, was positive by €5,718 thousand, gross of the related tax effect, and was again not recorded due to the absence of the prerequisites. This reserve was increased by €3,574 thousand during the year.

The parent company Eurotech S.p.A. held 1,319,020 treasury shares at the end of the year (also at the end of 2014 it held 1,319,020). There was no transaction during the year.

14 – Base and diluted earnings (losses) per share

Base earnings (losses) per share (EPS) are calculated by dividing the income of the year pertaining to ordinary shareholders of the Parent Company by the average weighted number of ordinary shares in circulation during the year, net of own shares.

No equity transactions were reported in FY 2014 and 2015 that diluted earnings per share.

The schedule below shows earnings for the period and information on the shares used to calculate base and diluted EPS.

	at December 31, 2015	at December 31, 2014
Net income (loss) attributable to parent company shareholders	(6,223,000)	(8,922,000)
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(1,319,020)	(1,263,869)
Weighted average number of ordinary shares except own shares	34,196,764	34,251,915
Net income (loss):		
- per share	(0.182)	(0.260)
- per share diluted	(0.182)	(0.260)

15 - Borrowings

The schedule below shows the breakdown of medium- to long-term financial payables at 31 December 2015:

LENDER	COMPANY	BALANCE ON 31.12.2014	BALANCE ON 31.12.2015	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months
CURRENT OUTSTANDINGS - (a)		2,799	4,747	4,747	-	-
FCA Bank	Eurotech S.p.A.	-	42	9	33	33
Ministero dell'Istruzione, dell'Università e della Ricerca	Eurotech S.p.A.	-	44	18	26	26
Finance Lease	Advanet Inc.	100	70	42	28	28
Finance Lease	Eurotech Inc	-	35	12	23	23
TOTAL OTHER FINANCINGS		100	191	81	110	110
Iccrea Banca Impresa	Eurotech S.p.A.	2,000	1,522	491	1,031	1,031
Total Group Iccrea		***2,000***	***1,522***	***491***	***1,031***	***1,031***
Cassa di Risparmio del FVG	Eurotech S.p.A.	2,000	-	-	-	-
Total Gruppo INTESA - SAN PAOLO		***2,000***	-	-	-	-
The Chugoku Bank Ltd	Advanet Inc.	121	-	-	-	-
The Chugoku Bank Ltd	Advanet Inc.	-	2,124	662	1,462	1,462
Total The Chugoku Bank Ltd		***121***	***2,124***	***662***	***1,462***	***1,462***
Bcc Carnia e Gemonese	Eurotech S.p.A.	200	150	150	-	-
Bcc Carnia e Gemonese	Eurotech S.p.A.	1,000	1,000	323	677	677
Cassa Rurale della Valle dei Laghi	EthLab S.r.l.	217	170	49	121	121
Total Credito Cooperativo Banks		***1,417***	***1,320***	***522***	***798***	***798***
Unicredit	Eurotech S.p.A.	-	1,813	383	1,430	1,430
Unicredit	Eurotech S.p.A.	-	-	-	-	-
Unicredit	Eurotech S.p.A.	2,249	-	-	-	-
Total Gruppo Unicredit		***2,249***	***1,813***	***383***	***1,430***	***1,430***
TOTAL BANK DEBT - (c)		7,787	6,779	2,058	4,721	4,721
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		7,887	6,970	2,139	4,831	4,831
TOTAL DEBT - [(a) + (b) + (c)]		10,686	11,717	6,886	4,831	4,831
RECLASSIFICATION OF CURRENT SUBJECT TO COVENANT FUNDING		-	-	1,430	(1,430)	(1,430)
TOTAL DEBT AFTER RECLASSIFICATION		10,686	11,717	8,316	3,401	3,401

Bank overdrafts

Bank overdrafts are not backed by unsecured or secured guarantees and include uses with the technical form of "subject to collection" and non-recourse liquidations.

Other loans

Other loans refer to:

- a residual debt of €42 thousand (€33 thousand of which medium- to long-term) for future payments on a loan for the purchase of company cars at Eurotech S.p.A.
- a residual debt of €44 thousand (€26 thousand of which medium- to long-term) for future payments on a facilitated loan Eurotech S.p.A. contracted with MIUR (Italian Ministry for Education, Universities and Research) based on research activity already completed in 2012.
- a residual debt of €70 thousand (€28 thousand of which medium- to long-term) for future payments on a lease agreement signed by the subsidiary Advanet Inc., which has been recognised as a finance lease and relates to the purchase of furnishings for the production facility in Okayama (Japan); the lease expires in 2017.
- a residual debt of €35 thousand (€23 thousand of which medium- to long-term) for future payments on a lease agreement signed by the subsidiary Eurotech Inc., which has been recognised as a finance lease and relates to the purchase of a server for the production facility in Columbia (USA); the lease expires in 2018.

Bank loans

Bank loans refer mainly to:

- a residual €1,522 thousand loan Icreaa Banca Impresa granted to the Parent Company at year-end 2014 (of which €1,031 thousand medium- to long-term) falling due in 2018 to support Group research and development investments. This loan is subject to covenants with annual verification starting from the 2016 consolidated financial statements. The covenants relate to debt to equity and debt to EBITDA;
- the residual portion of a loan granted in September 2015 to Advanet Inc. by The Chugoku Bank Ltd. totalling €2,124 thousand, repayable in 2020, to boost the Japanese company's working capital;
- a loan granted to the Parent Company at the end of 2015 by BCC di Carnia e Gemonese for €150 thousand falling due in June 2016 to boost the Parent Company's working capital;
- a €1,000 thousand loan BCC di Carnia e Gemonese granted to the Parent Company at year-end 2014 (of which €677 thousand medium- to long-term) falling due in 2018 to support Group research and development investments. This loan is subject to covenants with annual verification starting from the 2016 consolidated financial statements. The covenants relate to debt to equity and debt to EBITDA;
- The outstanding portion (€217 thousand, of which €170 thousand medium- to long-term) of a loan to EthLab S.r.l. to acquire patents and know-how.
- a loan granted to the Parent Company in May 2015 by Unicredit for €2,000 thousand, the residual amount of which amounted to €1,813 thousand at 31 December 2015 (of which €1,430 thousand originally at medium- to long-term) falling due in 2020 to support the corporate development plans. This loan is subject to covenants (which include the possibility of early repayment or increase in the interest rate spread) with annual verification based on the year-end financial statements. These covenants regard the equity value, the debt to equity ratio and the EBIT and revenues ratio. Failure to observe one of the covenants at 31 December 2015 resulted in the expiry of the benefit of the term. The Parent Company has requested a waiver letter from the lending institution but at the reporting date this had not yet been obtained. The Parent Company therefore reclassified the entire loan as short term. The previous loan granted by Unicredit, which was entirely short-term at 31 December 2014 and amounted to €2,249 thousand, was duly repaid upon expiry.

16 - Employee benefits

The schedule below shows the breakdown of employee benefits at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Employees' leaving indemnity	324	309
Foreing Employees' leaving indemnity	1,708	1,523
Employees' retirement fund	95	92
TOTAL EMPLOYEES' BENEFITS	2,127	1,924

Defined benefit plans

The Group has defined benefit pension plans both in Italy and Japan, and these require contributions to a separately managed fund.

IAS 19R was applied retroactively starting from 1 January 2012. As a result, the expected return of the assets servicing the defined-benefit plan was not booked to the income statement. The interest on the net liabilities of the defined-benefit plan (not including the plan assets) was, however, booked to the income statement. Interest is calculated using the discount rate used to measure the net assets or liabilities of the pension plan.
In addition, the past service cost (not vested) can no longer be deferred to the future vesting period. All past service costs are instead recognised in the income statement at the date of the plan's amendment or at the date of recognition of the related restructuring costs or cessation of the employment relationship, whichever is earlier. Until 2012, unvested past servicing costs were recognised on a straight-line basis over the plan's average vesting period. With the move to IAS 19R, past service costs are recognised immediately in the income statement if the benefits vest immediately with the introduction or modification of the pension plan.

The schedule below shows the breakdown of defined benefit plans at 31 December 2015 and 31 December 2014:

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at December	at December	at December	at December
Liabilities at start of period	309	304	1,523	1,312
Cost relating to present service	25	21	133	115
Finance expense	8	8	15	11
Other changes	0	0	167	(12)
Benefits paid out	(15)	(48)	(165)	(13)
Actuarial loss (gain) reconised	(3)	24	35	110
Liabilities at end of period	324	309	1,708	1,523

The defined benefit plans in force in Italy refer exclusively to employee severance indemnity. With adoption of the new International Accounting Standards (IAS), and especially IAS 19, employee severance indemnity is considered a defined benefit obligation whereby the liability is measured based on actuarial techniques. Pension plans in Japan are also considered as such and following the business combination the company valued the relative liability pursuant to IAS 19.

Also pursuant to the 2007 Budget Law, severance indemnities accrued as of 1 January 2007 or as of the option date to exercise by the employees are included in the category of defined benefit plans, both in the event of option for supplementary retirement and option for allocation to the treasury fund at INPS. The accounting treatment of severance indemnities is now similar to that used for other types of pension scheme contributions.

The key assumptions used in determining the current value of severance indemnities are illustrated below:

Actuarial assumption	Defined benefit plans			
	Italy		Japan	
	at December	at December	at December	at December
Discount Rate	3.51%	3.24%	0.90%	0.90%
Expected rates of future w ages and salary increases	2.00%	2.00%	1.00%	1.00%
Expected rates of staff turnover	10.00%	10.00%	1.00%	1.00%
Duration	22	24	20	25

The schedule below summarises the change in the current value of the severance indemnities at the end of the period; as indicated in the accounting standards, these values might not correspond to the booked liability.

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at December	at December	at December	at December
Projected benefit obligation at January 1,	309	304	1,523	1,312
Current Service cost	25	21	133	115
Interest cost	8	8	15	11
Other changes	0	0	167	(12)
Pensions paid	(15)	(48)	(165)	(13)
Recognized actuarial gains or losses	(3)	24	35	110
Projected benefit obligation at December 31	324	309	1,708	1,523

The following is the reconciliation of the current value of the obligation and the liability booked and the summary of the cost components recorded in the income statement.

	Defined benefit plans			
	Italy		Japan	
(€ '000)	at December	at December	at December	at December
Projected benefit obligation	324	309	1,708	1,523
Unrecognized actuarial gains or losses	0	0	0	0
Provisions for pensions charged to balance sheet	324	309	1,708	1,523
Current Service cost	25	21	133	115
Interest cost	8	8	15	11
Recognized actuarial gains or losses	(3)	24	35	110
Costs charged to income statement	30	53	183	236

Employee severance indemnity reserve

The employee severance indemnity reserve refers to the charge that the subsidiary Eurotech France SAS must pay employees if they are still employed by the subsidiary when they reach retirement age.

With adoption of IFRS, the indemnity falls into the category of other long-term benefits to employees to be booked according to IAS 19, and the respective liability is therefore calculated using actuarial techniques.

Actuarial gains and losses are recognised immediately in the income statement.

The schedule below shows the breakdown of the employee retirement reserve at 31 December 2015 and 31 December 2014:

EMPLOYEES' RETIREMENT FUND on €'000	at December 31, 2015	at December 31, 2014
JANUARY 1,	**92**	**83**
Provision	3	9
Utilization		-
RESERVE AT THE END OF THE PERIOD	95	92

17 - Reserve for risks and charges

The schedule below shows the breakdown of the reserve for risks and charges at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Selling agents' commission fund	58	55
Director termination fund	187	141
Guarantee reserve	280	320
Busting depreciable asset	294	262
Other risk reserves	121	131
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	940	909

Supplementary customer indemnity provision

The supplementary customer indemnity provision is allocated based on the amounts envisaged by legislation and collective economic agreements regarding situations of interruption in the mandate given to agents. The effect of time-discounting the share of liabilities that will be liquidated beyond the next year is not expected to be significant.

Cumulative provision for directors' termination indemnity

The cumulative provision for directors' termination indemnity refers to the indemnity recognised for directors with powers set out in by the bylaws of the Company or its subsidiaries. This indemnity is generally paid at the end of the mandate of the Board in office and is provisioned for periodically for the relevant share.

Product warranty provision

The product warranty provision is allocated based on the expectations of the charge to incur for non-fulfilment of the warranty commitment on products sold at year-end.

Asset disposal reserve

The asset disposal reserve was allocated in response to an obligation for future costs that a number of Japanese companies of the Group will incur in future years for the disposal, demolition, disassembly, and removal of a number of assets, and improvements to leased property, at the end of their useful lives or of the lease agreement.

Other risks reserve

The other risks reserve is allocated on the basis of expected costs to be incurred for risks related to legal disputes not yet settled and miscellaneous risks. During the year, provisions were made for possible lawsuit losses following a tax audit of the former subsidiary Parvus Corp. on several years regarding Eurotech Group management.

The schedule below shows the changes in the reserve for risks and charges in the years under review:

SELLING AGENTS' COMMISSION FUND on €'000	at December 31, 2015	at December 31, 2014
JANUARY 1,	**55**	**51**
Provision	4	4
Utilization	(1)	0
RESERVE AT THE END OF THE PERIOD	58	55

DIRECTOR TERMINATION FUND on €'000	at December 31, 2015	at December 31, 2014
JANUARY 1,	**141**	**267**
Provision	56	99
Other	2	(1)
Utilization	(12)	(224)
RESERVE AT THE END OF THE PERIOD	187	141

GUARANTEE RESERVE on €'000	at December 31, 2015	at December 31, 2014
JANUARY 1,	**320**	**241**
Provision	-	65
Other	(39)	17
Utilization	(1)	(3)
RESERVE AT THE END OF THE PERIOD	280	320

BUSTING DEPRECIABLE ASSET on €'000	at December 31, 2015	at December 31, 2014
JANUARY 1,	**262**	**254**
Provision	3	-
Other	29	8
RESERVE AT THE END OF THE PERIOD	294	262

GENERIC RISK on €'000	at December 31, 2015	at December 31, 2014
JANUARY 1,	**131**	**71**
Provision	76	100
Other	2	4
Utilization	(88)	(44)
RESERVE AT THE END OF THE PERIOD	121	131

Please note that the notice of assessment received regarding the report on findings served on 24 November 2014 by the Inland Revenue Office of Udine on Eurotech SpA for financial year 2012 generated an economic effect of €86 thousand. Again with regard to the same report on findings, the parent company received another notice of assessment in 2015 for financial year 2013 on which, in consideration of the existing regulatory sources, it does not believe that significant liabilities may arise; consequently, allocation of a provision was not deemed necessary.

After the year ended, a customer filed a lawsuit for damages against our lawsuit to recover the receivable due (receivable already prudentially written down 90% by the directors in the previous year). The directors deem that the circumstance of having to sustain costs for a potential compensation for damages is improbable and that the relevant amount, however at the time not quantifiable owing to the circumstance, should be considered irrelevant. In consideration of this assessment, it was considered inadvisable to allocate a provision in the financial statements.

18 - Trade payables

The schedule below shows the composition of trade payables at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Third parties	13,343	14,776
Affiliate companies	1,038	496
TOTAL TRADE PAYABLES	14,381	15,272

Trade payables at 31 December 2015 came to €14,381 thousand, decreasing by €891 thousand compared with 31 December 2014. Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date. Like last year, payables to affiliates mainly relate to the Group's exposure to affiliate Chengdu Vantron Technology Inc.

19 – Other current liabilities

The schedule below shows the composition of other current liabilities at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Social contributions	557	762
Other	3,017	2,796
Advances from customers	101	384
Grants advances	1,072	2,098
Other tax liabilities	404	449
Accrued expanses	354	753
TOTAL OTHER CURRENT LIABILITIES	5,505	7,242

Social security payables

Social security payables refer to amounts due for social security contributions accrued and pertaining to the year.

Advances for contributions

Advances for contributions refer to prepayments made upon requests for contributions that were already accounted for and to be accounted for.

Other payables

The schedule below shows the breakdown of other payables at 31 December 2015 and 31 December 2014:

(€'000)	at December 31, 2015	at December 31, 2014
Employees	938	844
Vacation pay	726	739
Directors	252	293
Debiti verso sindaci	181	157
Other	920	763
TOTAL OTHER PAYABLES	3,017	2,796

Amounts payable to employees refer to salaries and wages for the month of December 2015 and payable in the following month, as well as bonuses awarded to some categories of employees. Liabilities for holidays and leaves of absence refer to holidays and leaves accrued and not used by employees at the reporting dates. These recent payables include related contributions.

20 – Commitments and guarantees

Operating lease commitments – Group as tenant

The Group has entered into operating lease agreements for some buildings, used as operating offices for the Company and some of its subsidiaries, for industrial equipment and for some vehicles. Property leases have an average life of between 6 and 9 years, with renewal provisions. Renewals are an option that each company has on the property it holds.

Operating leases on industrial equipment have an average term of five years.
Operating leases of motor vehicles have an average life of 3 years.

In 2006, an operating lease agreement was entered into on the property designated as administrative and technical offices for the Parent Company. This operating lease agreement has a term of 6+6 years beginning on 1 September 2006, and stipulates that the Company can rescind with advance notice of 12 months to the lessor. The agreement also includes a purchase option on the property object of the agreement. This option can be exercised at any time at the end of six years of the agreement. The acquisition price will be determined by an expert appointed by the parties or by the court, and in any event, the price calculated must make reference to the provisions regarding how to determine sale prices of industrial buildings in force for industrial development consortia, especially Tolmezzo.

Future leases in relation to non-rescindable operating lease agreements in force at 31 December 2015 are as follows:

(€'000)	at December 31, 2015	at December 31, 2014
Within 12 months	1,493	1,426
Over 12 months but w ithin five years	2,642	2,681
Over 5 years	1,295	1,602

Costs for operating leases totalling €1.64 million were recorded in the income statement during the year.

Warranties

The Eurotech Group had potential liabilities at 31 December 2015 deriving from sureties of €442 thousand granted by a number of credit institutions to Group companies.

I - Breakdown of key income statement items

For a note on trends in income statement items, see the report on operations at 31 December 2015.

21 – Costs of raw & auxiliary materials and consumables used

(€'000)	FY 2015	FY 2014
Purchases of raw materials, semi-finished and finished products	34,720	32,215
Changes in inventories of raw materials	811	763
Change in inventories of semi-finished and finished products	(2,963)	169
TOTAL COST OF MATERIALS	32,568	33,147

The item "usage of raw & auxiliary materials and consumables" decreased. Its effect, inversely proportional to that of the turnover, is mainly due to greater efficiency in inventory management and purchases of materials.

22 – Other operating costs

(€'000)	FY 2015	FY 2014
Service costs	13,501	14,096
Rent and leases	1,800	1,700
Payroll	20,775	18,976
Accruals and other costs	1,268	1,792
Cost adjustments for in-house generation of non-current assets	(1,953)	(1,787)
Operating costs net of cost adjustments	35,391	34,777

23 – Service costs

(€'000)	FY 2015	FY 2014
Industrial services	5,424	5,397
Commercial services	2,952	3,169
General and administrative costs	5,125	5,530
Total costs of services	13,501	14,096

Service costs in the periods reviewed recorded a decrease due to the rationalization of the new investments that the Group is making to support its strategies.

24 – Payroll costs

(€'000)	FY 2015	FY 2014
Wages, salaries and Social Security	19,641	17,901
Severance indemnities	459	333
Other costs	675	742
Total cost of personnel	20,775	18,976

The item indicating payroll costs showed an increase in the period being reviewed entirely due to the exchange rate effect.

As shown in the table below, the number of Group employees decreased at the end of the periods under review, falling from 365 in 2014 to 341 in 2015.

Employees	Average 2015	at December 31, 2015	Average 2014	at December 31, 2014
Management	3.8	4	2.9	3
Clerical w orkers	320.9	309	333.6	334
Line w orkers	25.1	28	31.0	28
TOTAL	349.8	341	367.4	365

25 - Other provisions and costs

(€'000)	FY 2015	FY 2014
Doubful debt provision	147	793
Other Provisions	76	165
Other costs	1,045	834
Total accruals and other costs	1,268	1,792

The amounts in the “allowance for doubtful accounts” item refer to provisions made to the respective reserve to represent receivables at their realisable value. The “provisions” item relates exclusively to the write-down of receivables that are recognised under “other receivables” and are therefore not trade receivables.
Losses on receivables, which fall under the "miscellaneous operating expenses" item, amounted to €119 thousand at 31 December 2015 while they amounted to €192 thousand last year.

26 – Other revenues

(€'000)	FY 2015	FY 2014
Government grants	942	211
Sundry revenues	518	196
Total other revenues	1,460	407

Contributions mainly relate to research and development activities which receive funding from local governments and training delivered to employees.
Miscellaneous revenues for the most part refer to usage of provisions allocated in previous years and that are no longer necessary.

27 – Cost adjustments for internally generated non-current assets

At 31 December 2015, cost adjustments for internally generated non-current assets (equal to €1,953 thousand) related to the cost incurred internally for the development of new circuit boards for a high-performance, low-consumption processor (€547 thousand); the cost incurred by the parent company and subsidiary Eurotech Inc. for new Cloud platform products (€844 thousand); €193 thousand mainly pertaining to payroll costs borne by the subsidiary I.P.S. Sistemi Programmabili S.r.l., sustained for activities relating to new surveillance systems, €193 thousand incurred by subsidiary Advanet Inc., mainly in personnel costs, and €68 thousand for new development projects.
Total adjustments for internal increases comprise €1,288 thousand in payroll costs (2014: €1,122 thousand), €387 thousand in service costs (2014: €360 thousand), €278 thousand in materials costs (2014: €305 thousand).

28 – Amortisation, depreciation and write-downs

(€'000)	FY 2015	FY 2014
Amortisation of intangile assets	4,567	4,256
Amortisation of property, plant and equipment	876	958
Write-down of fixed assets	211	160
Total amortisation and depreciation	5,654	5,374

Amortisation of intangible assets relates mainly to the development costs and customer relations of Advanet Inc. and Dynatem Inc.
Depreciation of property, plant and equipment relates to the depreciation through use of some capital assets. Amortisation relating to PPA refers entirely to customer relationships, in the amount of €2,539 thousand (2014: €2,390 thousand).

Asset write-downs is to be attributed for €139 thousand to the write-down of the residual value of the Dynatem Inc. customer list. The rest refers to the reduction in development costs, particularly for projects relating to special products that did not achieve the market acceptance originally forecast.

29 – Financial charges and income

(€'000)	FY 2015	FY 2014
Exchange-rate losses	961	750
Interest expenses	463	387
Interest expenses due to the discounting	0	19
Expenses on derivatives	53	115
Other finance expenses	96	46
Financial charges	1,573	1,317

(€'000)	FY 2015	FY 2014
Exchange-rate gains	1,776	1,859
Interest income due to the discounting	22	0
Interest income	14	65
Other finance income	29	60
Financial incomes	1,841	1,984

The performance in financial operations was influenced by exchange rate gains of €815 thousand in 2015 (2014: gain of €1,109 thousand). Exchange rate performance was influenced by the booking of realised and unrealised gains and losses on the main foreign currents in which the Group operates (USD, GBP and JPY).
Financial charges showed an increase in the other financial expense and interest expense due to the debt in addition to a reduction in charges on derivatives payable.
Interest payable is lower than what was represented last year because of the reduced average cash stocks on deposits and the reduced interest rates receivable.

30 – Valuations of affiliates using the equity method

The amount of €165 thousand fully derives from revaluations of equity interests as explained in Note 3. The 2014 value of €45 thousand, on the other hand, was entirely attributable to the combined effect of revaluations of equity interests of €52 thousand and of capital losses on equity interests of €7 thousand.

31 – Income tax for the period

Income taxes came to €60 thousand in 2015 and €641 thousand in 2014.

(€'000)	FY 2015	FY 2014
Pre-tax result	(6,163)	(8,281)
Income taxes	(60)	(641)

The schedule below shows the breakdown in income taxes, distinguishing current taxes from deferred tax assets and liabilities and taxes related to Italian legislation from foreign taxes of Group companies:

(€'000)	FY 2015	FY 2014
IRES (Italian corporate income tax)	161	381
IRAP (Italian Regional business tax)	(3)	5
Foreign current income taxes	895	983
Total current income tax	1,053	1,369
Net (prepaid) deferred taxes: Italy	52	1
Net (prepaid) deferred taxes: Non-italian	(1,094)	(738)
Net (prepaid) deferred taxes	(1,042)	(737)
Previous years taxes	49	9
Previous years taxes	49	9
TOTAL INCOME TAXES	60	641

Income taxes totalled €60 thousand at 31 December 2015 (current taxes of €1,053 thousand and net deferred tax assets of -€1,042 thousand) compared with €641 thousand at 31 December 2014 (current taxes of €1,369 thousand and net deferred tax assets of -€737 thousand), representing a decrease of €581 thousand.

The Group sustained tax losses incurred by the Parent Company and the subsidiaries Dynatem Inc., EthLab S.r.l., E-Tech USA Inc., Eurotech Inc and I.P.S. Sistemi Programmabili S.r.l. for which deferred tax assets of €55.3 million (2014: €52.0 million) were not recognised, to be reported within the deadlines applicable in each country to offset future taxable profits of the companies in which these losses arise. No deferred tax assets were recognised in relation to these losses as the prerequisites for using them to offset taxable profits in the coming years do not exist at this time.

At 31 December 2015, there were no deferred tax liabilities, posted or unposted, for taxes on the undistributed earnings of certain subsidiaries or affiliates because there are no assumptions regarding distribution.

J – Other information

32 – Related-party transactions

The consolidated financial statements include the financial statements of Eurotech SpA, its subsidiaries and its affiliates shown in the schedule below:

Name	Location	Currency	%of ownership 31.12.2015	%of ownership 31.12.2014
Subsidiaries				
Aurora S.r.l.	Italy	Euro	100.00%	-
I.P.S. Sistemi Programmabili S.r.l.	Italy	Euro	100.00%	100.00%
ETH Lab S.r.l.	Italy	Euro	100.00%	99.99%
Eurotech France S.A.S.	France	Euro	100.00%	100.00%
Eurotech Ltd.	UK	GBP	100.00%	100.00%
E-Tech Inc.	United States	USD	100.00%	100.00%
Eurotech Inc.	United States	USD	100.00%	100.00%
ETH Devices S.r.o.	Slovakia	Euro	100.00%	100.00%
Dynatem Inc.	USA	USD	100.00%	100.00%
Advanet Inc.	Japan	Yen	90.00% (1)	90.00% (1)
Affiliated companies				
Chengdu Vantron Technologies Inc.	China		45.00%	45.00%
Delos S.r.l.	Italy		-	40.00%
eVS embedded Vision Systems S.r.l.	Italy		24.00%	24.00%
Emilab S.r.l.	Italy		24.82%	24.82%
Rotowi Technologies S.p.A. in liquidation (ex U.T.R.I. S.p.A.) (2)	Italy		21.32%	21.32%

(1) The percentage of formal possession is 90%, but due to the possession by Advanet of 10% of the share capital in the form of treasury shares, it is fully consolidated

(2) Company in liquidation

The following table shows relationships with related parties (in the period in which they were related), not eliminated on consolidation.

RELATED PARTIES	Revenues to related parties	Purchases from related parties	Receivables from related parties	Payables from related parties
Associated companies				
Chengdu Vantron Technology Inc	305	2,245	132	997
Emilab S.r.l.	-	47	-	26
eVS embedded Vision Systems S.r.l.	-	5	-	6
Total	305	2,297	132	1,029
Other related parties				
Finmeccanica Group	1,971	-	610	9
Total	1,971	-	610	9
Total with related parties	2,276	2,297	742	1,038
% impact on line item	7.5%	10.5%	4.0%	7.1%

Below is a list of the compensation accrued in favour of Directors and Auditors for services provided to Eurotech S.p.A. and to other companies controlled by the latter, in compliance with Art. 78 of Consob's Issuer Regulations 11971/99, as amended, and Annex 3C of said regulations.

			at December 31, 2015		
Name	Nomination	Expiration	Fees for the appointment	Other fees	Benefits
Siagri Roberto	President	In charge up to 31.12.2016	330	10	4
Antonello Giulio	Director	In charge up to 31.12.2016	17	-	-
Barazza Sandro	Director	In charge up to 31.12.2016	15	123	3
Bonomo Paola	Director up to April 28, 2015	In charge up to 31.12.2016	10	-	-
Costacurta Riccardo	Director	In charge up to 31.12.2016	32	-	-
De Toni Alberto Felice	Director from April 24, 2015	In charge up to 31.12.2016	10	-	-
Mio Chiara	Director	In charge up to 31.12.2016	32	-	-
Paladin Dino	Director	In charge up to 31.12.2016	15	-	-
Panizzardi Giuseppe	Director	In charge up to 31.12.2016	18	-	-
Pizzol Marina	Director from May 14, 2015	In charge up to 31.12.2016	16		
Siciliotti Claudio	President of Board of Statutory Auditors	In charge up to 31.12.2016	38	-	-
Cignolini Michela	Statutory Auditor	In charge up to 31.12.2016	25	-	-
Pingaro Giuseppe	Statutory Auditor	In charge up to 31.12.2016	25		
TOTAL			583	133	7

Lastly, the following is information on equity interests held in the company and its subsidiaries by members of the management and supervisory bodies, general managers and managers with strategic responsibilities, as well as by their spouses not legally separated and their minor children, directly or via companies controlled, trustee companies or via an interposed third party, as shown by the shareholder register, notifications received and other information acquired from the members of the management and supervisory bodies, general managers, and strategically accountable managers in compliance with the requirements of Art. 79 of Consob Regulation 11971/99 as subsequently amended and Annex 3C of the same regulation.

		at December 31, 2015						
Name	Nomination	Company	Possessory title	Share at January 1 or appointment	Share acquired in the period	Share disposed in the period	Share at the end of the period	of which shares at the end of the period indirectly
Siagri Roberto	President	Eurotech	Ownership	2,140,531	-	(690,500)	1,450,031	980,371
Antonello Giulio	Director	Eurotech	Ownership	-	-	-	-	-
Barazza Sandro	Director	Eurotech	Ownership	2,000	-		2,000	-
Bonomo Paola	Director up to April 28, 2015	Eurotech	Ownership	-	-	-	-	-
Costacurta Riccardo	Director	Eurotech	Ownership	-	-	-	-	-
De Toni Alberto Felice	Director from April 24, 2015	Eurotech	Ownership	6,000	-	-	6,000	-
Mio Chiara	Director	Eurotech	Ownership	-	-	-	-	-
Paladin Dino	Director	Eurotech	Ownership	2,243,587	60,554	(41,537)	2,262,604	-
Panizzardi Giuseppe	Director	Eurotech	Ownership	-	-	-	-	-
Pizzol Marina	Director from May 14, 2015	Eurotech	Ownership	-	-	-	-	-
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	10,000	-	-	10,000	-
Cignolini Michela	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-
Pingaro Giuseppe	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-

33 – Financial risk management: objectives and criteria

The Group's financial instruments, other than derivative contracts, include bank loans in the various technical forms, financial leases, short-term and at-sight bank deposits. These instruments are intended to finance Group operations. The Group has several other receivable and payable financial instruments at its disposal, such as trade receivables arising from operations and liquidity. The Group also had transactions in derivatives, mainly swap or collar transactions on interest rates. The objective is to manage interest rate risks caused by Group transactions and by its sources of finance.

In accordance with Group policies, no speculative derivatives have been entered into.

The main risks generated by Group financial instruments are interest rate risks, exchange risks, liquidity risks and credit risks. The Board of Directors has reviewed and agreed to the policies for managing these risks, as summarised below.

Interest rate risk

Group exposure to the risk of interest rate fluctuations mainly involves medium-term obligations taken on by the Group, featuring variable interest rates linked to various indices. In previous years the Group signed interest rate swap contracts providing for recognition of a variable rate against payment of a fixed rate. The contracts are designated to hedge changes in the interest rates in place on some loans. Group policy is to maintain between 30% and 60% of its loans at a fixed rate. At 31 December 2015, about 47.2% of Parent Company loans were at fixed rates (compared with about 32% in 2014). As for the loan in place at the Japanese company, it was taken up at fixed rate since it is more advantageous than those at variable rate.

Exchange rate risk

In view of the significant investment transactions in the US, Japan and the UK, with substantial foreign currency cash flows from business and financial operations, the Group's financial statements could be significantly affected by changes in the USD/EUR, JP¥/EUR and GBP/EUR exchange rates. In 2010 no foreign exchange hedges were executed because of the uneven USD, GBP and JP¥ flows, particularly taking into account that the individual subsidiaries tend to operate in their respective functional currencies in their respective core markets.

About 80.9% of sales of goods and services (2014: 79.7%) and 72.0% (2014: 70.8%) of the cost of goods purchases and the operating costs of the Group are denominated in a different currency from the functional currency used by the Parent Company to draw up these financial statements.

Product and component price risk

Group exposure to price risk is not significant.

Credit risk

The Group trades only with known and reliable customers. The Group's policy is to check the creditworthiness grade of customers that request extended payment arrangements. In addition, the balance of receivables is monitored during the year so that the amount of non-performing positions is not significant. Maximum risk exposure is shown in Note 7. Only some receivables from key customers are insured due to the reduction in the exposure granted by insurance companies already during 2009.

Financial assets, recorded by trading date, are recognised in the financial statements net of write-downs calculated according to the risk of counterparty default, taking into account the information available on the customer's level of solvency and historical data.

There is no significant concentration of credit risk in the Group.

Credit risk concerning other Group financial assets, which include cash and equivalents and financial instruments, presents a maximum risk equal to the book value of these assets in the event of insolvency of the counterparty.

Liquidity risk

The objective of the Group is to strike a balance between maintenance of funds and flexibility through the use of overdrafts, loans, and finance leases, as well as via equity financing in the market.

Group policy states that no more than 40% of loans must fall due within 12 months.

At 31 December 2015, 30.7% of Group financial payables will accrue within one year (2014: 65.1%), based on the balances of the original plans. These values were different in 2015 from those shown in the financial statement balances, as, due to informal agreements with banks, no risk of early repayment is not believed to exist.

Considering the current net financial position and the structure of working capital, the risk that the Group will be unable to honour its financial liabilities is limited. The Company systematically controls liquidity risk by analysing a specific reporting system and the economic environment; the uncertainties that are a periodic feature of the financial markets require a particular focus on liquidity risk management. With this in mind, initiatives have been taken to generate financial resources with business operations and to maintain an adequate level of available liquidity, to ensure a normal level of operations and to respond to the strategic decisions of the next few years. The Group therefore plans to respond to the requirements of payables falling due and planned investments via flows from business operations, available cash and, as necessary, via bank loans and other forms of funding.

€ '000	Less 12 months	1to 2 years	3 to 5 years	Total
Borrow ings	8,262	1,666	1,684	11,612
Trade payables and other liabilities	19,886	-	-	19,886
Finance Lease	54	30	21	105
Fianancial derivatives	8	-	-	8
Total as of December 31, 2015	28,210	1,696	1,705	31,611

Capital management

The aim of Group capital management is to ensure that adequate levels of the capital indicators are maintained in order to sustain the business and achieve maximum value for shareholders.

The Group manages the capital structure and modifies it according to changes in economic conditions. Group policy does not currently include the distribution of dividends. To maintain or upgrade the capital structure, the Group may reimburse capital or issue new securities.

No change was made to the objectives, policies, or procedures during the years 2014 and 2015.

The Group will periodically verify its capital using a debt/capital ratio, i.e. the ratio of net debt to total equity plus net debt. Currently, given the decidedly unstable global financial situation, it is not easy to obtain financing from lending institutions, although the parameters set by management policy remain valid.
Group policies should aim to maintain the debt/capital ratio at between 20% and 40% (at 31 December 2014, there was no net debt). Group net debt includes interest-bearing loans and payables for investments in shareholdings, net of cash and cash equivalents. Capital includes the capital attributable to Parent Company shareholders, net of undistributed net profits.

(€'000)	at December 31, 2015	at December 31, 2014
Other current and non current financial assets	(76)	(2,570)
Derivative instruments	8	52
Other current and non current liabilities assets	0	0
Borrowing	11,717	10,686
Cash & cash equivalents	(11,430)	(14,104)
Net financial position	**219**	**(5,936)**
Group Equity	105,337	101,987
Group Equity	**105,337**	**101,987**
EQUITY AND NET FINANCIAL POSITION	**105,556**	**96,051**
Net financial position on Equity	0.2%	-5.8%

34 – Financial Instruments

Measurement of fair value and relative hierarchical valuation levels

All financial instruments recognised at fair value are classified within the following three categories:
Level 1: market price
Level 2: valuation techniques (based on observable market data)
Level 3: valuation techniques (not based on observable market data).

The fair value of derivatives and of loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. As required by IFRS13 the company analysed each of its financial assets and liabilities to determine the effect of their measurement at fair value. As IFRS 13 requires, for each of the financial assets and liabilities the company analysed the effect of their measurement at fair value. The measurement process refers to Level 3 of the fair value hierarchy, except for trading in derivatives as described in greater detail hereunder, and revealed no considerable differences compared to the book values at 31 December 2015 and on the respective comparison figures.

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At 31 December 2015, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at December 31, 2015	Fair valute at December 31, 2015 (debit)	Fair valute at December 31, 2015 (credit)	Notional value at December 31, 2014	Fair valute at December 31, 2014 (debit)	Fair valute at December 31, 2014 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	906	0	(8)	2,144	0	(52)

All the assets and liabilities measured at fair value at 31 December 2015 are at Level 2 of the fair value measurement scale. In addition, during 2015 there were no transfers from Level 1 to Level 2 or Level 3, or vice versa.

Financial instruments by category

As required by IFRS 7, the financial instruments are listed by category below:

at December 31, 2015

(€'000)	Loans and receivables	Assets at fair value through profit and loss	Availble-for-sale	Total
Asstes as per balance sheet				
Trade and other receivables exluding pre-payments	15,715	-	-	15,715
Other non current financial assets	-	-	-	-
Other current financial assets	-	-	76	76
Cash & cash equivalents	11,430	-	-	11,430
Total	**27,145**	**-**	**76**	**27,221**

(€'000)	Liabilities at fair value through equity	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities	-	11,612	**11,612**
Finance lease liabilities	-	105	**105**
Derivative financial instruments	8	-	**8**
Trade and other payables exluding non-financial liabilities	-	14,381	**14,381**
Total	**8**	**14,486**	**14,494**

at December 31, 2014

(€'000)	Loans and receivables	Assets at fair value through profit and loss	Availble-for-sale	Total
Asstes as per balance sheet				
Trade and other receivables exluding pre-payments	19,846	-	-	**19,846**
Other non current financial assets	-	-	-	**-**
Other current financial assets	2,469	-	101	**2,570**
Cash & cash equivalents	14,104	-	-	**14,104**
Total	**36,419**	**-**	**101**	**36,520**

(€'000)	Liabilities at fair value through equity	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities	-	10,586	**10,586**
Finance lease liabilities	-	100	**100**
Derivative financial instruments	52	-	**52**
Trade and other payables exluding non-financial liabilities	-	15,272	**15,272**
Total	**52**	**15,372**	**15,424**

Interest rate risk

Interest on financial instruments classified as variable-rate instruments is recalculated periodically during the financial year. Interest on financial instruments classified as fixed-rate instruments is kept constant until the maturity date of the instruments concerned.

Hedging

Cash flow hedges

At 31 December 2015, the Group held one IRS contract (for a notional value of €0.9 million) signed during the year and designated as instruments to hedge interest rate risk.

	Due date	*Fixed rate*	*Floating rate*	*Market value (€'000)*
Interest rate swap contracts €906,268	29 May 2020	0.35%	Euribor 3 month	(8)

Interest rate swap contract conditions were negotiated to coincide with the conditions of the underlying commitments.

The accounting treatment of this financial instrument entailed an increase in equity of €44 thousand and decreased the cash flow hedge reserve as a direct reduction of equity to €8 thousand.

35 – Potential liabilities

There are no significant potential liabilities to report except for what is stated in point 17.

36 – Events after the reporting period

No significant events took place after the closing of the consolidated financial statements at 31 December 2015 other than those indicated in Note 37 below, to which reference should be made.

37 – IFRS 5 - Non-current assets held for sale and discontinued operations

Over the last few years management has been called to analyse the possible valuation of its assets, especially those non-profitable following an initial start-up period, including through discontinued operations.
After the Board of Directors of the parent company Eurotech S.p.A. gave its authorisation, on 29 February 2016 the Italian subsidiary IPS Sistemi programmabili S.r.l. disposed of its business unit regarding the surveillance, security and traffic business line.

With the signing of the business unit transfer agreement, the operations of the security, surveillance and traffic business line are transferred to a third-party company outside the Group that refers to the management of the same subsidiary. The consideration of the transactions was set by the parties at €2.45 million. This amount is subject to adjustments based on the transferred working capital of the business line as at 29 February 2016. Adjustments are subject to a €90 thousand deductible. The consideration has already been collected, at the same time the agreement was signed, while the adjustments according to the working capital will be made by 31 March 2016.

As required by IFRS 5 - Non-current assets held for sale and discontinued operations - since the criteria for applying the standard were met after the annual financial statements were closed, when drawing up these financial statements the group of net assets of the subsidiary was not classified as "held for sale", but the additional supplementary information required by the standard was provided.

The 2015 and 2014 annual results of the business unit undergoing the valuation are summarised below:

OPERATING RESULTS	FY 2015 (€/000)	FY 2014 (€/000)
Revenues from sales of products and services	1,324	869
Cost of materials	(957)	(487)
Gross profit	**367**	**382**
Operating expenses	(1,302)	(1,277)
Other revenues	285	129
Profit before depreciation and amortization (EBITDA)	**(650)**	**(766)**
Depreciation & amortisation	(266)	(67)
Asset impairment	(28)	-
Operating profit (EBIT)	**(944)**	**(833)**
Finance (expense) income	(21)	(12)
Profit (Losses) before taxes from a discontinued operation	**(965)**	**(845)**
Income tax	-	-
Net profit (loss) from discontinued operations	**(965)**	**(845)**

Main classes of assets and liabilities of the asset under valuation as at 31 December 2015 and 31 December 2014 are as follows:

	at December 31, 2015 (€/000)	at December 31, 2014 (€/000)
ASSETS		
Intangible assets	388	464
Property, Plant and equipment	94	54
Other non-current assets	0	0
Inventories	718	317
Other current assets	951	745
Company assets	**2,151**	**1,580**
Goodwill	0	0
Assets from Discontinued operations	**2,151**	**1,580**
LIABILITIES		
Total non-current liabilities	40	24
Current liabilities	1,350	559
Liabilities from Discontinued operations	**1,390**	**583**
Net Discontued operations	**761**	**997**

Amaro, 11 March 2016

On behalf of the Board of Directors
Chairman
Roberto Siagri

Annex I - Information provided pursuant to Art. 149-duodecies of the Consob Issuer Regulation

The schedule below has been prepared in accordance with Art. 149-*duodecies* of the Consob Issuer Regulation and shows the amounts paid in 2015 for the auditing services.

(€)	Service provider	Eurotech Group entity	2015 fees
Audit			
	PricewaterhouseCoopers S.p.A.	Parent company - Eurotech S.p.A.	111,403
	PricewaterhouseCoopers S.p.A.	Subsidiaries	78,876
TOTAL			**190,279**

Certification of the consolidated financial statements pursuant to 154-bis of Legislative Decree 58 of 24 February 1998

Amaro, 11 March 2016

1. We the undersigned, Roberto Siagri, the Chief Executive Officer and Sandro Barazza, the Financial Reporting Manager of Eurotech SpA, hereby attest, pursuant to Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, to:
   - the adequacy in relation to the characteristics of the company and
   - the effective application

   of the administrative and accounting procedures for the preparation of the financial statements in financial year 2015.

2. Valuation of the adequacy of the administrative and accounting procedures for the formation of the condensed financial statements at 31 December 2015 is based on a model Eurotech defined in line with the CoSO framework (document in the *CoSO Report*) and also takes into account the document "*Internal Control over Financial Reporting – Guidance for Smaller Public Companies*", both prepared by the Committee of Sponsoring Organizations of the Treadway Commission that represent a generally accepted reference framework on the international level.

3. We furthermore attest that:
   The consolidated financial statements to 31 December 2015:
   - were prepared in compliance with the international accounting standards (IFRSs) recognised in the European Union pursuant to Regulation (CE) 1606/2002 of the European Parliament and of the Council, dated 19 July 2002
   - correspond to the results in the corporate books and accounting records
   - provide a fair and true representation of the assets, liabilities, financial position and profit or loss of the Issuer and of all its consolidated companies.

   3.2 The report on operations includes a fair review of the development and performance of the business and the situation of Eurotech as the Issuer and of all its consolidated companies, together with a description of the principal risks and uncertainties that they face.

Chief Executive Officer	Financial Reporting Manager
Roberto Siagri	Sandro Barazza

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No.39 OF 27 JANUARY 2010

To the shareholders of
Eurotech SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Eurotech Group, which comprise the statement of financial position as of 31 December 2015, the income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Eurotech SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No.39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Eurotech Group as of 31 December 2015 and of the result of its operations and cash flows for the year then ended, in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/2005.

PricewaterhouseCoopers SpA

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Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No.720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No.58/98, which are the responsibility of the directors of Eurotech SpA, with the consolidated financial statements of the Eurotech Group as of 31 December 2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Eurotech Group as of 31 December 2015.

Udine, 30 March 2016

PricewaterhouseCoopers SpA

Signed by

Maria Cristina Landro
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers www.eurotech.com