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

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## Letter to shareholders

Dear Shareholders,

the Eurotech that is facing this 2015 is a new Eurotech. I'm not referring to a last-minute change, but rather to a process that has its roots in the past and today we can say that such process has reached full maturity.

The year was 2008 and the crisis was exploding. Many factors were suggesting to cut costs quickly and prepare for the perfect storm that would hit the world economy in a way not seen since the twenties. The "land-in-sight navigation" approach, focused on the short period, became established practice. The subsistence economy oriented to resist a quarter at a time became the standard response to the crisis and to the enormous uncertainty about the future.

But in Eurotech we had an idea. We had found a way to solve the problem that prevented companies to massively adopt solutions to control their distributed assets or products, what today we call with the prefix "smart". We had in mind a "smart" solution that was combining hardware and software in a new original way, something that was not there on the market yet and that we could make because we had the right mix of experience and skills.

When the crisis exploded we found ourselves faced with a difficult choice: cut costs and give up our idea, or be a lone voice against the current and invest. We felt that our future was at stake, that our great opportunity had knocked on the door. Then we drew up all our courage and we chose to invest to realize our idea.

It was not a leap of faith: with the listing of 2005 and the capital increase of 2006 we had collected a good amount of financial resources and, in spite of the three major acquisitions made between 2006 and 2007, we were in the position to withstand losses for some years. For many quarters we could submit a red bottom line, as it has been, but there was something more important at stake: the long-term perspective.

It is peculiar that the recovery of the long-term perspective has recently become a hot topic: in the latest issue of McKinsey Quarterly, in an interesting article titled "Perspectives on the long term" Dominic Barton and Mark Wiseman urge markets and companies to shift from "quarterly capitalism" to a true longer-term way of thinking, because it is only by so doing that you can finally emerge from the crisis and avoid self-perpetuating practices. At Eurotech, creating long-term value won on short-term profit even in the most difficult moment, and today we can say to be more convinced than ever that we made the right choice.

We entered the Internet of Things before the term itself was universally adopted worldwide. At that time, in fact, there was talk of pervasive computers, and it was to this scenario – which drew on the work of Mark Weiser at the Xerox Parc in the nineties – that Eurotech made reference in its strategy. Then it was the turn of the concept of Machine to Machine (M2M), and finally of the Internet of Things (IoT). Many different terms to describe a path that lasted more than six years for us, during which little has been seen of what we were building in terms of value for the future and very much, unfortunately, leaked in terms of impact on our financial statements of the choice made at the beginning of the great recession.

Even the numbers of 2014 just ended are part of this path and it is in that light that must be interpreted. As a shareholder I can say that this is not a satisfactory performance, and as a manager I add that this is not the result we are aiming at. But I also say that hidden in those numbers there is the cost of a growth in technology, products and organization in the direction of the strategic vision.

2014 was the year of acceleration in the transformation of the operational structure: the organization has changed its skin, so to say, beginning with the leaders but also at less visible levels.

Starting from September we made changes at the top levels of our two main business units, namely the US and Japan. Such changes also led to redrawing local organizations in order to enable us to accelerate the execution of the strategy: in the US we reshaped the structure reinforcing the commercial drive on M2M technologies and increasing the focus on the sale of services; in Japan we gave new impetus to the development of the business, not just the traditional one with big OEMs but also the new one possible with the cross-selling of Group products and with the new offering of Internet of Things platforms.

As of end of November we have a new Chief Technology Officer, which we found within our organization promoting to this role the person who, from 2011 to today, has been directing the software development activities and, in particular, precisely the development of the M2M/IoT platforms on which we aimed for our future. The leadership on the technology roadmap is therefore even more aligned with the strategic vision and this will be an important step in our journey from a pure HW company to company of HW, SW and IT services.

Looking at the sales process of our technologies, in the year just ended we captured from customers a growing need of active support in the design of IoT solutions and in the choice between available options to bring technologies to fruition. In Eurotech today we already have all the skills necessary to meet this need and this year we will do it in a structured way, with a dedicated team. Since the beginning of this year we have officially launched a project to upgrade our offer, which includes the activation of a dedicated team of advisory services to support customers in the design of innovative M2M/IoT applications that take advantage of the technologies in which Eurotech today is at the forefront. The new consulting services will join the already available offer of hardware, software and services, with the aim to broaden the spectrum of activity of the company and the ability to obtain design-wins and orders.

With this move our innovative value proposition for the Internet of Things will definitely integrate with the sales structures of the local units and will become our standard way to introduce us to customers. The traditional business of embedded computers with OEMs will continue to be an important part of our P&L in the short and medium term, but it will be increasingly backed up by the M2M/IoT business that, in addition to the non-recurring revenues related to the HW, will have a recurring revenue stream from the services provided by our Everyware Cloud platform. The new technological developments allow us both to broaden the target market and to change the revenues model, from a non-recurring revenues model to a model in which the recurring revenues part will become predominant.

Today our mission is to simplify the access to the use of digital technology for companies that want to transform their business model and/or make it more efficient, taking advantage of the new Internet of Things paradigm.

The first visible wave of IoT is addressing, on the one hand, the increase of efficiency in the use of resources, and on the other hand the creation of entirely new services, sometimes almost unimaginable until a short time before: the dynamic change in real time of a bus route according to the presence/absence of passengers at the stops is an example of efficiency increase; on demand sharing of our car is an example of a new service created thanks to the IoT technologies.

But there is a second wave of the IoT, less visible than the first one but not the less important, which aims to transform the existing business models for ferrying them to the era of so-called "servitisation" or "everything as a service": appliances provided as-a-service, rather than sold, and billed monthly in the electricity bill is a good example of how IoT technologies transform the established business models. The IoT will also have a big impact on the manufacturing industry, with effects so important that there is talk of a true fourth industrial revolution. Let me reiterate a fact that I have already mentioned in my letter last year and which I think gives a clear measure of the size of the phenomenon: according to a study by McKinsey, at least 80% of the traditional businesses will be impacted by the Internet of Things paradigm, regardless of how near to or far by digital technologies they may appear. This will happen because a new "economy of bits" is growing and hybridizing with the traditional "economy of atoms" to which we were accustomed.

The booming of the economy of atoms has been enabled by the availability of freight logistics. Similarly, the Cambrian explosion of the economy of bits – or economy of data, as we should better call it – will be enabled by the availability of what we call "data logistics". While the movement of goods is a matter of logistic infrastructures used by national and international operators, the handling of data is a matter of integration software platforms resident in the Cloud and available as-a-service (Integration Platform as a Service). An iPaaS decouples – and at the same time links – data producers on one side and data consumers on the other side.

From the point of view of data logistics, virtually all vertical sectors are similar: as an express courier can serve many different customers in the world, in the same way an iPaaS can be adopted to enable the IoT transformation of many different business models, from transport to medical, from agriculture to retail. It is precisely in this horizontal adaptability that lies the strength of the investments we have made and it's up to us now to translate this potential into results that will make our shareholders proud and satisfied.

To conclude, I wish to greet you by borrowing a quote from Anatole France, French writer, Nobel Prize for Literature, which summarizes well the spirit with which we face the future at Eurotech: to accomplish great things, we must not only act, but also dream; not only plan, but also believe.

signed Roberto Siagri  
Chairman and CEO

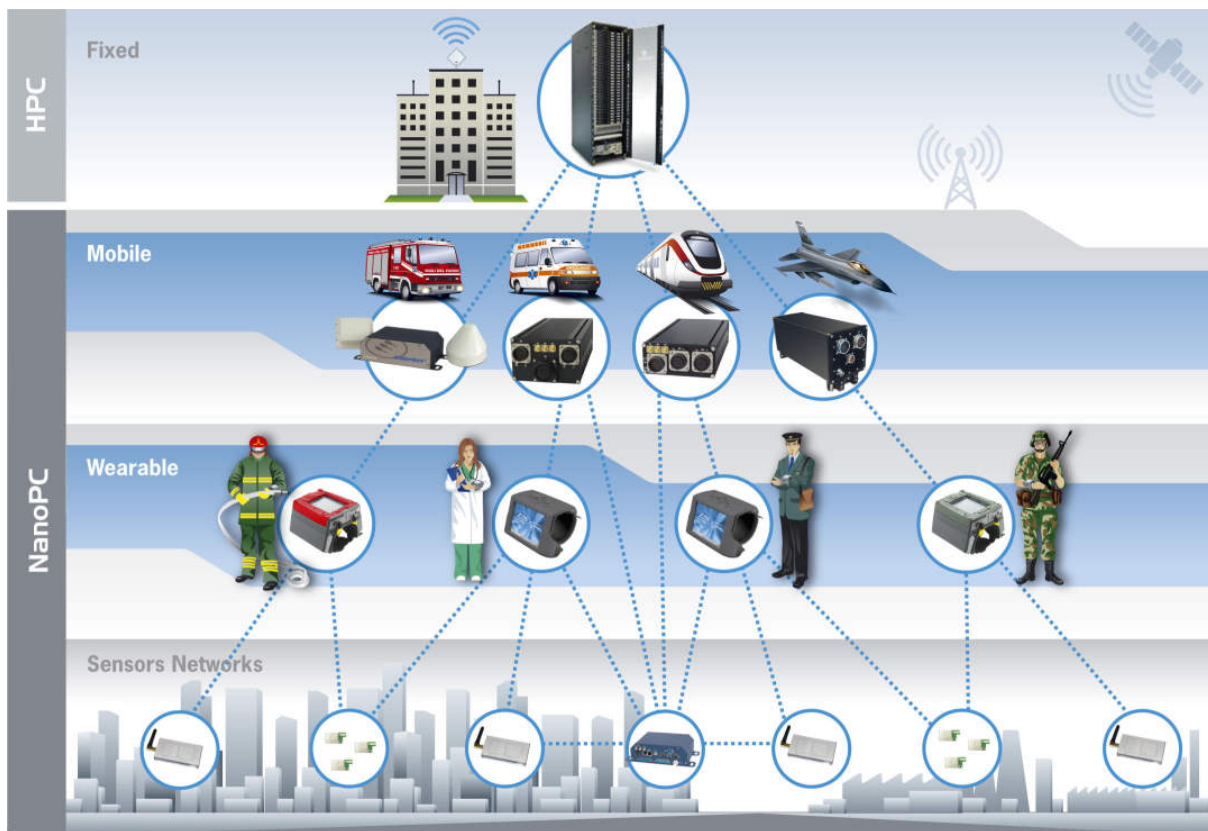
## Profile of the Eurotech Group

### 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.

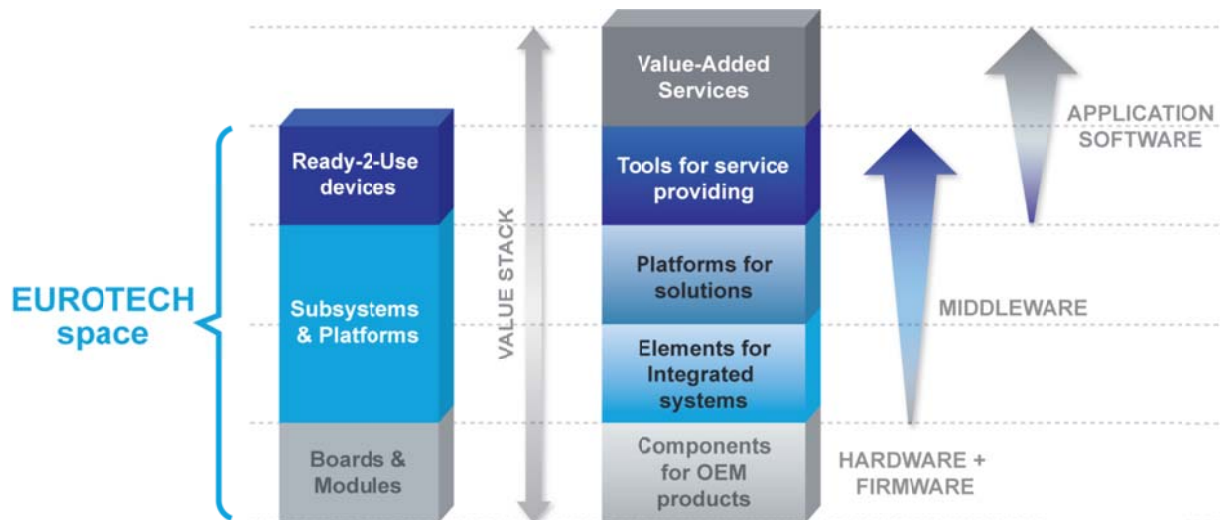
The technological paradigm followed by Eurotech is 'pervasive computing' or 'ubiquitous computing'. The pervasive concept combines three key factors: the miniaturisation of 'intelligent' devices, i.e. devices capable of processing information; their spread in the real world – inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment – and 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 – historically aimed at advanced research centres, computing centres, and universities – are turning out to be vital in advanced sectors such as nanotechnology, biotechnology and cyber security. We also expect to see a significant effect 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:

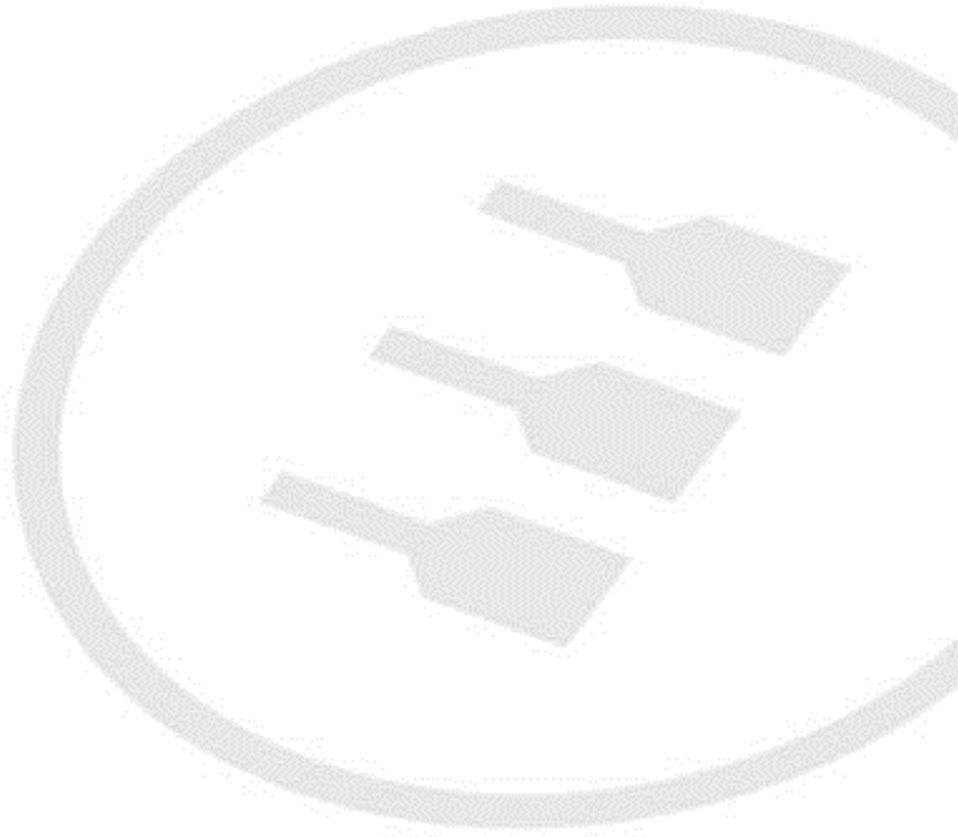
- excellence within standards
- a fabless production model
- development of its business model towards ready-to-use products (closer to the application scenario of the purchaser or end-customer)
- strong interaction with the academic and research worlds.

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 FY2014 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.

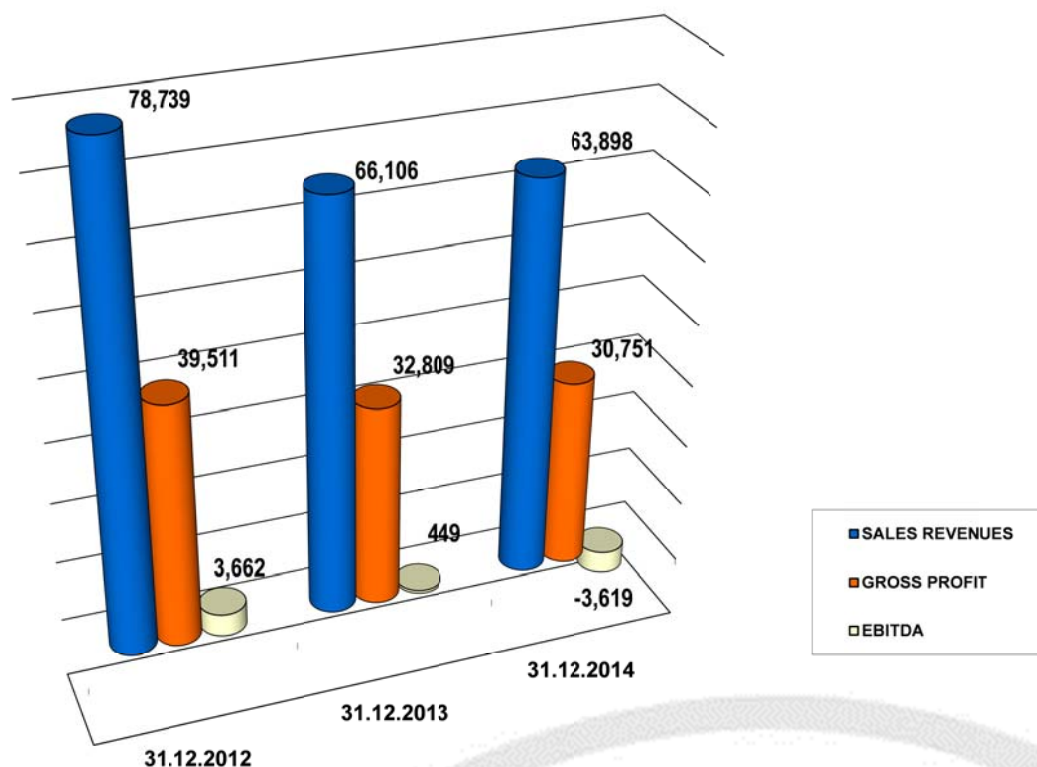
Due to the sale of US company Parvus Corp., which was completed on 1 October 2013, the business results were classified under "Net profit (loss) from discontinued operations and assets held for sale". For a clearer representation of the Group's operating performance, the compared historical data (2012) from the income statement were reconstructed taking account of the classification of these assets as discontinued operations.

### Group business and financial results

(€'000)	FY 2014	%	FY 2013	%	FY 2012 Restated <sup>^</sup>	%
<b>OPERATING RESULTS</b>						
SALES REVENUES	63,898	100.0%	66,106	100.0%	78,739	100.0%
GROSS PROFIT MARGIN	30,751	48.1%	32,809	49.6%	39,511	50.2%
EBITDA	(3,619)	-5.7%	449	0.7%	3,662	4.7%
EBIT	(8,993)	-14.1%	(11,927)	-18.0%	(3,891)	-4.9%
PROFIT (LOSS) BEFORE TAXES	(8,281)	-13.0%	(11,387)	-17.2%	(4,192)	-5.3%
PROFIT (LOSSES) FROM DISCONTINUED OPERATIONS	0	0.0%	21,395	32.4%	2,656	3.4%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(8,922)	-14.0%	8,240	12.5%	(2,783)	-3.5%

The 2012 data (unaudited) were made consistent with those presented for 2014 and 2013.

(<sup>^</sup>) The 2012 values reflect the application of IAS 19 (Revised).



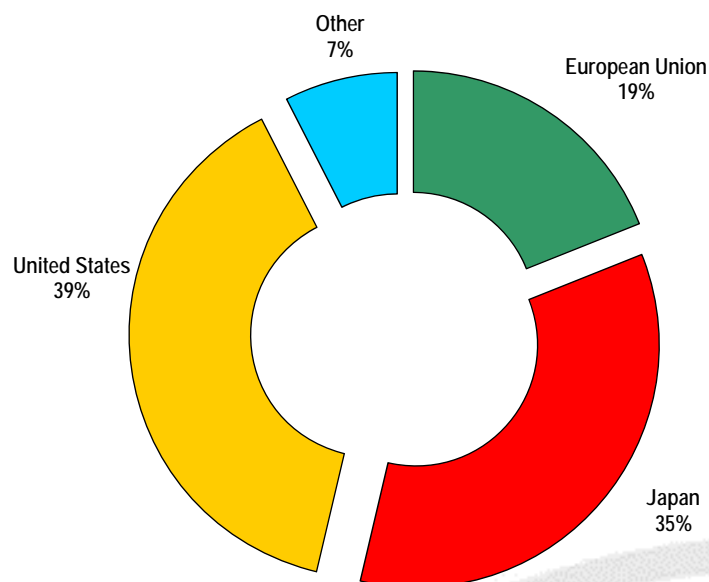
### Revenues by business line

(€000)

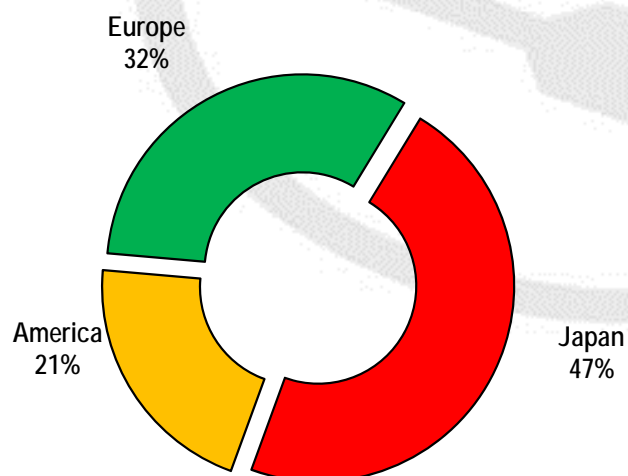
	NanoPC			High Performance Computer			Total		
	FY 2014	FY 2013	%oY Chg	FY 2014	FY 2013	%oY Chg	FY 2014	FY 2013	%oY Chg
<b>Sales and service revenue by segment</b>									
Sales and service revenue by segment	62,722	65,729	-4.6%	1,176	377	211.9%	63,898	66,106	-3.3%
<b>SALES BY BUSINESS SEGMENT</b>									
	FY 2014	%	FY 2013	%	FY 2012	%	FY 2011	%	
NanoPC	62,722	98.2%	65,729	99.4%	75,367	95.7%	78,508	96.5%	
High Perf. Computer	1,176	1.8%	377	0.6%	3,372	4.3%	2,835	3.5%	
<b>TOTALE SALES AND SERVICE REVENUE</b>	<b>63,898</b>	<b>100.0%</b>	<b>66,106</b>	<b>100.0%</b>	<b>78,739</b>	<b>100.0%</b>	<b>81,343</b>	<b>100.0%</b>	

The sales amounts shown here (not audited for 2011 and 2012) do not include sales generated by US company Parvus Corp. and are therefore consistent with the audited 2014 and 2013 figures.

High Performance Computer (HPC) sales again accounted for a limited proportion of total Group sales in 2014. Eurotech's current offering of a supercomputer architecture based on standard processors and equipped with an innovative liquid cooling system allows us to expand our potential customer base and break out the cyclical nature of purchasing in the research sector, thus enhancing future sales stability.

*2014 sales revenues by geographical area**Group employees*

	at December 31, 2014	at December 31, 2013	at December 31, 2012	at December 31, 2011
EMPLOYEES	365	354	371	399

*2014 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 \$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 routs, in addition to improving traveller safety by supporting the extensive use of on board digital cameras.

Eurotech obtains a \$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 bring 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 Advantec 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 connect 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 clients 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 clients 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 becomes part of the group. From its headquarter in Mission Viejo, California, the company has worked in the embedded computer market since 1981, especially in the VME, VPX and CPCI boards sectors, posting revenues of about \$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 ConocoPhillips 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 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 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, a project with the same name "Eurora" led by CINECA who will deploy the Eurora prototype in several fields of computational sciences. The Eurora supercomputer provides the base for the commercial Eurotech Aurora Tigon, expanding the Eurotech Aurora supercomputer product line to include a new family of 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 the Everyware Cloud (EC). Eurotech solutions will be distributed through the Avnet Embedded division of Avnet Electronics Marketing Americas.

Eurotech announces CPU-301-16 with Freescale i.MX6 processor, a low-power board available both as a Single Board Computer and as a Computer on Module. It is an ARM-based embedded platform that 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 Cloud (EC) services, making it an embedded platform that is scalable, connected and easy to deploy.

SENSUSS' Application powered by Eurotech's M2M platform is recognized as a 2013 Laureate of Computerworld Honors, a program founded by International Data Group (IDG) in 1988 and governed by the not-for-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 IP based low-power wireless communication solutions, signs a partnership with Eurotech to help customers connect devices and send data to the cloud. Thanks to the partnership, RTX customers willing to enable wireless M2M solutions will have access to Eurotech's multi-service gateways and the Everyware Cloud M2M integration platform.

A new distribution agreement with Insung Information CO.,Ltd is signed to address the South Korean Market. The agreement has been signed through 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 extends its passenger counting family of products with the DynaPCN 10-20, a fully integrated passenger counter with Ethernet communications, specifically designed for public vehicles.

The multi-service gateway ReliaGATE 50-21 achieves Verizon Wireless Open Development Certification. With this certification, it will enable Machine-to-Machine (M2M) services and the Internet of Things (IoT) on the Verizon Wireless data network. The Verizon Wireless' Open Development Initiative (ODI) is a 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 Aurora supercomputer installed at CINECA and the Aurora Tigon supercomputer installed at the Finmeccanica company Selex ES, specialised in information technology and security. Aurora, 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 Aurora 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 Everywhere 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 innovation centre will use a walled garden version of the Everywhere Cloud platform, along with multi service gateway edge devices to create an open framework for clients to build and test Machine to Machine and Internet of Things applications.

On October 1st, Eurotech announces it has signed an agreement 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 at current exchange rates), net debt free. This amount is subject to adjustments based on the working capital as at September 30th, 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 October 1st 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.

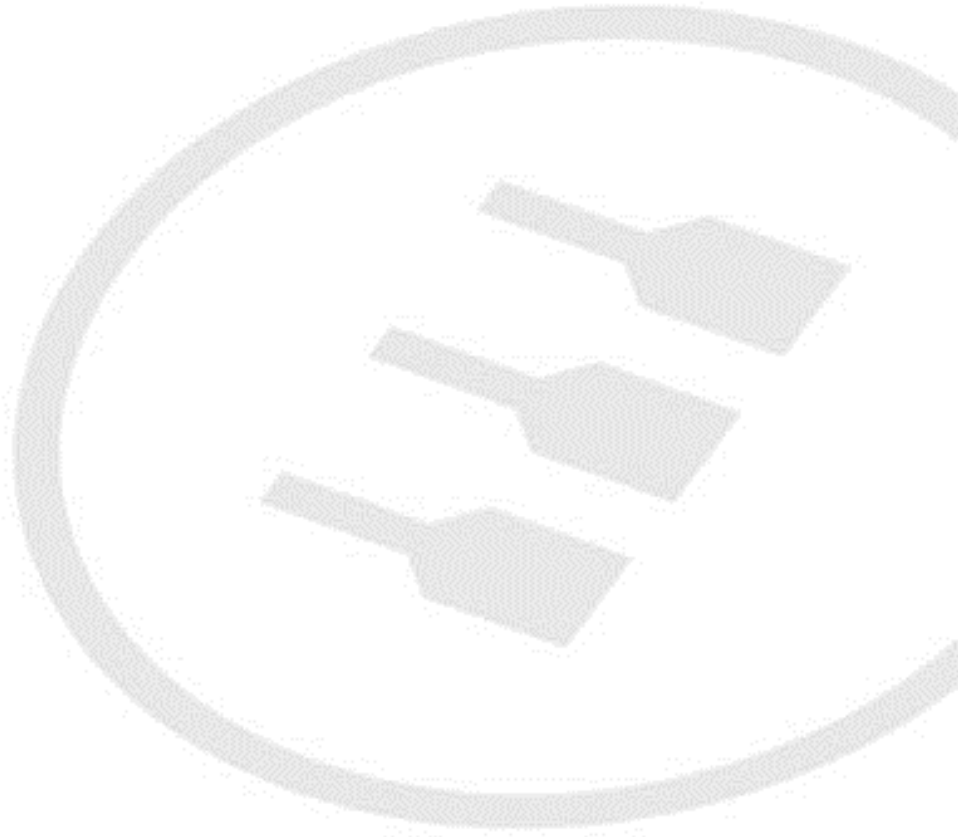
The Board of Directors of Eurotech S.p.A, following the authorisation for the purchase and disposal of treasury shares voted by the Shareholders' meeting of Eurotech held on April 24th, 2013, approves a treasury shares purchase program within the purposes contemplated by "market practice" as allowed 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 ordinary Eurotech shares with no stated par value, with a maximum counter value of Euro 3 million; the purchase program may be conducted in several installments, during the whole time period defined by the Shareholders' Meeting and hence until October 23rd, 2014.

Eurotech announces CPU-71-15 high performance Single Board Computer based on 2nd generation Intel® Core i7™. Based on the VMEbus 6U form factor, it 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 two new products: 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. The Aurora Direct Liquid Cooling and the 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, buys 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, which CEA recognizes as 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.



## Significant events in 2014

### **JANUARY**

#### *Eurotech earns partner-level status in John Deere Achieving Excellence supplier program*

This is the highest rating a supplier can achieve. The US-based subsidiary was selected for the honor in recognition of its dedication to providing products and services of outstanding quality as well as its commitment to continuous improvement. Suppliers who participate in the Achieving Excellence program are evaluated annually in several key performance categories, including quality, cost management, delivery, technical support and wavelength, which is a measure of responsiveness. John Deere Supply Management created the program in 1991 to provide a supplier evaluation and feedback process that promotes continuous improvement.

### **FEBRUARY**

#### *Eurotech announces DynaCOR 30-10, a new fanless Core i7 rack mount computer for rugged applications*

With a high performance Intel Core i7 CPU, the DynaCOR 30-10 offers server-class performance in a rugged, compact 1U form factor that is only 352mm deep and complies with the 19-inch rack standard. The DynaCOR 30-10 delivers great computational capability in all those applications where reliability is a critical requirement while specifically designed heat exchangers eliminate the need for fans. In this way the system is suitable for a wide range of industrial and transportation applications.

#### *Eurotech announces the Catalyst BT embedded module*

This Computer-on-Module based on the Intel® Atom™ E3800 series will satisfy customers looking for industrial grade quad-, dual- or single-core performance with enhanced network and video capabilities while maintaining very low power consumption. With an extended temperature range of -40°C to +85°C, it is ideal for both space- and temperature-constrained devices in medical, industrial, gaming, retail, and automotive markets. The Catalyst BT is a native IoT/M2M platform, supporting Everyware Device Cloud, Eurotech's scalable cloud offering. Moreover, the Catalyst BT is also compatible with ESF (Everyware Software Framework).

#### *Eurotech announces ReliaCELL rugged mountable cellular adapter*

ReliaCELL is a rugged, mountable cellular adapter designed to integrate with multi-service gateways to fast and highly-reliable cellular connectivity in M2M applications. The ReliaCELL comes certified and carrier approved to speed time to market. Customers can save time and money while avoiding the hassle of certifying with cellular carriers since we have already taken care of that piece of the puzzle with the ReliaCELL.

#### *Eurotech announces ReliaSENS environmental monitoring system*

ReliaSENS 18-12 is a cloud connected environmental monitoring system with high precision air pollution sensors and real time data access. ReliaSENS is a rugged, compact system designed to monitor traffic, industrial, construction and urban areas for temperature, gaseous pollutants, particulates, electromagnetic fields, and radioactivity, with an option for sound pollution. ReliaSENS 18-12 can scale from a single device to a large monitoring network, with a simple Web interface and mobile apps for Android and iOS to manage the device and access the data. The device is easy to install and can be mounted to a pole with either battery or wired power options. Users can set thresholds and automatic alerts and the system generates hourly and daily metrics from sensor data. The ReliaSENS can be easily integrated with existing IT systems for analyzing and acting upon the environmental data coming from the field.

### **APRIL**

#### *Everyware software framework (ESF) overlay to Intel Internet of Things (IoT) software stack*

Eurotech announces it has completed validation of the Everyware Software Framework (ESF) for the Intel® Gateway Solutions for Internet of Things (IoT). Eurotech's ESF creates a Java-based IoT software stack for enterprises choosing that development environment. Using ESF deployed on the edge of enterprise device and sensor networks, device and data management functions are accessible through open, standards-based solutions for maximum flexibility in IoT and machine to machine (M2M) services. ESF enables extended connectivity options, support for numerous field protocols like CANBUS, Modbus, and other industry-specific protocols, advanced device configuration management, and multiple

M2M integration platform connectors. "Eurotech, a long-time member of Intel's Intelligent Systems Alliance, has worked with Intel on complete solutions for IoT gateways, which translates to software solutions on top of rugged hardware for connectivity, manageability and security of IoT networks," said Kumar Balasubramanian, general manager, IoT Solutions Group, Intel. "Intel has put significant resources into enabling an IoT ecosystem and working with Eurotech helps us extend our offering to meet market demand and enable exciting new IoT applications and services."

*Ordinary shareholders' meeting on April 24<sup>th</sup>, 2014 appoints corporate offices and confirms Roberto Siagri as Chairman of the Board.*

## **MAY**

*The Board of Directors approves the Consolidated Interim Management Statement at 31 March 2014 and confirms Roberto Siagri as Group CEO.*

*Mr. Ludovico Ciferri appointed as new President of Advanet Inc.*

Mr. Ciferri (MA, ETP) holds a strong background in wireless technology, thanks also to his work at Istituto Superiore Mario Boella (Turin), an applied research centre focused on such technologies. Ludovico Ciferri is an experienced and successful government relations advocate with 20+ years' experience representing organizations, forging relationships, negotiating legislative provisions that advance the interests of an organization and enhance the bottom line of a company. He also teaches at the Graduate School of Management of the International University of Japan in Niigata. Since early 2008 he has added as a focus of research the role that technology can play in addressing the issues that an ageing society poses. In 2009 he promoted the SWAS (Series of Workshops on the Ageing Society), an initiative launched in Tokyo under the auspices of the University of the United Nations. Chair of the International Ph.D. School "Ageing Society and Technology: Systems, Theories, Practices" (2010-2012), he is guiding the "Smart Biometric Data Management for Predicting Alzheimer's disease" initiative. He is Vice-President of Fondazione Italia-Giappone and he sits on the Scientific Board of other organizations.

## **JUNE**

*Eurotech announces ReliaGATE 15-10 multi-service gateway for M2M applications*

Based on the low power Intel® Quark SoC processor, the ReliaGATE 15-10 Multi-Service Gateway is a rugged and reliable gateway and edge controller for data aggregation, on-board processing and data transfer ideal for M2M solutions.

The ReliaGATE 15-10 includes Eurotech's Everyware Software Framework (ESF) device-resident application development framework to shorten time to market and extend capabilities further, including remote device management. The ReliaGATE 15-10 is a flexible, application-ready platform that includes the pre-certified Eurotech ReliaCELL 10-20 modular cellular adapter, making the gateway immediately deployable on different mobile carrier networks. The ReliaGATE 15-10 hardware platform is natively integrated to the Eurotech Everyware Device Cloud M2M integration platform for rapid business enterprise integration and device management services.

*Kura: a Java gateway for the Internet of Things*

Eurotech shares an open standard application framework for M2M service gateways with the Eclipse community through the Eclipse Kura project, an open source incubator aimed at providing an OSGi (Open Service Gateway initiative) container for M2M applications running in service gateways. Deploying and configuring one device to act as a node in the Internet of Things is relatively easy. Doing the same for hundreds or thousands of devices, supporting several local applications, is not so easy though. This is where the new Eclipse project Kura comes in. Kura offers a platform that can live at the boundary between the private device network and the local network, public Internet or cellular network, providing a manageable and intelligent gateway for that boundary capable of running applications that can harvest locally gathered information and deliver it reliably to the cloud. Eurotech is a founding member of the IoT Working Group (formerly called the M2M Working Group) within the Eclipse Foundation and has contributed to the Kura project by developing the original technology to run on everything from general purpose devices, rugged mobile computers, wearable devices, service gateways and vehicle consoles, all the way down to the Raspberry Pi. Implemented as a Java-based platform, Kura can be installed on Linux based devices and provides a remotely manageable system, complete with all the core services applications need and a device abstraction layer for accessing the gateway's own hardware.

*ALYT chooses Eurotech's M2M software and services to bring the Internet of Things into homes*

Eurotech starts a cooperation with ALYT for the integration of ALYT SmartHome Manager, a multiconnected, Android-based security and home automation wireless gateway, with the Eurotech Everyware Cloud platform. The cooperation between Eurotech and ALYT will include porting of the recently released Kura open-source OSGi-based Application Framework to the ALYT gateway. This integration will allow the ALYT home and small business owners and the application developers to take advantage of a robust and open IoT platform, the Everyware Cloud M2M Integration Platform, when sharing information with the cloud.

**JULY**

*Eurotech receives 2014 M2M Evolution Product of the Year award*

Everyware Server receives a 2014 M2M Evolution Product of the Year Award from M2M Evolution Magazine, a leading publication covering the machine-to-machine movement. Everyware Server is a powerful M2M integration platform for on-premises deployment. By offering the proven functionality and services of Everyware Cloud, integrated with reliable server hardware, enterprises now can have high levels of data security and privacy with device and data management capabilities deployed on an appliance in their facility. Many customers want the tools and benefits of a public cloud solution, but need to keep their data secure in their own data center: Eurotech developed the Everyware Server to meet the needs of these customers in industrial, healthcare, transportation and other markets with an easy to implement, efficient and secure solution that can be seamlessly integrated into an enterprise IT infrastructure. "The solutions selected for the M2M Evolution Product of Year Awards reflect the diverse range of innovation driving the machine to machine market today. It is my honor to congratulate Eurotech for their innovative work and superior contribution to the rapidly evolving M2M industry," said Carl Ford, CEO of Crossfire Media, a co-publisher of M2M Evolution Magazine.

**AUGUST**

*Eurotech signs distribution agreement with Mouser Electronics*

Under the terms of the agreement, Mouser Electronics will promote and resell Eurotech's portfolio of products to their customers including embedded boards and modules, M2M devices and systems, and M2M software and tools to enable the Internet of Things. The distribution agreement with Mouser will give Eurotech visibility to people on the front end of the design process as they look for solutions to enable the Internet of Things.

*Everyware Cloud named Best Vertical Implementation for Machine-to-Machine solutions*

The Everyware Cloud M2M/IoT Integration Platform is named Best Vertical Implementation at the Battle of the Platforms held at the M2M Evolution Conference in Las Vegas. The Battle of the Platforms showcases cutting edge platforms that help manage and deliver M2M solutions. Battle of the Platforms is sponsored by TMC and Crossfire Media. "On behalf of Crossfire Media and M2M Evolution, I am very pleased to recognize the innovation demonstrated by Eurotech at the 2014 Las Vegas Battle of the Platforms," said Carl Ford, CEO and Co-Founder, Crossfire Media. "Platforms like the Everyware Device Cloud are the driving force behind the wave of machine-to-machine advancements that are transforming what is possible in the Internet of Things. Eurotech truly deserves this award and I look forward to more innovative solutions from them in the future."

**SEPTEMBER**

*Larry Wall appointed new CEO of Eurotech Inc. in the USA*

Larry Wall will lead and manage the main American subsidiary of the Group, adding a stronger drive on the growth of the M2M/IoT business thanks to his experience in the wireless and mobility markets, with a track record of conceiving, building, and growing solution-based offerings and businesses.

*Makoto Naito appointed CEO and Representative Director of Advanet Inc.*

Makoto Naito will lead the Japanese subsidiary of the Group with a stronger effort on both the integration with the rest of the Group and the cross-selling of complementary products coming from the other subsidiaries in Europe and the US. Mr. Naito will be as well Group Vice President of Japan Operations. During Advanet's Shareholders Meeting that will approve 2014 financial statements, Makoto Naito will be also appointed as President of Advanet Inc.. Ludovico Ciferri, now President of Advanet Inc., will become Chairman of the Board of the company.

*Eurotech showcases open source integrated solutions for the Internet of Things at JavaOne*

Eurotech's hardware and software solutions on display at JavaOne include a new gateway running our implementation of Kura, the open source software framework project in the Eclipse Foundation and the Everyware Software Framework (ESF), Eurotech's full Java-based software framework, as well as the Everyware Cloud solution for remote device management and data storage for historical trending and analytics.

*Eurotech is introducing DynaDOT PIS panels at Innotrans*

At the International Trade Fair for Transport Technology in Berlin, Eurotech's presentation is focused on the DynaDOT displays in 10-13 and 10-14 versions, specifically designed for railway applications, including on-board and track-side Passenger Information Systems (PIS) in constrained spaces. DynaDOT is an EN50155 certified, IP 54 fanless dot matrix display that delivers high brightness, high efficiency LEDs in a very thin enclosure. Easy to install both on vehicles and track side, it is ideal for applications where traditional displays are hard to deploy due to their depth, such as when the display is embossed on the train door. At just 35 mm deep, DynaDOT is one of the thinnest dot matrix panels currently available.

## OCTOBER

*Fabio Gallo appointed Vice President and General Manager of HPC Business Unit*

Fabio Gallo will lead the supercomputing division of the Group with a stronger focus on business development and operating efficiency. During his long career Fabio Gallo has been serving in several roles in top HPC companies. He held a number of roles with significant responsibility at IBM, where he stayed for twelve years; he was Business Unit Director and Senior Director EMEA Marketing at SGI for eight years; after that he was Vice-President for the European and Middle Eastern business activities at Linux Network and then Vice-President responsible for Sales Development for Europe and the Middle East at Scali. More recently he has been Vice-President and Director of HPC Solutions at Bull in France, where he led the expansion of the business with Enterprise customers.

## NOVEMBER

*Eurotech introduces HiVe, the ultimate accelerated computing solution*

It is a new family of HPC systems, built on the innovative "Brick" supercomputing architecture, recently presented at ISC14, that promises to raise the bar for acceleration, optimization and flexibility. The HiVe HPC systems are optimized for accelerated workloads, offering performance and energy efficiency at levels rarely seen before. This is obtained by a high degree of modularity in conjunction with the water cooling of all components. The system is configured to adapt to different applications, avoiding unnecessary components and focusing on the choice of elements providing maximum performance to the specific customer workload. One system module can host a combination of ARM-64 or x86 CPUs, Intel or NVIDIA GPU accelerators as well as other PCIe components. Modules are innovative form factor, hot water cooled enclosures supporting different configurations of the components. They provide computation and control functionality (Intel or ARM processor), acceleration (up to 5 Intel Phi or NVIDIA GPU accelerators), Infiniband network and additional optional functionality of storage and visualization. These modules are logical nodes of a large system. The nodes are hosted in the Aurora HiVe rack in any combination up to 128 per cabinet. Aurora HiVe systems are a bold step in the path leading to technologically viable and affordable Exascale systems.

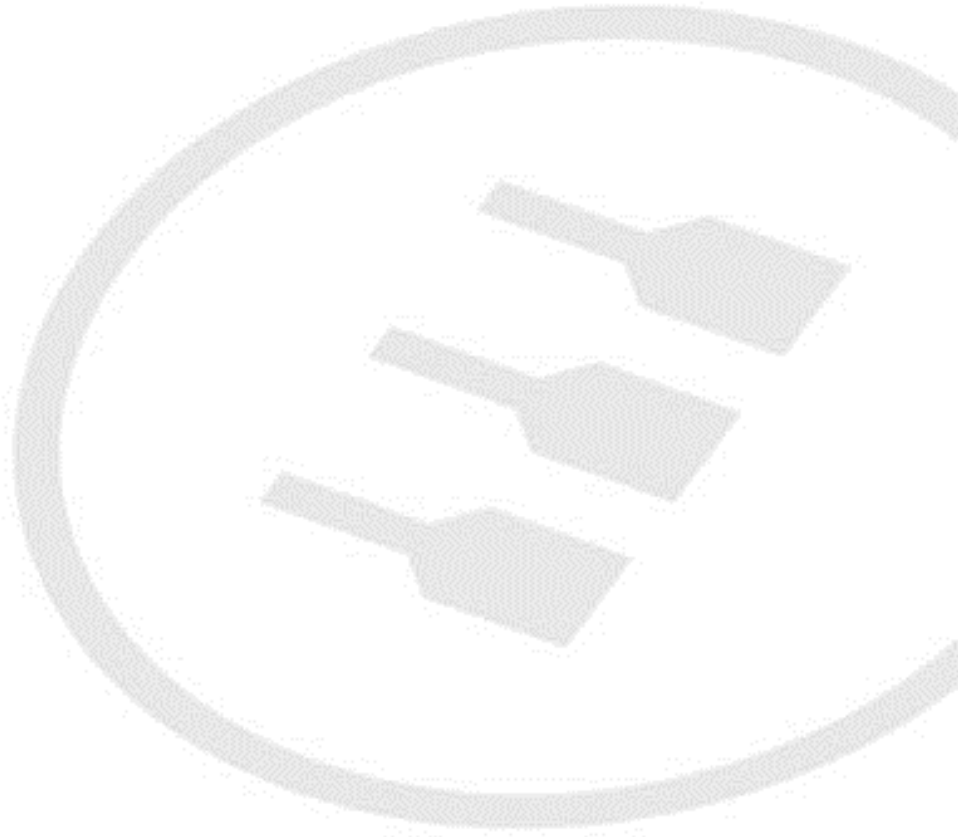
*Eurotech named Red Hat ISV Advanced Partner*

The convergence between embedded technologies and enterprise technologies is continuing at sustained pace, as open source solutions and open standards expand their footprint in M2M gateways and M2M integration platforms. Red Hat is one of the most important open source and open-standard leaders globally and, for Eurotech, working with Red Hat is a natural result of such a convergence. The collaboration between Red Hat and Eurotech strengthens the IT technology portfolio ready for M2M/IoT businesses. With the Red Hat collaboration, Eurotech expands significantly its ecosystem on a global scale, building relationships with partners who share the same technological vision and propensity to innovation. This relationship opens new opportunities in the vertical markets where Red Hat solutions play an important role, and it widens the scope of available software technology.

*Giampietro Tecchiolli, Executive Vice President and Chief Technology Officer, resigns from all his offices.*

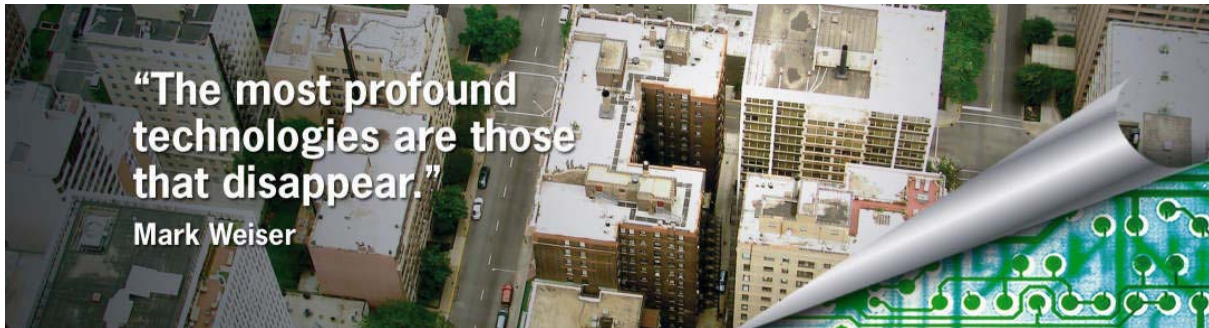
Tecchiolli started his collaboration with Eurotech in 1998 in occasion of the creation of Neuricam, at that time a subsidiary of Eurotech, a company active in the development of neural processors and vision sensors. Since 2001 he had been holding the role of CTO of the Group, under which he focused mainly on the HPC (High Performance Computer) business unit. Since 2008 he had been the Executive Vice President of Eurotech S.p.A.. Marco Carrer,

currently Vice President of Software Engineering, succeeds to Tecchiolli in the role of Chief Technology Officer of Eurotech Group. Marco Carrer has a Master in Computer Science from Cornell University and a Degree in Electronic Engineering from the University of Padua. Carrer has been working in Eurotech Group since 2011, taking care of the direction and coordination of the software development activities, with particular reference to M2M/IoT platforms. Prior to joining Eurotech, Carrer worked for 13 years at Oracle in the United States, following a distinguished career and reaching the role of Senior Director of Software Development.



## 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 of 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.

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.

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.

"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)

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

## 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 to 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): the computer thus becomes invisible, in the sense that man does not perceive its presence. 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. In the coming years we will see a change in the paradigm: 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: sharing the development model and sharing the evolutionary scenarios. 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: in other words, the right approach for development is market-pull. 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: development is therefore decentralised and distributed between the Group's various companies. 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. For this, we used the acquisition lever: 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.

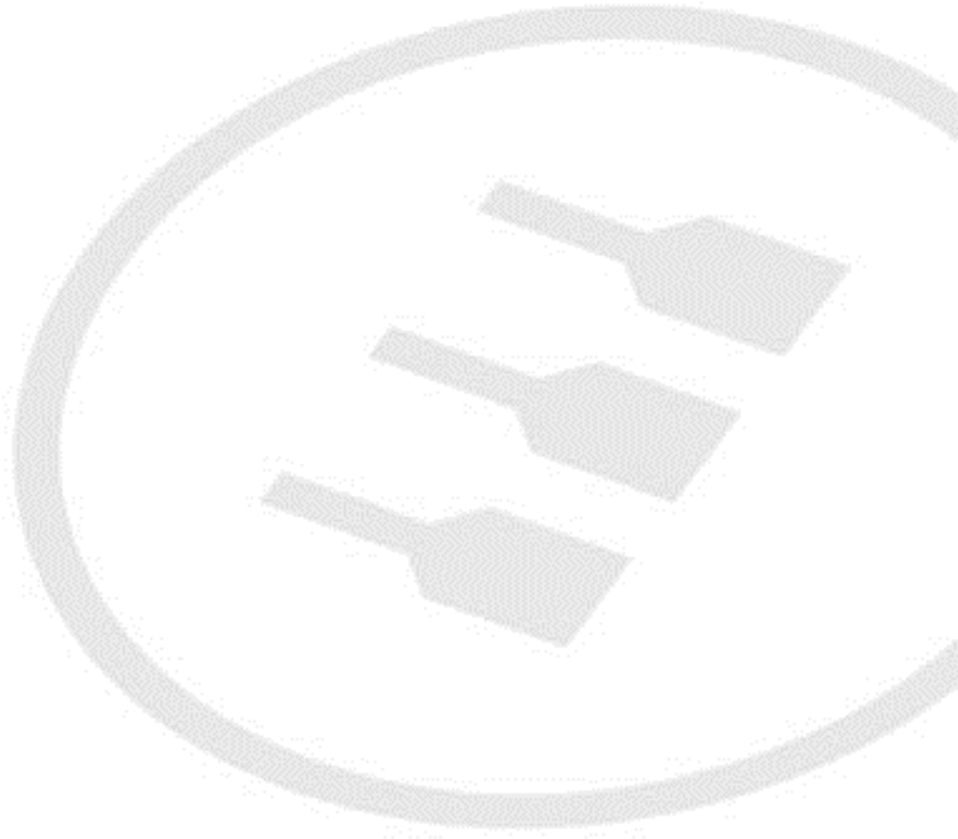
### ***Strategic approach to the market***

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 growth of our brand recognition is spurring increased use of indirect channels to approach the market. This combination of the direct and indirect sales models goes well with the evolution of our product offering. A kind of virtuous circle is being created: 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*

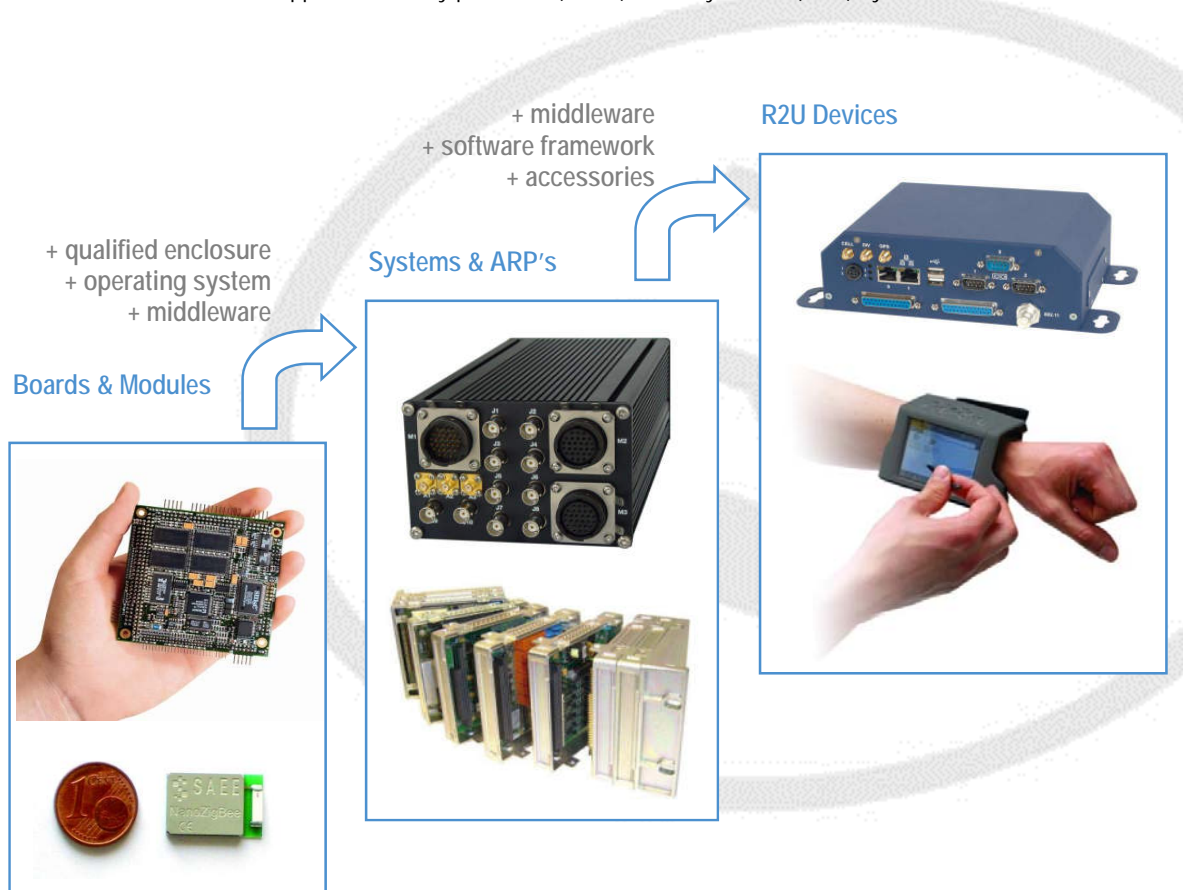
Embedded technology is the basic technology of Eurotech products. It is an enabling technology, in that it permits miniaturisation. It is the technology on which Eurotech based its foundation and that continues to be in the Group's DNA.

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". Compared to the concept of embedded, the concept of pervasive involves not only miniaturization, but also the spread in the environment of the devices and their ability to communicate, thus creating an infrastructure in which computers of various sizes (i.e.: laptop computers, wearable computers and sensors incorporated into everyday objects and the environment) and high performance computers (HPCs) are interconnected by a modular and easily expandable communication infrastructure (BAN, PAN, LAN, WAN).

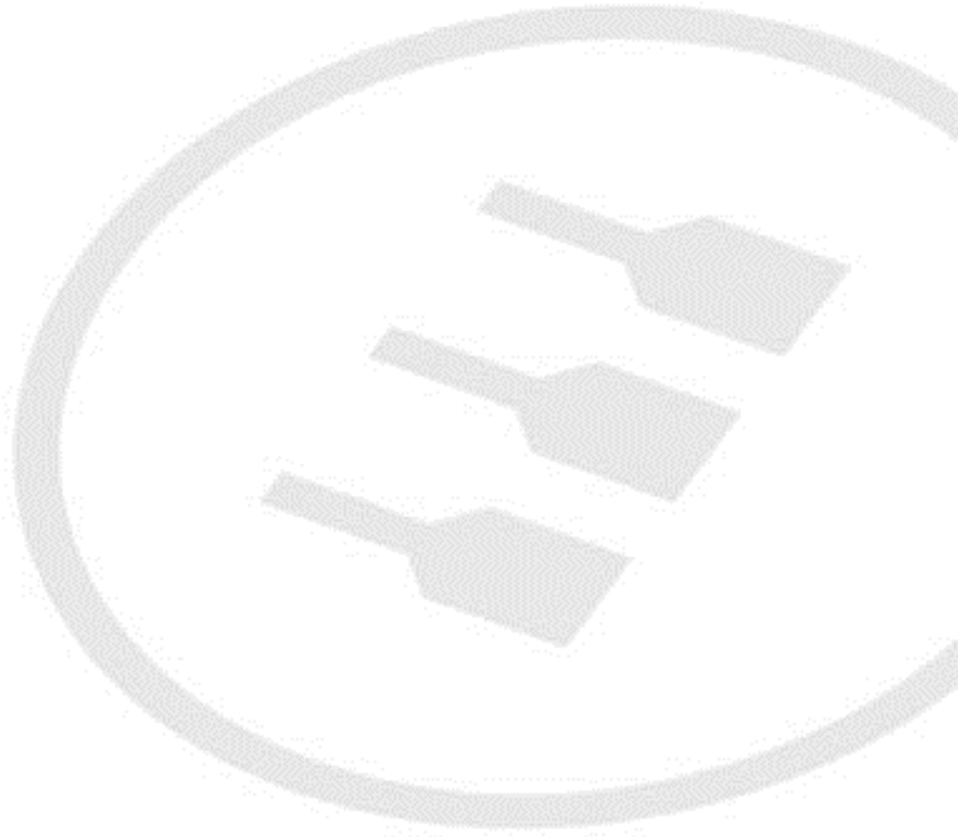
In this perspective, the Eurotech Group develops and markets Pervasive Computing Devices. These are devices whose key components include the embedded boards on which Eurotech was founded, even though they are more and more often concealed inside application-ready platforms (ARPs) or ready-to-use (R2U)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

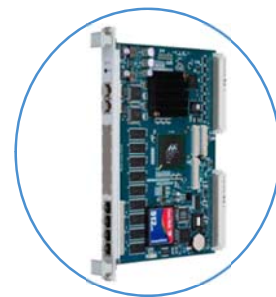
## PUBLIC TRANSPORT



## LOGISTICS

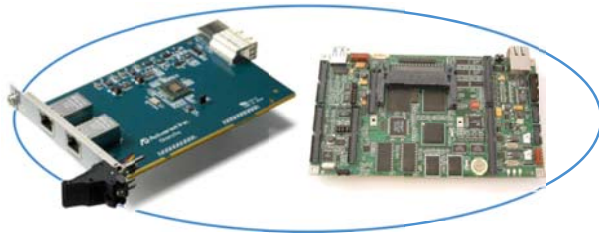
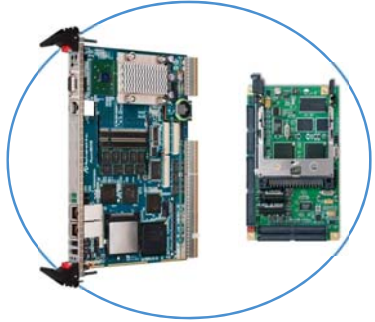
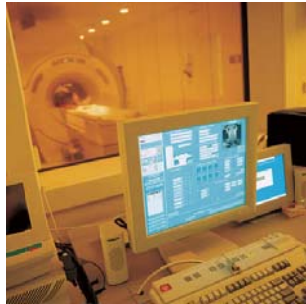


## MACHINE AUTOMATION



## 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 CENTRES

*(pictures of Eurotech HPCs)*

## Corporate information

### Board of Directors

Chairman	Roberto Siagri <sup>7</sup>
Director	Giulio Antonello <sup>1 2 3</sup>
Director	Sandro Barazza <sup>1 4</sup>
Director	Paola Bonomo <sup>1 2 5 6 7</sup>
Director	Riccardo Costacurta <sup>1 2 3 5 6</sup>
Director	Chiara Mio <sup>1 2 3 5 6 7 8</sup>
Director	Dino Paladin <sup>1</sup>
Director	Giuseppe Panizzardi <sup>1</sup>

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 24 April 2014, 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

<sup>1</sup> Non-executive Directors.

<sup>2</sup> Independent Directors pursuant to the Corporate Governance Code issued by the Italian Corporate Governance Committee for Listed Companies.

<sup>3</sup> Member of the Committee for Related Party Transactions.

<sup>4</sup> Corporate Financial Reporting Manager as from 29 May 2008.

<sup>5</sup> Member of the Control and Risks Committee.

<sup>6</sup> Member of the Remuneration Committee.

<sup>7</sup> Member of the Appointments Committee.

<sup>8</sup> 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 2014*

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 2014)	€ 57 million
Stock market capitalisation (based on the share's reference price at 31 December 2014)	€ 57 million

### *Performance of Eurotech S.p.A. shares*

Absolute performance of EUROTECH S.p.A. shares  
01.01.2014 – 31.12.2014

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 2014 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).

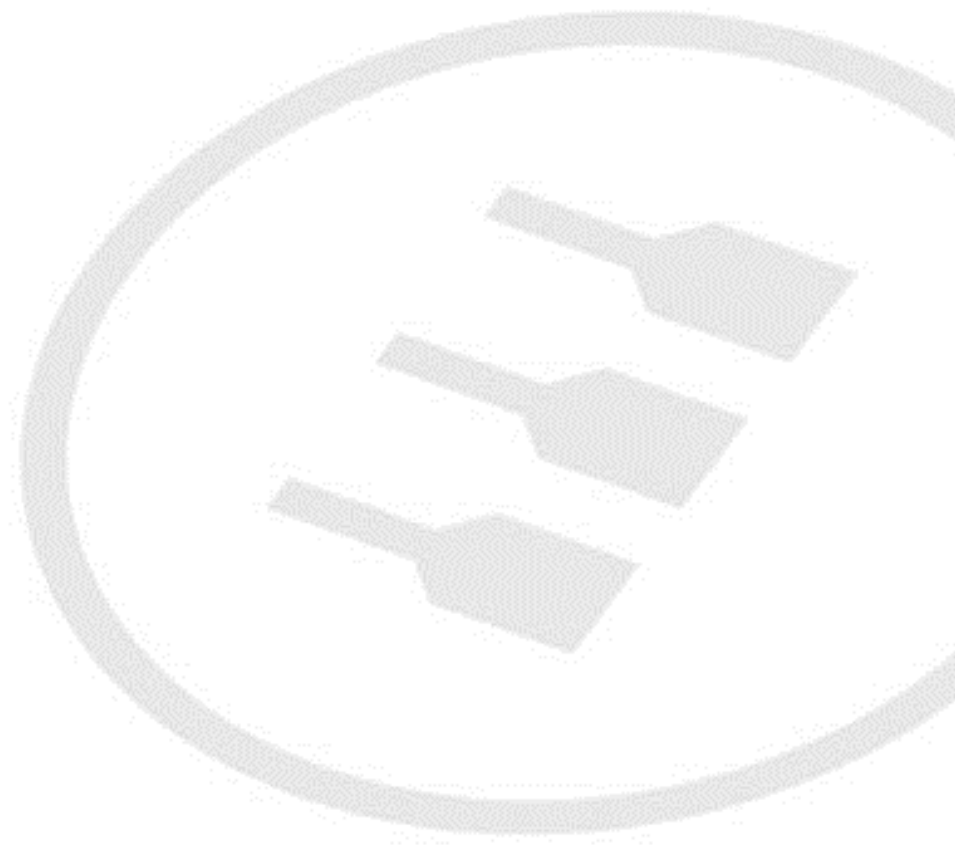
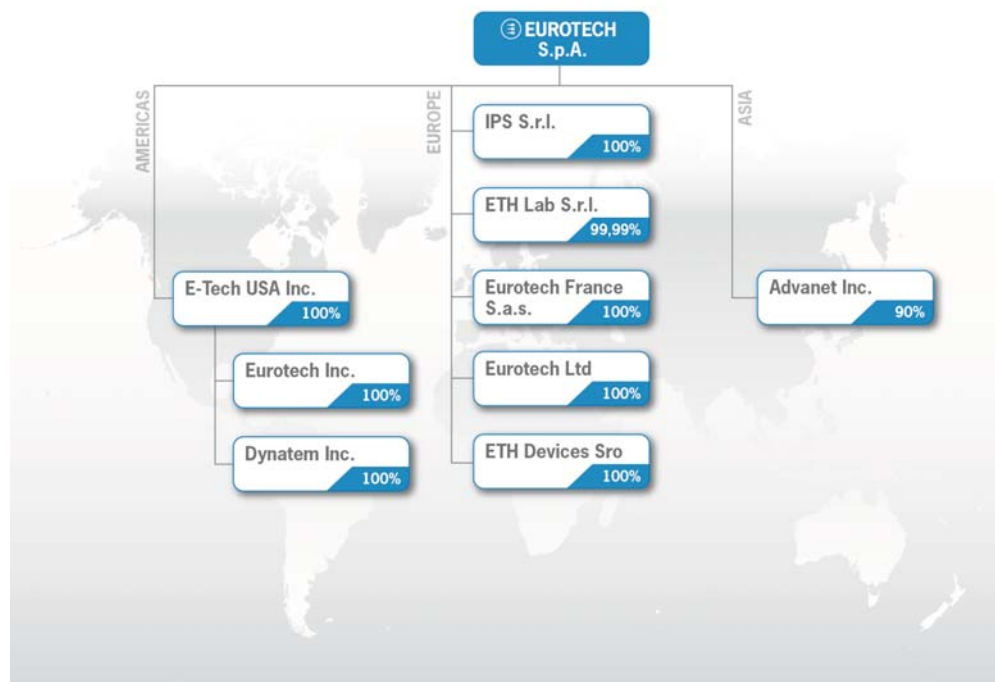
"NanoPCs" and "HPCs" are therefore the segments identified. In the NanoPC segment, the Group's product offering consists of miniaturised electronic modules and systems and of software platforms for Machine-to-Machine (M2M) integration, currently targeting the transportation, logistics, defence, security, medical, and industrial sectors.

In the HPC segment, the Group's offering is represented by supercomputers that pair very high computing power, up to tens 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 2014, the Eurotech Group consisted of the following companies:

Company name	Business	Share capital	Group share
<i>Parent company</i>			
<b>Eurotech S.p.A.</b>	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	
<i>Subsidiaries and companies consolidated on a line-by-line basis</i>			
<b>Dynatem Inc.</b>	Operates in the US NanoPC market	USD 1,000	100.00%
<b>E-Tech USA Inc.</b>	Holding company that controls 100% of Eurotech Inc. and Dynatem Inc.	USD 8,000,000	100.00%
<b>ETH Devices S.r.o.</b>	Operates in the Eastern European NanoPC sector, mainly in the handheld devices segment	€ 10,000	100.00%
<b>Eurotech France S.A.S.</b>	Operates in the French NanoPC market	€ 795,522	100.00%
<b>Eurotech Inc.</b>	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%
<b>Eurotech Ltd.</b>	Operates in the NanoPC segment and is active primarily in the UK	GBP 33,333	100.00%
<b>I.P.S. Sistemi Programmabili S.r.l.</b>	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%
<b>EthLab S.r.l.</b>	Handles research on the Group's behalf (since 2005)	€ 115,000	99.99%
<b>Advanet Inc.</b>	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.



## Operating performance

	(€'000)	FY 2014	%	FY 2013	%
<b>OPERATING RESULTS</b>					
SALES REVENUES		63,898	100.0%	66,106	100.0%
GROSS PROFIT MARGIN	(*)	30,751	48.1%	32,809	49.6%
EBITDA	(**)	(3,619)	-5.7%	449	0.7%
EBIT	(***)	(8,993)	-14.1%	(11,927)	-18.0%
PROFIT (LOSS) BEFORE TAXES		(8,281)	-13.0%	(11,387)	-17.2%
PROFIT (LOSSES) FROM DISCONTINUED OPERATIONS		0	0.0%	21,395	32.4%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(8,922)	-14.0%	8,240	12.5%

(\*) 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 explained in paragraph "F - Non-current assets held for sale and discontinued operations" of the financial statements at 31/12/2014, to which you are referred, the 2013 figures show under the item "Net Profit (Loss) of discontinued operations and assets held for sale", in applying the provisions of "IFRS 5 - non-current assets held for sale and discontinued operations", the economic effects of the sale of the equity interest in the US company Parvus Corp.*

As occurred in 2013, the Group recorded a decline in revenues, mainly reflecting the yen/euro exchange rate during the translation phase of the financial statements from one year to the next. In the past two years the yen lost 36.9%, and in particular 8.2% in 2014, in terms of average annual exchange rate.

This effect had an impact on the representation of sales, which dropped from EUR 66.11 million in 2013 to EUR 63.90 million in 2014. The decline at historical exchange rates was 3.5%, but would have been just 0.6% if constant exchange rates had been used when the financial statements were translated.

Geographical coverage of three continents is still one of Eurotech's biggest advantages in both absolute terms and in terms of outlook: it maximizes 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, for example.

If analysed from the customer viewpoint - the USA area recorded growth, which demonstrates that even if some customers already acquired have slowed down the launch of new generations of products, entailing a shift of their production and hence of the growth of our sales, the Group is able to identify some customer niches to whom it can offer its range of solutions.

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, finding opportunities in other countries of the EMEA region. In principle, Europe is still a region with great potential, although at the moment this is harder to discern, with inevitable repercussions on the sales generated.

With regard to Japan, it was believed that its economy could have benefited from a weaker yen, but it did not trigger a revival in exports and did not give fresh impetus to the domestic economic that was believed was possible. From the business viewpoint, a certain amount of pressure on prices was felt, and this led to a lowering of the margin, particularly on products with low added value. On the whole, this market holds good prospects in the sector that interests us despite it has demonstrated some difficulties.

During the year, if on the one hand investments in businesses that the management regards as strategic for the future did not stop, on the other continuous attention was focused on the operational efficiency of the Group structure and control of costs by following a policy of rationalizing products and services which partially generated results and partially still has to show them.

Despite the efforts made, the break-even level of EBIT achieved in 2013 could not be maintained due to lower sales in the fourth quarter, mainly reflecting the rescheduling of some deliveries and the different product mix that involved a decrease in the gross profit margin.

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 <sup>A</sup>allocations relating to the business combinations of Applied Data Systems Inc. (now Eurotech Inc.) in 2013 only, Dynatem Inc. and Advanet Inc. and the write-down for impairment of Eurotech Inc. <sup>B</sup> in financial year 2013 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 € -6.60 million rather than € -8.99 million;
- The pre-tax loss would be €-5.89 million rather than € -8.28 million;
- The net loss and net loss of the Group would be €-7.48 million rather than € -8.92 million;

The gross margin is 48.1%, compared to 49.6% last year. The change is caused by 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, in addition to a slight price pressure in the Japanese area.

The focus on close control of materials purchasing is even more crucial to maintain competition without losing the profit margins needed to achieve our identified goals.

Before adjustments for internal increases, operating costs increased in absolute value by €1.44 million due to the investments, from €35.12 million (53.1% as a percentage of revenues) to €36.56 million (57.2% as a percentage of revenues). This performance, which was partly due to the change in the yen/euro relationship, had an effect on Group EBITDA, already affected by reduced sales and the negative effect of lower gross margin. Operating costs as a percentage of turnover were affected by costs tied to the strengthening of the operational structure, in particular in the marketing and sales areas, with the aim of attaining the results expected in growth of sales.

During the year those actions already planned at the end of 2013, regarding the strengthening of the sales structure and the business lines that focus is centred on for future Group develop, were in fact undertaken.

The investments made in innovation and development over recent years, more specifically on the Machine-to-Machine, Security & Surveillance and green HPCs, generated considerable results from the technological point of view, and now it is important to maintain technological recognition through ongoing improvements and focus on market penetration with targeted investments to achieve the medium to long-term objectives.

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 sales skills are needed, particularly in the new M2M and Security & Surveillance segments, which the Group expects to generate returns in the next few years.

<sup>A</sup> More specifically, the effects of recognition of PPA relating to the business combinations of Dynatem Inc., Advanet of Applied Data Systems Inc. (now Eurotech Inc.) only in 2013 can be summarized as follows

- depreciation, amortization and impairment: EUR 2,390 thousand (EUR 3,157 thousand in 2013), due to higher amortization of amounts allocated to intangible assets (particularly customer relations);
- Lower income taxes: EUR 945 thousand (EUR 1,242 thousand for 2013) resulting from the tax effect on adjustments made

<sup>B</sup> The impairment of Eurotech Inc. had the following effects on the income statement for the year 2013:

- goodwill impairment of €5,483 thousand;
- a write-down of the customer relations item of €594 thousand.

EBITDA in the periods considered went from € 0.45 million in 2013 to -€ 3.62 million. EBITDA in 2014 as a percentage of revenues was -5.7%, compared with 0.7% in 2013.

The difference between one period and the next reflects both the decrease in gross profit in absolute terms, also due to the contraction in sales, and the increase in operating costs for the year.

EBIT improved in the periods in question, rising from -€ 11.93 in 2013 to -€ 8.99 million in 2014. EBIT as a percentage of revenues changed from -€ 18.0% in 2013 to -€ 14.1% in 2014.

EBIT in 2014 was not affected by the write-downs of goodwill and customer relations in respect of the Eurotech Inc. CGU in 2013 attributable to the impairment test carried out on the recoverability of the capital invested in the CGU, while it was affected by the write-downs and depreciation and amortisation recorded during the year and the performance of the EBITDA commented on above.

The 2014 write-downs totally refer to the product development costs that did not achieve the market success initially forecast and amount to € 0.16 million.

On the contrary, depreciation and amortisation derive from both operating assets becoming subject to depreciation in 2014 and the non-monetary effects arising from price allocation relating to the acquisitions of Eurotech Inc. (former Applied Data Systems Inc. and former Arcom Control Systems Inc.), Dynatem Inc. and Advanet Inc. The effect on EBIT of the higher values attributed as a result of purchase price allocation in 2014 was € 2.39 million, compared with € 3.16 million in 2013.

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 € 1.11 million (compared with a positive effect of € 1.20 million in 2013), while financial management relating to interest had an effect of € 0.44 million (€ 0.91 thousand in 2013).

The Group booked a pre-tax loss on current operations of € 8.28 million in 2014 (compared with a loss of € 11.39 million in 2013). This performance was influenced by the factors outlined above. The impact on the pre-tax result of PPA was €2.39 million in 2014, compared with €3.16 million in 2013.

The Group registered a net loss in operating assets of -€8.92 million, compared with a net loss of -€13.16 million in 2013. 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 €1.44 million effect on the Group's net result in 2014 (2013: €7.99 million).

The net loss of the Group in 2014 corresponds to the net loss of current operations whereas in 2013, following the economic effects of the sale transaction of the US company Parvus Corp., booked under the item "Net Profit (Loss) of discontinued operations and assets held for sale" and amounting to €21.39 million, the Group net profit was €8.24 million.

As indicated in the explanatory notes to the consolidated financial statements (Note G), 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 2014	FY 2013	% YoY Change	FY 2014	FY 2013	% YoY Change	FY 2014	FY 2013	% YoY Change
Sales revenues	62,722	65,729	-4.6%	1,176	377	211.9%	63,898	66,106	-3.3%
Gross profit	30,677	33,101	-7.3%	74	(292)	-125.3%	30,751	32,809	-6.3%
EBITDA	(2,197)	1,818	-220.8%	(1,422)	(1,369)	3.9%	(3,619)	449	-906.0%
EBITDA margin - %	-3.5%	2.8%		-120.9%	-363.1%		-5.7%	0.7%	
EBIT	(7,411)	(10,199)	27.3%	(1,582)	(1,728)	8.4%	(8,993)	(11,927)	24.6%
EBIT margin - %	-11.8%	-15.5%		-134.5%	-458.4%		-14.1%	-18.0%	

Analysis of revenues by the main business areas shows that the HPC area is still not significant, pending projected developments at European level in this business segment. Business in this field 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 generated in 2014, 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 €62.72 million in 2014 and €65.73 million in 2013, representing a decrease of 4.6%. This decrease was due to the factors previously described relating to overall sales, and particularly to the negative 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 2014	FY 2013	%YoY Change	FY 2014	FY 2013	%YoY Change	FY 2014	FY 2013	%YoY Change	FY 2014	FY 2013	%YoY Change	FY 2014	FY 2013	%YoY Change
Third party Sales	20,953	21,854		19,376	18,654		22,393	25,221		0	0		62,722	65,729	
Infra-sector Sales	306	880		2,953	6,667		418	258		(3,677)	(7,805)		0	0	
Total Sales revenues	21,259	22,734	-6.5%	22,329	25,321	-11.8%	22,811	25,479	-10.5%	(3,677)	(7,805)	52.9%	62,722	65,729	-4.6%
Gross profit	7,832	7,278	7.6%	10,168	10,558	-3.7%	12,966	15,512	-16.4%	(289)	(247)	17.0%	30,677	33,101	-7.3%
Gross profit margin - %	36.8%	32.0%		45.5%	41.7%		56.8%	60.9%					48.9%	50.4%	
EBITDA													(2,197)	1,818	-220.8%
EBITDA margin - %													-3.5%	2.8%	
EBIT													(7,411)	(10,199)	-27.3%
EBIT margin - %													-11.8%	-15.5%	

North American revenues decreased by 4.1%, from €21.85 million in 2013 to €20.95 million in 2014. This change was mainly due to shifts of deliveries by customers, which moved a portion of sales into the following year. Although sales were down in recent years, existing orders and growth prospects for new products and services lead to high hopes for the subsequent periods.

The European business area showed a 3.9% increase, up from €18.65 million in 2013 to €19.38 million in 2014. Performance was positive because alternative markets outside Europe were explored. Europe is still undergoing economic stagnation in the three key European countries (Italy, France and the UK) where the Group operates.

Lastly, the Asian business area showed an 11.2% reduction, down from €25.22 million to €22.39 million. This is due both to the foreign exchange differences resulting from the conversion of figures in yen into euro (analysis of the local currency data of the area reveals a decrease of 3.9%) and to a slight contraction of sales on the local market.

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

SALES BY TYPE	FY 2014		FY 2013	
		%		%
Industrial revenues	60,211	94.2%	62,505	94.6%
Services revenues	3,687	5.8%	3,601	5.4%
<b>TOTALE SALES AND SERVICE REVENUES</b>	<b>63,898</b>	<b>100.0%</b>	<b>66,106</b>	<b>100.0%</b>

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

BREAKDOWN BY GEOGRAPHIC AREA	FY 2014	%	FY 2013	%	var. %
European Union	11,939	18.7%	12,204	18.5%	-2.2%
United States	24,790	38.8%	23,343	35.3%	6.2%
Japan	22,366	35.0%	25,370	38.4%	-11.8%
Other	4,803	7.5%	5,189	7.8%	-7.4%
<b>TOTAL SALES AND SERVICE REVENUES</b>	<b>63,898</b>	<b>100.0%</b>	<b>66,106</b>	<b>100.0%</b>	<b>-3.3%</b>

The sales breakdown by customer region shows an increase in sales in the US of 6.2%, which was mainly due to an important order that the UK company shipped to the US region. The US accounted for 38.8% of total annual sales in 2014.

The Japan region registered a reduction of 11.8%, mainly due to the negative exchange rate effect due to the conversion in Euro of the Japanese subsidiary's financial statements. The data in local currency show a reduction of just 4.0%.

In the European area, again with reference to customer location, turnover was essentially stable (a 2.2% reduction) and the area is still affected by stagnated demand. Europe accounted for 18.7% of total sales, in line with the figure of the previous year.

(€'000)	FY 2014	% of sales	FY 2013	% of sales	var. %
Purchases of raw materials, semi-finished and finished products	32,215	50.4%	32,058	48.5%	0.5%
Changes in inventories of raw materials	763	1.2%	868	1.3%	-12.1%
Change in inventories of semi-finished and finished products	169	0.3%	371	0.6%	-54.4%
<b>TOTAL COST OF MATERIALS</b>	<b>33,147</b>	<b>51.9%</b>	<b>33,297</b>	<b>50.4%</b>	<b>-0.5%</b>

Consumption of raw and auxiliary materials and consumables, shown in the table above, decreased slightly from €33.30 million in 2013 to €33.15 million in 2014. A decline of 0.5% was recorded in the period, less than the reduction in sales (3.3%). The difference between the decreases 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 50.4% in 2013 to 51.9% in 2014.

(€'000)	FY 2014	%of sales	FY 2013	%of sales	var. %
Service costs	14,096	22.1%	12,589	19.0%	12.0%
Rent and leases	1,700	2.7%	1,718	2.6%	-1.0%
Payroll	18,976	29.7%	19,292	29.2%	-1.6%
Accruals and other costs	1,792	2.8%	1,525	2.3%	17.5%
Cost adjustments for in-house generation of non-current assets	(1,787)	-2.8%	(1,418)	-2.1%	26.0%
<b>Operating costs net of cost adjustments</b>	<b>34,777</b>	<b>54.4%</b>	<b>33,706</b>	<b>51.0%</b>	<b>3.2%</b>

As a percentage of revenues, other operating costs, net of cost adjustments for internal increases, increased from 51.0% in 2013 to 54.4% in 2014.

In absolute terms, net operating costs were up 3.2%, from €33.71 million in 2013 to €34.78 million in 2014. The increase in absolute terms is mainly the result of the increase in costs for services supporting the various company activities, with particular reference to production and research.

The trend in service costs is shown below.

(€'000)	FY 2014	%	FY 2013	%	var. %
Industrial services	5,397	38.3%	4,431	35.2%	21.8%
Commercial services	3,169	22.5%	2,792	22.2%	13.5%
General and administrative costs	5,530	39.2%	5,366	42.6%	3.1%
<b>Total costs of services</b>	<b>14,096</b>	<b>100.0%</b>	<b>12,589</b>	<b>100.0%</b>	<b>12.0%</b>
<b>% impact on sales</b>	<b>22.1%</b>		<b>19.0%</b>		

Service costs were up 12.0%, from €12.59 million in 2013 to €14.10 million in 2014. This item rose as a percentage of revenues, and is currently at about 22.1%.

Industrial costs were up 21.8%, from €4.43 million in 2013 to €5.40 million in 2014.

Commercial service costs were up due to the greater sales forcing imparted, above all on the new type of products: €3.17 million in 2014 compared to €2.79 million in 2013.

General and administrative services costs increased slightly, rising 3.1% from €5.37 million in 2013 to €5.53 million in 2014.

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 terms, these costs fell from €1.72 million in 2013 to €1.70 million in 2014.

(€'000)	FY 2014	%	FY 2013	%	var. %
Wages, salaries, and Social Security	17,901	94.3%	18,218	94.4%	-1.7%
Severance indemnities	333	1.8%	309	1.6%	7.8%
Other costs	742	3.9%	765	4.0%	-3.0%
<b>Total cost of personnel</b>	<b>18,976</b>	<b>100.0%</b>	<b>19,292</b>	<b>100.0%</b>	<b>-1.6%</b>
<b>% impact on sales</b>	<b>29.7%</b>		<b>29.2%</b>		

In the period under review, payroll costs decreased 1.6%. The difference is due to the currency exchange rate effect. Moreover, most of the recruitments took place during the second half of the year. As a result, the number of employees grew if we consider the final situation on 31 December 2014, but the full effect of the increase in terms of cost will take place in 2015.

Payroll costs as a percentage of revenues increased to 29.7% in 2014, from 29.2% in 2013.

As shown in the table below, the number of Group employees at the end of the periods under review rose from 354 in 2013 to 365 in 2014. In terms of average number of employees, the values are quite similar: 363.7 units in 2013 and 367.4 units in 2014.

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

Employees	Average 2014	at December 31, 2014	Average 2013	at December 31, 2013
Manager	11.2	12	11.0	11
Clerical workers	325.3	325	323.4	314
Line workers	31.0	28	29.4	29
<b>TOTAL</b>	<b>367.4</b>	<b>365</b>	<b>363.7</b>	<b>354</b>

(€'000)	FY 2014	%	FY 2013	%	var. %
Doubtful debt provision	793	44.3%	740	48.5%	7.2%
Other Provisions	165	9.2%	35	2.3%	371.4%
Other costs	834	46.5%	750	49.2%	11.2%
<b>Total accruals and other costs</b>	<b>1,792</b>	<b>100.0%</b>	<b>1,525</b>	<b>100.0%</b>	<b>17.5%</b>
<b>% impact on sales</b>	<b>2.8%</b>		<b>2.3%</b>		

The "doubtful accounts" item refers to provisions made during the years under review to cover any trade receivables that cannot be collected. More specifically, in the US area a substantial write-down was made on a commercial loan whose presumed recovery time has significantly lengthened due to a delay on the part of the customer to start up the project. Nevertheless, the directors deem the entire value recoverable in the coming years.

During the year losses were realized on receivables totalling €182 thousand, whereas the figure was zero on 31 December 2013.

As a percentage of revenues, other provisions and other costs fell from 2.3% in 2013 to 2.8% in 2014.

(€'000)	FY 2014	%	FY 2013	%	var. %
Government grants	211	51.8%	842	62.6%	-74.9%
Sundry revenues	196	48.2%	504	37.4%	-61.1%
<b>Total other revenues</b>	<b>407</b>	<b>100.0%</b>	<b>1,346</b>	<b>100.0%</b>	<b>-69.8%</b>
<b>% impact on sales</b>	<b>0.6%</b>		<b>2.0%</b>		

The "Other income" item decreased by 69.8% in the reporting period, from €1.35 million in 2013 to €0.41 million in 2014. The decrease is for the most part due to the lower contributions booked in the period, while the "Miscellaneous revenues" item in 2013 also included management fees charged to US company Parvus, which was consolidated until 30 September 2013.

Other revenues rose from 2.0% in 2013 to 0.6% in 2014 as a percentage of total revenues.

(€'000)	FY 2014	%	FY 2013	%	var. %
Amortisation of intangible assets	4,256	79.2%	5,244	42.4%	-18.8%
Amortisation of property, plant and equipment	958	17.8%	1,055	8.5%	-9.2%
Write-down of fixed assets	160	3.0%	6,077	49.1%	-97.4%
<b>Total amortisation and depreciation</b>	<b>5,374</b>	<b>100.0%</b>	<b>12,376</b>	<b>100.0%</b>	<b>-56.6%</b>
<b>% impact on sales</b>	<b>8.4%</b>		<b>18.7%</b>		

Amortisation fell from €6.30 million in 2013 to €5.21 million in 2014. This change is mainly attributable to the different impact of the amortisation of capitalised development costs; amortisation of the "customer relations" item regarding the price allocation of Eurotech Inc., which concluded the amortisation process at 31 December 2013; and the different impact of the amortisation concerning investments made in the period and in previous periods.

The asset write-down in the year is related entirely to some projects posted to the development costs item for products that did not achieve as much market success as forecasted. The asset write-down in 2013 was instead entirely due to impairment; in relation to subsidiary Eurotech Inc., goodwill had been written down by €5.48 million and customer relations by €0.59 million.

Depreciation, amortisation and impairment of assets as a percentage of revenues decreased to 8.4% in 2014 compared to 18.7% in 2013. This figure was affected the extraordinary write-down of some intangible assets as explained above.

Valuation of equity interests in associates led to a revenue of €45 thousand, compared with €242 thousand in 2013. Like in 2013, the net effect of 2014 mainly derived from valuation of the equity interest in associate Emilab S.r.l. and Vantron Inc. for a total of €52 thousand and the write-down of €7 thousand of the deconsolidated company SAE S.r.l. during the period, owing to closure of the liquidation process.

(€'000)	FY 2014	FY 2013	change %
Exchange-rate losses	750	2,869	-73.9%
Interest expenses	387	703	-45.0%
Interest expenses due to the discounting	19	0	n/a
Expenses on derivatives	115	206	-44.2%
Other finance expenses	46	60	-23.3%
<b>Financial charges</b>	<b>1,317</b>	<b>3,838</b>	<b>-65.7%</b>

(€'000)	FY 2014	FY 2013	change %
Exchange-rate gains	1,859	4,073	-54.4%
Interest income	65	49	32.7%
Other finance income	60	14	328.6%
<b>Financial incomes</b>	<b>1,984</b>	<b>4,136</b>	<b>-52.0%</b>
<b>Net financial income</b>	<b>667</b>	<b>298</b>	<b>123.8%</b>
<b>% impact on sales</b>	<b>1.0%</b>	<b>0.5%</b>	

The decrease in financial expense from €3.84 million in 2013 to €1.32 million in 2014, was due to an overall reduction in financial expense, but in particular to a reduction in the negative foreign exchange differences relating to trends in the US dollar, the Japanese yen and the UK pound.

Financial income showed a reduction as well, down from €4.14 million in 2013 to €1.98 million in 2014. The change is due to the lower forex effect (USD, GBP and JPY) compared to the previous year, only slightly offset by increased positive interest resulting from greater average cash in bank accounts.

Net charges from financial operations as a percentage of revenues were 1.0% in 2014, compared with 0.5% in 2013.

(€'000)	FY 2014	% of sales	FY 2013	% of sales	var. %
Pre-tax result of continuing operations	( 8,281)	-13.0%	( 11,387)	-17.2%	-27.3%
Income taxes	( 641)	-1.0%	( 1,768)	-2.7%	-63.7%
<b>Income taxes as a percentage of profit before taxes (effective tax rate)</b>	<b>-7.7%</b>		<b>-15.5%</b>		

The Group booked a pre-tax loss on current operations of -€8.28 million in 2014 (compared with a loss of -€11.39 million in 2013). As already observed, this slight change is the effect of write-downs in 2013 having a lower impact, the performance of gross profit margin, and 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 2014	%of sales	FY 2013	%of sales	var. %
IRES (Italian corporate income tax)	381	0.6%	1,024	1.5%	-62.8%
IRAP (Italian Regional business tax)	5	0.0%	50	0.1%	-90.0%
Foreign current income taxes	983	1.5%	2,260	3.4%	-56.5%
<b>Total current income tax</b>	<b>1,369</b>	<b>2.1%</b>	<b>3,334</b>	<b>5.0%</b>	<b>-58.9%</b>
Net (prepaid) deferred taxes: Italy	1	0.0%	4	0.0%	-75.0%
Net (prepaid) deferred taxes: Non-italian	(738)	-1.2%	(1,570)	-2.4%	-53.0%
<b>Net (prepaid) deferred taxes</b>	<b>(737)</b>	<b>-1.2%</b>	<b>(1,566)</b>	<b>-2.4%</b>	<b>-52.9%</b>
Previous years taxes	9	0.0%	0	0.0%	n.a.
<b>Previous years taxes</b>	<b>9</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>n.a.</b>
<b>TOTAL INCOME TAXES</b>	<b>641</b>	<b>1.0%</b>	<b>1,768</b>	<b>2.7%</b>	<b>-63.7%</b>

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 €8.92 million, compared with a profit of €8.24 million in 2013, which included income from discontinued operations that amounted to €21.39 million.

As was commented last year, the income from discontinued operations in note F and note 32 represented the combined effect of capital gains arising from the disposal of US company Parvus Corp., and profit from this company generated during its nine months in 2013 within the Group, and was adjusted for direct costs associated with the transaction.

**Balance sheet****Non-current assets**

(€'000)	at December 31, 2014	at December 31, 2013	Changes
<b>ASSETS</b>			
Intangible assets	83,735	83,233	502
Property, Plant and equipment	3,391	3,518	(127)
Investments in affiliate companies	730	607	123
Investments in other companies	286	248	38
Deferred tax assets	1,231	1,397	(166)
Other non current financial assets	0	2,342	(2,342)
Other non-current assets	547	535	12
<b>Total non-current assets</b>	<b>89,920</b>	<b>91,880</b>	<b>(1,960)</b>

The "Non-current assets" item decreased from €91.88 million in 2013 to €89.92 million in 2014.

This decrease is mainly due to reclassification compared to 2013 of the amount relating to other non-current financial assets in the current portion. This amount refers to the escrow deposit set up on 1 October 2013 to cover contractual warranties referring to the agreement for the sale of US company Parvus Corp. and that will become available 18 months after the closing date, at the beginning of April 2015.

The Group's main investments break down as follows:

(€'000)	at December 31, 2014	at December 31, 2013	Chg.
Intangible assets	1,985	1,492	493
Property, plant and equipment	820	306	514
Investments	19	41	(22)
<b>TOTAL MAIN INVESTMENTS</b>	<b>2,824</b>	<b>1,839</b>	<b>985</b>

*Current assets*

(€'000)	at December 31, 2014	at December 31, 2013	Changes
Inventories	15,295	14,156	1,139
Contracts in progress	79	0	79
Trade receivables	19,846	18,673	1,173
Income tax receivables	215	268	(53)
Other current assets	1,659	2,404	(745)
Other current financial assets	2,570	101	2,469
Cash & cash equivalents	14,104	27,995	(13,891)
<b>Total current assets</b>	<b>53,768</b>	<b>63,597</b>	<b>(9,829)</b>

The current assets item decreased, from €63.60 million in 2013 to €53.77 million in 2014. The decrease is mainly to be attributed to the reduction in cash used to repay loans as well as for the absorption deriving from operations. This value was offset only in part by the increase in inventories to honour commitments in the early months of 2015, trade receivables and the increase in other current financial assets following the reclassification of the escrow deposit associated with the sale of Parvus Corp. last year and falling due within the short term.

*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, 2014 (b)	at December 31, 2013 (a)	Changes (b-a)
Inventories	15,295	14,156	1,139
Contracts in progress	79	0	79
Trade receivables	19,846	18,673	1,173
Income tax receivables	215	268	(53)
Other current assets	1,659	2,404	(745)
<b>Current assets</b>	<b>37,094</b>	<b>35,501</b>	<b>1,593</b>
Trade payables	(15,272)	(14,677)	(595)
Income tax liabilities	(507)	(1,657)	1,150
Other current liabilities	(7,242)	(7,113)	(129)
<b>Current liabilities</b>	<b>(23,021)</b>	<b>(23,447)</b>	<b>426</b>
<b>Net working capital</b>	<b>14,073</b>	<b>12,054</b>	<b>2,019</b>

Net working capital increased by €2.02 million. This increase was due to the increase in current assets being greater than the reduction in current liabilities. In particular, increases were recorded in inventories, work in progress, trade receivables and a considerable reduction of tax payables and other current assets. Net working capital as a percentage of sales was in line with budget expectations, around 22%, which is higher than what was achieved in 2013 (18.2%).

*Net financial position*

The Group's net financial position at 31 December 2014 was €5.94 million, compared with €15.11 million at 31 December 2013.

(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)		at December 31, at December 31,	
		2014	2013
Cash & cash equivalents	A	(14,104)	(27,995)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(14,104)</b>	<b>(27,995)</b>
Other current financial assets	C	(2,570)	(101)
Derivative instruments	D	52	159
Short-term borrowing	E	7,930	12,319
Other current financial liabilities	F	0	0
<b>Short-term financial position</b>	<b>G=C+D+E+F</b>	<b>5,412</b>	<b>12,377</b>
<b>Short-term net financial position</b>	<b>H=B+G</b>	<b>(8,692)</b>	<b>(15,618)</b>
Other non current financial liabilities	I	0	118
Medium/long term borrowing	J	2,756	2,729
<b>Medium-/long-term net financial position</b>	<b>K=I+J</b>	<b>2,756</b>	<b>2,847</b>
<b>(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions</b>	<b>L=H+K</b>	<b>(5,936)</b>	<b>(12,771)</b>
Other non current financial assets	M	0	(2,342)
<b>(NET FINANCIAL POSITION) NET DEBT</b>	<b>N=L+M</b>	<b>(5,936)</b>	<b>(15,113)</b>

Existing financial liabilities of €7.89 million, plus current account overdrafts at year-end 2014 of €2.80 million, combine to form total debt toward banks of €10.69 million, of which €7.93 million is payable in the short term.

At 31 December 2014, the Group had complied with all the financial covenants contained in the existing loan agreements.

At 31 December 2013, the medium- to long-term portion (€2.00 million) of an existing loan, for which a deadline for prior notice was missed in respect of a contractual clause relating to the disposal of substantial equity interests, was included under short-term financial liabilities (in application of IAS 1.65 instructions). At 31 December 2013, not having yet received the relative waiver, the portion originally classed as medium-term was reclassified under the short-term item, so the residual principal of this loan is not entirely short-term.

### Cash flow

(€'000)		at December 31, 2014	at December 31, 2013
Cash flow generated (used) in operations		(6,267)	6,206
Cash flow generated (used) in investment activities		(4,053)	23,349
Cash flow generated (absorbed) by financial assets		(4,362)	(8,315)
Net foreign exchange difference		791	(2,947)
Increases (decreases) in cash & cash equivalents		(13,891)	18,293
Opening amount in cash & cash equivalents		27,995	9,702
Cash & cash equivalents at end of period		14,104	27,995

Owing to the actions taken compared to the previous year, operations showed cash flows used of €6.27 million, compared with positive cash flows of €6.2 million in 2013.

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; last year investment activity reflected the marked effect deriving from the sale of US subsidiary Parvus.

Finally, cash flows from financial 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 2014 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. 33 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 article 79 of Consob Regulation 11971/99 as subsequently amended.

		at December 31, 2014						
Name		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	2,320,531	-	( 180,000)	2,140,531	980,371
Tecchiolli Giampietro	Director up to November 25, 2014	Eurotech	Ownership	191,015	-	-	191,015	- (*)
Barazza Sandro	Director	Eurotech	Ownership	2,000	-	-	2,000	-
Bertolone Giovanni	Director up to April 24, 2014	Eurotech	Ownership	-	-	-	-	-
Grasso Giancarlo	Director up to April 24, 2014	Eurotech	Ownership	-	-	-	-	-
Mio Chiara	Director	Eurotech	Ownership	-	-	-	-	-
Pedicchio Maria Cristina	Director up to April 24, 2014	Eurotech	Ownership	-	-	-	-	-
Pizzul Cesare	Director up to April 24, 2014	Eurotech	Ownership	-	-	-	-	-
Soccodato Giovanni	Director up to April 24, 2014	Eurotech	Ownership	-	-	-	-	-
Antonello Giulio	Director from April 24, 2014	Eurotech	Ownership	-	-	-	-	-
Bonomo Paola	Director from April 24, 2014	Eurotech	Ownership	-	-	-	-	-
Costacurta Riccardo	Director from April 24, 2014	Eurotech	Ownership	-	-	-	-	-
Paladin Dino	Director from April 24, 2014	Eurotech	Ownership	1,860,199	533,388	( 150,000)	2,243,587	-
Panizzardi Giuseppe	Director from April 24, 2014	Eurotech	Ownership	-	-	-	-	-
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	20,000	-	( 10,000)	10,000	-
Cignolini Michela	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-
Pingaro Giuseppe	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-

(\*) Shares owned at the end of office

### *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 2014 and 31 December 2013:

(€'000)	Profit (Loss) 12/31/2014	Shareholders' Equity 12/31/2014	Profit (Loss) 12/31/2013	Shareholders' Equity 12/31/2013
Financial report of the Parent Company	3,260	110,541	19,973	108,157
Group share of shareholders' equity and pro-quota value in consolidated companies	( 3,537)	( 61,302)	( 4,340)	( 48,300)
Differential arising from consolidation	-	44,217	-	43,984
Customer relationship	( 2,390)	6,217	( 2,564)	8,501
Trademark	-	7,292	-	7,317
Goodwill	-	-	( 3,978)	-
Profit and equity from discontinued operations - Parvus	-	-	( 974)	( 5,709)
Parvus plus adjustment	-	-	( 5,709)	-
Parvus dividends	-	-	( 1,833)	-
Reversal of Impairment of equity transactions	613	-	13,955	-
Effect of valuing equity investments using the net equity method	1	88	359	87
Exchange differences on equity investments in foreign companies	( 3,544)	-	876	-
Offset dividends	( 4,230)	-	( 8,537)	-
Tax effects on consolidation adjustments listed above	905	( 5,066)	1,012	( 5,938)
Consolidated financial statements	( 8,922)	101,987	8,240	108,099

### ***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 2014	871,020	218	2.45%	2,132	2.45
Purchases	448,000	112	1.26%	966	2.16
Status as at 31 December 2014	1,319,020	330	3.71%	3,097	2.35

### ***Investments and research and development***

At 31 December 2014, technical investments (tangible assets) in equipment and instruments amounted to €445 thousand (including €75 thousand in progress), investments in other assets amounted to €375 thousand, investments to purchase user, software and know-how licenses amounted to €141 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 €1.84 million. About 55.1% relate to the development of new products based on Intel's new, ultra-low power architectures. About 29.1% relate to software projects in the Cloud computing segment, and the remainder of about 15.8% 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 2014 as well.

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 nota 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 legal 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 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 (trademarks) with an indefinite useful life, 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 Articles 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 significant events took place after the reporting date.

### ***Report on corporate governance and ownership structure***

The information required by article 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 article 36 of Consob Regulation 16191/2007 (the "Stock Market Regulation"). In this regard, note that at 31 December 2014 the subsidiaries created and regulated under the laws of countries outside the European Union, pursuant to article 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 2015 is positive, even though market conditions in some sectors remain uncertain.

The Group will pursue strategic development in 2015, 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](http://www.eurotech.com)***

***Reporting period: financial year 2014***

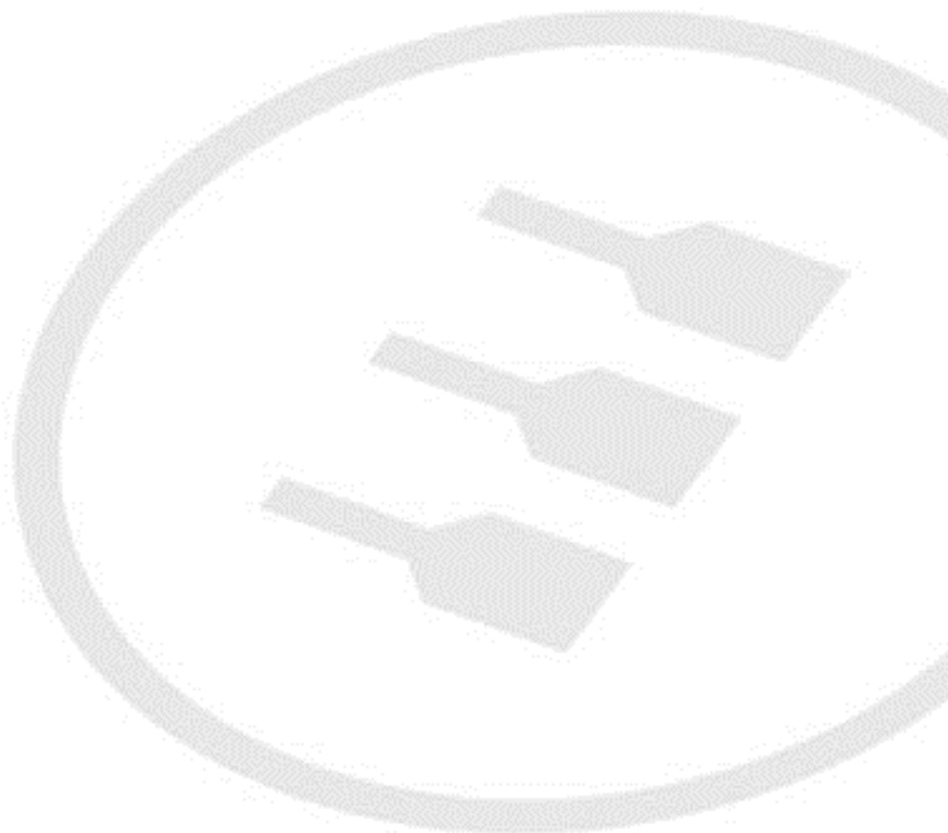
***Report approval date: 13 March 2015***

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## **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](http://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 concrete implementation of the Corporate Governance Code for the financial year ended 31 December 2014.

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) AT THE DATE OF 31 DECEMBER 2014

### a) Share capital

At the date of 31 December 2014, 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.

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).

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 qualifiable 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, ultimo sentence, TUF). Bearing the recent introduction of the mentioned regulation in mind and the fact that at the date of this Report the shareholdings published on the CONSOB website are not updated to the applicable threshold, the information on the shareholdings in the share capital of the Company with reference to the 2% threshold is provided below.

At the date of 31 December 2104, Shareholders who directly or indirectly hold shares representing more than 2% 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 %
Roberto Siagri	Nextra Gen Srl	2.355 %	2.355 %
Roberto Siagri	Roberto Siagri	4.446 %	4.446 %
Total Roberto Siagri		6,801%	6,801%
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.

**e) Employee shareholdings: voting mechanism**

No system of employee shareholdings exists.

**f) Restrictions on voting rights**

There are no restrictions on voting rights.

The bylaws of the Issuer contain no provisions regarding increased voting pursuant to Art. 127-*quinquies* TUF.

**g) Shareholder agreements**

To the Issuer's knowledge, at the date of 31 December 2014 there are no shareholder agreements pursuant to art. 122 of the TUF.

Note that during the year, and to be precise, on 28 March 2014 - with reference to the annual general meeting of Eurotech, scheduled in single call for 24 April 2014 at 9 am (the "**Annual General Meeting**") to decide on renewal of the Board of Directors and Board of Statutory Auditors - Finmeccanica S.p.A. ("**Finmeccanica**") delegated Roberto Siagri ("**Siagri**") to add several candidates designated by Finmeccanica to the lists filed for the election of the company bodies of Eurotech (the "**Agreement**").

Pursuant to the Agreement, Finmeccanica delegated Siagri so that:

- (i) he adds the names of two candidates designated by Finmeccanica for the office of Director in the persons of Giuseppe Panizzardi and Paola Bonomo to the list he will present, also in the name and on behalf of Finmeccanica, for the election of the Board of Directors of the Company (already placed on the agenda of the Annual General Meeting); and
- (ii) he adds the name of one Statutory Auditor designated by Finmeccanica in the person of Giuseppe Pingaro to the list he will present, also in the name and on behalf of Finmeccanica, for the election of the Board of Statutory Auditors of the Company (already placed on the agenda of the Annual General Meeting).

As regards presentation of the majority list, the Agreement is to be considered significant pursuant to Art. 122, paragraph 1 TUF until the date of the Annual General Meeting because of the agreement on implicit voting in submission of joint lists, and therefore it must be considered dissolved (as announced in the notice of dissolution pursuant to Art. 131 of the CONSOB Issuer Regulation published on 29 April 2014).

The Agreement aggregated a total of 6,256,991 ordinary shares of Eurotech, representing 17.62% of the share capital of Eurotech, of which 3,936,461 (11.08% of the share capital) are held by Finmeccanica and 2,320,530 (6.53% of the share capital) are held by Siagri, also through the subsidiary NEXTRA GEN S.r.l.

The key information on the shareholders' agreement is published on the website of the Company [www.eurotech.com/it](http://www.eurotech.com/it) – Investors/Corporate Governance section - where the notice of dissolution published pursuant to Art. 131 of the CONSOB Issuer Regulation is also available.

**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.

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.

***j) Delegations of authority to increase the share capital and authorisations for the purchase of treasury shares***

In 2014 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 2014, in renewing a similar authorisation of 24 April 2013 pursuant to articles 2357 and 2357-ter of the Civil Code, and article 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 article 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 article 2357 of the Civil Code, the purchase, in one or more tranches, during a period of 18 months from the date of 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; in cases where purchases are carried out through public purchase or exchange offers, the unit price can be 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 the public announcement;*
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, letters a) and b) of the Consob 11971/1999 Issuer Regulation, as subsequently amended.*
3. *to authorise the Board of Directors to sell, pursuant to article 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 (b) 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.

### ***1) Management and Co-ordination***

Eurotech is not subject to management and coordination pursuant to article 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 Article 84-*quater* of the CONSOB Issuer Regulation available in accordance with legal requirements, on the Company's website [www.eurotech.com](http://www.eurotech.com) in the "Investors" section;
- information required by article 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 article 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 article 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 article 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/comitato-corporate-governance/codice/20142014clean.pdf>.

Eurotech SpA and its subsidiaries are not subject to non-Italian legal 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 2014, 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 article 148, paragraph 3 of the TUF. 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 8 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 article 122 of the TUF, the Parent Company, subsidiaries, and companies subject to joint control pursuant to article 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 19109 of 28 January 2015, 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-fifth belong to the less represented gender (at the time of the first mandate after 12 August 2012) and then one-third (however rounded up to the excess) 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 article 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 article 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 article 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 11 March 2015 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 article 19 of the Bylaws, the Board of Directors is responsible for passing resolutions on the following matters, in compliance with article 2436 of the Civil Code: (i) simplified mergers and demergers, pursuant to articles 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](http://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.

Therefore, the Issuer's Board in office on the date of this Report consists of 8 (eight) Directors.

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 11 March 2015, 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 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
<b>Giampietro Tecchioli</b>  On the date of resignation 27/11/2014	ETHLab S.r.l. (Eurotech Group)	Chairman of the Board of Directors
	Eurotech France SA (Eurotech Group)	Chairman of the Board of Directors
	Eth Devices S.r.o. (Eurotech Group)	Executive Director
	Assisted Living Consortium (ALC)	Director
	EUROTECH S.p.A. (Italy – Amaro (UD)) (Eurotech SpA Group)	Vice Chairman and Director
	E-Tech USA Inc. (Eurotech Group)	Director
	Eurotech Ltd (Eurotech Group)	Director
<b>Sandro Barazza</b>	IPS - Sistemi Programmabili S.r.l. (Eurotech Group)	Executive Director
	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
	Vetroresina Enginia S.p.A.	Vice Chairman of the Board of Directors
	Colorprint S.p.A.	Substitute statutory auditor
<b>Chiara Mio</b>	EUROTECH S.p.A. (Italia – Amaro (UD)) (Eurotech SpA Group)	Independent director
	Banca Popolare Friuladria (Pordenone)	Chairman of the Board of Directors
	Anteo S.r.l. (Rovereto (TN))	Director and Executive Director
	Zignago Vetro Spa (Fossalta di Portogruaro – Ve)	Independent director
	Danieli e c. Officine meccaniche S.p.A. – (Italy – Buttrio (UD))	Member of the Board of Statutory Auditors
	MCZ SpA	Independent director
<b>Giovanni Soccodato</b> As per 2014 governance	Fondazione Ricerca & Imprenditorialità	Member of the Board of Directors
	EUROTECH S.p.A. (Italy – Amaro (UD)) (Eurotech SpA Group)	Director
	Telespazio SpA	Executive Director
	MB MBDA BV	Director
	Thales Alenia Space SAS	Chairman
<b>Cesare Pizzul</b> As per 2014 governance	FORT S.r.l. (Italy – Sossano (VI))	Chairman
	SUNSHINE S.p.A. (Italy – Sossano (VI))	Executive Director
	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director
	WULFENIA BUSINESS CONSULTING GMBH (Austria - Klagenfurt)	Sole Director
	WULFENIA CONFIDA DOO (Croatia - Rijeka)	Sole Director
	WULFENIA doo (Croatia – Rijeka)	Sole Director
	Antwerp Corporate Management bvba (Belgium - Hoogstraaten Meer)	Executive Director
<b>Giovanni Bertolone</b> As per 2014 governance	AIAD	Chairman of Research Committee
	Cluster Tecnologico Nazionale Aerospazio	Chairman
	ASD Bruxelles	Chairman of R&T Commission
	ASD – R&T (Bruxelles)	Committee Chairman
	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director
<b>Giancarlo Grasso</b> As per 2014 governance	Alenia Aermacchi ( a Finmeccanica Company)	Chairman
	Thales Alenia Space SAS	Supervisory Board Member
	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director

<b>Maria Cristina Pedicchio</b> As per 2014 governance	OGS National Institute of Oceanography and Experimental Geophysics	Chairman
	National Agency for the Promotion of European Research (APRE)	Chairman of the Technical Scientific Committee
	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director
	Corila Consortium	Director
	University of Brescia	Director
<b>Giuseppe Panizzardi</b>	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
	World's Wing SA	Board Meeting
<b>Dino Paladin</b>	Company Dott Dino Paladin (Italy - Padua and Trieste)	Owner
	Company Paladin Bio-Analytic-Instrument Company Limited (China)	Legal representative
	Tecna S.r.l. (Italy – Trieste)	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)
<b>Giulio Antonello</b>	Alerion Clean Power S.p.A.	Director
	Italcementi S.p.a.	Director
	Telelombardia S.r.l.	Director
	EUROTECH S.p.A. (Italy – Amaro (UD)) (Gruppo Eurotech S.p.A.)	Director
	Mediapason S.p.A.	Director
	Financiere Phone 1690 S.A.	Director
	Officine CST S.p.A.	Director
<b>Paola Bonomo 2015</b>	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
<b>Riccardo Costacurta</b>	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 self-regulatory and control framework.

A meeting was held on 6 May 2014 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 Section 2436 of the Civil Code:

- (i) simplified mergers and demergers, pursuant to articles 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 13 March 2015, 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 its 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 article 2390 of the Civil Code.

Pursuant to article 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 article 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 article 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 Article 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 article 16 of the Company bylaws. The Chairman also chairs the Shareholders' Meeting, performing the roles and functions set out in article 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: 7 and 14 March, 1 April, 2 (two) on 14 May, 18 June, 29 August, 13 November

The meetings were minuted.

The Board meetings lasted for 1 hour and 12 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 to Borsa Italiana S.p.A. in accordance with regulatory provisions). In addition to the meetings held on 12 February, 11 and 13 March 2015 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:

- 14 May (approval of the first-quarter results to 31 March 2014);
- 29 August (approval of the first-half results to 30 June 2014);
- 13 November (approval of the quarterly results to 30 September 2014);

The financial calendar is available in Italian and English in the Investors section of the Company website at [www.eurotech.com](http://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 article 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 judgements;
- 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 qualifiable 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.

### **Reporting to the Board**

As prescribed in article 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 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, Paola Bonomo and Riccardo Costacurta – 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 at the meeting held on 11 March 2015. 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 article 153 of the TUF.

On 11 March 2015, 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 accordance with the Self-discipline Code the process of evaluation has concerned the year and was based on a self evaluation questionnaire sent to all members of the board of directors. The questionnaire - divided in different parts of investigation (i.e, composition, structure, dimension and operation of the Board of Directors, interaction with the management, risk-management, composition and structure of the committees, etc.) and with possibility to express comments and proposals - has been filled out by all members of the Board of Directors and shared with the Board.

The results of the self-evaluation have underlined that the Board of Directors has managed with effectiveness during 2014 its own competence with the involvement of all the Members in a climate of competence and collaboration regarding the Company. Elements of weakness that involve the necessity to undertake immediate corrective actions were not found. However they will be analyzed and they will be taken into consideration for improvements and effectiveness of the Board of Directors' activities.

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.

Two meetings of the independent directors were held during the year, on 14 March and on 6 November 2014, during which the activity of the various committees within the board of directors and the regulations tied to the increased and plural vote shares and reports used during the quarterly meetings were checked.

The meetings lasted 40 minutes on the average.

#### **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' meetings, either independently or at the request of the other Directors (the so-called *Independent Directors executive sessions*).

During the year, Lead Independent Director Chiara Mio 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](http://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 article 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 o) 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](http://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 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 meeting, and they are Roberto Siagri (Executive Director), Paola Bonomo (Independent Director) and Chiara Mio (Independent Director).

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; 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.  
The Committee held no meetings during the year.

## 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.

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 3 (three) meetings, 28 February, 1 April and 15 May. The meetings were minuted. The first meeting concerned an analysis of the results obtained from the variable remuneration plan relating to the group for the year 2013; the second meeting regarded the final checks for 2013 concerning the Remuneration Plan at the group level, the remuneration proposal for the executive directors for the year 2014 and of management of the same Company and the Remuneration policy analysis to submit to the Eurotech S.p.A. shareholders' meeting; and at the third meeting the recruitment proposal and remuneration level of a new manager for the business developer position were assessed.

The meetings lasted 43 minutes on the average.

For the current year at least three meetings are scheduled. One was held on 12 February 2015 while the others are scheduled for March and May 2015.

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 Paola Bonomo have financial or remuneration policy experience.

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](http://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.

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 6 (six) meetings during the reporting period, on 28 February, 14 March, 16 and 24 June, 2 September and 6 November, all of which were duly minuted.

The Control and Risks Committee meetings lasted one hour and 42 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 and with the planned Oversight Committee to allow any critical issues in the respective areas of responsibility to be brought up. A Member 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 February 2015.

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 herein above).

On 13 March 2015 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 2015.

On 13 March 2015, 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 is 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 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 article 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 article 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) Internal control and risk management system in the financial disclosure process

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) Roles and responsibilities within the internal control and risk management system

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 the Regulation for Related Party Transactions. 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 14 March 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 periodic assessment of the adequacy of the Related Party Procedure and its update, if any, is scheduled by April 2015.

The Related Party Procedure came into force on 1 January 2011.

The Related Party Procedure and the related annexes can be found in the Investors section of the Issuer's website at [www.eurotech.com](http://www.eurotech.com).

### **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 Riccardo Costacurta, 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 28 February 2014, the Committee for Related Party Transactions held one meeting which was duly minuted. The meeting focused on the analysis of the questionnaires received as well as verification that no significant transactions exist.

The meeting lasted for 45 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 Article 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 articles 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-fifth belong to the less represented gender (at the time of the first mandate after 12 August 2012) and then one-third (however rounded up to the excess) of the candidates for the office of Statutory Auditor and at least one-fifth (at the time of the first mandate after 12 August 2012) and then 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 18775 of 29 January 2014, 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 article 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 that are envisaged in article 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 article 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 is 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 28 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](http://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
<b>Claudio Siciliotti</b>	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
		SMS Concast Italia SpA, Udine (UD);	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
<b>Michela Cignolini</b>	Statutory Auditor	Eurotech SpA., (Eurotech Group) Amaro (UD);	Statutory Auditor
		Geber SpA, Tavagnacco (UD);	Statutory Auditor
		Prestitalia S.p.A. – Bergamo (BG)	Statutory Auditor
		SMS Concast Italia SpA, Udine (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
		Giustidue Srl, Udine (UD).	Liquidator
<b>Giuseppe Pingaro</b>	Statutory Auditor	Erresse Immobiliare Srl, Udine (UD).	Director
		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 Gruppo Finmeccanica – Fondo Pensione Complementare	Statutory Auditor

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](http://www.sai.consob.it) website.

The Board of Statutory Auditors held 9 (nine) meetings during the financial year: 27 January, 4 February, 24 and 31 March, 5 and 14 May, 18 June, 29 August and 14 November 2014.

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 21 January and 26 February and others are scheduled on the following dates: 30 or 31 March, 25 May, 27 July and 26 October 2015.

At its meeting held on 31 March 2014 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 article 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 article 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 article 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 article 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 store the regulated information the Issuer has decided to use the authorised storage mechanism called "1info", accessible at the website [www.1info.it](http://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 article 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 article 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 article 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.

Article 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 article 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 2014, which five Directors attended.

Pursuant to article 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 11 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

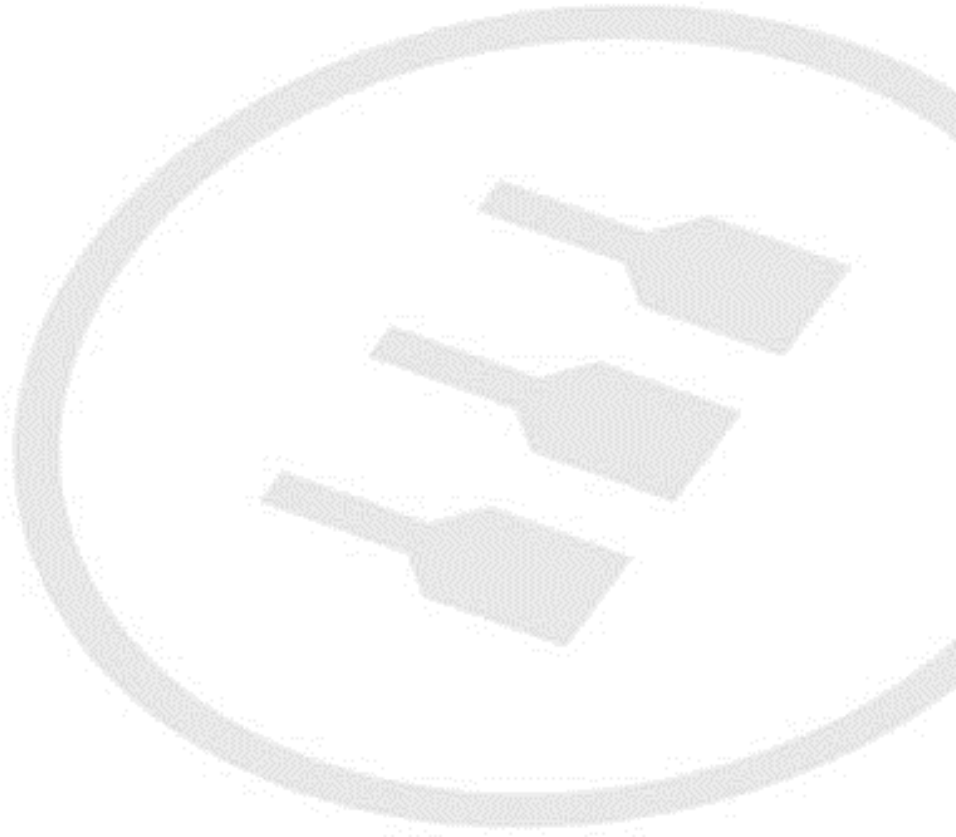
established for the exercising of minority rights, insofar as, pursuant to article 144-*quater* of the CONSOB Issuer Regulation, for the submission of lists for the appointment of members of the Board of Directors and the Board of Statutory Auditors, articles 14 and 26 of the Issuer's bylaws stipulate 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 no. 19109 of 28 January 2015, 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.

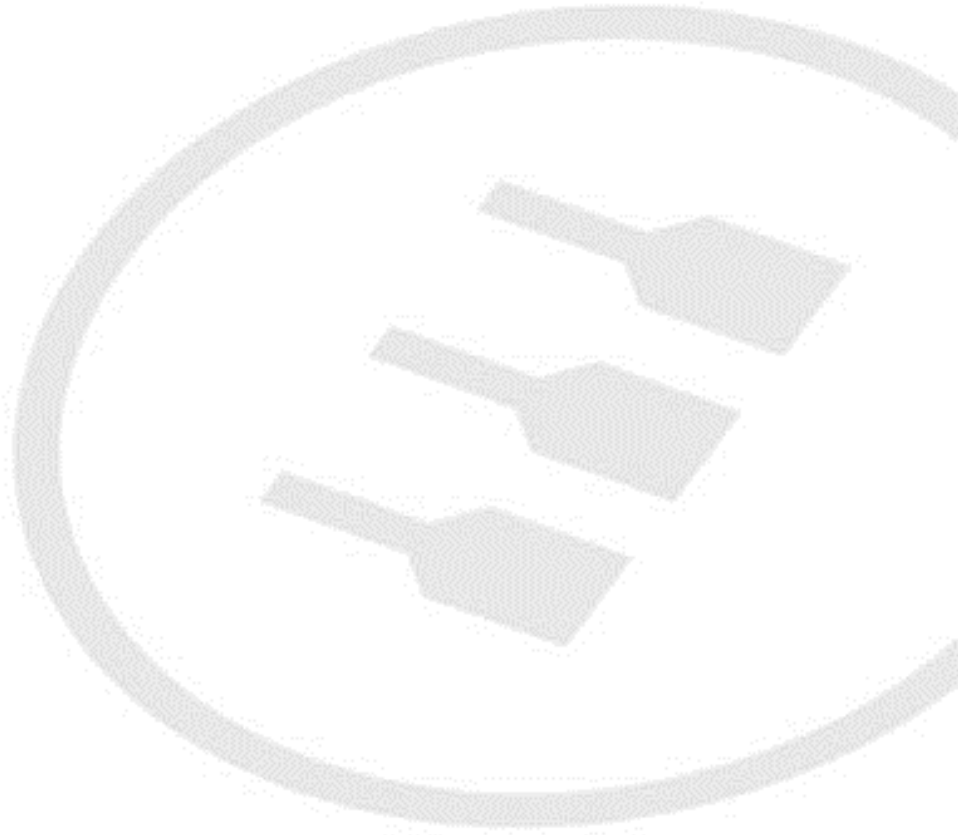
#### **18. CHANGES SINCE THE END OF THE REPORTING PERIOD**

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 articles 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.	No n-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	-				
Director Financial Reporting Manager	Sandro Barazza	1968	08/08/2008	24/04/2014	Approval of financial statements at 31/12/2016	M		X			100	9										
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	4	X	100	X	100	X	-			X	100
Director	Paola Bonomo	1969	24/04/2014	24/04/2014	Approval of financial statements at 31/12/2016	M		X	X	X	100	4	X	100	X	100	X	-			X	100
Director	Dino Paladin	1954	24/04/2014	24/04/2014	Approval of financial statements at 31/12/2016	M		X			80	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			100	3										

Director	Giulio Antonello	1968	24/04/2014	24/04/2014	Approval of financial statements at 31/12/2016	M		X	X	X	100	6										
-----DIRECTORS DEPARTED IN THE REPORTING PERIOD-----																						
Office	Name Surname																					
Vice Chairman and Chief Executive Officer	Giampietro Tecchiolli	1961	19/11/2001	24/04/2014	Approval of financial statements at 31/12/2016 Resigned on 25/11/2014	M	X				100	6										
Director and Lead Independent Director	Cesare Pizzul	1961	05/05/2008	28/04/2011	Approval of financial statements at 31/12/2013	M		X	X	X	100	6	X	100	X	100					X	100
Director	Maria Cristina Pedicchio	1953	28/04/2011	28/04/2011	Approval of financial statements at 31/12/2013	M		X	X	X	67	4	X	100	X	100					X	100
Director	Giovanni Bertolone	1951	19/10/2010	28/04/2011	Approval of financial statements at 31/12/2013	M		X			33	4										
Director	Giancarlo Grasso	1940	28/04/2011	28/04/2011	Approval of financial statements at 31/12/2013	M		X			100	2										
Director	Giovanni Soccodato	1961	14/11/2018	28/04/2011	Approval of financial statements at 31/12/2013	M		X			33	4										
Number of meetings held during the year: Control and Risks Committee: 6 Remuneration Committee 3 Appointments Committee 0 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**

<b>Board of Statutory Auditors</b>									
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	100%	12
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	78%	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		
<b>-----STATUTORY AUDITORS DEPARTED IN THE REPORTING PERIOD-----</b>									
Substitute Statutory Auditor	Lorenzo Ginisio	1949	05/05/2008	28/04/2011	Approval of financial statements at 31/12/2013	M	X		

Substitute Statutory Auditor	Michele Testa	1967	28/04/2011	28/04/2011	Approval of financial statements at 31/12/2013	M	X		
<b>Indicate the required quorum for presentation of the lists at the time of the last appointment 4.5%</b>									
<b>Number of meetings held during the year 9</b>									

**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).

\*\*\*This column indicates the total number of positions held by the concerned party as specified in Civil code Book V, Title V, Chapter V, VI, VII. For information regarding administration or offices controlled by statutory auditors as per 144-duodecies of the Consob Issuers' Regulation, see the list of offices published by Consob on its website as required by s. 144-quinquiesdecies of the Consob Issuers' Regulation [www.sai.consob.it](http://www.sai.consob.it) section Corporate Bodies - Search for Duties

## Consolidated financial statements at 31 December 2014 prepared according to international accounting standards

### Consolidated statement of financial position

(€'000)	Notes	at December 31, 2014	at December 31, 2013
<b>ASSETS</b>			
Intangible assets	1	83,735	83,233
Property, Plant and equipment	2	3,391	3,518
Investments in affiliate companies	3	730	607
Investments in other companies	3	286	248
Deferred tax assets	31	1,231	1,397
Other non current financial assets	11	0	2,342
Other non-current assets	4	547	535
<b>Total non-current assets</b>		<b>89,920</b>	<b>91,880</b>
Inventories	5	15,295	14,156
Contracts in progress	6	79	0
Trade receivables	7	19,846	18,673
Income tax receivables	8	215	268
Other current assets	9	1,659	2,404
Other current financial assets	11	2,570	101
Cash & cash equivalents	10	14,104	27,995
<b>Total current assets</b>		<b>53,768</b>	<b>63,597</b>
<b>Total assets</b>		<b>143,688</b>	<b>155,477</b>
<b>LIABILITIES AND EQUITY</b>			
Share capital		8,879	8,879
Share premium reserve		136,400	136,400
Other reserves		(43,292)	(37,180)
<b>Group shareholders' equity</b>	13	<b>101,987</b>	<b>108,099</b>
<b>Equity attributable to minority interest</b>	13	<b>0</b>	<b>0</b>
<b>Total shareholders' equity</b>	13	<b>101,987</b>	<b>108,099</b>
Medium-/long-term borrow ing	15	2,756	2,729
Employee benefit obligations	16	1,924	1,699
Deferred tax liabilities	31	5,109	6,023
Other non current financial liabilities	11	0	118
Other non-current liabilities	17	909	884
<b>Total non-current liabilities</b>		<b>10,698</b>	<b>11,453</b>
Trade payables	18	15,272	14,677
Short-term borrow ing	15	7,930	12,319
Derivative instruments	35	52	159
Income tax liabilities	8	507	1,657
Other current liabilities	19	7,242	7,113
<b>Total current liabilities</b>		<b>31,003</b>	<b>35,925</b>
<b>Total liabilities</b>		<b>41,701</b>	<b>47,378</b>
<b>Total liabilities and equity</b>		<b>143,688</b>	<b>155,477</b>

**Consolidated income statement**

(€'000)	Notes	FY 2014	FY 2013
<b>CONTINUING OPERATIONS</b>			
Revenues from sales of products and services	G	63,898	66,106
Other revenues	26	407	1,346
<b>Operating costs:</b>			
Cost of materials	21	(33,147)	(33,297)
Service costs	23	(14,096)	(12,589)
Lease & hire costs		(1,700)	(1,718)
Payroll costs	24	(18,976)	(19,292)
Other provisions and other costs	25	(1,792)	(1,525)
Cost adjustments for in-house generation of non-current assets	27	1,787	1,418
Depreciation & amortisation	28	(5,214)	(6,299)
Asset impairment	28	(160)	(6,077)
<b>Operating profit</b>		<b>(8,993)</b>	<b>(11,927)</b>
Share of associates' profit of equity	30	45	242
Finance expense	29	(1,317)	(3,838)
Finance income	29	1,984	4,136
<b>Profit before taxes</b>		<b>(8,281)</b>	<b>(11,387)</b>
Income tax	31	(641)	(1,768)
<b>Net profit (loss) of continuing operations before minority interest</b>		<b>(8,922)</b>	<b>(13,155)</b>
<b>Minority interest</b>		<b>0</b>	<b>0</b>
<b>DISCONTINUED OPERATIONS</b>			
<b>Profit (Losses) from discontinued operations</b>	<b>32</b>	<b>0</b>	<b>21,395</b>
<b>Group net profit (loss) for period</b>		<b>(8,922)</b>	<b>8,240</b>
<b>Base earnings (losses) per share</b>	<b>14</b>	<b>(0.260)</b>	<b>0.238</b>
<b>Diluted earnings (losses) per share</b>	<b>14</b>	<b>(0.260)</b>	<b>0.238</b>

**Consolidated statement of comprehensive income**

(€'000)	Notes	FY 2014	FY 2013
<b>Net profit (loss) before minority interest (A)</b>			
		<b>(8,922)</b>	<b>8,240</b>
<i>Other elements of the statement of comprehensive income</i>			
Net profit/(loss) from Cash Flow Hedge	35	107	206
Tax effect		-	-
		<u>107</u>	<u>206</u>
Foreign balance sheets conversion difference		<u>217</u>	<u>(18,597)</u>
Exchange differences on equity investments in foreign companies	13	3,543	(876)
Tax effect		-	-
		<u>3,543</u>	<u>(876)</u>
<i>After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)</i>			
		<u>3,867</u>	<u>(19,267)</u>
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains/(losses) on defined benefit plans for employees	16	(135)	(69)
Tax effect		43	23
		<u>(92)</u>	<u>(46)</u>
<i>After taxes net other comprehensive income not being reclassified to profit or loss in subsequent periods (C)</i>			
		<u>(92)</u>	<u>(46)</u>
<b>Comprehensive net result (A+B)</b>		<b>(5,147)</b>	<b>(11,073)</b>
<b>Comprehensive minority interest</b>		<b>-</b>	<b>-</b>
<b>Comprehensive Group net profit (loss) for period</b>		<b>(5,147)</b>	<b>(11,073)</b>

**Statement of changes in consolidated shareholders' equity**

	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
(€'000)													
Balance as at December 31, 2012	8,879	39	136,400	22,793	(42,949)	(344)	(208)	(523)	(1,340)	(2,783)	119,964	-	119,964
2012 Result allocation	-	-	-	-	(2,783)	-	-	-	-	2,783	-	-	-
Profit (loss) as at December 31, 2013	-	-	-	-	-	-	-	-	-	8,240	8,240	-	8,240
<i>Comprehensive other profit (loss)</i>													
- Hedge transactions	-	-	-	-	-	206	-	-	-	-	206	-	206
Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	(46)	-	-	-	(46)	-	(46)
- Foreign balance sheets conversion difference	-	-	-	(18,597)	-	-	-	-	-	-	(18,597)	-	(18,597)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(876)	-	-	(876)	-	(876)
Comprehensive result	-	-	-	(18,597)	-	206	(46)	(876)	-	8,240	(11,073)	-	(11,073)
- Other changes and transfers					21	(21)			(792)		(792)		(792)
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
(€'000)													
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)
<i>Comprehensive other profit (loss)</i>													
- Hedge transactions	-	-	-	-	-	107	-	-	-	-	107	-	107
Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	(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

**Consolidated cash flow statement**

CONSOLIDATED CASH FLOW STATEMENT (€'000)	at December 31, 2014	at December 31, 2013
<b>CASH FLOWS GENERATED BY OPERATIONS:</b>		
<b>Group net profit</b>	<b>(8,922)</b>	<b>8,240</b>
<b>Profit (Losses) from discontinued operations</b>	<b>0</b>	<b>21,395</b>
<b>Net profit (loss) of continuing operations before minority interest</b>	<b>(8,922)</b>	<b>(13,155)</b>
<b>Adjustments to reconcile reported net profit with cash &amp; cash equivalents generated (used) in operations:</b>		
Depreciation & amortization intangible assets, property, plant and equipment	5,374	12,376
Write-down of receivables	793	740
Interest income	(65)	(49)
Share of net profit of associate and non-consolidated subsidiaries	(45)	(29)
Income taxes (paid) get	(3,260)	(3,486)
Cost for bringing up-to-date	19	0
Provision for (use of) long-term employee severance indemnities	133	(231)
Provision for (use of) risk provision	25	98
	(748)	(3,102)
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability		
<b>Changes in current assets and liabilities</b>		
Trade receivables	(1,985)	3,927
Other current assets	798	(215)
Inventories and contracts in process	(1,218)	4,026
Trade payables	595	828
Other current liabilities	2,239	3,954
Cash flow generated (used) in operations by Discontinued Operations	0	524
<b>Total adjustments and changes</b>	<b>2,655</b>	<b>19,361</b>
<b>Cash flow generated (used) in operations</b>	<b>(6,267)</b>	<b>6,206</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Sales of tangible and intangible assets	22	4
Assignment for deconsolidation	3	0
Interest income	65	49
Purchase of intangible fixed assets	(1,985)	(1,491)
Purchase of tangible fixed assets	(868)	(306)
Purchase of own shares	(965)	(792)
Decreases (Increases) other financial assets	6	0
Net investments in long-term investments and non-current assets	(128)	(121)
Cash flow generated (used) in investment activities by Discontinued Operations	(251)	26,006
<b>Cash flow generated (used) in investment activities</b>	<b>(4,053)</b>	<b>23,349</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Loans taken	3,200	1,200
Increases (decreases) short term loan	0	0
Interest paid	(548)	(969)
(Repaid) loans short and medium/long term	(7,014)	(10,094)
Cash flow generated (used) in financial activities by Discontinued Operations	0	1,548
<b>Cash flow generated (absorbed) by financial assets</b>	<b>(4,362)</b>	<b>(8,315)</b>
Net foreign exchange difference	791	(2,947)
<b>Increases (decreases) in cash &amp; cash equivalents</b>	<b>(13,891)</b>	<b>18,293</b>
<b>Opening amount in cash &amp; cash equivalents</b>	<b>27,995</b>	<b>9,702</b>
<b>Cash &amp; cash equivalents at end of period</b>	<b>14,104</b>	<b>27,995</b>

## Notes to the financial statements

### **A – Corporate information**

The publication of the consolidated financial statements of Eurotech SpA for the financial year ended 31 December 2014 was authorised by resolution of the Board of Directors on 13 March 2015. Eurotech SpA 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 nota G.

### **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 article 6 of EC Regulation 1606/2002 of the European Parliament and European Council of 19 July 2002 by 31 December 2014, as well as with the measures enacted to implement article 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.

It is noted that the Group has applied the provisions of CONSOB Resolution 15519 dated 27 July 2006 relating to the financial statements.

The accounting standards applied are the same as those used as at 31 December 2013, except for the following new or revised IFRSs or IFRICs, applied for the first time by the Group as of 1 January 2014.

The type and impact of each new standard/amendment are listed below:

*Consolidated financial statements – IFRS 10* - The objective of IFRS 10 is to provide a single model for the financial statements that envisages control as the basis for consolidating all types of entities. The new definition of control is more complex than the previous one as it is connected with the continuous and simultaneous existence of three very precise conditions: 1) influence over the investee, 2) the possibility to make a profit deriving from ownership of the equity interest, and 3) the ability to exercise one's influence over the investee to affect the profit it generates. IFRS 10 replaces IAS 27 Consolidated and separate financial statements and SIC 12. These amendments had no impact on the Group's financial statements.

*Joint Arrangements - IFRS 11* - IFRS 11 establishes the principle of reporting for entities that are parties of joint arrangements and replaces IAS 31 Equity investments in joint ventures and SIC-13 Jointly controlled entities - Non-monetary contributions by venturers. The new standard provides the criteria for identifying a joint arrangement on the basis of the rights and obligations arising from the agreement, regardless of the legal form of the agreement. The reporting requirements are differentiated according to the classification of the joint operation or joint venture transaction. The possibility to choose the proportional consolidation method of the joint ventures has also been eliminated, and establishes that the only method for reporting them in the consolidated financial statements is the equity method. These amendments had no impact on the Group's financial statements.

*Disclosure of Interests in Other Entities – IFRS 12* - IFRS 12 combines, reinforces and replaces the disclosure obligations for subsidiaries, joint arrangements, for affiliates and the structured entities that are not consolidated. In order to allow the reader of the financial statements to assess the nature, risks and financial effects related to the equity interests, the standard requires that the following be provided: a) information on the valuations and significant assumptions made regarding the nature of control of the investee, b) investments in subsidiaries, c) equity investments in joint ventures and affiliates, and d) information on the nature of its interests in structured entities that are not consolidated. These amendments had no impact on the Group's financial statements.

*Offsetting financial assets and liabilities - Amendments to IAS 32* - These amendments, applied retrospectively, clarify the meaning of "generally having a legal right to offset" and the offsetting criterion in the case of regulation systems (such as the centralised clearing houses) that apply non-simultaneous gross regulation mechanisms. These amendments made no impact on the Group's financial statements since none of the Group's entities has offsetting agreements in effect.

*Concepts of derivatives and continued hedge accounting - Modifications to IAS 39* - These amendments allow hedge accounting to continue when the novation of a hedging derivative meets certain criteria. These amendments must be applied retrospectively. These amendments had no impact since the Group did not replace its derivatives either during the financial year in progress nor in previous years.

*Additional information on the recoverable value of non-financial assets - Amendments to IAS 36* - These amendments remove the consequences inadvertently introduced by IFRS 13 on information required by IAS 36. These amendments also require information on the recoverable amount of the assets or CGUs for which an impairment loss has been recorded or "transferred".

*IFRIC 21 Levies* - IFRIC 21 clarifies that an entity recognises a liability not before when the event to which payment is tied occurs, in agreement with the applicable law. For the payments that are due only when a given minimum threshold is passed, the liability is recorded only when that threshold is reached. Retrospective application is required for IFRIC 21. This interpretation had no impact on the Group since the recognition criteria set forth in IAS 37 Allocations, liability and potential assets, which agree with the provisions of IFRIC 21, had been applied in previous years.

#### **Accounting standards, amendments and interpretations already issued but not yet in force.**

The new standards and interpretations already issued but not yet in force, or not yet approved by the European Union and therefore not applicable for the preparation of financial statements that close on 31 December 2014, are briefly illustrated below. The standards and interpretations not adopted by the Group owing to their nature are left off the list.

*Issue of document "Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 Employee Benefits)"* - The amendments introduce to IAS 19 allow (but are not mandatory) decreasing booking of the current service costs for the period of contributions paid by employees or third parties that do not relate to the number of years of service in place of allocating these contributions along the time span in which the service is rendered. The amendments are retroactively applicable for the financial years starting on or after 1 July 2014. Early adoption is allowed.

*Amendments to IFRS 11 - Joint arrangements* - Recognition of the purchase of equity interests in jointly controlled activities that require that an entity adopt the IFRS 13 standards in order to recognise the accounting effects of purchases of Equity interests in jointly controlled activities forming a business. The amendments are retroactively applicable for the financial years starting on or after 1 January 2016. Early application is allowed.

*Amendment to IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets* - The IASB has clarified that use of revenue-based methods to calculate the amortisation and depreciation of an asset is inappropriate because the revenues generated by an asset that includes use of an asset generally reflects factors other than consumption of the economic benefits arising from the asset. The IASB also clarified that it is assumed that the revenues are generally not an adequate basis for measuring consumption of the economic benefits that an intangible asset generates. Said assumption, however, may be exceeded in certain limited circumstances. These amendments are effective for the financial years starting on or after 1 January 2016. Early application is allowed.

*IFRS 15 - Revenue from contracts with customers* - requires a company to recognise revenue at the time control of assets or services is transferred to customers at an amount that reflects the payment expected to be received in exchange for said products or services. To reach this purpose, the new revenue recognition model defines a five-step process. The new standard also requires additional information on the nature, amount, timing and uncertainty of the revenue and cash flows deriving from the contracts with customers. The new standard must be applied for the financial years starting on or after 1 January 2017. Early adoption of the standard is allowed. The Group is weighing the method to implement and the effect of the new standard on its consolidated financial statements.

*IFRS 9 - Financial instruments* - . The set of amendments introduced by the new standard replaces the provisions of IAS 39 and introduce a logical approach for the classification and valuation of the financial instruments based on the characteristics of the cash flows and the business model according to which the asset is held, a single model for

impairment of the financial assets based on the expected losses and a substantial renewed hedge accounting approach. The new standard will become applicable retroactively starting from 1 January 2018. Early application is allowed.

*Amendments to IAS 27 – Separate financial statements* - The objective is to allow equity interests in affiliates and joint ventures to be measured according to the Equity method in separate financial methods as well. These amendments will become applicable for the financial years that will commence starting from 1 January 2016.

*Amendments to IFRS 10 – Consolidated financial statements and to IAS 28 – Equity interests in affiliates and joint ventures* - The objective is to clarify the method of accounting the results tied to the sales of assets between group companies and the affiliates and joint ventures. These amendments will become applicable for the financial years that will commence starting from 1 January 2016.

*Amendments to IFRS 10, IFRS 12 and IAS 28* - The objective is to clarify: i) the accounting method for investment entities; ii) exemption from submitting the consolidated financial statements for companies that control the investment entities and iii) how a company that is not an investment entity must apply measurement of an investment entity using the Equity method. These amendments will become applicable for the financial years that will commence starting from 1 January 2016.

*Amendments to IAS 1* - The objective is to clarify a few doubts regarding the presentation and disclosure obligations and to ensure 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.

On 12 December 2013 the IASB issued the document "Annual Improvements to IFRSs - 2010-2012 Cycle" and "Annual Improvements to IFRSs - 2011-2013 Cycle" (applicable starting from the financial years that start on or after 1 July 2014) and on 25 September 2014 it issued the document "Annual Improvements to IFRSs - 2012-2014 Cycle" (applicable to the financial years that close 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 the existing IFRSs, or amendments resulting from 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 2014, the book value of goodwill was €65,359 thousand (2013: €62,715 thousand). Further details are provided in nota 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 2014, unrecognised tax losses carried by the Parent Company were estimated at €36,487 thousand (2013: €32,179 thousand), reported unlimitedly. In the Group as a whole, unrecognised tax losses came to €51,955 thousand (2013: €39,479 thousand), reported unlimitedly.

Development costs

Development costs are capitalised as per the accounting standard described in nota 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 2014 the best estimate of the book value of capitalised development costs was €4,582 thousand, of which €2,426 thousand are in progress (2013: €4,012 thousand, of which €1,797 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
<i>Parent company</i>			
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	€8,878,946	
<i>Subsidiary companies consolidated line-by-line</i>			
Dynatem Inc.	Mission Viejo (USA)	USD 1,000	100.00%
Eth Devices S.r.o.	Bratislava (Slovakia)	Euro 10,000	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%
EthLab S.r.l.	Via Dante, 300 – Trento	Euro 115,000	99.99%
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:

<i>Affiliated companies consolidated at equity</i>		
Chengdu Vantron Technology Inc.	Chengdu (China)	45.00%
Delos S.r.l. in liquidazione	Via Roberto Cozzi, 53 - Milano	40.00%
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%

The main changes with regard to subsidiaries and affiliates compared with 31 December 2014 are as follows:

- 31/12/2014 the company Sae S.r.l. concluded liquidation with preparation of the liquidation financial statements and assignment of the residual assets to the parent company Eurotech S.p.A.

## E – Accounting standards and policies

### Accounting basis

The consolidated financial statements consist of the income statement, the statement of comprehensive income recorded in the financial year, the balance sheet, the statement of changes in consolidated shareholders' equity, the cash flow statement and the explanatory notes.

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 01 January 2014*

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 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	As of		As of	
	Average 2014	December 31, 2014	Average 2013	December 31, 2013
British pound sterling	0.80612	0.77890	0.84926	0.83370
Japanese Yen	140.30612	145.23000	129.66267	144.72000
USA Dollar	1.32850	1.21410	1.32812	1.37910

### *Accounting policies*

The accounting standards and policies applied to prepare the consolidated financial statements for the year ended 31 December 2014 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*

#### Business combinations from 1 January 2010

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 2014. 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 – Discontinued operations and non-current assets held for sale***

Non-current assets and groups for sale are classified as held for sale if their book value will be recovered through their sale rather than their continuous use, and are represented separately from other assets and liabilities in the balance sheet. Non-current assets and groups for sale classified as held for sale are first recognised pursuant to the specific IFRS/IAS applicable to each asset and liability and subsequently recognised at either their carrying value or their fair value, whichever is lower, net of sales costs; the carrying values of each asset and liability not within the scope of application of the measurement provisions of IFRS 5, but which are held for sale, are recalculated pursuant to the applicable IFRSs before the fair value net of sales costs is recalculated. Individual assets relating to companies classified as held for sale are not depreciated, while the financial income and expense attributable to liabilities held for sale continue to be recognised. Any subsequent impairment is recognised directly as an adjustment to non-current assets classified as held for sale with a contra entry in the income statement. The corresponding values in the balance sheet for the previous year are not reclassified. A discontinued operation represents a part of the business that has been discontinued or classified as held for sale and:

- represents a major business branch or region;
- is part of a coordinated plan to sell a major business branch or region; or
- is an equity interest acquired exclusively for the purpose of being resold.

Assets held for sale and/or transferred are not included in the result from operations and are shown in the income statement on a single line that includes, as well as capital gains/losses arising from the disposal, the profit or loss before taxes in the period during which the asset was part of the Group.

On 30 September 2013, taking effect on 1 October 2013, Eurotech signed an agreement to sell the entire share capital of its subsidiary Parvus Corporation. The consideration for the transaction has been set by the parties at USD 38 million (equal to approx. €28.1 at current exchange rates), net debt free. This amount was adjusted based on the working capital of Parvus Corporation at 30 September 2013. This was a positive adjustment in Eurotech's favour but below the cap of USD 300 thousand set in the contract. The collection of the payment, net of the escrow for 18 months from the date of the contract covering contractual warranties, was USD 35 million on the closing date (1 October 2013), while the adjustment based on the working capital will be made within 2014 days from such date.

With reference to 2013, as already extensively represented in the 2013 financial statements to which you are referred, in application of IFRS 5 the economic results of US company Parvus Corp. were classified as results of discontinued operations (Net profit (loss) from discontinued operations and assets held for sale) for a total amount of €21,395 thousand.

## G - 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 intragroup 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 2013 and 31 December 2014.

(€000)	NanoPC			High Performance Computer			Total		
	FY 2014	FY 2013	%YoY Chg	FY 2014	FY 2013	%YoY Chg	FY 2014	FY 2013	%YoY Chg
<b>Sales and service revenue by segment</b>									
Sales and service revenue by segment	62,722	65,729	-4.6%	1,176	377	211.9%	63,898	66,106	-3.3%
Ebitda by segment	(2,197)	1,818	-220.8%	(1,422)	(1,369)	-3.9%	(3,619)	449	-906.0%
Ebit by segment	(7,411)	(10,199)	27.3%	(1,582)	(1,728)	8.4%	(8,993)	(11,927)	24.6%
Total EBIT							(8,993)	(11,927)	24.6%
Net finance income (expense)							667	298	-123.8%
Shares of associates' profit (loss)	45	242					45	242	-81.4%
Profit before tax of continuing operations							(8,281)	(11,387)	27.3%
Income tax							(641)	(1,768)	63.7%
Net profit (loss)							(8,922)	(13,155)	32.2%

Revenues from sales and services in nanoPC business segment came to €65,729 thousand in 2013 and €62,723 thousand in 2014, representing a decrease of 4.6%. This decrease is due not only to the different yen and USD into euro conversion ratio, but also is due to demand slowing down.

Revenues from sales and services in the HPC business segment, which came to €337 thousand in 2013 and €1,176 thousand in 2014, 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 2014	FY 2013	%YoY Change	FY 2014	FY 2013	%YoY Change	FY 2014	FY 2013	%YoY Change	FY 2014	FY 2013	%YoY Change	FY 2014	FY 2013	%YoY Change
Third party Sales	20,953	21,854		19,376	18,654		22,393	25,221		0	0		62,722	65,729	
Infra-sector Sales	306	880		2,953	6,667		418	258		(3,677)	(7,805)		0	0	
Total Sales revenues	21,259	22,734	-6.5%	22,329	25,321	-11.8%	22,811	25,479	-10.5%	(3,677)	(7,805)	52.9%	62,722	65,729	-4.6%
Gross profit	7,832	7,278	7.6%	10,168	10,558	-3.7%	12,966	15,512	-16.4%	(289)	(247)	17.0%	30,677	33,101	-7.3%
Gross profit margin - %	36.8%	32.0%		45.5%	41.7%		56.8%	60.9%					48.9%	50.4%	
EBITDA													(2,197)	1,818	-220.8%
EBITDA margin - %													-3.5%	2.8%	
EBIT													(7,411)	(10,199)	-27.3%
EBIT margin - %													-11.8%	-15.5%	

The sales performance by region set out in the table above shows a reduction in the North America region, an increase in the Europe region and again a reduction in Asia where the difference is mainly due to the yen exchange difference between one financial year and the next when the financial statements are converted.

The table below shows assets and investments in the Group's individual business segments at 31 December 2014 and 31 December 2013.

	NanoPC		High Performance Computer		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
<b>(€000)</b>						
<b>Assets and liabilities</b>						
Segment assets	139,793	151,779	2,726	2,634	142,519	154,413
Investments in subsidiaries non consolidated, associate & other companies	1,016	855	0	0	1,016	855
Unallocated assets					153	209
<b>Total assets</b>	<b>140,809</b>	<b>152,634</b>	<b>2,726</b>	<b>2,634</b>	<b>143,688</b>	<b>155,477</b>
Segment liabilities	37,188	45,850	4,513	1,528	41,701	47,378
Unallocated liabilities					0	0
<b>Total liabilities</b>	<b>37,188</b>	<b>45,850</b>	<b>4,513</b>	<b>1,528</b>	<b>41,701</b>	<b>47,378</b>
<b>Other segment information</b>						
Investments in tangible assets	820	306	0	0	820	306
Investments in intangible assets	1,985	1,490	0	2	1,985	1,492
Depreciation & amortisation	5,214	12,017	160	359	5,374	12,376

Assets and investments in the NanoPC segment by region are shown in the table below:

	North America		Europe		Asia		Correction, reversal and elimination		Total	
	FY 2014	31.12.2013	FY 2014	31.12.2013	FY 2014	31.12.2013	FY 2014	31.12.2013	FY 2014	31.12.2013
<b>(€ 000)</b>										
Activities by sector	39,894	37,755	71,083	69,686	67,267	73,706	(38,451)	(29,368)	139,793	151,779
Investments	1,272	947	912	566	621	283	0	0	2,805	1,796

Segment assets at 31 December 2014 do not include investments in affiliates and other companies (€1,016 thousand) and the current income taxes of the Parent Company (€153 thousand).

## H - 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 CONSTRUCTIO N & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	10,459	68,692	24,222	1,851	29,835	135,059
Previous years' impairment	( 796)	( 5,977)	( 11,012)	( 49)	( 571)	( 18,405)
Previous years' amortisation	( 7,448)	-	( 5,217)	-	( 20,756)	( 33,421)
<b>OPENING BALANCE</b>	<b>2,215</b>	<b>62,715</b>	<b>7,993</b>	<b>1,802</b>	<b>8,508</b>	<b>83,233</b>
Purchases	301	-	141	1,543	-	1,985
Disposals	-	-	( 56)	-	-	( 56)
Decreases due to change in consolidation area	( 27)	( 48)	( 6)	-	-	( 81)
Other changes	( 1,389)	3,362	( 3,234)	186	( 3,383)	( 4,458)
Impairment in period	( 160)	-	-	-	-	( 160)
Transfers	1,105	-	-	( 1,105)	-	-
Amortisation in period	( 1,302)	-	( 563)	-	( 2,391)	( 4,256)
Reversal of cumulative amortisation	-	-	56	-	-	56
Decreases in cumulative amortisation due to changes in consolidation area	24	-	6	-	-	30
Decreases in cumulative impairment due to changes in consolidation area	-	48	-	-	-	48
Other changes in cumulative impairment	( 14)	( 718)	2,934	-	571	2,773
Other changes in cumulative amortisation	1,403	-	300	-	2,918	4,621
<b>TOTAL CHANGES</b>	<b>( 59)</b>	<b>2,644</b>	<b>( 422)</b>	<b>624</b>	<b>( 2,285)</b>	<b>502</b>
Purchase or production costs	10,449	72,006	21,067	2,475	26,452	132,449
Impairment	( 970)	( 6,647)	( 8,078)	( 49)	-	( 15,744)
Cumulative amortisation	( 7,323)	-	( 5,418)	-	( 20,229)	( 32,970)
<b>CLOSING BALANCE</b>	<b>2,156</b>	<b>65,359</b>	<b>7,571</b>	<b>2,426</b>	<b>6,223</b>	<b>83,735</b>

The change in the intangible assets item is mainly due to their increase following the change in exchange rates, other changes items (net value €2,936 thousand), to amortisation for the period (€4,256 thousand), as well as the investments made for €1,985 thousand and the write-downs recording during the period, totalling €160 thousand.

Investments refer primarily to recognition of development costs by the Group companies and the costs incurred for net software licenses.

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 2014 the Group also spent about €8.7 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 €160 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 €2,426 thousand is entirely made up of development costs (internal payroll, materials and services) related to new products in the fields of M2M and Internet of Things, as well as of 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, 2014		at December 31, 2013	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	38,399	7,292	38,535	7,317
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	20,212	-	17,801	-
Eurotech Ltd. (ex Arcom Ltd.)	5,607	-	5,238	-
Eurotech France S.a.s.	1,051	-	1,051	-
Other	90	-	90	-
<b>TOTAL</b>	<b>65,359</b>	<b>7,292</b>	<b>62,715</b>	<b>7,317</b>

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 2015-2017 operating and financial plan, approved by Parent Company directors by resolution of 11 March 2015, 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% (2013: 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 5.50% to 9.34%, 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	2.40%	0.50%	2.39%	1.19%	2.34%
Total Market Premium	5.00%	5.00%	5.00%	5.00%	5.00%
Beta unlevered	1.001	1.001	1.001	1.001	1.001
WACC	7.39%	5.50%	9.34%	6.19%	7.36%

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 2014-2016 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. In particular, the US subsidiary Eurotech Inc., while it registered lower results than forecast for 2014, had a substantial order backlog at 31 December 2014, which does not take full account of the major contracts signed in 2012 and 2013 and its historical capacity to obtain new orders during the course of the year. These positive indicators support the assumptions made based on the 2015-2017 forecast plans of the subsidiary.

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, 0.5% reduction in the long-term growth rate and 1% increase in WACC, 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 10.4% for Eurotech Ltd., 7.5% for Eurotech France, 11.1% for Eurotech Inc., 15.0% for Dynatem Inc. and 6.6% for Advanet Inc.

Furthermore, management believes that the long-term growth estimate for 2014 of 1.5%, the same as for 2013, 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 2014 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 of production cost	1,633	5,984	3,982	4,741	36	232	16,608
Previous year's depreciation	( 376)	( 5,209)	( 3,729)	( 3,702)	-	( 74)	( 13,090)
<b>OPENING BALANCE</b>	<b>1,257</b>	<b>775</b>	<b>253</b>	<b>1,039</b>	<b>36</b>	<b>158</b>	<b>3,518</b>
Purchases	11	109	261	364	75	-	820
Disposals	-	( 98)	( 49)	( 114)	-	-	( 261)
Other changes	-	( 11)	97	230	( 4)	( 1)	311
Transfers	-	26	-	25	( 12)	( 39)	-
Depreciation in period	( 36)	( 337)	( 166)	( 379)	-	( 40)	( 958)
Reversal of cumulative depreciation	-	98	49	92	-	-	239
Transfers amortisation	-	( 6)	-	( 7)	-	13	-
Other changes in cumulative amortisation	-	31	( 92)	( 219)	-	2	( 278)
<b>TOTAL CHANGES</b>	<b>( 25)</b>	<b>( 188)</b>	<b>100</b>	<b>( 8)</b>	<b>59</b>	<b>( 65)</b>	<b>( 127)</b>
Purchase or production cost	1,644	6,010	4,291	5,246	95	192	17,478
Cumulative depreciation	( 412)	( 5,423)	( 3,938)	( 4,215)	-	( 99)	( 14,087)
<b>CLOSING BALANCE</b>	<b>1,232</b>	<b>587</b>	<b>353</b>	<b>1,031</b>	<b>95</b>	<b>93</b>	<b>3,391</b>

The land and buildings item, amounting to €1,232 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 €109 thousand in plant and machinery, €261 thousand in industrial and commercial equipment and €364 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 €93 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:

	at December 31, 2014					
(€'000)	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS /WRITE-DOWN	EOP VALUE	%OWNERSHIP
Investments in non-consolidated subsidiaries:						
Sae S.r.l. in liquidation	-	7	-	( 7)	-	
TOTAL INVESTMENTS IN SUBSIDIARIES NOT CONSOLIDATED	-	7	-	( 7)	-	
Investments in associate companies:						
Chengdu Vantron Technology Inc.	494	-	-	51	616	45.00%
Delos S.r.l. in liquidation	7	-	-	-	7	40.00%
Emilab S.r.l.	97	-	-	1	98	24.82%
eVS embedded Vision Systems S.r.l.	9	-	-	-	9	24.00%
Rotowy Technologies S.p.A. (ex U.T.R.I. S.p.A.)	-	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	607	-	-	52	730	
Investments in other companies:						
Cosint	3	1	-	-	4	
ALC Consortium	3	-	-	-	3	
Consorzio Ecor' IT	2	-	-	-	2	
Consorzio Aeneas	5	-	-	-	5	
Consorzio Ditedi	0	11	-	-	11	7.69%
Inasset S.r.l.	44	-	-	-	44	2.90%
Kairos Autonomi	190	-	-	-	216	19.00%
Others	1	-	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	248	12	-	-	286	
TOTAL INVESTMENTS	855	19	-	45	1,016	

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;
- Delos Srl = 40%, created during the first half of 2005 and placed in liquidation in July 2011;
- Emilab Srl = 24.82%, created in 1998;
- eVS embedded Vision Systems Srl = 24%, a spin-off from the University of Verona;
- Rotowj 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 article 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 2013, as operating and financial information for year-end 2014 is not yet available:

(€'000)	At December 31, 2013						At December 31, 2012					
	Emilab	Delos	Rotowit Tech.	evS	Vantron	TOTAL	Emilab	Delos	Rotowit Tech.	evS	Vantron	TOTAL
Share of the Associate's balance sheet:	(*)	(**)	(**)	(*)	(*)		(**)	(**)	(**)	(*)	(*)	
Current assets	577	75	304	125	1,620	2,701	530	75	304	136	1,339	2,384
Non current assets	905	0	10	52	443	1,410	983	0	10	42	246	1,281
Current liabilities	(791)	0	(140)	131	(708)	(1,508)	(818)	0	(140)	(132)	(413)	(1,503)
Non current liabilities	(297)	0	(752)	15	0	(1,034)	(305)	0	(752)	(16)	(47)	(1,120)
<b>Net assets</b>	<b>394</b>	<b>75</b>	<b>(578)</b>	<b>323</b>	<b>1,355</b>	<b>1,569</b>	<b>390</b>	<b>75</b>	<b>(578)</b>	<b>30</b>	<b>1,126</b>	<b>1,043</b>
Revenue	945	0	0	177	1,912	3,034	1,092	0	0	180	1,406	2,678
Profit (Loss)	3	(15)	(14)	4	123	101	115	(15)	(14)	4	145	235
Carrying amount of the investment	<b>98</b>	<b>7</b>	<b>0</b>	<b>1</b>	<b>616</b>	<b>722</b>	<b>97</b>	<b>7</b>	<b>0</b>	<b>9</b>	<b>494</b>	<b>607</b>

(\*) FY2013

(\*\*) Financials of liquidation as of September 30, 2011

(\*\*) FY2012

#### 4 – Other non-current assets

The schedule below shows the breakdown of other non-current assets at 31 December 2014 and 31 December 2013:

(€'000)	at December 31, 2014	at December 31, 2013
Other non-current receivables	547	535
<b>TOTAL OTHER NON CURRENT ASSETS</b>	<b>547</b>	<b>535</b>

Other receivables mainly comprise security deposits that do not accumulate interest; they are in line with the previous year.

#### 5 - Inventories

The schedule below shows the breakdown of inventories at 31 December 2014 and 31 December 2013:

(€'000)	at December 31, 2014	at December 31, 2013
Raw & auxiliary materials and consumables - gross	6,816	6,412
Inventory write-down provision	(1,289)	(1,009)
<b>Raw &amp; auxiliary materials and consumables - net</b>	<b>5,527</b>	<b>5,403</b>
Work in process and semi-finished goods - gross	2,783	3,597
Inventory write-down provision	(772)	(240)
<b>Work in process and semi-finished goods</b>	<b>2,011</b>	<b>3,357</b>
Finished products and goods for resale - gross	8,841	6,973
Inventory write-down provision	(1,112)	(1,751)
<b>Finished products and goods for resale - net</b>	<b>7,729</b>	<b>5,222</b>
<b>Advances</b>	<b>28</b>	<b>174</b>
<b>TOTAL INVENTORIES</b>	<b>15,295</b>	<b>14,156</b>

Inventories at 31 December 2014 amounted to €15,295 thousand (€14,156 thousand at 31 December 2013), net of inventory impairment totalling €3,173 thousand. The increase in inventories is due to preparation of finished products whose shipment is scheduled in the first quarter of 2015.

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, 2014	at December 31, 2013
<b>OPENING BALANCE</b>	<b>3,000</b>	<b>2,585</b>
Provisions	319	1,381
Other changes	582	(380)
Discontinued operations	0	(240)
Utilisation	(728)	(346)
<b>CLOSING BALANCE</b>	<b>3,173</b>	<b>3,000</b>

The "other changes" item refers to changes in the write-down reserves due to foreign exchange differences.

In 2013, the change in the "discontinued operations" item was due to changes in the write-down reserves due to the transfer of the former US subsidiary Parvus.

The raw materials inventory write-down reserve of €1,289 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 €1,112 thousand, which covers the risk of slow turnover in certain standard and custom products, decreased by €639 thousand, due both to its use to cover several scrappings of obsolete products and to the reduction in the estimate of slow turnover products made mainly to cover the risk of 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 2014 and 31 December 2013:

(€'000)	at December 31, 2014	at December 31, 2013
Contract revenues recognised as revenue in the period	79	0
Contract costs borne as at balance-sheet date	69	0
<b>Profits recognised as at balance-sheet date</b>	<b>10</b>	<b>-</b>
Down payments received	0	0
Gross amount owed by customer for contractual work	79	0
Contract costs and profits recognised as at balance-sheet date	79	0
Revenues recognised in previous periods	387	4,377
Billing based on completion status	387	4,377
<b>Gross amount owed by customer for contractual work</b>	<b>79</b>	<b>-</b>

## 7 – Trade receivables

The schedule below shows the breakdown of trade receivables and the respective adjustment reserves at 31 December 2014 and 31 December 2013:

(€'000)	at December 31, 2014	at December 31, 2013
Trade receivables - customers	22,376	20,336
Trade receivables - affiliate companies	4	17
Doubtful debt provision	(2,534)	(1,680)
<b>TOTAL TRADE RECEIVABLES</b>	<b>19,846</b>	<b>18,673</b>

Trade receivables falling due within 12 months are normally non-interest bearing and generally fall due at 90/120 days. Trade receivables increased by €1,173 thousand compared to the 31 December 2013 figure. The amount reflects the concentration of revenue in the latter months of the year 2014. The receivables include €353 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 €2,534 thousand. Changes in doubtful debt provision in the years under review were as follows:

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION - € '000	at December 31, 2014	at December 31, 2013
<b>OPENING BALANCE</b>	<b>1,680</b>	<b>1,751</b>
Provisioning	793	740
Other changes	244	(85)
Discontinued operations	0	(109)
Utilisation	(183)	(617)
<b>CLOSING BALANCE</b>	<b>2,534</b>	<b>1,680</b>

Provisions of €793 thousand made during the year were necessary to adjust the value of individual receivables to their presumed realisable value. Specifically, in Eurotech Inc. substantial write-downs were made on a commercial loan already partially written-down and on a loan whose collection risks being extended. Time-discounting was also calculated on this loan to reflect a foreseeable collection in the next 12 months.

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 2014, 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
2014	19,846	11,462	2,217	347	323	503	4,994
2013	18,673	13,192	1,725	265	360	540	2,591

Receivables more than 180 days due represented 25.2% of trade receivables at 31 December 2014 and mainly include a loan on which a partial write-down was made at year-end, which came due in less than 360 days. Its collection was extended to meet the needs of the customer, and might prove to be at risk. 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 intragroup loans and dividends distributed to the Parent Company by Advanet Inc. Compared to 31 December 2013, the value dropped by €53 thousand, from €268 thousand in 2013 to €215 thousand in 2014.

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 €428 thousand (2013: €1,397 thousand), while Italian tax payables amounted to €79 thousand (2013: €260 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 2013 and 31 December 2014:

(€'000)	at December 31, 2014	at December 31, 2013
Amounts receivable for grants	141	468
Advance payments to suppliers	162	218
Tax receivables	441	584
Other receivables	144	117
Accrued income and prepaid expenses	771	1,017
<b>TOTAL OTHER CURRENT ASSETS</b>	<b>1,659</b>	<b>2,404</b>

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 2013 and 31 December 2014:

(€'000)	at December 31, 2014	at December 31, 2013
Bank and post office deposits	14,082	27,973
Cash and valuables in hand	22	22
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>14,104</b>	<b>27,995</b>

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents is €14,104 thousand (€27,995 thousand at 31 December 2013).

The item shows a €13,891 thousand decrease compared to 31 December 2013.

The decrease was due to use of the available cash to repay short-term portions of medium- and long-term loans and in the course of business.

## 11 - Other financial assets and liabilities

The "other current financial assets" item booked under current assets increased by €2,469 thousand. The increase of is entirely due to reclassification to current financial assets of 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 item also includes €101 thousand relating 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.

The "other non-current financial assets" item decreased due both to the reclassification explained above (€2,469 thousand corresponding to USD 3 million) and to the collection of the portion relating to the price adjustment due to definition of the working capital arising from sale of the company Parvus Corp.

The "other non-current financial liabilities" item, which totalled €118 thousand at 31 December 2013, referred to the payable taken on by the Parent Company for US taxes owed by Parvus Corp., which was put to zero following the disbursements made.

## 12 – Net financial position

The table below shows the Group's net financial position at 31 December 2014 and 31 December 2013:

(€'000)		at December 31, at December 31,	
		2014	2013
Cash & cash equivalents	A	(14,104)	(27,995)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(14,104)</b>	<b>(27,995)</b>
Other current financial assets	C	(2,570)	(101)
Derivative instruments	D	52	159
Short-term borrow ing	E	7,930	12,319
Other current financial liabilities	F	0	0
<b>Short-term financial position</b>	<b>G=C+D+E+F</b>	<b>5,412</b>	<b>12,377</b>
<b>Short-term net financial position</b>	<b>H=B+G</b>	<b>(8,692)</b>	<b>(15,618)</b>
Other non current financial liabilities	I	0	118
Medium/long term borrow ing	J	2,756	2,729
<b>Medium-/long-term net financial position</b>	<b>K=I+J</b>	<b>2,756</b>	<b>2,847</b>
<b>(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions</b>	<b>L=H+K</b>	<b>(5,936)</b>	<b>(12,771)</b>
Other non current financial assets	M	0	(2,342)
<b>(NET FINANCIAL POSITION) NET DEBT</b>	<b>N=L+M</b>	<b>(5,936)</b>	<b>(15,113)</b>

The Group's net financial position at 31 December 2014 was €5,936 thousand, compared with the positive value of €15,113 thousand at 31 December 2013.

At 31 December 2013, short-term financial liabilities (pursuant to IAS 1.65) included the medium-to-long-term portion (€2,000 thousand) of an existing loan; all of the contractual conditions for this loan had not been met at year-end, as prior notice had not been given of the disposal of a significant asset (Parvus Corp.). The loan presently has a nature short-term due date.

At 31 December 2014 the Group complied with the financial covenants contained in the existing loan agreements.

### 13 – Shareholders' equity

The schedule below shows the composition of shareholders' equity at 31 December 2013 and 31 December 2014:

(€'000)	at December 31,	at December 31,
	2014	2013
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(43,292)	(37,180)
<b>Group shareholders' equity</b>	<b>101,987</b>	<b>108,099</b>
<b>Equity attributable to minority interest</b>	<b>0</b>	<b>0</b>
<b>Total shareholders' equity</b>	<b>101,987</b>	<b>108,099</b>

The share capital at 31 December 2014 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 2014 amounted to €1,037 thousand and increased by €988 thousand following allocation of part of the 2013 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 €4,413 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 as of UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc..

The item "Other reserves" was negative by € 38,469 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 2013 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 €52 thousand and decreased by €107 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 €2,144 thousand, gross of the related tax effect, and was again not recorded due to the absence of the prerequisites. This reserve was increased by €3,543 thousand during the year.

The parent company Eurotech S.p.A. held 1,319,020 treasury shares at the end of the year (at the end of 2013 it held 871,010). The relevant transactions had no effect on the income statement. In 2014 (period from 2 January 2014 to 11 April 2014) 448,000 treasury shares were purchased at an average price per share of €2.16. This purchase was decided by the board of directors in December 2013 in implementing the shareholders' resolution of 24 April 2013.

### 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 2013 and 2014 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, 2014	at December 31, 2013
Net income (loss) attributable to parent company shareholders	( 8,922,000)	8,240,000
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	( 1,263,869)	( 871,020)
Weighted average number of ordinary shares except own shares	34,251,915	34,644,764
Net income (loss):		
- per share	( 0.260)	0.238
- per share diluted	( 0.260)	0.238

## 15 - Borrowings

The schedule below shows the breakdown of medium- to long-term financial payables at 31 December 2014:

LENDER	COMPANY	BALANCE ON 31.12.2013	BALANCE ON 31.12.2014	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months
CURRENT OUTSTANDINGS - (a)		4,369	2,799	2,799	-	-
Finance Lease	Advanet Inc.	137	100	37	63	63
TOTAL OTHER FINANCINGS		137	100	37	63	63
Iccrea Banca Impresa	Eurotech S.p.A.	486	-	-	-	-
Iccrea Banca Impresa	Eurotech S.p.A.	-	2,000	477	1,523	1,523
<b>Total Group Iccrea</b>		<b>486</b>	<b>2,000</b>	<b>477</b>	<b>1,523</b>	<b>1,523</b>
Banca Pop. Friuladria	Eurotech S.p.A.	1,000	-	-	-	-
<b>Total Credit Agricole</b>		<b>1,000</b>	-	-	-	-
Cassa di Risparmio del FVG	Eurotech S.p.A.	4,000	2,000	2,000	-	-
<b>Total Gruppo INTESA - SAN PAOLO</b>		<b>4,000</b>	<b>2,000</b>	<b>2,000</b>	-	-
The Chugoku Bank Ltd	Advanet Inc.	349	121	121	-	-
<b>Total The Chugoku Bank Ltd</b>		<b>349</b>	<b>121</b>	<b>121</b>	-	-
Bcc Carnia e Gemonese	Eurotech S.p.A.	-	200	200	-	-
Bcc Carnia e Gemonese	Eurotech S.p.A.	-	1,000	-	1,000	1,000
Cassa Rurale della Valle dei Laghi	EthLab S.r.l.	263	217	47	170	170
<b>Total Credito Cooperativo Banks</b>		<b>263</b>	<b>1,417</b>	<b>247</b>	<b>1,170</b>	<b>1,170</b>
Unicredit	Eurotech S.p.A.	4,444	2,249	2,249	-	-
<b>Total Gruppo Unicredit</b>		<b>4,444</b>	<b>2,249</b>	<b>2,249</b>	-	-
TOTAL BANK DEBT - (c)		10,542	7,787	5,094	2,693	2,693
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		10,679	7,887	5,131	2,756	2,756
TOTAL DEBT - [(a) + (b) + (c)]		15,048	10,686	7,930	2,756	2,756

### 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 €100 thousand (€63 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.

*Bank loans*

Bank loans refer mainly to:

- A €2,000 thousand loan Icreaa Banca Impresa granted to the Parent Company at year-end 2014 (of which €1,523 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;
- A loan granted to the Parent Company by Cassa di Risparmio del FVG for €2,000 thousand, falling due in 2015, to finance the investment made to purchase 25% of the shares of subsidiary Advanet. 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. The covenants relate to debt to equity and debt to EBITDA (both ratios were complied with at 31 December 2014). In 2013, with regard to this loan, the failure to provide prior notice of the disposal of a significant asset in relation to this loan has resulted in the expiry of the benefit of the term. Last year the Parent Company requested a letter of waiver from the bank, and as of today it has not been obtained. Nevertheless, the natural due date of the loan is 31 December 2013, and so it is entirely classified as short-term;
- The residual portion of a loan granted to Advanet Inc. by The Chugoku Bank Ltd. totalling €121 thousand, repayable in 2015, to boost the Japanese company's working capital;
- A loan granted to the Parent Company at the end of 2013 by BCC di Carnia e Gemonese for €200 thousand falling due in June 2015 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 €1,000 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.
- The outstanding portion (€2,249 thousand) of a loan granted to the Parent Company by Unicredit, expiring in 2015, to finance the acquisition, including through a subsidiary, of the company Applied Data Systems Inc. (now Eurotech Inc.). This loan is subject to covenants (which include the possibility of early repayment or an increase in the interest rate spread of 50bps) with annual verification based on the year-end consolidated financial statements. The covenants relate to debt to equity and debt to EBITDA. All the covenants were respected at the reporting date.

## 16 - Employee benefits

The schedule below shows the breakdown of employee benefits at 31 December 2014 and 31 December 2013:

(€'000)	at December 31, at December 31,	
	2014	2013
Employees' leaving indemnity	309	304
Foreing Employees' leaving indemnity	1,523	1,312
Employees' retirement fund	92	83
<b>TOTAL EMPLOYEES' BENEFITS</b>	<b>1,924</b>	<b>1,699</b>

### 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 2014 and 31 December 2013:

(€ '000)	Defined benefit plans			
	Italy		Japan	
	at December 31, 2014	at December 31, 2013	at December 31, 2014	at December 31, 2013
Liabilities at start of period	304	450	1,312	1,347
Cost relating to present service	21	22	115	113
Finance expense	8	11	11	12
Other changes	0	0	(12)	(221)
Benefits paid out	(48)	(187)	(13)	0
IAS 19 revised adoption	0	0	0	0
Actuarial loss (gain) reconised	24	8	110	61
Liabilities at end of period	309	304	1,523	1,312

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 31, 2014	at December 31, 2013	at December 31, 2014	at December 31, 2013
Discount Rate	3.24%	4.72%	0.90%	0.80%
Expected rates of future wages 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	24	25	25	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.

(€'000)	Defined benefit plans			
	Italy		Japan	
	at December 31, 2014	at December 31, 2013	at December 31, 2014	at December 31, 2013
Projected benefit obligation at January 1,	304	450	1,312	1,347
Current Service cost	21	22	115	113
Interest cost	8	11	11	12
Other changes	0	0	(12)	(221)
Pensions paid	(48)	(187)	(13)	0
Recognized actuarial gains or losses	24	8	110	61
<b>Projected benefit obligation at December 31</b>	<b>309</b>	<b>304</b>	<b>1,523</b>	<b>1,312</b>

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.

(€ '000)	Defined benefit plans			
	Italy		Japan	
	at December 31, 2014	at December 31, 2013	at December 31, 2014	at December 31, 2013
Projected benefit obligation	309	304	1,523	1,312
Unrecognized actuarial gains or losses	0	0	0	0
<b>Provisions for pensions charged to balance sheet</b>	<b>309</b>	<b>304</b>	<b>1,523</b>	<b>1,312</b>
Current Service cost	21	22	115	113
Interest cost	8	11	11	12
Recognized actuarial gains or losses	24	8	110	61
<b>Costs charged to income statement</b>	<b>53</b>	<b>41</b>	<b>236</b>	<b>186</b>

### *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 2014 and 31 December 2013:

	at December 31, 2014	at December 31, 2013
<b>EMPLOYEES' RETIREMENT FUND on €'000</b>		
<b>JANUARY 1,</b>	<b>83</b>	<b>87</b>
Provision	9	-
Utilization	-	( 4)
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>92</b>	<b>83</b>

## 17 - Reserve for risks and charges

The schedule below shows the breakdown of the reserve for risks and charges at 31 December 2014 and 31 December 2013:

(€'000)	at December 31, 2014	at December 31, 2013
Selling agents' commission fund	55	51
Director termination fund	141	267
Guarantee reserve	320	241
Busting depreciable asset	262	254
Other risk reserves	131	71
<b>TOTAL FUNDS FOR COSTS AND FUTURE RISKS</b>	<b>909</b>	<b>884</b>

### *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.

The indemnity paid during the year refers to that recognised to the chief executive officers of the Parent Company at the end of their 2011-2013 three-year mandate.

### *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.

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, 2014	at December 31, 2013
<b>JANUARY 1,</b>	<b>51</b>	<b>46</b>
Provision	4	5
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>55</b>	<b>51</b>
<b>DIRECTOR TERMINATION FUND on €'000</b>	<b>at December 31, 2014</b>	<b>at December 31, 2013</b>
<b>JANUARY 1,</b>	<b>267</b>	<b>162</b>
Provision	99	117
Other	( 1)	( 12)
Utilization	( 224)	-
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>141</b>	<b>267</b>
<b>GUARANTEE RESERVE on €'000</b>	<b>at December 31, 2014</b>	<b>at December 31, 2013</b>
<b>JANUARY 1,</b>	<b>241</b>	<b>314</b>
Provision	65	10
Other	17	( 23)
Utilization	( 3)	( 2)
Reclassification for Discontinued operations	-	( 58)
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>320</b>	<b>241</b>

	at December 31, 2014	at December 31, 2013
<b>BUSTING DEPRECIABLE ASSET on €'000</b>		
<b>JANUARY 1,</b>	<b>254</b>	<b>324</b>
Provision	-	-
Other	8	( 70)
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>262</b>	<b>254</b>
	at December 31, 2014	at December 31, 2013
<b>GENERIC RISK on €'000</b>		
<b>JANUARY 1,</b>	<b>71</b>	<b>-</b>
Provision	100	70
Other	4	1
Utilization	(44)	-
<b>RESERVE AT THE END OF THE PERIOD</b>	<b>131</b>	<b>71</b>

Note that on 24 November 2014 a report on findings was served at the end of the tax assessment performed by the Inland Revenue Office of Udine on Eurotech SpA for financial year 2012. The company is still waiting to receive the relevant notice of assessment and in any case, based on the findings, it does not deem that considerable liabilities might emerge; consequently, no allocation was made.

After the end of the year a customer terminated an active supply contract with the intention to obtain damages through legal means. The Directors agreed that the risk of compensation, albeit for an amount as yet undefined, is not likely in view of the possible customer requests and the insignificant supply value. According to this assessment it was decided not to make any allocation.

### 18 - Trade payables

The schedule below shows the composition of trade payables at 31 December 2013 and 31 December 2014:

(€'000)	at December 31, at December 31,	
	2014	2013
Third parties	14,776	13,842
Affiliate companies	496	835
<b>TOTAL TRADE PAYABLES</b>	<b>15,272</b>	<b>14,677</b>

Trade payables at 31 December 2014 came to €15,272 thousand, increasing by €595 thousand compared with 31 December 2013. 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 2013 and 31 December 2014:

(€'000)	at December 31, at December 31,	
	2014	2013
Social contributions	762	1,202
Other	2,796	2,888
Advances from customers	2,482	1,564
Other tax liabilities	449	377
Accrued expenses	753	1,082
<b>TOTAL OTHER CURRENT LIABILITIES</b>	<b>7,242</b>	<b>7,113</b>

#### *Social security payables*

Social security payables refer to amounts due for social security contributions accrued and pertaining to the year.

#### *Other payables*

The schedule below shows the breakdown of other payables at 31 December 2014 and 31 December 2013:

(€'000)	at December 31, at December 31,	
	2014	2013
Employees	844	919
Vacation pay	739	725
Directors	293	363
Debiti verso sindaci	157	130
Other	763	751
<b>TOTAL OTHER PAYABLES</b>	<b>2,796</b>	<b>2,888</b>

Amounts payable to employees refer to salaries and wages for the month of December 2014 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.

Advances for contributions refer to prepayments made upon requests for contributions that were already accounted for and to be accounted for.

## 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 2014 are as follows:

(€'000)	at December 31, at December 31,	
	2014	2013
Within 12 months	1,426	1,456
Over 12 months but within five years	2,681	1,391
Over 5 years	1,602	-

Costs for operating leases totalling €1.6 million were recorded in the income statement during the year.

#### Warranties

The Eurotech Group had potential liabilities at 31 December 2014 deriving from sureties of €674 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 2014.

#### ***21 – Costs of raw & auxiliary materials and consumables used***

(€'000)	FY 2014 FY 2013	
Purchases of raw materials, semi-finished and finished products	32,215	32,058
Changes in inventories of raw materials	763	868
Change in inventories of semi-finished and finished products	169	371
<b>TOTAL COST OF MATERIALS</b>	<b>33,147</b>	<b>33,297</b>

Consumption of raw and auxiliary materials and consumables shows a decrease whose effect on the reduction in turnover is however proportionally lower than that of sales.

**22 – Other operating costs**

	FY 2014	FY 2013
(€'000)		
Service costs	14,096	12,589
Rent and leases	1,700	1,718
Payroll	18,976	19,292
Accruals and other costs	1,792	1,525
Cost adjustments for in-house generation of non-current assets	(1,787)	(1,418)
<b>Operating costs net of cost adjustments</b>	<b>34,777</b>	<b>33,706</b>

**23 – Service costs**

	FY 2014	FY 2013
(€'000)		
Industrial services	5,397	4,431
Commercial services	3,169	2,792
General and administrative costs	5,530	5,366
<b>Total costs of services</b>	<b>14,096</b>	<b>12,589</b>

Service costs in the periods reviewed recorded an overall increase due to the new investments that the Group is making to support its strategies.

**24 – Payroll costs**

	FY 2014	FY 2013
(€'000)		
Wages, salaries, and Social Security	17,901	18,218
Severance indemnities	333	309
Other costs	742	765
<b>Total cost of personnel</b>	<b>18,976</b>	<b>19,292</b>

The item indicating payroll costs showed a decrease in the period being reviewed due to the exchange rate effect.

As shown in the table below, the number of Group employees increased at the end of the periods under review, rising from 354 in 2013 to 365 in 2014.

Employees	Average 2014	at December 31, 2014	Average 2013	at December 31, 2013
Management	2.9	3	3.0	3
Clerical workers	333.6	334	331.4	322
Line workers	31.0	28	29.4	29
<b>TOTAL</b>	<b>367.4</b>	<b>365</b>	<b>363.7</b>	<b>354</b>

**25 - Other provisions and costs**

	FY 2014	FY 2013
(€'000)		
Doubtful debt provision	793	740
Other Provisions	165	35
Other costs	834	750
<b>Total accruals and other costs</b>	<b>1,792</b>	<b>1,525</b>

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 €192 thousand at 31 December 2014 while losses were not booked last year.

**26 – Other revenues**

	FY 2014	FY 2013
(€'000)		
Government grants	211	842
Sundry revenues	196	504
<b>Total other revenues</b>	<b>407</b>	<b>1,346</b>

Contributions mainly relate to research and development activities which receive funding from local governments and training delivered to employees.

**27 – Cost adjustments for internally generated non-current assets**

At 31 December 2014, cost adjustments for internally generated non-current assets (€1,787 thousand) related to the cost incurred internally for the development of new circuit boards for a high-performance, low-consumption processor (€859 thousand); the cost incurred by the parent company and subsidiary Eurotech Inc. for new Cloud platform products (€454 thousand); €126 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, €120 thousand incurred by subsidiary Advanet Inc., mainly in personnel costs, and €228 thousand for new development projects.

Total adjustments for internal increases comprise €1,122 thousand in payroll costs (2013: €969 thousand), €360 thousand in service costs (2013: €214 thousand), €305 thousand in materials costs (2013: €235 thousand).

**28 – Amortisation, depreciation and write-downs**

	FY 2014	FY 2013
(€'000)		
Amortisation of intangible assets	4,256	5,244
Amortisation of property, plant and equipment	958	1,055
Write-down of fixed assets	160	6,077
<b>Total amortisation and depreciation</b>	<b>5,374</b>	<b>12,376</b>

This change is mainly due to the write-downs in 2013 on the Eurotech Inc. CGU. The total amount of €6,077 thousand related to a goodwill write-down, for €5,484 thousand, following an impairment test, and to €593 thousand relating to a write-down of the customer relations item in respect of the same CGU, following the assumption that prerequisites for recovery of these amounts no longer exist.

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 €2,390 thousand (2013: €3,157 thousand).

Asset write-downs in 2014 were entirely due 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

	FY 2014	FY 2013
(€'000)		
Exchange-rate losses	750	2,869
Interest expenses	387	703
Interest expenses due to the discounting	19	0
Expenses on derivatives	115	206
Other finance expenses	46	60
<b>Financial charges</b>	<b>1,317</b>	<b>3,838</b>

	FY 2014	FY 2013
(€'000)		
Exchange-rate gains	1,859	4,073
Interest income	65	49
Other finance income	60	14
<b>Financial incomes</b>	<b>1,984</b>	<b>4,136</b>

The performance in financial operations was influenced by exchange rate gains of €1,109 thousand in 2014 (2013: gain of €1,204 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 reduced interest expense due to the reduced debt in addition to a reduction in charges on derivatives payable and other financial charges.

Interest income was slightly higher due to higher average cash stocks on deposits.

## 30 – Valuations of affiliates using the equity method

The amount of €45 thousand derived from the combined effect of revaluations of equity interests for €52 thousand and capital losses from equity interests for €7 thousand. The amount of €242 thousand recorded for 2013 on the other hand fully derived from revaluations of equity interests.

## 31 – Income tax for the period

Income taxes came to €641 thousand in 2014 and €1,768 thousand in 2013.

	FY 2014	FY 2013
(€'000)		
Pre-tax result of continuing operations	( 8,281)	( 11,387)
Income taxes	( 641)	( 1,768)

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:

	FY 2014	FY 2013
(€'000)		
IRES (Italian corporate income tax)	381	1,024
IRAP (Italian Regional business tax)	5	50
Foreign current income taxes	983	2,260
<b>Total current income tax</b>	<b>1,369</b>	<b>3,334</b>
Net (prepaid) deferred taxes: Italy	1	4
Net (prepaid) deferred taxes: Non-Italian	(738)	(1,570)
<b>Net (prepaid) deferred taxes</b>	<b>(737)</b>	<b>(1,566)</b>
Previous years taxes	9	0
<b>Previous years taxes</b>	<b>9</b>	<b>0</b>
<b>TOTAL INCOME TAXES</b>	<b>641</b>	<b>1,768</b>

Income taxes totalled €641 thousand at 31 December 2014 (current taxes of €1,369 thousand and net deferred tax assets of €-737 thousand) compared with €1,768 thousand at 31 December 2013 (current taxes of €3,334 thousand and net deferred tax assets of €-1,566 thousand), representing a decrease of €1,127 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 €52.0 million (2013: €42.9 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 2014, 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.

### 32 – Net profit (loss) from discontinued operations and assets held for sale

The amount relates only to 2013 and, In accordance with the accounting standard "IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations", the item includes the total economic effects (€21,395 thousand) of the sale transaction of US subsidiary Parvus Corp..

Specifically, it includes the net capital gain deriving from the sale of the US subsidiary, amounting to €20,420 thousand, which is the difference between the consideration for the sale and the carrying value of the assets and liabilities transferred on the date of the transaction (€6,180 thousand), net of directly attributable costs (€1,524 thousand).

The item also included the consolidated contribution to 2013 profit of the US subsidiary, accrued until the transfer date, which amounted to €975 thousand.

### J – Other information

#### 33 – Related-party transactions

The consolidated financial statements include the financial statements of Eurotech SpA, its subsidiaries and its affiliated companies shown in the schedule below:

Name	Location	Currency	%of ownership 31.12.2014	%of ownership 31.12.2013
<b>Subsidiaries</b>				
I.P.S. Sistemi Programmabili S.r.l.	Italy	Euro	100.00%	100.00%
ETH Lab S.r.l.	Italy	Euro	99.99%	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%
Sae S.r.l. (liquidated on 31.12.2014)	Italy	Euro	-	100.00%
Dynatem Inc.	USA	USD	100.00%	100.00%
Advanet Inc.	Japan	Yen	90.00% (1)	90.00% (1)
<b>Affiliated companies</b>				
Chengdu Vantron Technologies Inc.	China		45.00%	45.00%
Delos S.r.l. (2)	Italy		40.00%	40.00%
eVS embedded Vision Systems S.r.l.	Italy		24.00%	24.00%
Emilab S.r.l.	Italy		24.82%	24.82%
Rotow i 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	Interest to related parties	Purchases from related parties	Receivables from related parties	Payables from related parties
<b>Associated companies</b>					
Chengdu Vantron Technology Inc	107	-	1,825	4	483
Emilab S.r.l.	-	-	31	-	-
eVS embedded Vision Systems S.r.l.	-	-	31	-	13
<b>Total</b>	<b>107</b>	<b>-</b>	<b>1,887</b>	<b>4</b>	<b>496</b>
<b>Other related parties</b>					
Finmeccanica Group	2,318	-	2	2,033	9
<b>Total</b>	<b>2,318</b>	<b>-</b>	<b>2</b>	<b>2,033</b>	<b>9</b>
<b>Total with related parties</b>	<b>2,425</b>	<b>-</b>	<b>1,889</b>	<b>2,037</b>	<b>505</b>
<b>% impact</b>	<b>3.8%</b>		<b>3.9%</b>	<b>10.3%</b>	<b>3.3%</b>

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 Article 78 of Consob's Issuer Regulations 11971/99, as amended, and Annex 3C of said regulations.

Name	Nomination	Expiration	at December 31, 2014			
			Fees for the appointment	Other fees	Benefits	Bonus
Siagri Roberto	President	In charge up to 31.12.2016	330	10	4	-
Tecchioli Giampietro	Vice President - Director up to November 25, 2014		199	10	3	-
Barazza Sandro	Director	In charge up to 31.12.2016	13	126	3	-
Bertolone Giovanni	Director up to April 24, 2014		3	-	-	-
Grasso Giancarlo	Director up to April 24, 2014		3	-	-	-
Mio Chiara	Director	In charge up to 31.12.2016	30	-	-	-
Pedicchio Maria Cristina	Director up to April 24, 2014		8	-	-	-
Pizzul Cesare	Director up to April 24, 2014		8	-	-	-
Soccodato Giovanni	Director up to April 24, 2014		3	-	-	-
Antonello Giulio	Director from April 24, 2014	In charge up to 31.12.2016	12	-	-	-
Bonomo Paola	Director from April 24, 2014	In charge up to 31.12.2016	21	-	-	-
Costacurta Riccardo	Director from April 24, 2014	In charge up to 31.12.2016	22	-	-	-
Paladin Dino	Director from April 24, 2014	In charge up to 31.12.2016	10	-	-	-
Panizzardi Giuseppe	Director from April 24, 2014	In charge up to 31.12.2016	10	-	-	-
Siciliotti Claudio	President of Board of Statutory Auditors	In charge up to 31.12.2016	40	-	-	-
Cignolini Michela	Statutory Auditor	In charge up to 31.12.2016	27	-	-	-
Pingaro Giuseppe	Statutory Auditor	In charge up to 31.12.2016	27	-	-	-
<b>TOTAL</b>			<b>766</b>	<b>146</b>	<b>10</b>	<b>-</b>

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 article 79 of Consob Regulation 11971/19 99 as subsequently amended and Annex 3C of the same regulation.

		at December 31, 2014						
Name		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	Ow nership	2,320,531	-	( 180,000)	2,140,531	980,371
Tecchiolli Giampietro	Director up to Novembe 25, 2014	Eurotech	Ow nership	191,015	-	-	191,015	- (*)
Barazza Sandro	Director	Eurotech	Ow nership	2,000	-		2,000	-
Bertolone Giovanni	Director up to April 24, 2014	Eurotech	Ow nership	-	-	-	-	-
Grasso Giancarlo	Director up to April 24, 2014	Eurotech	Ow nership	-	-	-	-	-
Mio Chiara	Director	Eurotech	Ow nership	-	-	-	-	-
Pedicchio Maria Cristina	Director up to April 24, 2014	Eurotech	Ow nership	-	-	-	-	-
Pizzul Cesare	Director up to April 24, 2014	Eurotech	Ow nership	-	-	-	-	-
Soccodato Giovanni	Director up to April 24, 2014	Eurotech	Ow nership	-	-	-	-	-
Antonello Giulio	Director from April 24, 2014	Eurotech	Ow nership	-	-	-	-	-
Bonomo Paola	Director from April 24, 2014	Eurotech	Ow nership	-	-	-	-	-
Costacurta Riccardo	Director from April 24, 2014	Eurotech	Ow nership	-	-	-	-	-
Paladin Dino	Director from April 24, 2014	Eurotech	Ow nership	1,860,199	533,388	( 150,000)	2,243,587	-
Panizzardi Giuseppe	Director from April 24, 2014	Eurotech	Ow nership	-	-	-	-	-
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ow nership	20,000		( 10,000)	10,000	-
Cignolini Michela	Statutory Auditor	Eurotech	Ow nership	-	-	-	-	-
Pingarò Giuseppe	Statutory Auditor	Eurotech	Ow nership	-	-	-	-	-

(\*) Shares owned at the end of office

### 34 – 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 2014, about 32% of Parent Company loans were at fixed rates (compared with about 49% in 2013). Most of the outstanding loans of the Japanese companies are fixed-rate, since these are currently more convenient than variable-rate loans.

### 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, JPY/EUR and GBP/EUR exchange rates. In 2010 no foreign exchange hedges were executed because of the uneven USD, GBP and JPY flows, particularly taking into account that the individual subsidiaries tend to operate in their respective functional currencies in their respective core markets.

About 79.7% of sales of goods and services (2013: 80.7%) and 70.8% (2013: 69.0%) 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 booked 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. However, US subsidiary Eurotech Inc. has a trade receivable in place with a nominal value of €3.8 million that became payable 12 months ago, and which was written down in the current year with the creation of a provision to cover around 14.5% of its value. Although the Directors believe that the receivable is fully collectable, it could present a credit risk in the future. A credit portion could be collected over the next year ending.

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 2014, 65.1% of Group financial payables will accrue within one year (2013: 55.7%), based on the balances of the original plans. The Group is working with the banks in order to raise medium- to long-term financing to reach a financial balance.

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	1 to 2 years	3 to 5 years	Total
Borrowings	7,893	863	1,830	10,586
Trade payables and other liabilities	22,514	-	-	22,514
Finance Lease	37	34	29	100
Financial derivatives	52	-	-	52
<b>Total as of December 31, 2014</b>	<b>30,496</b>	<b>897</b>	<b>1,859</b>	<b>33,252</b>

### 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 2013 and 2014.

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, 2014	at December 31, 2013
Other current and non current financial assets	(2,570)	(2,443)
Derivative instruments	52	159
Other current and non current liabilities assets	0	118
Borrowing	10,686	15,048
Cash & cash equivalents	(14,104)	(27,995)
<b>Net financial position</b>	<b>(5,936)</b>	<b>(15,113)</b>
Convertible bond loan	0	0
Group Equity	101,987	108,099
Not distributed profit	0	0
<b>Group Equity</b>	<b>101,987</b>	<b>108,099</b>
<b>EQUITY AND NET FINANCIAL POSITION</b>	<b>96,051</b>	<b>92,986</b>
<b>Net financial position on Equity</b>	<b>-5.8%</b>	<b>-14.0%</b>

### 35 – 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 2014 and on the respective comparison figures.

At 31 December 2014, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at December 31, 2014	Fair value at December 31, 2014 (debit)	Fair value at December 31, 2014 (credit)	Notional value at December 31, 2013	Fair value at December 31, 2013 (debit)	Fair value at December 31, 2013 (credit)
<b>Cash flow hedge</b>						
Contracts Interest Rate Sw ap (IRS)	2,144	0	(52)	4,508	0	(159)

All the assets and liabilities measured at fair value at 31 December 2014 are at Level 2 of the fair value measurement scale. In addition, during 2014 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, 2014									
(€'000)	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale	Held-to-Maturity	Total	(€'000)	Liabilities at fair value through equity	Other financial liabilities at amortised cost	Total
<b>Assets as per balance sheet</b>						<b>Liabilities as per balance sheet</b>			
Trade and other receivables excluding pre-payments	19,846				19,846	Borrowings (excluding finance lease liabilities)		10,586	10,586
Other current financial assets	2,469		101		2,570	Finance lease liabilities		100	100
Cash & cash equivalents	14,104				14,104	Derivative financial instruments	52		52
<b>Total</b>	<b>36,419</b>	<b>0</b>	<b>101</b>		<b>36,520</b>	Trade and other payables excluding non-financial liabilities		15,272	15,272
						<b>Total</b>	<b>52</b>	<b>15,372</b>	<b>15,424</b>
at December 31, 2013									
(€'000)	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale	Held-to-Maturity	Total	(€'000)	Liabilities at fair value through equity	Other financial liabilities at amortised cost	Total
<b>Assets as per balance sheet</b>						<b>Liabilities as per balance sheet</b>			
Trade and other receivables excluding pre-payments	18,673				18,673	Borrowings (excluding finance lease liabilities)		14,911	14,911
Other non current financial assets	2,342				2,342	Finance lease liabilities		137	137
Other current financial assets			101		101	Derivative financial instruments	159		159
Cash & cash equivalents	27,995				27,995	Trade and other payables excluding non-financial liabilities		14,677	14,677
<b>Total</b>	<b>49,010</b>	<b>0</b>	<b>101</b>		<b>49,111</b>	<b>Total</b>	<b>159</b>	<b>14,814</b>	<b>14,973</b>

### 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 2014, the Group held two IRS contracts (for a notional value of €2.1 million) signed during the last five years and designated as instruments to hedge interest rate risk.

	<i>Due date</i>	<i>Fixed rate</i>	<i>Floating rate</i>	<i>Market value (€'000)</i>
<i>Interest rate swap contracts</i>				
€ 1,000,000	31 December 2015	2.52%	Euribor 6 month	(18)
€ 1,144,267	31 December 2015	4.08%	Euribor 6 month	(34)

Interest rate swap contract conditions were negotiated to coincide with the conditions of the underlying commitments.

The accounting treatment of these financial instruments entailed a decrease in equity of €107 thousand and decreased the cash flow hedge reserve as a direct reduction of equity to €52 thousand.

### **36 – Contingent liabilities**

There were no other contingent liabilities except what indicated in Note 17.

### **37 – Events after the reporting period**

There were no events of note subsequent to the end of the financial year.

Amaro, 13 March 2015

On behalf of the Board of Directors  
Chairman  
Roberto Siagri

## Annex I - Information provided pursuant to Article 149-duodecies of the Consob Issuer Regulation

The schedule below has been prepared in accordance with article 149-*duodecies* of the Consob Issuer Regulation and shows the amounts paid in 2014 for auditing and other services provided by the independent auditing firm and entities that are a part of this firm's network.

(€)	Service provider	Eurotech Group entity	2014 fees
<b>Audit</b>			
	Reconta Ernst & Young S.p.A. (*)	Parent company - Eurotech S.p.A.	94,743
	Reconta Ernst & Young (*)	Subsidiaries	82,061
	PricewaterhouseCoopers S.p.A. (**)	Parent company - Eurotech S.p.A.	31,500
	PricewaterhouseCoopers (**)	Subsidiaries	27,824
<b>Tax consultant</b>			
	Reconta Ernst & Young S.p.A.	Parent company - Eurotech S.p.A.	6,400
	Reconta Ernst & Young S.p.A.	Subsidiaries	7,400
<b>Other services</b>			
	PricewaterhouseCoopers Advisory S.p.A. (***)	Parent company - Eurotech S.p.A.	95,000
<b>TOTAL</b>			<b>344,928</b>

(\*) until approval of the 2013 consolidated financial statement

(\*\*) from the date of the engagement of the audit firm

(\*\*\*) before the date of the engagement of the audit firm

## **Certification of the consolidated financial statements pursuant to 154-bis of Legislative Decree 58 of 24 February 1998**

Amaro, 13 March 2015

1. We the undersigned, Roberto Siagri, the Chief Executive Officer and Sandro Barazza, the Financial Reporting Manager of Eurotech SpA, hereby attest, pursuant to article 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 2014.

2. Valuation of the adequacy of the administrative and accounting procedures for the formation of the condensed financial statements at 31 December 2014 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 2014:

- 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  
Roberto Siagri

Financial Reporting Manager  
Sandro Barazza



**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N°39 OF 27 JANUARY 2010**

To the Shareholders of  
Eurotech SpA

- 1 We have audited the consolidated financial statements of Eurotech SpA and its subsidiaries ("Eurotech Group") as of 31 December 2014 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors of Eurotech SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 9 of Legislative Decree n°38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.
  - 2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.
- For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to the report issued by other auditors on 31 March 2014.
- 3 In our opinion, the consolidated financial statements of the Eurotech Group as of 31 December 2014 comply with the International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 9 of Legislative Decree n°38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Eurotech Group for the period then ended.
  - 4 The directors of Eurotech SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership structure, solely with reference to the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n°58/98, with the financial statements, as required by law. For this purpose, we have performed the

**PricewaterhouseCoopers SpA**

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procedures required under Italian Auditing Standard n°001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n°58/98 presented in the specific section of the aforementioned report are consistent with the consolidated financial statements of Eurotech SpA as of 31 December 2014.

Udine, 30 March 2015

PricewaterhouseCoopers SpA

*Signed by*

Maria Cristina Landro  
(Partner)

*This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.*



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