

## **EUROTECH: BOARD OF DIRECTORS APPROVES CONSOLIDATED INTERIM FINANCIAL REPORT AT 30 JUNE 2015**

Amaro (UD), 28 August 2015

- Consolidated revenues: from €31.03 million to €30.17 million
- Consolidated gross profit: from €15.15 million to €15.14 million
- Consolidated EBITDA: from -€1.35 million to -€2.55 million
- Consolidated EBIT: from -€3.92 million to -€5.24 million
- Consolidated pre-tax result: from -€4.17 million to -€4.86 million
- Group net result: from -€4.67 million to -€4.50 million
- Net financial debt: €1.85 million
- Shareholders' equity pertaining to the Group: €104.07 million

The Board of Directors of Eurotech S.p.A. examined and approved the results of the first half of 2015 today.

During the half-year that ended on 30 June 2015, the Group continued the business strategy it undertook last year that is marked by significant investments in the corporate areas considered essential for the future growth of the Group and of its business, as has already been highlighted in the letter to shareholders. More specifically, development of the M2M/IoT platforms is giving important results that give rise to hope for development in the upcoming quarters, especially in terms of new customer acquisition. Several important agreements have been signed, regarding both partnerships with key players in the IoT segment and supply to companies that see Eurotech solutions as technologically innovative elements that allow them to enter the IoT paradigm and to achieve a competitive edge in their respective markets. As regards traditional business, the half-year was influenced by a delay in the start-up of several projects and by a decline in turnover in the Japanese area. These effects, combined with the investments in the operational structure that the Group continues to make, explain the operating results of the half-year under review. Operating costs increased for the investments made to implement the strategy and for future growth, always with a regimen of increased costs controlled and guided by management.

As commented on several times in previous quarters, the objective of the investments made in the operational structure, and in particular in employees, is to strengthen the Group's ability to put the new offer of M2M platforms and IoT solutions on the market while at the same time remaining innovative in the embedded computer segment as well.

These investments are generating the expected results in terms of international brand positioning, creation of a partner ecosystem and development of business opportunities. Given the progress of the strategy's implementation, more tangible results in terms of order portfolio and turnover should emerge in the next quarters.

In view of the order book, also fuelled by orders received in the first half, and the existing contracts Management continue to look positively to the ongoing year, beyond the current situation.

Group revenues in the first six months of 2015 totalled €30.17 million, compared to €31.03 million in the first half of 2014. The USA area developed a higher turnover than that of the same period of reference, the Japanese area faced delays on the orders of several big players, and the European area continues to work on increasing its customer portfolio that is generating interesting business opportunities.

The gross profit margin of the period was 50.2%, in line with management's forecasts at the beginning of the year and higher than what was achieved both at year-end 2014 (48.1%) and in the first half of 2014 (48.8%). Slight fluctuations in gross profit have always been seen in the various periods examined and are a historical element tied to the mix of products sold, which give different margins depending on the type of product, the fields of application and the geographic market outlets.

During the period of reference, operating costs before adjustments rose by 8.6%, equal to €1.51 million, rising from €17.49 million of the first half of 2014 to €19.01 million of the first half of 2015. In addition to being caused by the different translation exchange rate, this increase is the result of the increase in payroll costs due to the investments being made in the structure, and particularly in the M2M/IoT division, to achieve the set goals. In fact, the higher number of Group employees, up from 365 at year-end 2014 to 375 at the end of the first half of 2015, brought about a parallel increase in costs in absolute terms. This rise made an impact on Group EBITDA. Owing to the revenues performance commented on above, gross operating costs rose as a percentage of revenues, from 56.4% in the first half of 2014 to 63.0% in the first half of 2015.

EBITDA in the periods considered went from -€1.35 million in the first half of 2014 to -€2.55 million in the first half of 2015. The difference between the two periods is mainly due to higher operating costs.

EBIT came to -€5.24 million in the first half of 2015, compared with -€3.92 million in the first half of 2014. EBIT as a percentage of revenues was -17.4% in the first half, compared with -12.6% in the same period of 2015. This performance reflects the EBITDA performance described above as well as depreciation and amortisation recognised in the income statement in the first six months of 2015. Depreciation and amortisation derive from both operating assets becoming subject to depreciation in the first half and the non-monetary effects arising from price allocation relating to the acquisitions of Dynatem Inc. and Advanet Inc. The effect on EBIT of the higher values attributed as a result of PPA was €1.27 million the first half of 2015, compared with €1.19 million in the first half of 2014.

Financial management during the first six month of 2015 was affected by the performance of the currencies, to generate a gain of €0.22 million, compared with a loss of €0.30 million in the first six months of 2014. Contributing to this positive performance were the exchange differences due to foreign currency trends, as well as the reduced financial charges owing to the performance of the net financial position. Overall, foreign exchange differences had a positive effect on the period of €470 thousand (compared with a positive effect of €105 thousand in the first half of 2014), while financial management relating to interest had an effect of €254 thousand (€402 thousand in the first half of 2014).

A pre-tax loss of €4.86 million was registered for the first half of 2015, (compared with a loss of €4.17 million in the same period a year previously). This performance was influenced by the factors outlined above. The effect of PPA on the pre-tax result was €1.27 million in the first half of 2015 and €1.19 million in the first half of 2014.

With reference to Group net result, we registered a loss of €4.50 million in the first half of 2015, compared with a net loss of €4.67 million in the first half of 2014. Not only does it reflect the changes in the pre-tax result, but the performance also was caused by the effect of the tax burden on the Group's various units.

At 30 June 2015 the Group had net financial debt of €1.85 million due to the use of cash and cash equivalents to support current operations and to the disbursement regarding investments made in the various business areas.

Working capital, €18.91 million, increased compared to the 31 December 2014 figure of €14.07 million. The change is particularly due to the increased value of inventories for €2.18 million by virtue of the building of the supercomputer prototype for the European project called DEEP (FP7-ICT-287530), coordinated by the German research centre Juelich, which was still undelivered at 30 June 2015.

*Pursuant to the provisions set out by CONSOB, it is reported that the Consolidated Interim Financial Report at 30 June 2015 is at the disposal of whoever requests it at the company's registered office. The Report is also available on the Eurotech website at [www.eurotech.com](http://www.eurotech.com) (investors section) and on the "1Info" Centralised Storage system at [www.1info.it](http://www.1info.it).*

*Pursuant to Art. 154 bis , paragraph 2 of the Italian Consolidated Law on Finance (TUF), the Corporate Financial Reporting Manager of Eurotech S.p.A., Sandro Barazza, declares that the information on accounts disclosed in this press release corresponds to the documentable results, books and accounting records of the company.*

## **THE EUROTECH GROUP**

Eurotech (ETH:IM) is a global company that combines hardware, software, services and expertise to supply computing platforms, M2M integration platforms and IoT solutions to OEMs, integrators of systems and leading corporate clients so that they can effectively and efficiently implement their products and services. Drawing on the concept of "minimalist computing", Eurotech reduces power consumption, minimises the physical sizes and decreases the complexity of SW programming to bring the market embedded platforms, subsystems and ready to use devices. It is specialised in the industrial, transport, security, logistics and medical sectors. By leveraging on specific expertise in wireless connectivity and communication protocols, Eurotech designs integrated solutions that simplify the acquisition, processing and transfer of data through global communication networks. For more information about Eurotech, visit the website [www.eurotech.com](http://www.eurotech.com).

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## ANNEXES – FINANCIAL STATEMENTS

**CONSOLIDATED INCOME STATEMENT**

CONSOLIDATED INCOME STATEMENT				change (b-a)		
(€ '000)	1H 2015 (b)	%	1H 2014 (a)	%	amount	%
Sales revenue	30,175	100.0%	31,028	100.0%	(853)	-2.7%
Cost of material	(15,036)	-49.8%	(15,879)	-51.2%	843	-5.3%
<b>Gross profit</b>	<b>15,139</b>	<b>50.2%</b>	<b>15,149</b>	<b>48.8%</b>	<b>(10)</b>	<b>-0.1%</b>
Services costs	(6,817)	-22.6%	(6,638)	-21.4%	(179)	-2.7%
Lease & hire costs	(904)	-3.0%	(826)	-2.7%	(78)	9.4%
Payroll costs	(10,795)	-35.8%	(9,442)	-30.4%	(1,353)	14.3%
Other provisions and costs	(492)	-1.6%	(588)	-1.9%	96	16.3%
Other revenues	1,317	4.4%	996	3.2%	321	32.2%
<b>EBITDA</b>	<b>(2,552)</b>	<b>-8.5%</b>	<b>(1,349)</b>	<b>-4.3%</b>	<b>(1,203)</b>	<b>89.2%</b>
Depreciation & Amortization	(2,691)	-8.9%	(2,574)	-8.3%	(117)	4.5%
<b>EBIT</b>	<b>(5,243)</b>	<b>-17.4%</b>	<b>(3,923)</b>	<b>-12.6%</b>	<b>(1,320)</b>	<b>33.6%</b>
Share of associates' profit at equity	165	0.5%	50	0.2%	(115)	230.0%
Finance expense	(1,049)	-3.5%	(904)	-2.9%	(145)	16.0%
Finance income	1,265	4.2%	607	2.0%	658	108.4%
<b>Profit before tax</b>	<b>(4,862)</b>	<b>-16.1%</b>	<b>(4,170)</b>	<b>-13.4%</b>	<b>(692)</b>	<b>16.6%</b>
Income tax	360	1.2%	(497)	-1.6%	857	-172.4%
<b>Net profit before minority interest</b>	<b>(4,502)</b>	<b>-14.9%</b>	<b>(4,667)</b>	<b>-15.0%</b>	<b>165</b>	<b>-3.5%</b>
<b>Minority interest</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>n/a</b>
<b>Group net profit (loss)</b>	<b>(4,502)</b>	<b>-14.9%</b>	<b>(4,667)</b>	<b>-15.0%</b>	<b>165</b>	<b>-3.5%</b>
<b>Base earnings per share</b>	<b>(0.132)</b>		<b>(0.136)</b>			
<b>Diluted earnings per share</b>	<b>(0.132)</b>		<b>(0.136)</b>			

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(€'000)	at June 30, 2015	at December 31, 2014
<b>ASSETS</b>		
Intangible assets	88,292	83,735
Property, Plant and equipment	3,407	3,391
Investments in affiliate companies	940	730
Investments in other companies	305	286
Deferred tax assets	1,368	1,231
Other non-current assets	576	547
<b>Total non-current assets</b>	<b>94,888</b>	<b>89,920</b>
Inventories	20,647	15,295
Contracts in progress	0	79
Trade receivables	18,511	19,846
Income tax receivables	174	215
Other current assets	1,979	1,659
Other current financial assets	101	2,570
Cash & cash equivalents	9,797	14,104
<b>Total current assets</b>	<b>51,209</b>	<b>53,768</b>
<b>Total assets</b>	<b>146,097</b>	<b>143,688</b>
<b>LIABILITIES AND EQUITY</b>		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(41,206)	(43,292)
<b>Group shareholders' equity</b>	<b>104,073</b>	<b>101,987</b>
<b>Equity attributable to minority interest</b>	<b>0</b>	<b>0</b>
<b>Total shareholders' equity</b>	<b>104,073</b>	<b>101,987</b>
Medium-/long-term borrowing	4,037	2,756
Employee benefit obligations	2,067	1,924
Deferred tax liabilities	4,924	5,109
Other non-current liabilities	880	909
<b>Total non-current liabilities</b>	<b>11,908</b>	<b>10,698</b>
Trade payables	14,611	15,272
Short-term borrowing	7,691	7,930
Derivative instruments	21	52
Income tax liabilities	305	507
Other current liabilities	7,488	7,242
<b>Total current liabilities</b>	<b>30,116</b>	<b>31,003</b>
<b>Total liabilities</b>	<b>42,024</b>	<b>41,701</b>
<b>Total liabilities and equity</b>	<b>146,097</b>	<b>143,688</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2014	8,879	1,037	136,400	4,413	(38,469)	(52)	(346)	2,144	(3,097)	(8,922)	101,987	-	101,987
2014 Result allocation	-	163	-	-	(9,085)	-	-	-	-	8,922	-	-	-
Profit (loss) as at June 30, 2015	-	-	-	-	-	-	-	-	-	(4,502)	(4,502)	-	(4,502)
<i>Comprehensive other profit (loss)</i>													
- Hedge transactions	-	-	-	-	-	30	-	-	-	-	30	-	30
Actuarial gains/(losses) on defined benefit plans for employees	-	-	-	-	-	-	(9)	-	-	-	(9)	-	(9)
- Foreign balance sheets conversion difference	-	-	-	3,926	-	-	-	-	-	-	3,926	-	3,926
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	2,641	-	-	2,641	-	2,641
Comprehensive result	-	-	-	3,926	-	30	(9)	2,641	-	(4,502)	2,086	-	2,086
- Other changes and transfers	-	-	-	207	(207)	-	-	-	-	-	-	-	-
Balance as at June 30, 2015	8,879	1,200	136,400	8,546	(47,761)	(22)	(355)	4,785	(3,097)	(4,502)	104,073	-	104,073

**CONDENSED CASH FLOW STATEMENT**

(€'000)	at June 30, 2015	at December 31, 2014	at June 30, 2014
Cash flow generated (used) in operations	(6,755)	(6,267)	(2,815)
Cash flow generated (used) in investment activities	926	(4,053)	(2,367)
Cash flow generated (absorbed) by financial assets	764	(4,362)	(6,675)
Net foreign exchange difference	758	791	350
Increases (decreases) in cash & cash equivalents	(4,307)	(13,891)	(11,507)
Opening amount in cash & cash equivalents	14,104	27,995	27,995
Cash & cash equivalents at end of period	9,797	14,104	16,488

### NET FINANCIAL POSITION

(€'000)		at June 30, 2015	at December 31, 2014	at June 30, 2014
Cash & cash equivalents	A	(9,797)	(14,104)	(16,488)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(9,797)</b>	<b>(14,104)</b>	<b>(16,488)</b>
Other current financial assets	C	(101)	(2,570)	(2,267)
Derivative instruments	D	21	52	100
Short-term borrow ing	E	7,691	7,930	6,817
Other current financial liabilities	F	0	0	38
<b>Short-term financial position</b>	<b>G=C+D+E+F</b>	<b>7,611</b>	<b>5,412</b>	<b>4,688</b>
<b>Short-term net financial position</b>	<b>H=B+G</b>	<b>(2,186)</b>	<b>(8,692)</b>	<b>(11,800)</b>
Other non current financial liabilities	I	0	0	0
Medium/long term borrow ing	J	4,037	2,756	1,556
<b>Medium-/long-term net financial position</b>	<b>K=I+J</b>	<b>4,037</b>	<b>2,756</b>	<b>1,556</b>
<b>(NET FINANCIAL POSITION) NET DEBT pursuant to CONSOB instructions</b>	<b>L=H+K</b>	<b>1,851</b>	<b>(5,936)</b>	<b>(10,244)</b>

### NET WORKING CAPITAL

(€'000)	at June 30, 2015 (b)	at December 31, 2014 (a)	at June 30, 2014	Changes (b-a)
Inventories	20,647	15,295	13,693	5,352
Contracts in progress	0	79	361	(79)
Trade receivables	18,511	19,846	15,977	(1,335)
Income tax receivables	174	215	96	(41)
Other current assets	1,979	1,659	2,392	320
<b>Current assets</b>	<b>41,311</b>	<b>37,094</b>	<b>32,519</b>	<b>4,217</b>
Trade payables	(14,611)	(15,272)	(12,090)	661
Income tax liabilities	(305)	(507)	(1,167)	202
Other current liabilities	(7,488)	(7,242)	(6,828)	(246)
<b>Current liabilities</b>	<b>(22,404)</b>	<b>(23,021)</b>	<b>(20,085)</b>	<b>617</b>
<b>Net working capital</b>	<b>18,907</b>	<b>14,073</b>	<b>12,434</b>	<b>4,834</b>