EUROTECH

Imagine. Build. Succeed.

Annual Report 2013

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

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Tax code and
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Letter to shareholders

Dear Shareholders,

many things happened in the year just ended, and in writing to you this letter I cannot avoid to go back with the memory to the ferment that was in Eurotech in 2005 when we listed on the stock exchange. Then the winds of recession and the global economic crisis have turned off a bit the enthusiasm and also the spotlight, not to mention that Italy has suffered and is still suffering more than others this crisis, which in other Western countries seems to have ended.

Today, as then, Eurotech is facing a new beginning: the potential yet to be seen is great and this time to confirm it there are also the official recognition that we have obtained in the course of 2013 with respect to the innovativeness of our products.

In April, we were named by Gartner as a "Cool Vendor" in the "2013 IT / OT Alignment and Integration" report. The title has been given to us for the innovative content of our EDC (Everyware Device Cloud) solution, which is the combination of our Everyware Cloud software platform for the integration of smart objects – which makes use of programming technologies of cloud computing – and ESF (Everyware Software Framework), a middleware for the development of applications on embedded devices – both our own and third parties' ones – to be connected to the platform.


Roberto Siagri, Chairmain and CEO

In June, two Eurotech supercomputers finished first and second in the "Green 500", the ranking of the most efficient supercomputers in the world, with the installations of Eurora at CINECA and Aurora Tigon at Selex ES, the company of the Finmeccanica group specializing in IT security. Eurora ranked first with 3210 MFlop/s per Watt (one watt per second is about the energy required to lift a cup of coffee), while the Aurora Tigon system ranked second with a value of 3180 MFlop/s per Watt. To give an idea of the importance of the result, the third-ranked of the Green 500 was a system with 2450 MFlop/s per watt, which is 25% less than the performance obtained by our computers.

In September, we teamed with Oracle, Hitachi Communication Technologies America and Hitachi Consulting for a demonstration of "Internet of Things in Motion" at the joint conference JavaOne / Oracle OpenWorld in San Francisco, the huge global event of Oracle that once a year literally takes possession of a piece of the city for five days and brings together some 60 thousand people from over 140 different countries. The live demonstration of the solution to count visitors – that used our EDC technology for

connecting devices and collecting data, together with our people counters – has been protagonist in both the JavaOne Strategy Keynote on the first day and of the OpenWorld Keynote on the last day. This gave great visibility to our technology for the Internet of Things (or IoT) as well as to the Eurotech brand.
All of these are important achievements confirm both the quality of staff dedicated to research and development and the rightness of the vision on technology trends, as you will read later, and this give us great energy to look at our future with confidence.
Let's take a quick look at the major economic and financial results of the year just ended.
In 2013 we had consolidated revenues of 66.1 million euros, down slightly from last year's figure at constant perimeter and constant exchange rates. This figure was affected in particular by two elements. The first is the cyclical nature of our HPC business, which is still concentrated on a few customers and so it is very variable depending on the timing with which we collect orders; 2012 was a good year, 2013 was a year in which sales reached a minimum, 2014 will be another good year. The second element has been a shift in the delivery of two supplies already under contract and very promising, related to our transportation sector in the U.S., which inhibited the growth that we expected. The reasons for these shifts are not dependent on factors under our control and are mainly related to the procedures for the qualification and testing of our customers' products. Although these delays can be unpleasant, the potential of these large contracts in the medium term remains intact. Everything that falls to us has been made, the ball is in the customers' court, and we just have to have a little patience: as often happens in large supplies, the time frame of quarters is too fast to appreciate their dynamics. It took us a few years of perseverance to win these supplies and, most importantly, they will have an impact for a few years on our future revenues, and it is to this objective that we should stay focused.
The Gross Margin is very close to 50%, in line with the figure for the previous year, and this is a result that confirms once again that customers recognize and reward the value add of our solutions, even in a price sensitive market. The good performance of the gross profit margin should not let our guard down on cost control, because the rapid evolution of digital technologies repeatedly opens up new spaces for improvement, which should be examined every day through a continuous monitoring process.
Group EBITDA was positive, albeit slightly, in spite of a lower level of turnover compared to the real capacity of our industrial machine. This figure tells us then that the Eurotech machine has today reached a good degree of efficiency and is ready to generate profits as soon as those major contracts in the backlog will enter the delivery phase.
I wish to emphasize that the efficiency of the operating structure has been achieved in recent years without affecting our investments in innovation and therefore with great care to preserve our competitive drive. The important milestones achieved in 2013 in terms of external recognition to the quality of our innovations are there to confirm it.
Another positive note is related to the working capital: in 2013 we dropped below the threshold of 20% of revenues, compared with a value of over 25% in 2012 at constant scope of consolidation. It's true that in this reduction we have to consider the effect of lower sales in the fourth quarter of 2013, but even considering this factor the improvement is significant and confirms that the control processes in place work, so from here forward growth can occur in a more financially sustainable way.
We come now to what lies ahead in the coming quarters.
We are at a point of discontinuity in the history of Eurotech, and this new beginning will feed on what we have built so far. With the sale of Parvus we got in advance the cash flows that Parvus would have generated over the next 7-8 years and we have simplified the operational structure of the Group, with a benefit on both the strategic focus and the agility to maneuver.
The traditional business of NanoPCs, that is embedded computers for special applications, can now rely on a well-calibrated structure, with costs under control and working capital properly sized, ready to support a

turnover between 90 and 100 million euros. This is the level that will allow us to return to the size we had before the sale of Parvus, but with more margins so with a net profit and a chance to give some dividends. With the expected growth of our traditional business of embedded computers we will have the opportunity to recover both the turnover and the EBITDA formerly coming from Parvus in about 18-24 months, thanks to the two major contracts mentioned above, that despite their slower development dynamics in the long run will show their positive effects.
We have cash of 28 million euros and a net cash of 15 million euros and this allows us to look with confidence to the development of our strategic directions of the Pervasive Computer (Embedded PCs, M2M solutions , solutions for security and surveillance) and low-power Supercomputer (Green HPC). At the same time this gives us the opportunity to accelerate investments to faster expand our market presence. With our M2M solutions and our Xentinel solution for surveillance and security we can count on an innovative value proposition for the Internet of Things and for Smart Cities, while with our Aurora G-station and our mobile HPC solutions we can face the Green HPC market and the High Performance Embedded Computers (HPEC) market. Due to the amount of devices in the catalog and the combination of HW platforms and SW platforms, Eurotech is now able to provide its customers with complete solutions for the implementation of asset monitoring projects, where "asset" can be virtually anything that can be digitally identified.
We will work to align the organization to the needs of business development of M2M solutions, solutions for security & surveillance and the Green HPCs. We will immediately make some shrewd investments to strengthen the marketing and sales structures that support these three strategic lines of business. Then we will continue with the investments in this direction, in proportion to our spending power and modulating the actions of strengthening the structure as a function of the development of turnover, always in a sustainable fashion.
In connection with the expansion of the organization of direct sales, will push the development of indirect channels through new partnerships and new distribution agreements, which will complement the internal structure of direct sales. With the new type of products that combine hardware and a software platform as-a-Service, we have the ability to transform our hardware devices in devices as-a-Service, thus opening the possibility of starting such a business model with recurrent sales of services, user fees and support.
In this process of strengthening the structure to accelerate the market penetration of the three lines of business I just mentioned, we will also consider the option of strategic acquisitions. In our approach, they are the catalysts of the implementation of the strategy and from this point of view we are looking at what the market offers today, aiming at targets that can be easily integrated in the existing Group organization. Unfortunately, the recent acquisitions in the Internet of Things space have created sudden inflation of the evaluations of the companies, especially in the American area. This will complicate a bit our work and will require us to be even more rigorous in the assessment of targets and to have a little more patience than expected.
Finally I would like to say a few words about the future that is ahead of us.
Supercomputing has become an increasingly important resource, if not indispensable, in many industrial processes and for the competitiveness of enterprises. We are all witnessing a spread of supercomputing applications outside the traditional scope of the research centers and, given the amount of data that will sharply rise in the near future in virtue of IoT applications, there will be soon the need to analyze large masses of data to extract information hidden in them: the so-called "big-data".
Even in Europe the HPC market is getting traction, thanks to the drive that the EU is giving to the sector. Already in 2011 Eurotech was one of the founders, along with the most prestigious European research centers and the main European suppliers of HPC technologies, of the European Technology Platform dedicated to High Performance Computing (ETP4HPC). This initiative is an important step to encourage and strengthen the position of European companies in the field of HPC. The impressive contribution of

skills by the members of this initiative shows that, for years to come, Europe has a real chance to get a leading position in the HPC industry.
The birth of an HPC ecosystem that is vital and competitive compared to the U.S. or Asian ones will be clearly very closely linked to the size of public investments that the European Union will make available: in this regard, in December 2013 the ETP4HPC and the European Commission signed a public-private partnership in the form of a contractual agreement (cPPP) with which the Commission and the representatives of the industry will provide vital funding for research and innovation in the field of High Performance Computing . The cPPP will implement the strategic agenda for research and innovation through co-funded projects, selected through Horizon 2020 calls. The Commission and the industry associations of reference have reached an agreement on a total indicative budget for the period 2014-2020. The budget will be formally announced on an annual basis in the operational programs of Horizon 2020. Overall, for the period of seven years identified, European Community funding are expected to be in the order of EUR 700 million, of which EUR 142 million in the period 2014-2015.
I believe that this renewed interest of the European Union for supercomputing and the creation of a European industry in the field of HPC can only result in an excellent growth opportunity for our company. In summary, we can say that we are in the right path at the right time. This applies both to the HPC division and the NanoPC one: with regard to the latter, in fact, the recent acquisitions made by PTC and Google have given the signal that the time of the Internet of Things has come. In addition, they also give other two indications: the acquisition made by PTC confirms that the competition will be played a lot on SW platforms; the acquisition made by Google tells us that not only having control of user data but also having control over data from the devices will be of strategic importance.
We are facing an imminent Cambrian revolution of business models: alongside with the economy of atoms, a great economy of digital data – the bits – will grow. As in the world of atoms the development on a global scale has been enabled by the logistics of goods, in the same way in the world of bits the development on a global scale of a new economy of data will be linked to the availability of a logistics of data.
Moreover, if in the world of physical goods handling is done by means of logistics platforms of national and international operators who specialize in this type of service, in the cyber world made of bits the logistics of data will be carried out by software platforms, like our one, resident in the Cloud and capable of connecting machines with machines and machines with humans, while maintaining data producers on the one hand distinct and independent from data consumers on the other, all in a fast, safe and reliable way.
The combination of widespread and broadband communication infrastructure, computing and data storage as a utility, smart objects spread in the environment and data integration SW platforms will create new ways of doing business: not only new services and new enterprises will arise, but also the traditional businesses will be transformed. We could say in a phrase that only those who will change will have the passport to enter into this new world.
A really radical transformation is in sight. We are moving into the era of "servitization": we will more and more buy the use of products and there will be less and less interest in owning them. In many areas where high digitization is already a reality things work in this way. It is not a matter of "if", rather a matter of "how" and "when": in a recent study, McKinsey says that at least 80% if not 100% of the companies will be impacted by the IoT.
As the steam engine started the industrial revolution, so the IoT technology will kick off a new revolution: we will see the birth of a new form of economy of bits which will complement that of atoms we have experienced so far and which will shake up business models.

Even in this new economy logistics will be the key element, and in the world of data logistics will be performed by machine-to-machine platforms that will be available as-a-service. That's why we've invested in that direction.
For over twenty years Eurotech has been creating and offering embedded computers and this type of technology continues to be in our DNA. We began addressing the challenge of real time control of machines and plants, and we continue to innovate our offer in this space. But we did not stop there: as we continued to develop new products for the real time control of devices and processes, since 2009 we started to develop an M2M software platform to easily interconnect smart devices distributed on a global scale and to create flows of information between these devices that were easy to access no matter where you are. Among the first in the world, we have learned to collect the data from real-world processes and to transport them quickly, efficiently and securely in the cloud, enabling our partners and customers to easily build flexible and scalable distributed systems, capable of supporting asset monitoring applications and new value-added services.
Around this massive digitization a new world of applications is being born, as well as a market with size and potentiality never seen before. There are those who estimate that by 2015 there will be 25 billion intelligent devices connected to the Internet (more than 3 per human), and that by 2020 that figure will climb to 50 billion (about 7 per human). This gigantic population of devices will produce a huge amount of data that will need to be collected and processed. In order for all of this to produce positive effects in terms of economic development and sustainability, we will need solutions that simplify and make cost effective the development of these new applications. This is exactly what we have achieved with our products, that easily and inexpensively interconnect intelligent devices between them and with the infrastructure of the Cloud (M2M platforms) and which also allow to process large amounts of data (Green HPCs). After more than five years of research and innovation, we are now ready to face the challenges of the market and the blue ocean of opportunities that are right in front of us.
New territories lie open to our view. New achievements are possible. Therefore, with the support of you all, let's begin a great new journey.

signed
Roberto Siagri
Chairman and CEO

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Profile of the Eurotech Group

#M2M #sports #medicine

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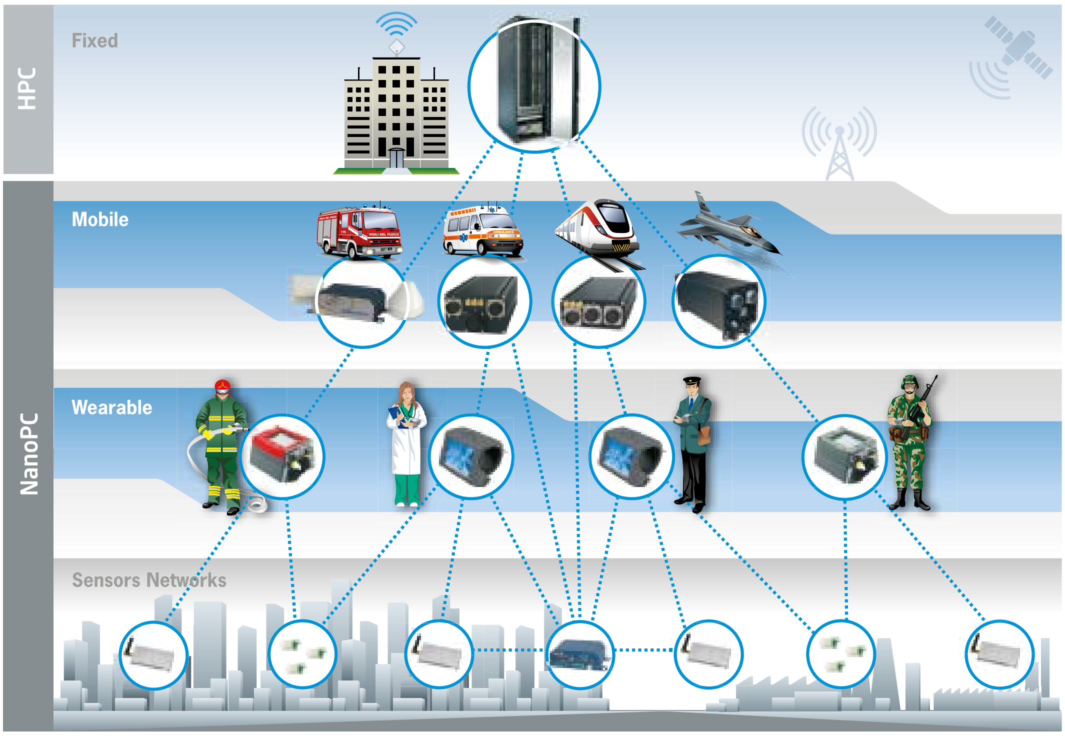
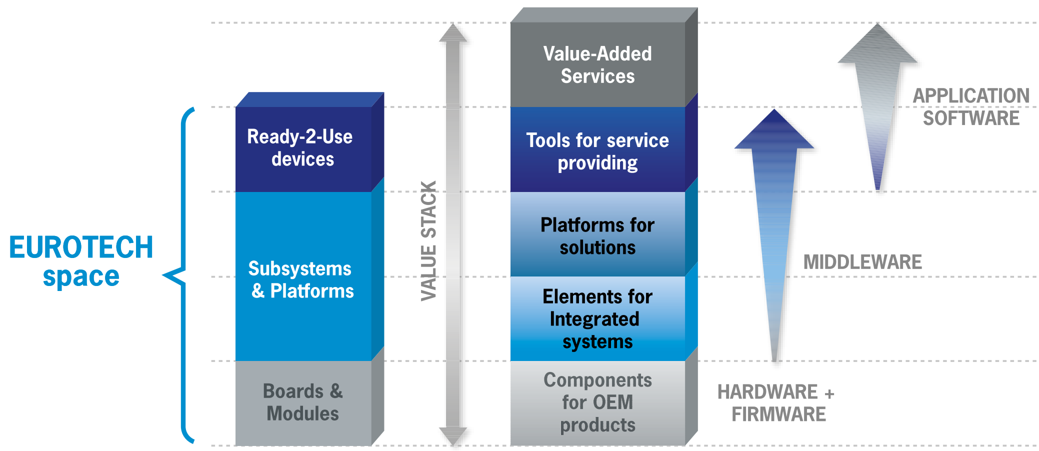
Introduction to Eurotech

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 FY2013 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 (€ '000).

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 and 2011) from the income statement were reconstructed taking account of the classification of these assets as discontinued operations.

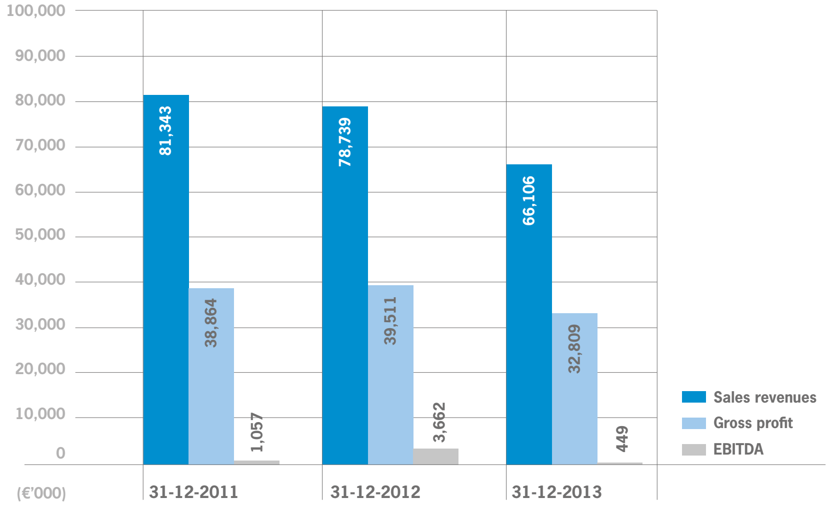
Group business and financial results

OPERATING RESULTS

(€'000)	FY 2013	%	FY 2012 Restated^	%	FY 2011	%
SALES REVENUES	66,106	100.0%	78,739	100.0%	81,343	100.0%
GROSS PROFIT MARGIN	32,809	49.6%	39,511	50.2%	38,864	47.8%
EBITDA	449	0.7%	3,662	4.7%	1,057	1.3%
EBIT	(11,927)	-18.0%	(3,891)	-4.9%	(6,728)	-8.3%
PROFIT (LOSS) BEFORE TAXES	(11,387)	-17.2%	(4,192)	-5.3%	(8,441)	-10.4%
PROFIT (LOSSES) FROM DISCONTINUED OPERATIONS	21,395	32.4%	2,656	3.4%	1,180	1.5%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	8,240	12.5%	(2,783)	-3.5%	(7,246)	-8.9%

The 2011 data (unaudited) were made consistent with those presented for 2012 and 2013.

^ Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2012, as they reflect the adjustments made described in Note 16.



Revenues by business line

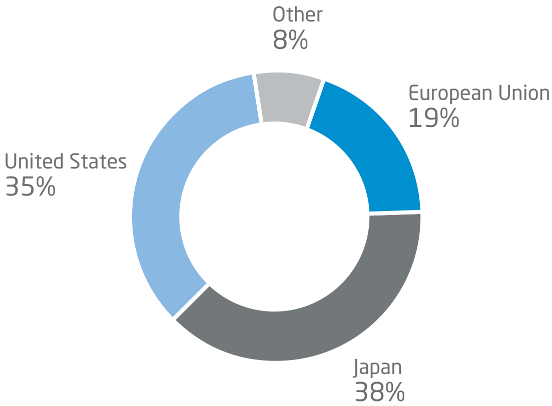
(€'000)	NanoPC			High Performance Computer			Total		
	FY 2013	FY 2012 Restated^	% YoY Change	FY 2013	FY 2012 Restated^	% YoY Change	FY 2013	FY 2012 Restated^	% YoY Change
Sales revenues	65,729	75,367	-12.8%	377	3,372	-88.8%	66,106	78,739	-16.0%

SALES BY BUSINESS SEGMENT	FY 2013	%	FY 2012	%	FY 2011	%	FY 2010	%
NanoPC	65,729	99.4%	75,367	95.7%	78,508	96.5%	80,700	98.5%
High Perf. Computer	377	0.6%	3,372	4.3%	2,835	3.5%	1,196	1.5%
TOTALE SALES AND SERVICE REVENUE	66,106	100.0%	78,739	100.0%	81,343	100.0%	81,896	100.0%

The sales amounts shown here (not audited for 2011 and 2010) do not include sales generated by US company Parvus Corp. and are therefore consistent with the audited 2013 and 2012 figures.

High Performance Computer (HPC) sales again accounted for a limited proportion of total Group sales in 2013. 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 of the cyclical nature of purchasing in the research sector, thus enhancing sales stability.

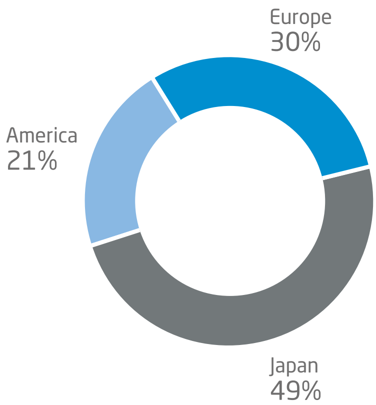
2013 sales revenues by geographical area



Group employees

	at December 31, 2013	at December 31, 2012	at December 31, 2011	at December 31, 2010
NUMBER OF EMPLOYEES	354	371	399	379

2013 geographical breakdown of employees



Milestones in our history

#M2M #train #passengers #services

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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 €109.24 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 SpA. 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 'consumers': 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 signes 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 being the development of an application in less than an hour whereas the traditional systems require days, if not weeks. This way, the two companies plan to bring the ready-to-use experience of PCs to the embedded market.

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

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

Eurotech becomes Solution Technology Integrator for Cisco, thus getting access to technological and commercial resources of the American giant to offer its 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.

Parvus obtains the AS9100 quality certificate for the aerospace sector, receiving a rare 100% score during the audit.

2011 ARINC Engineering Services selects the DuraCOR 820 mission computer and the DuraMAR 3230 mobile router to modernize its satellite systems and Business Jet Boeing 737 communication devices. This contract represents the first practical results of the AS9100 certification obtained with flying colours from Parvus at the end of 2010.

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. Whoever create innovative services wants to rapidly create and implement profitable solutions for its own specific applications, and 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. The plan provides for the installation of the PTC technology on 160,000 miles of railway and aboard 30,000 trains by 2015 for an estimated investment of $12 billion. 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. Moreover, the DuraCOR system and mobile IP router DuraMAR that incorporate the embedded ISIS XL computer are ready-to-use systems that, based on a certified platform, offer an even higher level of integration and flexibility to rapidly implement the PTC solutions.

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 June 1st, 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 ConocoPhilipps pipelines in real time to a new and light mobile message application for Facebook. Billions of integrated devices, like RFID tag readers, smartphones, cardiac monitors, environmental parameter control systems and intelligent devices can be interconnected. Many of these devices, however, are specific of a given industry and are tied to proprietary technologies and platforms, thus making it more difficult to reach an effective connectivity. Connecting all these devices through an open-source and standardized messaging technology, new "systems of systems" can be created in order to cooperate as never before. The architecture provided by the MQTT technology can easily adapt to existing systems and provide a new level of connectivity through a wide range of systems without requesting programming or complex reconfigurations for the existing monitoring systems. Just like the Hyper Text Transfer Protocol (HTTP) allowed open communication through the Internet, the creation of an open messaging protocol can have the same impact on creating distributed intelligent systems. In this sense, the MQTT technology can represent the missing link necessary to inaugurate a new level of accessibility and connectivity between the systems in addition to allowing the creation of next generation Machine-to-Machine (M2M) solutions.

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

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

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

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

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

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

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

Eurotech signed a co-design agreement with CINECA for the development and installation of an HPC prototype called Eurora, in a project co-founded by PRACE 2IP. CINECA, a Consortium made up of 54 Italian universities, is the largest Italian computing center 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.

Significant events in 2013

#M2M #warehouse #logistics

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JANUARY

Eurotech enables the greenest supercomputer in the world

On January 30th 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 the CINECA supercomputing center in Italy. CINECA will deploy the Eurora prototype to advance research and discovery in the fields of computational sciences, including fundamental constituents of matter, condensed matter, astrophysics, the life sciences, and Earth sciences. The Eurora supercomputer is accelerated by NVIDIA® Tesla® K20 GPU accelerators based on NVIDIA Kepler™. Eurora provides the base for the commercial Eurotech Aurora Tigon, expanding the Eurotech Aurora supercomputer product line to include new energy-efficient, high-performance 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, a device application framework, and the Everyware Cloud, an integrated M2M device and data management platform. Eurotech solutions will be distributed through the Avnet Embedded division of Avnet Electronics Marketing Americas. "Eurotech has enjoyed strong reach into the North America embedded market over the past five years due to our relationship with Avnet," said Greg Nicoloso, Eurotech CEO for North America. "By adding the Everyware Cloud platform to the Avnet line card, Avnet's extensive sales teams can now offer clients an easy-to-deploy M2M integration platform, helping the end customer to drive improved operational efficiency and drive new revenue streams." "Adding Eurotech's Everyware Cloud M2M platform enhances an already strong portfolio," said Chuck Kostalnick, senior vice president, Avnet Embedded. "With the Everyware Cloud offering, we can help more enterprises fulfill the promise of the Internet of Things with a simple solution to gather valuable data from the edge of the network and make them actionable in the cloud."

FEBRUARY

Eurotech announces CPU-301-16, the new ARM-based embedded platform

The new low power board with Freescale i.MX6 processor, available both as a stand-alone Single Board Computer (SBC) and as a Computer on Module (CoM), is an ARM-based embedded platform that extends the Eurotech family of products enabling the Internet of Things and Machine-to-Machine applications. The CPU-301-16 uses ARM Cortex-9 technology to pack high performance capabilities into a 67x85mm form factor: it delivers up to 1.2 GHz performance and can bring power consumption down to 1-2 Watt or less in many applications, making it ideal for battery-operated devices and power-constrained uses. The CPU-301-16 also supports Eurotech's Everyware Software Framework (ESF) and Everyware Device Cloud (EDC) services, making it an embedded platform that is scalable, connected and easy to deploy. With a very small footprint and a robust mechanical design that offers increased resilience to vibration and optional support for industrial temperature range, the CPU-301-16 meets requirements for demanding applications and simplifies the design of sealed, fanless systems.

MARCH

Eurotech Powered SENSUSS Application Recognized as a 2013 Computerworld Honors Laureate

Founded by International Data Group (IDG) in 1988, The Computerworld Honors Program is 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. This product, the "S3", is a device that 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. By connecting helmet sensors to the Everyware Cloud, 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.

APRIL

Eurotech: partnership with RTX for integrated Cloud solutions

Eurotech Everyware Device Cloud is coupled with RTX41xx wireless platform to simplify Internet of Things. RTX, a provider of Internet Protocol (IP) based low-power wireless communication solutions, signs the partnership to help customers connect devices and send data to the cloud. As an RTX Integrated Cloud Solution Partner, Eurotech's multi-service gateways and the Everyware Cloud M2M integration platform provides an Internet of Things (IoT) platform for RTX customers to enable wireless M2M solutions.

Eurotech: new distribution agreement with Insung Information CO.,Ltd to address the South Korean Marke

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

Eurotech extends proven DynaPCN passenger counting family

The DynaPCN 10-20 is a fully integrated passenger counter with Ethernet communications, specifically designed for public vehicles. The DynaPCN 10-20 extends the proven family of DynaPCN products that are certified for railway applications, adding more precise algorithms for counting passengers as they enter and depart while easing integration with other onboard systems.

MAY

Eurotech ReliaGATE 50-21 Multi-Service Gateway Achieves Verizon Wireless Open Development Certification

With this certification, the ReliaGATE 50-21 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 the company's program designed to allow and encourage the development community to create new products, applications and services beyond what Verizon Wireless offers in its portfolio and bring these to the marketplace on the Verizon Wireless network.

L'Open Development Initiative (ODI) di Verizon Wireless è un programma sviluppato per consentire e incoraggiare la creazione da parte della comunità di sviluppo di nuovi prodotti, applicazioni e servizi che vanno oltre i prodotti offerti da Verizon Wireless. Il programma ne favorisce inoltre il lancio sul mercato direttamente nella rete di Verizon Wireless. Based on the Intel® Atom™ processor, the ReliaGATE 50-21 Multi-Service Gateway delivers communications, computational power, a middleware application framework and seamless M2M platform integration for immediate service generation and deployment.

JUNE

Eurotech scores first and second place in the ranking of most efficient supercomputers in the world

Eurotech scores first and second place in the Green500, the ranking of most efficient supercomputers in the world, with the Eurora supercomputer installed at CINECA and the Aurora Tigon supercomputer installed at the Finmeccanica company Selex ES, specialised in information technology and security. Eurora, the supercomputer of CINECA, entered in first place with 3210 MFlop/s per Watt, while the system of Selex ES, Aurora Tigon, was ranked 2nd with a value of 3180 MFlop/s per Watt. To give an idea of the importance of the result, the 3rd place of the Green500 is occupied by a system with 2450 MFlop/s per Watt, which is a value 25% lower than that obtained from the computers produced by Eurotech. Such a result was made possible by the combination of the energy aware Eurotech design and the high-performance efficiency of the NVIDIA® GPU-accelerators. The Eurora supercomputer is equipped, at each computing note, with two Intel Xeon E5-2687W CPUs and two NVIDIA® Tesla® K20 GPU accelerators based on the NVIDIA Kepler™ architecture. Thanks to savings in energy and space, solutions like the Aurora systems can reduce TCO (total cost of onwership) by an average of 30%-50%. Compared to a conventional air-cooled system, Aurora HPCs enable computing centers to save up to 50% on energy bills, while reducing space occupancy by 5 times due to higher density system configurations. Speaking about "green" implications, the Eurora system of CINECA, when compared to an equivalent performance air cooled system, brings a reduction of more than 2,300 tons of CO2 emissions per rack during its lifetime. In addition, the water heated up in the Aurora systems can be re-used to heat buildings, drive adsorption chillers for air conditioning or in industrial processes.

AUGUST

The Satellite Applications Catapult uses Eurotech M2M integration platform to enable satellite technology

The Satellite Applications Catapult, a UK government-funded technology innovation centre, has purchased a suite of Eurotech's multi service gateway devices and the Everyware Cloud machine-to-machine (M2M) integration platform to provide new businesses and entrepreneurs with the infrastructure to develop and test new technology and applications. The Satellite Applications Catapult (https://sa.catapult.org.uk) was established by the Technology Strategy Board and focuses on satellite technology applications. Eurotech is providing a walled garden version of the Everyware 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. "An effective middleware platform that does the heavy lifting for security, connectivity and device management is a fundamental requirement for building applications that will become part of the Internet of Things," said John Bourke, Head of Systems and Services at the Satellite Applications Catapult. "The Everyware Cloud also provides real time data exchange and a repository for data mining, giving us an off the shelf solution that provides everything our clients need to concentrate on their applications and bring them to market quickly."

Eurotech Establishes New Dedicated Business Unit, Eurotech Systems, to Provide Embedded Device and M2M Solutions in Japan and South Korea

This new Business Unit is part of Advanet (Okayama, Japan), a leading supplier of embedded computer board products and a fully owned subsidiary of Eurotech S.p.A. The M2M solutions and systems offered by Eurotech Systems Business Unit are proven in the European and North American markets with a variety of customers in several vertical applications, such as transportation, defense, healthcare and logistics. Local support for the M2M solutions and systems makes deployments effective and timely. The general categories of M2M solutions and systems include ready to use devices and sensors for data capture, multi-service gateways to collect and transmit data, and a cloud-based M2M integration platform for data and device management, analysis and processing. The new business unit helps customers by providing the M2M building blocks so they can focus on their own areas of expertise to develop value-added services and products to create a competitive advantage. Combining the Advanet history in Japan with the new Eurotech Systems business unit, we offer a strong understanding of the requirements necessary to serve this market, such as solutions with Japanese certifications for wireless connectivity, to enable fast development of M2M services and applications.

OCTOBER

Agreement for the sale of Parvus Corporation to Curtiss-Wright Corporation

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 proceeds of the transaction will be used for investment and development of the strategic activities of the Group, the support of the ordinary activities and possible uses for operations of external growth. Roberto Siagri, President and CEO of Eurotech S.p.A., said: "This transaction allows us to focus on our strategic directions of Pervasive Computers and Low-power Supercomputers (Green HPCs), and at the same time it gives us the opportunity to accelerate investments to faster expand our presence in the market. With our M2M solutions, our Xentinel SaaS platform for security and surveillance and our EDC integration platform we can count on an innovative value proposition for the Internet of Things and the Smart Cities scenarios, while with our Aurora and G-station solutions we can address the markets of Green HPCs and High Performance Embedded Computers (HPEC) for both fixed and mobile applications. Thanks to the ready-to-use devices available in our catalogue and to the combination of HW and SW platforms, Eurotech is able today to provide its customers with sophisticated solutions to implement asset monitoring projects, where "asset" can be virtually anything that can be digitally identified. It's a fact that the Internet of Things is emerging more and more strongly as the new paradigm for building distributed systems and therefore is shaping new ways of thinking about the processes of monitoring and control of distributed assets. Around this massive digitization is being born a new world of applications and a market with a size and a variety of opportunities never seen before. Just think that by 2015, there are those who estimate that there will be 25 billion smart devices connected to the internet that will produce an enormous amount of data that will need to be collected and processed. In order for all of this to produce positive effects in terms of economic development and sustainability you will need to have solutions that simplify and reduce the costs of the implementation of these new applications, and this is exactly what we have achieved with our products that interconnect smart devices with each other and with the Cloud infrastructure." Lincoln International served as the exclusive financial advisor to Eurotech throughout the sale process.

BoD Approves Tresaury Shares Purchase Program

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, has approved today a treasury shares purchase program within the purposes contemplated by "market practice" as allowed by the Consob (Italian securities & exchange commission), pursuant to Article 180, section 1, letter. c), of TUF ("Consolidated Law on Finance") by resolution no. 16839 of March 19, 2009 and in EC Regulation no. 2273/2003 of December 22, 2003. 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 through the exchange, change, conferral, transfer, or other act of disposal of the treasury shares, including pledge as a guarantee for the Company's financing 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, the CPU-71-15 is offered in both convection cooled and ruggedized conduction cooled variants to meet the needs of both commercial and military applications requiring maximum processing power, low power consumption, and a small physical footprint. The CPU-71-15 is powered by the Intel 2nd Generation Core i7 ULV Sandy Bridge Processor and QM67 Cougar Point Platform Controller Hub (PCH). With a dual-channel memory controller integrated in the processor, the CPU-71-15 supports up to 8GB of DDR3 SDRAM running at up to 1333 MHz. The CPU-71-15 supports several operating systems, including Microsoft Windows, Linux, and real-time operating systems like QNX and VxWorks.

NOVEMBER

Eurotech introduces their new divisional HPC systems at the Supercomputing Conference SC13
In order to meet the growing demand for smaller HPC systems that cater SMEs and departments computational needs, as a way to bridge the gap between a $1000 workstation and a $10m data center, Eurotech presents to the market the Aurora G-Station, powered by NVIDIA® Tesla® GPU accelerators, and the Aurora Cube, the CPU-only version. The Aurora products manage to work around the drawbacks that prevented the personal supercomputer concept to fly. First of all, they are fan-less so they make no noise thanks to the Aurora Direct Liquid Cooling technology. Second, they present no messy cabling thanks to an intelligent backplane which provides nodes interconnects and distributes the water and low voltage electrical power. Third, the G-Station and Cube are launched in a moment when the major industrial applications companies in CAE, CFD, rendering, computational chemistry, etc. are effectively proposing software solutions that scale better on CPUs but also over GPUs accelerators. 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. A fully loaded G-Station has a peak performance of over 22 TFlop/s, keeping an efficiency of over 3.2 GFlops/watt. Water cooling and high density design provide noiselessness and compactness to allow the deployment of Aurora mini clusters even in an office, with no need of a controlled environment at all. The Eurotech G-Station and Cube are marketed in 2 versions, with identical IT features but different water cooling solutions. One version of the product has integrated water cooling, giving the advantage of a standalone system with no need of additional plumbing. The other version is split, with the computational unit in a cube that fits under a table and the cooling unit (heat exchanger plus pump) in a separate unit that can be accommodated outside the building, with the same technical complexity and plumbing requirements of a home split air conditioner.

CEA to test new Aurora Tigon water-cooled HPC system

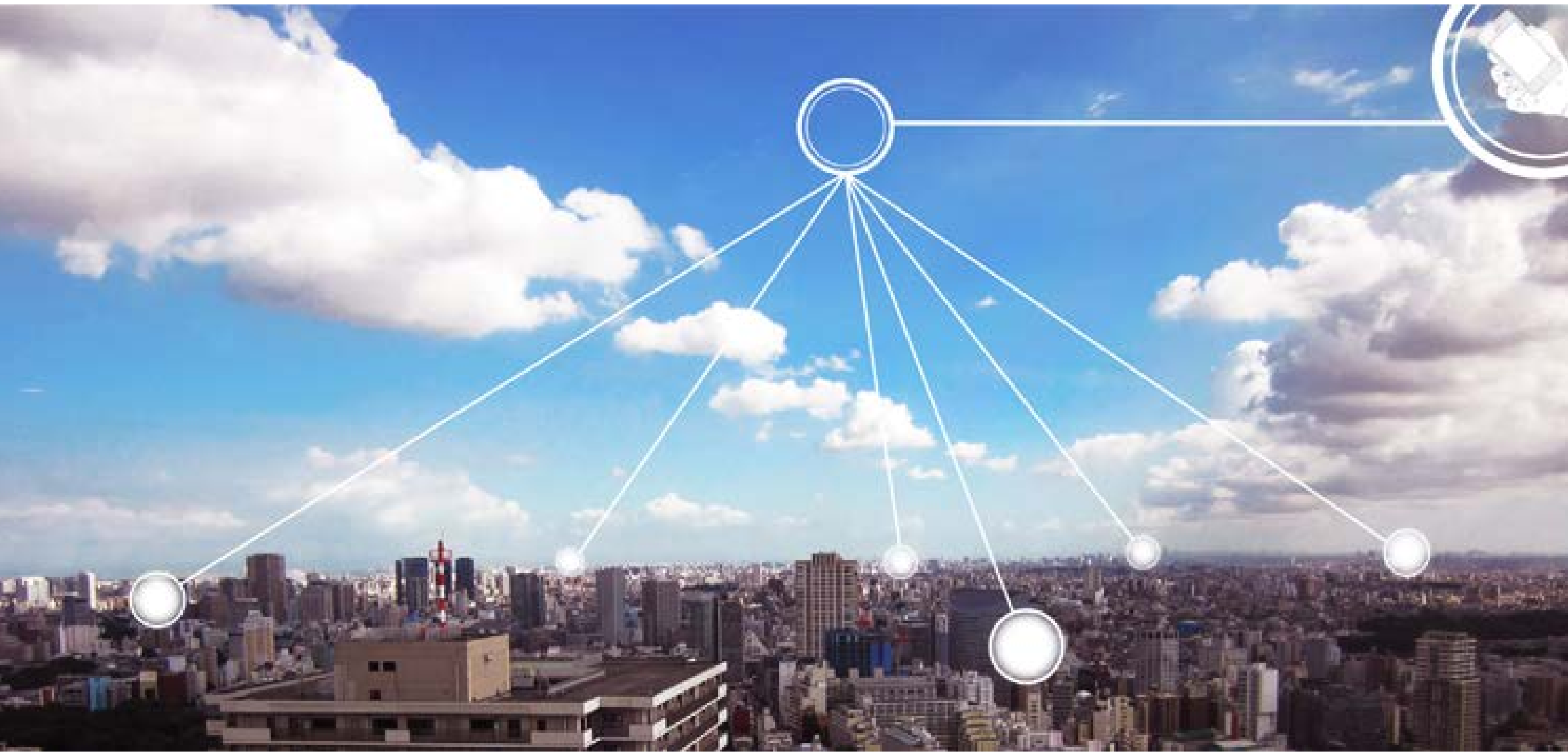
CEA, the French Alternative Energies and Atomic Energy Commission, will test a small module of the new Aurora Tigon hot water-cooled high performance computing (HPC) family. The unit will be hosted in the CEA Compute Complex in Bruyères-le-Châtel and will serve as an R&D platform in order to assess and develop software addressing the challenge of energy efficiency. The CEA scientific computing complex is one of the most high-powered computing centres in Europe with a total computing performance greater than 3.5 petaflops. CEA recognizes energy efficiency as a major challenge for future HPC platforms. "The improvement of performance per watt on real applications will dramatically impact both hardware and software components involved in the design of actual production HPC systems," said Pierre Leca, head of Information and Simulation Sciences Division at CEA/DAM-Ile de France. "In that perspective, the Aurora Tigon technology is very promising and will help CEA to develop portable software environments for its future computing systems." "We are honored that an important institution like CEA chose to test Eurotech's hot water-cooled HPC systems," said Giampietro Tecchiolli, Eurotech CTO. "We are excited to start a collaboration which we hope will be longstanding. I think we start with the right foot delivering a proven technology, which at the moment is the greenest in the world, enabling substantial savings in energy and space occupancy."

DECEMBER

Eurotech: Public-Private Partnership in HPC signed between the European Commission and ETP4HPC under Horizon 2020

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 in the form of a contractual arrangement (cPPP) with which the EU and industry will provide vital funding for research and innovation activities in the High Performance Computing sector, which is considered as one of the essential factors to Europe's industrial leadership in the next years. The cPPP will implement the strategic research and innovation agenda through co-funded projects selected through Horizon 2020 calls for proposals. The cPPP will therefore bring together companies, universities, research laboratories, innovative SMEs and other groups and organizations around major research and innovation challenges. The Commission and the representative industrial associations have agreed an overall indicative budget for 2014-2020. Budgets will be formalised on an annual basis in the Horizon 2020 work programmes. For the whole seven year period, EU funding for the HPC sector is expected to be in the order of €700 million (€142 million in 2014-2015).

Vision



#M2M #smartcity

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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.

"This will be a time when all human beings on our planet will be able to converse meaningfully with ubiquitous and intelligent technological systems, and use them daily to solve a vast range of very real human problems."

(John Smart, founder and president of the Acceleration Studies Foundation)

"We'll have augmented real reality. The computers will be watching what you watch, listening to what you're saying, and they'll be helping. So if you look at someone, little pop-ups will appear in your field of view, reminding you of who that is, giving you information about them, reminding you that it's their birthday next Tuesday."
(Ray Kurzweil, US inventor and futurist)

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.

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Mission

#M2M #pipelines

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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.

"Ubiquitous computing just might help to free our minds from unnecessary work, and connect us to the fundamental challenge that humans have always had: to understand the patterns in the universe and our place within them."

(Mark Weiser, former Chief Researcher at Xerox PARC)

"It is not about computers any more.
It is about living."

(Nicholas Negroponte, co-founder of the MediaLab at MIT and of WIRED magazine)

"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.

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

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Values

#M2M #transportation #logistics

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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.

"On a group of theories you can found a school - but on a group of values you can found a culture, a civilisation, a new way for men to live together."

(Ignazio Silone, Italian writer and politician)

"A man without ideals is like a ship without a rudder"

(Mahatma Gandhi)

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.

Business model

#M2M #retail #performance #measurement

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The four key elements of the Eurotech model

Even before creating Eurotech, its founders had it clear in their minds that – to compete successfully in such an effervescent market as that of embedded computers in the 1990s – it was vitally important to manage to emerge. To be able to embark on a growth course, Eurotech had to get out of the scrum very fast indeed. And it had to do so without needing huge initial capital. This was why, right from the start, focusing on excellence seemed to be the key to standing out from the crowd, disposing of great intellectual capital but of little economic capital.
For Eurotech this term – excellence – meant a combination of innovation and quality. But that combination as such was not enough. What was needed was an even more distinctive connotation of excellence, one that, above all, worked as well as possible for achievement of sound growth. Because of this, it was immediately clear to everyone that excellence had to be sought remaining within sector standards. Given this, instead of investing in proprietary or totally customised solutions, Eurotech immediately believed in the standards' strength as a launch pad to project the entire company into the future. The founders had understood from the very outset that it was not enough to give customers high-performance products. Those products also had to be open to the future evolution of technology – which looks set to be overwhelming – whilst also saving on investments in software, which are the largest part of any implementation. Standards could therefore permit innovation based on continuity, endowing products with the prospect of relative compatibility with future discoveries without having to rewrite the software application from scratch. Although retaining the ability and skills to develop customised solutions for special uses or customers, Eurotech chose right from the start to seek excellence with solutions representing the state of the art of the most universally recognised standards.
Today, Eurotech, partly due to its policy of acquiring complementary companies, not only covers all the main electrical and mechanical standards of reference for the embedded market (PC/104, PC/104plus, cPCI, cPCI Express, VME, VPX, EPIC, EBX, COM Express and PMC), but also has a multi-platform offering, as it is able to supply modules and processor boards with x86, PowerPC and ARM architecture.

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

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Products

#M2M #asset #management

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The essence of Eurotech products

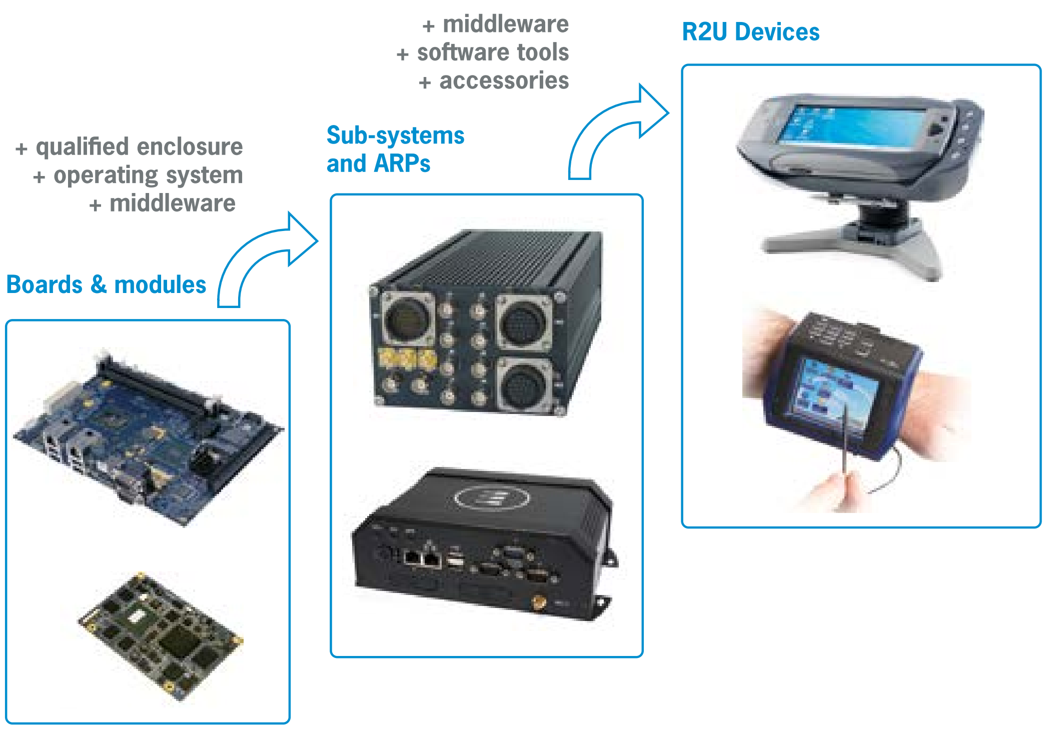
Embedded technology is the basic technology of Eurotech products. It is an enabling technology, in that it permits miniaturisation. It is the technology on which Eurotech based its foundation and that continues to be in the Group's DNA.

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

#M2M #industrial #plant

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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.

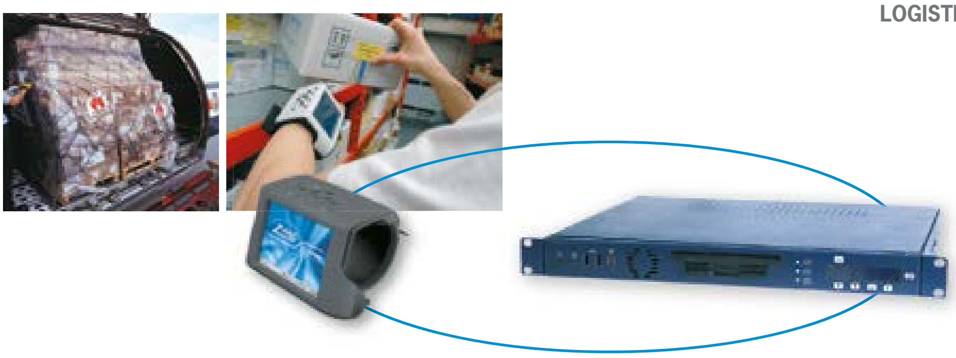
Applications

The Eurotech Group's NanoPC offering is structured in product linesand solutions, each dedicated to a specific market segments:
- Industrial & Commercial
- Medical & Healthcare
- Transportation & Mobility
- Logistics & Networking
- Security & Surveillance
- Defence & Aerospace

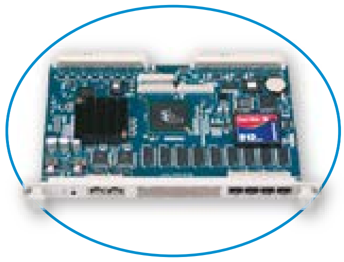
Eurotech products and solutions share the same set of base technologies and are employed in many specific application environments, both conventional and emerging. Here are some examples:

PUBLIC TRANSPORT

LOGISTICS

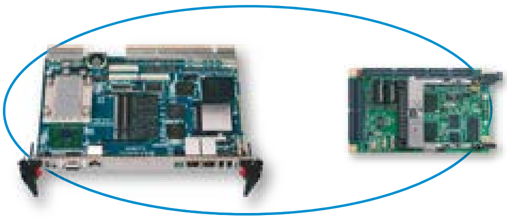


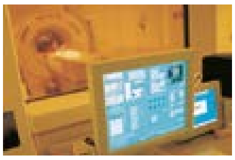
MACHINE AUTOMATION



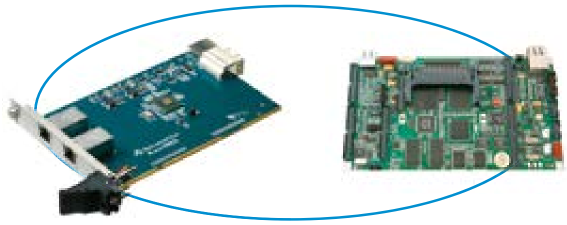
PROCESS CONTROL

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 CENTERS

(pictures of Eurotech HPCs)

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Corporate information

#M2M #wind #turbines

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BOARD OF DIRECTORS

Chairman	Roberto Siagri
Vice Chairman	Giampietro Tecchiolli
Director	Sandro Barazza [1 2]
Director	Giovanni Bertolone [2]
Director	Giancarlo Grasso [2]
Director	Chiara Mio [2 3 4]
Director	Maria Cristina Pedicchio [2 3 4]
Director	Cesare Pizzul [2 3 4 5]
Director	Giovanni Soccodato [2]

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 28 April 2011, and it will remain in office until approval of the financial statements for the year ending 31 December 2013.

BOARD OF STATUTORY AUDITORS

Chairman	Claudio Siciliotti
Statutory Auditor	Michela Cignolini
Statutory Auditor	Giuseppe Pingaro
Substitute Auditor	Lorenzo Ginisio
Substitute Auditor	Michele Testa

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 28 April 2011, and it will remain in office until the approval of the financial statements for the year ending 31 December 2013.

INDEPENDENT AUDITOR

Reconta Ernst & Young S.p.A.

The Independent Auditor was appointed for the three-year period 2005-2007 by the Ordinary Shareholders' Meeting of 21 July 2005. This term was extended for the period 2008-2013 at the Ordinary Shareholders' Meeting of 7 May 2007.

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

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

Information for shareholders

#M2M #plate #recognition

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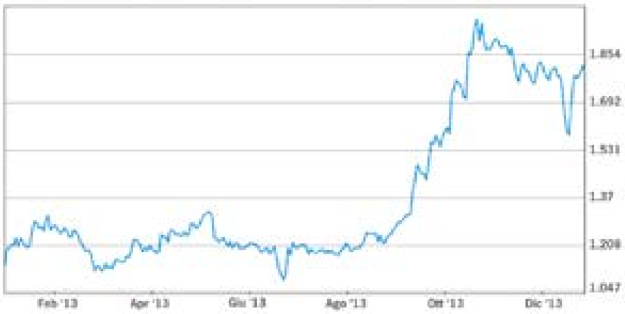
The ordinary shares of Eurotech S.p.A., the Parent Company of the Eurotech Group, have been listed in the STAR segment of the Milan stock market since 30 November 2005.

Share capital of Eurotech S.p.A. at 31.12.13

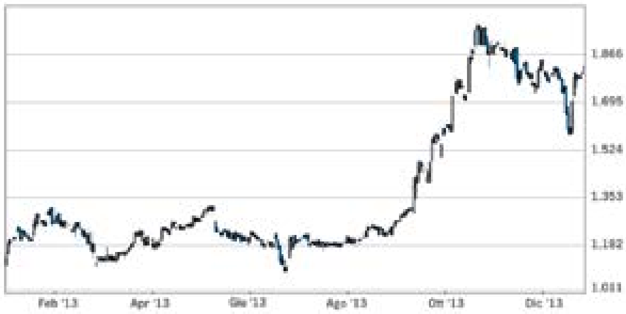
Share capital	Euro 8,878,946.00
Number of ordinary shares (without nominal unit value)	35,515,784
Number of savings shares	-
Number of Eurotech S.p.A. treasury shares	836,520
Stock market capitalisation (based on the share's average price in December 2013)	Euro 65 million
Stock market capitalisation (based on the share's reference price at 31.12.13)	Euro 65 million

Performance of Eurotech S.p.A. shares

Absolute performance of EUROTECH S.p.A. shares
01.01.2013 – 31.12.2013



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

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Management report

#M2M #cool #chain #monitoring

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Introduction

The Eurotech Group's results in the 2012 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 (€ '000).

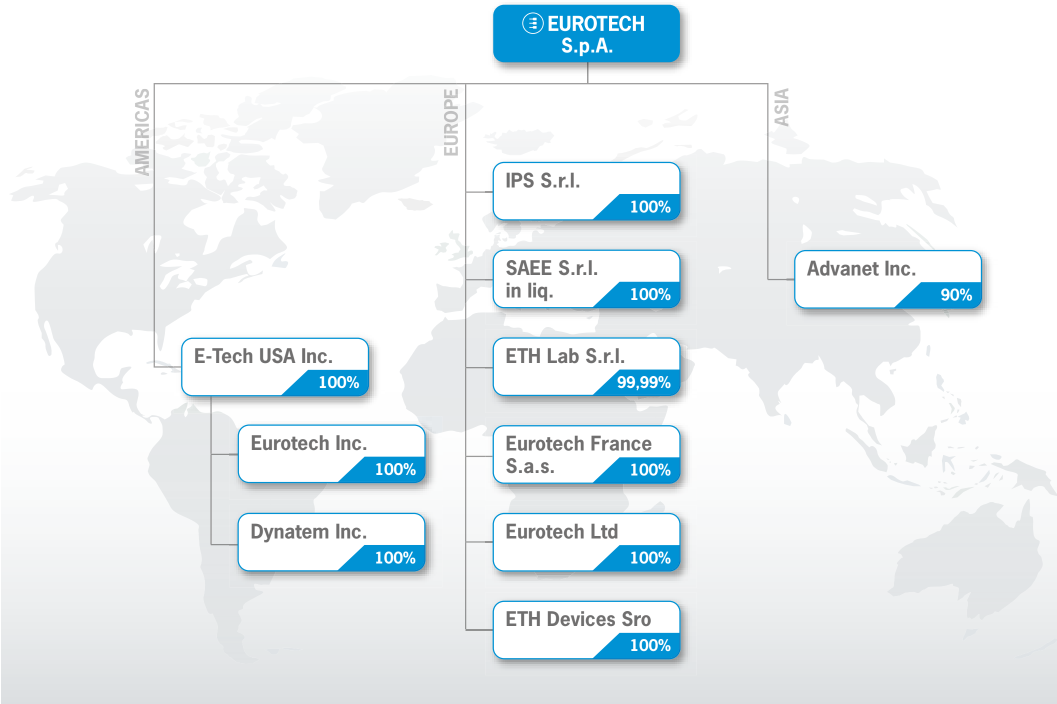
The Eurotech Group

The Eurotech Group operates in the sector of research, development, production and marketing of miniaturised computers for special uses (NanoPCs) and supercomputers with high energy efficiency (HPCs).
"NanoPCs" and "HPCs" are therefore the business lines identified. In the NanoPC segment, the Group's product offering consists of miniaturised electronic modules and systems currently targeting the transportation, logistics, defence, security, medical, and industrial sectors.
In the HPC segment, the Group's offering is represented by supercomputersthat pair very high computing power, up to 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 31.12.13, the Eurotech Group consisted of the following companies:

Company name	Business	Share capital	Group % ownership
Parent Company			
Eurotech SpA	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	EUR 8,878,946	
Subsidiaries and companies consolidated on a line-by-line basis			
Dynatem Inc.	Operates in the US NanoPC market	USD 1,000	100.00%
ETH Devices S.r.o.	Operates in the Eastern European NanoPC sector, mainly in the handheld devices segment	EUR 10,000	100.00%
Eurotech Inc.	Operates in the US market in the NanoPC segment with a focus on the industrial, medical and transport sectors	USD 26,500,000	100.00%
Eurotech Ltd.	Operates in the NanoPC segment and is active primarily in the UK	GBP 33,333	100.00%
E-Tech USA Inc.	Holding company that controls 100% of Eurotech Inc. and Dynatem Inc.	USD 8,000,000	100.00%
Eurotech France S.A.S.	Operates in the French NanoPC market	EUR 795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Operates in the NanoPC sector with the IPS brand and in the high-tech security sector with the ETH Security brand	EUR 51,480	100.00%
Saee S.r.l. in liquidation	Active in technological solutions in the field of sensor networks and wireless applications	EUR 15,500	100.00%
EthLab S.r.l.	Handles research on the Group's behalf (since 2005)	EUR 115,000	99.99%
Advanet Inc.	Operates in the Japanese NanoPC market	JPY 72,440,000	90.00% (1)

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



Operating performance

OPERATING RESULTS

(€'000)		FY 2013	%	FY 2012 Restated^	%
SALES REVENUES		66.106	100,0%	78.739	100,0%
GROSS PROFIT MARGIN	(*)	32.809	49,6%	39.511	50,2%
EBITDA	(**)	449	0,7%	3.662	4,7%
EBIT	(***)	(11.927)	-18,0%	(3.891)	-4,9%
PROFIT (LOSS) BEFORE TAXES		(11.387)	-17,2%	(4.192)	-5,3%
PROFIT (LOSSES) FROM DISCONTINUED OPERATIONS		21.395	32,4%	2.656	3,4%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		8.240	12,5%	(2.783)	-3,5%

(*) 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.

(^) Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2012, as they reflect the adjustments made described in Note 16.

The data shown here take account of the disposal of the equity interest in US company Parvus Corp., as shown in the section "F – Discontinued operations and non-current assets held for sale". As a result of this disposal, in the income statement the 2013 balances relating to the sale of the US company (included the gain from the sale) were reclassified under "Net profit (loss) from discontinued operations and assets held for sale" pursuant to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The 2012 balances of the US company were also reclassified for the purposes of comparison.

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: the yen depreciated by about 26.5%.
This had a big impact on the representation of sales, which decreased from EUR 78.74 million in 2012 to EUR 66.11 million in 2013. The decline at historical exchange rates was 16.0%, but would have been 6.7% if constant exchange rates had been used when the financial statements were translated.

The major part of the decline was caused by the HPC business unit, which accounted for almost two-thirds of the total difference: the concentration of sales to a few customers and with large orders make sales of the SBU HPC highly variable depending on the timing with which the orders are collected, and this phenomenon was seen in 2013 in a macroscopic way. At constant exchange rates, the NanoPC SBU showed just a slight decrease, around 2.5%.

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.

The Americas region registered a shift in the deliveries of some orders, in one case due to the extension of the field testing phase of some products by the customer beyond the terms initially agreed, and in the other due to a customer delay in launching a new generation of products.

Demand continued to stagnate to some extent in the Europe 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.

Japan's economy has benefited to some extent from the weaker yen, which has boosted exports and given fresh impetus to the domestic economy. Overall, this market has made a recovery, and, if the yen continues at these levels against the dollar and the euro, also has a positive outlook.

During the year, investments in businesses that the management regards as strategic for the future continued, but there was also a focus on the operational efficiency of the Company's structure and curbing costs, with a policy of rationalizing products and services.
Despite the efforts made, the break-even level of EBIT achieved in 2012 could not be maintained due to lower sales in the fourth quarter, mainly reflecting the rescheduling of some deliveries in the Americas region.

Before commenting in detail on income statement figures, we must point out that some of them reflect the effects of recognition in accounts of purchase price allocation (PPA) [6] relating to the business combinations of Applied Data Systems Inc. (now Eurotech Inc.), Dynatem Inc. and Advanet Inc. and the write-down for impairment [7] of Eurotech Inc..
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 €-2.69 million rather than €-11.93 million;
- The pre-tax loss would be €-2.15 million rather than € -11.39 million;
- The net loss would be €-5.16 million rather than €-13.15 million;
- Group net profit would be €16.23 million rather than €8.24 million.

The gross profit margin came in at 49.6%, compared with 50.2% in 2012. This slight change reflects, as we have pointed out in the past, the mix of products sold, which shows a range of margins according to the types of products, the sectors in which they are used and their geographical markets. Gross profit for 2013 is broadly positive and remains in line with the reference amount recalculated after the sale of Parvus.
The focus on close control of materials purchasing is still crucial to maintain competition without losing the profit margins needed to achieve our goals.

Before adjustments for internal increases, operating costs decreased by €3.61 million, from €38.73 million (49.2% as a percentage of revenues) to €35.12 million (53.1% as a percentage of revenues). This performance, which was partly due to the change in the yen/euro relationship, had a positive effect on Group EBITDA, partly offsetting the negative effect of lower turnover. There was a marked improvement in operating costs as a percentage of turnover compared with the figure for the first nine months of the year, when it stood at 59.6%.
We believe that the aim of increasing structural efficiency and lowering the activation threshold for operating leverage was achieved in 2013, and now intend to take action to strengthen the sales structure of the business lines, which serves as the springboard for the Group's future development. Investments made in innovation and development in recent years in M2M, Security & Surveillance, and green HPCs have produced impressive results from the technological point of view, and now it is time to step up our efforts in terms of market penetration with financial investments in marketing and sales to achieve the results we expect in terms of sales.
Overall, the Group's structure can still sustain higher levels of sales from the traditional embedded business than those achieved in 2012 and in 2013, but new sales skills are needed, particularly in the new M2M and Security & Surveillance segments, which are expected to generate returns in the next few years.

EBITDA came in at €449 thousand, compared with €3.66 million in 2012. EBITDA as a percentage of revenues was 0.7% in 2013, compared with 4.7% in 2012.

6 lMore specifically, the effects of recognition of PPA relating to the business combinations of Applied Data Systems Inc., Dynatem Inc. (now Eurotech Inc.), Dynatem Inc. and Advanet can be summarized as follows

- Depreciation, amortization and impairment: EUR 3,157 thousand (EUR 3,794 thousand in 2012), due to higher amortization of amounts allocated to intangible assets (particularly customer relations);
- Lower income taxes: €1,249 thousand (€1,848 thousand for 2012) resulting from the tax effect on adjustments made

7 The impairment of Eurotech Inc. had the following effects on the income statement for the year:

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

The difference between one period and the next chiefly reflects the decrease in gross profit in absolute terms due to the contraction in sales, which was only partly offset by lower operating costs.

EBIT decreased in the period, from €-3.89 million in 2012 to €-11.93 million in 2013. EBIT as a percentage of revenues was -18.0% in 2013, compared with -4.9% in 2012.

EBIT was strongly affected by goodwill and customer relations impairment attributable to the Eurotech Inc. CGU in 2013, as well as amortization and depreciation booked in 2013, and also reflected the EBITDA performance mentioned above.
The write-down of €6.08 million was entirely due to the results of the impairment test on the recoverability of the capital invested in Eurotech Inc. and on the residual value of customer relations recognized when the price of this company was allocated.
The depreciation and amortisation, meanwhile, arose from both operating assets that became subject to depreciation in the reporting period, and from non-monetary effects of PPA relating to the acquisitions of Eurotech Inc. (formerly Applied Data Systems Inc. and 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 2013 was €3.16 million, compared with €3.79 million in 2012.

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 €1.20 million (compared with a positive effect of €0.95 million in 2012), while financial management relating to interest had an effect of €0.91 million (€1.20 thousand in 2012).

The Group booked a pre-tax loss on current operations of €11.39 million in 2013 (compared with a loss of €4.19 million in 2012). This performance was affected by the factors described above, and particularly by write-downs of €6.08 million. The impact on the pre-tax result of PPA was €3.16 million in 2013, compared with €3.79 million in 2012.

The Group net loss from current operations came to €13.15 million in 2013, compared with a net loss of €5.44 million in 2012. 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 €7.99 million effect on the Group's net result in 2013 (2012: €2.23 million).

Net profit from discontinued operations and assets held for sale came to €21.39 million, relating to the business effects of the disposal of US company Parvus Corp, which is described in more detail below, and which includes, as well as capital gains from the disposal, the costs directly sustained and/or directly attributable to the disposal transaction, and the profit achieved by Parvus during its nine months as part of the Eurotech Group.

Group net profit was therefore positive, at €8.24 million, compared with a loss of €2.78 million in 2012.

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 2013	FY 2012 Restated^	% YoY Change	FY 2013	FY 2012 Restated^	% YoY Change	FY 2013	FY 2012 Restated^	% YoY Change
Sales revenues	65,729	75,367	-12.8%	377	3,372	-88.8%	66,106	78,739	-16.0%
Gross profit	33,101	38,323	-13.6%	(292)	1,188	-124.6%	32,809	39,511	-17.0%
EBITDA	1,818	3,613	-49.7%	(1,369)	49	-2893.9%	449	3,662	-87.7%
EBITDA margin - %	2.8%	4.8%		-363.1%	1.5%		0.7%	4.7%	
EBIT	(10,199)	(3,327)	-206.6%	(1,728)	(564)	-206.4%	(11,927)	(3,891)	-206.5%
EBIT margin - %	-15.5%	-4.4%		-458.4%	-16.7%		-18.0%	-4.9%	

^ Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2012, as they reflect the adjustments made described in Note 16.

Analysis of revenues by the main business lines shows that the HPC line is no longer significant, pending projected developments at European level in this business segment. Business in this sector 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 a temporary negative sales performance by the HPC line in 2013, which accounted for more than half the year-on-year decrease in consolidated sales.

NanoPC revenues were €65.73 million in 2013 and €75.37 million in 2012, representing a decrease of 12.8%. 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 2013	FY 2012	% YoY Change	FY 2013	FY 2012	% YoY Change	FY 2013	FY 2012	% YoY Change	FY 2013	FY 2012	% YoY Change	FY 2013	FY 2012	% YoY Change
Third party Sales	21,854	26,560		18,654	18,990		25,221	29,817		0	0		65,729	75,367	
Infra-sector Sales	880	1,941		6,667	6,550		258	189		(7,805)	(8,680)		0	0	
Total Sales revenues	22,734	28,501	-20.2%	25,321	25,540	-0.9%	25,479	30,006	-15.1%	(7,805)	(8,680)	10.1%	65,729	75,367	-12,8%
Gross profit	7,278	10,746	-32.3%	10,558	8,805	19.9%	15,512	18,904	-17.9%	(247)	(132)	87.1%	33,101	38,323	-13,6%
Gross profit margin - %	32.0%	37.7%		41.7%	34.5%		60.9%	63.0%					50.4%	50.8%	
EBITDA													1,818	3,613	-49,7%
EBITDA margin - %													2.8%	4.8%	
EBIT													(10,199)	(3,327)	206,6%
EBIT margin - %													-15.5%	-4.4%	

^ Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2012, as they reflect the adjustments made described in Note 16.

North American revenues decreased by 17.7%, from €26.56 million in 2012 to €21.85 million in 2013. This change was mainly due to rescheduling of deliveries by customers, which shifted a portion of sales into the following year. Although sales were down, there were positive signs in North America in terms of orders.
The Europe business region registered a slight decline of 1.8%, from €18.99 million in 2012 to €18.65 million in 2013. This performance was due to the economic stagnation in the three key European countries – Italy, France and the UK – where the Group operates.
The Asian business area saw revenues decrease by 15.4%, from €29.82 million to €25.22 million, owing to the exchange rate effect resulting from the conversion of figures in yen into euro. In local currency, the data would in fact show an increase of 7.0%.

The breakdown of revenues by type shows a slight increase in revenues from services, offset by a slight decrease in industrial revenues.

SALES BY TIPE	FY 2013	%	FY 2012	%
Industrial revenues	62,505	94.6%	75,912	96.4%
Services revenues	3,601	5.4%	2,827	3.6%
TOTALE SALES AND SERVICE REVENUES	66,106	100.0%	78,739	100.0%

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

BREAKDOWN BY GEOGRAPHIC AREA	FY 2013	%	FY 2012	%	var. %
European Union	12,204	18.5%	17,474	22.2%	-30.2%
United States	23,343	35.3%	27,446	34.9%	-14.9%
Japan	25,370	38.4%	29,938	38.0%	-15.3%
Other	5,189	7.8%	3,881	4.9%	33.7%
TOTAL SALES AND SERVICE REVENUES	66,106	100.0%	78,739	100.0%	-16.0%

The sales breakdown by customer region shows a decrease in sales in the US of 14.9%, which was mainly due to the rescheduling of deliveries requested by some customers, as previously mentioned. The US accounted for 35.3% of total annual sales in 2013.
The Japan region registered a reduction of 15.3%, entirely due to the negative exchange rate effect due to the conversion of the Japanese subsidiary's financial statements. The data in local currency show growth of 7.2%, demonstrating the market recovery in this country compared with previous years.
The sales breakdown by customer in Europe showed a 30.2% reduction, partly because the HPC business made no contribution and partly due to persistent stagnation in demand in this area. Europe accounted for 18.5% of total sales.

(€'000)	FY 2013	% of sales	FY 2012	% of sales	var. %
Purchases of raw materials, semi-finished and finished products	32,058	48.5%	34,785	44.2%	-7.8%
Changes in inventories of raw materials	868	1.3%	1,216	1.5%	-28.6%
Change in inventories of semi-finished and finished products	371	0.6%	3,227	4.1%	-88.5%
TOTAL COST OF MATERIALS	**33,297**	**50.4%**	**39,228**	**49.8%**	**-15.1%**

Consumption of raw and auxiliary materials and consumables, shown in the table above, decreased from €39.23 million in 2013 to €33.30 million in 2013. A decline of 15.1% was recorded in the period, slightly less than the reduction in sales of 16%. 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 49.8% in 2012 to 50.4% in 2013.

(€'000)	FY 2013	% of sales	FY 2012	% of sales	var. %
Service costs	12,589	19.0%	13,632	17.3%	-7.7%
Rent and leases	1,718	2.6%	2,143	2.7%	-19.8%
Payroll	19,292	29.2%	21,044	26.7%	-8.3%
Accruals and other costs	1,525	2.3%	1,913	2.4%	-20.3%
Cost adjustments for in-house generation of non-current assets	(1,418)	-2.1%	(1,633)	-2.1%	-13.2%
Operating costs net of cost adjustments	**33,706**	**51.0%**	**37,099**	**47.1%**	**-9.1%**

As a percentage of revenues, other operating costs, net of cost adjustments for internal increases, increased from 47.1% in 2012 to 51.0% in 2013.
In absolute terms, net operating costs were down 9.1%, from €37.10 million in 2012 to €33.71 million in 2013. The decrease in absolute terms was partly due to the rationalization of personnel costs and service costs, which is close to completion, but also to translation differences, particularly in relation to the yen.

The trend in service costs is shown below.

(€'000)	FY 2013	%	FY 2012	%	var. %
Industrial services	4,431	35.2%	4,495	33.0%	-1.4%
Commercial services	2,792	22.2%	2,737	20.1%	2.0%
General and administrative costs	5,366	42.6%	6,400	46.9%	-16.2%
Total costs of services	**12,589**	**100.0%**	**13,632**	**100.0%**	**-7.7%**
% impact on sales	**19.0%**		**17.3%**		

Service costs decreased by 7.7%, from €13.63 million in 2012 to €12.59 million in 2013. Service costs as a proportion of revenues rose, due to the decrease in turnover between 2012 and 2013, and currently stands at approximately 19.0%.

Industrial costs were down slightly, from €4.49 million in 2012 to €4.43 million in 2013.

Commercial service costs were up slightly at €2.79 million in 2013 compared with €2.74 million in 2012.

Lastly, general costs decreased markedly due to the rationalization initiatives, falling from €6.40 million in 2012 to €5.37 million in 2013.

Leasehold improvement costs accounted for around 2.6% or revenues and were down by 19.8%.
In absolute terms, these costs fell from €2.14 million in 2012 to €172 million in 2013, due to lower expenditure.

(€'000)	FY 2013	%	FY 2012	%	var. %
Wages, salaries, and Social Security	18,218	94.4%	20,552	97.7%	-11.4%
Severance indemnities	309	1.6%	328	1.6%	-5.8%
Other costs	765	4.0%	164	0.8%	366.5%
Total cost of personnel	**19,292**	**100.0%**	**21,044**	**100.0%**	**-8.3%**
% impact on sales	**29.2%**		**26.7%**		

Personnel costs in the reporting period decreased by 8.3%. This was due to foreign exchange differences as well as a lower headcount.

Payroll costs as a percentage of revenues increased to 29.2% in 2013, from 26.7% in 2012.

As the following table shows, the Group's workforce decreased from 371 units at end-2012 to 354 units at end-2013. The average number of employees also fell markedly, from 379.4 units in 2012 to 349.7 units in 2013: this reduction of approximately 30 average units reduced operating breakeven substantially, which was confirmed in the EBIT performance.

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

EMPLOYEES	Average 2013	at December 31, 2013	Average 2012	at December 31, 2012
Manager	11,0	11	12,5	11
Clerical workers	323,4	314	336,9	329
Line workers	15,4	29	30,0	31
TOTAL	**349,7**	**354**	**379,4**	**371**

(€'000)	FY 2013	%	FY 2012	%	var. %
Doubful debt provision	740	48.5%	916	47.9%	-19.2%
Other Provisions	35	2.3%	10	0.5%	250.0%
Other costs	750	49.2%	987	51.6%	-24.0%
Total accruals and other costs	**1,525**	**100.0%**	**1,913**	**100.0%**	**-20.3%**
% impact on sales	**2.3%**		**2.4%**		

The “doubtful accounts” item refers to provisions made during the years under review to cover any trade receivables that cannot be collected. Specifically, in the US area a substantial write-down was made on a commercial loan for prudential reasons: although the loan became due more than four years ago, the directors believe that it is still recoverable, as the customer has only just launched the project in which the Eurotech products are being used.
During the year no losses were realized on receivables, which came to €95 thousand at 31 December 2012.
As a percentage of revenues, other provisions and other costs fell from 2.4% in 2012 to 2.3% in 2013.

(€'000)	FY 2013	%	FY 2012	%	var. %
Government grants	842	62.6%	286	22.9%	194.4%
Sundry revenues	504	37.4%	964	77.1%	-47.7%
Total other revenues	**1,346**	**100.0%**	**1,250**	**100.0%**	**7.7%**
% impact on sales	**2.0%**		**1.6%**		

The “Other income” item increased by 7.7% in the reporting period, from €1.25 million to €1.35 million. This increase was mainly due to the greater contributions booked in the period, while the “Miscellaneous revenues” item includes management fees charged to US company Parvus, which was consolidated until 30 September 2013.

Other revenues rose from 1.6% in 2012 to 2.0% in 2013 as a percentage of total revenues.

(€'000)	FY 2013	%	FY 2012	%	var. %
Amortisation of intangile assets	5,244	42.4%	6,151	81.4%	-14.7%
Amortisation of property, plant and equipment	1,055	8.5%	1,320	17.5%	-20.1%
Write-down of fixed assets	6,077	49.1%	82	1.1%	n.s.
Total amortisation and depreciation	**12,376**	**100.0%**	**7,553**	**100.0%**	**63.9%**
% impact on sales	**18.7%**		**9.6%**		

Depreciation and amortization decreased from €7.47 million in 2012 to €6.30 million in 2013. The change mainly reflected translation differences and the different impact of capitalized development costs and amortization relating to investments made in the period and in previous periods.
The asset write-down in 2013 was entirely due to impairment; in relation to subsidiary Eurotech Inc., goodwill was written down by €5.48 million and customer relations by €0.59 million. In 2012, however, the write-down related entirely to some projects posted to the "development costs" item for products that did not achieve the market success initially forecast.

Due to this non-recurring write-down, depreciation and amortization as a percentage of revenues increased from 9.6% in 2012 to 18.7% in 2013.

Valuation of equity interests in associates led to a revenue of €242 thousand, compared with a cost of €56 thousand in 2012.
The effect in 2013 mainly derived from revaluation of the equity interest in associate Emilab S.r.l. and Vantron Inc. due to the valuation of the company using the equity method.

(€'000)	FY 2013	FY 2012	change %
Exchange-rate losses	2,869	1,352	112.2%
Interest expenses	399	1,005	-60.3%
Expenses on derivatives	206	214	-3.7%
Other finance expenses	364	63	477.8%
Financial charges	**3,838**	**2,634**	**45.7%**
Exchange-rate gains	4,073	2,303	76.9%
Interest income	49	66	-25.8%
Other finance income	14	20	-30.0%
Financial incomes	**4,136**	**2,389**	**73.1%**
Net financial income	**298**	**(245)**	**-221.6%**
% impact on sales	**0.5%**	**-0.3%**	

The increase in financial expense from €2.63 million in 2012 to €3.84 million in 2013 was mainly due to negative foreign exchange differences relating to trends in the US dollar, the Japanese yen and the UK pound, which was only partly offset by a marked decrease in interest expense.

Financial income also increased, from €2.39 million in 2012 to €4.14 million in 2013. The change is due to the exchange rate effect (USD, GBP and JPY), which more than offset the reduction in interest income resulting from different cash management.

Net charges from financial operations as a percentage of revenues was 0.5% in 2013, compared with -0.3% in 2012.

(€'000)	FY 2013	% of sales	FY 2012	% of sales	var. %
Pre-tax result of continuing operations	(11,387)	-17.2%	(4,192)	-5.3%	171.6%
Income taxes	(1,768)	-2.7%	(1,247)	-1.6%	41.8%
Income taxes as a percentage of profit before taxes (effective tax rate)	**-15.5%**		**-29.7%**		

The pre-tax loss from continuing operations increased from €-4.19 million to €-11.39 million in 2013. This marked change, as already mentioned, was due to the write-down of €6.08 million, as well as trends in gross profit, decreased operating costs and performance in financial operations. 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 2013	% of sales	FY 2012	% of sales	var. %
IRES (Italian corporate income tax)	1,024	1.5%	561	0.7%	82.5%
IRAP (Italian Regional business tax)	50	0.1%	12	0.0%	316.7%
Foreign current income taxes	2,260	3.4%	1,813	2.3%	24.7%
Total current income tax	**3,334**	**5.0%**	**2,386**	**3.0%**	**39.7%**
Net (prepaid) deferred taxes: Italy	4	0.0%	(9)	0.0%	-144.4%
Net (prepaid) deferred taxes: Non-italian	(1,570)	-2.4%	(1,130)	-1.4%	38.9%
Net (prepaid) deferred taxes	**(1,566)**	**-2.4%**	**(1,139)**	**-1.4%**	**37.5%**
TOTAL INCOME TAXES	**1,768**	**2.7%**	**1,247**	**1.6%**	**41.8%**

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

The Group registered profit of €8.24 million for 2013, compared with a loss of €2.78 million in 2012, including income from discontinued operations amounting to €21.39 million.
This result represents 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 within the Group, and was adjusted for direct costs associated with the transaction, as described in more detail in Note F and Note 32.

Balance sheet

Pursuant to IFRS5, with regard to the comparative information for 31 December 2012, balance sheet items relating to US company Parvus Corp., sold during the year, are still shown in the relevant balance sheet items. However, when necessary, for the purpose of providing a clearer view of actual changes during the year, ad hoc notes are provided.

Non-current assets

(€'000)	at December 31, 2013	at December 31, 2012 Restated^	Changes
Intangible assets	83,233	112,853	(29,620)
Property, Plant and equipment	3,518	4,756	(1,238)
Investments in affiliate companies	607	275	332
Investments in other companies	248	257	(9)
Deferred tax assets	1,397	1,083	314
Other non current financial assets	2,342	0	2,342
Other non-current assets	535	672	(137)
Total non-current assets	**91.880**	**119.896**	**(28.016)**

The "Non-current assets" item decreased from €119.90 million in 2012 to €91.88 million in 2013.
This decrease mainly reflects the decrease in intangible assets, due to the different exchange rate applied when converting the assets of foreign companies, goodwill write-downs and customer relations connected to the Eurotech Inc. CGU, as well as lower values due to the discontinued operations of Parvus (€3.76 million). For further details, see paragraph H1 of the explanatory notes to the consolidated financial statements.

The Group's main investments break down as follows:

(€'000)	at December 31, 2013	at December 31, 2012	Changes
Intangible assets	1,492	3,572	(2,080)
Property, plant and equipment	306	612	(306)
Investments	41	0	41
TOTAL MAIN INVESTMENTS	**1,839**	**4,184**	**(2,345)**

Current assets

(€'000)	at December 31, 2013	at December 31, 2012 Restated^	Changes
Inventories	14,156	18,282	(4,126)
Contracts in progress	0	850	(850)
Trade receivables	18,673	26,641	(7,968)
Income tax receivables	268	362	(94)
Other current assets	2,404	2,170	234
Other current financial assets	101	144	(43)
Cash & cash equivalents	27,995	12,116	15,879
Total current assets	**63,597**	**60,565**	**3,032**

The "Current assets" item increased from €60.56 million in 2012 to €63.60 million in 2013. The increase mainly reflects higher levels of cash due to the liquidity received from the Parvus sale. These amounts were only partly offset by the reduction in discontinued operations (which had a total effect on current assets of €6.74 million), as well as the decrease in inventories due to more efficient management of these, and trade receivables for the attempted recovery of these.

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, 2013 (b)	at December 31, 2012 (a)	Changes (b-a)	at December 31, 2012 No Parvus (c)	Changes (b-c)
Inventories	14,156	18,282	(4,126)	17,332	(3,176)
Contracts in progress	0	850	(850)	850	(850)
Trade receivables	18,673	26,641	(7,968)	23,340	(4,667)
Income tax receivables	268	362	(94)	362	(94)
Other current assets	2,404	2,170	234	2,095	309
Current assets	**35,501**	**48,305**	**(12,804)**	**43,979**	**(8,478)**
Trade payables	(14,677)	(15,084)	407	(13,838)	(839)
Income tax liabilities	(1,657)	(2,103)	446	(1,537)	(120)
Other current liabilities	(7,113)	(7,387)	274	(6,676)	(437)
Current liabilities	**(23,447)**	**(24,574)**	**1,127**	**(22,051)**	**(1,396)**
Net working capital	**12,054**	**23,731**	**(11,677)**	**21,928**	**(9,874)**

Net working capital decreased by €11.68 million. Even stripping out the Parvus effect data from the 2012 data, the reduction would be a substantial €9.87 million. More of this reduction was due to the decrease in current assets than the reduction in current liabilities. Specifically, there were substantial reductions in inventories, work in progress, trade receivables and trade payables. Net working capital as a percentage of sales improved markedly in 2013, at 18.2%, compared with 25.4% in 2012.

Net financial position

The Group's net financial position at 31 December 2013 was €15.11 million, compared with net financial debt of €11.45 million at 31 December 2012.

The net financial position at the end of both periods is broken down in the schedule below.

(€'000)		at December 31, 2013	at December 31, 2012
Cash & cash equivalents	A	(27,995)	(12,116)
Cash equivalent	**B=A**	**(27,995)**	**(12,116)**
Other current financial assets	C	(101)	(144)
Derivative instruments	D	159	344
Short-term borrowing	E	12,319	13,036
Business aggregation liabilities	F	0	0
Short-term financial position	**G=C+D+E+F**	**12,377**	**13,236**
Short-term net financial position	**H=B+G**	**(15,618)**	**1,120**
Other non current financial assets	I	(2,342)	0
Other non current financial liabilities	J	118	0
Medium/long term borrowing	K	2,729	10,327
Medium-/long-term net financial position	**L=I+J+K**	**505**	**10,327**
(NET FINANCIAL POSITION) NET DEBT	**M=G+L**	**(15,113)**	**11,447**

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. 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.

Existing financial liabilities of €10.68 million, plus current account overdrafts at year-end 2013 of €4.37 million, combine to form total debt toward banks of €15.05 million, of which €12.32 million is payable in the short term.

At 31 December 2013, the Group had complied with all the financial covenants contained in the existing loan agreements.

Cash flow

(€'000)	at December 31, 2013	at December 31, 2012 Restated^
Cash flow generated (used) in operations	6,206	8,642
Cash flow generated (used) in investment activities	23,349	(2,439)
Cash flow generated (absorbed) by financial assets	(8,315)	(4,770)
Net foreign exchange difference	(2,947)	(2,112)
Increases (decreases) in cash & cash equivalents	18,293	(679)
Opening amount in cash & cash equivalents	9,702	10,381
Cash & cash equivalents at end of period	27,995	9,702

Despite a reduction in sales compared with the previous year, operations generated positive cash flows of around €6.2 million, compared with positive cash flows of €8.6 million in 2012.

Investment activities are significative positives due to the sale of the American subsidiary Parvus and are offset from investments in the development of new products in the field of modules and embedded systems, device-to-cloud platforms and internal investments in industrial and commercial equipment and hardware.

Finally, cash flows from financial activities was mainly due to the repayment of short-term portions of medium-term loans.

Infragroup 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 2011 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. (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 34 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, 2013							
Name		Company	Possessory title	Share at January 1,	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	-	-	2,320,531	1,040,371	
Tecchiolli Giampietro	Director	Eurotech	Ownership	191,015	-	-	191,015	-	
Barazza Sandro	Director	Eurotech	Ownership	2,000	-		2,000	-	
Bertolone Giovanni	Director	Eurotech	Ownership	-	-	-	-	-	
Grasso Giancarlo	Director	Eurotech	Ownership	-	-	-	-	-	
Mio Chiara	Director	Eurotech	Ownership	-	-	-	-	-	
Pedicchio Maria Cristina	Director	Eurotech	Ownership	-	-	-	-	-	
Pizzul Cesare	Director	Eurotech	Ownership	-	-	-	-	-	
Soccodato Giovanni	Director	Eurotech	Ownership	-	-	-	-	-	
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	20,000		-	20,000	10,000	(*)
Cignolini Michela	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	
Pingaro Giuseppe	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	

(*) Shares owned indirectly by Pronet S.r.l.

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 31.12.13 and 31.12.12:

(€'000)	Profit (Loss) 12/31/2013	Shareholders' Equity 12/31/2013	Profit (Loss) 12/31/2012	Shareholders' Equity 12/31/2012 Revised^
Financial report of the Parent Company	**19,973**	**108,157**	**(420)**	**88,799**
Group share of shareholders' equity and pro-quota value in consolidated companies	(4,340)	(48,977)	2,297	(43,545)
Differential arising from consolidation	-	44,887	-	61,034
Customer relationship	(2,564)	8,501	(3,179)	13,569
Trademark	-	7,317	-	9,321
Goodwill	(3,978)	-	-	-
Profit and equity from discontinued operations - Parvus	(974)	(5,709)	-	-
Parvus plus adjustament	(5,709)	-	-	-
Parvus dividends	(1,833)	-	-	-
Reversal of Impairment of equity transactions	13,955	-	1,312	-
Defined benefit plans	-	(348)	-	(307)
Effect of valuing equity investments using the net equity method	359	87	149	(343)
Exchange differences on equity investments in foreign companies	876	-	399	-
Offset dividends	(8,537)	-	(4,667)	-
Tax effects on consolidation adjustments listed above	1,012	(5,816)	1,326	(8,564)
Consolidated financial statements	**8,240**	**108,099**	**(2,783)**	**119,964**

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

The Parent Company Eurotech SpA held 836,520 treasury shares at the end of the reporting period. Treasury shares changed as follows in 2013:

	No. of shares	Face value of a share (Thousand of Euro)	% share capital	Carrying value (€'000)	Average unit value
Status as at 1 January 2013	**420,140**	**105**	**1.18%**	**1,348**	**3.21**
Purchases	416,380	104	1.17%	792	1.90
Status as at 31 December 2013	**836,520**	**209**	**2.36%**	**2,140**	**2.56**

Investments and research and development

At 31 December 2013, technical investments (tangible assets) in equipment and instruments amounted to €106 thousand (including €31 thousand in progress), investments in other assets amounted to €195 thousand, investments relating to leased assets, mainly in production, amounted to €5 thousand, and investments to purchase user, software and know-how licenses amounted to €126 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. Costs of developing new products were capitalised in the period for €1.37 million: About 2.7% of these costs were generated by the change in the project relating to the Wearable PC family, i.e. the computer that can be worn on the wrist or belt, and particularly the rugged versions, developed specifically for use in harsh environments. About 7.3% relate to the development of new products based on Intel's new, ultra-low power architectures. About 19.1% relate to software projects in the Cloud computing segment, and the remainder of about 70.9% 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.
The Group's presence in various regions of the world 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 anticyclical sectors such as healthcare and defence also supports Group business, in part, in periods when general economic circumstances are less than positive and when sectors such as industry, trade and transportation are more affected by reduced consumption.
Furthermore, leaving aside slow economic growth or recession, other economic conditions such as fluctuating raw materials prices or reduced spending on infrastructure may negatively affect the markets in which the Group operates, and may, in combination with other factors, have a significant impact on the Group's business outlook, operating performance and/or financial situation.

Risks connected to exchange rate and interest rate fluctuations

The Eurotech Group operates at global level and has invested in countries such as the US, Japan and the UK, deriving cash flows from these countries that are not consistent. In addition, the individual foreign subsidiaries tend to operate on their respective core markets with the respective functional currencies. Owing to these considerations, exchange rate hedging operations are not carried out, despite the fact that the consolidated financial statements are affected by exchange rate fluctuations when the financial statements of companies outside the eurozone are translated.
The Group is exposed via medium-term, variable-rate loans, particularly in Europe and to a lesser extent in Japan. The Group uses hedging instruments to mitigate the effects of interest rate variations.
Steep exchange rate or interest rate fluctuations may have an impact on the Group's business performance and financial results.
For more information, refer to that indicated in note no 35.

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 at least the current level and focus on the cost containment strategy implemented in previous years.
The Group has to comply with legal financial parameters, and particularly 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 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.

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 on 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 Article 3 of the Italian CONSOB Resolution no. 18079 of 20 January 2012, Eurotech following the simplification regime set forth under Articles 70, paragraph 8 and 71, paragraph 1-bis of the Regulation adopted by the Italian CONSOB with resolution no. 11971 of 14 May 1999, as amended, therefore using the right to waive the publication obligations for information documents set forth in Annex 3B of the aforementioned Italian CONSOB Regulation during significant merger, demerger, capital increase and in kind conferral, acquisition and transfer operations.

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 2011 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 2013 is positive, even though market conditions in some sectors remain uncertain.

The Group will pursue strategic development in 2013, 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 of 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.

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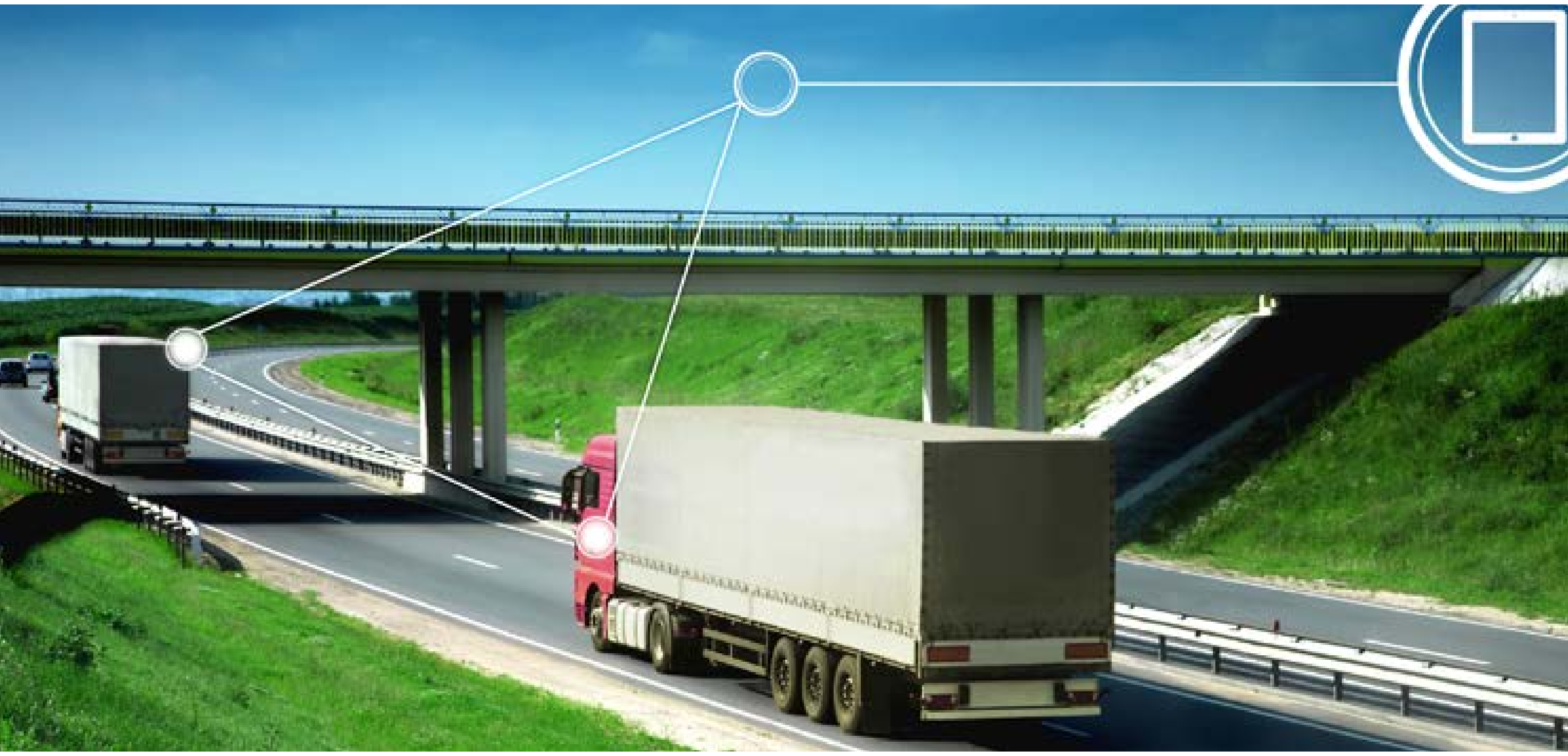
Annex 1 - Report on corporate governance and ownership structure

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



#M2M #fleet #management

Issuer: EUROTECH SpA
Website: www.eurotech.com

Reporting period: financial year 2013
Report approval date: 14 March 2014

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GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code for listed companies, approved by the *Corporate Governance* Committee in December 2011 and promoted by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria; available online at **www.borsaitaliana.it,** under Borsa Italiana - Regulations – *Corporate Governance*".

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

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

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

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

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

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

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

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

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

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

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

Stock Market Regulation: regulations for the markets organised and managed by Borsa Italiana SpA. (as subsequently 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 2013.
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: (1) miniaturisation of 'intelligent' 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 communicate. 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 to see a significant effect 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 2013

a) Share capital

At the date of 31 December 2013, 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 1.119.020 treasury shares, equivalent to 3.151% 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

At the date of this Report, Shareholders who directly or indirectly hold shares representing more than 2% of the share capital through pyramid structures or cross holdings, according to the communications made pursuant to art. 120 of the TUF, are shown in Table 1 annexed to this Report.

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.

g) Shareholder agreements

To the Issuer's knowledge, at the date of 31 December 2013 there are no shareholder agreements pursuant to art. 122 of the TUF.

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

On 19 December 2007, a loan agreement was signed with Unicredit Banca d'Impresa SpA for € 15,000,000. One of the agreement's covenants imposes a limit on "change of control/ownership", obliging the Company to notify the bank of any changes in the legal or ownership structure (e.g. form, capital, Directors, Statutory Auditors and shareholders, mergers (including by incorporation), demergers, disposals and transfers), administration, assets and liabilities or financial position (e.g. bond issues), or change in the operating and technical situation, as indicated in the figures, items and documents provided when the loan was requested, and of any facts that might change the current structure and organisation of the Company in any way. This covenant will be verified annually and certified by the Company. Failure to comply with this covenant will allow the bank to increase the interest spread by 50 bp if it does not exercise its right to terminate the agreement.
The Issuer's subsidiaries have not entered into other significant agreements that take effect, are amended or terminate upon a change of control of the contracting company.
The Issuer's Bylaws do not depart from the passivity rule provisions pursuant to art. 104, paragraphs 1 and 2 of the TUF, and do not require application of the neutralisation rules envisaged in art. 104-*bis*, paragraphs 2 and 3 of the TUF.

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

In 2013 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 2013, in renewing a similar authorisation of 27 April 2012 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 D.Lgs. 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 1,119,020 treasury shares, equivalent to 3.151% 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 € 1,045,350.33.

l) Management and Co-ordination

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

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** 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 principles contained in the Corporate Governance Code, which is available on the website of Borsa Italiana at **www.borsaitaliana.it**.

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 December 2011, 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 fewer than eight members; at least three Independent Directors for Boards of Directors with nine to 14 members; and at least four Independent Directors for Boards of Directors with more than 14 members.

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

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

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

Shareholders, including those party to shareholders' agreements pursuant to 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 18775 of 29.01.2014, 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, for the year ended 31.12.13.
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.

During the year the Board of Directors will assess the possible adoption of a plan for the succession of the Executive Directors.

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 Issuer's Board of Directors in office at the date of this Report is composed of nine members appointed by the Ordinary Shareholders' Meeting held on 28 April 2011, based on the sole majority list presented by the shareholder Roberto Siagri according to the bylaws in force, which obtained 6,673,471 favourable votes, equal to 99.308% 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 2013.
For more information about the lists filed for the appointment of the management body, please refer to the Company's website at **www.eurotech.com** in the Investors section, where the *curricula vitae* of the Directors are also made available.
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 7 March 2014, 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 SpA (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 Srl (Eurotech Group)	Director
	Eurotech France SA (Eurotech Group)	Director
	DITEDI – Distretto Industriale delle Tecnologie Digitali S.c.a.r.l.	Vice 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
Giampietro Tecchiolli	ETHLab Srl (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 SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Vice Chairman and Director
	E-Tech USA Inc. (Eurotech Group)	Director
	Advanet Inc. (Japan) (Eurotech Group)	Director
	Eurotech Ltd (Eurotech Group)	Director
Sandro Barazza	IPS - Sistemi Programmabili Srl (Eurotech Group)	Executive Director
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Director
	Eurotech Inc. (USA) (Eurotech Group)	Director
	Saee S.r.l. in liquidation	Liquidator
	Eurotech Ltd (UK) (Eurotech Group)	Director
	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 auditor
Chiara Mio	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Director
	Cadel Srl (Santa Lucia di Piave-Tv)	Statutory Auditor
	Zignago Vetro Spa (Fossalta di Portogruaro – Ve)	Indipendent director
	Danieli e c. Officine meccaniche S.p.A. – (Italy – Buttrio (UD))	Statutory Auditor
	MCZ SpA	Statutory Auditor
Giovanni Soccodato	Fondazione Ricerca & Imprenditorialità	Member of the Board of Directors
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Director
	Telespazio SpA	Executive Director
	MB MBDA BV	Director
	Thales Alenia Space SAS Chairman	Chairman
Cesare Pizzul	FORT Srl (Italy - Sossano (VI))	Chairman
	SUNSHINE SpA (Italy - Sossano (VI))	Executive Director
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Director
	WULFENIA BUSINESS CONSULTING GmbH (Austria - Klagenfurt)	Sole Director
	WULFENIA CONFIDA DOO (Croatia - Rijeka)	Sole Director
	Antwerp Corporate Management bvba (Belgium - Hoogstraaten Meer)	Executive Director

Name and surname	Company	Management and supervisory positions
Giovanni Bertolone	AIAD	Chairman of the Research Committee
	Cluster Tecnologico Nazionale Aerospazio	President
	ASD Bruxelles	Chairman of the R&T Committee
	ASD – R&T (Bruxelles)	Committee Chairman
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Director
Giancarlo Grasso	Alenia Aermacchi (a Finmeccanica Company)	Chairman
	Thales Alenia Space SAS	Supervisory Board Member
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Director
Maria Cristina Pedicchio	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. (Italia – Amaro (UD)) (Gruppo Eurotech S.p.A.).	Director
	Corila Consortium	Director
	University of Brescia	Director

Induction Programme

The characteristics of board reporting enable the Directors to obtain adequate knowledge of the field of activity in which the Issuer operates, its dynamics and their evolutions, as well as the relevant regulatory framework.

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 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 13 May 2011, 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:

(i) 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;
(ii) 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;
(iii) monitoring the adequacy of the general organisational and administrative structure of the Company and Group put in place by the Chief Executive Officers;
(iv) approval and amendment of the basic organisational structure of the Company and Group;
(v) 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 and no/100) for each multi-year investment in research and development.
(vi) sale and purchase of know-how;
(vii) examining and approving transactions having a specific impact on operating results, equity and the financial position pursuant to the CONSOB regulations governing listed companies;
(viii) 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;
(ix) capital transactions, transformation, listing on the stock market, merger, spin-off, liquidation, execution of shareholders' agreements regarding direct subsidiaries;
(x) hiring, appointment or dismissal of executives and determining their wages;
(xi) purchasing or selling property assets;
(xii) 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;
(xiii) 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 7 March 2014, the Board, on the basis of the calculations of the Internal Control Committee, assessed the Company's organisational, administrative and general accounting structure 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, where the Shareholders' Meeting had not done so;

- 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 11 (eleven) meetings during the year, on: 1 February , 7 and 15 March, 2 April, 13 May, 11 July, 29 August, 24 September, 15 and 25 October, 13 November
The meetings were duly minuted.
The Board meetings lasted for 1 hour and 3 minutes on average.
The members of the Board of Directors and the Board of Statutory Auditors regularly attended these meetings.
At least 6 (six) Board of Directors meetings are planned for the current year, according to the calendar of Board meetings (four dates of which have already been communicated to the market and Borsa Italiana S.p.A. in accordance with regulatory provisions). In addition to the meetings held on 7 March and 14 March 2014 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);
- 14 November (approval of the third-quarter 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**.
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 term was normally observed.
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, 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 13.05.11 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 administrative and financial civil and penal authorities, at every order and level of jurisdiction, including for judgements of revision and appeal, appointing and terminating as necessary lawyers, attorneys and experts, filing complaints and making applications to take part in proceedings as a civil party. Settling and reconciling judgements and withdrawing from proceedings; submitting disputes for arbitration and carrying out all formalities related to arbitration judgments;
- 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;
- representation of the 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, 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 Euro 5,000,000.00 (five million/00).

Agency agreements:

- examination, amendment, approval and cancellation of agency, commercial licensing or sub-licensing, commission and bailment agreements.

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 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 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 for each loan and/or credit line, with a total annual limit of € 5,000,000.00, 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 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) 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, of any land transport vehicle, executing the related formalities with the competent public automotive registers, including the arrangement and cancellation of mortgages.

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, registration of court mortgages and claims on merchandise, including the merchandise held at third party locations, and revoking those acts;
- 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.

In addition to the powers listed above, which are representative and not exhaustive, all the operating powers of the Board of Directors, with the exception of those that cannot be legally delegated or those for which the Board of Directors has exclusive responsibility, and those assigned to the Company's Executive Committee, with the power of legal representation and free power of signature.
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 Cesare Pizzul 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 13.05.11 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;
- deciding on 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;
- representation of the 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 €2,000,000.00 (two 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 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;
- 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 Euro 50,000.00.

Company management agreements:

- execute all documents and agreements necessary for management of the company whose individual value is less than € 250,000.00 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.

Financial transactions and relations with banks:

- issuing, receiving and endorsing bills of exchange; having issued, accepting and endorsing 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, registration of court mortgages and claims on merchandise, including the merchandise held at third party locations, and revoking those acts;
- 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;
- within the scope of the strategic guidelines issued by the Board of Directors, co-ordinate Company research and development, and in particular:
- take those initiatives as necessary to realise corporate and group research and development programmes;

- Monitoring public/publicly funded research projects, including international projects, and taking part in those of interest to the Company and the Group in accordance with the strategic guidelines set out by the Board of Administration and/or Chairman;
- 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.

During the year, the delegated bodies reported to the Board of Directors on the activities carried out while exercising the powers conferred on at least a quarterly basis and in such as way as to allow the Board to express an informed opinion on the matters submitted for examination.

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.

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 three Independent Directors – Cesare Pizzul, Chiara Mio and Maria Cristina Pedicchio – 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 from which the Ordinary Shareholders' Meeting appointed 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.
On 7 March 2014, 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.
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 28 April 2011 when they were appointed and at its meeting held on 7 March 2014. 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 2429 of the Civil Code.
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.
A meeting of the Independent Directors took place on 29 August 2013 , during which the functioning of the management and supervisory bodies (relating to Directors) and the group's economic forecast were analysed
The meeting lasted for 1 hour.

4.7. Lead Indipendent Director

On 13 May 2011 the Board of Directors appointed Cesare Pizzul, 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.

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

5. Handling of corporate information

5.1. Inside information

At its meeting of 14 March 2014, the Company's Board of Directors updated the "Procedure for managing inside information" adopted by the Board of Directors on 12 November 2010. The new procedure also governs methods and procedures for the external communication of documents and

information relating to Eurotech, and specifically inside information, pursuant to articles 114 and 181 of the TUF, in accordance with recommendations made by CONSOB and Borsa Italiana SpA.
The procedure is designed to maintain the secrecy of inside information, while simultaneously ensuring that market disclosures of Company information are accurate, complete, appropriate, timely and non-selective.
The procedure generally confers responsibility for the management of inside information to the Company's delegated bodies, setting out specific procedures to be followed for the external communication of Company documents and information, with a particular focus on the disclosure of inside information, and meticulously governs the terms and conditions by which Company officers manage contacts with the press and other channels of mass communication (i.e. with financial analysts and institutional investors).
Specifically, pursuant to this procedure, the Chief Executive Officer, the Director of Administration, Finance and Control and the Issuer's Investor Relations department ensure the correct management of the diffusion of inside information to the market, overseeing compliance with the procedure.
The Investor Relations department, provided with information by Group senior management or aware of the salient facts concerning the Company or its subsidiaries, meets with the Director of Administration, Finance and Control and with the Business Affairs department to verify the obligations set out in law and in particular whether the information in question should be regarded as privileged.
In the event that information is deemed privileged or legislation in force stipulates that it must be communicated externally, the Investor Relations department prepares a press release with the assistance of the Corporate Communication department. Working with the Director of Administration, Finance and Control and with the assistance of the Business Affairs department, the Investor Relations department ensures that the press release complies with the relevant legislation in force.
The text of the press release must be submitted to the Chief Executive Officer and, if necessary, to the Board of Directors, for final approval before external release, following a declaration, if the information relates to the accounts, of the Financial Reporting Officer pursuant to article 154-*bis* of the TUF.
The press release is diffused according to the methods stipulated for the diffusion of regulated information. The Issuer also ensures that the press release is made available on the Company *website* **www.eurotech.com** before the market opens on the day following its diffusion, and that it is available for a minimum period of five years.
To ensure management of the inside information within the Group, the *Regional Directors* are notified of the above procedure and the Directors of operating activities at the Group's various facilities are also informed; these are, according to the case, *Chief Executive Officers, Managing Directors*, or *General Managers* of the main subsidiaries, i.e. companies controlled by the Issuer that fall within its scope of consolidation.
The management of inside information relating to the subsidiaries is the responsibility of the Regional Directors, who must promptly provide the Company's Investor Relations department with any information that, on their assessment, could qualify as privileged pursuant to the above procedure.
Once notified about the inside information by the Group's regional Directors, the Investor Relations department meets with the Director of Administration, Finance and Control and with the Business Affairs department to verify the obligations set out in law and in particular whether the information should be regarded as privileged.

5.2. Code of Conduct – Internal Dealing

With regard to the management of the disclosure obligations set out in the *Internal Dealing* regulations, pursuant to article 114, paragraph 7 of the TUF and articles 152-*sexies,* 152-*septies* e 152-*octie*s 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 "**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**.

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

Considering the Issuer's size and organisational structure, the Board of Directors does not currently find it necessary to set up an Appointments Committee. Furthermore, following amendments to the bylaws in accordance with Law 262/2005, as subsequently amended, and the associated implementing regulations, the members of the Board of Directors are appointed by means of the voting list mechanism described above, and thus on the basis of candidate lists submitted by the shareholders in possession of the equity interests indicated in article 14 of the bylaws.

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.
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 Principles of 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, March 14, October 2, and November 11. 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 2012, the proposed remuneration of the Executive Directors, executive managers, the variable remuneration of company key figures, the definition of principles for the allocation of the variable components of the remuneration of the Group's

subsidiaries for the year 2013 and the Remuneration Report for the meeting to approve the financial statements. The second meeting concerned the determination of special compensation for the CEO relative to the sale of a company subsidiary.
The average duration of the meetings was 1 hour and 15 minutes.
For the current year at least three meetings are scheduled. One was held on 28 February 2014 while the others are scheduled for March and May 2014. In performing its functions, the Remuneration Committee had the power to access the information and business departments necessary for carrying out its duties and to make use of external consultants, 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.
On 13 May 2011, the Board of Directors appointed the following Committee members: Cesare Pizzul (Chairman), Chiara Mio and Maria Cristina Pedicchio, all of whom are Independent Non-executive Directors.
The Directors Cesare Pizzul and Chiara Mio have accounting and financial experience deemed adequate by the Board at the time of appointment.
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 28 April 2011 resolved to set the total remuneration for the Board of Directors at € 900,000.00, to be divided according to subsequent resolution by the Board, including non-proportionally, and including the remuneration of Board members assigned special duties in the financial years 2011-2013.
Information on the Remuneration Policy adopted by the Issuer and on the remuneration received by the members of the Board of Directors during the financial year is fully provided in Section II of the Remuneration Report prepared pursuant to art. 123-*ter* of the TUF and art. 84-*quater* of the Consob Issuer Regulation, available in accordance with legal requirements on the Company's website **www.eurotech.com** in the "Investors" section.

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* function 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* function 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 13 May 2011, the Board of Directors appointed the following members of the Control and Risks Committee: Chiara Mio (Chairman), Cesare Pizzul and Maria Cristina Pedicchio, 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 5 (five) meetings during the reporting period, on 22 February, 15 March, 12 May, 29 July, and 13 November, all of which were duly minuted.

The Control and Risks Committee meetings lasted one hour and 44 minutes on average.
During the financial year the Committee analyzed 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 [four] 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 February 28, 2014

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 has the power to access the information and business operations necessary to carry out its duties and to make use of 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 Directo**r") and after consultation with the Control and Risks Committee, as well as consulting the Board of Statutory Auditors:

(a) appoints and revokes the Internal Audit Officer;

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

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

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

On 2 April 2013, 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 13.05.11.

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 13 May 2011 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*.
During the year the Internal Audit Officer reported on his activities to the Control and Risks Committee, the Board of Statutory Auditors and the Delegated Director.
The principal purpose of the activities carried out during the year are related to analysis of business risk and the auditing of corporate procedures regarding those risks.

11.3. Organisation model pursuant to Legislative Decree 231/2001

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

The Model is based on the principles and guidelines set out in the:
a) Stock Market Regulation;
b) Corporate Governance Code;
c) guidelines for drafting organisational, management and control models pursuant to Legislative Decree 231/01, approved by Confindustria on 7 March 2002, as subsequently amended

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 13 May 2011 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

The Independent Auditor responsible for auditing the accounts is Reconta Ernst & Young SpA. The auditing engagement was conferred at the Ordinary Shareholders' Meeting of 21 July 2005 for the three-year period including the financial years 2005, 2006 and 2007, and was extended for another six financial years (2008, 2009, 2010, 2011, 2012 and 2013) via a subsequent resolution by the Ordinary Shareholders' Meeting of 7 May 2007.

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 be also be paid adequate compensation.
On 13 May 2011, the Board, with the approval of the Board of Statutory Auditors, appointed 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 Legislative Decree 231/01, which monitors for corporate offences pursuant to 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 March 14, 2014, as provided for in paragraph 6.1 of the Consob Communication no. DEM/10078683, and having sought the opinion of three independent Directors, in office, conducted an assessment of the need to revise the Related Parties Procedure in the belief that it is sufficient for the operational structure of the Issuer, having taken into account the absence of major changes in the ownership structure of the Issuer and having demonstrated effectiveness of the procedure in practical application.

The 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**.

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. The Committee for Related Party Transactions, in its current composition as a result of the Board's resolution of 13 May 2011, consists of Cesare Pizzul, Chiara Mio and Maria Cristina Pedicchio, all of whom are Independent Non-executive 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 14 March 2013, 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 an analysis of the any significant transactions.
The meeting lasted for 25 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 29.01.2014, 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 are 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 be 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 are observed.

14. Composition and functioning of the board of statutory auditors

On 28 April 2011, the Ordinary Shareholders' Meeting, following the expiry of the previous control body, appointed the new Board of Statutory Auditors in the persons of Claudio Siciliotti, Michela Cignolini and Giuseppe Pingaro as Statutory Auditors, and Lorenzo Ginisio and Michele Testa as Substitute Auditors on the basis of a single majority list submitted by the shareholder Roberto Siagri that got 6,673,471 votes in favour representing 99.308% of the voting capital (equal to 6,719,995 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 2013 are approved.
The current composition of the Board of Statutory Auditors is shown in Table 3 attached to this Report.

For more information about the list filed for the appointment of the control body, please refer to the Company's website at **www.eurotech.com**, in the "Investors" section, where the *curricula vitae* of the Directors are also available.
The following table shows the other positions held by members of the Board of Statutory Auditors at companies pursuant to Book V, Title V, Chapters v, vi and vii of the Civil Code.

Name and surname	Position at Eurotech	Company	Management and supervisory positions
Claudio Siciliotti	Chairman of the Board of Statutory Auditors	Eurotech S.p.A., Amaro (UD);	Chairman of the Board of Statutory Auditors
		FriulanaGas S.p.A., Campoformido (UD);	Chairman of the Board of Statutory Auditors
		Hypo Alpe-Adria-Bank S.p.A. Tavagnacco (UD)	Chairman of the Board of Statutory Auditors
		Mangiarotti S.p.A., Sedegliano (UD);	Chairman of the Board of Statutory Auditors
		Sager S.p.A., San Giovanni al Natisone (UD);	Chairman of the Board of Statutory Auditors
		SMS Concast Italia S.p.A., Udine (UD);	Chairman of the Board of Statutory Auditors
		Sartogo S.p.A., Udine (UD);	Chairman of the Board of Statutory Auditors
		Cineca Consorzio Interuniversitario, Casalecchio di Reno (BO);	Statutory Auditor
		E.F.FimS.p.A., Udine (UD);	Statutory Auditor
		Valagro S.p.A., Atessa (CH).	Statutory Auditor
		Geber S.p.A. – Tavagnacco (UD)	Substitute Statutory Auditor
		Arteni Confezioni S.p.A. – Tavagnacco (UD)	Substitute Statutory Auditor
		Stark S.p.A.; Trivignano Udinese (UD);	Substitute Statutory Auditor
		Koinos Cooperativa Informatica Organizzazione Servizi dei Dottori Commercialisti, Milano (MI).	Director
		Cirano S.r.l., Udine (UD).	Sole Director
		OIC – Organismo Italiano di Contabilità, Roma (RM).	Supervisory Director
Michela Cignolini	Statutory Auditor	Mia Fiduciaria S.p.A., Roma (RM).	Chairman of the Board of Statutory Auditors
		Eurotech S.p.A., (Gruppo Eurotech) Amaro (UD);	Statutory Auditor
		Geber S.p.A., Tavagnacco (UD);	Statutory Auditor
		Prestitalia S.p.A. – Bergamo (BG)	Statutory Auditor
		SMS Concast Italia S.p.A., Udine (UD).	Statutory Auditor
		Certicomm – Autorità Nazionale di Certificazione in liquidazione, Roma (RM);	Substitute Statutory Auditor
		Friulanagas S.p.A., Campoformido (UD);	Substitute Statutory Auditor
		Friulia SGR S.p.A., Udine (UD)	Substitute Statutory Auditor
		Sager S.r.l., San Giovanni al Natisone (UD);	Substitute Statutory Auditor
		Giustidue S.r.l., Udine (UD).	Liquidator
		Erresse Immobiliare S.r.l., Udine (UD).	Director
Giuseppe Pingaro	Statutory Auditor	Eurotech S.p.A. (Gruppo Eurotech)	Statutory Auditor
		Associazione per l'Assistenza Sanitaria Integrativa ai Dirigenti della Finmeccanica – ASID	Statutory Auditor
		Cassa di Previdenza per i Dirigenti del Gruppo Finmeccanica – Fondo Pensione	Statutory Auditor

For information on the administrative and supervisory duties vested in the members of the Board of Statutory Auditors, see the figures published by CONSOB pursuant to article 144-*quinquiesdecies* of the CONSOB Issuer Regulation, in the Corporate Boards section of the www.sai.consob.it website.
The Board of Statutory Auditors held 7 (seven) meetings during the financial year: 1 February, 4 and 28 March, 13 May, 29 July, 5 August, and 4 November 2013.
The average meeting duration was about two hours.
For the current year there are at least 6 (six) meetings scheduled, two of which was already held 27 January and 1 February and others are scheduled on the following dates: 5 May, 21 July and 20 October 2014.
At its meeting held 28 March 2013 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 of this assessment will

be included in the Statutory Auditors' Report to the Shareholders' Meeting, pursuant to article 2429 of the Civil Code.
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 enable 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 in writing 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).

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.

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 on24 April 2013, 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.

At its meeting of 07.03.13, 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 18775 of 29 January 2014, 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.

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		

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		**6.801%**	**6.801%**
Finmeccanica SpA	Finmeccanica SpA	11.084 %	11.084 %
Rollo Alessandro	Rollo Capital Management LLC	2,309 %	2,309 %

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	In office since	In office until	Lista (M/m) *	Esec.	Non-esec.	Indep. re. Code	Indip. re. TUF	(%) **	Number of other positions ***	****	**	****	**	****	**	****	**	****	**
Chairman and Chief Executive Officer	Roberto Siagri	28/04/2011 First appointment: 30/09/1992	Approval of financial statements at 31/12/2013	M	X				100	7										
Vice Chairman and Chief Executive Officer	Giampietro Tecchiolli	28/04/2011 First appointment: 19/11/2001	Approval of financial statements at 31/12/2013	M	X				91	7										
Director Financial Reporting Manager	Sandro Barazza	28/04/2011 First appointment: 08/08/2008	Approval of financial statements at 31/12/2013	M		X			100	8										
Director and Lead Independent Director	Cesare Pizzul	28/04/2011 First appointment: 05/05/2008	Approval of financial statements at 31/12/2013	M		X	X	X	91	6	X	100	X	100					X	100
Director	Maria Cristina Pedicchio	28/04/2011 First appointment: 28/04/2011	Approval of financial statements at 31/12/2013	M		X	X	X	45	4	X	20	X	33					X	100
Director	Chiara Mio	28/04/2011 First appointment: 05/05/2005	Approval of financial statements at 31/12/2013	M		X	X	X	82	4	X	100	X	100					X	100
Director	Giovanni Bertolone	28/04/2011 First appointment: 19/10/2010	Approval of financial statements at 31/12/2013	M		X			55	4										
Director	Giancarlo Grasso	28/04/2011 First appointment: 28/04/2011	Approval of financial statements at 31/12/2013	M		X			91	2										
Director	Giovanni Soccodato	28/04/2011 First appointment: 14/11/2008	Approval of financial statements at 31/12/2013	M		X			45	4										

DIRECTORS DEPARTED IN THE REPORTING PERIOD	
	Name Surname

NB:

* This column indicates whether the member was elected from the majority list (M) or minority list (m). See Section 4.2 of the Report.

** This column indicates the respective percentage attendance of the Directors at meetings of the Board of Directors and the committees (no. of times attended/no. of meetings held during the effective mandate of the party concerned).

*** This column indicates the number of Director/Auditor positions held by the party concerned at other companies.

**** This column indicates the membership of the Board of Directors member to the Committee with an "X".

TABLE 3 STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors							
Office	Members	In office since	In office until	List (M/m) *	Independence re. Code	** (%)	Number of other positions ***
Chairman	Claudio Siciliotti	28/04/2011	Approval of financial statements at 31/12/2013	M	X	86%	10
Statutory Auditor	Michela Cignolini	28/04/2011	Approval of financial state-ments at 31/12/2013	M	X	100%	15
Statutory Auditor	Giuseppe Pingaro	28/04/2011	Approval of financial statements at 31/12/2013	M	X	57%	2
Substitute Statutory Auditor	Lorenzo Ginisio	28/04/2011	Approval of financial statements at 31/12/2013	M	X		
Substitute Statutory Auditor	Michele Testa	28/04/2011	Approval of financial statements at 31/12/2013	M	X		

STATUTORY AUDITORS DEPARTED IN THE REPORTING PERIOD

Indicate the required *quorum* for presentation of the lists at the time of the last appointment 4.5%

Number of meetings held during the year 7

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 number of Director/Auditor positions held by the party concerned at other companies

EUROTECH

Consolidated financial statements at 31 December 2013 prepared according to international accounting standards

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Consolidated statement of financial position

(€'000)	Notes	at December 31, 2013	at December 31, 2012 Restated^
ASSETS			
Intangible assets	1	83,233	112,853
Property, Plant and equipment	2	3,518	4,756
Investments in affiliate companies	3	607	275
Investments in other companies	3	248	257
Deferred tax assets	31	1,397	1,083
Other non current financial assets	11	2,342	0
Other non-current assets	4	535	672
Total non-current assets		**91,880**	**119,896**
Inventories	5	14,156	18,282
Contracts in progress	6	0	850
Trade receivables	7	18,673	26,641
Income tax receivables	8	268	362
Other current assets	9	2,404	2,170
Other current financial assets	11	101	144
Cash & cash equivalents	10	27,995	12,116
Total current assets		**63,597**	**60,565**
Non-current assets classified as held for sale		**0**	**0**
Total assets		**155,477**	**180,461**
LIABILITIES AND EQUITY			
Share capital	8,879	8,879	8.879
Share premium reserve	136,400	136,400	136.400
Other reserves	(37,180)	(25,315)	(25.315)
Group shareholders' equity	**13**	**108,099**	**119,964**
Equity attributable to minority interest	**13**	**0**	**0**
Total shareholders' equity	**13**	**108,099**	**119,964**
Medium-/long-term borrowing	15	2,729	10,327
Employee benefit obligations	16	1,699	1,884
Deferred tax liabilities	31	6,023	9,486
Other non current financial liabilities	11	118	0
Other non-current liabilities	17	884	846
Total non-current liabilities		**11,453**	**22,543**
Trade payables	18	14,677	15,084
Short-term borrowing	15	12,319	13,036
Derivative instruments	35	159	344
Income tax liabilities	8	1,657	2,103
Other current liabilities	19	7,113	7,387
Total current liabilities		**35,925**	**37,954**
Total liabilities		**47,378**	**60,497**
Total liabilities and equity		**155,477**	**180,461**

(^) Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2012, as they reflect the adjustments made described in Note 16.

Consolidated income statement

INCOME STATEMENT

(€'000)	Notes	FY 2013	FY 2012 Restated^
CONTINUING OPERATIONS			
Revenues from sales of products and services	G	66,106	78,739
Other revenues	26	1,346	1,250
Operating costs:			
Cost of materials	21	(33,297)	(39,228)
Service costs	23	(12,589)	(13,632)
Lease & hire costs	(1,718)	(2,143)	(2.143)
Payroll costs	24	(19,292)	(21,044)
Other provisions and other costs	25	(1,525)	(1,913)
Cost adjustments for in-house generation of non-current assets	27	1,418	1,633
Depreciation & amortisation	28	(6,299)	(7,471)
Asset impairment	28	(6,077)	(82)
Operating profit		**(11,927)**	**(3,891)**
Share of associates' profit of equity	30	242	(56)
Finance expense	29	(3,838)	(2,634)
Finance income	29	4,136	2,389
Profit before taxes		**(11,387)**	**(4,192)**
Income tax	31	(1,768)	(1,247)
Net profit (loss) of continuing operations before minority interest		**(13,155)**	**(5,439)**
Minority interest		**0**	**0**
DISCONTINUED OPERATIONS			
Profit (Losses) from discontinued operations	**32**	**21,395**	**2,656**
Group net profit (loss) for period		**8,240**	**(2,783)**
Base earnings (losses) per share	**14**	**0.238**	**(0.079)**
Diluted earnings (losses) per share	**14**	**0.238**	**(0.079)**

(^) Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2012, as they reflect the adjustments made described in Note 16.

Consolidated statement of comprehensive income

OPERATING RESULTS

(€/000)	Note	FY 2013	FY 2012 Restated^
Net profit (loss) before minority inerest (A)		**8,240**	**(5,439)**
Other elements of the statement of comprehensive income			
Other comprehensive income to be reclassified to profit or loss insubsequent periods:			
Net profit (loss) from Cash Flow Hedge	26	206	32
Tax effect		-	-
		206	*32*
Foreign balance sheets conversion difference		(18,597)	(11,721)
Exchange differences on equity investments in foreign companies	26	(876)	(399)
Tax effect		-	-
		(876)	*(399)*
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)		(19,267)	(12,088)
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit plans	26	(69)	(35)
Tax effect		23	22
		(46)	*(13)*
After taxes net other comprehensive income not being reclassified to profit orloss in subsequent periods (C)		*(46)*	*(13)*
Comprehensive net result (A+B+C)		**(11,073)**	**(17,540)**
Comprehensive minority interest		**0**	**0**
Comprehensive Group net profit (loss) for period		**(11,073)**	**(17,540)**

(^) Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2012, as they reflect the adjustments made described in Note 16.

Statement of changes in consolidated shareholders' equity

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2011 Restated^	**8,879**	**39**	**136,400**	**34,514**	**(35,703)**	**(376)**	**(195)**	**(124)**	**(1,340)**	**(7,246)**	**134,848**	**-**	**134,848**
2011 Result allocation	-	-	-	-	(7,246)	-	-	-	-	7,246	-	-	-
Profit (loss) as at December 31, 2012	-	-	-	-	-	-	-	-	-	(2,783)	(2,783)	-	(2,783)
Comprehensive other profit (loss)													
- Hedge transactions	-	-	-	-	-	32	-	-	-	-	32	-	32
- Actuarial gains/(losses) on defined benefit plans							(13)				(13)		(13)
- Foreign balance sheets conversion difference	-	-	-	(11,721)				-	-	-	(11,721)	-	(11,721)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(399)	-	-	(399)	-	(399)
Comprehensive result	-	-	-	*(11,721)*	-	*32*	*(13)*	*(399)*	-	*(2,783)*	*(14,884)*	-	*(14,884)*
Balance as at December 31, 2012 Restated^	**8,879**	**39**	**136,400**	**22,793**	**(42,949)**	**(344)**	**(208)**	**(523)**	**(1,340)**	**(2,783)**	**119,964**	**-**	**119,964**

(€'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, 2012 Restated^	**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
Comprehensive other profit (loss)													
- Hedge transactions	-	-	-	-		206	-	-	-	-	206	-	206
- Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	(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**

(^) Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2011 and 31 December 2012, as they reflect the adjustments made described in Note 16.

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

(€'000)	at December 31, 2013	at December 31, 2012 Restated^
CASH FLOWS GENERATED BY OPERATIONS:		
Group net profit	**8,240**	**(2,783)**
Profit (Losses) from discontinued operations	**21,395**	**2,656**
Net profit (loss) of continuing operations before minority interest	**(13,155)**	**(5,439)**
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:		
Depreciation & amortization intangible assets, property, plant and equipment	12,376	7,553
Write-down of receivables	740	916
Interest income	(49)	(66)
Share of net profit of associate and non-consolidated subsidiaries	(29)	56
Provision for (use of) long-term employee severance indemnities	(231)	(42)
Provision for (use of) risk provision	98	(776)
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability	(3,102)	(2,301)
Changes in current assets and liabilities		
Trade receivables	3,927	438
Other current assets	(215)	877
Inventories and contracts in process	4,026	6,672
Trade payables	828	(3,840)
Other current liabilities	468	476
Cash flow generated (used) in operations by Discontinued Operations	524	4,118
Total adjustments and changes	**19,361**	**14,081**
Cash flow generated (used) in operations	**6,206**	**8,642**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sales of tangible and intangible assets	4	164
Assignment for deconsolidation	0	4
Interest income	49	66
Purchase of intangible fixed assets	(1,491)	(3,079)
Purchase of tangible fixed assets	(306)	(596)
Purchase of own shares	(792)	0
Decreases (Increases) other financial assets	0	1,567
Net investments in long-term investments and non-current assets	(121)	131
Business acquisition net of cash acquired	0	(217)
Cash flow generated (used) in investment activities by Discontinued Operations	26,006	(479)
Cash flow generated (used) in investment activities	**23,349**	**(2,439)**

CONSOLIDATED CASH FLOW STATEMENT

(€'000)	at December 31, 2013	at December 31, 2012 Restated^
CASH FLOW FROM FINANCING ACTIVITIES:		
Loans taken	1,200	1,268
(Increases) decreases financial assets held for sales	0	(144)
Increases (decreases) short term loan	(2,717)	1,616
Repaid loans medium/long term	(8,346)	(7,122)
Cash flow generated (used) in financial activities by Discontinued Operations	1,548	(388)
Cash flow generated (absorbed) by financial assets	**(8,315)**	**(4,770)**
Net foreign exchange difference	(2,947)	(2,112)
Increases (decreases) in cash & cash equivalents	**18,293**	**(679)**
Opening amount in cash & cash equivalents	**9,702**	**10,381**
Cash & cash equivalents at end of period	**27,995**	**9,702**
Interest paid	**969**	**492**
Income taxes paid (get)	**3,486**	**3,677**

(^) Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2012, as they reflect the adjustments made described in Note 16.

Notes to the financial statements

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A – Corporate information

The publication of the consolidated financial statements of Eurotech SpA for the year ended 31 December 2013 was authorised by resolution of the Board of Directors on 14.03.14. 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 Note 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 2013, 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.

The accounting standards applied are the same as those used as at 31 December 2012, except for the following new or revised IFRSs or IFRICs, applied for the first time by the Group as of 1 January 2013.

For the first time, the Group adopted certain standards and amendments that required previous financial statements to be restated; these include IAS 19 (2011) *Employee Benefits*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. The nature and effects of these changes are listed below, pursuant to IAS 8.

Other new standards and amendments came into effect for the first time in 2013. However, these have had no effect of any kind on the consolidated financial statements of the Eurotech Group.

The nature and impact of new standards/amendments are as follows:

IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income – The amendment to IAS 1 introduces the grouping of items of other comprehensive income. Items that may be reclassified (or "recycled") in the income statement (for example, net profit on hedges of net investments, translation differences on foreign financial statements, net profit on cash flow hedging and net profit/loss on financial assets available for sale) must now be presented separately from items that will never be reclassified (for example, actuarial gains/losses on defined-benefit plans and revaluation of land and buildings). The amendment only related to presentation procedure and had no effect on the Group's financial position or results.

IAS 12 – Deferred taxes: Recovery of Underlying Assets – This change clarifies the calculation of deferred taxes on investment property measured at fair value. The amendment introduces the refutable presumption that the carrying value of an investment property, measured using the fair value model in accordance with IAS 40, will be recovered through sale and that, consequently, the relative deferred tax should be measured on a sale basis. The presumption is refuted if the investment property is depreciable and held with the aim of use over time of all the benefits arising from the investment property, rather than realising such benefits through sale. The amendment has had no effect on the Group's financial position, results or disclosure.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 – These amendments require entities to disclose offsetting rights and relative agreements (e.g. guarantees). The disclosure will give readers of the financial statements useful information to assess the effect of the offsetting agreements on the entity's financial position. The new disclosures are required for all financial instruments, subject to compensation in accordance with IAS 32 Financial Instruments: Presentation. The information is also required for financial instruments that are subject to the executive compensation framework agreements or similar arrangements, regardless of whether they are compensated in accordance with IAS 32. These changes had no impact on the financial position or results of the Group.

IAS 19 (2011) Employee Benefits (IAS 19R) - The Group applied IAS 19 (2011) retrospectively in accordance with the transitional provisions set out in the standard. The opening statement of financial position for the most recent comparative year (1 January 2012) and the comparative figures have been restated accordingly. IAS 19R includes a number of changes in accounting for defined benefit plans, including actuarial gains and losses that are now recognised as other components of comprehensive income and permanently excluded from the income statement; expected returns on plan assets that are no longer recognized in the income statement (while it is necessary to recognise in the income statement interest on the net plan liabilities (assets), interest that must be calculated using the same rate of interest used to discount the obligation), and costs relating to past service that are now recognised in the income statement on either i) the date on which the plan is amended or reduced, or ii) the date of recognition of the related restructuring costs or termination of the employment relationship, whichever is first. Other amendments include new disclosures, for example in relation to qualitative sensitivity.
For the Group, the move to IAS 19R had an impact on the net obligation of the defined benefit plan of the Japanese subsidiary and on the employee severance indemnity of the Italian companies due to the difference in the accounting of actuarial gains and losses, previously booked using the corridor method, while now the total amount is to be booked under "items of other comprehensive income" and in a specific shareholders' equity reserve. Since this is a change in the standard that applies retrospectively, the previous year was revised as of 1 January 2012. The effects of adopting IAS 19R are explained in detail in Note 16.

IFRS 13 Fair Value Measurement - IFRS 13 introduces a single set of guidelines for all fair value measures to IFRS. IFRS 13 does not alter cases in which the use of fair value is requested, but rather provides guidance on how to measure fair value under IFRS, when application of fair value is requested or permitted by these international accounting standards. Application of IFRS 13 had no effect on the fair value measurement carried out by the Group. IFRS 13 also requires specific fair value disclosure, part of which replaces the disclosure requirements currently set out in the other standards, including IFRS 7 *Financial Instruments: Disclosures*.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine:* This interpretation addresses the treatments of profits arising from stripping activities. It has had no effect on the Group.

As well as the amendments and the new standards summarised above, two amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* were issued, relating respectively to *Severe hyperinflation and removal of fixed dates for first-time adopters* and *Public funding* effective for financial years starting on 1 January 2013 or later. These amendments are not relevant for the Group, which is not a new adopter of IFRS.

The adoption of the annual cycle of improvements in 2009-2011 did not have any impact on the Group's consolidated financial statements.

The IASB has also issued the following standards or interpretations already adopted by the European Union, which the Group has not adopted in advance but the adoption of which is mandatory for accounting periods subsequent to 1 January 2014. The Group plans to adopt these standards when they come into effect:

- *IAS 32 Financial instruments: Presentation – Offsetting financial assets and liabilities;*
- *IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements* - IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* governing the accounting of consolidated financial statements. It also deals with the problems brought up in SIC-12 *Consolidation – Special Purpose Entities.* IFRS 10 establishes a single control model that applies to all companies, including special purpose entities. With regard to the measures contained in IAS 27, the changes introduced by IFRS 10 require management to carry out relevant discretionary assessments to identify which companies are subsidiaries and, therefore, have to be consolidated by the parent company. Based on the preliminary analysis performed, we do not expect IFRS 10 to have any effect on the equity interests currently held by the Group.
- IFRS 11 J*oint Arrangements* – IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 Jointly *Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 removes the option of recording jointly controlled companies using the proportional consolidation method. Jointly controlled companies that fit the definition of a joint venture must be booked using the equity method. Application of this standard will have no effect on the Group.
- IFRS 12 *Disclosure of Interests in Other Entities* – IFRS 12 includes all measures relating to disclosure previously included in IAS 27 relating to consolidated financial statements, as well as all the disclosure provisions of IAS 31 and IAS 28. This disclosure relates to the equity interests held by a company in subsidiaries, joint ventures, affiliates and structured vehicles. New disclosure requirements are also provided for. The standard will have no effect on the financial position or results of the Group.
- IAS 28 (2011) *Investments in Associates and Joint Ventures* – Subsequent to the new IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 was renamed *Investments in Associates and Joint Ventures*, and describes the application of the equity method for equity interests in companies under joint control, as well as associates;
- *IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32* - The amendments clarify the meaning of "currently has a legally enforceable right to offset". The amendments also clarify the application of the offsetting criterion of IAS 32 in the case of settlement systems (such as central clearing houses) which apply gross, non-simultaneous settlement mechanisms. These changes do not affect the financial position or results of the Group.

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.

Comparability

The application of the revised IAS 19 entailed the restatement of the comparative 2012 figures, with the reclassification of net actuarial gains(losses), previously not recognised – because the Group used the corridor method – to the reserve for actuarial gains(losses) on defined benefit plans, and simultaneous registration of actuarial gains(losses) for the year under items of other comprehensive income; the effects of this are not significant, and are explained in Note 16.

On 1 October 2013, under the contract of sale and exchange signed at 30 September 2013 between Eurotech S.p.A. and Curtiss-Wright Controls Inc., the disposal of the equity interest held in Parvus Corp. was completed. As described more fully in section F "Discontinued operations and non-current assets held for sale", the disposal transaction generated a capital gain, net of costs incurred, of €20.42 million. The US company contributed €0.97 million to consolidated profit for 2013 up to the transfer date.
For the purpose of representation in the financial statements (pursuant to IFRS 5), as described below, in section F – "Discontinued operations and non-current assets held for sale", the economic effects of the transaction were shown in the item "Net profit(loss) from discontinued operations and assets held for sale" for 2013, and, for comparison purposes (with specific reference to the results contributed) also for the previous year.

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 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 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 2012, the book value of goodwill was €81,180 thousand (€88,101 thousand in 2011). Further details are provided in Note 1.

Other non-financial assets are annually tested for impairment when there is evidence that the assets may be impaired.

In preparing calculations to determine value in use, directors need to estimate expected cash flows from operations or from the cash-generating unit and choose a discount rate that can adequately calculate the present value of these cash flows. Further details and a sensitivity analysis of key assumptions are provided in Note 1.

Deferred tax assets
Deferred tax assets are recognised against all temporary differences and tax losses carried forward, to the extent that future taxable profits are likely that can absorb said temporary differences or that can use said

tax losses. The Board of Directors is required to make a significant discretionary evaluation to determine the amount of deferred taxes that can be posted. Directors have to determine the most likely timing and amount of future taxable profits and a planned strategy of future taxes payable.

At 31 December 2012, unrecognised tax losses carried by the Parent Company were estimated at €33,388 thousand (€31,060 thousand in 2011). In the Group as a whole, unrecognised tax losses came to €39,479 thousand (€37,764 thousand in 2011).

Development costs

Development costs are capitalised as per the accounting standard described in Note E. Initial cost capitalisation is based on the Directors' assessment of the technical and economical 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. At 31 December 2012, the best estimate of the book value of capitalised development costs was €6,288 thousand, of which €4,020 thousand in progress (€6,340 thousand in 2011, of which €3,311 thousand 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 2013 are as follows:

Company name	Registered offices		Share capital	Group share	
Parent company					
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro	8,878,946		
Subsidiary companies consolidated line-by-line					
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%	
Saee S.r.l. in liquidazione	Via Fratelli Solari, 3/a – Amaro (UD)	USD	15,500	100.00%	
EthLab S.r.l.	Via Dante, 78 – 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:

Affiliated companies consolidated at equity		
Chengdu Vantron Technology Inc.	Chengdu (Cina)	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 Jacopo Linussio, 1 – Amaro (UD)	24.82%
Rotowi Technologies S.p.A. in liquidazione (ex 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 2012 are as follows:
- on 31 January 2013, the Group signed an agreement with the shareholders of Chengdu Vantron Technology Inc. to buy 7% of the company, bringing its stake to 45% of the share capital;.
- on 8 September 2013, Saee S.r.l. was placed in liquidation;
- 1 October 2013 is the effective date of the disposal of 100% of US company Parvus.

E – Accounting standards and policies

Consolidation policies

Consolidation policies from 01 January 2013

The consolidated financial statements include the financial statements of Eurotech SpA (Parent Company) and its subsidiaries, prepared on 31 December every 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 infragroup 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 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.

Consolidation policies before 01 January 2013

Some of the policies described above have been applied prospectively.
Furthermore, with regard to the above consolidation policies, in some circumstances the following differences are carried forward:
- Acquisitions of minority interests that took place before 1 January 2010 were booked using the entity concept method, according to which the difference between the price paid and the book value of the portion of the net assets acquired is posted directly to equity.

- Losses registered by the Group were attributed to minority interests until the balance of the latter was reduced to zero. Any further loss exceeding this value was attributed to the Group, unless the minority interests had an obligation to cover it. Losses registered before 1 January 2010 were not reallocated between the minority interests and the shareholders of the Parent Company.
- Once control has been lost, the Group books the retained portion of the equity interest according to its proportionate share of the net asset on the date at which control was lost. The carrying value of this shareholding at 1 January 2010 was not re-presented.

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 Parvus Corp., Eurotech Inc., Dynatem Inc. and E-Tech USA Inc. is the US dollar; the functional currency used by UK subsidiary Eurotech Ltd. is the pound sterling; and the functional currency used by Japanese subsidiary Advanet Inc. is the Japanese yen.

At the reporting date, the assets and liabilities of these subsidiaries were translated to the presentation currency of the Eurotech Group (the euro) at the exchange rate in force on this date, while the income statement was converted using the average exchange rate for the year. Exchange rate differences arising from the conversion of income statement items at a different rate from that in force at the reporting date, and those arising from the translation of opening equity at a different rate from that in force at the reporting date, are recognised directly in equity and presented separately in a dedicated reserve. When a foreign company is disposed of, the cumulative exchange rate differences recognised in equity relating to that particular foreign company are posted to the income statement.

The schedule below shows the exchange rates used, as issued by the Italian Foreign Exchange Bureau:

Currency	Average 2013	As of December 31, 2013	Average 2012	As of December 31, 2012
British pound sterling	0.84926	0.81087	0.81610	0.81610
Japanese Yen	129.66267	102.49188	113.61000	113.61000
USA Dollar	1.32812	1.28479	1.31940	1.31940

Accounting policies

The accounting standards and policies applied to prepare the consolidated financial statements for the year ended 31 December 2013 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. The useful life of an intangible asset with indefinite useful life is annually reviewed to verify the conditions underlying this classification. Otherwise, the useful life estimated is changed from indefinite to definite.

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 are 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 31.12.12.
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 11 July 2013, the Board of Directors of Eurotech gave Executive Directors the task of valuing the assets of US subsidiary Parvus Corp. at values no lower than a certain limit. On 30 September 2013, Eurotech signed an agreement to sell the entire share capital of its subsidiary Parvus Corporation, with effect on 1 October 2013. The consideration for the transaction was set by the parties at USD 38 million (equivalent to approximately €28.1 million 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 covering contractual warranties, was USD 35 million on the closing date (1 October 2013), while the adjustment, which was recently defined and agreed between the parties, will be collected soon.

Pursuant to IFRS 5, the operating results of US company Parvus Corp., for both 2012 and 2013, were classified among the results of the assets sold (net profit (loss) from discontinued operations and assets held for sale).

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 asset (including the goodwill allocated to the CGU at the time of acquisition) and liabilities transferred at the date of the transaction (net effect of €7,658 thousand), not including directly attributable costs (€1,524 thousand).

The item also includes the consolidated contribution to 2013 profit of the US subsidiary, accrued until the transfer date, which amounted to €974 thousand. The entries determining the profit deriving from the operating assets transferred are set out below. In particular, for the purpose of comparison, the cost and revenue items relating to the US company were reclassified under "net profit(loss) from discontinued operations and assets held for sale"; the 2012 profit generated by the US company, amounting to €2,656 thousand, therefore refers to the entire year, while for 2013, the total net profit of discontinued operations and assets held for sale, amounting to €21,395 thousand, refers to the revenues and costs for the first nine months of the year, i.e. until the date at which Parvus was transferred. A comparison of the data between the two years is therefore not very meaningful.

The following is a summary breakdown of the income statement entries of the transferred entity for the first nine months of 2013 and the full 12 months of 2012:

OPERATING RESULTS	9M 2013 (€/000)	9M 2013 ($/000)	FY 2012 (€/000)	FY 2012 ($/000)
Revenues from sales of products and services	10,103	13,418	15,715	20,191
Cost of materials	(3,819)	(5,072)	(6,235)	(8,011)
Gross profit	**6,284**	**8,346**	**9,480**	**12,180**
Operating expenses	(4,806)	(6,383)	(5,660)	(7,272)
Other revenues	299	397	521	669
Profit before depreciation and amortization (EBITDA)	**1,777**	**2,360**	**4,341**	**5,577**
Depreciation & amortisation	(407)	(541)	(484)	(622)
Asset impairment	-	0	-	0
Operating profit (EBIT)	**1,370**	**1,819**	**3,857**	**4,955**
Finance (expense) income	19	25	64	82
Profit (Losses) before taxes from a discontinued operation	**1,389**	**1,844**	**3,921**	**5,037**
Income tax	(415)	(551)	(1,265)	(1,625)
Net profit (loss) from discontinued operations	**974**	**1,293**	**2,656**	**3,412**

The main asset and liability classes of the transferred entity were as follows at 31 December 2012:

	at December 31, 2012 (€/000)	at December 31, 2012 ($/000)
ASSETS		
Intangible assets	2,109	2,782
Property, Plant and equipment	163	215
Other non-current assets	6	8
Inventories	950	1,254
Other current assets	5,178	6,832
Cash & cash equivalents	2,415	3,186
Company assets	**10,821**	**14,277**
Goodwill	1,478	
Assets from Discontinued opertions	**12,299**	**14,277**
LIABILITIES		
Total non-current liabilities	735	970
Current liabilities	2,778	3,665
Liabilities from Discontinued operations	**3,513**	**4,635**
Net Discontued opertations	**8,786**	**9,642**

G – Segment information

For management purposes, the Group is organised into business segments: the nanoPC and HPC (high performance computers) segments are the most important. In view of the low revenues currently generated by the HPC segment, we chose to provide disclosure on the nanoPC segment only, divided by the regions in which the Group operates through its various entities and based on the way in which senior management monitors performance. There were no significant infragroup transactions between business segments.
Besides the HPC segment, the Group's regions in the NanoPC segment are defined according to the localisation of Group assets and operations. They are: Europe, North America and Asia.
Management monitors the EBIT of the individual business units separately for the purposes of resources allocation and performance assessment.

Business segments

The following schedule presents data on revenues, results and information on assets and liabilities and investments of the Group for the periods ended 31 December 2012 and 31 December 2013.

(€'000)	NanoPC			High Performance Computer			Total		
	FY 2013	FY 2012	%YoY Chg	FY 2013	FY 2012	%YoY Chg	FY 2013	FY 2012	%YoY Chg
Sales and service revenue by segment									
Sales and service revenue by segment	65,729	75,367	-12.8%	377	3,372	-88.8%	66,106	78,739	-16.0%
Ebitda by segment	1,818	3,613	-49.7%	(1,369)	49	n.s.	449	3,662	-87.7%
Ebit by segment	(10,199)	(3,327)	-206.6%	(1,728)	(564)	-206.4%	(11,927)	(3,891)	-206.5%
Total EBIT							(11,927)	(3,891)	-206.5%
Net finance income (expense)							298	(245)	221.6%
Shares of associates' profit (loss)	242	(56)					242	(56)	-532.1%
Profit before tax of continuing operations							(11,387)	(4,192)	-171.6%
Income tax							(1,768)	(1,247)	-41.8%
Net profit (loss)							(13,155)	(5,439)	-141.9%

Revenues from sales and services in nanoPC business segment came to €75,367 thousand in 2012 and €65,729 thousand in 2013, representing a decrease of 12.8%. This decrease was due not only to the substantial effect of the yen/euro conversion ratio, but also to customer requests for delivery postponements.

Revenues from sales and services in the HPC business segment, which came to €3,372 thousand in 2012 and €377 thousand in 2013, went through a period of stasis due to delays in orders for 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 2013	FY 2012	% YoY Change	FY 2013	FY 2012	% YoY Change	FY 2013	FY 2012	% YoY Change	FY 2013	FY 2012	% YoY Change	FY 2013	FY 2012	% YoY Change
Third party Sales	21,854	26,560		18,654	18,990		25,221	29,817		0	0		65,729	75,367	
Infra-sector Sales	880	1,941		6,667	6,550		258	189		(7,805)	(8,680)		0	0	
Total Sales revenues	22,734	28,501	-20.2%	25,321	25,540	-0.9%	25,479	30,006	-15.1%	(7,805)	(8,680)	10.1%	65,729	75,367	-12,8%
Gross profit	7,278	10,746	-32.3%	10,558	8,805	19.9%	15,512	18,904	-17.9%	(247)	(132)	87.1%	33,101	38,323	-13,6%
Gross profit margin - %	32.0%	37.7%		41.7%	34.5%		60.9%	63.0%					50.4%	50.8%	
EBITDA													1,818	3,613	-49,7%
EBITDA margin - %													2.8%	4.8%	
EBIT													(10,199)	(3,327)	206,6%
EBIT margin - %													-15.5%	-4.4%	

The sales performance by region set out in the table above shows a more concentrated reduction in the North America and Asia regions due to the factors already mentioned, with a substantially unchanged level in the Europe region.

The table below shows assets and investments in the Group's individual business segments at 31 December 2013 and 31 December 2012.

(€'000)	NanoPC		High Performance Computer		Total	
	FY 2013	FY 2012 Restated^	FY 2013	FY 2012 Restated^	FY 2013	FY 2012 Restated^
Assets and liabilites						
Segment assets	151,779	172,929	2,634	6,530	154,413	179,459
Investments in subsidiaries non consolidated, associate & other companies	855	532	0	0	855	532
Unallocated assets					209	470
Total assets	**152,634**	**173,461**	**2,634**	**6,530**	**155,477**	**180,461**
Segment liabilities	45,850	58,022	1,528	2,475	47,378	60,497
Unallocated liabiities					0	0
Total liabilities	**45,850**	**58,022**	**1,528**	**2,475**	**47,378**	**60,497**
Other segment information						
Investments in tangible assets	306	612	0	0	306	612
Investments in intangible assets	1,490	3,531	2	41	1,492	3,572
Depreciation & amortisation	12,017	7,424	359	613	12,376	8,037

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

(€'000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	FY 2013	31.12.2012 Restated^	FY 2013	31.12.2012 Restated^	FY 2013	31.12.2012 Restated^	FY 2013	31.12.2012 Restated^	FY 2013	31.12.2012 Restated^
Activities by sector	37,755	58,714	69,686	54,146	73,706	102,227	(29,368)	(42,158)	151,779	172,929
Investments	947	2,959	566	483	283	701	0	0	1,796	4,143

Segment assets at 31 December 2013 do not include investments in affiliates and other companies (€855 thousand) and the current income taxes of the Parent Company (€209 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:

	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	10,311	80,509	26,817	2,783	36,292	156,712
Previous years' impairment	(796)	(807)	(11,414)	(49)	-	(13,066)
Previous years' amortisation	(8,054)	-	(4,812)	-	(21,514)	(34,380)
Reclassified cost of Discontinued operations	1,206	1,478	414	1,286	-	4,384
Reclassified accumulated depreciation and impairment losses of discontinued operations	(399)	-	(398)	-	-	(797)
OPENING BALANCE	**2,268**	**81,180**	**10,607**	**4,020**	**14,778**	**112,853**
Purchases	357	-	126	1,009	-	1,492
Reclassified cost of Discontinued operations	(1,206)	(1,478)	(414)	(1,286)	-	(4,384)
Disposals	-	-	(138)	-	-	(138)
Other changes	(2,065)	(11,817)	(2,583)	(85)	(6,457)	(23,007)
Impairment in period	-	(5,483)	-	-	(594)	(6,077)
Transfers	1,856	-	-	(1,856)	-	-
Amortisation in period	(1,426)	-	(655)	-	(3,163)	(5,244)
Reversal of cumulative amortisation	-	-	138	-	-	138
Reclassified accumulated depreciation and impairment losses of discontinued operations	399	-	398	-	-	797
Other changes in cumulative impairment	-	313	402	-	23	738
Other changes in cumulative amortisation	2,032	-	112	-	3,921	6,065
TOTAL CHANGES	**(53)**	**(18,465)**	**(2,614)**	**(2,218)**	**(6,270)**	**(29,620)**
Purchase or production costs	10,459	68,692	24,222	1,851	29,835	135,059
Impairment	(796)	(5,977)	(11,012)	(49)	(571)	(18,405)
Cumulative amortisation	(7,448)	-	(5,217)	-	(20,756)	(33,421)
CLOSING BALANCE	**2,215**	**62,715**	**7,993**	**1,802**	**8,508**	**83,233**

The change in intangible assets mainly reflects the decrease in these assets due to foreign exchange fluctuations, the reclassification of the value of discontinued operations at 31 December 2012 for €3,587 thousand (historical cost of €4,384 thousand and accumulated depreciation of €797 thousand), as well as the investments made and write-downs carried out in this period.

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.

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.
During the year, as a result of the impairment testing, management wrote down part of the goodwill in the amount of €5,483 thousand, entirely attributable to the Eurotech Inc. CGU (more details will be provided below).

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 €55 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 €1,802 thousand includes €1,797 thousand in development costs (internal payroll, materials and services) related to new products in nanoPC models 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.

	at December 31, 2013		at December 31, 2012	
Cash generating units	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	38,535	7,317	49,087	9,321
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	17,801	-	24,123	-
Eurotech Ltd. (ex Arcom Ltd.)	5,238	-	5,351	-
Arcom Group		-		-
Eurotech France S.a.s.	1,051	-	1,051	-
Parvus Corp.	-	-	1,478	-
Other	90	-	90	-
TOTAL	62,715	7,317	81,180	9,321

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 2014-2016 operating and financial plan, approved by Parent Company directors by resolution of 7 March 2014, 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% (2012: 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 4.75% to 8.22%, 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	4.30%	0.71%	2.33%	2.20%	2.33%
Total Market Premium	5.00%	5.00%	5.00%	5.00%	5.00%
Beta unlevered	0.790	0.790	0.790	0.790	0.790
WACC	8.22%	4.75%	8.24%	6.21%	6.38%

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, it became evident that only the goodwill value attributed to the Eurotech Inc. CGU would have to be reduced. Impairment testing on the other CGUs did not lead to any other write-downs of goodwill and trademarks with indefinite useful life.

Note that a higher WACC was used for Eurotech 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, while it registered lower results than forecast for 2013, had a substantial order backlog at 31 December 2013, 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. Despite these positive indicators, the directors deemed it prudent to review the assumptions underlying the provisional 2014-2016 plan for the US subsidiary, and therefore wrote down goodwill in the amount of €5,483 thousand and customer relations in the amount of €594 thousand.

However, the recoverability of the values of intangible assets resulting from acquisition of some CGUs, including Eurotech Inc., Eurotech France and Dynatem Inc., 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 could cause the carrying values to exceed their recoverable value. Furthermore, management believes that the long-term growth estimate for 2013 of 1.5%, the same as for 2012, 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 2013 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:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	LEASED ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchse of production cost	790	7,142	4,321	5,033	5	1,180	18,471
Previous year's depreciation	(116)	(5,927)	(3,861)	(3,656)	-	(318)	(13,878)
Reclassified cost of Discontinued operations	-	-	618	749	-	-	1,367
Reclassified accumulated depreciation and impairment losses of discontinued operations	-	-	(574)	(630)	-	-	(1,204)
OPENING BALANCE	**674**	**1,215**	**504**	**1,496**	**5**	**862**	**4,756**
Purchases	-	17	58	195	31	5	306
Disposals	-	(1)	(46)	(267)	-	-	(314)
Reclassified cost of Discontinued operations	-	-	(618)	(749)	-	-	(1,367)
Other changes	(3)	(1,174)	(351)	(275)	-	(52)	(1,855)
Transfers	846	-	-	55	-	(901)	-
Depreciation in period	(17)	(381)	(214)	(376)	-	(67)	(1,055)
Reversal of cumulative depreciation	-	1	46	263	-	-	310
Reclassified accumulated depreciation and impairment losses of discontinued operations	-	-	574	630	-	-	1,204
Transfers amortisation	(244)	-	-	(55)	-	299	-
Other changes in cumulative amortisation	1	1,098	300	122	-	12	1,533
TOTAL CHANGES	**583**	**(440)**	**(251)**	**(457)**	**31**	**(704)**	**(1,238)**
Purchase or production cost	1,633	5,984	3,982	4,741	36	232	16,608
Cumulative depreciation	(376)	(5,209)	(3,729)	(3,702)	-	(74)	(13,090)
CLOSING BALANCE	**1,257**	**775**	**253**	**1,039**	**36**	**158**	**3,518**

The “land and buildings” item, amounting to €1,257 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.

This property was reclassified from the "fixed assets under lease" item due to the redemption that took place during the year.
The increases of €17 thousand in plant and machinery, €58 thousand in industrial and commercial equipment and €195 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.
The "fixed assets under lease" item includes €158 thousand in assets subject to lease agreements, booked using the financial method, and comprising €26 thousand in other assets acquired by subsidiary I.P.S. Sistemi Programmabili S.r.l. and €132 thousand in equipment attributable to 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, 2013						
(€'000)	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS / WRITE-DOWN	OTHER	EOP VALUE	% OWNERSHIP
Investments in associate companies:							
Chengdu Vantron Technology Inc.	192	41	-	212	49	494	45.00%
Delos S.r.l. in liquidazione	7	-	-	-	-	7	40.00%
Emilab S.r.l.	69	-	-	28	-	97	24.82%
eVS embedded Vision Systems S.r.l.	7	-	-	2	-	9	24.00%
Rotowy Technologies S.p.A. (ex U.T.R.I. S.p.A.)	-	-	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	**275**	**41**	**-**	**242**	**49**	**607**	
Investments in other companies:							
Cosint	3	-	-	-	-	3	
ALC Consortium	3	-	-	-		3	
Consorzio Ecor' IT	2	-	-	-	-	2	
Consorzio Aeneas	5	-	-	-	-	5	
Inasset S.r.l.	44	-	-	-	-	44	2.90%
Kairos Autonomi	199	-	-	-	(9)	190	19.00%
Others	1	-	-	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	**257**	**-**	**-**	**-**	**(9)**	**248**	

At 31 December 2013 Eurotech owned the following shareholdings in affiliates consolidated at equity:
- Emilab Srl = 24.82%, created in 1998;
- Delos Srl = 40%, created during the first half of 2005 and placed in liquidation in July 2011;
- eVS embedded Vision Systems Srl = 24%, a spin-off from the University of Verona;
- Rotowi Technologies S.p.A. (formerly 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.
- Chengdu Vantron Technology Inc., already consolidated and currently 45% owned following the buyback of 7% of the share capital in 2013;

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 2012, as operating and financial information for year-end 2013 is not yet available:

(€'000)	At December 31, 2013						At December 31, 2012					
	Emilab	Delos	Rotowi Tech.	evS	Vantron	TOTAL	Emilab	Delos	Rotowi Tech.	evS	Vantron	TOTAL
Share of the Associate's balance sheet	(*)	(***)	(*)	(*)	(*)		(**)	(***)	(**)	(**)	(**)	
Current assets	530	75	304	136	1,339	2,384	691	75	473	94	1,001	2,334
Non current assets	983	0	10	42	246	1,281	607	0	10	23	249	889
Current liabilities	(818)	0	(140)	(132)	(413)	(1,503)	(762)	0	(284)	(80)	(133)	(1,259)
Non current liabilities	(305)	0	(752)	(16)	(47)	(1,120)	(260)	0	(763)	(11)	(159)	(1,193)
Net assets	**390**	**75**	**(578)**	**30**	**1,126**	**1,043**	**276**	**75**	**(564)**	**26**	**958**	**771**
Revenue	1,092	0	0	180	1,406	2,678	937	0	0	189	1,301	2,427
Profit (Loss)	115	(15)	(14)	4	145	235	39	(15)	90	0	140	254
Carrying amount of the investment	**97**	**7**	**0**	**9**	**494**	**607**	**69**	**7**	**0**	**7**	**192**	**275**

(*) FY2012
(**) FY2011
(***) Financials of liquidation as of September 30, 2011

4 – Other non-current assets

The schedule below shows the breakdown of other non-current assets at 31 December 2013 and 31 December 2012:

(€'000)	at December 31, 2013	at December 31, 2012
Other non-current receivables	535	672
TOTAL OTHER NON CURRENT ASSETS	**535**	**672**

Other receivables mainly comprise security deposits that do not accumulate interest; the decrease in the item mainly reflects deposit repayments.

5 – Inventories

The schedule below shows the breakdown of inventories at 31 December 2013 and 31 December 2012:

(€'000)	at December 31, 2013	at December 31, 2012
Raw & auxiliary materials and consumables - gross	6,412	7,807
Inventory write-down provision	(1,009)	(1,116)
Raw & auxiliary materials and consumables - net	**5,403**	**6,691**
Work in process and semi-finished goods - gross	3,597	5,228
Inventory write-down provision	(240)	(18)
Work in process and semi-finished goods	**3,357**	**5,210**
Finished poducts and goods for resale - gross	6,973	7,728
Inventory write-down provision	(1,751)	(1,451)
Finished products and goods for resale - net	**5,222**	**6,277**
Advances	**174**	**104**
TOTAL INVENTORIES	**14,156**	**18,282**

At 31 December 2013, inventories stood at €14,156 thousand, net of inventory impairments totalling €3,000 thousand (€17,332 at 31 December 2012, net of the reclassification of discontinued operations in the amount of €950 thousand). The decrease in inventories is therefore chiefly due to increased efficiency in inventory management.

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, 2013	at December 31, 2012
OPENING BALANCE	**2,585**	**1,964**
Provisions	1,381	1,140
Other changes	(380)	(566)
Discontined operations	(240)	0
Utilisation	(346)	47
CLOSING BALANCE	**3,000**	**2,585**

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 Parvus transfer.
The raw materials inventory write-down reserve of €1,009 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 €1,751 thousand increased by €300 thousand, primarily to cover the risk of slow turnover in certain standard and custom finished products.

6 – Work in progress

The schedule below shows information related to work in progress at 31 December 2013 and 31 December 2012:

(€'000)	at December 31, 2013	at December 31, 2012
Contract revenues recognised as revenue in the period	0	2,273
Contract costs bome as at balance-sheet date	0	1,325
Profits recognised as at balance-sheet date	**-**	**948**
Down payments received	0	699
Gross amount owed by customer for contractual work	0	2,273
Contract costs and proits recognised as at balance-sheet date	0	2,273
Revenues recognised in previous periods	4,377	2,104
Billing based on completion status	4,377	3,527
Gross amount owed by customer for contractual work	**-**	**850**

The amount referring to down payments received is posted in the “other current liabilities” item in the “amounts owed to customers” sub-item.

7 – Trade receivables

The schedule below shows the breakdown of trade receivables and the respective adjustment reserves at 31 December 2013 and 31 December 2012:

(€'000)	at December 31, 2013	at December 31, 2012
Trade receivables - customers	20,336	28,392
Trade receivables - affiliate companies	17	0
Doubtful debt provision	(1,680)	(1,751)
TOTAL TRADE RECEIVABLES	**18,673**	**26,641**

Note that, at the reporting date, the Group did not present significant concentrations of credit risk. Trade receivables falling due within 12 months are normally non-interest bearing and generally fall due at 90/120 days.
Trade receivables decreased by €7,968 thousand compared with 31 December 2012 (including €3,301 thousand due to discontinued operations). This amount reflects the concentration of revenues in the final months of 2013. The receivables include about €390 thousand in bank receipts presented subject to collection, but not yet expired at year-end.

Receivables are shown net of a doubtful debt provision of €1,680 thousand. Changes in doubtful debt provision in the years under review were as follows:

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION

(€'000)	at December 31, 2013	at December 31, 2012
OPENING BALANCE	1,751	1,087
Provisioning	740	916
Other changes	(85)	(84)
Discontined operations	(109)	0
Utilisation	(617)	(168)
CLOSING BALANCE	1,680	1,751

Provisions of €740 thousand made during the year were necessary to adjust the value of individual receivables to their presumed realisable value. Specifically, for reasons of prudence Eurotech Inc. carried out a partial, significant write-down of a trade receivable; although this receivable has been due for more than four years, the Directors believe that it is still recoverable.
Group policy is to identify the individual receivables to be written down, and the allocations made reflect these specific write-downs. "Other changes" includes the effect of translating financial statements in foreign currency.

At 31 December, 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
2013	18,673	13,192	1,725	265	360	540	2,591
2012	26,641	18,266	3,207	946	126	278	3,818

Receivables more than 180 days due represented 13.9% of trade payables at 31 December 2013 and included a partially written down receivable due to Eurotech Inc. more than four years overdue. The Directors believe that the amount is still recoverable although receipt is slow.

8 – Tax receivables and payables

Receivables for income taxes represent receivables from individual governments for direct taxation (IRES and income taxes in various countries) which should be recovered within the next year as well as receivables for withholdings made by the US companies following payment of interest charges on infragroup loans and dividends distributed to the Parent Company. The amount was down by €94 thousand compared with 31 December 2012.

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 €1,397 thousand (2012: €2,035 thousand), while Italian tax payables were €260 thousand (2012: €68 thousand).
The Italian tax amount includes mainly IRAP and IRES taxes of the year of the parent company.

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 2012 and 31 December 2013:

(€'000)	at December 31, 2013	at December 31, 2012
Amounts receivable for grants	468	200
Advance payments to suppliers	218	137
Tax receivables	584	634
Other receivables	117	57
Accrued income and prepaid expenses	1,017	1,142
TOTAL OTHER CURRENT ASSETS	**2,404**	**2,170**

The values shown for 31 December 2012 relating to discontinued operations amount to €75 thousand.

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 2012 and 31 December 2013:

(€'000)	at December 31, 2013	at December 31, 2012
Bank and post office deposits	27,973	12,089
Cash and valuables in hand	22	27
TOTAL CASH & CASH EQUIVALENTS	**27,995**	**12,116**

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents is €27,995 thousand (€12,116 thousand at 31 December 2012).
The item increased by €18,293 thousand compared with 31 December 2012, net of the reclassification of discontinued operations (€2,414 thousand).

The increase reflects cash received due to the sale of US company Parvus Corp. and is shown net of the use of this amount to repay the short-term portion of medium- to long-term loans and for management operations.

11 – Other financial assets and liabilities

The "other current financial assets" item booked under current assets decreased by €43 thousand. The entire amount of €101 thousand recognised refers to 2,500 shares of Veneto Banca Holding S.c.a.r.l. held in the portfolio and purchased at the end of June 2012. These assets are classified as financial assets recognised at fair value in the income statement.

The entire amount of "other non-current financial assets" item, totalling €2,342 thousand, refers to the residual receivable deriving from the sale of Parvus Corp. Specifically, the amount of €166 thousand refers to the price adjustment owing to the definition of working capital, while the amount of €2,176 thousand relates to USD 3 million for the part of the price earmarked as a buyer's guarantee for 18 months, from 1 October 2013, from an escrow deposit.

The "other non-current financial liabilities" item, totalling €118 thousand, also relates to the sale of Parvus Corp. The value refers to the payable taken on by the Parent Company for US taxes owned by Parvus Corp. in the first nine months of the year, which was not included, by contract, in the price adjustment calculation due to the working capital.

12 – Net financial position

The table below shows the Group's net financial position at 31 December 2013 and 31 December 2012:

(€'000)		at December 31, 2013	at December 31, 2012
Cash & cash equivalents	A	(27,995)	(12,116)
Cash equivalent	**B=A**	**(27,995)**	**(12,116)**
Other current financial assets	C	(101)	(144)
Derivative instruments	D	159	344
Short-term borrowing	E	12,319	13,036
Business aggregation liabilities	F	0	0
Short-term financial position	**G=C+D+E+F**	**12,377**	**13,236**
Short-term net financial position	**H=B+G**	**(15,618)**	**1,120**
Other non current financial assets	I	(2,342)	0
Other non current financial liabilities	J	118	0
Medium/long term borrowing	K	2,729	10,327
Medium-/long-term net financial position	**L=I+J+K**	**505**	**10,327**
(NET FINANCIAL POSITION) NET DEBT	**M=G+L**	**(15,113)**	**11,447**

The Group's net financial position at 31 December 2013 was €15,113 million, compared with net financial debt of €11,447 thousand at 31 December 2012.

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 Parent Company is awaiting receipt of the waiver letter from the bank, so that the loan deadlines set in the original amortisation plan can be restored.

At 31 December 2013 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 2012 and 31 December 2013:

(€'000)	at December 31, 2013	at December 31, 2012 Restated^
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(37,180)	(25,315)
Group shareholders' equity	**108,099**	**119,964**
Equity attributable to minority interest	**0**	**0**
Total shareholders' equity	**108,099**	**119,964**

(^) Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2012, as they reflect the adjustments made described in Note 16.

The share capital at 31 December 2013 was made up of 35,515,784 ordinary shares, wholly subscribed and paid up, with no nominal value.

The balance in the legal reserve of the issuer at 31 December 2013 came to €39 thousand and was formed by profit provisions made until the financial year ended at 31 December 2005.

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 €4,196 thousand is generated by inclusion in the consolidated financial statements of the balance sheets and income statements of US subsidiaries Dynatem Inc., Eurotech Inc. and E-Tech USA Inc., as well and of UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc..

The item "Other reserves" was negative by € 45,711 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 cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €159 thousand and increased by €185 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 infragroup foreign-currency loans that constitute part of a net investment in foreign operations are recognised, was negative by €1,399 thousand, gross of the related tax effect, and was again not recorded due to the absence of the prerequisites. This reserve was increased by €876 thousand during the year.

The parent company Eurotech S.p.A. held 836,520 treasury shares at the end of the year (at the end of 2012 it held 420,140). The relative transactions had no effect on the income statement. In December 2013, the Board of Directors implemented the shareholders' resolution dated 24 April 2013 by acquiring 416,380 treasury shares at an average price per share of €1.90.

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 2012 and 2013 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.

(€'000)	at December 31, 2013	at December 31, 2012
Net income (loss) attributable to parent company shareholders	8,240,000	(2,783,000)
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(836,520)	(420,140)
Weighted average number of ordinary shares except own shares	34,679,264	35,095,644
Net income (loss):		
- per share	0.238	(0.079)
- per share diluted	0.238	(0.079)

15 – Borrowings

The schedule below shows the breakdown of medium- to long-term financial payables at 31 December 2013:

LENDER	COMPANY	BALANCE ON 31.12.2012	BALANCE ON 31.12.2013	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		6,494	4,369	4,369	-	-	-
Finance Lease	Eurotech S.p.A.	122	-	-	-	-	-
Finance Lease	I.P.S. Sist.Progr. S.r.l.	10	-	-	-	-	-
Finance Lease	Advanet Inc.	219	137	36	101	101	-
TOTAL OTHER FINANCINGS		351	137	36	101	101	-
Iccrea Banca Impresa	Eurotech S.p.A.	-	486	486	-	-	-
Total Group Iccrea		**-**	**486**	**486**	-	-	-
Banca Pop. Friuladria	Eurotech S.p.A.	3,000	1,000	1,000	-	-	-
Total Credit Agricole		**3,000**	**1,000**	**1,000**	-	-	-
Cassa di Risparmio del FVG	Eurotech S.p.A.	6,000	4,000	2,000	2,000	2,000	-
Total Gruppo INTESA - SAN PAOLO		**6,000**	**4,000**	**2,000**	**2,000**	**2,000**	-
The Chugoku Bank Ltd	Advanet Inc.	735	349	228	121	121	-
Total The Chugoku Bank Ltd		**735**	**349**	**228**	**121**	**121**	**-**
Cassa Rurale della Valle dei Laghi	EthLab S.r.l.	307	263	44	219	194	25
Total Credito Coperativo Banks		**307**	**263**	**44**	**219**	**194**	**25**
Unicredit	Eurotech S.p.A.	6,476	4,444	2,156	2,288	2,288	-
Total Gruppo Unicredit		**6,476**	**4,444**	**2,156**	**2,288**	**2,288**	**-**
TOTAL BANK DEBT - (c)		16,518	10,542	5,914	4,628	4,603	25
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		16,869	10,679	5,950	4,729	4,704	25
TOTAL DEBT - [(a) + (b) + (c)]		23,363	15,048	10,319	4,729	4,704	25
RECLASSIFICATION OF CURRENT SUBJECT TO COVENANT FUNDING		-	-	2,000	(2,000)	(2,000)	0
TOTAL DEBT AFTER RECLASSIFICATION		23,363	15,048	12,319	2,729	2,704	25

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 €137 thousand (€101 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 loan granted to the Parent Company by Banca Popolare Friuladria for €1,000 thousand falling due in 2014 for the investment made to acquire, including through a subsidiary, the company Arcom Control Systems Inc. (now merged with Eurotech Inc.) and Arcom Control Systems Ltd. (now Eurotech Ltd.). This loan is subject to covenants with annual verification based on the year-end financial statements. These covenants (which provide for possible early repayment or increase in the interest rate spread) relate to debt to equity and debt to operating profit before depreciation and amortisation, provisions for contingencies and losses and extraordinary (non-recurring, under IAS/IFRS) charges/income. They also stipulate an undertaking to maintain ownership of at least 70% of the Arcom Group for the entire term of the loan. These covenants were complied with at 31 December 2013.
- A loan granted to the Parent Company by Cassa di Risparmio del FVG for €4,000 thousand (€2,000 thousand of which medium- to long term), falling due in 2015, to finance the acquisition of 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 2012). 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. The Parent Company has requested a waiver letter from the lending institution but at the reporting date this had not yet been obtained. The Parent Company therefore reclassified the entire loan as short term.
- The outstanding portion (€4,444 thousand, of which €2,288 thousand medium- to long-term) 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.

- The residual portion of a loan granted to Advanet Inc. by The Chugoku Bank Ltd. totalling €349 thousand, repayable in 2015, to boost the Japanese company's working capital.
- The outstanding portion (€263 thousand, of which €219 thousand medium- to long-term) of a loan to EthLab S.r.l. to acquire patents and know-how.

16 – Employee benefits

The schedule below shows the breakdown of employee benefits at 31 December 2013 and 31 December 2012:

(€'000)	at December 31, 2013	at December 31, 2012 Restated^
Employees' leaving indemnity	304	450
Foreing Employees' leaving indemnity	1,312	1,347
Employees' retirement fund	83	87
TOTAL EMPLOYEES' BENEFITS	**1,699**	**1,884**

(^) The 2012 values reflect the application of IAS 19 (Revised).

Impact of the move to IAS 19R

For the Group, the move to IAS 19R had an impact on the net obligation of the defined benefit plan of the Japanese subsidiary and on the employee severance indemnity of the Italian companies due to the difference in the accounting of actuarial gains and losses, previously booked using the corridor method, while now the total amount is to be booked under "items of other comprehensive income" and in a specific shareholders' equity reserve. As this is a change in the standard applied retrospectively, the previous year was restated, from 1 January 2012.

The effect on the consolidated balance sheet can be set out as follows:

	Defined benefit plans			
	Italy		Japan	
(€'000)	at December 31, 2013	at December 31, 2012 Restated^	at December 31, 2013	at December 31, 2012 Restated^
Defined benefit plans reserve increase (long term)	(80)	(72)	(297)	(236)
Deferred tax assets increase (long term)	15	13	108	87
Impact on Equity	**(65)**	**(59)**	**(189)**	**(149)**
Shareholder of parent company	**(65)**	**(59)**	**(189)**	**(149)**
Minority	**-**	**-**	**-**	**-**

No impact was recorded in the income statement in 2013 or 2012.
There was also no significant impact on the condensed half-yearly cash flow statement or on the basic or diluted earnings per share figure.

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 from 1 January 2012. As a result, the expected return from defined benefit plan assets was not booked to the income statement. The interest on the net liability of the defined benefit plan (net of the plan's assets) has however been booked to the income statement. Interest is calculated using the discount rate used to measure the net assets or liabilities of the pension plan.
Unvested past service costs can no longer be deferred to the period when they vest. All past service costs are recognised in the income statement at the earlier of the date on which the plan is modified, the date on which the related restructuring costs are recognised or the date on which the employment relationship comes to an end. 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 2013 and 31 December 2012:

	Defined benefit plans			
	Italy		Japan	
(€'000)	at December 31, 2013	at December 31, 2012	at December 31, 2013	at December 31, 2012
Liabilities at start of period	**450**	**398**	**1,347**	**1,225**
Cost relating to present service	22	19	113	127
Finance expense	11	14	12	16
Other changes	0	0	(221)	(256)
Benefits paid out	(187)	(53)	0	(3)
IAS 19 revised adoption	0	72	0	236
Actuarial loss (gain) reconised	8	0	61	2
Liabilities at end of period	**304**	**450**	**1,312**	**1,347**

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, 2013	at December 31, 2012 Restated^	at December 31, 2013	at December 31, 2012 Restated^
Discount Rate	4.72%	4.20%	0.80%	1.00%
Expected rates of future wages and salary increases	3.00%	2.00%	1.00%	1.00%
Expected rates of staff turnover	10.00%	10.00%	1.00%	1.00%
Duration	25	15	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.

Variation of current value of the obligation — **Defined benefit plans**

(€'000)	Italy at December 31, 2013	Italy at December 31, 2012 Restated^	Japan at December 31, 2013	Japan at December 31, 2012 Restated^
Projected benefit obligation at January 1,	450	482	1,352	1,408
Current Service cost	22	19	113	127
Interest cost	11	14	12	16
Other changes	0	0	(221)	(256)
Pensions paid	(187)	(53)	0	(3)
Actuarial gains or losses	8	(12)	61	60
Projected benefit obligation at December 31	**304**	**450**	**1,317**	**1,352**

The following is the reconciliation of the current value of the obligation and the liability booked and the summary of the cost components recorded in the income statement.

Defined benefit plans

(€'000)	Italy at December 31, 2013	Italy at December 31, 2012 Restated^	Japan at December 31, 2013	Japan at December 31, 2012 Restated^
Projected benefit obligation	304	450	1,317	1,352
Unrecognized actuarial gains or losses	0	0	0	0
Provisions for pensions charged to balance sheet	**304**	**450**	**1,317**	**1,352**
Current Service cost	22	19	113	127
Interest cost	11	14	12	16
Recognized actuarial gains or losses	8	0	61	2
Costs charged to income statement	**41**	**33**	**186**	**145**

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 2013 and 31 December 2012:

EMPLOYEES' RETIREMENT FUND

(€'000)	at December 31, 2013	at December 31, 2012
JANUARY 1,	87	95
Provision	-	-
Utilization	(4)	(8)
RESERVE AT THE END OF THE PERIOD	83	87

17 – Reserve for risks and charges

The schedule below shows the breakdown of the reserve for risks and charges at 31 December 2013 and 31 December 2012:

(€'000)	at December 31, 2013	at December 31, 2012
Selling agents' commission fund	51	46
Director termination fund	267	162
Guarantee reserve	241	314
Other risk reserves	71	-
Busting depreciable asset	254	324
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	884	846

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 in the year after the respective allocation and is provisioned for periodically for the relevant share.

Product warranty provision

The product warranty provision is allocated based on the expectations of the charge to incur for non-fulfilment of the warranty commitment on products sold at year-end.

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.

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.

The schedule below shows the changes in the reserve for risks and charges in the years under review:

SELLING AGENTS' COMMISSION FUND

(€'000)	at December 31, 2013	at December 31, 2012
JANUARY 1,	**46**	**41**
Provision	5	5
RESERVE AT THE END OF THE PERIOD	**51**	**46**

DIRECTOR TERMINATION FUND

(€'000)	at December 31, 2013	at December 31, 2012
JANUARY 1,	**162**	**911**
Provision	117	186
Other	(12)	(112)
Utilization	-	(823)
RESERVE AT THE END OF THE PERIOD	**267**	**162**

GUARANTEE RESERVE

(€'000)	at December 31, 2013	at December 31, 2012
JANUARY 1,	**314**	**279**
Provision	10	49
Other	(23)	(12)
Utilization	(2)	(2)
Reclassification for Discontinued operations	(58)	-
RESERVE AT THE END OF THE PERIOD	**241**	**314**

BUSTING DEPRECIABLE ASSET

(€'000)	at December 31, 2013	at December 31, 2012
JANUARY 1,	**324**	**355**
Provision	-	12
Other	(70)	(43)
RESERVE AT THE END OF THE PERIOD	**254**	**324**

OTHER RISKS

(€'000)	at December 31, 2013	at December 31, 2012
JANUARY 1,	**-**	**-**
Provision	70	-
Other	1	-
RESERVE AT THE END OF THE PERIOD	**71**	**-**

18 – Trade payables

The schedule below shows the composition of trade payables at 31 December 2012 and 31 December 2013:

(€'000)	at December 31, 2013	at December 31, 2012
Third parties	13,842	15,084
Affiliate companies	835	-
TOTAL TRADE PAYABLES	**14,677**	**15,084**

Trade payables at 31 December 2013 came to €14,677 thousand, representing a decrease of €407 thousand with respect to 31 December 2012, gross of the assets sold. In 2012, discontinued operations totalled €1,216 thousand. Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.
Payables to affiliates mainly relate to the Group's exposure to affiliate Chengdu Vantron Technology Inc., which was not included among the affiliates last year.

19 – Other current liabilities

The schedule below shows the composition of other current liabilities at 31 December 2012 and 31 December 2013:

(€'000)	at December 31, 2013	at December 31, 2012
Social contributions	1,202	726
Other	2,888	2,929
Advances from customers	1,564	1,538
Other tax liabilities	377	545
Gross amount owed to customer for contractual work	0	699
Accrued expanses	1,082	950
TOTAL OTHER CURRENT LIABILITIES	**7,113**	**7,387**

Other current liabilities in 2012 included discontinued operations of €711 thousand.

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 2013 and 31 December 2012:

(€'000)	at December 31, 2013	at December 31, 2012
Employees	919	923
Vacation pay	725	714
Directors	363	145
Debiti verso sindaci	130	100
Other	751	1,047
TOTAL OTHER PAYABLES	**2,888**	**2,929**

Amounts payable to employees refer to salaries and wages for the month of December 2013 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 2013 are as follows:

(€'000)	at December 31, 2013	at December 31, 2012
Within 12 months	1,456	1,660
Over 12 months but within five years	1,391	1,884
Over 5 years	-	55

Warranties
The Eurotech Group had potential liabilities at 31 December 2013 deriving from sureties of €672 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 2013. The 2012 data were re-presented compared with those published last year, due to the disposal of US subsidiary Parvus Corp. and pursuant to IFRS 5.

21 – Costs of raw & auxiliary materials and consumables used

(€'000)	FY 2013	FY 2012
Purchases of raw materials, semi-finished and finished products	32,058	34,785
Changes in inventories of raw materials	868	1,216
Change in inventories of semi-finished and finished products	371	3,227
TOTAL COST OF MATERIALS	**33,297**	**39,228**

The item "usage of raw & auxiliary materials and consumables" decreased, mainly due to greater efficiency in inventory management and purchases of materials.

22 – Other operating costs

(€'000)	FY 2013	FY 2012
Service costs	12,589	13,632
Rent and leases	1,718	2,143
Payroll	19,292	21,044
Accruals and other costs	1,525	1,913
Cost adjustments for in-house generation of non-current assets	(1,418)	(1,633)
Operating costs net of cost adjustments	**33,706**	**37,099**

23 – Service costs

(€'000)	FY 2013	FY 2012
Industrial services	4,431	4,495
Commercial services	2,792	2,737
General and administrative costs	5,366	6,400
Total costs of services	**12,589**	**13,632**

In the periods under review, service costs registered a reduction due to the rationalisation and cost-cutting policy in place, due to the different exchange rate used to convert the costs of foreign financial statements.

24 – Payroll costs

(€'000)	FY 2013	FY 2012
Wages, salaries, and Social Security	18,218	20,552
Severance indemnities	309	328
Other costs	765	164
Total cost of personnel	**19,292**	**21,044**

The item indicating payroll costs showed a decrease in the period under review due to the reduction in employee numbers in some of the Group companies.

As shown in the table below, the number of Group employees decreased at the end of the periods under review, falling from 371 in 2012 to 354 in 2013.

Employees	Average 2013	at December 31, 2013	Average 2012	at December 31, 2012
Management	3,0	3	3,0	3
Clerical workers	331,4	322	346,4	337
Line workers	15,4	29	30,0	31
TOTAL	**349,7**	**354**	**379,4**	**371**

25 – Other provisions and costs

(€'000)	FY 2013	FY 2012
Doubtful debt provision	740	916
Other Provisions	35	10
Other costs	750	987
Total accruals and other costs	**1,525**	**1,913**

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.

During the year no losses on receivables were registered, while at 31 December 2012 these amounted to €95 thousand and were included in the item "miscellaneous operating expenses".

26 – Other revenues

(€'000)	FY 2013	FY 2012
Government grants	842	286
Sundry revenues	504	964
Total other revenues	**1,346**	**1,250**

Contributions mainly relate to research and development activities which receive funding from local governments and training delivered to employees.
The "miscellaneous revenues" item includes €344 thousand (€443 thousand in 2012) in revenues generated by the Parent Company in respect of US company Parvus, which, pursuant to IFRS 5, does not provide for the elimination of intercompany relations when discontinued operations or assets held for sale are reclassified.

27 – Cost adjustments for internally generated non-current assets

The "in-house generation of non-current assets" item at 31 December 2013 (€1,418 thousand) refers to €103 thousand in costs incurred in-house to develop new circuit boards for a high-performance, low-consumption processor, €38 thousand to develop products in the high-performance wearable PC range, €2 thousand for costs incurred by Parent Company for developments related to new systems connected to the HPC strategic business unit, €271 thousand for costs incurred by the Parent Company and by Eurotech Inc. for new products related to the "Cloud platform", €109 thousand incurred by the subsidiary IPS Sistemi Programmabili Srl, mainly in personnel costs, sustained for activities relating to new surveillance systems, €255 thousand incurred by subsidiary Advanet Inc., mainly in personnel costs, and €640 thousand for new development projects.
Total adjustments for internal increases comprise €969 thousand in payroll costs (2012: €1,123 thousand), €214 thousand in service costs (2012: €255 thousand), €235 thousand in materials costs (2012: €255 thousand).

28 – Amortisation, depreciation and write-downs

(€'000)	FY 2013	FY 2012
Amortisation of intangile assets	5,244	6,151
Amortisation of property, plant and equipment	1,055	1,320
Write-down of fixed assets	6,077	82
Total amortisation and depreciation	**12,376**	**7,553**

This change is mainly due to the write-down of €6,077 thousand on the Eurotech Inc. CGU. Of this total, €5,484 thousand relates to a goodwill write-down following an impairment test, and €593 thousand relates to a write-down of the customer relations item in respect of the same CGU, as the 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 €3,157 thousand (2012: €3,794 thousand).

Asset write-downs in 2012 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

(€'000)	FY 2013	FY 2012
Exchange-rate losses	2,869	1,352
Interest expenses	399	1,005
Expenses on derivatives	206	214
Other finance expenses	364	63
Financial charges	**3,838**	**2,634**

(€'000)	FY 2013	FY 2012
Exchange-rate gains	4,073	2,303
Interest income	49	66
Other finance income	14	20
Financial incomes	**4,136**	**2,389**

The performance in financial operations was influenced by exchange rate gains of €1,204 thousand in 2013 (2012: (gain of €951 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 expenses show a decrease in interest expense due to lower debt levels, while the absolute value of expenses on derivative products was unchanged from one year to the next.

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

30 – Valuations of affiliates using the equity method

The figure of €242 thousand is entirely due to the revaluation of equity interests. The 2012 value of €56 thousand was entirely attributable to the combined effect of capital losses on equity interests of €66 thousand and revaluation of equity interests for €10 thousand.

31 – Income tax for the period

Income taxes came to €1,768 thousand in 2013 and €1,247 thousand in 2012.

(€'000)	FY 2013	FY 2012
Pre-tax result of continuing operations	(11,387)	(4,192)
Income taxes	(1,768)	(1,247)

The schedule below shows the breakdown in income taxes, distinguishing current taxes from deferred tax assets and liabilities and taxes related to Italian legislation from foreign taxes of Group companies:

(€'000)	FY 2013	FY 2012
IRES (Italian corporate income tax)	1,024	561
IRAP (Italian Regional business tax)	50	12
Foreign current income taxes	2,260	1,813
Total current income tax	**3,334**	**2,386**
Net (prepaid) deferred taxes: Italy	4	(9)
Net (prepaid) deferred taxes: Non-italian	(1,570)	(1,130)
Net (prepaid) deferred taxes	**(1,566)**	**(1,139)**

Income taxes totalled €1,768 thousand at 31 December 2013 (current taxes of €3,334 thousand and net deferred tax assets of €-1,566 thousand) compared with €1,247 thousand at 31 December 2012 (current taxes of €1,386 thousand for taxes of the year and net deferred tax assets of €-1,139 thousand), representing an increase of €521 thousand.

The Group has fiscal losses arising in the Parent Company and subsidiaries Saee S.r.l., Dynatem Inc., ETH Devices S.r.o., E-Tech USA Inc., Eurotech Inc. and IPS Sistemi Programmabili S.r.l. for which deferred tax assets of €42.9 million (2012: €39.5 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 2013, 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

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 includes the consolidated contribution to 2013 profit of the US subsidiary, accrued until the transfer date, which amounted to €975 thousand. The income statement entries that determined profit from discontinued operations are set out in Note F. In particular, for the purpose of comparison, the cost and revenue items relating to the US company were reclassified under "net profit(loss) from discontinued operations and assets held for sale"; the 2012 profit generated by Parvus, amounting to €2,656 thousand, therefore refers to the entire year, while the result for 2013 refers to the revenues and costs for the first

nine months of the year, i.e. until the date at which the US company was transferred. A comparison of the data between the two years is therefore not very meaningful.

J – Other information

33 – Related-party transactions

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

Name	Location		% of ownership 31.12.2013		% of ownership 31.12.2012	
Subsidiaries						
Parvus Corp.	United States	USD	-		100.00%	
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%	
Saee S.r.l. (2)	Italy	Euro	100.00%		100.00%	
Dynatem Inc.	USA	USD	100.00%		100.00%	
Advanet Inc.	Japan	Yen	90,00%	(1)	90,00%	(1)
Affiliated companies						
Chengdu Vantron Technologies Inc.	China		45.00%		38.00%	
Delos S.r.l. (2)	Italia		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%	
Rotowi Technologies S.p.A. in liquidation (ex U.T.R.I. S.p.A.) (2)	Italia		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	Financial receivables to related parties	Receivables from related parties	Payables from related parties
Associated companies						
Chengdu Vantron Technology Inc	23	-	1,370	-	2	802
Emilab S.r.l.	-	-	56	-	-	1
eVS embedded Vision Systems S.r.l.	13	-	32	-	15	32
Total	**36**	**-**	**1,458**	**-**	**17**	**835**
Other related parties						
Wulfenia	-	-	21	-	-	5
Finmeccanica Group	2,213	-	17	-	1,251	92
Total	**2,213**	**-**	**38**	**-**	**1,251**	**97**

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.

			at December 31, 2013			
Name	Nomination	Expiration	Fees for the appointment	Other fees	Benefits	Bonus
Siagri Roberto	President	In charge up to 31.12.2013 financials approval	330	10	4	949
Tecchiolli Giampietro	Vice President - Director	In charge up to 31.12.2013 financials approval	220	10	3	-
Barazza Sandro	Director	In charge up to 31.12.2013 financials approval	10	126	3	-
Bertolone Giovanni	Director	In charge up to 31.12.2013 financials approval	10	-	-	-
Grasso Giancarlo	Director	In charge up to 31.12.2013 financials approval	10	-	-	-
Mio Chiara	Director	In charge up to 31.12.2013 financials approval	25	-	-	-
Pedicchio Maria Cristina	Director	In charge up to 31.12.2013 financials approval	25	-	-	-
Pizzul Cesare	Director	In charge up to 31.12.2013 financials approval	25	-	-	-
Soccodato Giovanni	Director	In charge up to 31.12.2013 financials approval	10	-	-	-
Siciliotti Claudio	President of Board of Statutory Auditors	In charge up to 31.12.2013 financials approval	45	-	-	-
Cignolini Michela	Statutory Auditor	In charge up to 31.12.2013 financials approval	30	-	-	-
Pingaro Giuseppe	Statutory Auditor	In charge up to 31.12.2013 financials approval	30			
TOTAL			770	146	10	949

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, 2013							
Name		Company	Possessory title	Share at January 1,	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	-	-	2,320,531	1,040,371	
Tecchiolli Giampietro	Director	Eurotech	Ownership	191,015	-	-	191,015	-	
Barazza Sandro	Director	Eurotech	Ownership	2,000	-		2,000	-	
Bertolone Giovanni	Director	Eurotech	Ownership	-	-	-	-	-	
Grasso Giancarlo	Director	Eurotech	Ownership	-	-	-	-	-	
Mio Chiara	Director	Eurotech	Ownership	-	-	-	-	-	
Pedicchio Maria Cristina	Director	Eurotech	Ownership	-	-	-	-	-	
Pizzul Cesare	Director	Eurotech	Ownership	-	-	-	-	-	
Soccodato Giovanni	Director	Eurotech	Ownership	-	-	-	-	-	
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	20,000		-	20,000	10,000	(*)
Cignolini Michela	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	
Pingaro Giuseppe	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	

(*) Shares owned indirectly by Pronet S.r.l.

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 2013, about 49% of Parent Company loans were at fixed rates (compared with about 45% in 2012). 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 USA, 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 80.7% of sales of goods and services (2012: 85.0%) and 69.04% (2012: 76.4%) 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 of the receivables from our main customers are insured due to the reduction of the exposure granted by insurance companies in 2009.
Financial assets 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 €1.8 million that became payable more than four years ago, and which was written down further in the current year with the creation of a provision to cover around 80% of its value. Although the Directors believe that the receivable is fully collectable, it could present a credit risk in the future.
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 2013, 55.7% of Group financial payables will accrue within one year (2012: 38.8%), based on the balances of the original plans. These values were different in 2013 from those shown in the financial statement balances, as, due to informal agreements with banks, no risk of early repayment is not believed to exist.
Considering the current net financial position and the structure of working capital, the risk that the Group will be unable to honour its financial liabilities is limited. The Company systematically controls liquidity risk by analysing a specific reporting system and the economic environment; the uncertainties

that are a periodic feature of the financial markets require a particular focus on liquidity risk management. With this in mind, initiatives have been taken to generate financial resources with business operations and to maintain an adequate level of available liquidity, to ensure a normal level of operations and to respond to the strategic decisions of the next few years. The Group therefore plans to respond to the requirements of payables falling due and planned investments via flows from business operations, available cash and, as necessary, via bank loans and other forms of funding.

€ '000	Less 12 months	1 to 2 yeears	3 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	7,950	2,494	210	25	10,679
Trade payables and other liabilities	21,790	0	0	0	21,790
Other financial liabilities	0	118	0	0	118
Fianancial derivatives	105	54	0	0	159
Total as of December 31, 2013	**29,845**	**2,666**	**210**	**25**	**32,746**

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 2012 and 2013.
Currently the Group has available cash from the sale of the Parvus Corp., but at operating speed, the Group will periodically check its capital using a debt to equity 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 2013, 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, 2013	at December 31, 2012
Other current and non current financial assets	(2,443)	(144)
Derivative instruments	159	344
Other current and non current liabilities assets	118	0
Borrowing	15,048	23,363
Cash & cash equivalents	(27,995)	(12,116)
Net financial position	**(15,113)**	**11,447**
Group Equity	108,099	119,964
Not distributed profit	0	0
Group Equity	**108,099**	**119,964**
EQUITY AND NET FINANCIAL POSITION	**92,986**	**131,411**
Net financial position on Equity	**-14.0%**	**9.5%**

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 quotation
Level 2: technical valuation (based on observable market data)
Level 3: technical valuation (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 analyzed each of its financial assets and liabilities to determine the effect of their measurement at fair value. The evaluation process refers to level 3 of the fair value hierarchy, except for transactions in derivatives, explained in more detail below, and have not revealed significant differences with respect to book value/carrying amounts as of December 31st 2013 and with respect to the comparative data.

At 31 December 2013, the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at December 31, 2013	Fair valute at December 31, 2013 (debit)	Fair valute at December 31, 2013 (credit)	National value at December 31, 2012	Fair valute at December 31, 2012 (debit)	Fair valute at December 31, 2012 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	4,508	0	(159)	7,095	0	(344)

All the assets and liabilities measured at fair value at 31 December 2013 are classified at valuation level 2. Moreover, in 2013 there were no transfers from level 1 to level 2 or level 3 or vice versa.

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 2013, the Group held three IRS contracts (for a notional value of €4.5 million) signed during the last five years and designated as instruments to hedge interest rate risk.

	Due date	Fixed rate	Floating rate	Market value (€'000)
Interest rate swap contracts				
Euro 285.714	June 30th, 2014	2,21%	Euribor 6 months	(3)
Euro 2.000.000	December 31st, 2015	2,52%	Euribor 6 months	(53)
Euro 2.222.325	December 31st, 2015	4,08%	Euribor 6 months	(103)

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 €185 thousand and decreased the cash flow hedge reserve as a direct reduction of equity to €159 thousand.

36 – Events after the reporting period

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

Amaro, 14.03.14

On behalf of the Board of Directors
Chairman
Roberto Siagri

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

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The schedule below has been prepared in accordance with article 149-*duodecies* of the Consob Issuer Regulation and shows the amounts paid in 2012 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**	**2013 fees**
Audit	Reconta Ernst & Young S.p.A.	Parent company - Eurotech S.p.A.	131,057
	Reconta Ernst & Young S.p.A.	Subsidiaries	26,736
	Ernst & Young Network	Subsidiaries	149,456
Tax consultant	Ernst & Young Network	Parent company - Eurotech S.p.A.	6,860
	Ernst & Young Network	Subsidiaries	3,533
TOTAL			**317,641**

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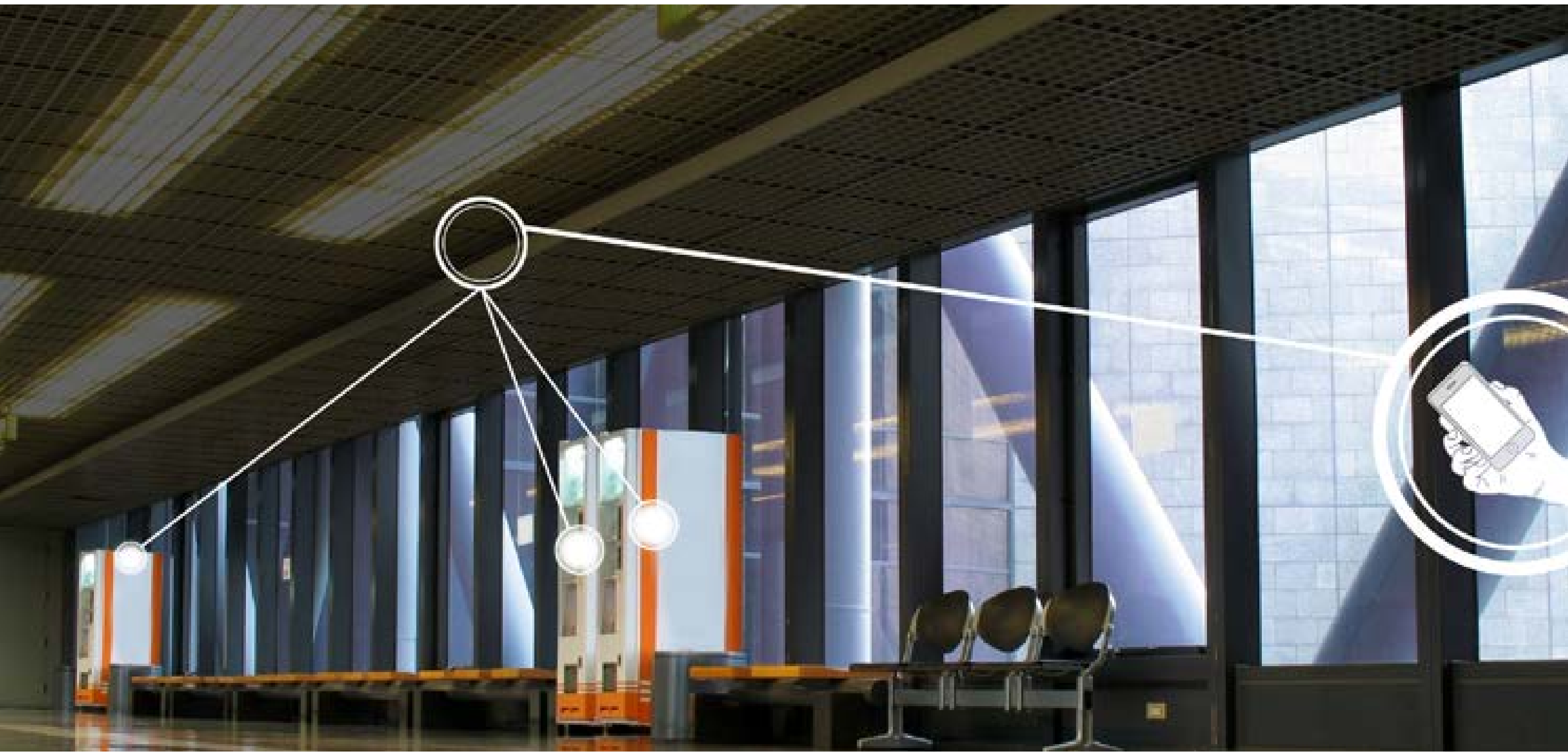
Certification of the consolidated financial statements

pursuant to 154-*bis* of Legislative Decree 58 of 24 February 1998



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Amaro, 14 March 2014

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 2013.

2. Assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements to 31.12.13 is based on a model defined by Eurotech in keeping with the COSO framework (a document in the COSO Report) and taking into account the document "Internal Control over Financial Reporting – Guidance for Smaller Public Companies", both of which were prepared by the Committee of Sponsoring Organizations of the Treadway Commission and which represent an internationally recognised general framework of reference.

3. We furthermore attest that:

   3.1 The consolidated financial statements to 31.12.13:
   - 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

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Indipendent Auditor's report on the consolidated financial statements

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EY
Building a better working world

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders
of Eurotech S.p.A.

1. We have audited the consolidated financial statements of Eurotech S.p.A. and its subsidiaries, (the "Eurotech Group") as of and for the year ended December 31, 2013, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Eurotech S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the prior year are presented for comparative purposes. As described in the explanatory notes, Directors have restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated March 28, 2013. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2013 and for the year then ended.

3. In our opinion, the consolidated financial statements of the Eurotech Group at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Eurotech Group for the year then ended.

4. The Directors of Eurotech S.p.A. are responsible for the preparation of the Management report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Management report and the specific section on Corporate Governance and the Company's Ownership Structure regarding the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Management report and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph

1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the consolidated financial statements of the Eurotech Group as of December 31, 2013.

Treviso, March 31, 2014
Reconta Ernst & Young S.p.A.
Signed by: Michele Graziani, partner

This report has been translated into the English language solely for the convenience of international readers.

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