

EUROTECH: BoD APPROVES CONSOLIDATED HALF-YEAR RESULTS AT 30 JUNE 2012

Amaro (Italy), 29 August 2012

- Consolidated revenues: from EUR 41.16 million to EUR 42.18 million
- Consolidated gross profit: from EUR 21.19 million to EUR 20.73 million
- Consolidated EBITDA: from EUR -598 thousand to EUR -425 thousand
- Consolidated EBIT: from EUR -4.33 million to EUR -4.20 million
- Consolidated pre-tax profit (loss): from EUR -5.37 million to EUR -4.75 million
- Group net profit (loss): from EUR -5.41 million to EUR -4.45 million
- Net debt: EUR 15.66 million
- Group shareholders' equity: EUR 132.06 million

Today the Board of Directors of Eurotech S.p.A. reviewed and approved the results for the first half of 2012.

Group revenues registered a slight increase of 2.5% in the first six months of the year, totaling EUR 42.18 million, compared with EUR 41.16 million in the first half of 2011. The first half was affected by the trend in new orders, which were slightly lower than forecast, particularly at the end of 2011, but benefited from the forex effect of the dollar and the yen against the euro. However, because the first half traditionally makes up a different proportion of total annual revenues, and in view of existing opportunities in the pipeline, we expect a positive result at the end of the year and an improvement on the second half compared to 2011.

We will continue to keep a close eye on the global situation, where the US and particularly Japan are showing positive signs – albeit gradually – and where future developments in Europe are hard to predict, due to economic and financial uncertainty in some countries, including Italy. One of the Group's strengths is still its international presence, which allows it to benefit from any signs of recovery in the various economies world-wide and to seize opportunities as they arise.

The gross profit margin came in at 49.1%, slightly less than in the first half of 2011 and at the end of 2011. This reflects a wholly temporary situation resulting from the specific mix of products sold in the second quarter. Management is aiming for a gross profit margin at year-end that tops 50% and is in line with previous periods.

Operating costs as a percentage of revenues, inclusive of adjustments, decreased from 55.6% in the first half of 2011 (EUR 22.9 million) to 53.0% in the first half of 2012 (EUR 22.4 million). This performance had a positive impact on Group EBITDA. The result does not fully reflect the efforts made to cut fixed costs, due to the negative forex trend. When looking at amounts in local currencies, substantial year-on-year savings can be seen, due to the measures taken during 2011 and in the early months of 2012, all of which were designed to increase structural efficiency and thereby lower the

activation threshold for operating leverage. Curbing fixed costs and streamlining existing resources remain a priority for management, in order to move towards the profit targets set for the current year.

Due to the traditional distribution of turnover over the quarters, the ratio of fixed costs to turnover was higher in the first half than the forecast level for year-end, assessed over the 12 months.

EBITDA improved in the first half of the year, coming in at EUR -0.4 million in 2012, compared with EUR -0.6 million in 2011.

EBIT registered an improvement in the half-year, reaching EUR -4.20 million, compared with EUR -4.33 million in the first half of 2011. EBIT as a percentage of revenues was affected by turnover levels, coming in at -10.0% compared with -10.5% in the first half of 2011. This result reflects the EBITDA performance, as well as depreciation recognised in the income statement for the reporting period, which was due to both operating assets that became subject to amortization in this period and the effects of purchase price allocation (PPA) relating the acquisitions of Eurotech Inc. (formerly Applied Data Systems Inc.), Dynatem Inc. and the Advanet Group. The effect on EBIT of the higher values attributed at the time of the PPA was EUR 1.88 million the first half of 2012, compared with EUR 1.62 million in the same period of 2011.

The pre-tax result was negative for EUR 4.75 million in the first half of 2012 (compared with a loss of EUR 5.37 million in the first six months of 2011); this performance was affected by the factors described above, as well as positive forex effects due to currency trends. The effect of PPA on the pre-tax result was EUR 1.88 million in the first half of 2012 (EUR 1.62 million in the first half of 2011).

The Group posted a net loss of EUR 4.45 million in the first half of 2012, compared with a net loss of EUR 5.41 million in the first half of 2011, reflecting the trend in the pre-tax result and the current tax burden.

The Group had net debt of EUR 15.66 million at 30 June 2012, an improvement on the EUR 18.34 million posted at 31 March 2012. Operating cash flows were slightly positive in the first half of 2012, a marked improvement on the negative cash flows of EUR 2.04 million registered in the first half of 2011.

Working capital decreased, from EUR 30.14 million at 31 December 2011 to EUR 27.95 million at 30 June 2012. This improvement was due, in particular, to careful control of the duration of receivables and payables and efficient management of inventories, which reduced the value of inventories substantially at the end of the half-year.

Note that, as required by Consob (Italian securities & exchange commission), the Consolidated Half-year Financial Report at 30 June 2012 is available to anyone who requests it from the Company's registered headquarters and from the headquarters of Borsa Italiana S.p.A. The Report is also available on Eurotech's website, at www.eurotech.com

Pursuant to article 154-bis, paragraph 2, of the Italian Consolidated Finance Act, the Financial Reporting Manager of Eurotech SpA, Sandro Barazza, hereby declares that the financial disclosure contained in this press release corresponds to the Company's documentary evidence, corporate books and accounting records.

THE EUROTECH GROUP

Eurotech (ETH.MI) is a global company based in Italy and with offices and subsidiaries in Europe, North America and Asia. The Eurotech group develops and markets miniaturised computers for special use (NanoPCs) and computers featuring high computing capacity (HPCs – High Performance Computers). With these two product categories, Eurotech aims to become a leader in the implementation of pervasive computing, which, leveraging on Cloud IT infrastructure, is capable of enabling an entire range of value-added services and functions in the transport, defence, industrial and medical sectors.

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ANNEXES – FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT					change (b-a)	
(€ '000)	1H 2012 (b)	%	1H 2011 (a)	%	amount	%
Sales revenue	42,176	100.0%	41,164	100.0%	1,012	2.5%
Cost of material	(21,448)	-50.9%	(19,973)	-48.5%	1,475	7.4%
Gross profit	20,728	49.1%	21,191	51.5%	(463)	-2.2%
Services costs	(7,371)	-17.5%	(7,973)	-19.4%	(602)	-7.6%
Lease & hire costs	(1,146)	-2.7%	(1,185)	-2.9%	(39)	3.3%
Payroll costs	(6,500)	-15.4%	(12,847)	-31.2%	(6,347)	49.4%
Other provisions and costs	(681)	-1.6%	(900)	-2.2%	(219)	24.3%
Other revenues	1,199	2.8%	1,116	2.7%	83	7.4%
EBITDA	(425)	-1.0%	(598)	-1.5%	173	-28.9%
Depreciation & Amortization	(3,777)	-9.0%	(3,734)	-9.1%	43	-1.2%
EBIT	(4,202)	-10.0%	(4,332)	-10.5%	130	3.0%
Share of associates' profit at equity	(32)	-0.1%	(139)	-0.3%	(107)	-77.0%
Finance expense	(2,067)	-4.9%	(3,598)	-8.7%	(1,531)	-42.6%
Finance income	1,548	3.7%	2,700	6.6%	(1,152)	-42.7%
Profit before tax	(4,753)	-11.3%	(5,369)	-13.0%	616	11.5%
Income tax	305	0.7%	(40)	-0.1%	(345)	n.s.
Net profit before minority interest	(4,448)	-10.5%	(5,409)	-13.1%	961	17.8%
Minority interest	0	0.0%	0	0.0%	0	n/a
Group net profit (loss)	(4,448)	-10.5%	(5,409)	-13.1%	961	17.8%
Base earnings per share	(0.127)		(0.154)			
Diluted earnings per share	(0.127)		(0.154)			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at June 30, 2012	at December 31, 2011
ASSETS		
Intangible assets	126,273	125,922
Property, Plant and equipment	5,645	5,897
Investments in non-consolidated subsidiaries	51	0
Investments in affiliate companies	304	278
Investments in other companies	266	270
Deferred tax assets	1,420	1,439
Other non current financial assets	186	226
Other non-current assets	844	843
Total non-current assets	134,989	134,875
Inventories	21,715	23,734
Contracts in progress	1,453	2,356
Trade receivables	22,353	26,724
Income tax receivables	537	938
Other current assets	2,499	2,569
Receivables from affiliates companies	0	1,163
Short term borrow ing allow ed to affiliates companies and other Group companies	0	178
Other current financial assets	100	0
Cash & cash equivalents	10,852	13,596
Total current assets	59,509	71,258
Total assets	194,498	206,133
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(13,221)	(10,236)
Group shareholders' equity	132,058	135,043
Equity attributable to minority interest	0	0
Total shareholders' equity	132,058	135,043
Medium-/long-term borrow ing	14,123	10,482
Employee benefit obligations	1,776	1,718
Deferred tax liabilities	11,466	12,111
Other non-current liabilities	1,791	1,586
Total non-current liabilities	29,156	25,897
Trade payables	12,731	18,388
Short-term borrow ing	12,082	17,253
Derivative instruments	375	376
Income tax liabilities	751	1,731
Other current liabilities	7,123	7,229
Business combination liabilities	222	216
Total current liabilities	33,284	45,193
Total liabilities	62,440	71,090
Total liabilities and equity	194,498	206,133

STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
(€'000)												
Balance as at December 31, 2011	8,879	39	136,400	34,514	(35,703)	(376)	(124)	(1,340)	(7,246)	135,043	-	135,043
2011 Result allocation	-	-	-	-	(7,246)	-	-	-	7,246	-	-	-
Profit (loss) as at June 30, 2012	-	-	-	-	-	-	-	-	(4,448)	(4,448)	-	(4,448)
<i>Comprehensive other profit (loss)</i>												
- Hedge transactions	-	-	-	-	-	1	-	-	-	1	-	1
- Foreign balance sheets conversion difference	-	-	-	874	-	-	-	-	-	874	-	874
- Exchange differences on equity method	-	-	-	-	16	-	-	-	-	16	-	16
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	572	-	-	572	-	572
Comprehensive result	-	-	-	874	16	1	572	-	(4,448)	(2,985)	-	(2,985)
Balance as at June 30, 2012	8,879	39	136,400	35,388	(42,933)	(375)	448	(1,340)	(4,448)	132,058	-	132,058

NET FINANCIAL POSITION

(€'000)		at June 30, 2012	at December 31, 2011	at June 30, 2011
Cash & cash equivalents	A	(10,852)	(13,596)	(10,000)
Cash equivalent	B=A	(10,852)	(13,596)	(10,000)
Short term borrow ing allow ed to affiliates companies	C	0	(178)	0
Other current financial assets	D	(100)	0	0
Derivative instruments	E	375	376	213
Short-term borrow ing	F	12,082	17,253	8,756
Business aggregation liabilities	G	222	216	196
Short-term financial position	H=C+D+E+F+G	12,579	17,667	9,165
Short-term net financial position	I=B+H	1,727	4,071	(835)
Medium/long term borrow ing allow ed to affiliates companies	J	0	0	(1,211)
Other non current financial assets	K	(186)	(226)	(226)
Medium/long term borrow ing	L	14,123	10,482	19,058
Medium-/long-term net financial position	M=J+K+L	13,937	10,256	17,621
(NET FINANCIAL POSITION) NET DEBT	N=I+M	15,664	14,327	16,786

WORKING CAPITAL

(€'000)	at June 30, 2012 (b)	at December 31, 2011 (a)	at June 30, 2011	Changes (b-a)
Inventories	21,715	23,734	25,171	(2,019)
Contracts in progress	1,453	2,356	689	(903)
Trade receivables	22,353	26,724	22,248	(4,371)
Receivables from affiliates companies	0	1,163	0	(1,163)
Income tax receivables	537	938	1,965	(401)
Other current assets	2,499	2,569	2,805	(70)
Current assets	48,557	57,484	52,878	(8,927)
Trade payables	(12,731)	(18,388)	(16,369)	5,657
Income tax liabilities	(751)	(1,731)	(252)	980
Other current liabilities	(7,123)	(7,229)	(6,335)	106
Current liabilities	(20,605)	(27,348)	(23,169)	6,743
Net working capital	27,952	30,136	29,709	(2,184)