EUROTECH: BOARD OF DIRECTORS APPROVES THE 2011 DRAFT STATUTORY AND CONSOLIDATED FINANCIAL STATEMENTS

Amaro, Italy, 15 March 2012

- Consolidated revenues: from €99.27 million to €93.81 million, -5.5%
- Consolidated gross profit: from €50.41 million to €46.54 million
- Consolidate Adj EBITDA: from €6.81 million to €4.0 million
- Consolidated EBITDA: from €7.39 million to €3.09 million
- Consolidated EBIT: from €-0.74 million to €-4.87 million
- Consolidated pre-tax loss: from €-3.81 million to €-6.61 million
- Group net loss: from €-6.08 million to €-7.25 million
- Net financial debt: €14.33 million
- Group shareholders' equity: €135.0 million
- Eurotech S.p.A.: net loss from €-0.52 million to €–18.49 million

The Board of Directors of Eurotech S.p.A has today examined and approved the draft Statutory Financial Statements and Consolidated Financial Statements at 31 December 2011, which will be presented to the Ordinary Shareholders' Meeting.

The Group posted a decrease in revenues of 5.5%, falling from €99.27 million in 2010 to €93.81 million in 2011. This decrease was the result of a combination of factors and events, attributable to the adverse macroeconomic situation and is explained below.

Long-term, Eurotech's geographic coverage of three continents has been an asset because it allows the Group to maximise its chances of seizing business opportunities wherever they arise and to balance out the effects of poor economic performance in a given region. However, this was not evident in 2011 as each geographic segment in which we have a significant operations was hit, although to different extent, by adverse events: the US came close to defaulting, Europe suffered from a debt and Euro crisis, and Japan experienced an earthquake and subsequent devastating tsunami. Naturally, we could not have foreseen such widespread negative scenarios across our three key regions. Consequently, from March onwards Eurotech's management dealt with an increasingly adverse global setting, one that was markedly different from that projected at end-2010 and that had been initially confirmed by good order levels in the first two months of the year.

The uniformly unfavourable macroeconomic situation put strong constraints on our ability to generate sales and this inevitably resulted in a small contraction in revenues of 5.5%.

In particular, the Group's fourth quarter was not as strong as in 2010. Historically, the last quarter of the year posts the major part of revenues, which are concentrated in the month of December. The recovery in the global macroeconomic situation noted at the end of 2010 did not continue during 2011. In fact, it stalled further in the important second and third quarters. The last quarter of 2011 was our strongest quarter, but revenues still fell below those of the fourth quarter of 2010.

Due to the fact that in our operative model the majority of costs are fixed, it's important for us to remain above the operating leverage activation threshold: for a level of costs equal to that of 2011, the leverage is activated above €100-103 million, depending on gross profit margin. Therefore, €93.81 million in revenues was insufficient to generate significant EBITDA, with inevitable consequences for the Group's final profit margin.

Geographic performance

North America posted a dip in both sales and orders, particularly from July onwards, coinciding with the time in which the attention paid to the nation's possible default reached its zenith. The extensive political debate on the subject and the last-minute corrective measures meant public and private investment stalled until late autumn, affecting our ability to develop the sales anticipated in the second half of the year. The situation now seems to have returned to normal and we intend to confirm this after in the coming months.

The sector most affected by the risk of default in the US was defence. Our business was affected by budgets being shifted between programmes more than by the overall cut in spending, which particularly affected operational missions and large new projects. This resulted in the cancellation of some deliveries scheduled for the second half of the year, forcing us to go in search of new orders, with further effects on the likelihood of Parvus generating the fourth-quarter sales that were initially forecast. There is also some good news, as often happens following a radical change in scenario: with the reallocation of defence-programme budgets, many opportunities have returned and if we can take advantage of them we will be able, in the coming years, to recapture the success enjoyed by Parvus since we acquired it in 2003.

Europe continued to feel the effects of the financial crisis and the pressures on the Euro, limiting the ability and the will of companies and governments to invest in new development programmes. We believe that, in principle, Europe is still a market with a good potential for our solutions, even if this potential is currently struggling to be seen, with inevitable negative effects on the revenues generated by Eurotech in the region.

The Japanese market was greatly affected by the blow inflicted upon the nation by the tsunami. An economic blackout of the Japanese economy in spring 2011 caused orders to be postponed, some to the following year. As a result, Japan's contribution to total sales was lower than expected. However, the outlook for the Japanese economy in 2012 is good. The reconstruction is underway and, as happened in the past, this should generate GDP growth that more than offsets the lack of growth in 2011 caused by the earthquake and subsequent tsunami.

HPC Business Unit

With regard to the HPC (High Performance Computing) business unit, in July Selex Elsag placed a large order for an Aurora solution to be used in cybersecurity applications. Not only is the order worth around €4 million, but it is also important because it demonstrates other possible uses for the Aurora platform besides the university and research-institute applications that have characterised our HPC business in the past. From the very start, the Aurora architecture was conceived to be effectively used also in industrial and service sectors, and the application in the field of cybersecurity confirms that our initial vision was correct. The HPC strategic business unit's contribution to total sales increased in 2011 compared to 2010 and we expect this trend to continue in 2012.

In summary, the level of sales in 2011 is not attributable to a single factor or event but to the combined effect of a number of factors and events, in confirmation of the general unfavourable environment during the year.

Management is continuing to monitor the macroeconomic situation closely. As it did in 2011, in the first months of 2012 management is taking steps to make the structure more efficient and thereby lower the operating leverage activation threshold. Specific initiatives are also underway to find new business opportunities and increase sales beyond this threshold. We are therefore working on two fronts so that the operating leverage can eventually give the desired results in terms of profit margins. The considerable efforts made over the last three years to create an integrated and cohesive Group have been crucial in this respect, and the recent inclusion of Dynatem Inc. as a catalyst for further technical and commercial synergies between the United States and Japan is just one more reason to take a positive view of the future.

Financial performance

Gross profit was 49.6%, just few fractions of percentage point under management's 50% benchmark. The change compared to the previous year, when gross profit was 50.8%, is due to the diverse mix of products sold, which have different profit margins depending on their type as well as the sectors and geographical markets in which they are sold. In particular, this was influenced by the lower contribution of US defence sales, which have margins considerably higher than the Group average. A low-margin one-off order of around $1.5 million placed in the fourth quarter and not offset, as initially forecast, by an equivalent higher margin delivery in the defence sector was also a drag. The greater contribution of the HPC strategic business unit also had an impact, since generally, sales being equal, HPC SBU has higher COGS and lower OPEX than the NanoPC SBU; however, this gross profit margin of less than 50% is offset by a recovery of margins at the EBITDA level.

Before adjustments for internal increases and non-recurring costs, operating costs fell by €1.7 million, from €47.25 million (with operating costs as a percentage of revenues at 47.6%) to €45.55 (with operating costs as a percentage of revenues at 48.6%), not accounting for non-recurring costs, and to €46.46 million accounting for non-recurring costs.

This considerable reduction in costs is the result of a path undertaken several years ago. The 2009 crisis was an opportunity for Eurotech to learn how to considerably streamline its structure, mainly preserving two fundamental pillars of our business model: the ability to generate innovations and the ability to sustain rapid growth in sales when opportunities arise. We did not act blindly, taking drastic cost cutting measures, because it was essential that we preserve the pillars on which our competitiveness is founded. But, with great determination and consistency, we gradually and inexorably implemented a streamlining strategy that we can now say, looking back over the past three years, has worked. Cost reductions of 1.7 million in 2011 alone in tangible proof of that. The management remains focused on the streamlining of the operating structure, carried out in 2011 and that will also produce benefits in 2012. Meanwhile, in parallel with cost cutting we have also invested in activities that are expected to provide returns in the coming years, always with the aim of keeping the pace on the innovative drive that is our hallmark. With reference to our capability to generate revenues, the current structure can sustain higher sales than current levels with only minor changes to the workforce and without making any changes to infrastructure.

EBITDA fell from €6.81 million in 2010 to €4.0 million (gross of adjustments for €0.91 million resulting from non-recurring costs linked to the recall of a custom product). Adjusted EBITDA as a percentage of revenues was 4.3% in 2011, compared with EBITDA as a percentage of revenues of 6.9% in 2010. Non-adjusted EBITDA as a percentage of revenues was 3.3%. The year-on-year change is mainly attributable to the reduction in sales, as well as to the decrease in other revenues, which in 2010 included a capital gain on sales of shareholdings of €0.6 million, grants of €0.2 million and the greater impact of adjustments to costs for capitalisation.

EBIT fell from €-0.74 in 2010 to €-4.87 million in 2011. EBIT as a percentage of revenues was -5.2% in 2011 compared to -0.7% in 2010. EBIT in 2011 was affected by the EBITDA already commented on above and the depreciation & amortisation posted to the income statement in 2011. The non-monetary impact of the price allocation relating to the acquisition of Eurotech Inc. (formerly Applied Data Systems Inc. and formerly Arcom Control Systems Inc.), Dynatem Inc. and the Advanet Group on EBIT was €3.45 million in 2011, compared to €3.37 million in 2010.

The pre-tax loss in 2011 was €-6.61 million (vs. a loss of €-3.81 million in 2010). This performance was influenced by the factors outlined above. The price allocation and the evaluation of the put option (the latter relating to 2010 only) had an impact on the pre-tax result of €3.45 million in 2011 and €4.57 million in 2010.

The Group net loss came to €-7.25 million in 2011, compared with a net loss of €-6.08 million in 2010. This performance reflects not only the pre-tax result, but also the tax burden on the various units. Price allocation had a €0.84million effect on Group net results in 2011 (2010: €3.03 million).

At 31 December 2011 the Group had net financial debt of €14.33 million compared to €8.64 million at end-2010. Despite this trend, the company generated a positive cash flow from operating activities, which were more than offset by use of financial resources for investments.

Group shareholders' equity amounted to €135.04 million (2010: €131.52 million) and is equal to the consolidated shareholders' equity, since there are no more minority interests to take into consideration (in 2010, the consolidated shareholders' equity was €135.48 million).

Statutory Financial Statements of the Eurotech S.p.A. Parent Company

Revenues totalled €13.36 million, compared to €11.19 million in 2010, an increase of 19.4%. The net result was €-18.49 million, compared with €-0.52 million in 2010. 2011 net result was affected by depreciation of shereholdings for €13.54 million. Shareholders' equity at 31 December 2011 was €89.19 million, compared with €107.71 million in 2010. The Parent Company had a net debt of €7.5 million, compared with €0.7 million at end-2010.

Pursuant to Article 154-bis, Paragraph 2, of the Italian Consolidated Finance Act, the Financial Reporting Manager, 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 Board has also approved the Corporate Governance Report containing information on the ownership structure pursuant to Article 123-bis of the Italian Consolidated Finance Act which will be published within the deadlines and in accordance with the methods provided for by current regulations.

***

In accordance with the new provisions of Article 154-ter, Paragraphs 1 and 1-bis, of the Italian Consolidated Finance Act, the annual financial report including the draft statutory and consolidated financial statements, the management report, the corporate governance report and the declaration of the Financial Reporting Manager, together with the reports of the Independent Auditor and the Board of Statutory Auditors, will be published no later than 30 March 2012.

THE EUROTECH GROUP

Eurotech is a global company (ETH.MI) that integrates hardware, software, services and expertise to deliver embedded computing platforms and sub-systems to leading OEMs, system integrators and enterprise customers for successful and efficient deployment of their products and services. Drawing on concepts of minimalist computing, Eurotech lowers power draw, minimizes physical size and reduces coding complexity to bring sensors, embedded platforms, sub-systems, ready-to-use devices and high performance computers to market, specializing in defense, transportation, industrial and medical segments. By combining domain expertise in wireless connectivity as well as communications protocols, Eurotech architects platforms that simplify data capture, processing and transfer over unified communications networks. Our customers rely on us to simplify their access to state-of-art embedded technologies so they can focus on their core competencies. Learn more about Eurotech at www.eurotech.com.

Company contacts:

Investor relations
Andrea Barbaro
Tel. +39 0433 485411
e-mail: andrea.barbaro@eurotech.com

Corporate Press Office
Cristiana della Zonca
Tel. +39 0433 485411
e-mail: cristiana.dellazonca@eurotech.com

International Press Office
Jana Sanchez, CitySavvy
Tel. +44 20 7395 1000 or +44 7985 917 060
e-mail: jana@citysavvy.com

ANNEXES – FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

OPERATING RESULTS (€/000)	FY 2011	%	FY 2010	%
Revenues from sales of products and services	93,806	100.0%	99,269	100.0%
Cost of materials	(47,266)	-50.4%	(48,863)	-49.2%
Gross profit	**46,540**	**49.6%**	**50,406**	**50.8%**
Service costs	(16,483)	-17.6%	(17,042)	-17.2%
Lease & hire costs	(2,464)	-2.6%	(2,377)	-2.4%
Payroll costs	(25,378)	-27.1%	(26,447)	-26.6%
Other provisions and other costs	(1,229)	-1.3%	(1,385)	-1.4%
Other revenues	3,014	3.2%	3,654	3.7%
EBITDA ADJ (*)	**4,000**	**4.3%**	**6,809**	**6.9%**
Non recurrent (costs) revenues	(910)	-1.0%	585	0.6%
EBITDA (**)	**3,090**	**3.3%**	**7,394**	**7.4%**
Depreciation & amortisation	(7,708)	-8.2%	(7,851)	-7.9%
Asset impairment	(257)	-0.3%	(284)	-0.3%
Operating profit (EBIT)	**(4,875)**	**-5.2%**	**(741)**	**-0.7%**
Share of associates' profit of equity	123	0.1%	(1,630)	-1.6%
Finance expense	(7,840)	-8.4%	(4,822)	-4.9%
Finance income	5,979	6.4%	3,380	3.4%
Profit before taxes	**(6,613)**	**-7.0%**	**(3,813)**	**-3.8%**
Income tax	(633)	-0.7%	(2,200)	-2.2%
Net profit (loss) before minority inerest	**(7,246)**	**-7.7%**	**(6,013)**	**-6.1%**
Minority interest	**0**	**0.0%**	**66**	**0.1%**
Group net profit (loss) for period	**(7,246)**	**-7.7%**	**(6,079)**	**-6.1%**
Base earnings (losses) per share	**(0.206)**		**(0.173)**	
Diluted earnings (losses) per share	**(0.206)**		**(0.173)**	

(*) Profit before non recurrent cost, depreciation, amortization, interests and tax (EBITDA)

(**) Profit before depreciation, amortization, interests and tax (EBITDA)

CONSOLIDATED BALANCE SHEET & STATEMENT OF FINANCIAL POSITION

(€'000)	at December 31, 2011	at December 31, 2010
ASSETS		
Intangible assets	125,922	120,328
Property, Plant and equipment	5,897	6,582
Investments in affiliate companies	278	308
Investments in other companies	270	230
Deferred tax assets	1,439	1,658
Other non current financial assets	226	236
Medium/long term borrowing allowed to affiliates companies and other Group companies	0	636
Other non-current assets	843	1,018
Total non-current assets	**134,875**	**130,996**
Inventories	23,734	21,587
Contracts in progress	2,356	257
Trade receivables	26,724	28,962
Income tax receivables	938	1,879
Other current assets	2,569	3,305
Receivables from affiliates companies	1,163	9
Short term borrowing allowed to affiliates companies and other Group companies	178	0
Cash & cash equivalents	13,596	23,751
Total current assets	**71,258**	**79,750**
Total assets	**206,133**	**210,746**
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(10,236)	(13,761)
Group shareholders' equity	**135,043**	**131,518**
Equity attributable to minority interest	**0**	**3,966**
Total shareholders' equity	**135,043**	**135,484**
Medium-/long-term borrowing	10,482	22,873
Employee benefit obligations	1,718	1,681
Deferred tax liabilities	12,111	12,307
Other non-current liabilities	1,586	2,225
Total non-current liabilities	**25,897**	**39,086**
Trade payables	18,388	18,824
Short-term borrowing	17,253	8,985
Derivative instruments	376	339
Income tax liabilities	1,731	1,214
Other current liabilities	7,229	5,748
Business combination liabilities	216	1,066
Total current liabilities	**45,193**	**36,176**
Total liabilities	**71,090**	**75,262**
Total liabilities and equity	**206,133**	**210,746**

STATEMENT OF CHANGES IN EQUITY

(€'000)	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	Minority interest capital & reserves	Profit (loss) of third parties	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2010	8,879	39	136,400	25,938	(31,203)	(339)	(777)	(1,340)	(6,079)	131,518	3,900	66	3,966	135,484
2010 Result allocation	-	-	-	-	(6,079)	-	-	-	6,079	-	66	(66)	-	-
Profit (loss) as at December 31, 2011	-	-	-	-	-	-	-	-	(7,246)	(7,246)	-	-	-	(7,246)
Comprehensive other profit (loss)														
- Hedge transactions	-	-	-	-	-	(37)	-	-	-	(37)	-	-	-	(37)
- Foreign balance sheets conversion difference	-	-	-	8,576	-		-	-	-	8,576	-	-	-	8,576
- Exchange differences on equity method	-	-	-	-	(18)	-	-	-	-	(18)	-	-	-	(18)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	653	-	-	653	-	-	-	653
Comprehensive result	-	-	-	*8,576*	*(18)*	*(37)*	*653*	-	*(7,246)*	*1,928*	-	-	-	*1,928*
Minority purchase	-	-	-	-	1,597	-	-	-	-	1,597	(3,966)	-	(3,966)	(2,369)
Balance as at September 30, 2011	8,879	39	136,400	34,514	(35,703)	(376)	(124)	(1,340)	(7,246)	135,043	-	-	-	135,043

NET FINANCIAL POSITION

(€'000)		at December 31, 2011	at December 31, 2010
Cash & cash equivalents	A	(13,596)	(23,751)
Cash equivalent	**B=A**	**(13,596)**	**(23,751)**
Short term borrowing allowed to affiliates companies	C	(178)	0
Derivative instruments	D	376	339
Short-term borrowing	E	17,253	8,985
Business aggregation liabilities	F	216	1,066
Short-term financial position	**G=C+D+E+F**	**17,667**	**10,390**
Short-term net financial position	**H=B+G**	**4,071**	**(13,361)**
Medium/long term borrowing allowed to affiliates companies	I	0	(636)
Business aggregation liabilities	J	0	0
Other non current financial assets	K	(226)	(236)
Medium/long term borrowing	L	10,482	22,873
Medium-/long-term net financial position	**M=I+J+K+L**	**10,256**	**22,001**
(NET FINANCIAL POSITION) NET DEBT	**N=H+M**	**14,327**	**8,640**

WORKING CAPITAL

(€'000)	at December 31, 2011 (b)	at December 31, 2010 (a)	Changes (b-a)
Inventories	23,734	21,587	2,147
Contracts in progress	2,356	257	2,099
Trade receivables	26,724	28,962	(2,238)
Receivables from affiliates companies	1,163	9	1,154
Income tax receivables	938	1,879	(941)
Other current assets	2,569	3,305	(736)
Current assets	*57,484*	*55,999*	*1,485*
Trade payables	(18,388)	(18,824)	436
Income tax liabilities	(1,731)	(1,214)	(517)
Other current liabilities	(7,229)	(5,748)	(1,481)
Current liabilities	*(27,348)*	*(25,786)*	*(1,562)*
Net working capital	**30,136**	**30,213**	**(77)**