

## **EUROTECH: THE BOARD OF DIRECTORS APPROVES THE INTERIM MANAGEMENT REPORT AT 31/03/12.**

Amaro (Italy), 14 May 2012

- Consolidated revenues: from EUR 20.72 million to EUR 20.40 million
- Consolidated gross profit: from EUR 10.69 million to EUR 10.55 million
- Consolidated EBITDA: from EUR 178 thousand to EUR 199 thousand
- Consolidated EBIT: from EUR -1.77 million to EUR -1.71 million
- Consolidated pre-tax profit (loss): from EUR -2.11 million to EUR -1.49 million
- Group net profit (loss): from EUR -2.29 million to EUR -1.52 million
- Net financial debt: EUR 18.34 million
- Group shareholders' equity: EUR 123.41 million

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

In the first three months of the year, consolidated revenues totalled EUR 20.40 million versus EUR 20.72 million in the first three months of 2011. The result reflects the course of orders intake in the fourth quarter of 2011 and, in view of the low historic rate in the first quarter on annual revenue, it allows management to continue to look positively at the year underway.

The company continues to carefully monitor the economic trends of the geographic areas in which it is most present: the first months of 2012 have confirmed the scenario described also in the letter to shareholders, where Japan and the United States are showing some positive signs, while Europe is displaying an uncertain situation with poor visibility on future developments.

The company is continuing its efforts to streamline costs: similar to what happened in 2011, all necessary steps are being taken to lower the breakeven point, without sacrificing investments aimed at maintaining and developing the Group's competitive edge.

Gross profit came to 51.8%, a value slightly higher than the data in 2011 and the level of 50% set by Management. This confirms the soundness of the business model implemented with target profitability under control.

Due to the different exchange rate used to convert the financial statements of the foreign companies, the operating costs gross of adjustments remained constant, coming to EUR 11.0 million in the first quarter versus EUR 11.1 million in the first quarter 2011. Considering the amounts in foreign currency from one period to the next, savings due to the actions undertaken in 2011 and which are providing their benefits in 2012 would be visible.

In the early months of 2012, additional actions were taken to make the structure more streamlined and lower the threshold of activation of the operating leverage: the number of employees of the Group experienced a decrease of 25 members at year-end 2011, shrinking from 463 to 438. The effects of these actions will be visible in the form of lower costs largely from the second half of the year and will continue to yield benefits after the current financial year.

Management expects to see a decrease in the operating costs, gross of adjustments, of EUR 2.1 million on an annual basis, compared to the 2011 figures and at equivalent exchange rates. Limiting fixed cost and streamlining the existing resources are a Group priority, which aims to obtain a considerable increase in profitability.

Earnings before interest, taxes, depreciation and amortization amounted to a positive EUR 199 thousand in the first three months of 2011, in line with the EUR 178 thousand in 2011. The proportion of EBITDA on revenue was essentially unchanged, increasing from 0.9% in the three months of 2011 to 1.0% in the same months in 2012.

EBIT in the first quarter 2011 came to EUR -1.71 million, substantially unchanged with respect to the first quarter 2011 value, when it was EUR -1.77 million. The proportion of EBIT on revenue was also steady: -8.4% compared to -8.5% in the first quarter 2011. This performance was impacted by the EBITDA result, as well as depreciation and amortisation posted to the income statement in the first quarter of 2012, arising both from operating assets that became subject to amortisation as at 31 March 2012 and from PPA effects relating to 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 as a result of price allocation was EUR 0.93 million between January and March 2012, compared with EUR 0.86 million in the same period in 2011.

The Group posted a pre-tax loss in the first quarter 2012 of EUR 1.49 million (compared to a loss of EUR 2.11 million in the same period 2011) and was affected by the factors illustrated above as well as by positive financial management due to the differentials on exchange rates. The effects of price allocation on the pre-tax result amounted to EUR 0.93 million in the first quarter 2012, compared with EUR 0.86 million in the same period in 2011.

In terms of the consolidated result after taxes, the loss decreased from a loss of EUR 2.29 million in the first quarter 2011 to EUR 1.52 million in 2012. The dynamic reflects the result before taxes as described above.

As at 31 March 2012, the Group featured net financial debt of EUR 18.34 million vs. EUR 14.33 million at 2011 year-end due largely to two factors: the exchange rate effect during currency conversion of cash and cash equivalents at the American and Japanese companies for EUR 1.79 million and use of cash to support company management for EUR 1.54 million.

*We advise the public that, as required by the CONSOB (Italian securities & exchange commission), the Consolidated Interim Management Report at 31 March 2012 is available to anyone who requests it at the Company's registered office as well as the headquarters of Borsa Italiana S.p.A. The Report is also available on Eurotech's website, [www.eurotech.com](http://www.eurotech.com)*

*Pursuant to Article 1542-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 elevated computing capacity (HPCs – High-Performance Computers). With these two product categories, Eurotech aims to become a leader in the implementation of the pervasive computing scenario, which, leveraging on the Cloud IT infrastructure, is capable of enabling an entire range of businesses and value-added services in the transport, defence, industrial, medical and scientific-research sectors.

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**ANNEXES – FINANCIAL STATEMENTS**
**CONSOLIDATED INCOME STATEMENT**

CONSOLIDATED INCOME STATEMENT						
(€ '000)	3 months 2012 (b)	%	3 months 2011 (a)	%	change (b-a)	
					amount	%
Sales revenue	20,394	100.0%	20,718	100.0%	(324)	-1.6%
Cost of material	(9,840)	-48.2%	(10,026)	-48.4%	(186)	1.9%
<b>Gross profit</b>	<b>10,554</b>	<b>51.8%</b>	<b>10,692</b>	<b>51.6%</b>	<b>(138)</b>	<b>-1.3%</b>
Services costs	(3,737)	-18.3%	(3,903)	-18.8%	(166)	-4.3%
Lease & hire costs	(568)	-2.8%	(599)	-2.9%	(31)	5.2%
Payroll costs	(6,500)	-31.9%	(6,270)	-30.3%	230	3.7%
Other provisions and costs	(246)	-1.2%	(342)	-1.7%	(96)	28.1%
Other revenues	696	3.4%	600	2.9%	96	16.0%
<b>EBITDA</b>	<b>199</b>	<b>1.0%</b>	<b>178</b>	<b>0.9%</b>	<b>21</b>	<b>11.8%</b>
Depreciation & Amortization	(1,905)	-9.3%	(1,944)	-9.4%	(39)	-2.0%
Asset impairment	0	0.0%	0	0.0%	0	n/a
<b>EBIT</b>	<b>(1,706)</b>	<b>-8.4%</b>	<b>(1,766)</b>	<b>-8.5%</b>	<b>60</b>	<b>3.4%</b>
Share of associates' profit at equity	9	0.0%	0	0.0%	(9)	n/a
Finance expense	(1,138)	-5.6%	(959)	-4.6%	179	-18.7%
Finance income	1,347	6.6%	619	3.0%	728	117.6%
<b>Profit before tax</b>	<b>(1,488)</b>	<b>-7.3%</b>	<b>(2,106)</b>	<b>-10.2%</b>	<b>618</b>	<b>29.3%</b>
Income tax	(36)	-0.2%	(220)	-1.1%	(184)	-83.6%
<b>Net profit before minority interest</b>	<b>(1,524)</b>	<b>-7.5%</b>	<b>(2,326)</b>	<b>-11.2%</b>	<b>802</b>	<b>34.5%</b>
<b>Minority interest</b>	<b>0</b>	<b>0.0%</b>	<b>(34)</b>	<b>-0.2%</b>	<b>34</b>	<b>100.0%</b>
<b>Group net profit (loss)</b>	<b>(1,524)</b>	<b>-7.5%</b>	<b>(2,292)</b>	<b>-11.1%</b>	<b>768</b>	<b>33.5%</b>
<b>Base earnings per share</b>	<b>(0.043)</b>		<b>(0.065)</b>			
<b>Diluted earnings per share</b>	<b>(0.043)</b>		<b>(0.065)</b>			

**CONSOLIDATED BALANCE SHEET & STATEMENT OF FINANCIAL POSITION**

(€'000)	at March 31,	at December 31,
	2012	2011
<b>ASSETS</b>		
Intangible assets	118,165	125,922
Property, Plant and equipment	5,299	5,897
Investments in affiliate companies	269	278
Investments in other companies	264	270
Deferred tax assets	1,574	1,439
Other non current financial assets	186	226
Other non-current assets	781	843
<b>Total non-current assets</b>	<b>126,538</b>	<b>134,875</b>
Inventories	22,249	23,734
Contracts in progress	1,374	2,356
Trade receivables	23,556	26,724
Income tax receivables	501	938
Other current assets	2,860	2,569
Receivables from affiliates companies	71	1,163
Short term borrow ing allow ed to affiliates companies and other Group companies	81	178
Cash & cash equivalents	10,248	13,596
<b>Total current assets</b>	<b>60,940</b>	<b>71,258</b>
<b>Total assets</b>	<b>187,478</b>	<b>206,133</b>
<b>LIABILITIES AND EQUITY</b>		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(21,865)	(10,236)
<b>Group shareholders' equity</b>	<b>123,414</b>	<b>135,043</b>
<b>Equity attributable to minority interest</b>	<b>0</b>	<b>0</b>
<b>Total shareholders' equity</b>	<b>123,414</b>	<b>135,043</b>
Medium-/long-term borrow ing	10,430	10,482
Employee benefit obligations	1,624	1,718
Deferred tax liabilities	11,342	12,111
Other non-current liabilities	1,576	1,586
<b>Total non-current liabilities</b>	<b>24,972</b>	<b>25,897</b>
Trade payables	13,327	18,388
Short-term borrow ing	17,808	17,253
Derivative instruments	405	376
Income tax liabilities	959	1,731
Other current liabilities	6,383	7,229
Business combination liabilities	210	216
<b>Total current liabilities</b>	<b>39,092</b>	<b>45,193</b>
<b>Total liabilities</b>	<b>64,064</b>	<b>71,090</b>
<b>Total liabilities and equity</b>	<b>187,478</b>	<b>206,133</b>

### 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	Equity attributable to Minority interest	Total shareholders' equity
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 Marzo 31, 2012	-	-	-	-	-	-	-	-	( 1,524)	( 1,524)	-	( 1,524)
<i>Comprehensive other profit (loss)</i>												
- Hedge transactions	-	-	-	-	-	( 29)	-	-	-	( 29)	-	( 29)
- Foreign balance sheets conversion difference	-	-	-	( 9,432)	-	-	-	-	-	( 9,432)	-	( 9,432)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	( 644)	-	-	( 644)	-	( 644)
Comprehensive result	-	-	-	( 9,432)	-	( 29)	( 644)	-	( 1,524)	( 11,629)	-	( 11,629)
Balance as at March 31, 2012	8,879	39	136,400	25,082	( 42,949)	( 405)	( 768)	( 1,340)	( 1,524)	123,414	-	123,414

### ABRIDGED CASH FLOW STATEMENT

(€'000)	at March 31, 2012	at December 31, 2011	at March 31, 2011
Cash flow generated (used) in operations	(1,544)	1,063	(2,504)
Cash flow generated (used) in investment activities	(515)	(8,420)	(2,073)
Cash flow generated (used) in financial activities	503	(4,123)	(2,221)
Change in the conversion difference	(1,792)	1,325	(1,424)
Increase (decrease) in cash & cash equivalents	(3,348)	(10,155)	(8,222)
Opening amount in cash & cash equivalents	13,596	23,751	23,751
End of period in cash & cash equivalents	10,248	13,596	15,529

### NET FINANCIAL POSITION

(€'000)		at March 31, 2012	at December 31, 2011	at March 31, 2011
Cash & cash equivalents	A	(10,248)	(13,596)	(15,529)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(10,248)</b>	<b>(13,596)</b>	<b>(15,529)</b>
Other current financial assets	C	(81)	(178)	0
Derivative instruments	D	405	376	253
Short-term borrow ing	E	17,808	17,253	7,574
Business aggregation liabilities	F	210	216	0
<b>Short-term financial position</b>	<b>G=C+D+E+F</b>	<b>18,342</b>	<b>17,667</b>	<b>7,827</b>
<b>Short-term net financial position</b>	<b>H=B+G</b>	<b>8,094</b>	<b>4,071</b>	<b>(7,702)</b>
Medium/long term borrow ing allow ed to affiliates companies	I	0	0	(940)
Business aggregation liabilities	J	0	0	0
Other non current financial assets	K	(186)	(226)	(236)
Medium/long term borrow ing	L	10,430	10,482	22,063
<b>Medium-/long-term net financial position</b>	<b>M=I+J+K+L</b>	<b>10,244</b>	<b>10,256</b>	<b>20,887</b>
<b>(NET FINANCIAL POSITION) NET DEBT</b>	<b>N=H+M</b>	<b>18,338</b>	<b>14,327</b>	<b>13,185</b>

### NET WORKING CAPITAL

(€'000)	at March 31, 2012 (b)	at December 31, 2011 (a)	at March 31, 2011	Changes (b-a)
Inventories	22,249	23,734	23,714	(1,485)
Contracts in progress	1,374	2,356	2,733	(982)
Trade receivables	23,556	26,724	22,400	(3,168)
Receivables from affiliates companies	71	1,163	0	(1,092)
Income tax receivables	501	938	2,492	(437)
Other current assets	2,860	2,569	2,759	291
<i>Current assets</i>	<i>50,611</i>	<i>57,484</i>	<i>54,098</i>	<i>(6,873)</i>
Trade payables	(13,327)	(18,388)	(16,912)	5,061
Income tax liabilities	(959)	(1,731)	(462)	772
Other current liabilities	(6,383)	(7,229)	(5,372)	846
<i>Current liabilities</i>	<i>(20,669)</i>	<i>(27,348)</i>	<i>(22,746)</i>	<i>6,679</i>
<b>Net working capital</b>	<b>29,942</b>	<b>30,136</b>	<b>31,352</b>	<b>(194)</b>