

EUROTECH: THE BOARD OF DIRECTORS APPROVES THE CONSOLIDATED INTERIM MANAGEMENT STATEMENT AT 31 MARCH 2013

Amaro (Italy), 13 May 2013

- Consolidated revenues: from EUR 20.40 million to EUR 14.59 million
- Consolidated gross profit: from EUR 10.55 million to EUR 8.15 million
- Consolidated EBITDA: from EUR 199 thousand to EUR -920 thousand
- Consolidated EBIT: from EUR -1.71 million to EUR -2.59 million
- Consolidated pre-tax loss: from EUR -1.49 million to EUR -1.69 million
- Group net profit (loss): from EUR -1.52 million to EUR -1.73 million
- Net debt: EUR 14.24 million
- Group shareholders' equity: EUR 114.25 million

The Board of Directors of Eurotech S.p.A. today reviewed and approved the results for the first quarter of 2013.

The quarter just ended was characterised, on the one hand, by lower revenues earned compared with past performance and, on the other hand, by a further advance in the reduction of operating costs. While the breakeven result that management expects has not emerged in these first three months due to revenue trends, the annualised objectives still hold true, in view of both the efforts made on reducing operating costs and the order book and contracts in force for the subsequent quarters and particularly for the second half of the year.

In Q1 2013, Group revenues came to EUR 14.59 million compared to EUR 20.40 in the first three months of 2012. Revenues were heavily influenced by the demands of customers in the Americas and Japan for specific scheduling of the deliveries in the second half of the year, which was more prevalent this year than in the past.

After analysing the situation in the individual geographic areas, we can state that the United States market confirmed the generally positive trends reported in 2012. In the Americas, revenue trends in the first quarter were affected by the business development strategy with larger customers and through larger contracts pursued in the recent years, a strategy which began to show results on the order intake since the second half of last year. Increases in revenues from larger customers with significant orders are essential to the growth of medium- to long-term revenues, but in the short term it implies less uniformity in the annual revenue distribution; this matter is macroscopic this year because the process of increasing the average size of the

orders is still in development. Another temporary effect related to the transition toward larger contracts is the lengthening of the lead time, namely, the time required for orders to become deliveries. This occurrence is pushing back deliveries to the second half of the year.

Looking at the Japanese market, the prospects for the financial year 2013 predict a weaker Yen versus other world currencies and this should, in the medium term, bolster the business of our customers in that area, which rely heavily on exports as well as on their domestic market. However, in the short term, the earliest visible effect of a weaker Yen will be a lower value in Euro of the region's revenues. This first quarter has been impacted by the temporary decrease in revenues earned from a major local customer which has resulted in the expected turnover in the quarter (in line with turnover earned in the first three months of 2012) shifting into the subsequent quarters.

Finally, Europe is displaying significant uncertainty, allowing us little ability to predict the future evolution due to the overall turmoil in the Euro zone member states. The persistence of this uncertainty, coupled with the HPC business line not generating revenues compared to the first quarter 2012, has had a negative effect on the economic and financial results of the Group in this area.

The order intake is developing in line with our expectations. This also allows us to continue to view the 2013 financial year with confidence, regardless of the result of the first quarter, which historically has not been representative of the overall performance on twelve months and has a low incidence on the results of the entire year.

One unquestionably positive result of the first quarter is the higher than expected gross profit, due to the increased sales of products and services with high value-added compared to what is traditionally achieved.

Gross profit for the first quarter 2013 was EUR 8.15 million, accounting for 55.9% of revenue (versus 51.8% in the first quarter 2012 and 52.3% at year-end 2012).

As we have already noted, periodic variations to the gross profit are due to a different mix of products sold and the different contribution to revenue by the geographic areas in which Eurotech operates. These changes are less evident when viewed from an annual time span, over which gross profit margin has been firmly maintained at more than 50%, a level that management continues to keep as reference.

The consistent and steady curbing of operating costs - achieved without sacrificing investments to support Group competitiveness - has made it possible to partially offset the lower revenue earned in the first quarter hence limiting the effects on EBITDA. Gross of adjustments made in the three months in question, operating costs have decreased by EUR 1.4 million, falling from EUR 11.0 million in the first quarter 2012 to EUR 9.6 million in the first quarter 2013.

As in the previous quarters, these changes were largely due to actions undertaken by management to make the Group structure more efficient and to lower the activation threshold for operating leverage. Additional benefits will emerge this year, resulting from the most recent actions taken at year-end 2012 and throughout the current year. Cost trends have also benefited from the exchange rate used to convert the financial statements of foreign subsidiaries.

In the first three months of 2013, EBITDA amounted to EUR -920 thousand, down from EUR 199 thousand in 2012.

EBIT in the first quarter 2012 was equal to EUR -2.59 million: the decrease of EUR 880 thousand against the same quarter in 2012 reflects the lower revenue generated, which was only partly compensated by a decrease in operating costs and amortisation. This performance was influenced by the EBITDA result, as well as depreciation and amortisation posted to the income statement in the first quarter of 2013, arising both from operating assets that became subject to depreciation at 31 March 2013 and from PPA effects relating to the acquisitions of Eurotech Inc. (formerly Applied Data Systems Inc.), Dynatem Inc. and Advanet Inc. The effect on EBIT of the higher values attributed as a result of PPA was EUR 830 thousand in the first three months of 2013, compared with EUR 930 thousand in the same three months in 2012.

The Group posted a pre-tax loss in Q1 2013 of EUR -1.69 million, compared with a loss of EUR -1.49 million in Q1 2012, and was affected by the factors set out above as well as by the positive contribution from financial operations as a consequence of currency exchange differentials. The effects on the pre-tax result arising from PPA amounted to EUR 830 thousand in the first three months of 2013 (EUR 930 thousand in the first three months of 2012).

The Group results amounted to EUR -1.73 million for the quarter (EUR -1.52 million at 31 December 2012) and reflect the dynamics of the result before taxes described above.

At 31 March 2013, Group net financial debt was EUR 14.24 million, compared with EUR 11.45 million at year-end 2012, owing primarily to the use of funds to sustain working capital and manage the business.

We advise the public that, as required by the CONSOB (Italian securities & exchange commission), the Consolidated Interim Management Statement at 31 March 2013 is available to anyone who requests it at the Company's registered headquarters. The report is also available on Eurotech's website at the address www.eurotech.com

Pursuant to article 154-bis, paragraph 2, of the Italian Consolidated Finance Act, the Financial Reporting Manager of Eurotech S.p.A., 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 pervasive computing, which leverages Cloud IT infrastructure to enable an entire range of value-added services and functions in the transport, logistics, defence, security, industrial and medical sectors. For more information on Eurotech, visit the website www.eurotech.com.

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ANNEXES – FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT					change (b-a)	
(€ '000)	1Q 2013 (b)	%	1Q 2012 (a)	%	amount	%
Sales revenue	14.585	100,0%	20.394	100,0%	(5.809)	-28,5%
Cost of material	(6.439)	-44,1%	(9.840)	-48,2%	(3.401)	34,6%
Gross profit	8.146	55,9%	10.554	51,8%	(2.408)	-22,8%
Services costs	(3.344)	-22,9%	(3.737)	-18,3%	(393)	-10,5%
Lease & hire costs	(461)	-3,2%	(568)	-2,8%	(107)	18,8%
Payroll costs	(5.591)	-38,3%	(6.500)	-31,9%	(909)	14,0%
Other provisions and costs	(172)	-1,2%	(246)	-1,2%	(74)	30,1%
Other revenues	502	3,4%	696	3,4%	(194)	-27,9%
EBITDA	(920)	-6,3%	199	1,0%	(1.119)	n.s.
Depreciation & Amortization	(1.670)	-11,5%	(1.905)	-9,3%	(235)	-12,3%
EBIT	(2.590)	-17,8%	(1.706)	-8,4%	(884)	51,8%
Share of associates' profit at equity	0	0,0%	9	0,0%	9	100,0%
Finance expense	(1.102)	-7,6%	(1.138)	-5,6%	(36)	-3,2%
Finance income	1.997	13,7%	1.347	6,6%	650	48,3%
Profit before tax	(1.695)	-11,6%	(1.488)	-7,3%	(207)	13,9%
Income tax	(34)	-0,2%	(36)	-0,2%	(2)	-5,6%
Net profit before minority interest	(1.729)	-11,9%	(1.524)	-7,5%	(205)	13,5%
Minority interest	0	0,0%	0	0,0%	0	n/a
Group net profit (loss)	(1.729)	-11,9%	(1.524)	-7,5%	(205)	13,5%
Base earnings per share	(0,049)		(0,043)			
Diluted earnings per share	(0,049)		(0,043)			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	at March 31, 2013	at December 31, 2012
ASSETS		
Intangible assets	108.512	112.853
Property, Plant and equipment	4.391	4.756
Investments in affiliate companies	293	275
Investments in other companies	262	257
Deferred tax assets	918	1.083
Other non-current assets	629	672
Total non-current assets	115.005	119.896
Inventories	19.477	18.282
Contracts in progress	0	850
Trade receivables	20.222	26.641
Income tax receivables	173	362
Other current assets	2.700	2.170
Other current financial assets	101	144
Cash & cash equivalents	9.258	12.116
Total current assets	51.931	60.565
Total assets	166.936	180.461
LIABILITIES AND EQUITY		
Share capital	8.879	8.879
Share premium reserve	136.400	136.400
Other reserves	(31.034)	(25.107)
Group shareholders' equity	114.245	120.172
Equity attributable to minority interest	0	0
Total shareholders' equity	114.245	120.172
Medium-/long-term borrowing	10.268	10.327
Employee benefit obligations	1.634	1.676
Deferred tax liabilities	8.704	9.486
Other non-current liabilities	893	846
Total non-current liabilities	21.499	22.335
Trade payables	11.118	15.084
Short-term borrowing	12.996	13.036
Derivative instruments	335	344
Income tax liabilities	485	2.103
Other current liabilities	6.258	7.387
Total current liabilities	31.192	37.954
Total liabilities	52.691	60.289
Total liabilities and equity	166.936	180.461

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, 2012	8.879	39	136.400	22.793	(42.949)	(344)	(523)	(1.340)	(2.783)	120.172	-	120.172
2012 Result allocation	-	-	-	-	(2.783)	-	-	-	2.783	-	-	-
Profit (loss) as at March 31, 2013	-	-	-	-	-	-	-	-	(1.729)	(1.729)	-	(1.729)
<i>Comprehensive other profit (loss)</i>												
- Hedge transactions	-	-	-	-	-	9	-	-	-	9	-	9
- Foreign balance sheets conversion difference	-	-	-	(4.822)	-	-	-	-	-	(4.822)	-	(4.822)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	615	-	-	615	-	615
Comprehensive result	-	-	-	(4.822)	-	9	615	-	(1.729)	(5.927)	-	(5.927)
Balance as at March 31, 2013	8.879	39	136.400	17.971	(45.732)	(335)	92	(1.340)	(1.729)	114.245	-	114.245

STATEMENT OF CASH FLOW

(€'000)	at March 31, 2013	at December 31, 2012	at March 31, 2012
Cash flow generated (used) in operations	(1.685)	7.432	(1.544)
Cash flow generated (used) in investment activities	(538)	(2.466)	(515)
Cash flow generated (absorbed) by financial assets	(56)	(4.516)	503
Net foreign exchange difference	(579)	(1.930)	(1.792)
Increases (decreases) in cash & cash equivalents	(2.858)	(1.480)	(3.348)
Opening amount in cash & cash equivalents	12.116	13.596	13.596
Cash & cash equivalents at end of period	9.258	12.116	10.248

NET FINANCIAL POSITION

(€'000)		at March 31, 2013	at December 31, 2012	at March 31, 2012
Cash & cash equivalents	A	(9.258)	(12.116)	(10.248)
Cash equivalent	B=A	(9.258)	(12.116)	(10.248)
Short term borrow ing allow ed to affiliates companies	C	0	0	(81)
Other current financial assets	D	(101)	(144)	0
Derivative instruments	E	335	344	405
Short-term borrow ing	F	12.996	13.036	17.808
Business aggregation liabilities	G	0	0	210
Short-term financial position	H=C+D+E+F+G	13.230	13.236	18.342
Short-term net financial position	I=B+H	3.972	1.120	8.094
Other non current financial assets	K	0	0	(186)
Medium/long term borrow ing	L	10.268	10.327	10.430
Medium-/long-term net financial position	M=J+K+L	10.268	10.327	10.244
(NET FINANCIAL POSITION) NET DEBT	N=I+M	14.240	11.447	18.338

WORKING CAPITAL

(€'000)	at March 31, 2013 (b)	at December 31, 2012 (a)	at March 31, 2012	Changes (b-a)
Inventories	19.477	18.282	22.249	1.195
Contracts in progress	0	850	1.374	(850)
Trade receivables	20.222	26.641	23.556	(6.419)
Receivables from affiliates companies	0	0	71	0
Income tax receivables	173	362	501	(189)
Other current assets	2.700	2.170	2.860	530
Current assets	42.572	48.305	50.611	(5.733)
Trade payables	(11.118)	(15.084)	(13.327)	3.966
Income tax liabilities	(485)	(2.103)	(959)	1.618
Other current liabilities	(6.258)	(7.387)	(6.383)	1.129
Current liabilities	(17.861)	(24.574)	(20.669)	6.713
Net working capital	24.711	23.731	29.942	980