

## EUROTECH: THE BOARD OF DIRECTORS APPROVES THE CONSOLIDATED INTERIM MANAGEMENT STATEMENT AT 31 MARCH 2014. ROBERTO SIAGRI CONFIRMED AS GROUP CEO

*As a result of the sale of the US subsidiary Parvus Corp. that took place on 1 October 2013, the economic results at 31 March 2013 were classified in compliance with the provisions of IFRS5 in the item "Net profit/(loss) of operating activities discontinued and held for sale".*

*In the aftermath of this sale, all operations falling within the new basis of consolidation of the Eurotech Group as of 1 October 2013 will be considered "continuing operations".*

Amaro (Italy), 14 May 2014

- Consolidated revenues: from €11.33 million to €14.21 million
- Consolidated gross margin: from €6.00 million to €7.37 million
- Consolidated EBITDA: from €-1.64 million to €-749 thousand
- Consolidated EBIT: from €-3.19 million to €-2.03 million
- Consolidated pre-tax loss: from €-2.30 million to €-2.06 million
- Group net result: from €-1.73 million to €-2.40 million
- Net financial position: net cash of €8.83 million
- Group equity: €106.01 million

Today the Board of Directors of Eurotech S.p.A. examined and approved the results of the first quarter of 2014.

The quarter just ended was characterised by two main elements: increased turnover compared to last year and a number of investments in the various company areas that increased operating costs in absolute value. Owing to the increased turnover, its percentage of operating costs still remains below what was recorded in previous years. Along with developing business, controlling costs is still one of the major goals in order to be able to get a breakeven result as soon as possible.

The aim of the investments being made on the structure and on personnel is to strengthen the Group's ability to present the new offer of M2M platforms, security and surveillance solutions, and green HPC on the market. The aim of these investments is to generate visible results in the form of new orders during the upcoming quarters.

Group revenues in the first three months of the year were €14.21 million compared to €11.33 million in the first quarter of 2013. Turnover was affected by the increase in revenues coming from American customers and above all Japanese customers, which last year had not developed the expected volumes, thus making the quarter weak. The trend of the first quarter historically is not very meaningful since it is the weakest of the year, nonetheless management considers the dual-digit percentage growth as a good start.

In analysing the situation of the single geographic areas, a 6.0% increase is noted in North America, due to the prospects that are being fulfilled in that area where orders should generate higher revenues particularly in the second half of the year. Above all in this area the policy of developing sales to larger key customers with significant orders is essential for medium/long term growth in sales, but in the short term led to an unequal distribution of sales over the course of the quarters.

The European business area reported an increase from €4.09 million of 1Q 2013 to €4.74 million of the 1Q2014 (+15.8%). This increase is mainly due to the conversion of new orders of last year in the British area into revenues.

The Asian business area, and in particular the Japanese market, showed a significant increase of 49.3%. This increase would be even greater if calculated at constant exchange rates (1Q2014 recorded a 15.6% depreciation of the Yen-Euro exchange rate compared to 1Q2013) and takes the level of revenues back to the best historical levels after a momentary drop in sales to a key local customer in the first quarter of 2013 led to sales being postponed to subsequent quarters.

One definitely positive indicator for the quarter is gross margin. It stayed at target levels set by management even without the contribution of Parvus, which historically contributed significantly to the group's margin. This element provides a positive outlook on performance in 2014.

The gross margin of 1Q14 was €7.37 million or 51.9% as a percentage of revenues (compared to 52.9% as a percentage of revenues in 1Q13 and 49.6% at the end of 2013).

As we have noted on other occasions, also this quarter the periodic change in the gross margin was due to the different mix of products sold and the different contribution to sales of the geographic areas in which Eurotech operates. In general these changes are less evident when seen on a yearly basis, where margins have continued to be maintained at 50%, a level which management continues to identify as a benchmark.

An analysis of operating costs shows that the first portion of investments the Group has scheduled for the year in progress has been set in motion. In the quarter in question operating costs gross of adjustments increased by €219 thousand from € 8.21 million in 1Q13 to €8.43 million in 1Q14. Planned investments will go toward strengthening of the marketing and sales structure and continuous support to the research and development activities of the strategic areas.

In the first quarter, EBITDA amounted to €-749 thousand compared to €-1,643 thousand of 2013.

EBIT in 1Q14 was €-2.03 million: the loss reduction of €1.16 million by comparison with the 2013 quarter reflects the higher revenues generated, which more than offset the slight increase in operating costs. This performance is tied to the EBITDA result. It was also affected by depreciation and amortisation in the income statement in the first quarter of 2014, arising both from operating assets that became subject to depreciation at 31 March 2014 and from PPA effects relating to the acquisitions of Dynatem Inc. and Advanet Inc. The effect on EBIT of the higher values attributed as a result of PPA was €0.59 million in Q1 2014, compared with €0.83 million in Q1 2013.

In the quarter in question the pre-tax loss was €2.06 million (1Q13 had a loss of €2.30). It was affected not only by the observations regarding EBIT made above, but also by a more negative performance of net financial result owing to the different performance of exchange rates. PPA effects on the pre-tax result amounted to €0.59 million in Q1 2014, compared with €0.83 million in Q1 2013.

The Group net result was €-2.40 million for the quarter (€-1.73 million in 1Q2013) and it reflects the dynamics of the pre-tax result just described.

The Group shows a net cash position of €8.83 million at 31 March 2014.

Appointment of the CEO and the Vice Chairman and resolutions relating to corporate governance

The Board of Directors today has appointed Chairman, Roberto Siagri, Chief Executive Officer and Giampietro Tecchiolli Vice Chairman granting them due powers.

In addition the Directors adopted resolutions on corporate governance.

In particular, the Board noted the declarations by Giulio Antonello, Paola Bonomo, Riccardo Costacurta and Chiara Mio and taking into account the information at its disposal, established the requisites of independence pursuant to art. 148 paragraph 3, of Legislative Decree no. 58/1998, as referred to in art. 147-ter, paragraph 4 of Legislative Decree no. 58/1998 and art. 3 of the Corporate Governance Code promoted by Borsa Italiana S.p.A..

The Board also took note of the statements made by Statutory Auditors Claudio Siciliotti, Michela Cignolini and Giuseppe Pingaro and, taking into account the information at its disposal, found, to the

extent possible, Statutory Auditors to be in possession of the requirements of independence established in art. 148 paragraph 3, of Legislative Decree no. 58/1998 and art 3 of Borsa Italiana S.p.A.'s code of Conduct. In this regard, it is noted that the Board of Directors, with reference to Claudio Siciliotti, Chairman of Statutory Auditors, determined the non-application of criteria 3.C.1 point e) of the Code of Conduct. Namely, the criterion states that a person cannot be considered independent if they have held office within the company for 9 of the last 12 years – **considering the company's interest to employ the professionalism of said individual giving preference, therefore, to the substantial value of the curricula in choosing the members of this control body, whose composition is in any case subject to verification of competence of the Statutory Auditors Board itself.**

The Control and Risks Committee, with Chiara Mio (acting as Chairman), Paola Bonomo and Riccardo Costacurta, the Remuneration Committee with Chiara Mio (acting as Chairman), Paola Bonomo and Riccardo Costacurta and the Appointments Committee with Roberto Siagri, Paola Bonomo and Chiara Mio were all established within the Board of Directors.

Chiara Mio, independent director, was elected "Lead independent **director**".

Last, the Board appointed the Committee for Related Party Transactions, with Riccardo Costacurta (acting as Chairman), Chiara Mio and Giulio Antonello as its members.

Mr. Sandro Barazza was confirmed as Financial Reporting Manager, responsible for the preparation of corporate accounting documents.

*It is reported that in compliance with instructions of the Commissione Nazionale per le Società e la Borsa (CONSOB), the Consolidated Interim Management Statement at 31 March 2014 is available to anyone who requests it at the registered offices. The Report is also available online at Eurotech's website [www.eurotech.com](http://www.eurotech.com)*

*Pursuant to Article 154 bis, paragraph 2 of the Consolidated Finance Act (TUF), the Financial Reporting Manager of Eurotech S.p.A., Sandro Barazza, states that the accounting information contained herein corresponds to the accounting entries of the company.*

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

#### THE EUROTECH GROUP

Eurotech (ETH.MI) is a global company based in Italy and with locations in Europe, North America and Asia. The Eurotech Group develops and markets miniaturised computers for special uses (NanoPCs) and supercomputers with high-performance computing capability (HPC - High Performance Computers). With these two product categories, Eurotech aims at becoming leader in implementation of the pervasive computing scenario that, by leveraging on the Cloud IT infrastructure, is able to enable an entire range of value-added activities and services in the transport, logistics, defence, security, industrial and medical sectors. More information about Eurotech is available at [www.eurotech.com](http://www.eurotech.com).

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## ANNEXES - FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT						
(€ '000)	1Q 2014 (b)		1Q 2013 (a)		change (b-a)	
		%		%	amount	%
Sales revenue	14,209	100.0%	11,335	100.0%	2,874	25.4%
Cost of material	(6,841)	-48.1%	(5,336)	-47.1%	(1,505)	-28.2%
<b>Gross profit</b>	<b>7,368</b>	<b>51.9%</b>	<b>5,999</b>	<b>52.9%</b>	<b>1,369</b>	<b>22.8%</b>
Services costs	(3,191)	-22.5%	(2,924)	-25.8%	(267)	-9.1%
Lease & hire costs	(412)	-2.9%	(433)	-3.8%	21	4.8%
Payroll costs	(4,612)	-32.5%	(4,708)	-41.5%	96	2.0%
Other provisions and costs	(213)	-1.5%	(144)	-1.3%	(69)	-47.9%
Other revenues	311	2.2%	567	5.0%	(256)	-45.1%
<b>EBITDA</b>	<b>(749)</b>	<b>-5.3%</b>	<b>(1,643)</b>	<b>-14.5%</b>	<b>894</b>	<b>54.4%</b>
Depreciation & Amortization	(1,277)	-9.0%	(1,547)	-13.6%	270	17.5%
<b>EBIT</b>	<b>(2,026)</b>	<b>-14.3%</b>	<b>(3,190)</b>	<b>-28.1%</b>	<b>1,164</b>	<b>36.5%</b>
Share of associates' profit at equity	0	0.0%	0	0.0%	0	n/a
Finance expense	(345)	-2.4%	(1,108)	-9.8%	763	68.9%
Finance income	308	2.2%	1,997	17.6%	(1,689)	-84.6%
<b>Profit before tax</b>	<b>(2,063)</b>	<b>-14.5%</b>	<b>(2,301)</b>	<b>-20.3%</b>	<b>238</b>	<b>10.3%</b>
Income tax	(334)	-2.4%	203	1.8%	(537)	-264.5%
<b>Net profit before minority interest</b>	<b>(2,397)</b>	<b>-16.9%</b>	<b>(2,098)</b>	<b>-18.5%</b>	<b>(299)</b>	<b>-14.3%</b>
<b>Minority interest</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>n/a</b>
<b>Profit (Losses) from discontinued operations</b>	<b>0</b>	<b>0.0%</b>	<b>369</b>	<b>3.3%</b>	<b>(369)</b>	<b>-100.0%</b>
<b>Group net profit (loss)</b>	<b>(2,397)</b>	<b>-16.9%</b>	<b>(1,729)</b>	<b>-15.3%</b>	<b>(668)</b>	<b>38.6%</b>
<b>Base earnings per share</b>	<b>(0.070)</b>		<b>(0.049)</b>			
<b>Diluted earnings per share</b>	<b>(0.070)</b>		<b>(0.049)</b>			

## CONSOLIDATED BALANCE SHEET

(€'000)	at March 31, 2014	at December 31, 2013
<b>ASSETS</b>		
Intangible assets	83,405	83,233
Property, Plant and equipment	3,578	3,518
Investments in affiliate companies	607	607
Investments in other companies	248	248
Deferred tax assets	1,434	1,397
Other non current financial assets	2,176	2,342
Other non-current assets	543	535
<b>Total non-current assets</b>	<b>91,991</b>	<b>91,880</b>
Inventories	14,004	14,156
Trade receivables	17,768	18,673
Income tax receivables	146	268
Other current assets	2,877	2,404
Other current financial assets	101	101
Cash & cash equivalents	20,457	27,995
<b>Total current assets</b>	<b>55,353</b>	<b>63,597</b>
<b>Total assets</b>	<b>147,344</b>	<b>155,477</b>
<b>LIABILITIES AND EQUITY</b>		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(39,267)	(37,180)
<b>Group shareholders' equity</b>	<b>106,012</b>	<b>108,099</b>
<b>Equity attributable to minority interest</b>	<b>0</b>	<b>0</b>
<b>Total shareholders' equity</b>	<b>106,012</b>	<b>108,099</b>
Medium-/long-term borrow ing	2,707	2,729
Employee benefit obligations	1,741	1,699
Deferred tax liabilities	5,884	6,023
Other non current financial liabilities	40	118
Other non-current liabilities	768	884
<b>Total non-current liabilities</b>	<b>11,140</b>	<b>11,453</b>
Trade payables	11,873	14,677
Short-term borrow ing	10,995	12,319
Derivative instruments	160	159
Income tax liabilities	1,059	1,657
Other current liabilities	6,105	7,113
<b>Total current liabilities</b>	<b>30,192</b>	<b>35,925</b>
<b>Total liabilities</b>	<b>41,332</b>	<b>47,378</b>
<b>Total liabilities and equity</b>	<b>147,344</b>	<b>155,477</b>

## STATEMENT OF CHANGES IN 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, 2013	8,879	39	136,400	4,196	(45,711)	(159)	(254)	(1,399)	(2,132)	8,240	108,099	-	108,099
2013 Result allocation	-	998	-	-	7,242	-	-	-	-	(8,240)	-	-	-
Profit (loss) as at March 31, 2014	-	-	-	-	-	-	-	-	-	(2,397)	(2,397)	-	(2,397)
(loss)													
- Hedge transactions	-	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
- Foreign balance sheets conversion difference	-	-	-	1,012	-	-	-	-	-	-	1,012	-	1,012
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	4	-	-	4	-	4
Comprehensive result	-	-	-	1,012	-	(1)	-	4	-	(2,397)	(1,382)	-	(1,382)
- Other changes and transfers	-	-	-	-	-	-	-	-	(705)	-	(705)	-	(705)
Balance as at March 31, 2014	8,879	1,037	136,400	5,208	(38,469)	(160)	(254)	(1,395)	(2,837)	(2,397)	106,012	-	106,012

## CONCISE CASH FLOW STATEMENT

(€'000)	at March 31, 2014	at December 31, 2013	at March 31, 2013
Cash flow generated (used) in operations	(5,096)	6,206	(1,685)
Cash flow generated (used) in investment activities	(1,180)	23,349	(538)
Cash flow generated (absorbed) by financial assets	(1,346)	(8,315)	(56)
Net foreign exchange difference	84	(2,947)	(579)
Increases (decreases) in cash & cash equivalents	(7,538)	18,293	(2,858)
Opening amount in cash & cash equivalents	27,995	9,702	12,116
Cash & cash equivalents at end of period	20,457	27,995	9,258



NET FINANCIAL POSITION

(€'000)		at March 31, 2014	at December 31, 2013	at March 31, 2013
Cash & cash equivalents	A	(20,457)	(27,995)	(8,054)
<b>Cash equivalent</b>	<b>B=A</b>	<b>(20,457)</b>	<b>(27,995)</b>	<b>(8,054)</b>
Other current financial assets	C	(101)	(101)	(101)
Derivative instruments	D	160	159	335
Short-term borrowing	E	10,995	12,319	12,996
<b>Short-term financial position</b>	<b>G=C+D+E+F</b>	<b>11,054</b>	<b>12,377</b>	<b>13,230</b>
<b>Short-term net financial position</b>	<b>H=B+G</b>	<b>(9,403)</b>	<b>(15,618)</b>	<b>5,176</b>
Other non current financial assets	I	(2,176)	(2,342)	0
Other non current financial liabilities	J	40	118	0
Medium/long term borrowing	K	2,707	2,729	11,826
<b>Medium-/long-term net financial position</b>	<b>L=I+J+K</b>	<b>571</b>	<b>505</b>	<b>11,826</b>
<b>(NET FINANCIAL POSITION) NET DEBT</b>	<b>M=G+L</b>	<b>(8,832)</b>	<b>(15,113)</b>	<b>17,002</b>

WORKING CAPITAL

(€'000)	at March 31, 2014 (b)	at December 31, 2013 (a)	at March 31, 2013	Changes (b-a)
Inventories	14,004	14,156	18,435	(152)
Trade receivables	17,768	18,673	16,298	(905)
Income tax receivables	146	268	173	(122)
Other current assets	2,877	2,404	2,639	473
<b>Current assets</b>	<b>34,795</b>	<b>35,501</b>	<b>37,545</b>	<b>(706)</b>
Trade payables	(11,873)	(14,677)	(10,715)	2,804
Income tax liabilities	(1,059)	(1,657)	(261)	598
Other current liabilities	(6,105)	(7,113)	(5,464)	1,008
<b>Current liabilities</b>	<b>(19,037)</b>	<b>(23,447)</b>	<b>(16,440)</b>	<b>4,410</b>
<b>Net working capital</b>	<b>15,758</b>	<b>12,054</b>	<b>21,105</b>	<b>3,704</b>