EUROTECH

Imagine. Build. Succeed.

Annual Report 2012

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The original Italian document should be considered
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EUROTECH
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Annual Report 2012

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Letter to shareholders

Dear Shareholders,

Roberto Siagri, Chairmain and CEO

In last year's letter I underlined how we did a lot of sowing and how confident we were that we had done the right things for our future. This year I can say that we have finally begun to reap the fruits of our efforts: we reached our operating breakeven and this is the first milestone along a new road to growth.
We knew that 2012 was not going to be easy, with the crisis still biting, less strongly but without notice. Flashes of business acceleration are still followed by stall phases. Opportunities are available but it is hard to predict how long it takes for them to materialize. In fact, while on one side the level of new orders was overall good, on the other the flow was slower than we had hoped and this did not allow us to get started during the year on some of the contracts that we had been awarded.
Given this uncertainty and volatility, we focused on the variables that we can and know how to manage: cost control, cash flow, innovation. We worked hard to ensure that we would be highly effective in the areas of business that are mostly under our control, with a pragmatic and methodical approach that, ultimately, paid off.

We now move on to analyse the main operating and financial results of 2012.
In 2012 the company had consolidated sales of €93.6 million, a figure in line with the comparable amount for 2011. The year under review did not achieve any growth but did witness substantial change for the "industrial machine", a term that we like to use to refer to the operational structure that obtained this result.
Gross Profit was up, exceeding by more than two percentage points 50% of sales, which is the target that we set for ourselves every year and have been meeting regularly, with some fluctuations related to the changes in the mix of products sold. I like to think of this as a confirmation of our Customers' recognition and tangible appreciation of the value added offered by our solutions, in a market that is sensitive to prices.
Moreover, the good performance of Gross Profit tells us that the steps taken to hold the cost of purchased materials down are beginning to show results, and this encourages us to continue along this path.
Group EBITDA amounted to €8.0 million, which was more than double of the comparable amount in 2011, despite flat sales. This is not enough to generate earnings, thus as a Eurotech shareholder I am not

totally happy with this performance. However, as Chairman and CEO I wish to express appreciation for the efficiency achieved by our industrial machine; this efficiency is not reflected completely in the numbers but it will continue to improve also in 2013. To accelerate the process, in 2012 we cut operating costs by €1.63 million, with total savings amounting to €2.54 million if we include non-recurring costs incurred in 2011. Against this backdrop, we continued to invest in innovation and all cuts were done without undermining the ability of the structure to drive organic growth in sales as soon as external conditions become more favourable.

The combined effect of the increase in Gross Profit Margin and the reduction in operating costs allowed us to break even at the EBIT level for 2012, as already noted in the opening lines of this letter. Thus, the industrial machine is under control and all set to reach new goals.

The Eurotech machine is even leaner today. In fact, at 31 December 2012 working capital was down to 25.3% of sales versus 32.1% at the end of 2011. This improvement was due to the slashing of inventories of raw materials and semi-finished products, without delaying payments to suppliers, thus leaving room for further action if necessary. In addition, net debt fell to €11.4 million, representing less than 1.5x EBITDA.

To give a different interpretation of these operating results, I take this opportunity to address briefly our multi-brand strategy, where the three main brands are Eurotech, Advanet and Parvus.

Parvus is a brand with which we serve the defence and aerospace market in the United States. Advanet is the brand that we use to address typically medium-to-large OEMs in Japan, providing boards and embedded systems for real-time and high-performance applications. Within the Eurotech Group, Advanet and Pavus are used to maximize the return of our embedded offering to specific sectors and geographical areas. Advanet and Parvus focus on well-defined and specific markets and, thanks to their specialization, can generate better margins and cash flows than the average for the industry. Eurotech, instead, is a single, worldwide brand that serves a market made of small, medium and large companies in many vertical sectors, with a scalable business model based on easily configurable or modifiable products for specific applications, and integrated solutions scaling from few to hundreds of thousands of devices. Undoubtedly, the process to build up the Eurotech brand at the global level is more complex, compared with a focused brand, but the potential return in absolute terms in the medium-long term is higher because the potential customer base is larger and more diversified.

Looking at what happened in 2012 – not including the costs of the Corporate structure, i.e. the industrial holding that sets out the strategic guidelines and coordinates the operating units – the Advanet, Parvus and Eurotech brands had EBITDA of €5.7 million, €4.8 million and €1.5 million, respectively. In other words, the focused brands performed as expected while the Eurotech was just slightly above the threshold beyond which the benefits of operating leverage kick in. Once our investments in the Eurotech brand are fully operational, we expect a significant return, and the increasing contribution from this brand to consolidated margins is going to be a key driver of the growth of Group profit in the next few years.

Let’s now turn to what is in sight for us in 2013.

The development of the turnover will be, as happened historically, concentrated towards the end of the year. Even though we started 2013 with a stronger order book than that at the beginning of 2012, we know that orders will translate into sales gradually throughout the year. We expect an ordinary first quarter, with acceleration starting at the end of the second one, as soon as deliveries of some significant existing contracts will progressively show their effect.

On the other hand, as early as the first quarter we expect to benefit from the positive effects of the actions taken on operating costs in the second half of last year: the structure’s efficiency will continue to improve this year as well, thereby increasing margins as a percentage of sales.

In terms of the currencies that affect our business, for 2013 the Japanese yen is expected to be more competitive vis-à-vis the U.S. dollar and the Euro. In the medium term this should help sales for our

Japanese customers, as they rely a lot also on exports other than on their internal market, with positive consequences also for our subsidiary Advanet.
We will continue to focus on the allocation of resources to drive the structure progressively toward maximum operational efficiency. In particular, this year we are going to pay attention to our Italian operations. In fact, Italy is the last piece missing in the puzzle that makes up the set of actions taken to improve the Group's efficiency. Besides, Italy does not account for much of our sales and it made sense to act first on the units that generate most of our business, i.e. the United States and Japan. As early as the end of 2012, we designed and implemented in the Italian plant a lean re-organization plan, complemented by the use of the special State redundancy pay, with the objective to increase the plant's competitiveness and to raise productivity in Italy to the same level as that of the other Group units.
Looking at the Group as a whole, in our path toward maximum efficiency in 2013, we will continue to ensure that our investment level is maintained to support our competitiveness in innovation on one side, and to develop new markets and businesses on the other.
For us, innovation is the exploration of new value propositions. By operating with a technology-push approach we produce innovations that, by solving heretofore unsolved problems or by meeting more effectively established needs, aim to open new avenues, enable us to find new customers in the sectors in which we operate and to access unexplored sectors, or, in other words, fuel sustainable long-term growth for the entire Group.
Speaking of innovation, we started 2013 by setting a world record: the greenest supercomputer, that is the world's most energy-efficient one. Thanks to the best performance per watt ever attained, equal to 3.15 GigaFlops/W, the supercomputer "Eurora", installed at Cineca in Bologna and based on the same architecture as that of our Aurora Tigon, turned out to be the best in the world. This success is clear testimony to what Eurotech can do and the heights that our engineers can achieve.
Looking at the application of our innovations for business development purposes, our supercomputing technology can be deployed also in the market for embedded systems, addressing the needs of that top segment requiring compact or mobile systems equipped with considerable computing capabilities. There is a growing number of sectors that either use or will use data fusion algorithms and real-time control of data streams; this is the reason why many industries are increasingly interested in the so-called High Performance Embedded Computing or HPEC solutions.
Together with cuts, we will rebalance costs by exploiting synergies in the administration, production and logistic areas and by investing in marketing and sales. We will develop indirect channels, through new partnerships and distribution agreements that will supplement the existing sales force. With the new type of products that combine hardware and a software platforms as-a-service – i.e. Device as-a-Service – we have a scalable offering and can approach medium-size System Integrators as well as Independent Software Vendors specialized in high value-added niches. Moreover, we intend to pursue more aggressively this new business model with recurring revenues which, by proposing the solution of the customer's problem like a service, allows us to tear down some barriers to entry and to address new customers which we would not be able to reach otherwise.

To conclude, a few words on the future that lies ahead of us.
The Internet of Things is gaining ground as the paradigm of change for the way distributed systems are constructed and, consequently, it is shaping new concepts for the processes to monitor and control distributed assets. From a business point of view, what is of interest to us are the platforms for interconnecting intelligent devices among themselves and with the infrastructure-as-a-service of the Cloud. The transformation of the IT infrastructure to a utility and the resulting availability of computing capabilities and data storage on demand and on a pay-per-use basis, is only one of the three key factors necessary for the Internet of Things to experience a true Cambrian explosion in the number and variety

of its applications. The second key factor is the communication infrastructure, particularly broadband and wireless connection; in fact, if the economy of atoms requires highways, railways, ports and airports to enable the rapid and capillary movement of large quantities of goods, the economy of bits needs digital highways and ports to enable the rapid and capillary movement of large volumes of data. But, if it is true that in the former, logistic operators turn the potential utility of highways and ports into reality, it is equally true that in the latter, without data logistics, both the Cloud and broadband have no way to fulfil their potential. Thus, the third key factor to the true development of the Internet of Things are machine-to-machine (M2M) "data transportation" platforms, which should be available as commodities and in a "as-a-service" mode.

Increasingly small and efficient smart devices, IT infrastructures available as utilities and M2M interconnection platforms are giving rise to a digital ecosystem that is made up of more and more interconnected components and that has more and more sensing capabilities. In this planetary Internet of Things, distributed systems of intelligent devices will allow all of us to experience amplified perceptions and action potential, improving the way we live: an authentic computing exoskeleton capable of giving us augmented reality. We are going to be more and more at the centre of digital technologies that, in turn, will more and more care of our human and social dimension. Thus, while it will include fewer and fewer human beings in the number of "entities" that make it up, the Internet of Things will in fact be increasingly at the service of humans to ensure their sustainable existence.

It seems that the paradigm of pervasive computing theorized by Mark Weiser in the laboratories of the Xerox PARC in California at the end of the 1980s is displaying its effects on the economic system. We are moving from theory to reality; we are at the take-off point of the development curve for the Internet of Things, and its expansion is now unstoppable because, rephrasing what Victor Hugo once said, no army in the world can stop an idea whose time has come.

Our determination to achieve profitability this year is stronger than ever and, as always, in our journey to that goal we count on the support of you all.

signed
Roberto Siagri
Chairman and CEO

Profile of the Eurotech Group

Innovation is the specific instrument
of entrepreneurship. The act that endows resources
with a new capacity to create wealth.
Peter Drucker

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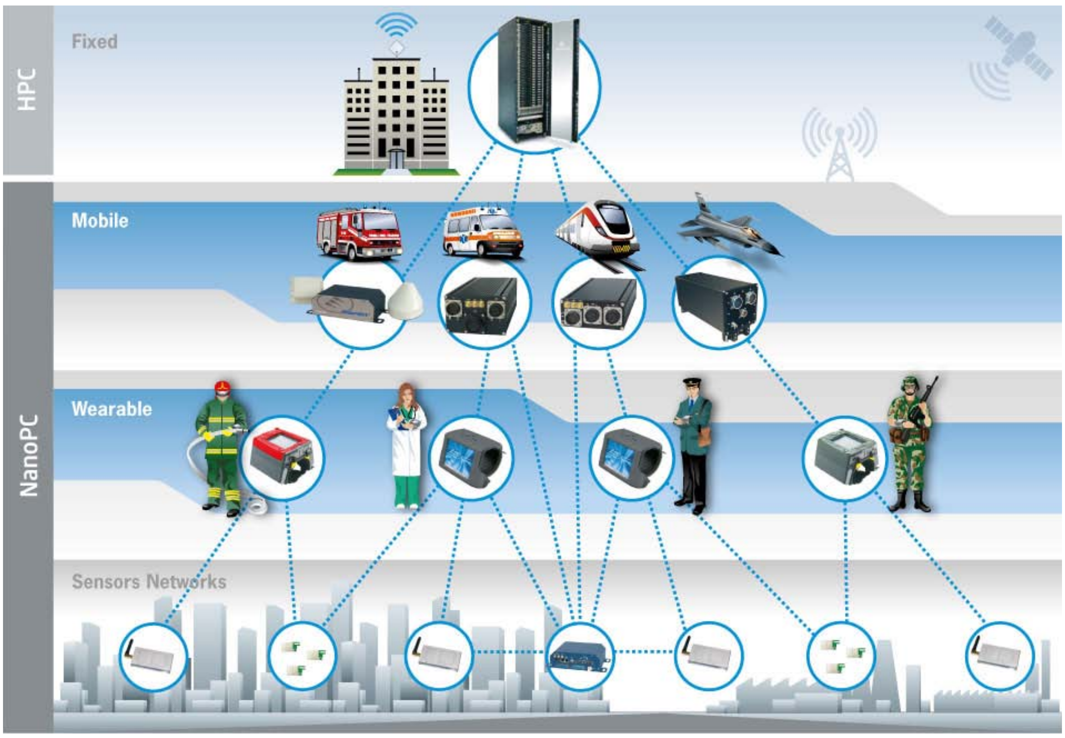
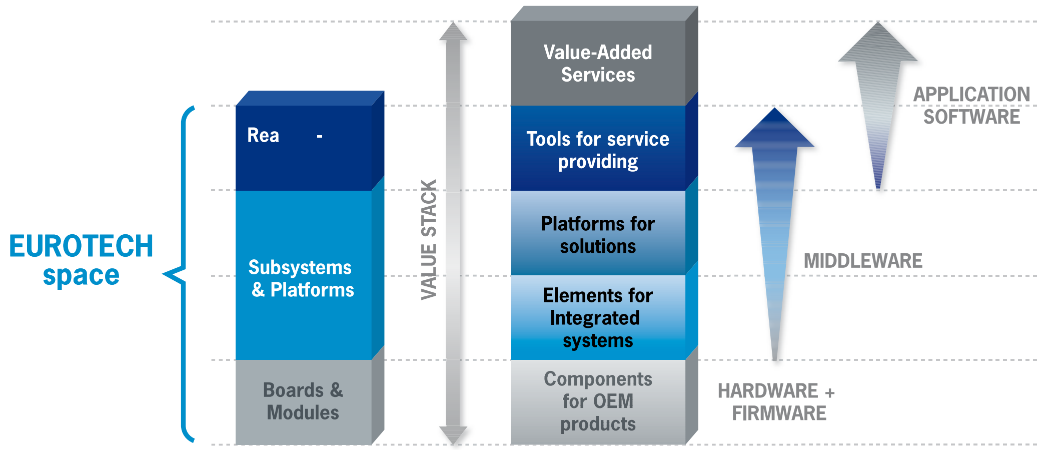
Introduction to Eurotech

Eurotech is a global company with a strong international focus, which generates sales on three continents. It's a Group that has operating locations in Europe, North America and Asia, led and coordinated by the headquarters in Italy.
The technological paradigm followed by Eurotech is 'pervasive computing' or 'ubiquitous computing'. The pervasive concept combines three key factors: the miniaturisation of 'intelligent' devices, i.e. devices capable of processing information; their spread in the real world – inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment – and their ability to connect with each other in a network and communicating.
In this perspective, Eurotech engages in research,development and marketing of miniaturised computers for special uses (NanoPC) and green supercomputers featuring high computing performances together with high energy efficiency (HPC). NanoPCs and HPCs are the two major classes of devices that, by connecting to and co-operating with each other, form the pervasive computing infrastructure commonly known as the "pervasive computing grid" or "cloud."



In the NanoPC segment, the Group's offering varies according to the positions of the various products in the value stack. The NanoPC is typically a miniature computer that can take the form of:

- an embedded board, often used as component in OEM products
- an application-ready subsystem or platform, used as element of integrated systems
- a ready-to-use device employed in a great variety of application settings, often as support for the provision of value-added services.



All these NanoPCs have wireline or wireless communication channels to ensure their interconnection. It is this combination of computing and communication capabilities that makes Eurotech's NanoPCs key elements of the pervasive scenario that the company wants to create.

The Group's NanoPC offering is used in several application fields, both conventional and emerging. Eurotech is most active in the transport, defence, industrial, medical and logistics sectors. The feature common to many of our customers in all these sectors is they are seeking not only a supplier but also a centre of technological competence – and they often see in Eurotech a partner for innovating their products and their way of doing business. They want to reduce their time-to-market and focus on their core businesses. They often need solutions for harsh operating conditions and for mission-critical applications, or supplies assured for long periods.
In the HPC sector, Eurotech designs and builds supercomputers with very large computing capacity and high energy efficiency, created via the massive and parallel connection of high-performance miniaturised computers. These supercomputers – historically aimed at advanced research centres, computing centres, and universities – are turning out to be vital in advanced sectors such as nanotechnology, biotechnology and cyber security. We also expect to see a significant effect on the medical and industrial fields in the near future.

From the time of its foundation in 1992, Eurotech has focused its business model on four guiding principles, which, like four pillars, have underpinned its growth and development and continue to do so.

These are:
- excellence within standards
- a fabless production model
- development of its business model towards ready-to-use products (closer to the application scenario of the purchaser or end-customer)
- strong interaction with the academic and research worlds.

Above all, Eurotech aimed to excel within sector standards right from the start. In other words it understood that, to supply its customers with solutions that both performed well and were open to the future, excellence could not be achieved only with proprietary solutions, but as far as possible with state-of-the-art solutions remaining compliant to the standards, which are themselves evolving.
Eurotech's second strength is the adoption of a fabless production model, i.e. featuring the almost total absence of production facilities. Within the value chain, Eurotech performs research, development, engineering, prototyping, quality control and logistics. The great majority of NanoPC manufacturing is outsourced to third parties. Only HPCs are assembled in-house, as this is considered to be a strategically important activity.
The third key element of the business model is constant attention to ongoing changes in systems integration, i.e. from simply boards (or hardware) to systems (hardware with a specific enclosure), to application-ready platforms (a combination of boards, systems and middleware, i.e. a layer of software that speeds up application development and permits disconnection of application software development from the hardware), and even to ready-to-use devices (products already able to perform a specific function and which do not require any software programming in order to be ready to operate).
The last – but not least important – component of the business model is the network of external relations with universities and research centres. This 'knowledge network' fuels innovation and helps to keep Eurotech solutions at the state-of-the-art level of technologies and standards available.

The Eurotech Group in numbers

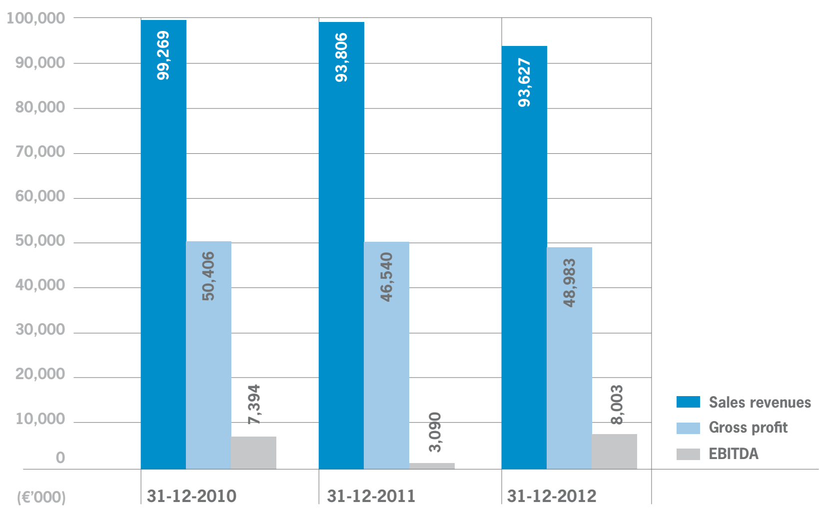
Introduction

The Eurotech Group's business and financial results for FY2012 and comparative periods have been drawn up according to the international accounting and financial reporting standards (IASs/IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union. Unless otherwise stated, data are expressed in thousands of euro (€ '000).

Group business and financial results

OPERATING RESULTS

(€'000)	FY 2012	%	FY 2011	%	FY 2010	%
SALES REVENUES	93,627	100.0%	93,806	100.0%	99,269	100.0%
GROSS PROFIT MARGIN	48,983	52.3%	46,540	49.6%	50,406	50.8%
EBITDA ADJ	8,003	8.5%	4,000	4.3%	6,809	6.9%
Non recurring costs	0	0.0%	(910)	-1.0%	585	0.6%
EBITDA	8,003	8.5%	3,090	3.3%	7,394	7.4%
EBIT	(34)	0.0%	(4,875)	-5.2%	(741)	-0.7%
PROFIT (LOSS) BEFORE TAXES	(271)	-0.3%	(6,613)	-7.0%	(3,813)	-3.8%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(2,783)	-3.0%	(7,246)	-7.7%	(6,079)	-6.1%



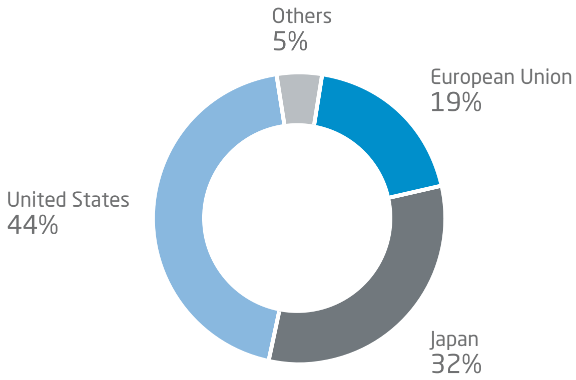
Revenues by business line

(€'000)	NanoPC			High Performance Computer			Total		
	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change
Sales revenues	90,255	90,971	-0.8%	3,372	2,835	18.9%	93,627	93,806	-0.2%

SALES BY BUSINESS SEGMENT	FY 2012	%	FY 2011	%	FY 2010	%	FY 2009	%
NanoPC	90,255	96.4%	90,971	97.0%	98,073	98.8%	82,682	99.0%
High Perf. Computer	3,372	3.6%	2,835	3.0%	1,196	1.2%	847	1.0%
TOTALE SALES AND SERVICE REVENUE	**93,627**	**100.0%**	**93,806**	**100.0%**	**99,269**	**100.0%**	**83,529**	**100.0%**

There remains a low level of High Performance Computer (HPC) in the total Group revenues for 2012, even though trend is growing compared to the recent past. Today, Eurotech's offer of a supercomputing architecture based on standard processors and with an innovative liquid cooling system offers us the possibility of significantly increasing our potential customer base and getting away from the cyclical purchases in the research sector, with the benefit of stabilizing sales revenue.

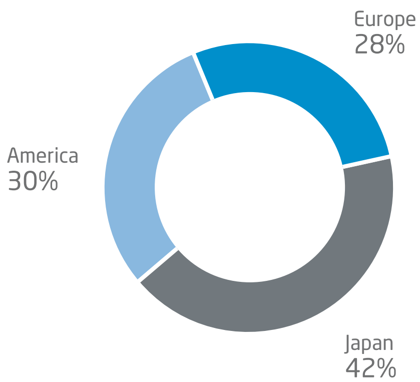
FY2012 sales revenues by geographical area



Group employees

	at December 31, 2012	at December 31, 2011	at December 31, 2010	at December 31, 2009
EMPLOYEES	420	463	455	530

FY2012 geographical breakdown of employees



EUROTECH

Milestones in our history

Nothing happens unless first we dream.

Carl Sandburg

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1992-1994: the 'ideas factory'

1992 A group of young technicians found EuroTech Srl, based on the idea of miniaturising the PC and using it in as yet unexplored application fields. It is an 'ideas factory' and 'fabless' model, open to Europe – and to the world – (Euro) and to new technologies (Tech).

1993 The first products based on the PC/104 standard for embedded PCs are developed.

1994 Friulia SpA, a development finance company owned by the Friuli-Venezia-Giulia regional authorities, buys into the company by subscribing to a capital increase.

1995-2000: from laboratory to industry

1995 Eurotech becomes the first producer in the world to launch on the market a PC/104 module based on the Intel 32-bit 486DX processor.

1997 Start of the internationalisation strategy's implementation via the first partnerships with European distributors.
Eurotech creates one of the world's first 3U boards based on the Intel Pentium processor and compactPCI form factor.
The HQ is moved to Amaro (province of Udine in North-East Italy) and the company becomes a joint-stock company (Italian acronym = SpA).

1998 Eurotech completes the range of products based on the compactPCI standard and starts production of a new line based on the PC/104Plus standard.
The company Neuricam SpA is set up, a spin-off of the Trento institute for scientific and technological research (IRST). The aim is to design and produce integrated circuits capable of complex image elaboration directly on chips, thus providing neural processors, CMOS digital cameras, and intelligent sensors.
The internationalisation strategy continues with the start of sales in the US, Asia and Australia.

1999 Activity of the HPC (High Performance Computers) Strategic Business Unit (SBU) starts with creation of APEmille supercomputers. Designed by the INFN (the Italian national institute of nuclear physics), this was the result of the APE (Array Processor Experiment) project, which aimed to develop a computer capable of processing 1,000 billion operations per second (1 TeraOps).

2000 The US commercial branch is set up.
Launch on the HPC market of clusters based on compactPCI systems.

2001-2007: external growth and internationalisation

2001 The venture capital fund First Gen-e of Meliorbanca SpA and Friulia, as merchant bank, become shareholders of Eurotech following a capital increase.
Eurotech inaugurates a new production site in Amaro (province of Udine).
Development starts of the new generation of APEnext HPCs

2002 Activities start in China and a commercial office is opened in Shanghai.
Acquisition of IPS Srl of Varese, permitting extension of the product offering to the industrial sector.

2003 Acquisition of Parvus of Salt Lake City (Utah) is completed in order to consolidate and expand the presence in the US.

2004 Eurotech first acquires Finnish company Vikerkaar, renamed Eurotech Finland, to cover the northern European and Chinese markets, and then French company Erim (Lyon), thus entering what is a strategic market for the Group.

2005 Eurotech presents APENext, the generation of supercomputers following APEmille, able to provide computing capacity 10 times higher than that of the previous model.
A research centre is launched in China at the NJUT (Nanjing University of Technology) together with sponsorship at the same university of a new course on design of embedded systems.
The Scientific Committee is set up, dedicated to the study and identification of trends in future technological scenarios. Its members are prominent figures of major universities and research institutes. Co-ordinated from inside Eurotech by the CTO Giampietro Tecchili, their task is to cover, manage and develop the Eurotech Group's 'knowledge network'.
Eurotech is chosen as technological partner for supercomputing architectures and systems for the 5-year period 2005-2010 by the LITBIO (Laboratory for Interdisciplinary Technologies in Bioinformatics) consortium, founded by the Italian University & Research Ministry.
On 30 November, Eurotech SpA, the Parent Company of the Eurotech Group, is listed in the STAR (Segment for High Requirement Stocks) of the Milan stock market. The total number of shares on offer was 8,652,000; of these 7,450,000 were new shares, while 1,202,000 were existing shares put up for sale by the venture capital fund First Gen-e, which ceased to be a shareholder at the time of listing. The remaining 1,297,992 shares owned by First Gen-e prior to the IPO go to form the green shoe, wholly exercised in view of the very high subscription rate of investors. At the end of the IPO, the total number of shares rose to 18,625,296 and the net proceeds of the capital increase came to €25.3 million.

2006 Eurotech launches the project for development in the Trento area of ETH Lab, the Group's research centre. As part of the project a co-operation agreement is signed between Trento University, ITC-IRST, and Eurotech to activate a series of research activities in the pervasive and ubiquitous computing sector.
Acquisition is completed of the Arcom Group, consisting of 100% of the share capital of the companies Arcom Control Systems Ltd. based in the UK (Cambridge) and Arcom Control Systems Inc. based in the US (Kansas City).
French subsidiary Erim changes its name to Eurotech France.
In June, Eurotech's Board of Directors decides to increase share capital by issuing ordinary shares for a total value of €109.24 million.
Presentation of the first prototype of the Zypad, a revolutionary wrist-worn computer that is the result of a technological effort combining circuit miniaturisation, integration of various hardware functions, consumption optimisation, and ergonomic requirements.

Zypad wins the prize for the most innovative product presented at the 2006 Soldier Technologies Conference in London.

Eurotech signs a partnership agreement with Finmeccanica SpA, with the aim of exploiting Eurotech's ability to innovate and to develop new-frontier technologies and Finmeccanica's international leadership as a supplier of complex solutions and systems to the aerospace, defence, security, transport, and energy sectors.

In September, Eurotech attempts to acquire Radstone Technology PLC, launching a public tender offer for 100% of the UK company's shares. The Group's action attracts the attention of its competitor GE Fanuc, which launches a higher counterbid and purchases Radstone. Eurotech nevertheless profits from this transaction, making a capital gain of €1.3 million net of purchase costs, due to the sale to GE Fanuc of the Radstone shares already purchased.

Eurotech inaugurates the new base in Amaro (province of Udine) on 31 October. The facility, of an area of over 2,000 sq m, has been designed paying the utmost attention to the environment. Due to installation of a system of photovoltaic modules, the new Eurotech site is also an example of sustainable building.

Eurotech invests in the UGV (Unmanned Ground Vehicles) sector, subscribing to some 20% of the share capital of US company Kairos Autonomi. The company, active in the research and development of integrated systems for driverless vehicles, is headed by George (Troy) A. Takach Jr., who founded Parvus.

The wearable PC wins the prestigious Frost & Sullivan award for the most innovative product at the 2006 edition of 'Ambient Intelligence'.

Eurotech reaches an agreement with IBM to integrate IBM Lotus Mobile Connect software inside NanoPC devices.

2007 Eurotech completes the acquisition of Applied Data Systems, Inc. (ADS), based in Maryland (US). Through this acquisition, Eurotech also receives 65% of the equity of Chengdu Vantron Technology Ltd, a Chinese R&D company operating in the NanoPC sector.

Eurotech and Selex Communications, a Finmeccanica Group company, signs a commercial agreement for the international sale of wearable computers. Selex Communications becomes Eurotech's exclusive partner for sales of the Zypad wearable computer to Finmeccanica Group companies and, in Italy, to customers in the defence sector and the police, fire-fighting, quasi-military police, finance police and penitentiary police forces. This agreement is a first important result of the partnership agreement signed by Eurotech and Finmeccanica in July 2006.

Eurotech unveils Janus, the world's first computing platform capable of achieving the astounding number of 8 PetaOps, i.e. 8 million billion operations per second. It does so by consuming just 10kWh and occupying a volume of just 2 cubic metres. Janus is the result of a collaboration between Italy and Spain involving, from the second half of 2005, the following prestigious research centres: the physics departments of the University of Ferrara and the University of Rome (*La Sapienza*), the Institute for Biocomputation and Physics of Complex Systems (BIFI) in Saragozza, the University of Saragozza, the Engineering Investigation Institute of Argon, the Complutense University of Madrid and the University of Extremadura in Badajoz.

Eighteen months after joining the Eurotech Group, Arcom UK changes its name to Eurotech Ltd..

Eurotech announces completion of the acquisition of 65% of the shares of Advanet, a Japanese company based in Okayama, and its subsidiaries Spirit 21, Vantec and Advanet R&D (together, the 'Advanet Group'). The purchase agreement also provides for a put & call mechanism for the remaining 35% of the shares of Advanet.

The Civil Protection & Rescue Service (Protezione Civile) of the Friuli-Venezia-Giulia Region chooses Eurotech as its partner for development and testing of a fully wearable and non-invasive computerised visualisation, computing, and communication system for operators working in extreme conditions. The aim is to combine the field experience of the Protezione Civile with Eurotech's technologies to equip operators in future with a sort of 'personal mini-operations centre', enabling them to receive real-time information (maps, data, etc.) useful for rescue work and also optimising mission coordination and management.
Eurotech invests in mini- and micro-UAVs (Unmanned Aerial Vehicles), by acquiring a 21% equity interest in the company UTRI SpA. In consequence, Eurotech has further strengthened its presence in the emerging market for unmanned vehicles.

2008-today: integration and synergies

2008 The MBTA (Massachusetts Bay Transport Authority) chooses the RiderNet Wi-Fi platform for the pilot "Wi-Fi Commuter Rail Connect Program", the first US project aiming to provide wireless internet access on trains.
The Zypad wrist computer is chosen by US company ProCat Management Service as the basis for PickRight, the solution developed by ProCat to streamline product picking processes in large distribution centres.
Janus, the new supercomputer designed by a pool of Italian and Spanish researchers and built by Eurotech in laboratories at its Ethlab research centre in Trento, is officially unveiled at the headquarters of the European Centre for Theoretical Studies in Nuclear Physics and Related Areas (ECT) in Trento. Giorgio Parisi, one of the most important figures in the international scientific community, also participates in presenting the Janus project. At the time of its launch, JANUS is the smallest, fastest and most energy efficient supercomputer in performing the specific computing functions for which it was designed.
The innovative Catalyst Module is created, based on the brand new Intel® Atom™ processor. The size of a playing card, the Catalyst Module sets a record in the segment of embedded boards based on the Intel® Atom™ processor, with a typical power consumption of about 3W and peak consumption of less than 5W.
Eurotech announces, at the Embedded System Conference in April, that its US subsidiaries Applied Data Systems and Arcom will be merged into a single company, Eurotech Inc.. This is a key step in the process of integration of the Eurotech Group after the major acquisitions carried out in the previous two years. On 1 July, the merger between ADS and Arcom is completed and Eurotech Inc. is officially created.
In May, the Board of Directors of Finmeccanica approves the acquisition of about 11.1% of Eurotech share capital from some of its founding shareholders (Dino Feragotto, Roberto Chiandussi and Giorgio Pezzulli) at a price of €4.6 per share. The aim of buying the shareholding is to strengthen the strategic partnership forged in July 2006. In November, Finmeccanica completes the purchase of 11.1% of the share capital of Eurotech and the Board of Directors approves the cooption of three new directors representing Finmeccanica.
Eurotech and Intel initiate a joint venture to develop HPC systems. Under the multi-year technological co-operation agreement, signed during the visit to Italy of Pat Gelsinger, Vice President and General Manager of the Intel Digital Enterprise Group, the two companies are

going to work together to develop HPC (high-performance computing) systems based on Intel processors that will satisfy the computing requirements of medical, industrial and scientific users.
Eurotech's wearable technology brings to fruition the first applications for remote assistance for senior citizens: the Zypad wrist computer and the innovative ZTag pendant becomes key components of the innovative remote care solution for senior citizens implemented in the Region of Abruzzo by Selex Service Management, a Finmeccanica Group company.
At the ceremony held for the Business Connections Award given by Intel's Embedded Communications Alliance (ECA), Eurotech receives the 2008 Prize for Excellence for the best 'Growth in Co-selling of the Intel® Atom™ Processor'. This prestigious prize reflects the quantity and variety of opportunities pursued by Eurotech in many diverse sectors throughout the United States, including the medical, military, industrial and biometric applications sectors.

2009 Eurotech wins the Platinum Award 2008 from VDC Research Group in the Embedded Board Vendor category. End-users placed Eurotech at the highest level (platinum), based on more than 45 assessment criteria. The award highlights Eurotech's excellent capability in providing a complete service to users of its solutions in terms of technical support, experience, reliability and other factors.
Eurotech joins PROSPECT e.V. (PROmotion of Supercomputing and PEtaComputing Technologies), a leading European consortium for the development and use of next-generation supercomputers, headed by three institutions that are also among the biggest European supercomputer 'consumers': the Jülich Supercomputing Centre, the Barcelona Supercomputing Centre and the Leibniz-Rechenzentrum Garching.
At the International Supercomputer Conference (ISC) 2009 in Hamburg, Eurotech unveils Aurora, a revolutionary HPC system for installations of any size, up to several PetaFlops. The developed technology on which it is based provides unprecedented levels of operating performance, sets a record in footprint reduction and dramatically cuts TCO (Total Cost of Ownership) for installations of every size, with an energy saving of up to 60% due to an innovative direct liquid cooling system, which eliminates the additional costs associated with conventional cooling systems whilst using every available watt to the maximum.
Military Embedded Systems magazine, which specialises in analysis of COTS technologies for various military programmes, names the DuraCOR 820 for the Editor's Choice Award, due to this subsystem's particularly high levels of resistance in hostile environments.
Advanet receives official recognition from the JAEA (Japanese Atomic Energy Agency) and from KEK (High Energy Accelerator Research Association) for its contribution to the creation of the J-PARC particle accelerator complex in Ibaraki, Japan, which is one of the world's most important particle accelerator centres.
Eurotech announces an agreement with DynaVox Mayer-Johnson to produce DynaVox Xpress™, the world's first portable assisted communication device, which can help people affected by pathologies such as autism, motor neuron disease, cerebral lesions, stroke or Down's Syndrome to communicate with their friends and families and to study and work.
Eurotech joins the United Nations Global Compact, a strategic policy initiative for businesses that are committed to ensuring that markets, trade, business and finance produce economic and social benefits everywhere in the world. The initiative involves a commitment to align operations and strategies with ten fundamental principles in the areas of human rights, work, environment and the fight against corruption. The Global Compact involves both the public and private sectors, and is the world's most important initiative focusing on sustainability and corporate citizenship. Once again, Eurotech has shown itself to be a frontline defender and promoter of the fundamental principles in which it strongly believes and that it has always applied, such as

respect for human rights and human dignity and full respect for the law and environmental protection.

2010 Eurotech announces an agreement with a top electricity company with more than 2 million customers for the supply of ZyWAN cellular routers to support Smart Grid initiatives: the project involves the installation of the ZyWAN unit in the base stations along the entire network to wirelessly connect the smart meters for industrial and domestic users, enabling an almost real time management of energy by users.

Eurotech announces the introduction of Aurora Au-5600, the "green" supercomputer with liquid cooling, based on the cutting edge Intel® Xeon® 5600 processor. The launch of Aurora Au-5600 follows on the heels of Intel introducing Intel Xeon 5600 processors and places Eurotech among the very first market leaders offering an HPC platform to adopt it.

Eurotech and the AuroraScience Collaboration announce a joint program to install an Aurora AU-5600 system in the forthcoming Interdisciplinary Computational Science Laboratory (LISC), a joint initiative of the Bruno Kessler Foundation (FBK) and the University of Trento. AuroraScience is a research project financed by the Autonomous Province of Trento (PAT) and INFN whose many scientific partners deal the challenge of defining new generations of high performance computers for scientific and technological applications using a global approach. Thanks to the Aurora liquid cooling system, the installation is most of the "greenest": the heat produced by the computer is reused to heat the data processing centre, drastically reducing the operative costs and ecological impact.

Eurotech signes a $7.5 million contract in the US with King County Metro Transit to install DurMAR Mobile Access Routers in more than 1,000 buses in the Seattle area. With this implementation, King County can activate wireless communication with various onboard systems, such as vehicle diagnostics, GPS positioning and toll payment using a single router on board the bus. The Eurotech DuraMar will especially be used to transfer operative data to and from the bus in transit and to display bus departure information on electronic signs along the selected routs, in addition to improving traveller safety by supporting the extensive use of on board digital cameras.

Eurotech obtains a $10 million contract to supply embedded computers for electronic ticketing systems from Cubic Transportation, the global leader in supplying complete solutions for managing the automatic payment of public transportation tickets. The contract is for the use of the Eurotech computers with the electronic ticketing system for public transportation in one of the main European capitals. The project means that more than 20,000 Eurotech computers will be installed on buses and station access points along the network. Each unit will interact directly with the smart card reader and will manage the information flow for each individual passenger and his journey through a central rate management system.

Eurotech and Wind River announce a strategic partnership to accelerate the development of embedded applications: specific Development Kits will allow software developers to being the development of an application in less than an hour whereas the traditional systems require days, if not weeks. This way, the two companies plan to bring the ready-to-use experience of PCs to the embedded market.

Eurotech exercises the scheduled option to purchase another 25% of the Advanet Inc capital and thus has 90% of the Japanese subsidiary. The transaction, which occurred in three stages, has a total cost of 1,114,809,631 Yen, equal to about €10 million.

Eurotech launches a new family of Handheld Rugged Computers, the HRC-4200 an the HRC-3100, natively able to connected to the Eurotech cloud platform, allowing customers to create end-to-end solutions to make data immediately visible within companies without having to purchase, configure and maintain a proprietary IT infrastructure.

Eurotech becomes Solution Technology Integrator for Cisco, thus getting access to technological and commercial resources of the American giant to offer its clients products that are able to fully take advantage of the Cisco mobile connectivity, which is de facto an industry standard.

The Eurotech EverywareTM Device Cloud solution wins the "Best Electronic Design 2010" prize in the Embedded – Cloud Computing category, as described in the 9 December issue of Electronic Design. With the Best Electronic Design 2010 award for Everyware Device Cloud, Eurotech has capitalized on the results it obtained with the Everyware Software Framework (ESF) platform, the previous year winner of the best software prize along with the Google Android platform.

Parvus obtains the AS9100 quality certificate for the aerospace sector, receiving a rare 100% score during the audit.

2011 ARINC Engineering Services selects the DuraCOR 820 mission computer and the DuraMAR 3230 mobile router to modernize its satellite systems and Business Jet Boeing 737 communication devices. This contract represents the first practical results of the AS9100 certification obtained with flying colours from Parvus at the end of 2010.

The ESF platform (EverywareTM Software Framework) by Eurotech is used in the reference designs for Machine-to-Machine (M2M) gateways based on Intel® AtomTM processes to significantly reduce the development cycle of applications and services based on the connection between devices. This new class of M2M platforms marry the many functions of the device with the complete flexibility of an embedded industrial computer to enable mission critical applications. Whoever create innovative services wants to rapidly create and implement profitable solutions for its own specific applications, and the reference platform for the M2M gateway based on Intel® AtomTM with Wind River Linux and Everyware Software Framework by Eurotech, allow developers to implement new services more quickly, easily and economically.

The embedded ISIS XL card is selected as one of the two reference hardware platforms for PTC applications (Positive Train Control) by Meterocomm, LLC. The American PTC program intends to increase railway safety through a train monitoring and control system. The widespread installation of interoperative PTC systems in the United States was approved with the Rail Safety Improvement Act in 2008 on railway safety. The plan provides for the installation of the PTC technology on 160,000 miles of railway and aboard 30,000 trains by 2015 for an estimated investment of $12 billion. Since the reference hardware platform has been approved, ISIS XL can connect the Wayside Interface Units (WIU) to the PTC network to share vital data, such as information on the line condition, train location and speed detection. In this way, ISIS XL becomes the best starting point for applications based on the PTC requirements for clients in the railway sector. Moreover, the DuraCOR system and mobile IP router DuraMAR that incorporate the embedded ISIS XL computer are ready-to-use systems that, based on a certified platform, offer an even higher level of integration and flexibility to rapidly implement the PTC solutions.

The new rugged wearable Zypad BR2000 computer is presented, perfect for installation in difficult areas like those found in the oil&gas sector, first responders, industrial plant maintenance and transportation. Compact, light and efficient, the Zypad BR2000 can be worn on the belt, carried in a pocket or placed in a backpack or work vest. It can even be installed on board a vehicle. The Zypad BR2000 was designed to be certified based on military standards: this guarantees that the user can count on a reliable and resistant device regardless of the situation in which he is working. Moreover, the native readiness for connection with the Cloud allows

users to rapidly integrate the device within the company processes to manage, acquire and share important operative information.
The Board of Directors, following the Ordinary Meeting of Shareholders, which renewed the company positions, confirms Roberto Siagri as the CEO of Eurotech S.p.A.
Eurotech acquires the remaining shares of Advanet Inc, equal to 10% of the share capital, and thus obtains 100% of the Japanese subsidiary.
Starting on June 1st, Dynatem Inc becomes part of the group. From its headquarter in Mission Viejo, California, the company has worked in the embedded computer market since 1981, especially in the VME, VPX and CPCI boards sectors, posting revenues of about $3.6 million in 2010. With the purchase of Dynatem, the Group is consolidating its presence in the United States, adding the West Coast to its coverage area, and acquires the experience and know-how of the emerging VPX standard. Moreover, this company's long tradition with the VME and CPCI platforms allows for additional synergy between the US and Japan.
Mondialpol Service S.p.A., the national operator in Italy of cash transport and counting services for Intesa Sanpaolo, decides to monitor activities in real time through cloud-ready equipment from Eurotech with cloud computing data management. This is the first security application in Italy to use this technology, and Eurotech's partnership with the Mondialpol group is intended to transform the cash transport sector, which has previously been managed in the traditional way. Another innovation is the "Device-as-a-Service" (DaaS) model, which will enable Mondialpol to purchase the Eurotech solution by paying a monthly fee for a period of three years for each Eurotech HRC4200 device that will be put into service and assigned to a fleet of armoured vans at 130 armoured car companies. Thanks to Eurotech's device-to-cloud technology, value-added data generated by all the different portable devices is collected and conveyed securely in real time to the cloud infrastructure. The cloud provides controlled access to data, enabling everyone to see or manage the data for which they are responsible; data of interest can then be downloaded from the cloud to Mondialpol Service's ERP system, so that it can be integrated with the information produced by the rest of the process. Once again, Eurotech has shown its ability to anticipate the needs of the market with technology that is always cutting edge, applicable in a wide variety of sectors. The Device Data Management via Cloud solution enables to relieve companies of the need to manage and protect with their own IT infrastructure growing quantities of heterogeneous data arriving from devices spread in different geographical locations, and the Device-as-a-Service supply model relieves Customers of the burden of the initial investment, which often slows companies' adoption of new technologies.
Selex Elsag, the strategic hub of the Finmeccanica group in the electronics sector for defence and security, has selected the Eurotech AURORA supercomputer to use it in the emerging Cyber Security field. The use of HPCs outside of the academic and scientific world is progressively becoming more wide-spread and the increased digitalization of information means even the security sector needs to process millions of data rapidly, in just a few seconds. From its creation, the Aurora architecture has been imagined to be efficiently used not just for scientific research but also for industrial and service uses, and this application in the field of cyber security confirms the accuracy of this initial vision.
Connected World Magazine places Eurotech on the CW 100 list for leadership in the M2M Technology and Connected Devices sector. The CW 100 list represents the best companies that are driving the market and that are involved in the introduction of new technologies for connectivity. This list provides a guide of companies that make the difference in the interconnection of devices and M2M technologies, selected by the editors of the Connected

World magazine."The CW 100 shows which M2M companies are pushing the envelope in this market, and Eurotech fits the bill," claims Peggy Smedley, Editorial Director of Connected World. "Customers want useful data from the field, and Eurotech is making it simpler and more cost-effective to capture, access and use that vital information to run their businesses."

Eurotech and IBM donate the Message Queuing Telemetry Transport (MQTT) protocol to the Open Source Eclipse Foundation community with the declared intent of creating a new standard for the connectivity of the Internet of Things. The software in question, initially developed by IBM and Eurotech, is today used for various mobile applications: MQTT uses include diversified projects, which range from monitoring ConocoPhilipps pipelines in real time to a new and light mobile message application for Facebook. Billions of integrated devices, like RFID tag readers, smartphones, cardiac monitors, environmental parameter control systems and intelligent devices can be interconnected. Many of these devices, however, are specific of a given industry and are tied to proprietary technologies and platforms, thus making it more difficult to reach an effective connectivity. Connecting all these devices through an open-source and standardized messaging technology, new "systems of systems" can be created in order to cooperate as never before. The architecture provided by the MQTT technology can easily adapt to existing systems and provide a new level of connectivity through a wide range of systems without requesting programming or complex reconfigurations for the existing monitoring systems. Just like the Hyper Text Transfer Protocol (HTTP) allowed open communication through the Internet, the creation of an open messaging protocol can have the same impact on creating distributed intelligent systems. In this sense, the MQTT technology can represent the missing link necessary to inaugurate a new level of accessibility and connectivity between the systems in addition to allowing the creation of next generation Machine-to-Machine (M2M) solutions.

The main European suppliers of HPC technologies such as Allinea, ARM, Bull, Caps Entreprise, Eurotech, ParTec, ST Microelectronics and Xyratex, associated with BSC, CEA, Cineca, Fraunhofer, Forschungszentrum Juelich and LRZ research centres join forces to create a European Technology Platform (PTE), starting from the PROSPECT and Teratec work results. The main PTE objective is to coordinate all European forces involved in the HPC sector, including SME, large European and international companies and research centres, proposing an ambitious research plan to the European Commission. This initiative is an important step to encourage and strengthen the European industry's position in the HPC sector. The impressive contribution by the members of this initiative shows that, in the years to come, if an ambitious research and development program is created, Europe can obtain a cutting-edge position in the HPC sector. The PTE will lead this movement, giving life to a European HPC sector that can create added value for both research and industry.

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Significant events in 2012

The best way to predict the future is to invent it.
Alan Kay

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FEBRUARY

Eurotech announces the CPU-111-10, the new Single Board Computer 6U VPX

The CPU-111-10 is a high performance rugged Blade Server with a quad-core Intel Xeon L5408 processor and a 10 Gigabit Ethernet switch that can support backplan topologies with a full-mesh configuration for a maximum of eight single board computers integrated on a single chassis. Available both in cooled version for convection and cooling for conduction, it is compatible with OpenVPX guidelines(VITA 65). Providing data processing capacity in a single VPX 6U card device with an integrated 10 Gigabit Ethernet fabric switch, the CPU-111-10 represents the ideal base to build an open architecture for the defence, industry, medical and science sectors, such as:

- cutting-edge applications in C41SR (command, control, communication, computer, intelligence, monitoring and recognition) aboard land and air vehicles, with or without a pilot, and on marine platforms
- merger and analysis of real time data with flows from multimodal sources (video, audio, sensors) for industrial control and artificial vision
- massive reconstruction of data, filtering and analysis within 3D applications
- higher parallel processing performance to process signals and simulate processes (e.g. Monte Carlo)

MARCH

SekuPLATE is born, the new license plate recognition system family for security and monitoring applications

Based on IP and conceived for security applications that require the intelligent association of vehicles and access permits, the SekuPLATE license plate recognition systems are equipped with advanced recognition algorithms, which ensure a high level of reliability that significantly reduce identification errors in all types of weather and light. Compact, versatile and easy to configure, the SekuPLATE systems identify the license plates, including those in Arabic, and automatically process them to monitor the passage of vehicles through gates, checkpoints, limited access areas, parking lots and other similar applications. The SekuPLATE systems are compatible with the traditional IT infrastructures and with the Eurotech Cloud platform, significantly reducing the time-to-market and allowing for robust and scalable solutions that integrate devices with customer applications.

SekuPLATE is announced, the new facerecognition system family for security applications

These facial biometrics recognition systems, based on IP, are used for security applications that require the intelligent association of personal identity and access permits. Thanks to facial biometrics tracking and automatic confirmation of images with the ICAO standard (ISO/IEC 19794-5), the SekuFace systems significantly simplify the compliance and privacy aspects, ensuring identification speed and reliability at the same time. The SekuFACE systems allow for an efficient control of large structures by activating various security levels, tracking several subjects at the same time and management hierarchical access. By easily integrating them with other identification devices, like ID or badge readers, the SekuFACE systems enable cross-control of access credentials if the most stringent security policies are necessary.

MAY

Eurotech simplifies the Internet of Things (IoT) technology with the Everyware CloudTM 2.0

This cloud-based M2M platform represents the basis for the M2M data communication and management in an industrial, logistics or transportation context. Everyware Cloud 2.0 is based on open standards that allow users to connect their applications to the cloud platform rapidly by using an open Application Programming Interface (API). Secure and efficient, it allows companies of any size to access information and capabilities that, at one time, was an exclusive prerogative of the companies that could invest an enormous amount of time and resources in the construction of large IT structures and complex processes. The main advantages of Everyware Cloud 2.0 are:

- Better device connectivity: the data model optimizes this device data communication aspect, reducing protocol overhead and easing device management.
- Real time data management: immediate data analysis in strict correlation with the company decisions without the need for any specific programming skills.
- Long-term queryable data: Data can be stored and queried later at any time (for 36 months and beyond).
- Flexibility: data can be archived in any format and accessed in the high performance schema-lessdatabase.
- Platform console: easy-to-use web interface to manage the device and the platform.
- Rich Set of APIs: it is possible to access all platform functions, including consoles, through a standard REST interface for easy integration with the IT infrastructure.
- Quick and easy setup: to connect a new device, no configuration is required.
- Device independence: open platform ready to support ESF-enabled devices (from Eurotech or third parties) and able to enable customized device connectivity.

JUNE

L-3 Communication Systems-West recognizes Parvus with the Platinum Supplier Excellence Award for excellent quality and delivery performance

This prestigious award is conferred by L-3 Communication Systems-West to less than 1% of its suppliers. L-3 Communication Systems-West is a leading company in communications systems for high-performance intelligence collection, imagery processing and satellite communications for the Department of Defence (DoD) and other government agencies. Parvus supports various North American L-3 division, providing rugged standardized mission computers (COTS), routers, switches and other electronic devices for civil and military defence applications. To date, Parvus' single most significant contract with L-3 has been with the Salt Lake City division, which, since 2005, has generated total orders for more than $30 million for the supply of electronic subsystems supporting ROVER, the L-3 data connection system. ROVER (Remote Operations Video Enhanced Receiver) is a widely used device among the US Armed Forces and NATO to view video images from manned or unmanned aircraft in real time that is used in recognisance operations.

Eurotech announces ReliaGATE 50-21, the multi-service gateway for M2M applications

ReliaGATE 50-21 is an industrial grade multi-service gateway designed to enable M2M applications in a variety of environments. Based on the Intel® Atom™ processor, it delivers communications, computation power, a middleware application framework and seamless M2M platform integration for immediate service generation and deployment. The ReliaGATE 50-21 is a flexible, application-ready platform with enhanced wireless capabilities to simplify connecting devices to the Cloud. This platform is ready to deploy and natively integrated with the Everyware Cloud 2.0 M2M platform to collect and manage M2M device data and quickly deploy solutions on the Internet of Things. This new smart gateway product family immediately connects distributed devices and sensors with the business application and the IT infrastructure. For the developer, it is the entry point to our cloud solution: on the embedded device side, it delivers the benefits of ESF (Everyware Software Framework), the software framework for effortless, highly portable programming; on the enterprise side, it delivers an easy path to data consumption and device monitoring through Eurotech Cloud services."

Eurotech develops the GPU-accelerated supercomputer with the highest density in the HPC sector
The supercomputer is the result of an agreement with Nvidia to expand the Aurora supercomputer line with new high performance and high efficiency systems accelerated with GPUs (graphic processing units). The agreement arises from the existing relationship with NVIDIA, a relationship that has allowed Eurotech to develop and install a series of custom HPC solutions for various customers in Europe. The agreement provides for the joint development of the highest density Eurotech supercomputer, the Aurora Tigon, which will have 256 NVIDIA® Tesla® K20 GPUs. It is anticipated that the new system will be able to offer a performance of more than 500 Teraflops per cabinet with an energy efficiency of more than three GFlops per watt, reaching a unique and unparalleled result in terms of performance and energy efficiency in this way.
"The Eurotech high density liquid cooling systems provide the highest density of computational power for each rack to install systems on a large scale," declared Sumit Gupta, the senior director of the NVDIA Tesla business unit. "By establishing a new standard for high performance and high efficiency computation, the new Aurora HPC system can contribute to expanding the adoption of the GPU systems for a wide array of scientific and engineering disciplines."

CINECA selects Eurotech to develop the "Eurora" prototype supercomputer
This is a co-design agreement with CINECA for the development and installation of an HPC (High Performance Computer) prototype called Eurora as part of a project co-financed by PRACE 2IP. CINECA, a Consortium formed by 54 Italian universities, is the largest Italian computing centre and hosts Fermi, the second fastest supercomputer in Europe. The new Aurora Tigon product will be the technological basis for the development of the Eurora prototype. CINECA will use this new prototype in various computational science fields, like the study of the fundamental constituents, the physics of condensed matter, astrophysics, biology and earth science.
Eurotech, the first company in the sector to offer a "hot liquid" cooled supercomputer in its 2009 catalogue, has recently extended this technology to high performance hybrid systems. This is in line with the CINECA goal of providing an integrated multi-core prototype with hot liquid cooling that implements a system able to offer excellent energy savings and reduce the total operating costs (TCO) without compromising computing performance. "The new Eurora prototype will be available for many scientists in Europe and will represent the first step for creating a "Data-centric Exascale Lab" in Italy," affirmed Sanzio Bassini, the associate HPC director at CINECA.

JULY
Parvus unveils DuraHPC 5-1, the rugged High Performance Embedded Computer for Tactical Applications
The DuraHPC 5-1 is a rugged embedded supercomputer (High Performance Embedded Computer - HPEC), designed to meet the high computing power needs under extreme operating conditions, typical of military, aerospace and advanced industrial installations. Able to reach computational speeds of up to 167 Gflops, DuraHPC 5-1 has a high performance multi-core Intel Xeon processor, an optional integrated liquid cooling system and a solid state disk (SSD) resistant to shocks and vibrations. Taking advantage of the HPC blade architecture of the Aurora supercomputer on a rugged chassis with liquid coolant, DuraHPC 5-1 was designed to be used in tactical applications that require significant data processing, such as intelligence, surveillance and reconnaissance (ISR) operations, digital signal processing (DSP), simulation/training, geological surveying, situational awareness, mobile computing and radar signal processing. Each unit has Infiniband interconnectivity at a low latency of 40Gb/s (or 10 Gigabit Ethernet, optional) to support parallel computing when several units are configured in cluster mode. With a watertight aluminium chassis, MIL-DTL-38999 hermetically sealed connectors and a high

performance thermal management system, the DuraHPC 5-1 was designed to work within an extended temperature range and in compliance with MIL-STD-810G and MIL-STD-461F EMI/EMC standards.

The Eurotech products contribute to the creation of the largest third generation synchrotron in the world
The Japanese subsidiary Advanet has received a letter of appreciation from the RIKEN and JASRI (Japan Synchrotron Radiation Research Institute) research institutes for its help in creating the XFEL (X-Ray Free Electron Laser) system called "SACLA" (acronym for Spring-8 Angstrom Compact free electron Laser), which became fully operative during 2012. SACLA allows for the release of light radiation that is involved in the basic and applied science progress in many sectors, including: analysis of the protein structure, nanotechnology, high speed imaging, cellular biology and matter-antimatter interaction. Advanet, one of the first collaborators for the project, contributed to the development of the "Spring-8" accelerator control system, the largest third generation synchrotron in the world, for 15 years through the supply of high speed analog I/O boards and data processing boards.

SEPTEMBER
$60 million contract from SAIC to power Positive Train Location system
Science Applications International Corporation (SAIC) has selected Eurotech ISIS ICE as the high efficiency rugged embedded platform for its own Positive Train Location (PTL) solution for the accurate localization of trains. The contract has a total anticipated value of $60 million over three years: some of the first units will be delivered in the second half of 2012 and the deliveries will subsequently increase until the regime goes into effect during 2013. The Federal Railroad Administration and Railway Industry in North America are developing various elements for a Positive Train Control (PTC) system. The sector is now focusing on the accuracy of the data on train length and determining the accurate position of a train through PTL projects. The first phase of the project will use the ISIS ICE, a robust sub-system based on the high efficiency and performance ISIS card, which was certified last year as one of the two reference hardware platforms for PTC applications. The deliveries of the subsequent phases of this SAIC contract shall consist in the Eurotech Catalyst TC computer on module with a set of customised boards and special packaging.

DECEMBER
New distribution agreement with PROSOFT to address the Russian market
PROSOFT Ltd is a proven distributor and integrator of embedded components and systems and the partnership agreement will allow Eurotech to increase its presence in the Russia and CSI Countries (Community of Independent States). By virtue of this agreement, PROSOFT will provide a wide range of Eurotech solutions for the Russian market, from embedded boards and modules to Cloud platforms.

Vision

A man to carry on a successful business
must have imagination. He must see things as in a vision,
a dream of the whole thing.
Charles M. Schwab

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Computers will be increasingly miniaturised and interconnected. They will merge with the surroundings of everyday life until they become indistinguishable from them, to improve our sensorial and perceptive capabilities.

"This will be a time when all human beings on our planet will be able to converse meaningfully with ubiquitous and intelligent technological systems, and use them daily to solve a vast range of very real human problems."

(John Smart, founder and president of the Acceleration Studies Foundation)

"We'll have augmented real reality. The computers will be watching what you watch, listening to what you're saying, and they'll be helping. So if you look at someone, little pop-ups will appear in your field of view, reminding you of who that is, giving you information about them, reminding you that it's their birthday next Tuesday."
(Ray Kurzweil, US inventor and futurist)

If we look at the progress of computing technology, it is not difficult to see a clear meta-trend; a movement from a computer for many people (the mainframe computer) to a computer for just one person (the personal computer) and, lastly, to many interconnected computers for everyone (e.g. smartphones, e-books, tablets, satellite navigators, multi-media kiosks, digital cameras, Wi-Fi routers, smart tags, ATMs etc). The computers of yesterday filled entire rooms due to their size; the computers of tomorrow will 'fill' entire rooms 'invisibly' due to their number.

We will no longer use computers as distinct devices: they will be sophisticated elements that give us the means to augment external reality and our comprehensive presence on the network and through the Cloud. Progress will be such that we will no longer see computers as computers, but as an integral part of our world, as an extension of ourselves. This is what we mean when we talk about the disappearance or invisibility of computers: they will become a part of our surroundings and will escape our attention.

All of us can see that there are computers in telephones, household appliances, machinery, cars and in a host of devices and equipment used daily. This ubiquitous presence is not, however, enough. We must not simply make our devices more intelligent or more powerful from the point of view of computation – we have to give them the ability to 'perceive' the world. The pervasive computing grid that we now call the Cloud must be fuelled by data from the real world, and the network of wireless sensors is the missing link. When this gap has been bridged, we will finally have an extension of our five senses. We will be able to virtually extend ourselves, going from a human body with good computing power but weak sensors to a 'hyperbody' with a wealth of sensors and outstanding computing power.

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Mission

No sensible decision can be made any longer
without taking into account not only the world as it is,
but the world as it will be.

Isaac Asimov

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Integrate the state of the art of computing and communication technologies to develop innovative applications, able provide a competitive advantage to our customers.Improve everyday life, making it simpler, safer and more pleasant through the ubiquitous and pervasive use of technology.

"Ubiquitous computing just might help to free our minds from unnecessary work, and connect us to the fundamental challenge that humans have always had: to understand the patterns in the universe and our place within them."

(Mark Weiser, former Chief Researcher at Xerox PARC)

"Non è più una questione di computer.
E' una questione di vita."

(Nicholas Negroponte, co-fondatore del MediaLab al MIT e della rivista WIRED)

"The purpose of a computer is to help you do something else". This memorable quote from Mark Weiser sums up the essence of the usefulness for human beings of the spread of miniaturised and interconnected computers throughout our surroundings.
We see this as a means of relieving man from risky, tiring, distasteful or simply boring activities. We like to give our work an aim that preserves and encapsulates a natural attention to the human and social dimension.

The pervasiveness and ubiquity of miniaturised and interconnected computers means that it is no longer a matter of computers – in terms or objects or tools – but is increasingly a matter relating to everyday life. The opportunity that computers provide to amplify our senses and reality lets us look at the world from a new angle.
Currently existing technologies can really change the man/computer relationship, making their co-existence increasingly symbiotic. Thanks to digital technologies, humans will be able to increase their potential without sacrificing their security and quality of life. The more integrated digital technologies are in everyday life, the more effective digital technologies will be.

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Values

Dream no small dreams for they have no power
to move the hearts of men.
Johann Wolfgang von Goethe

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Social responsibility is essential for the entire Eurotech Group. Our objective has always been to combine competitiveness and honesty. In pursuing growth, innovation and business results, we also dedicate the utmost attention to promoting quality of life, employment standards and human rights.

We are also very attentive to the environment in which we operate and we work on the basis of objectives indicated by international conventions on sustainable development. For this reason we have joined the United Nations Global Compact, the world's largest sustainability and corporate citizenship initiative.

Besides aiming for ongoing reinforcement of structural capital, we work very hard on developing human, relational and social capital. We do so because we consider it an investment fundamental for assuring competitiveness, stability and longevity for the entire Group.

"On a group of theories you can found a school but on a group of values you can found a culture, a civilisation, a new way for men to live together."

(Ignazio Silone, Italian writer and politician)

"A man without ideals is like a ship without a rudder"

(Mahatma Gandhi)

This commitment is reflected in the policies and attitudes of our management, which encourages creativity and innovation and adopts operating approaches based on the ethics of relations.
We place great importance on the quality of our management team, with the aim of aiding communication, the exchange of ideas and creation of a strong group identity.

We invest in people, in enhancement of their 'key' skills, and in their continuous training and development.
We cultivate and champion creation of a work environment based on reciprocal respect and trust and on the safeguarding of health and safety in the workplace.

We believe our tasks include that of assuring all workers the same job and professional opportunities, and equitable treatment based on merit.
In Eurotech, we also want to give the right space to all those people who have ideas, passion, and determination.
We recognise and encourage development of each employee's ability together with teamwork, so that the energy and creativity of individuals is fully expressed in achievement of shared, group-wide successes.

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Business model

The real voyage of discovery consists not in seeking new landscapes, but in having new eyes.

Marcel Proust

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The four key elements of the Eurotech model

Even before creating Eurotech, its founders had it clear in their minds that – to compete successfully in such an effervescent market as that of embedded computers in the 1990s – it was vitally important to manage to emerge. To be able to embark on a growth course, Eurotech had to get out of the scrum very fast indeed. And it had to do so without needing huge initial capital. This was why, right from the start, focusing on excellence seemed to be the key to standing out from the crowd, disposing of great intellectual capital but of little economic capital.

For Eurotech this term – excellence – meant a combination of innovation and quality. But that combination as such was not enough. What was needed was an even more distinctive connotation of excellence, one that, above all, worked as well as possible for achievement of sound growth. Because of this, it was immediately clear to everyone that excellence had to be sought remaining within sector standards. Given this, instead of investing in proprietary or totally customised solutions, Eurotech immediately believed in the standards' strength as a launch pad to project the entire company into the future. The founders had understood from the very outset that it was not enough to give customers high-performance products. Those products also had to be open to the future evolution of technology – which looks set to be overwhelming – whilst also saving on investments in software, which are the largest part of any implementation. Standards could therefore permit innovation based on continuity, endowing products with the prospect of relative compatibility with future discoveries without having to rewrite the software application from scratch. Although retaining the ability and skills to develop customised solutions for special uses or customers, Eurotech chose right from the start to seek excellence with solutions representing the state of the art of the most universally recognised standards.

Today, Eurotech, partly due to its policy of acquiring complementary companies, not only covers all the main electrical and mechanical standards of reference for the embedded market (PC/104, PC/104plus, cPCI, cPCI Express, VME, VPX, EPIC, EBX, COM Express and PMC), but also has a multi-platform offering, as it is able to supply modules and processor boards with x86, PowerPC and ARM architecture.

The second important choice immediately made – and one which has turned out be a winner – was to be an 'ideas factory' without a 'machinery factory'. This is an approach called 'fabless'. This means that Eurotech has no mass production plants or facilities. Within the value chain, the Eurotech Group carries out research, development, engineering and prototyping, quality control and logistics. In NanoPCs, therefore, the production divisions produce only prototypes, small series and takes care of some product testing when volumes mean that outsourcing is not financially expedient. For HPCs, production of boards anf mechanical partsis carried out externally, while final assembly, testing and burn-in are carried out in-house.

After the acquisition of Advanet, the Group also has a small amount of production capacity, which, however, does not exceed 20% of total capacity and is focused on high-end products. The Group thus continues to keep limited in-house production capacity for low-volume production, prototypes and any strategic works. Mass production is nearly all outsourced to outside producers, who then send the products to Group's various companies for final functional testing and quality control.

The third key element of Eurotech's model is constant monitoring of systems integration and the dynamics of the value chain.

In the 1980s, the value chain for products based on digital technologies was very long: creating a complete system required numerous and individually specialised parts, and every section of the value chain required specific, specialist players. In practice, those who worked on boards were very far removed from the final customer. But there was already a clear trend towards integration of the various components (as described by Moore's Law concerning the exponential increase in the number of transistors that it is possible to place in an integrated circuit) and a consequent reduction in the number of players in the value chain. Consequently, the distance from the end-user was also decreasing and this meant that the business approach had to adapt accordingly.

Boards changed from being finished products to become increasingly often system components. Given the increase in system complexity and the increasing standardisation of functions, hardware and operating system have increasingly become an inseparable combination. Today, from mere hardware we have progressed to application-ready platforms (ARPs), consisting of enclosures that encapsulate hardware, the operating system and middleware, an essential element today for those who want to transfer XML, SOAP, web service, and SOA applications to platforms with different architectures. In future, with the increase in function standardisation, the move will increasingly be towards addition to such platforms of even more software and of possible accessories, to create ready-to-use (R2U) devices.

A further effect of the progressive integration of systems is the changing prospects for man/machine interaction: while in the beginning, the low degree of integration put the focus on machines, it has now shifted to human needs and necessities. Thanks to advances in miniaturisation, the computer is becoming increasingly integrated with man and the real world: from the desk-bound PC we have moved to increasingly portable computers, including wearable computers and networks of miniaturised sensors able to make our surroundings 'intelligent'. There is now therefore a need to create systems and interfaces enabling man not to notice interaction with machines (seamless interface): the computer thus becomes invisible, in the sense that man does not perceive its presence. Eurotech's idea for the future is therefore increasingly to create R2U products that fully integrate with the user's surroundings and personal space, but which, at the same time, do not monopolise his attention and do not force him to interrupt what he is doing. The use of new products and processes based on this concept of invisibility is still in the very early stages in many sectors, and there is scope for providing incentives to create major growth opportunities.

Another trend shaping the way in which computers interact with each other and with people relates to the success of digital information and communication technologies, which are leading an irreversible revolution that will lead to profound changes both in society and in individuals. In the coming years we will see a change in the paradigm: everything around us will have to become more 'intelligent' and 'interconnected' so that it can be better managed and better used, increasing efficiency and reducing waste. With some seven billion people on the planet we will have to do a lot more with a lot less. This shift will rely increasingly on technology and on ever-smaller, interconnected, high-performance computers. Eurotech already has the solutions and skills to gather data from the real world and put it on the world wide web: from onboard parameters of vehicles on the move to the operating data of equipment; and from the environmental conditions of specific monitored areas to information on individuals' physiological parameters. We can build technology platforms that enable a full range of value-added services and functions in the transport, logistics, security, industrial and medical sectors.

Increasingly powerful, small and closely-interconnected computers will generate a 'computer exoskeleton', where computers, hidden from view, will acquire the ability to be anywhere there is a wireless connection. These ubiquitous and interconnected computers will increase the world's visibility, making it more pleasant and sustainable as a result.

The fourth key pillar of Eurotech's business approach springs from an awareness that technologies and products are like human beings: they struggle to grow at first, then grow very rapidly, then adjust and settle down before finally declining. For this reason both products and the technologies on which they are based have to be periodically refreshed, and this is the purpose of constant innovation.

There is, however, intrinsic difficulty in understanding which will be the next driving technology or the next winning product. To do so it is necessary to try, test, and explore. It also has to be said that this exploration of virgin paths may not even produce any type of result at all. Some paths may in fact turn out not to be feasible or, more simply, not economically viable. If the life cycle tells us that sooner or later our products will decline, then the question is: of the many alternative technologies, not all of which are successful, which is the right one? Some technologies are doomed to die before they even get to market; others instead will enter the market and will determine its development. In order to maintain our technological leadership, we have to explore as many evolutionary scenarios as possible. In order to do this effectively and cost efficiently, we use external partnerships with universities and research institutes, on the basis of two fundamental assumptions: sharing the development model and sharing the evolutionary scenarios. This is a win/win relationship: the university researches topics that will not be consigned to the drawer because they are already 'sponsored' by a company, and the company can draw upon a network of researchers capable of parallel exploration of different scenarios that it would otherwise be impossible to create.

Strategic approach to innovation

Generally speaking, innovation means two approaches: technology-push and market-pull. The first approach starts from what technology is able to give, and the second from what the market demands or is able to absorb. They are two opposing approaches – but they can be effectively combined. And that is what we have chosen to do in Eurotech.

For a company like ours, which very much bases its success on technological innovation and on anticipating demand, it is essential that research be driven by a technology-push approach. Only with this approach is it possible to maintain technological leadership and continue developing state-of-the-art solutions. To make the technology-push approach more efficient and effective, the complex of external relations with the 'network of knowledge' is vitally important. This is how we can explore several alternative routes simultaneously and cost-effectively. The centre of gravity of technology-push research is therefore very much skewed towards the outside world, with a target outside/inside ratio of 80-20. Given this, in order to maintain an effective hold over research, it is important that control be centralised at corporate level.

The development part is a different matter. To bring the results of research efficiently to market, it is important to focus on an approach that starts with what the market itself wants or might appreciate: in other words, the right approach for development is market-pull. Moreover, whilst research benefits from the simultaneous existence of several open fronts, development has to converge towards a product or product family, and it is therefore advisable to limit dispersion of energy and outside interference. Another particular feature of development is that it implies specificity in sectors and geographical regions, and centralised control would not allow for all these specificities to be gathered together: development is therefore decentralised and distributed between the Group's various companies. This means that each company can conjugate a given product idea in the best way, understand/exploit local specific needs, and turn research results into commercial success.

Strategic approach to growth

In Eurotech, we quickly initiated an external growth strategy, with the aim of achieving critical mass (the so-called tipping point) on a fast-track basis. To rapidly grow, we should also rapidly enter new markets for us like the US or Japanese markets. Starting from scratch, without a customer base and without a brand reputation, increased risks and the time needed. For this, we used the acquisition lever: we wanted to grow at a rate of 50% YoY and to maintain that pace we needed acceleration factors that could be found only by going beyond the original company's boundaries.
From 2006 to 2007, we completed three significant acquisitions, which allowed us to reach a global footprint and a company size that has today positioned us among the top 10 in the embedded computer market. This "change in scale" enables us, among other things, to look at growth from a new, stronger perspective.

Today our approach is based on three strategic guidelines.
The first of these is combined growth:

- First of all organic, leveraging Group synergies and looking at new types of customers, new sectors and new regions. On the internal front, we have accumulated, by virtue of the acquisitions completed, organic growth potential that has only partly been expressed, and which must now be expressed in full.
- In a tactical way for external lines, still giving space for acquisitions, which are seen as catalysts for organic growth. There are still many acquisition opportunities, and it is therefore important to continue to monitor them so that we can be ready to take advantage of them.

The second guideline is constant enhancement of the Eurotech brand's reputation. To do this we are working on three fronts:

1. consolidation of corporate identity and promotion of the Eurotech brand
2. corporate visibility due to innovative products
3. partnerships with major industrial and commercial partners.

The third guideline is to maintain technological leadership, which is essential to keep to our aim of creating innovative solutions combining state-of-the-art computing and communication technologies. The levers we use are: investments in R&D, co-operation with research centres and universities, and acquisition of minority interests in start-ups active in technologies and sectors with high potential.

Strategic approach to the market

The Eurotech Group's sales model has historically featured clear predominance of the direct channel. This choice was justified, on the one hand, by the desire to maintain a direct relationship with the market and, on the other, by the need to build a strong brand before approaching the market via indirect channels.
Today the growth of our brand recognition is spurring increased use of indirect channels to approach the market. This combination of the direct and indirect sales models goes well with the evolution of our product offering. A kind of virtuous circle is being created: the superior strength of the Eurotech brand attracts resellers and intermediaries that find in our offering increasing availability of ready-to-use products: i.e., devices that benefit from the particular features of the indirect channel more than boards or systems and that pave the way to commercial partnerships in which Eurotech provides computing and communication platforms that can enable and support the applications or services of the partner.
Our strategic approach to the market therefore includes strengthening indirect sales alongside direct sales.

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Products

Some look at things that are, and ask why.
I dream of things that never were and ask why not?
George Bernard Shaw

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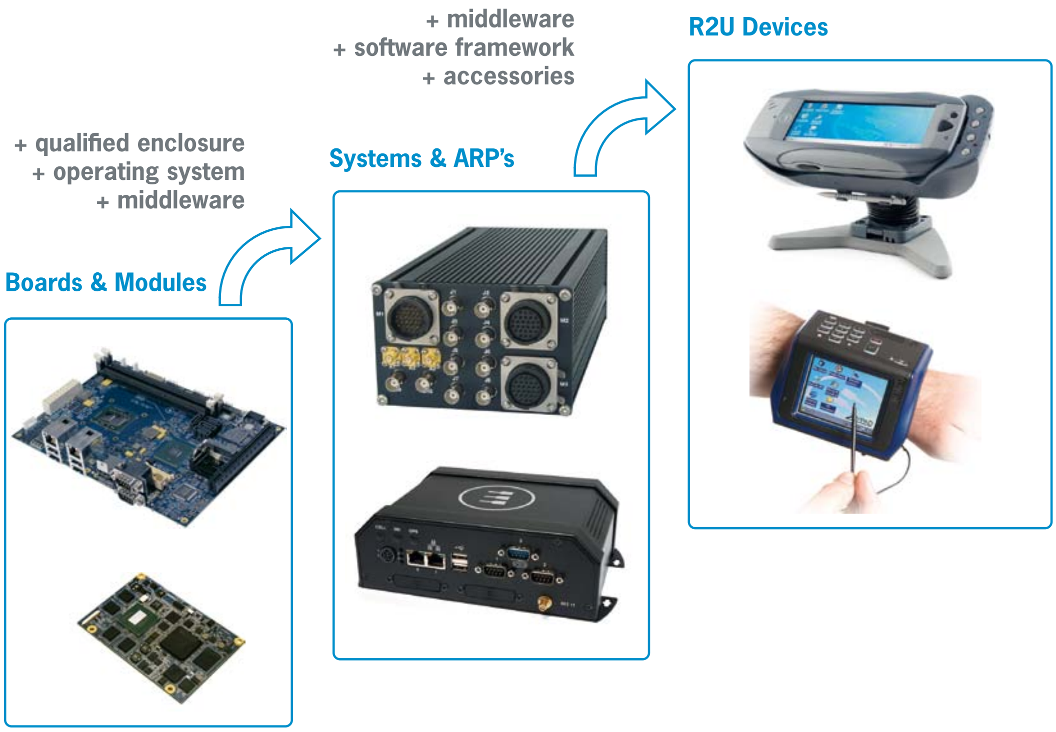
The essence of Eurotech products

Embedded technology is the basic technology of Eurotech products. It is an enabling technology, in that it permits miniaturisation. It is the technology on which Eurotech based its foundation and that continues to be in the Group's DNA.
Over the years, there have been two key changes in the embedded computer scenario. First, software has increasingly been added to hardware, becoming incorporated with it and creating a symbiosis that is now indissoluble. Secondly, the dimension of communication has been added to that of computing.
In each phase of our history we have constantly explored new ways of using computers. In more recent years it is their growing pervasiveness that has stimulated our creativity. Computers interconnected on a large and small scale enable us to amplify reality, not only to visualise or virtualise it. Today the possibility offered by computers to generate enhanced-reality situations enables us to look at the world from a different angle.
Today the technological paradigm followed by Eurotech is "Pervasive Computing". Compared to the concept of embedded, the concept of pervasive involves not only miniaturization, but also the spread in the environment of the devices and their ability to communicate, thus creating an infrastructure in which computers of various sizes (i.e.: laptop computers, wearable computers and sensors incorporated into everyday objects and the environment) and high performance computers (HPCs) are interconnected by a modular and easily expandable communication infrastructure (BAN, PAN, LAN, WAN).
In this perspective, the Eurotech Group develops and markets Pervasive Computing Devices. These are devices whose key components include the embedded boards on which Eurotech was founded, even though they are more and more often concealed inside application-ready platforms (ARPs) or ready-to-use (R2U) systems.



Eurotech products have always stood out because they are specifically capable of operating in particularly demanding environments: extreme temperatures, humidity, vibrations and shocks are all normal working conditions for our solutions. This is why we have a long tradition of application in harsh environments such as the military, aerospace, and transport sectors.
The durability and reliability of Eurotech products makes them suitable for all uses where malfunctioning is not an option and must not happen, that is to say where anomalous operation or breakdowns may cause major economic damage. This is why our customers include companies that make extremely high-precision industrial machinery or plants required to ensure extremely high levels of productivity without sacrificing product quality and without machine outages.

All Eurotech products draw on our continuous research and on the experience that we have built up over the years in the technological fundamentals of miniaturisation, low consumption and durability. They all meet the strictest standards of reference.

Markets

Creativity comes from looking for the unexpected and
stepping outside your own experience.

Masaru Ibuka

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Our typical customer

The Eurotech Group distributes and markets its solutions globally, both directly and via qualified partners. The Group's customers operate in a variety of sectors, both conventional and emerging, and therefore have different needs. The majority of our customers nevertheless choose us because they see in our Group the ideal supplier or partner to meet some recurrent specific needs.

More specifically, our customers feature increasingly demanding requirements in terms of:
- Low consumption, for devices able to operate for long periods powered by a battery
- Minimum heat generation
- Compact formats and sizes
- Wireless connections (e.g. Wi-Fi, GPS, 3G, Bluetooth and ZigBee)
- Ease of integration within distributed ICT infrastructures
- Durability, for solutions able to withstand harsh environments from all points of view: temperature, humidity, vibrations, shocks etc.
- Superior reliability
- Compliance with specific certification standards, e.g.: MIL, EN, DIN, IPxx, NEMAxx.

Besides these functional requirements, our customers also seek in Eurotech a centre of technological competence. They want to reduce their time-to-market and focus on their core businesses. They often need solutions for mission-critical applications, supply of which must be assured for long periods. Because of this, they appreciate our long life cycle, which we achieve also via a Form-Fit-Function approach.

Applications

The Eurotech Group's NanoPC offering is structured in product linesand solutions, each dedicated to a specific market segments:
- Industrial & Commercial
- Medical & Healthcare
- Transportation & Mobility
- Logistics & Networking
- Security & Surveillance
- Defence & Aerospace

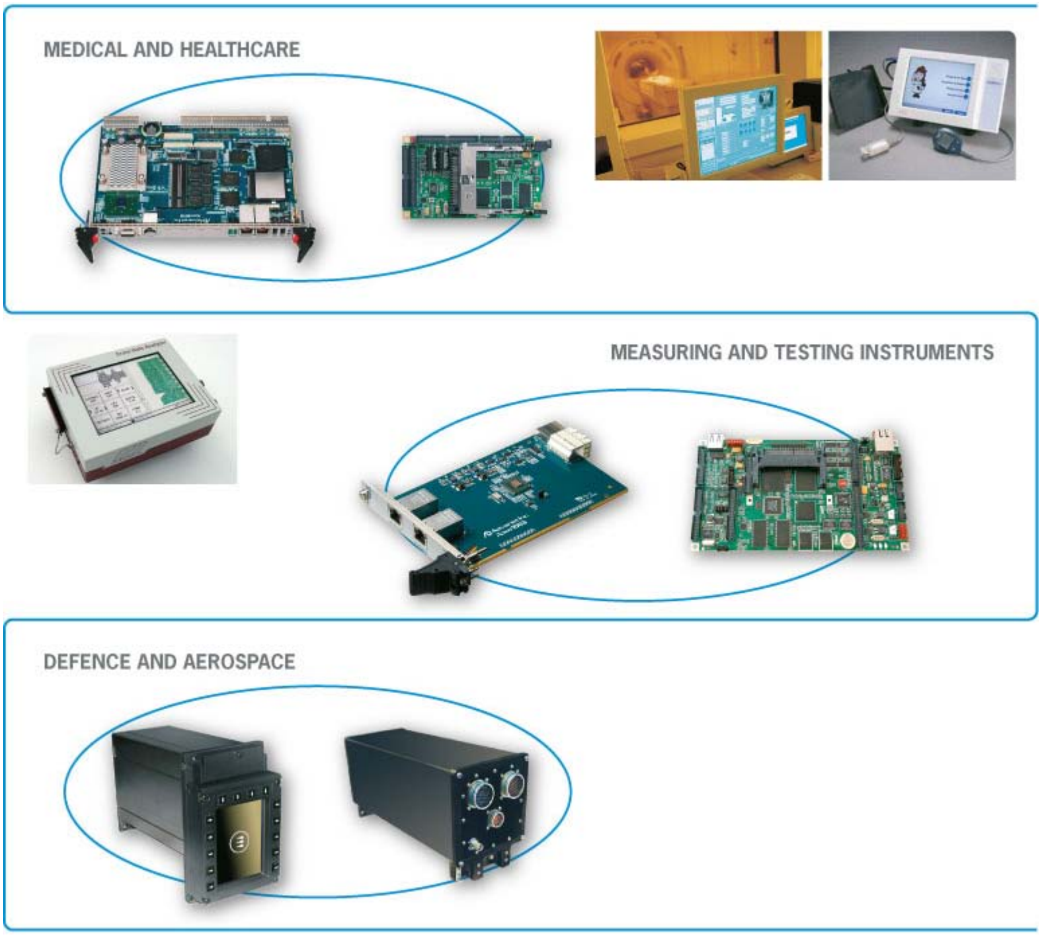
Eurotech products and solutions share the same set of base technologies and are employed in many specific application environments, both conventional and emerging. Here are some examples:examples:

PUBLIC TRANSPORT

LOGISTICS

MACHINE AUTOMATION

PROCESS CONTROL



Our HPC offering targets research centres, computing centres, and universities requiring extremely high processing capacity, occupying limited space and with minimum power consumption. Our compact, low-power HPCs are proving useful also in advanced industrial and services sectors, such as nanotechnology, biotechnology and cyber security.

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Corporate information

Do you know what my favorite renewable fuel is?
An ecosystem for innovation.
Thomas Friedman

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BOARD OF DIRECTORS

Chairman	Roberto Siagri
Vice Chairman	Giampietro Tecchiolli
Director	Sandro Barazza [1 2]
Director	Giovanni Bertolone [2]
Director	Giancarlo Grasso [2]
Director	Chiara Mio [2 3 4]
Director	Maria Cristina Pedicchio [2 3 4]
Director	Cesare Pizzul [2 3 4 5]
Director	Giovanni Soccodato [2]

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 28 April 2011, and it will remain in office until approval of the financial statements for the year ending 31 December 2013.

BOARD OF STATUTORY AUDITORS

Chairman	Claudio Siciliotti
Statutory Auditor	Michela Cignolini
Statutory Auditor	Giuseppe Pingaro
Substitute Auditor	Lorenzo Ginisio
Substitute Auditor	Michele Testa

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 28 April 2011, and it will remain in office until the approval of the financial statements for the year ending 31 December 2013.

INDEPENDENT AUDITOR

Reconta Ernst & Young S.p.A.

The Independent Auditor was appointed for the three-year period 2005-2007 by the Ordinary Shareholders' Meeting of 21 July 2005. This term was extended for the period 2008-2013 at the Ordinary Shareholders' Meeting of 7 May 2007.

1 Corporate Financial Reporting Manager as from 29 May 2008.
2 Non-executive directors.
3 Member of the Remuneration Committee, the Internal Control Committee and the Committee for Related Party Transactions.
4 Independent Directors pursuant to the Corporate Governance Code issued by the Italian Corporate Governance Committee for Listed Companies.
5 Lead Independent Director.

CORPORATE NAME AND REGISTERED OFFICES OF THE PARENT COMPANY

Eurotech S.p.A.
Via Fratelli Solari 3/A
33020 Amaro (UD), Italy
Udine Companies
Register number 01791330309

Information for shareholders

An invasion of armies can be resisted,
but not an idea whose time has come.
Victor Hugo

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The ordinary shares of Eurotech S.p.A., the Parent Company of the Eurotech Group, have been listed in the STAR segment of the Milan stock market since 30 November 2005.

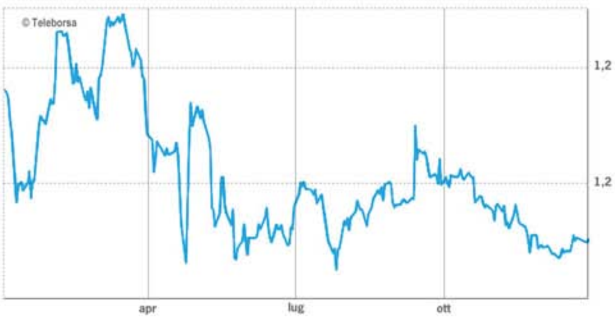
Share capital of Eurotech S.p.A. at 31.12.12

Share capital	€8,878,946.00
Number of ordinary shares (without nominal unit value)	35.515.784
Number of savings shares	-
Number of Eurotech S.p.A. treasury shares	420.140
Stock market capitalisation (based on the share's average price in December 2012)	€39 million
Stock market capitalisation (based on the share's reference price at 31.12.12)	€39 million

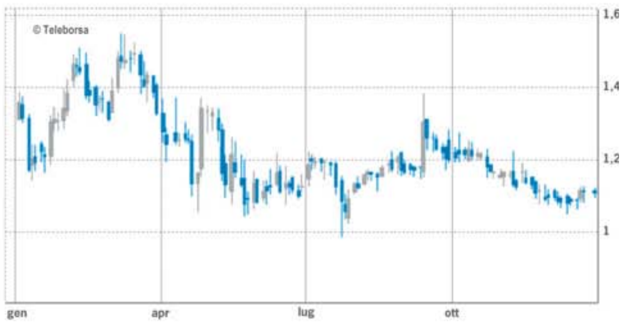
Performance of Eurotech S.p.A. shares

Absolute performance of EUROTECH S.p.A. shares

01.01.2012 – 31.12.2012



The line graph shows the share's performance based on daily reference prices



The candle chart shows the share's daily maximum and minimum prices

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Management report

To accomplish great things, we must not only act,
but also dream; not only plan, but also believe.
Anatole France

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Introduction

The Eurotech Group's results in the 2012 financial year and the comparative period were drawn up according to the IASs/IFRSs issued by the International Accounting Standards Board and endorsed by the European Union. Unless otherwise stated, data are expressed in thousands of euro (€ '000).

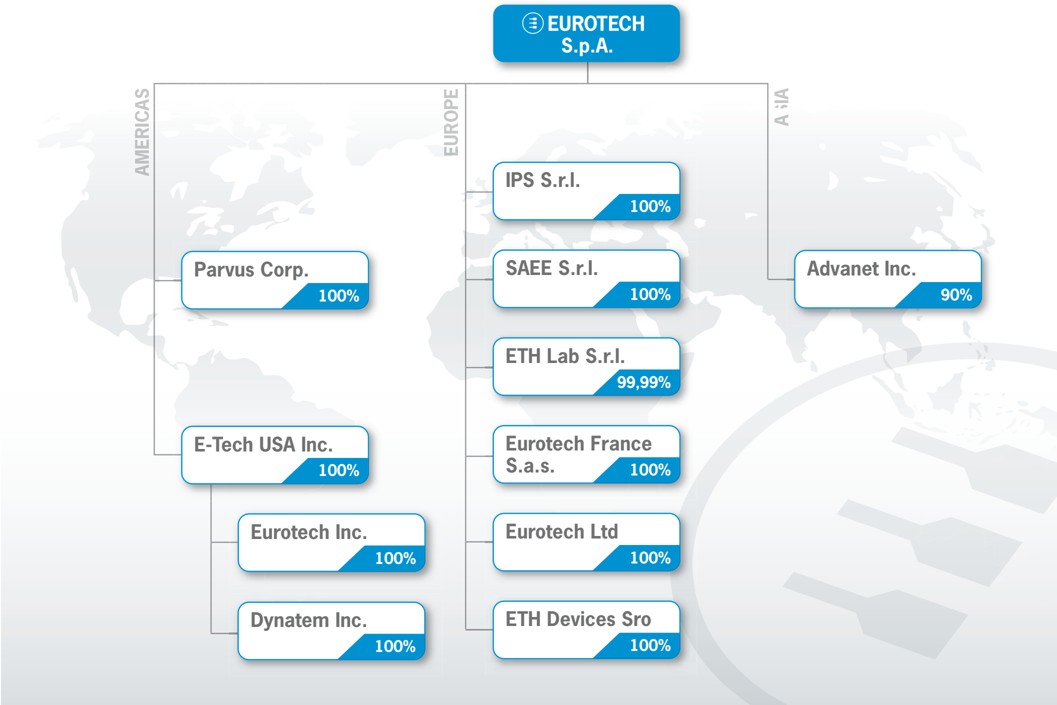
The Eurotech Group

The Eurotech Group operates in the sector of research, development, production and marketing of miniaturised computers for special uses (NanoPCs) and supercomputers with high energy efficiency (HPCs).
"NanoPCs" and "HPCs" are therefore the business lines identified. In the NanoPC segment, the Group's product offering consists of miniaturised electronic modules and systems currently targeting the transportation, logistics, defence, security, medical, and industrial sectors.
In the HPC segment, the Group's offering is represented by supercomputersthat pair very high computing power, up to PetaFlops, with compact sizes and very high energy efficiency and that are sold to both research institutions and computing centres as well as industry and service customers.

At 31.12.12, the Eurotech Group consisted of the following companies:

Company name	Business	Share capital	Group % ownership
Parent Company			
Eurotech SpA	Operates in the NanoPC segment with its main focus on the Italian market and in the HPC market at global level. In terms of organisation, it performs the role of coordinating holding company at corporate level	EUR 8,878,946	
Subsidiaries and companies consolidated on a line-by-line basis			
Dynatem Inc.	Operates in the US NanoPC market	USD 1,000	100.00%
ETH Devices S.r.o.	Operates in the Eastern European NanoPC sector, mainly in the handheld devices segment	EUR 10,000	100.00%
Eurotech Inc.	Operates in the US market in the NanoPC segment with a focus on the industrial, medical and transport sectors	USD 26,500,000	100.00%
Eurotech Ltd.	Operates in the NanoPC segment and is active primarily in the UK	GBP 33,333	100.00%
E-Tech USA Inc.	Holding company that controls 100% of Eurotech Inc. and Dynatem Inc.	USD 8,000,000	100.00%
Eurotech France S.A.S.	Operates in the French NanoPC market	EUR 795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Operates in the NanoPC sector with the IPS brand and in the high-tech security sector with the ETH Security brand	EUR 51,480	100.00%
Parvus Corp.	Operates in the US NanoPC market, mainly in the defence sector	USD 119,243	100.00%
Saee S.r.l.	Active in technological solutions in the field of sensor networks and wireless applications	EUR 15,500	100.00%
EthLab S.r.l.	Handles research on the Group's behalf (since 2005)	EUR 115,000	99.99%
Advanet Inc.	Operates in the Japanese NanoPC market	JPY 72,440,000	90.00% (1)

(1) For the purposes of consolidation 100% is taken into account, since the company holds the remaining 10% in the form of treasury shares.



Operating performance

OPERATING RESULTS

(€'000)		FY 2012	%	FY 2011	%
SALES REVENUES		93,627	100.0%	93,806	100.0%
GROSS PROFIT MARGIN	(*)	48,983	52.3%	46,540	49.6%
EBITDA ADJ	(**)	8,003	8.5%	4,000	4.3%
Non recurring costs		0	0.0%	(910)	-1.0%
EBITDA	(***)	8,003	8.5%	3,090	3.3%
EBIT	(****)	(34)	0.0%	(4,875)	-5.2%
PROFIT (LOSS) BEFORE TAXES		(271)	-0.3%	(6,613)	-7.0%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(2,783)	-3.0%	(7,246)	-7.7%

(*) Gross profit is the difference between revenues from sales of goods and services and use of raw materials.

(**) Result before depreciation, amortisation and impairment of assets, valuation of equity interests in affiliates using the equity method, financial income, non-reoccurring costs or revenues and charges and income tax for the year (EBITDA ADJ).

(***) Non-reoccurring costs for 2011 for a total of €910 thousand primarily refer to material, transportation and processing costs for a custom product, recalled after having been delivered in order to complete the modification. This event was absolutely exceptional for the Group since it had never happened before.

(****) Operating result (EBIT) before valuation of equity interests in affiliates using the equity method, financial income and charges and income tax for the year.

The Eurotech Group, during the year, continued its policy of carefully controlling costs and the operative efficiency of the structure, without ignoring business development in new sectors and new markets, streamlining the product and service offering and looking for new partnerships on the local and global level.
The efforts made allowed us to reach the break-even point at the operating level and this result opens up a very positive scenario for the years to come.

In terms of revenue, the Group decreased slightly by 0.2%, equal to €179 thousand, going from €93.81 million in 2011 to €93.63 million in 2012.
This small reduction is due to the continuation of the unfavourable economic situation, which makes the business dynamic uncertain: there are moments of acceleration followed by moments of stagnation and it is essential to be agile and flexible in order to take advantage of the opportunities that present themselves while maintaining an operative efficiency at the same time.

Geographic coverage over the three continents continues to be a plus for Eurotech in absolute terms because it allows us to maximize the likelihood of seizing a business opportunity wherever it occurs and to mediate the effects of temporary slowdowns in specific geographic areas following, for example, political or monetary uncertainty.

Unlike the macroeconomic situation, the American area showed an increased order collection trend in 2012 and, in particular, in the last four months during which we were able to announce an important contract, both in terms of its size and prestige, with SAIC for a Positive Train Location (PTL) project. This contract alone has a total anticipated value of $60 million over three/four years and this leads us to hold out hope for the sales trend in the United States. The deliveries for this contract will gradually increase during 2013.
The European area has continued to feel the effects of the financial crisis and the pressures on the single currency, which has limited the ability and desire of companies and governments to invest in new development programs. Europe remains, in our opinion, an area with good potential in general, even if, at this time, this potential is having a hard time shining through and there are inevitable repercussions on the total sales generated in the area.

As for Japan, the country's economy has felt the effects of the strong Yen, which has stalled recovery following the earthquake. Overall, this market has shown resilience and, with an eye toward a more favourable Yen/Dollar and Yen/Euro exchange rate, it has good prospects.

Before commenting in detail on income statement figures, we must point out that some of them reflect the effects of recognition in accounts of purchase price allocation (PPA) relating to the business combinations of Applied Data Systems Inc. (now Eurotech Inc.), Dynatem Inc. and Advanet Inc.
Actual results with and without the effect of purchase price, allocation and non-reoccurring costs are summarised below:
- EBIT would be €3.76 million rather than -€0.03 million;
- the pre-tax result would be €3.52 million rather than -€0.27 million;
- the net loss would be -€0.55 million rather than -€2.78 million.

Gross profit margin stood at 52.3%, a clear growth compared to 49.6% in 2011. This increase was determined by the combined effect of two factors: on one hand, the careful management of the purchasing of materials and of the inventories and, on the other, the mix of products sold, which generate different

levels of profit according to their type, the sectors in which they are used and the markets where they are sold. The first margin remains well above the reference value of 50% defined by management.
The level reached this year in terms of the first margin as a percentage of sales, along with the margin of current orders, confirms, on one hand, that the clients recognize and reward the added value of the Eurotech solutions in a market sensitive to prices and, on the other hand, makes us feel that actions undertaken to contain the costs of purchased parts are adequate.

In the period under review, gross of adjustments for internal increases, operating costs fell by €2.55 million from €46.46 million including non-reoccurring costs (with a 49.5% impact on profits) to €43.92 million (representing 46.9% of revenues). This trend has positively impacted the Group's EBITDA.
The streamlining actions for the operative structure performed in 2011 along with other actions implemented by the management in 2012 produced visible effects in the fiscal year that just ended. It must be further underlined that due to the negative forex trend, the result does not fully reflect the efforts made to cut fixed costs. Considering the amounts in the local currencies, significant savings can be seen from one period to the next. The goal of making the structure more efficient and lowering the threshold of activation of the operative lever was reached, and there is still room for further improvements that will be made visible during the next quarters.
Along with structure rationalization, investments in innovation and development were made, which are expected to show their impact in the next quarters. Finally, as we have often underlined, the current structure, although streamlined in the last few years, is overall capable to support higher sales than those reached in 2012 and is therefore able to sustain organic growth.

The result before interests, taxes, depreciations and amortizations (EBITDA) was €8.00 million, with an increase of €4.91 million compared to 2011 that showed an EBITDA of €3.09 million. The 2012 EBITDA rate on revenues was 8.5% compared to an EBITDA 2011 rate of 3.3%.
The difference between one period and another is primarily attributed to the increase in the first margin, the containment of the operative costs in addition to the lack of non-reoccurring events that had a negative effect of €0.9 million last year.

EBIT finally rewards the efforts profuse during the last few years and shows a break even (-€0.03 million) compared with a negative value of -€4.87 million for FY2011. The EBIT rate on revenues equals zero, compared to -5.2% in 2011.

2012 EBIT is influenced by both the EBITDA performance described above and by depreciations and amortisations in the 2012 income statement. The depreciations and amortisations derived from operating assets that became subject to depreciation in 2012 and from the non-monetary effects of PPA relating to the acquisitions of Eurotech Inc. (formerly Applied Data Systems Inc. and Arcom Control Systems Inc.), Dynatem Inc and Advanet Inc. The effect on EBIT of the higher values attributed as a result of purchase price allocation in 2012 was €3.79 million, compared to €3.45 million for 2011.

The financial result was affected by foreign exchange differences caused by the trend in foreign currencies, as well as by the trend in net financial position. Overall, forex differences had a positive effect on the FY of €0.98 million (compared with an effect of €0.64 million in the first half of 2011), while financial management relating to interest had an effect of €0.90 thousand (€0.96 million in 2011).

In 2012, there was a pre-tax loss for just €0.27 million (vs. a loss of €6.61 million in 2011). This performance was influenced by the factors outlined above. The effects on the pre-tax result deriving from the "price allocation" was €3.79 million in 2012 vs €3.45 million in 2011.

The Group net result was -€2.78 million compared with -€7.25 million in 2011, due also to the tax burden on the various Groups. This performance not only reflects the pre-tax result, but is also due to the tax effect of the individual Group companies (as better shown in note 33).
Total PPA effects on the Group net result in FY2012 amounted to €2.23 million (2011: €1.08 million).

As indicated in the explanatory notes to the consolidated financial statements (Note F), the Group discloses segment information based on the product segment in which it develops its activity (NanoPCs and HPCs) and, exclusively in the NanoPC segment, based on the regions in which the various Group companies operate and that are currently monitored. The regions are defined by the location of goods and operations carried out by each individual Group company. The regions identified within the Group are: Europe, North America and Asia.

Changes in revenues and margins for individual business segments and the relative changes in the periods under review are set out below.

(€'000)	NanoPC			High Performance Computer			Total		
	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change
Sales revenues	90,255	90,971	-0.8%	3,372	2,835	18.9%	93,627	93,806	-0.2%
Gross profit	47,795	45,758	4.5%	1,188	782	51.9%	48,983	46,540	5.2%
EBITDA	7,954	3,279	142.6%	49	(189)	-125.9%	8,003	3,090	159.0%
EBITDA margin - %	8.8%	3.6%		1.5%	-6.7%		8.5%	3.3%	
EBIT	530	(4,170)	112.7%	(564)	(705)	20.0%	(34)	(4,875)	99.3%
EBIT margin - %	0.6%	-4.6%		-16.7%	-24.9%		0.0%	-5.2%	

By analyzing revenue from the point of view of the main business lines, the HPC line is not yet significant for the years on question despite its sales revenue increasing compared to the previous FY. The business in this sector are characterized by significant orders with a limited number of customers, historically related to the scientific and research world and today, due to the development of the Aurora product line, present also in the industry and service landscape.

NanoPC revenues were €90.25 million in 2012 and €90.97 million in 2011, representing an decrease of 0.8%. This decrease is due to the factors described above under the total revenue trend.

For the NanoPC segment, the regional breakdown is as follows:

(€'000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change
Third party Sales	41,898	39,440		18,540	24,211		29,817	27,320		0	0		90,255	90,971	
Infra-sector Sales	2,318	1,368		7,000	8,078		189	718		(9,507)	(10,164)		0	0	
Total Sales revenues	44,216	40,808	8.4%	25,540	32,289	-20.9%	30,006	28,038	7.0%	(9,507)	(10,164)	6.5%	90,255	90,971	-0.8%
Gross profit	20,283	17,421	16.4%	8,724	11,215	-22.2%	18,904	17,373	8.8%	(116)	(251)	-53.8%	47,795	45,758	4.5%
Gross profit margin - %	45.9%	42.7%		34.2%	34.7%		63.0%	62.0%					53.0%	50.3%	
EBITDA													7,954	3,279	142.6%
EBITDA margin - %													8.8%	3.6%	
EBIT													530	(4,170)	n.s.
EBIT margin - %													0.6%	-4.6%	

North American revenues rose by 6.2%, from €39.4 million in 2010 to €41.9 million in 2012. This increase is due the positive forex effect and also to the increased contribution to the revenues of this area coming from the subsidiary Dynatem in 2012 compared to 2011.
The European business area shows a 23.4% decrease, going from €24.2 million in 2011 to €18.5 million in 2012. The trend has been influenced by a decrease in revenue in the English area that, during 2011, benefited from the effects of executing an important order in the transportation sector.
Finally, the Asian business area saw an increase of about 9.1% in revenues, going from €27.3 million to €29.8 million due primarily to the forex effect deriving from the conversion of Yen into Euros, in addition to the positive performance of the overall economy in Japan.

The breakdown of revenues by type shows a slight increase in revenue for services, compensated by a slight decrease in industrial revenues.

SALES BY TIPE	FY 2012	%	FY 2011	%
Industrial revenues	90,714	96.9%	91,215	97.2%
Services revenues	2,913	3.1%	2,591	2.8%
TOTAL SALES AND SERVICE REVENUES	93,627	100.0%	93,806	100.0%

The regional breakdown of revenues by customer location is shown below:

BREAKDOWN BY GEOGRAPHIC AREA	FY 2012	% of sales	FY 2011	% of sales	var. %
European Union	17,479	18.7%	16,965	18.1%	3.0%
United States	41,775	44.6%	44,842	47.8%	-6.8%
Japan	29,938	32.0%	27,265	29.1%	9.8%
Other	4,435	4.7%	4,734	5.0%	-6.3%
TOTAL SALES AND SERVICE REVENUES	93,627	100.0%	93,806	100.0%	-0.2%

Based on the breakdown of revenues by the customers' geographic area, there has been a decrease in revenue in the United States by 6.8%, particularly due to the lack of effects of an important order in the transportation sector, managed at the English offices as mentioned above, which led to a significant contribution to the total US revenue in FY2011. The US contributed 44.6% to total revenues of 2012.
The Japan region saw growth of 9.8%. This was mainly due to a positive exchange rate effect due to conversion of the financial statements of the Japanese company, but also the market recovery in the country compared with 2011.
In Europe, again with reference to customer location, turnover was largely unchanged at about 18% of the total.

(€'000)	FY 2012	% of sales	FY 2011	% of sales	var. %
Purchases of raw materials, semi-finished and finished products	40,116	42.8%	49,786	53.1%	-19.4%
Changes in inventories of raw materials	4,273	4.6%	5,037	5.4%	-15.2%
Change in inventories of semi-finished and finished products	255	0.3%	(7,557)	-8.1%	-103.4%
TOTAL COST OF MATERIALS	**44,644**	**47.7%**	**47,266**	**50.4%**	**-5.5%**

Consumption of raw and auxiliary materials and consumables, shown in the table above, decreased from €47.27 million in 2011 to €44.64 million in 2012. A decrease of 5.5% was recorded in the period, significantly less than the marginal revenue reduction (0.2%). The non-proportionality between the decreases is directly due to the careful procurement policy of materials and inventory management. Subsequently, costs for raw and auxiliary materials and consumables as a percentage of sales decreased from 50.4% in 2011 to 47.7% in 2012.

(€'000)	FY 2012	% of sales	FY 2011	% of sales	var. %
Service costs	14,813	15.8%	16,483	17.6%	-10.1%
Rent and leases	2,245	2.4%	2,464	2.6%	-8.9%
Payroll	24,956	26.7%	25,378	27.1%	-1.7%
Accruals and other costs	1,911	2.0%	1,229	1.3%	55.5%
Cost adjustments for in-house generation of non-current assets	(2,138)	-2.3%	(2,632)	-2.8%	-18.8%
Operating costs net of non recurrent costs and of cost adjustments	**41,787**	**44.6%**	**42,922**	**45.8%**	**-2.6%**
Non recurrent costs	0	0.0%	910	1.0%	-100.0%
Operating costs net of cost adjustments	**41,787**	**44.6%**	**43,832**	**46.7%**	**-4.7%**

As a percentage of revenues, operating costs net of cost adjustments for internal increases declined from 46.7% in 2011 to 44.6% in 2012.
In absolute value, these net operative costs went from €43.83 million in 2011 to €41.79 million in 2012, marking a decrease of 4.7%. The absolute value reduction would be greater if evaluated in the local currency of the individual companies belonging to the Group. During the fiscal year, the cost containment led to a streamlining of personnel costs and service costs.
The impact of the operative costs on revenues, net of non-reoccurring costs and cost adjustments for internal increases, went from 45.8% in 2011 to 44.6% in 2012. The non-reoccurring costs, identified only in 2011, are for costs incurred for the recall of a custom product after having delivered in order to modify it.

The trend in service costs is shown below.

(€'000)	FY 2012	%	FY 2011	%	var. %
Industrial services	4,780	32.3%	5,329	32.3%	-10.3%
Commercial services	3,306	22.3%	4,513	27.4%	-26.7%
General and administrative costs	6,727	45.4%	6,641	40.3%	1.3%
Total costs of services	**14,813**	**100.0%**	**16,483**	**100.0%**	**-10.1%**
% impact on sales	**15.8%**		**17.6%**		

Costs for services fell from €16.48 million in 2011 to €14.81 million in 2012, registering a 10.1% decrease. As a percentage of revenues, service costs were about 15.8% in 2012.

Industrial costs went from €5.33 million in 2011 to €4.78 million in 2012, registering a decrease due primarily to the careful management of the use of external industrial services.

Costs for commercial services fell, marking €3.31 million in 2012 compared to €4.51 million in 2011.

Finally, general costs remained essentially unchanged, going from €6.64 million in 2011 to €6.73 million in 2012.

Lease and hire costs were around 2.4% of revenues, posting a containment of about 8.9%.
In absolute terms, these costs went from €2.46 million in 2011 to €2.24 million in 2012 due to a decrease following the reduced expenses incurred.

(€'000)	FY 2012	% of sales	FY 2011	% of sales	var. %
Wages, salaries, and Social Security	24,465	98.0%	24,917	98.2%	-1.8%
Severance indemnities	328	1.3%	325	1.3%	0.9%
Retirement benefit and similar obligations	0	0.0%	7	0.0%	-100.0%
Other costs	163	0.7%	129	0.5%	26.4%
Total cost of personnel	**24,956**	**100.0%**	**25,378**	**100.0%**	**-1.7%**
% impact on sales	**26.7%**		**27.1%**		

The personnel costs for the period in question decreased by 1.7% despite the forex effect not being fully represented in the cost reduction that derived from a reduction in the number of employees.

Payroll costs as a percentage of revenues was 26.7% in 2012 compared to 27.1% in 2011.

As highlighted in the table below, the number of Group employees went from 463 units in 2011 to 420 units in 2012. In addition, the average number of employees dropped significantly from 475.1 units in 2011 to 434.4 units in 2012: a reduction of more than 40 units that led to a significant reduction in the operative break-even, confirmed by the EBIT trend.

In the table below, staff on the management team, and who head management teams at the individual subsidiaries, have been extrapolated from the "office staff" item.

Employees	Average 2012	at December 31, 2012	Average 2011	at December 31, 2011
Manager	17.5	15	21.4	20
Clerical workers	351.9	344	370.4	367
Line workers	65.0	61	83.3	76
TOTAL	**434.4**	**420**	**475.1**	**463**

(€'000)	FY 2012	%	FY 2011	%	var. %
Doubful debt provision	868	45.4%	353	28.7%	145.9%
Other Provisions	10	0.5%	72	5.9%	-86.1%
Other costs	1,033	54.1%	804	65.4%	28.5%
Total accruals and other costs	**1,911**	**100.0%**	**1,229**	**100.0%**	**55.5%**
% impact on sales	**2.0%**		**1.3%**		

The doubtful debt provision refers to provisions made during the years under review to cover any trade receivables that could turn out to be not collectable. In particular, it prudently depreciated a significant commercial credit in the US area that, although it was due more than 3 years ago, the directors felt could still be collected.
The other costs include losses on receivables for €95 thousand (€35 thousand at 31 December 2011).
As a percentage of revenues, other provisions and other costs went from 1.3% in 2011 to 2.0% in 2012 due to the allocations to the receivable depreciation fund for the year.

(€'000)	FY 2012	%	FY 2011	%	var. %
Government grants	286	35.4%	27	7.1%	n.s.
Sundry revenues	521	64.6%	355	92.9%	46.8%
Total other revenues	**807**	**100.0%**	**382**	**100.0%**	**111.3%**
% impact on sales	**0.9%**		**0.4%**		

The "other income" item increased by 111.3% in the reporting period, from €382 thousand to €807 thousand in 2012. The increase was primarily due to increased contribution entered in the fiscal year in addition to the revenue from the United States for the resolution of a lawsuit.
Other revenues rose from 0.4% in 2011 to 0.9% in 2012 as a percentage of total revenues.

(€'000)	FY 2012	%	FY 2011	%	var. %
Amortisation of intangile assets	6,545	81.4%	5,895	74.0%	11.0%
Amortisation of property, plant and equipment	1,410	17.5%	1,813	22.8%	-22.2%
Write-down of fixed assets	82	1.0%	257	3.2%	-68.1%
Total amortisation and depreciation	**8,037**	**100.0%**	**7,965**	**100.0%**	**0.9%**
% impact on sales	**8.6%**		**8.5%**		

Depreciations and amortisations increased from €7.71 million in 2011 to €7.95 million in 2012. This change is due to increased amortisation of capitalised development costs and amortisation of investments in the period.
As in 2012, asset write-downs in 2011 refer to some projects posted to the "development costs" item for products that did not achieve the market success initially forecasted.

Depreciations, amortisations and write-downs of assets as a percentage of revenues went from 8.5% in 2011 to 8.6% in 2012.

The valuation of investments in associate companies generated a cost of €56 thousand compared to revenue of €123 thousand in 2011.

The effect of FY 2011 derived primarily from the revaluation of the investment in the subsidiary in liquidation, Isidorey Inc. This revaluation derived from the evaluation of the company based on the recoverable values during liquidation.

(€'000)	FY 2012	FY 2011	var. %
Exchange-rate losses	1,355	6,489	-79.1%
Interest expenses	973	1,076	-9.6%
Expenses on derivatives	214	210	1.9%
Other finance expenses	63	65	-3.1%
Financial charges	**2,605**	**7,840**	**-66.8%**
Exchange-rate gains	2,335	5,853	-60.1%
Interest income	69	117	-41.0%
Other finance income	20	9	122.2%
Financial incomes	**2,424**	**5,979**	**-59.5%**
NET FINANCIAL INCOME	**(181)**	**(1,861)**	**-90.3%**
% impact on sales	**-0.2%**	**-2.0%**	

The decrease in finance expense, which went from €7.84 million in 2011 to €2.61 million in 2012, is due chiefly to foreign exchange differences related to the performance of the US dollar and GB pounds sterling.

Financial income also decreased, from €5.98 million in 2011 to €2.42 million in 2012. The change was due to both the exchange rate effect (USD, GBP and YEN) that more than offset the reduction in active interest following the reduction in cash and cash equivalents.

Net charges from financial operations as a percentage of revenues is -0.2% in 2012 compared to -2.0% in 2011.

(€'000)	FY 2012	% of sales	FY 2011	% of sales	var. %
Pre-tax result	(271)	-0.3%	(6,613)	-7.0%	-95.9%
Income taxes	(2,512)	-2.7%	(633)	-0.7%	296.8%
Income taxes as a percentage of profit before taxes (effective tax rate)	**n.s.**		**-9.6%**		

The pre-tax result went from -€6.61 million in 2011 to -€0.27 million in 2012. This significant t reduction, as already noted, was determined by the improvement of the first margin, the containment of operative costs and the financial management trend. The pre-tax result as a percentage of revenues improved from -7.0% in 2011 to -0.3% in 2012. Income tax as a percentage of the pre-tax result in the period under review reflects tax trends at the consolidated companies, as well as the lack of recognition of deferred tax assets on the accrued reportable losses of each company, since to date the prerequisites for recognition do not exist.

The schedule below breaks down the income tax sustained by Group companies for both years under review, distinguishing between current tax and deferred tax assets and liabilities, and between taxes due under Italian law and those due under foreign law.

(€'000)	**FY 2012**	**% of sales**	**FY 2011**	**% of sales**	**var. %**
IRES (Italian corporate income tax)	561	0.6%	85	0.1%	560.0%
IRAP (Italian Regional business tax)	12	0.0%	21	0.0%	-42.9%
Foreign current income taxes	3,027	3.2%	1,720	1.8%	76.0%
Total current income tax	**3,600**	**3.8%**	**1,826**	**1.9%**	**97.2%**
Net (prepaid) deferred taxes: Italy	(9)	0.0%	(14)	0.0%	-35.7%
Net (prepaid) deferred taxes: Non-italian	(1,079)	-1.2%	(1,281)	-1.4%	-15.8%
Net (prepaid) deferred taxes	**(1,088)**	**-1.2%**	**(1,295)**	**-1.4%**	**-16.0%**
Previous years taxes	0	0.0%	102	0.1%	-100.0%
Previous years taxes	**0**	**0.0%**	**102**	**0.1%**	**-100.0%**
TOTAL INCOME TAXES	**2,512**	**2.7%**	**633**	**0.7%**	**296.8%**

As regards current domestic taxes, Eurotech S.p.A. operates under a consolidated domestic tax regime for Italian companies.

Balance sheet

Non-current assets

(€'000)	at December 31, 2012	at December 31, 2011	Changes
ASSETS			
Intangible assets	112,853	125,922	(13,069)
Property, Plant and equipment	4,756	5,897	(1,141)
Investments in affiliate companies	275	278	(3)
Investments in other companies	257	270	(13)
Deferred tax assets	1,083	1,439	(356)
Other non current financial assets	0	226	(226)
Other non current assets	672	843	(171)
Total non-current assets	**119,896**	**134,875**	**(14,979)**

The "non-current assets" item decreased from €134.88 million in 2011 to €119.90 million in 2012. Most of this decrease is due to a decrease in intangible assets due to the different exchange rate applied in translating the assets of foreign companies. For more details, see section G1 paragraph of the notes to the consolidated financial statements.

The Group's main investments break down as follows:

(€'000)	at December 31, 2012	at December 31, 2011	Changes
Intangible assets	3,572	2,881	691
Property, plant and equipment	612	820	(208)
Investments	0	33	(33)
TOTAL MAIN INVESTMENTS	**4,184**	**3,734**	**450**

Current assets

(€'000)	at December 31, 2012	at December 31, 2011	Changes
Inventories	18,282	23,734	(5,452)
Contracts in progress	850	2,356	(1,506)
Trade receivables	26,641	26,724	(83)
Income tax receivables	362	938	(576)
Other current assets	2,170	2,569	(399)
Receivables from affiliates companies	0	1,163	(1,163)
Short term borrowing allowed to affiliates companies and other Group companies	0	178	(178)
Other current financial assets	144	0	144
Cash & cash equivalents	12,116	13,596	(1,480)
Total current assets	**60,565**	**71,258**	**(10,693)**

The Current Assets entry shows a decrease, going from €71.26 million in 2011 to 60.56 million of 2012. The net decrease of the current assets is ascribed, in particular, to the decrease in inventory following efficient management of inventory and work in progress as well. Moreover, there has been a reduction in cash and cash equivalents used to repay financing, for investments (including acquisitions) and support for current management, credits to affiliates, credit for income tax and other current assets.

Working capital

Working capital, which comprises current assets net of cash and cash equivalents and non-financial current liabilities, underwent the following changes in the reporting period:

(€'000)	at December 31, 2012 (b)	at December 31, 2011 (a)	Changes (b-a)
Inventories	18,282	23,734	(5,452)
Contracts in progress	850	2,356	(1,506)
Trade receivables	26,641	26,724	(83)
Receivables from affiliates companies	0	1,163	(1,163)
Income tax receivables	362	938	(576)
Other current assets	2,170	2,569	(399)
Current assets	**48,305**	**57,484**	**(9,179)**
Trade payables	(15,084)	(18,388)	3,304
Income tax liabilities	(2,103)	(1,731)	(372)
Other current liabilities	(7,387)	(7,229)	(158)
Current liabilities	**(24,574)**	**(27,348)**	**2,774**
Net working capital	**23,731**	**30,136**	**(6,405)**

Working capital decreased by €6.40 million due to a total decrease in the current capital and, in particular, warehouse inventory, work in progress on orders and receivables to affiliates, only in part offset by a reduction in payables to suppliers. The impact of working capital on revenues clearly improved in 2012 and was 25.3% compared to 32.1% in 2011.

Net financial position

The Group had net debt of €11.45 million on 31 December 2012, compared with net debt of €14,33 million on 31 December 2011.

The net financial position at the end of both periods is broken down in the schedule below.

(€'000)		at December 31, 2012	at December 31, 2011
Cash & cash equivalents	A	(12,116)	(13,596)
Cash equivalent	**B=A**	**(12,116)**	**(13,596)**
Short term borrowing allowed to affiliates companies	C	0	(178)
Other current financial assets	D	(144)	0
Derivative instruments	E	344	376
Short-term borrowing	F	13,036	17,253
Business aggregation liabilities	G	0	216
Short-term financial position	**H=C+D+E+F+G**	**13,236**	**17,667**
Short-term net financial position	**I=B+H**	**1,120**	**4,071**
Medium/long term borrowing allowed to affiliates companies	J	0	0
Other non current financial assets	K	0	(226)
Medium/long term borrowing	L	10,327	10,482
Medium-/long-term net financial position	**M=J+K+L**	**10,327**	**10,256**
(NET FINANCIAL POSITION) NET DEBT	**N=I+M**	**11,447**	**14,327**

At 31 December 2011, short-term financial liabilities (pursuant to IAS 1.65) included the medium-to long-term portion (€6 million) of an outstanding loan, for which one of the covenants in the loan agreements was not respected, according to the consolidated figures reported at 31 December 2011.
In 2012, the Parent Company obtained a waiver letter from the issuing Financial Institution in which they formally expressed their willingness to continue the loan relationship on the basis of the original amortisation plan, applying only a one-time commission. Therefore, having obtained this waiver letter, at 30 June 2012 the Parent Company has reclassified the medium/long-term loans on the basis of the original maturity of the amortisation plan.
The negative net mid to long-term financial position went from €10.26 million in 2011 to €10.33 million in 2012 due to the realignment of the financial exposure.

Overall indebtedness to banks amounts to €16.87 million, together with €6.49 million of overdraft bank accounts at the end of 2012, resulting in total outstanding indebtness of €23.36 million, including €13.04 million in the short-term.

At 31 December 2012, the Group complied with all financial covenants contained in the existing loan agreements.

Cash flow

(€'000)	at December 31, 2012	at December 31, 2011
Cash flow generated (used) in operations	7,432	1,063
Cash flow generated (used) in investment activities	(2,466)	(8,420)
Cash flow generated (absorbed) by financial assets	(4,516)	(4,123)
Net foreign exchange difference	(1,930)	1,325
Increases (decreases) in cash & cash equivalents	(1,480)	(10,155)
Opening amount in cash & cash equivalents	13,596	23,751
Cash & cash equivalents at end of period	12,116	13,596

Operations, despite an essential stability of the revenues compared to last year, generated positive cash flows of about €7.4 million, an amount significantly greater compared to flows of €1.1 million in 2011.

The investment assets derives from investments in the development of new products in the field of modules, embedded systems, "device to cloud" platforms and internal investments in industrial, commercial and hardware equipment; last year, the investment activity reflected investments deriving from the completion of the Advanet purchase (with the purchase of the remaining 10% of the shares from the Japanese shareholder) and the purchase of the US company, Dynatem Inc.

Finally, cash flow resulting from financial activities was mainly due to the repayment of short-term portions of medium-term loans.

Infragroup relations and transactions with related parties

Within the scope of transactions aimed at routine management of the business of the Eurotech Group and the search for new production and commercial synergies, the Group companies maintain reciprocal commercial relations whereby they sell products and services to some Group companies and buy products and services from the same companies. Relations between Group companies are governed by market conditions, taking into account the quality of the goods and services provided. The outstanding balances at the reporting date are not supported by guarantees, do not generate interest (except loans) and are settled in cash. No guarantees, whether given or received, exist in relation to related party receivables and payables. For the period ended 31 December 2011 the Group made no provision to a doubtful debt reserve for sums owed by related parties, except for the €539-thousand write-down already made in 2010 on the receivable from associate company in liquidation Rotowi Technologies S.p.A. (UTRI S.p.A.). This valuation is performed every year by examining the financial position of the related parties and the market in which they operate.

Some of the Group companies also have service relations with the Parent Company, which provides administrative, tax, corporate, business and strategic services for Eurotech Group subsidiaries. The reciprocal services and obligations between the subsidiaries and the Parent Company are governed by a specific master service contract.

Relations with related parties include transactions arising in the course of normal business and financial relationships with companies in which the Directors of the Company or its subsidiaries have senior positions, and in relations with the Finmeccanica Group, which owns 11.08% of the capital of Eurotech SpA. These transactions are regulated under market conditions.

Information on related party transactions, as required by Consob Resolution 6064293 of 28 July 2006, are described in Note 34 of the consolidated financial statements.

Based on the information received from Group companies, no unusual or atypical transactions took place as defined by Consob in its notice 6064293 of 28 July 2006.

The schedule below shows information on equity interests held in the Company and its subsidiaries by members of the management and supervisory bodies, general managers and managers with strategic responsibilities as well as spouses not legally separated and underage children, directly or through subsidiaries, trust companies or third parties, taken from the shareholders' register, notifications received and other information acquired by the members of the management and supervisory bodies, general managers and managers with strategic responsibilities, pursuant to article 79 of Consob Regulation 11971/99 as subsequently amended.

		at December 31, 2012						
Name		Company	Possessory title	Share at January 1,	Share acquired in the period	Share disposed in the period	Share at the end of the period	of which shares at the end of the period indirectly
Siagri Roberto	President	Eurotech	Ownership	2,500,531	-	(180,000)	2,320,531	1,040,371
Tecchiolli Giampietro	Director	Eurotech	Ownership	191,015	-	-	191,015	-
Barazza Sandro	Director	Eurotech	Ownership	2,000	-		2,000	-
Bertolone Giovanni	Director	Eurotech	Ownership	-	-	-	-	-
Grasso Giancarlo	Director	Eurotech	Ownership	-	-	-	-	-
Mio Chiara	Director	Eurotech	Ownership	-	-	-	-	-
Pedicchio Maria Cristina	Director	Eurotech	Ownership	-	-	-	-	-
Pizzul Cesare	Director	Eurotech	Ownership	-	-	-	-	-
Soccodato Giovanni	Director	Eurotech	Ownership	-	-	-	-	-
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	20,000		-	20,000	10,000 (*)
Cignolini Michela	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-
Pingaro Giuseppe	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-

(*) Shares owned indirectly by Pronet S.r.l.

Reconciliation statement of results for the year and shareholders' equity

The schedule below shows the reconciliation of net income and consolidated shareholders' equity of the Issuer at 31.12.12 and 31.12.11:

(€'000)	Profit (Loss) 12/31/2012	Shareholders' Equity 12/31/2012	Profit (Loss) 12/31/2011	Shareholders' Equity 12/31/2011
Financial report of the Parent Company	**(420)**	**88,799**	**(18,486)**	**89,188**
Group share of shareholders' equity and pro-quota value in consolidated companies	2,297	(43,545)	382	(39,162)
Minority purchase	-	-	-	-
Differential arising from consolidation	-	61,034	-	67,559
Customer relationship	(3,179)	13,569	(2,879)	18,520
Trademark	-	9,321	-	10,569
Reversal of Impairment of equity transactions	1,312	-	13,545	-
Elimination of the effects of infragroup transactions	-	-	-	-
Effect of valuing equity investments using the net equity method	149	(343)	115	(510)
Elimination of unrealised internal profit on inventories	-	-	30	-
Exchange differences on equity investments in foreign companies	399	-	(653)	-
Offset dividends	(4,667)	-	(1,426)	-
Tax effects on consolidation adjustments listed above	1,326	(8,663)	2,126	(11,121)
Consolidated financial statements	**(2,783)**	**120,172**	**(7,246)**	**135,043**

Treasury shares of the Parent Company owned by the Parent Company or subsidiaries

The Parent Company Eurotech SpA held 420,140 treasury shares at the end of the reporting period. There was no change in this figure in 2012.

Investments and research and development

At 31.12.12, technical investments (tangible assets) in equipment and instruments totalled €183 thousand, investments in other assets were €184 thousand and investments for leasing goods primarily in production total €249 thousand and investment to purchase licenses for use, software and knowhow total €1,423 thousand..
During the period, the Group invested in industrial research and development and technological innovation for new products and improving current processes.
Research resulted in the development of new products/applications in the field of embedded computers and systems, high-integration and low-consumption computers, network appliances, software platforms and supercomputers. Research also led to improvements in the quality of products, the creation of new products, reduced manufacturing costs and a resulting increase in company competitiveness. Costs of developing new products in the period were capitalized for €2.1 million: about 18% of these costs were generated by the evolution of the project for the "Wearable PC" family, i.e. computers that can be worn around your wrist or belt and, in particular, "rugged" versions, specially strengthened and studied for use in extreme conditions; about 16% of these costs are related to the development of new products based on Intel's new ultra-low-power architectures. The remaining 66% was used on several fronts, both for hardware and software, for projects already implemented in the previous fiscal years.

Main risks and uncertainties to which the Group is exposed

Risks connected to general economic conditions

The global macroeconomic situation affects the balance sheet, business performance and financial status of the Group.
The Group's presence in various regions of the world enables it to spread risk and to benefit from any positive situations arising in some regions in relation to or before other regions.

The Group's presence in anticyclical sectors such as healthcare and defence also supports Group business, in part, in periods when general economic circumstances are less than positive and when sectors such as industry, trade and transportation are more affected by reduced consumption.
Furthermore, leaving aside slow economic growth or recession, other economic conditions such as fluctuating raw materials prices or reduced spending on infrastructure may negatively affect the markets in which the Group operates, and may, in combination with other factors, have a significant impact on the Group's business outlook, operating performance and/or financial situation.

Risks connected to exchange rate and interest rate fluctuations

The Eurotech Group operates at global level and has invested in countries such as the US, Japan and the UK, deriving cash flows from these countries that are not consistent. In addition, the individual foreign subsidiaries tend to operate on their respective core markets with the respective functional currencies. Owing to these considerations, exchange rate hedging operations are not carried out, despite the fact that the consolidated financial statements are affected by exchange rate fluctuations when the financial statements of companies outside the eurozone are translated.
The Group is exposed via medium-term, variable-rate loans, particularly in Europe and to a lesser extent in Japan. The Group uses hedging instruments to mitigate the effects of interest rate variations.
Steep exchange rate or interest rate fluctuations may have an impact on the Group's business performance and financial results.
For more information, refer to that indicated in note no 36.

Risks connected to liquidity and required financial resources

In view of its current net financial position, the Group plans to meet requirements for expiring financial payables with available cash and cash flows from operations.
The Group believes that in order to generate positive cash flow it must maintain its turnover at at least the current level and focus on the cost containment strategy implemented in previous years.
The Group has to comply with legal financial parameters, and particularly the net debt/EBITDA and debt/equity ratios. Failure to achieve the figures set out in loan agreements exposes the company to the risk of repayment or increased financial costs.
Group strategy is to maintain the available cash invested in at-sight or very short-term bank deposits, dividing the deposits between a sufficient number of selected banking counterparties operating in various regions.
Since the Group has implemented measures designed to maintain adequate levels of working capital and cash, any contraction in sales volumes may have a negative effect on the cash-generating capacity of the Group's operational units. The Group may therefore find it necessary to arrange further loans and/or refinancing of existing debt, including in unfavourable market conditions, with a general reduction in available financing sources and higher costs. Any difficulties in raising such financing could have a negative effect on the Group's business outlook, as well as on its operational results and/or its financial position.

Risks connected to management

The Group's success largely depends on the ability of certain Executive Directors and other members of management to run the Group and the individual local entities efficiently. Loss of the services of an Executive Director or other key resources without adequate replacement, and any inability to attract and retain new and qualified resources, could have negative effects on the Group's outlook, business performance and operating and financial results.

Risks connected to competitiveness in the sectors in which the Group operates

With some exceptions, the Group's markets are competitive in terms of product quality, innovation, reliability and customer support.
The Group's success will depend on its ability to maintain and build on its share of the markets in which it operates and/or to expand into new markets with innovative products and high quality standards ensuring profit levels similar to those on its current markets.
In recent years competition has become more intense, particularly in terms of price, especially in the embedded screens and modules segment and to a lesser extent in ready-to-use systems and devices.
If the Group were not able to offer more competitive and innovative products than its competitors, the Group's market share could decline, with a negative effect on the profitability and operating and financial results of the Eurotech Group.

Risks connected to customers

In some regions, the Group operates with a limited number of customers. Due to this dependency on certain customers, the loss of these large customers or a significant reduction in the turnover generated from them could have a negative impact on the Group's sales revenues and profitability.
Generally speaking, these customers are not the end-users of our products. Any lack of success of products into which our products are incorporated, and any difficulty experienced by our customers in selling the products that we design or produce for them, could have a negative effect on sales and margins.
Adverse economic conditions in markets where our customers may sell or use our products would lead to a reduction in supplies to these customers. Some of these markets are characterised by intense competition, rapid technological change and economic uncertainty. The Group's exposure to economic cycles and related fluctuations in demand from these customers could have a negative effect on revenues and therefore on the Group's financial situation.
In addition, a decision by some customers to make the products supplied by us in-house would reduce supplies to these customers and therefore sales revenues and profitability.

Risks connected to environmental policy

The Group's businesses and products have to comply with national, community and international environmental legislation. This legislation is becoming increasingly stringent in the countries where the Group operates.
The potential risk to which the Group is subject relates to the processing of electric and/or electronic parts that, pursuant to new legislation, could become unusable in production or separately saleable.
The consequent disposal of such products, or of others that have become obsolete due to technological advances, incurs increasingly high costs.
In order to comply with legislation in force, the Eurotech Group envisages having to continue to sustain costs that may rise in future years.

Risks connected to relations with employees and suppliers

In some of the countries in which the Group operates, employees are subject to various laws and/or collective employment agreements that guarantee them – including by means of local and national representation – the right to be consulted on certain questions, such as workforce reductions. Such laws and/or collective employment agreements applicable by the Group could affect Group flexibility in the redefinition and/or strategic repositioning of its operations. Any unagreed decisions could lead to problems in workforce management.
In addition, the Group acquires raw materials and parts from numerous suppliers and depends on the services and products supplied by other companies external to the Group. Collaboration between producers and suppliers is normal in the segments in which the Group operates, and while this leads to economic benefits in the forms of reduced costs, it also means that the Group has to rely on these suppliers, with the consequent possibility that difficulties they experience (whether due to external or internal factors), including financial difficulties, could have negative repercussions on the Group's business outlook, as well as its operating results and/or its financial situation.

Risks connected to development activity

The Group conducts major research and development projects that can last for more than 24 months. Development activities believed to be capable of producing future benefits in terms of revenues are posted as intangible fixed assets. Not all development activities may lead to production at a level that allows for complete recoverability of the posted asset. When products related to capitalised development activities do not achieve the success expected, the impact on expected Group revenues and profits is determined, as well as whether the asset has to be written down.

Risks connected to the capacity to enrich the product portfolio and offer innovative products

The success of the Group's businesses depends on its ability to maintain or increase its share of the markets in which it operates, and/or to expand into new markets with innovative products of a high standard of quality ensuring adequate levels of profitability. More specifically, if the Group were unable to develop and offer more innovative and competitive products than its main competitors, including in terms of price, quality and functionality, or if there were delays in the development of new innovative products, the Group's market share could contract, with a negative impact on the Group's business outlook as well as its operating results and/or financial situation.

Risks and uncertainties connected to goodwill and assets with an indefinite life

The Group carries out impairment tests on goodwill and other intangible assets with an indefinite useful life, at least annually and during the course of the year if there are indications of loss in value. The test requires an estimate of the value in use of the cash generating unit to which the goodwill and other intangible assets with an indefinite useful life are attributed, based in turn on the estimated expected cash flows of the unit and on the discounting of these flows at an appropriate rate.
In view of the general macroeconomic picture and the key sectors in which the Group operates, there is intrinsic uncertainty in estimating the cash flows used to test the assets for impairment. This uncertainty could give rise to the risk of failure to write down goodwill and intangible assets with an indefinite useful life, due to possible overestimation of future cash flows.

Disclosure on the environment and on personnel

Although the Group does not carry out activities that could impact local areas or the environment, it has always tried to operate in line with national and international best practice, in accordance with the rationale of risk prevention and reducing and minimising environmental impacts.

The Eurotech Group has always paid close attention and been highly committed to questions of employee safety, spreading a culture of safety within the organisation, minimising risk exposure in every activity and conducting activities to control, prevent and protect against risk exposure.
There have been no major work-related accidents at the Eurotech Group, and there is currently no risk of work-related illness.

Disclosure on sovereign exposure

Pursuant to Consob Communication DEM/11070007 of 5 August 2011 (a continuation of ESMA document 2011/266 of 28 July 2011) relating to disclosure in financial reports of the exposure of listed companies to sovereign debt, note that the Group does not hold sovereign debt securities

Regulatory simplification process based on the Italian CONSOB resolution No. 18079/2012

Pursuant to Article 3 of the Italian CONSOB Resolution no. 18079 of 20 January 2012, Eurotech following the simplification regime set forth under Articles 70, paragraph 8 and 71, paragraph 1-bis of the Regulation adopted by the Italian CONSOB with resolution no. 11971 of 14 May 1999, as amended, therefore using the right to waive the publication obligations for information documents set forth in Annex 3B of the aforementioned Italian CONSOB Regulation during significant merger, demerger, capital increase and in kind conferral, acquisition and transfer operations.

Events after the reporting period

No significant events took place after the reporting date.

Report on corporate governance and ownership structure

The information required by article 123-*bis*, paragraphs 1 and 2 of Legislative Decree 58 of 24 February 1998 as amended and supplemented can be found in Annex 1 of this report.

Subsidiaries created and regulated according to the law of states outside the European Union

The Board of Directors hereby declares that conditions for listing exist pursuant to article 36 of Consob Regulation 16191/2007 (the "Stock Market Regulation"). In this regard, note that at 31 December 2011 the subsidiaries created and regulated under the laws of countries outside the European Union, pursuant to article 36, paragraph 2 of the above Regulation, are US companies Eurotech Inc., Parvus Corp. and E-Tech USA Inc. and Japanese company Advanet Inc., and that the requirements set out in paragraph 1 of said article are met for these subsidiaries.

Competitive scenario, outlook and future growth strategy

Thanks to the integration and strengthened relations between the Group's various companies, the global positioning of individual subsidiaries, as well as the Group's balance sheet and financial solidity, the outlook for 2013 is positive, even though market conditions in some sectors remain uncertain.

The Group will pursue strategic development in 2013, along guidelines similar to those adopted in the last few years. The implementation of the strategic plan specifically includes the following actions:

- in the field of NanoPCs, the development and offering of new products/solutions with greater added value, with a particular focus on the creation of application-ready platforms and ready-to-use products;
- in the field of both NanoPCs and HPCs, a focus on products/solutions increasingly closer to the paradigm of pervasive computing or ubiquitous computing;
- Strengthening of commercial activities, particularly with regard to indirect as well as direct sales channels;
- Heightened integration between individual Group companies, to (a) achieve greater operating effectiveness, (b) benefit from the economies of scale achievable, and (c) consolidate the Eurotech brand image;
- the continuous monitoring of opportunities for new acquisitions to extend the Group's presence in specific markets or as cross-selling catalysts between subsidiaries.

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Annex 1 - Report on corporate governance and ownership structure

pursuant to article 123-*bis* of the Consolidated Finance Act (TUF)

Discovery consists of seeing
what everybody has seen, and thinking
what nobody has thought.

Albert von Szent-Györgyi

Issuer: EUROTECH SpA
Website: **www.eurotech.com**

Reporting period: financial year 2012
Report approval date: 15 March 2013

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GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code for listed companies, approved by the *Corporate Governance* Committee in December 2011 and promoted by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria; available online at **www.borsaitaliana.it**, under Borsa Italiana - Regulations – *Corporate Governance*".

Civ. Code/ C.C.: the Italian Civil Code.

Board/ Board of Directors: the Board of Directors of the Issuer.

Eurotech, Issuer or Company: the issuer of listed shares to which the Report refers.

Financial year: the financial year to which the Report refers.

CONSOB Issuer Regulation: regulations issued by CONSOB with resolution 11971 in 1999 (as subsequently amended), relating to issuers.

CONSOB Market Regulation: regulations issued by CONSOB with resolution 16191 in 2007 (as subsequently amended), relating to markets.

CONSOB Related Party Regulation: regulations issued by CONSOB with resolution 17221 on 12 March 2010 (as subsequently amended), relating to transactions with related parties.

Report: the report on corporate governance and company structure that the companies are obliged to prepare, pursuant to art. 123-*bis* of the TUF.

Consolidated Finance Act/TUF: Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act).

Stock Market Regulation Instructions: instructions for the regulation of the markets organised and managed by Borsa Italiana SpA.

MTA: the Mercato Telematico Azionario (screen-based equities market) organised and managed by Borsa Italiana SpA.

Stock Market Regulation: regulations for the markets organised and managed by Borsa Italiana SpA. (as subsequently amended).

To our Shareholders,

As Chairman of the Board of Directors of Eurotech and on behalf of the Board, pursuant to article 123-*bis* of the TUF, I wish to provide you with the following information on the corporate governance system adopted by the Company in compliance with the principles set out in the Corporate Governance Code.

The following Annual Report will provide you with mandatory information regarding concrete implementation of the Corporate Governance Code for the financial year ended 31 December 2012.

The information and data set out in this document will be updated annually by the Board of Directors, in future reports on compliance with the Corporate Governance Code.

1. Issuer Profile

Eurotech is a "global company" based in Italy with operating locations in Europe, North America and Asia. The group is active in the research, development, construction and marketing of miniaturised computers (NanoPCs) and high-performance computers featuring high computing capacity (HPCs). The technological paradigm used by Eurotech is *"Pervasive Computing"*, which combines three key elements: (1) miniaturisation of 'intelligent' devices, i.e. devices capable of processing information; (2) their spread in the real world (inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment); and (3) their ability to connect with each other in a network and communicate. NanoPCs and HPCs are the two major classes of devices that, by connecting to and cooperating with each other, form the pervasive computing infrastructure commonly known as the *"Cloud"* or *"Grid"*. Eurotech is most active in the transport, defence, industrial and medical sectors. A common feature of many of our customers is that they are seeking a centre of technological expertise – and they often see in Eurotech a partner for innovating their products and their way of doing business. They want to reduce their *time-to-market* and focus on their core businesses. They often need solutions for harsh operating conditions and for mission critical applications, or supplies assured for long periods. In the HPC sector, Eurotech develops supercomputers aimed at advanced research institutes, computing centres and universities. These supercomputers are proving indispensable in advanced sectors such as nanotechnology, biotechnology and subatomic physics. We also expect to see a significant effect on the medical and industrial fields in the near future.
Eurotech is organised according to the traditional management and control model, with a Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

2. Information on the Ownership Structure (*pursuant* to art. 123-*bis*, *paragraph* 1, TUF) at the date of 31 December 2012

a) Share capital

At the date of 31 December 2012, the share capital was € 8,878,946.00, fully subscribed and paid up, divided into 35,515,784 ordinary shares with no nominal value. At the date of this Report, the share capital had not changed.
At the date of this Report, the Company holds 420,140 treasury shares, equivalent to 1.184% of the current share capital (amounting to € 8,878,946.00, divided into 35,515,784 ordinary shares).
The shares are indivisible and dematerialised.
The classes of stock comprising the share capital are summarised in Table 1 attached to this Report.
At the date of this Report, there are no share-based incentive plans.

b) Restrictions on the transfer of shares

There are no restrictions on the transfer of shares, limits on ownership or acceptance clauses of the Issuer or other owners.

c) Significant shareholdings

At the date of this Report, Shareholders who directly or indirectly hold shares representing more than 2% of the share capital through pyramid structures or cross holdings, according to the communications made pursuant to art. 120 of the TUF, are shown in Table 1 annexed to this Report.

d) Shares granting special rights

There are no shares which grant special control rights or special powers assigned to the shares.

e) Employee shareholdings: voting mechanism

No system of employee shareholdings exists.

f) Restrictions on voting rights

There are no restrictions on voting rights.

g) Shareholder agreements

To the Issuer's knowledge, at the date of 31 December 2012 there are no shareholder agreements pursuant to art. 122 of the TUF.

h) Change of control clauses and statutory provisions relating to PTOs

On 19 December 2007, a loan agreement was signed with Unicredit Banca d'Impresa SpA for € 15,000,000. One of the agreement's covenants imposes a limit on "change of control/ownership", obliging the Company to notify the bank of any changes in the legal or ownership structure (e.g. form, capital, Directors, Statutory Auditors and shareholders, mergers (including by incorporation), demergers, disposals and transfers), administration, assets and liabilities or financial position (e.g. bond issues), or change in the operating and technical situation, as indicated in the figures, items and documents provided when the loan was requested, and of any facts that might change the current structure and organisation of the Company in any way. This covenant will be verified annually and certified by the Company. Failure to comply with this covenant will allow the bank to increase the interest spread by 50 bp if it does not exercise its right to terminate the agreement.

The Issuer's subsidiaries have not entered into other significant agreements that take effect, are amended or terminate upon a change of control of the contracting company.

The Issuer's Bylaws do not depart from the passivity rule provisions pursuant to art. 104, paragraphs 1 and 2 of the TUF, and do not require application of the neutralisation rules envisaged in art. 104-*bis*, paragraphs 2 and 3 of the TUF.

i) Delegations of authority to increase the share capital and authorisations for the purchase of treasury shares

In 2012 the Board of Directors was not granted powers to increase the share capital, pursuant to article 2443 of the Civil Code, or to issue equity instruments.

The Annual General Meeting of 27 April 2012, in renewing a similar authorisation of 28 April 2011 pursuant to articles 2357 and 2357-*ter* of the Civil Code, and article 132 of the TUF and the related implementation provisions, resolved:

(A) to authorise the purchase and sale of treasury shares for the purposes envisaged in market practice relating to the purchase of treasury shares to create a "bank of shares", permitted by CONSOB pursuant to article 180, paragraph 1, letter c) of the TUF with resolution 16839 of 19 March 2009, in accordance with the operating conditions established for the aforementioned market practice and by EC Regulation 2273/2003 of 22 December 2003 where applicable, and therefore:

1. to authorise, pursuant to article 2357 of the Civil Code, the purchase, in one or more tranches, during a period of 18 months from the date of approval by the Ordinary Shareholders' Meeting, of ordinary Eurotech shares up to a maximum number that, taking into account the ordinary Eurotech shares held at any time by the Company and its subsidiaries, does not in total exceed the upper limit set out under applicable laws in force, at a price no higher than the highest price between the last independent transaction and the price of the highest current independent offer at the trading venues where the purchase is made, provided that the unit price is no lower than 15% less and no higher than 15% more than the official price recorded by the Eurotech share on the stock market trading day preceding each purchase transaction; in cases where purchases are carried out through public purchase or exchange offers, the unit price can be no lower than 15% less and no higher than 15% more than the official price recorded by the Eurotech share on the stock market trading day preceding the public announcement;
2. to authorise the Board of Directors to identify the amount of shares to be purchased in respect of each of the aforementioned purposes prior to the opening of each individual purchase programme and to purchase shares under the conditions and for the purposes mentioned above, conferring the broadest possible powers to carry out share purchase transactions pursuant to this resolution, as well as any other formality related to these purchases, including the delegation of tasks to intermediaries authorised pursuant to law and with the power to appoint special attorneys, at the pace deemed most advantageous for the Company, in compliance with the legislation in force and using the methods set out in art. 144-bis, paragraph 1, letters a) and b) of the CONSOB Issuer Regulation, as subsequently amended.
3. to authorise the Board of Directors to sell, pursuant to article 2357-ter of the Civil Code, in one or more tranches, treasury shares purchased on the basis of this resolution or in the Company portfolio at any time, by selling these shares on- or off-market, potentially also by selling real and/or personal rights, including but not limited to securities lending, in compliance with the legal and regulatory provisions currently in force and for the purposes set out in this resolution, using the terms, methods and conditions of disposal of the treasury shares deemed most advantageous for the Company, conferring the broadest possible powers to carry out share transactions pursuant to this resolution, as well as any other formality related to these purchases, including the delegation of tasks to intermediaries authorised pursuant to law and with the power to appoint special attorneys, provided that (a) disposals carried out as part of extraordinary transactions, including equity exchanges with other parties, may take place at the price or value that is congruous and in keeping with the transaction, according to the characteristics and nature of the transaction and also taking account of market performance; and that (b) the placing of treasury shares at the disposal of distribution programmes, for a consideration or free of charge, of options on shares or shares to Directors, employees and consultants of the Company or its subsidiaries, as well as programmes to assign free shares to shareholders, may take place at a price established by the competent corporate bodies as part of these programmes, and considering the market performance and applicable legislation, including tax law, i.e., free of charge if so stated in these programmes; all the foregoing must be carried out in compliance with the terms and methods, also operational, established under the applicable provisions of CONSOB resolution 16839 of 19 March 2009 and EC Regulation

2273/2003 of 22 December 2003 where applicable. The authorisation relating to this point is granted without time limits;

(B) to ensure, in accordance with the law, that the purchases covered by this authorisation do not exceed the limits of distributable earnings and available reserves as recorded in the most recent annual report (also interim) approved at the time the transaction is carried out, and that, at the time of the purchase and sale of treasury shares, the necessary accounting information has been recorded, in compliance with the applicable laws and accounting standards.

At the date of this Report, the Company owns 420,140 treasury shares, equivalent to 1.184% of the share capital (amounting to € 8,878,946.00, divided into 35,515,784 ordinary shares). The value of these shares is recorded in the financial statements at € 1,045,350.33.

l) Management and Co-ordination

Eurotech is not subject to management and coordination pursuant to article 2497 et seq. of the Civil Code.

For further information pursuant to article 123-*bis* of the TUF, notice is hereby given that:

- information required by article 123-*bis*, paragraph 1, letter i) relating to agreements between the Company and the Directors that provide for compensation in the event of resignation or dismissal without just cause or in the event that the employment relationship ends due to a public purchase offer, is provided in Section 9 of the Report and in the remuneration report prepared pursuant to Article 84-*quater* of the CONSOB Issuer Regulation available in accordance with legal requirements, on the Company's website **www.eurotech.com in** the "Investors" section;
- information required by article 123-*bis*, paragraph 1, letter l) relating to the appointment and replacement of Directors and amendments to the Company Bylaws, where these differ from the applicable laws and regulations as supplemented, is provided in Section 4.1 of the Report;
- information required by article 123-*bis*, paragraph 2, letter b) relating to the main features of the risk management and internal control systems is provided in Sections 10 and 11 of the Report;
- information required by article 123-*bis*, paragraph 2, letter c) relating to information on the operational mechanisms of the Shareholders' Meeting, its main powers, shareholder rights and how these are exercised, is provided in Section 16 of the Report;
- information required by article 123-*bis*, paragraph 2, letter d) relating to information on the composition and functioning of the management and supervisory bodies and their committees is provided in Sections 4, 6, 7, 8, 10, 13 and 14 of the Report.

3. Compliance

Eurotech has adopted the principles contained in the Corporate Governance Code, which is available on the website of Borsa Italiana at www.borsaitaliana.it.
Eurotech SpA and its subsidiaries are not subject to non-Italian legal provisions that influence the Company's corporate governance structure.
The Company will assess the adjustments required by the revision of the Code approved in December 2011, taking into account the transitional rule contained therein.

4. Board of Directors

4.1. Appointment and replacement of Directors

Pursuant to Article 14 of the Bylaws, the Board of Directors has no less than five and no more than eleven members. The Ordinary Shareholders' Meeting determines their number at the time of appointment. If the number of Directors has been set at a level lower than the maximum limit, the Shareholders' Meeting may increase this number during the Board's term. Directors must satisfy the requirements envisaged by law and other applicable measures, and a minimum number of Directors, corresponding to the legal minimum, must satisfy the independence requirements envisaged in article 148, paragraph 3 of the TUF. With reference to the rules on the balance between genders in the composition of management bodies pursuant to art. 147-*ter*, paragraph 1-*ter* of the TUF, as introduced by Law 120/2011, and the implementation provisions of CONSOB, the Board adapted the Bylaws to the aforesaid regulations pursuant to articles 2365, paragraph 2 of the Civil Code, and 19, paragraph 1, of the Bylaws at the 15 March 2013 meeting.

Note that, since it is listed on the STAR Segment of the MTA, the Issuer is obliged to have a sufficient number of Independent Directors on its Board of Directors in order to continue to qualify, and therefore to fulfil the criteria established by article IA.2.10.6 of the Stock Market Regulation, which make provision for: at least two Independent Directors for Boards of Directors with fewer than eight members; at least three Independent Directors for Boards of Directors with nine to 14 members; and at least four Independent Directors for Boards of Directors with more than 14 members.

The Directors serve for a term of three years, expiring on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term. They may be re-elected at the end of their mandate.
Article 14 of the Company bylaws in force stipulates a list voting system for the appointment of Directors. The lists must be presented by shareholders following the procedures specified below, in which the candidates are listed in numerical order.

The lists that are submitted and signed by the shareholders must be lodged with the registered office of the Company and made available to anyone who requests them, at least 25 days before the single call of the Shareholders' Meeting, and will be subject to other forms of notice and filing methods in accordance with the laws in force. In particular, at least 21 days before the date of such meeting the lists are made available to the public at the registered headquarters, on the Company's website and in any other manner set out in the CONSOB Regulation.

Shareholders, including those party to shareholders' agreements pursuant to article 122 of the TUF, the Parent Company, subsidiaries, and companies subject to joint control pursuant to article 93 of the TUF, must not, directly, or through an intermediary or a trust company, submit more than one list or participate in the preparation of more than one list, and must not vote for different lists. Candidates are restricted to one list only, on penalty of disqualification. Acceptances and votes cast in breach of this rule will not be assigned to any list.

Only those shareholders who, either alone or together with other shareholders submitting lists, own a total of voting shares that represent at least 2.5% of the voting capital at the Ordinary Shareholders' Meeting, or representing any other percentage established by legal and regulatory provisions, may submit lists. With resolution 18452 of 30.01.13, CONSOB set the minimum shareholding for submitting lists of candidates for the election of the Issuer's Board of Directors at 4.5% of the share capital, for the year ended 31.12.12.

Each list must be filed by the above deadlines, together with the following documentation:

(i) statements in which the individual candidates accept their candidacy and certify, under their own responsibility, that there are no grounds for their ineligibility or incompatibility, and that they satisfy the requirements for the respective positions;
(ii) *curricula vitae* setting out the personal details and professional qualifications of each candidate, indicating any reasons why the candidate qualifies as independent.

The lists containing a number of candidates equal to or greater than three must be formed by candidates belonging to both genders so that at least one-fifth belong to the less represented gender (at the time of the first mandate after 12 August 2012) and then one-third (however rounded up to the excess) of the candidates.

Proof of ownership of the equity interest required for submission of the list, declared according to the terms and methods provided for in the laws and regulations currently in force.

Lists not submitted according to the above rules shall be considered null and void.
The Board of Directors shall be elected as follows:

a) all Directors to be elected but one shall be taken from the list receiving the highest number of votes, and they shall be elected in the numerical order of listing;

b) the remaining Director is taken from the minority list with no direct or indirect links with the shareholders submitting or voting for the list described in point a) above and receiving the second highest number of votes. If the minority list referred to in point b) does not receive a percentage of votes that is at least equal to one half of those required for submitting the lists, pursuant to article 14.3 of the bylaws, all the Directors to be elected shall be taken from the list referred to in point a).

If the candidates elected using the methods described above do not ensure the appointment of the minimum number of Directors fulfilling the independence requirements established for Statutory Auditors by article 148, paragraph 3 of the TUF prescribed by law in relation to the total number of Directors, the non-independent candidate elected last in numerical order on the list receiving the greatest number of votes, pursuant to point a) above, will be replaced by the first independent unelected candidate in numerical order on the same list, or, failing this, by the first independent unelected candidate in numerical order on the other lists, according to the number of votes obtained by each list. This procedure shall be applied until the Board of Directors comprises a number of members that complies with the requirements set out in article 148, paragraph 3 of the TUF, equal to at least the minimum prescribed by law. Finally, if this procedure does not ensure the final result indicated above, the vacant position shall be filled by shareholders' resolution passed with a relative majority, following the submission of candidates satisfying the aforementioned requirements.

Moreover, if the election of candidates according to the aforementioned procedures does not ensure that the composition of the Board of Directors complies with the requirements in force concerning balance between genders, the candidate of the more represented gender elected last in progressive order on the list that won the highest number of votes shall be replaced by the first candidate of the less represented gender not elected on the same list in progressive order. This replacement procedure shall be followed until it is ensured that the composition of the Board of Directors complies with the regulations in force on balance between genders. Finally, if this procedure does not ensure the final result indicated above, the vacant position shall be filled by Shareholders' resolution passed with a relative majority, following the submission of candidates belonging to the less represented gender.

If a single list is submitted or if no list is submitted, the Shareholders' Meeting passes a resolution by legal majority, without complying with the procedure described above, compliance with the balance between genders regulations in force being understood.

If one or more Directors' positions become vacant during the year, and providing that the majority of the remaining Directors were elected by the Shareholders' Meeting, the following provisions of article 2386 of the Civil Code apply:

a) the Board of Directors shall fill the vacant positions with individuals on the list from which the departing Director was elected, and the Shareholders' Meeting shall pass a resolution with a legal majority, in compliance with the same criterion;

b) if the aforementioned list does not contain any more candidates who have not been previously elected or candidates satisfying the envisaged prerequisites, or if it is not possible for any reason to comply with the provisions of point a) above, the Board of Directors shall fill the vacancy as the Shareholders' Meeting shall subsequently decide, by legal majority without a voting list. In any event, the Board of Directors and the Shareholders' Meeting shall appoint replacements in order to ensure the presence of as many Independent Directors as necessary to comply with regulations currently in force and observance of the balance between genders regulations in force. If the majority of Directors appointed by the Shareholders' Meeting resign or leave office for other reasons, the remaining Directors must call a Shareholders' Meeting to fill the vacant positions.

If one or more Directors' positions are vacated during the year, the provisions of law shall apply to their replacement if the Shareholders' Meeting does not resolve to reduce the number of Directors set in accordance with the aforementioned procedures. If the majority of Directors appointed by the Shareholders' Meeting resign or leave office for other reasons, the remaining Directors must call a Shareholders' Meeting to fill the vacant positions.
In accordance with the provisions of article 14.2 of the Company bylaws, the current Directors satisfy the applicable regulations or legislation.

During the year the Board of Directors will assess the possible adoption of a plan for the succession of the Executive Directors.

Amendments to the Company bylaws

Amendments to the Company bylaws must be made by resolution of the Extraordinary Shareholders' Meeting through a legal majority vote.

Pursuant to article 19 of the Bylaws, the Board of Directors is responsible for passing resolutions on the following matters, in compliance with article 2436 of the Civil Code: (i) simplified mergers and demergers, pursuant to articles 2505, 2505-*bis*, 2506-*ter*, final paragraph of the Civil Code; (ii) relocation of the Company's registered office within Italy; (iii) capital reductions in the event of redemption; and (iv) updating the Company bylaws to comply with regulatory provisions, without prejudice to the fact that these resolutions may also be adopted by the Extraordinary Shareholders' Meeting.

4.2. Composition

The Issuer's Board of Directors in office at the date of this Report is composed of nine members appointed by the Ordinary Shareholders' Meeting held on 28 April 2011, based on the sole majority list presented by the shareholder Roberto Siagri according to the bylaws in force, which obtained 6,673,471 favourable votes, equal to 99.308% of the voting capital. The Board of Directors will remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2013.

For more information about the lists filed for the appointment of the management body, please refer to the Company's website at **www.eurotech.com** in the Investors section, where the *curricula vitae* of the Directors are also made available.
Table 2 attached to this Report lists the members of the Board of Directors in post at the date of this Report, and provides information on the position held and the date this position was assumed; it also indicates whether the Director is non-executive or independent, the Director's percentage attendance of Board meetings and the number of director/auditor positions held by each Director in other companies listed on regulated markets (including abroad), in financial companies, banks, insurance companies or large companies.

Maximum number of positions allowed in other companies

All members of the Board of Directors are required to take decisions in an informed, independent manner with the aim of creating value for shareholders, and are committed to dedicating the time necessary to discharge their functions diligently. Accordingly, each candidate for a Director's position shall first determine whether he/she can discharge the assigned duties with due care and effectiveness when accepting a position at the Company, particularly in view of the number of director/statutory auditor positions held at other companies listed on regulated markets in and outside Italy, in financial companies, banks, insurance companies, or large companies, and the overall commitment required by these other positions. Each member of the Board of Directors must also inform the Board of Directors if he/she has accepted positions as director or statutory auditor in such companies, so that full disclosure thereof may be provided in the annual report on operations.

The Board of Directors does not deem it necessary to impose preset limits on numbers of positions held by Eurotech Directors in the management and supervisory bodies of other companies. It is understood, however, that it is the duty of each Director to assess whether director/auditor positions held in other companies listed on regulated markets, financial, banking, insurance or large-scale companies is compatible with diligent performance of the tasks assumed as a Director of Eurotech. At its meeting of 7 March 2013, the Board, after reviewing the positions currently held by board members in other companies, decided that the number and nature of these positions do not interfere and are compatible with the effective performance of their roles as Directors of the Issuer.

With regard to the positions held by Eurotech Directors (including Directors whose mandates expired during the year) in other listed companies and in financial, banking, insurance or large-scale companies, the following table shows the main activities carried out by members of the Board of Directors outside the company, in accordance with application criterion 1.C.2. of the Corporate Governance Code:

Induction Programme

The characteristics of board reporting enable the Directors to obtain adequate knowledge of the field of activity in which the Issuer operates, its dynamics and their evolutions, as well as the relevant regulatory framework.

4.3. Role of the Board of Directors

The Board of Directors plays a key role in the Company organisation. It develops and is responsible for strategic and organisational policies, and verifies the existence of the controls necessary for monitoring performance of the Company and the companies of the Eurotech Group.
The Board of Directors is vested with full authority for Company management and may accordingly resolve or carry out all those acts deemed necessary or useful for implementation of the corporate purpose, with the exception of what is reserved by law or the Company bylaws for the Shareholders' Meeting.
The Board of Directors is also responsible for resolving on the following matters, in compliance with Section 2436 of the Civil Code:

(i) simplified mergers and demergers, pursuant to articles 2505, 2505-*bis*, 2506-*ter*, final paragraph of the Civil Code;
(ii) establishment or closure of branch locations;
(iii) relocation of the registered office within Italy;
(iv) indicating which Directors have been made legal representatives;
(v) reducing the share capital following redemption;
(vi) amending the Company bylaws in line with regulatory provisions;

without prejudice to the fact that these resolutions may also be taken by the Extraordinary Shareholders' Meeting.

On 13 May 2011, the Company's Board of Directors assumed exclusive responsibility for the following matters, in addition to the resolutions indicated above and without prejudice to matters that cannot be delegated by law:
(i) examining and approving the strategic, business and financial plans of the Company and the corporate structure of the group that it heads; specifically, this includes examination and approval of the business plan and annual investment budget, as well as additions and/or changes to the same documents in an amount exceeding 20% of what was originally envisaged;
(ii) monitoring general operating performance; while carrying out this function, the Board of Directors carefully assesses potential conflicts of interest, considers the information received from the Chief Executive Officers and periodically compares the results achieved with budget targets;
(iii) monitoring the adequacy of the general organisational and administrative structure of the Company and Group put in place by the Chief Executive Officers;
(iv) approval and amendment of the basic organisational structure of the Company and Group;
(v) programmes and proposals for new investments for amounts exceeding:
- € 500,000.00 (five hundred thousand/00) for each investment in stationary plants;
- € 1,000,000.00 (one million and no/100) for each multi-year investment in research and development.
(vi) sale and purchase of know-how;
(vii) examining and approving transactions having a specific impact on operating results, equity and the financial position pursuant to the CONSOB regulations governing listed companies;
(viii) purchase and sale of equity investments, mergers, transformations, demergers and/or transfers of holdings and business units. An equity investment for operating needs in consortia or consortium companies not fall within the aforesaid requirement. Increases in capital of companies already held that involve an investment of less than € 100,000 (one hundred thousand) and that do not involve increasing the share held are excluded;
(ix) capital transactions, transformation, listing on the stock market, merger, spin-off, liquidation, execution of shareholders' agreements regarding direct subsidiaries;
(x) hiring, appointment or dismissal of executives and determining their wages;
(xi) purchasing or selling property assets;
(xii) entering into receivable and payable loan agreements even with subsidiaries, affiliates and other companies over the medium and long term and assuming lines of credit with any technical form of use for amounts exceeding € 3,000,000.00 (three million/00) for each transaction;
(xiii) issuing fidejussory bonds and/or secured guarantees for third parties for amounts exceeding € 3,000,000.00 (three million/00) for each transaction.

During the year the Board, in line with the recommendations of the Code:

- examined and approved the strategic, business and financial plans of the Issuer and the Group that the Issuer heads;
- examined and approved the corporate governance system of the Issuer and the structure of the Group that the Issuer heads, drafting and adopting the Company's corporate governance rules and the Group's governance guidelines;
- assessed, on at least an annual basis, the adequacy of the organisational, administrative and general accounting structure of the Issuer and the strategically important subsidiaries put in place by the Chief Executive Officer, with a particular focus on the internal control system and the management of risks according to the procedures adopted by the Issuer in this regard. In carrying out this activity the Board received, according to individual cases, the support of the Internal Control and Risks Committee, the Internal Audit Officer and the Financial Reporting Manager, and made use of procedures and audits, including those set out in Italian Law 262/2005. During its meeting of 7 March 2013, the Board, on the basis of the calculations of the Internal Control Committee, assessed the Company's organisational, administrative and general accounting structure and expressed a positive opinion on the internal control system and, more generally, on the corporate governance system of the Company and the Group that the Issuer heads. after examining the proposals of the Remuneration Committee and consulting the Board of Statutory Auditors, determined the compensation of the Chief Executive Officers and other Directors holding specific positions, and subdivided the total remuneration for individual Directors, where the Shareholders' Meeting had not done so;
- evaluated, on at least a quarterly basis, overall operation performance, taking into account, in particular, the information received by the delegated bodies, and comparing the results achieved with projections on a regular basis;
- examined and approved in advance, in accordance with current regulations [and internal procedures of the Company that also establish the criteria for identification of the reserve under the responsibility of the Issuer's Board]: (*i*) transactions of the Issuer and its subsidiaries with strategic, business, asset or financial importance for the Issuer; (*ii*) transactions in which one or more Directors have an interest on their own behalf or on behalf of third parties, and (*iii*) more generally, related party transactions; for more information on the management of conflicts of interest and related party transactions of the Issuer, see Section 12 below.

The Shareholders' Meeting has not authorised any exemptions from the provisions relating to competitors laid down in article 2390 of the Civil Code.

Pursuant to article 17 of the Company bylaws, a majority of current Directors must be in attendance for resolutions to be valid. Resolutions are passed by a majority of the voting members, with the abstaining members not being included in the calculation.

Pursuant to article 19.2 of the Company bylaws, the Board of Directors – within the limits imposed by law or the bylaws – may delegate its own authority and powers to the Executive Committee and may also appoint one or more Chief Executive Officers to whom to delegate authority and powers.

The same article envisages that the Executive Committee, the Chief Executive Officer or the Chief Executive Officers if appointed, must adequately and promptly report to the Board of Directors and the Board of Statutory Auditors at least once every quarter on the exercise of the delegated authority and activities performed, the general operating performance and business outlook, and the most significant transactions in terms of scale and characteristics carried out by the Company and its subsidiaries.

Pursuant to article 21 of the Company bylaws, the Board of Directors may appoint an Executive Committee, setting its term and number of members in advance. The Chairman and Vice Chairman or Vice Chairmen (if more than one and if appointed) are ex-officio members of the Committee.

Pursuant to Article 22 of the Bylaws, the terms and conditions for calling and operating the Executive Committee, without prejudice to the provisions of applicable laws or regulations or the Bylaws – are defined by the specific Regulation approved by the Board of Directors.

Board meetings

Board meetings are chaired by the Chairman or, if he/she is absent or prevented from attending, by the sole Vice Chairman or, if there are several Vice Chairmen, the one with the greatest seniority in that position who is in attendance and, if they have the same seniority, the oldest in age. The Chairman – or the person acting for him/her in the cases set out above – calls the Board meetings, sets their agenda and moderates their proceedings, ensuring that the Directors are promptly provided with the necessary documents and information pursuant to article 16 of the Company bylaws. The Chairman also chairs the Shareholders' Meeting, performing the roles and functions set out in article 10.2 of the Company bylaws.

The Board of Directors meets regularly, and whenever the Chairman deems necessary, or when it is requested by the Chief Executive Officer or at least three board members. Board meetings may also be called by two Statutory Auditors, upon notification to the Chairman of the Board of Statutory Auditors.

The Board of Directors held 7 (seven) meetings during the year, on: 2 and 15 March, 2 April, 15 May, 29 August, 14 November and 12 December 2012
The meetings were duly minuted.
The Board meetings lasted for 1 hour and 25 minutes on average.

The members of the Board of Directors and the Board of Statutory Auditors regularly attended these meetings.

At least 6 (six) Board of Directors meetings are planned for the current year, according to the calendar of Board meetings (four dates of which have already been communicated to the market and Borsa Italiana S.p.A. in accordance with regulatory provisions). In addition to the meetings held on 1 February, 7 March and 15 March 2013 to approve the draft financial statements and the consolidated financial statements of the Group, the Board of Directors is scheduled to meet on the following dates:

- 13 May (approval of the first-quarter results to 31 March 2013);
- 29 August (approval of the first-half results to 30 June 2013);
- 13 November (approval of the third-quarter results to 30 September 2013);

The financial calendar is available in Italian and English in the Investors section of the Company website at **www.eurotech.com**.

Pursuant to art. 16, paragraph 3 of the Bylaws, the Chairman of the Board coordinates the work of the Board of Directors and ensures that adequate information on the agenda of the meeting is given to all

Directors. In particular, this information is always given in such a way as to allow the Board members to express an informed opinion on the matters submitted for examination by providing them documentation and information relating to the document drafts submitted for approval sufficiently in advance, with the sole exception being cases of particular and proven urgency.

Timeliness and completeness of the pre-meeting information is guaranteed by sending documentation at least three days before the date of the Board meeting. This term was normally observed.

Board meetings may also be attended by managers of the Issuer and the Group that is now at the head in order to provide additional information on the items on the agenda.

4.4. Delegated bodies

a) Chairman of the Board of Directors

Pursuant to article 25 of the Company bylaws, the Chairman is the legal representative of the Company and has power of signature for it. If the Chairman is absent or prevented from attending, these powers are exercised by the Vice Chairman or Vice Chairmen, according to the provisions of the bylaws. The Chief Executive Officer(s), if appointed, is/are also legal representatives of the Company, within the limits of the delegated authority.

The Board meeting held on 13.05.11 granted Roberto Siagri, Chairman of the Board of Directors, full powers of representation and ordinary management with free power of signature, including those in the following (non-exhaustive) list, to carry out and supervise the organisation and management of the Company and its subsidiaries:

Legal representative:

- representation of the Company before any third party;
- representation of the Company, either actively or passively, before the administrative and financial civil and penal authorities, at every order and level of jurisdiction, including for judgements of revision and appeal, appointing and terminating as necessary lawyers, attorneys and experts, filing complaints and making applications to take part in proceedings as a civil party. Settling and reconciling judgements and withdrawing from proceedings; submitting disputes for arbitration and carrying out all formalities related to arbitration judgments;
- filing of all reports or declarations that the Company must submit pursuant to law;
- delegation of authority and conferring special and/or general powers of attorney to establish acts or categories of acts within the scope of the powers conferred;
- as the Company's representative, discussion and settlement of all administrative matters before any authority and agency, ministry or state entity, signing petitions and appeals, requesting and collecting refunds;
- representation of the Company before all authorities, agencies or entities with jurisdiction over tax matters;
- filing of all reports or declarations that the Company must submit pursuant to law;
- signing and filing tax returns and declarations.

Administrative and tax representative:

- signing and submitting petitions, appeals, objections and reservations against tax assessments, arranging and defining practice in all tax matters, requesting and collecting refunds;
- participate in inspections by the tax police and all other authorities, signing the relevant reports;
- filing of all reports or declarations that the Company must submit pursuant to law;
- request any authority with jurisdiction for administrative and public safety licenses, particularly trade licenses, including registration thereof in his own name as the Company's legal representative in force.

Representative to CONSOB and Borsa Italiana SpA

- represent the Company before Consob and at the market management companies, including in any proceedings that might have been filed with them, with the authority to draft notices and/or any other document pursuant to law and regulations;
- filing of all reports or declarations that the Company must submit pursuant to law.

Trademarks and patents:

- deposit, abandon, limit and expand patents for inventions of ornamental, utility and industrial models, for factory and trade marks in Italy and at the international level, protect them in administrative venues, carrying out all acts as necessary pursuant to current law, appointing correspondents for this purpose and granting them authority as necessary;
- represent the company for all matters regarding the deposit, registration, and cancellation of patent, trademark and utility model rights.

Representation in associated companies:

- the exercising of voting rights and representation of the Company at Shareholders' Meetings, in consortia or other entities in which the Company has equity interests, and the exercising of all the Company's other rights in relation to its interest in these other companies, consortia or other entities, delegating authority to third parties as necessary;
- representation of the Company to subsidiaries or foreign affiliates, as well as representatives and customers outside Italy in general, and before foreign bodies and authorities in general.

Employees:

- recruitment, suspension and termination of employees, with the exception of executives, executing the relevant agreements, defining remuneration, duties and any bonds, and satisfying all relevant obligations consequent upon administration of employment relationships;
- execution, amendment and termination of agreements with external consultants and freelance employees;
- represent the Company before trade unions, with the power to settle disputes;
- represent the company before all authorities, entities and institutes in regard to labour matters;
- representation of the Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations.

Contracts of sale and exchange:

- participation in tenders held by state agencies and public and private entities in Italy and abroad, for the supply of goods and services in general, submitting bids and, if the contract is awarded, granting authority for signing the contracts for each individual tender or bid for amounts up to € 5,000,000.00 (five million/00);
- execution and approval of all documents and agreements relating to the transfer of goods and provision of services, with the exception of capital assets, connected with the Company's activity, for a value of up to € 5,000,000.00 (five million/00) and/or with a duration of three years or more;
- examination, amendment, approval and cancellation of contracts of sale and exchange, including those that envisage the receipt of commissions, finished and semi-finished products, raw materials and goods for performing corporate activities for a value of up to Euro 5,000,000.00 (five million/00).

Agency agreements:

- examination, amendment, approval and cancellation of agency, commercial licensing or sub-licensing, commission and bailment agreements.

Company management agreements:

- examination, amendment, approval, execution and termination of programmes and proposals for new investments for amounts up to:
  - € 500,000 (five hundred thousand/00) for each investment in stationary plants;
  - € 1,000,000 (one million/00) for each multi-year investment in research and development.
- examination, amendment, approval, execution and termination of any document and agreement necessary for management of the Company whose individual value is less than € 1,500,000/00 and whose duration is less than three years;
- examination, amendment, approval, execution and termination of partnership agreements with universities and research institutes and joint venture agreements, except, in the latter case, where the Board of Directors is exclusively responsible for transactions with a specific impact on the operating results, equity and financial position pursuant to CONSOB regulations for listed companies;
- examination, amendment, approval, execution and termination of lease agreements, including finance leases and commercial leases and subleases for the use of goods in the amount of up to € 500,000.00 and with a duration of up to nine years;
- requesting all forms of new loans and credit lines from banks, amending, approving and cancelling loans in euro and/or foreign currency, with the power to sign the related documentation for amounts of up to € 3,000,000.00 for each loan and/or credit line, with a total annual limit of € 5,000,000.00, excluding financial transactions in countries on the black list kept by the Ministry of Economic Affairs;
- execute all transactions with factoring companies, including the execution of agreements, sale of receivables and/or acceptance of sales by suppliers, the establishment of guarantees, collection orders, discounting and whatever else connected with factoring relationships;
- examination, amendment, approval and cancellation of supply contracts in general, including service agreements, work agreements and similar provision of goods and all relevant and consequent acts for an amount equal to or less than € 1,500,000.00 per single agreement, other than the sale of goods, provision of services and participation in tenders as described in the previous two points;

- definition of guidelines for cash pooling operations, such as, but not limited to, opening and closing of deposit accounts, swaps, negotiation of interest rates, the commencement and termination of operating mandates and, in general, all similar transactions;
- subscription of increases in capital of subsidiaries, affiliates and other companies already held that involve an investment of less than € 100,000 (one hundred thousand) and that do not involve increasing the share held are excluded.

Vehicles:

- represent the Company before all authorities and entities, signing all documents regarding the legal status of the transport vehicles and grant authorisations to drive Company owned vehicles to employees or third parties.
- the purchase, sale and exchange, up to a limit of € 100,000/00, of any land transport vehicle, executing the related formalities with the competent public automotive registers, including the arrangement and cancellation of mortgages.

Financial transactions and relations with banks:

- within the limits of the granted credit lines, execution of any debit or credit transaction on the Company's current accounts at banks and post offices in Italy and abroad, excluding countries on the black list published by the Ministry of Economic Affairs; issuing, endorsing and collecting bank cheques and having issued, endorsing and collecting banker's drafts;
- issue, receipt and endorse bills of exchange; have issued, accept and endorse merchandise notes;
- execution or release of security deposits in cash or securities;
- depositing public or private securities with banks, in custodian, trust or pledge accounts; withdrawing them by issuing a receipt in release thereof;
- rental and cancellation of the rental of safe deposit boxes, with the power to open them and remove their contents;
- issuing bills of exchange and endorsements only to suppliers and for legal transactions, accepting bills only from suppliers and only if issued on legally compliant orders.

Administrative matters:

- collection of postal and telegraph money orders and issuance of the related receipts;
- collection of postal packets, registered and insured letters from any post office and issuance of the related receipts;
- giving and accepting security deposits;
- executing all customs clearance transactions, making and withdrawing the required deposits and all other matters with the Customs Offices, signing all documents as necessary.

Endorsement and collection of negotiable instruments

- negotiate, sign and collect bills (paper and IOUs), promissory notes, cheques and any other trade instrument or bills, signing the relevant documents, endorsements and receipts;
- endorsement of bills, cheques and all other negotiable instruments for collection;
- filing protests, issuing orders to pay, taking preventive and enforcement measures and handling their revocation if necessary.

Correspondence and other documents:

- signing all company correspondence;
- issuing, signing and issuing receipts for invoices, debit and credit memoranda, and receiving them;
- signing and issuing waybills and transport bills, and receiving them.

Collection of receivables:

- demands for receivables, collection and withdrawal of cash and cash equivalents for any reason from any bank, entity or person, issuance of receipts and releases;
- issuance of bills to customers and other debtors;
- serving notices of placement in default and having bank protests issued;
- taking enforcement and preventive measures, obtaining injunctions, orders, attachments and seizures, registration of court mortgages and claims on merchandise, including the merchandise held at third party locations, and revoking those acts;
- filing bankruptcy petitions, representing the mandating Company in bankruptcy proceedings, filing the relevant credit claims, certifying their effective existence, voting in arrangement, collecting final and partial distributions, participating in procedures for arrangements with creditors and receivership and carrying out all acts involved in those procedures.

Special mandates:

- within the limits of his own powers, grant mandates and special powers of attorney to Company employees and third parties that authorise them to execute specific transactions and classes of actions in the name and on behalf of the Company, using the power of Company signature to do so and revoking these mandates as necessary;
- even if not expressly specified here, do whatever else is appropriate and necessary on behalf of the principal, with no exceptions except for those specified, with the foregoing list of powers having to be considered examples but not mandatory. All of the foregoing authority is granted with promise of full ratification and approval and full exemption from liability for any party.

Specific activities:

- Execution, amendment and termination of agreements for the purchase of spaces and/or systems for advertising services and advertising, promotion and experimentation materials; agreements for the Company's advertising activity and market research.
- perform all supervisory duties and implement statutory and regulatory provisions pertaining to listed companies and established by competent authorities;
- Perform any activity deemed necessary for attending to relations with investors, the national and international press, and the market;
- overseeing the organisation of communication programmes, participating in events and fairs and whatever else is considered useful for the purpose of promoting the image of the Company.

In addition to the powers listed above, which are representative and not exhaustive, all the operating powers of the Board of Directors, with the exception of those that cannot be legally delegated or those for

which the Board of Directors has exclusive responsibility, and those assigned to the Company's Executive Committee, with the power of legal representation and free power of signature.
The Board believes that the assignment of management powers to the Chairman meets appreciable organisational needs of the Issuer which lie in streamlining the running of the Board of Directors of the Company, also taking its size into account. In the presence of this situation, it should be noted that the Company appointed the Director Cesare Pizzul as *Lead Independent Director* pursuant to the Code. For more information about the figure of *Lead Independent Director*, please refer to section 4.7.

b) Vice Chairman and Executive Director

The Board meeting held on 13.05.11 granted Giampietro Tecchiolli, Vice Chairman of the Board of Directors, full powers of representation and ordinary management with free power of signature, including those in the following (non-exhaustive) list, to carry out and supervise the organisation and management of the Company and its subsidiaries:

Legal representative:

- representation of the Company before any third party;
- represent the company before any Italian or foreign judicial or administrative authority, at any level of jurisdiction, in disputes of any nature and vis-à-vis anyone;
- deciding on and pursuing actions in any judicial, civil, criminal and administrative venue, at any level of jurisdiction, whether as a plaintiff or as a defendant;
- delegation of authority and conferring special and/or general powers of attorney to establish acts or categories of acts within the scope of the powers conferred.

Shareholders' Meetings:

- as the Company's representative, discussion and settlement of all administrative matters before any authority and agency, Ministry or State Entity, signing petitions and appeals, requesting and collecting refunds;
- representation of the Company before all authorities, agencies or entities with jurisdiction over tax matters;
- filing of all reports or declarations that the Company must submit pursuant to law;
- signing and filing tax returns and declarations.

Trademarks and patents:

- depositing, abandoning, limiting and expanding invention patents for ornamental, utility and industrial models for factory and commercial trademarks in Italy and internationally, protecting them in administrative venues, carrying out all necessary acts pursuant to the laws in force, appointing correspondents for this purpose and granting them all necessary powers;
- represent the company for all matters regarding the deposit, registration, and cancellation of patent, trademark and utility model rights.

Representation in associated companies:

- the exercising of voting rights and representation of the Company at Shareholders' Meetings, in consortia or other entities in which the Company has equity interests, and the exercising of all the Company's other rights in relation to its interest in these other companies, consortia or other entities, delegating authority to third parties as necessary;
- representation of the Company to subsidiaries or foreign affiliates, as well as representatives and customers outside Italy in general, and before foreign bodies and authorities in general.

Employees:

- represent the Company before trade unions, with the power to settle disputes;
- represent the company before all authorities, entities and institutes in regard to labour matters;
- representation of the Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations.

Contracts of sale and exchange:

- participation in tenders held by state agencies, public and private entities in Italy and abroad, for the supply of goods and services in general, submitting bids and, if the contract is awarded, granting authority for signing the contracts for each individual tender or bid for an amount up to €2,000,000.00 (two million/00);
- execution of all documents and agreements relating to the sale of goods, with the exclusion of capital goods, and the provision of services related to the Company's activity whose value is less than € 1,000,000.00 and whose duration is less than three years;
- examination, amendment, approval and cancellation of contracts of sale and exchange, including those providing for the receipt of commissions, finished and semi-finished products, raw materials and goods for performing corporate activities for a value of up to €1,000,000.00;
- execute, amend and terminate agency agreements, commercial licensing or sub-licensing agreements, commission agreements and bailment agreements when the value of each individual agreement is less than Euro 50,000.00.

Company management agreements:

- execute all documents and agreements necessary for management of the company whose individual value is less than € 250,000.00 and for a term of less than three years;
- execution and termination of partnership agreements with universities and research institutes.

Vehicles:

- represent the Company before all authorities and entities, signing all documents regarding the legal status of the transport vehicles and grant authorisations to drive Company owned vehicles to employees or third parties;
- purchase, sell and exchange all land transport vehicles, with a limit of € 50,000.00.

Financial transactions and relations with banks:

- issuing, receiving and endorsing bills of exchange; having issued, accepting and endorsing merchandise notes.

Administrative matters:

- collection of postal and telegraph money orders and issuance of the related receipts;
- collection of postal packets, registered and insured letters from any post office and issuance of the related receipts;
- giving and accepting security deposits;
- executing all customs clearance transactions, making and withdrawing the required deposits and all other matters with the Customs Offices, signing all documents as necessary.

Endorsement and collection of negotiable instruments

- negotiate, sign and collect bills (paper and IOUs), promissory notes, cheques and any other trade instrument or bills, signing the relevant documents, endorsements and receipts;
- endorsement of bills, cheques and all other negotiable instruments for collection;
- filing protests, issuing orders to pay, taking preventive and enforcement measures and handling their revocation if necessary.

Correspondence and other documents:

- signing all Company correspondence;
- issuing, signing and issuing receipts for invoices, debit and credit memoranda, and receiving them;
- signing and issuing waybills and transport bills, and receiving them.

Collection of receivables:

- demands for receivables, collection and withdrawal of cash and cash equivalents for any reason from any bank, entity or person, issuance of receipts and releases;
- issuance of bills to customers and other debtors;
- serving notices of placement in default and having bank protests issued;
- taking enforcement and preventive measures, obtaining injunctions, orders, attachments and seizures, registration of court mortgages and claims on merchandise, including the merchandise held at third party locations, and revoking those acts;
- filing bankruptcy petitions, representing the mandating Company in bankruptcy proceedings, filing the relevant credit claims, certifying their effective existence, voting in arrangement, collecting final and partial distributions, participating in procedures for arrangements with creditors and receivership and carrying out all acts involved in those procedures.

Special mandates:

- within the limits of his own powers, grant mandates and special powers of attorney to Company employees and third parties that authorise them to execute specific transactions and classes of actions

in the name and on behalf of the Company, using the power of Company signature to do so and revoking these mandates as necessary;
- even if not expressly specified here, do whatever else is appropriate and necessary on behalf of the principal, with no exceptions except for those specified, with the foregoing list of powers having to be considered examples but not mandatory. All of the foregoing authority is granted with promise of full ratification and approval and full exemption from liability for any party.

Specific activities:

- within the scope of the strategic guidelines issued by the Board of Directors, the coordination of Company research and development, specifically:
- take those initiatives as necessary to realise corporate and group research and development programmes;
- take all measures as necessary to promote the study, design and completion of new products, exploiting the assistance of all members of the Company and Group organisation as defined in the Company and Group organisational chart, and using the creative talents and experience of all personnel;
- coordinating Group research and development activities, reporting on these to the Executive Committee once a month;
- chairing and coordinating the activities of the Scientific Committee;
- within the scope of the strategic guidelines issued by the Board of Directors, co-ordinate Company research and development, and in particular:
- take those initiatives as necessary to realise corporate and group research and development programmes;
- Monitoring public/publicly funded research projects, including international projects, and taking part in those of interest to the Company and the Group in accordance with the strategic guidelines set out by the Board of Administration and/or Chairman;
- take all measures as necessary to promote the study, design and completion of new products, exploiting the assistance of all members of the Company and Group organisation as defined in the Company and Group organisational chart, and using the creative talents and experience of all personnel.

During the year, the delegated bodies reported to the Board of Directors on the activities carried out while exercising the powers conferred on at least a quarterly basis and in such as way as to allow the Board to express an informed opinion on the matters submitted for examination.

Reporting to the Board

As prescribed in article 19 of the Bylaws, the delegated bodies promptly reported on their activities, the general operating performance and business outlook, and the on most significant transactions in terms of scale and characteristics carried out by the Company and its subsidiaries to the Board of Directors at least quarterly during the Board meetings.

c) Executive Committee

The Issuer's Board of Directors has not created an Executive Committee.

4.5. Other Executive Directors

With regard to article 2.C.1. of the Code, there are no other Executive Directors.

Pursuant to article 2.C.2. of the Code, the Chairman encourages the attendance of the Directors at meetings of the Board of Directors and Shareholders' Meetings, as well as their participation in other initiatives designed to enhance their knowledge of the situation and dynamics of the business, such as face-to-face meetings with key Group managers.

4.6. Independent Directors

Pursuant to the combined provisions of articles 147-*ter* (4) and 148 (3) of the TUF, in accordance with article 2.2.3(3)(k) of the Stock Market Regulation and article IA.2.10.6 of the Stock Market Regulation Instructions – both applicable to STAR-qualified issuers – and in accordance with Principle 3 of the Corporate Governance Code, the Board of Directors currently contains three Independent Directors – Cesare Pizzul, Chiara Mio and Maria Cristina Pedicchio – who:

(i) do not control the Company directly or indirectly, through subsidiaries, trust companies, or intermediaries, and cannot exercise significant influence over it;
(ii) are not, directly or indirectly, party to any shareholders' agreement through which one or more persons can exercise control or significant influence over the Company;
(iii) are not and have not during the past three financial years been key executives (i.e. the legal representative, the Chairman of the board of Directors, an Executive Director or manager with strategic responsibilities) of the Company, one of its strategic subsidiaries, a company subject to joint control with it or a company or entity that, either separately or jointly with others through a shareholders' agreement, controls the Company or can exercise significant influence over it;
(iv) do not have and have not had during the previous year, directly or indirectly (e.g. through subsidiaries or companies in which they are key executives, in the sense set out in point (iii) above, or as the partner in a professional or consulting firm), a significant commercial, financial or professional relationship, or employment, with: (*a*) the Company, one of its subsidiaries or a key executive, in the sense set out in point (iii) above, at these companies; (*b*) a party that, either separately or jointly with others through a shareholders' agreement, controls the Company or – in the case of a company or entity – a key executive, in the sense set out in point (iii) above, at these companies;
(v) without prejudice to point (iv) above, do not have freelance or employee working relationships, or other financial or professional relationships that could compromise their independence: (*a*) with the Company, its subsidiaries or parent companies, or with companies subject to joint control; (*b*) with Directors of the Company; (*c*) with spouses or relatives to the fourth degree of the Directors of the companies referred to in point (a) above;
(vi) do not receive and have not received during the last three financial years from the Company or a subsidiary or parent company, significant remuneration in addition to the fixed compensation as a Non-Executive Director of the Company and remuneration for taking part in Committees recommended by the Code, even in the form of participation in incentive plans linked to Company performance, including stock option plans;
(vii) have not been Directors of the Company for more than nine of the last 12 years;

(viii) are not Executive Directors at any other company where an Executive Director of the Company serves as Director;
(ix) are not shareholders or Directors of any company or entity within the network of the company responsible for auditing the accounts of the Company;
(x) are not close relatives of a person who is in one of the situations described in the preceding points, and are not spouses or relatives to the fourth degree of Directors of the Company, its subsidiaries, companies that control it and those subject to joint control with it.

Upon presentation of the list from which the Ordinary Shareholders' Meeting appointed the current Board of Directors, declarations attesting to the fulfilment of the requirements set out in the Corporate Governance Code for Independent Directors were deposited at the registered office of the Company.

The Board of Directors assesses compliance with these requirements using information that the interested parties are required to provide under their own responsibility and any other information available to it.

On 7 March 2013, the Board of Directors of Eurotech carried out the annual assessment pursuant to article 1.C.1(g) of the Corporate Governance Code, finding that the composition and functions of the Board of Directors are appropriate for the operating and organisational requirements of the Company. The presence of seven non-executive directors, including three Independent Directors, out of a total of nine Directors, ensures that Board of Directors committees have the right balance of members.

Satisfaction of the pre-requisites for independence set out in Article 3 of the Corporate Governance Code and Article 148 (3) (b, c) of the TUF by the Independent Directors currently in position was verified by the Board of Directors both at its meeting on 28 April 2011 when they were appointed and at its meeting held on 7 March 2013. At the same meeting, the Independent Directors promised to maintain their independence during the term of office, and in any event to inform the Board of Directors of any situation that could compromise their independence. It should also be noted that pursuant to Art. 14, paragraph 2 of the corporate by-laws of the Issuer, a Director's loss of the pre-requisites for independence set out in art. 148, paragraph 3 of the TUF does not bring about forfeiture if the minimum number of Directors that according to current legislation must meet this requirement still meet said pre-requisites. The Board used the criteria set out in the Corporate Governance Code to carry out this assessment

The Board of Statutory Auditors, pursuant to application criterion 3.C.5 of the Corporate Governance Code, has verified the correct application of the criteria and procedures used by the Board of Directors to assess the independence of its members; the results of this audit will be included in the Statutory Auditors' Report to the Shareholders' Meeting, pursuant to article 2429 of the Civil Code.

During the year, the Independent Directors worked together to maintain and promote an active dialogue with Directors with delegated powers and with the Director responsible for monitoring the Company's performance and the approach to its future results.

A meeting of the Independent Directors took place on 30 November 2012, during which the functioning of the management and supervisory bodies (relating to Directors) was analysed.
The meeting lasted for 30 minutes.

4.7. Lead Indipendent Director

On 13 May 2011 the Board of Directors appointed Cesare Pizzul, an Independent Director, as Lead Independent Director, in order to enhance further the role of the Independent Directors in accordance with best practice in corporate governance. The Lead Independent Director is the contact for coordinating the requests and contributions of Independent Directors, works with the Chairman of the Board of Directors in order to ensure that the Directors receive adequate information in a timely and may also call Independent Directors' meetings, either independently or at the request of the other Directors.

During the year, Lead Independent Director Cesare Pizzul coordinated dialogue between the Independent Directors and the other members of the Board of Directors, particularly the Directors with delegated powers and the Financial Reporting Manager. This role was performed by activating discussion where necessary, monitoring the frequency of communication and encouraging information sharing, including outside formal meetings.

5. Handling of corporate information

5.1. Inside information

At its meeting of 12 November 2010, the Company's Board of Directors approved the "Procedure for managing inside information" which updates the previous internal regulations on inside information adopted in 2005. The new procedure also governs methods and procedures for the external communication of documents and information relating to Eurotech, and specifically inside information, pursuant to articles 114 and 181 of the TUF, in accordance with recommendations made by CONSOB and Borsa Italiana SpA.

The procedure is designed to maintain the secrecy of inside information, while simultaneously ensuring that market disclosures of Company information are accurate, complete, appropriate, timely and non-selective.

The procedure generally confers responsibility for the management of inside information to the Company's delegated bodies, setting out specific procedures to be followed for the external communication of Company documents and information, with a particular focus on the disclosure of inside information, and meticulously governs the terms and conditions by which Company officers manage contacts with the press and other channels of mass communication (i.e. with financial analysts and institutional investors).
Specifically, pursuant to this procedure, the Chief Executive Officer, the Director of Administration, Finance and Control and the Issuer's Investor Relations department ensure the correct management of the diffusion of inside information to the market, overseeing compliance with the procedure.

The Investor Relations department, provided with information by Group senior management or aware of the salient facts concerning the Company or its subsidiaries, meets with the Director of Administration, Finance and Control and with the Business Affairs department to verify the obligations set out in law and in particular whether the information in question should be regarded as privileged.

In the event that information is deemed privileged or legislation in force stipulates that it must be communicated externally, the Investor Relations department prepares a press release with the assistance of the Corporate Communication department. Working with the Director of Administration, Finance and Control and with the assistance of the Business Affairs department, the Investor Relations department ensures that the press release complies with the relevant legislation in force.

The text of the press release must be submitted to the Chief Executive Officer and, if necessary, to the Board of Directors, for final approval before external release, following a declaration, if the information relates to the accounts, of the Financial Reporting Officer pursuant to article 154-*bis* of the TUF.

The press release is diffused according to the methods stipulated for the diffusion of regulated information. The Issuer also ensures that the press release is made available on the Company website **www.eurotech.com** before the market opens on the day following its diffusion, and that it is available for a minimum period of five years.

To ensure management of the inside information within the Group, the *Regional* Directors are notified of the above procedure and the Directors of operating activities at the Group's various facilities are also informed; these are, according to the case, *Chief Executive Officers*, *Managing Directors*, or *General Managers* of the main subsidiaries, i.e. companies controlled by the Issuer that fall within its scope of consolidation.

The management of inside information relating to the subsidiaries is the responsibility of the *Regional Directors*, who must promptly provide the Company's Investor Relations department with any information that, on their assessment, could qualify as privileged pursuant to the above procedure.

Once notified about the inside information by the Group's regional Directors, the Investor Relations department meets with the Director of Administration, Finance and Control and with the Business Affairs department to verify the obligations set out in law and in particular whether the information should be regarded as privileged.

5.2. Code of Conduct – Internal Dealing

With regard to the management of the disclosure obligations set out in the *Internal Dealing* regulations, pursuant to article 114, paragraph 7 of the TUF and articles 152-*sexies*, 152-*septies* e 152-*octies* of the CONSOB Issuer regulation, in force for listed companies since 1 April 2006, the Company's Board of Directors resolved on 28 March 2006 to adopt the procedure for compliance with internal dealing obligations "**Internal Dealing Procedure**", which is designed to ensure maximum transparency and consistency of information disclosed to the market. At the meeting of 29 March 2007, the Eurotech Board of Directors amended the *Internal Dealing* Procedure by prohibiting certain persons from executing transactions during the 15 days prior to the Board meeting called to approve period accounts (*black-out period*), pursuant to article 2.2.3, paragraph 3, letter o) of the Stock Market Regulation, applicable to issuers with the STAR qualification, as recently amended.

Notices of material transactions pursuant to the *Internal Dealing* Procedure that were executed during the year were disclosed to the market in accordance with the *Internal Dealing* Procedure. However, this information is available in the Investors section of the Company website at **www.eurotech.com**.

5.3. Register of persons possessing inside information

Specifically, regarding the obligation of listed issuers, the parties that control them and the persons that act in their name or on their behalf to set up and maintain a register of persons with access to inside information, pursuant to article 115-*bis* of the TUF and articles 152-*bis* et seq. of the CONSOB Issuer Regulation (the "**Register**"), the Company's Board of Directors resolved to establish the Register and approved the "Procedure for managing the register of persons with access to inside information," in effect since 1 April 2006. The Board of Directors then set up the Group Register of persons with access to inside information ("**Group Register**"), which replaces the register kept at Eurotech on behalf of all Eurotech Group companies, by Andrea Barbaro in his capacity as Group Register Officer.

6. Committees within the Board of Directors

The Remuneration Committee, the Control and Risks Committee and the Committee for Related Party Transactions were set up within the Board of Directors. The Company has not set up either a committee to perform the functions of two or more committees as provided for in the Corporate Governance Code, or committees other than those provided for in the Corporate Governance Code.

7. Appointments Committee

Considering the Issuer's size and organisational structure, the Board of Directors does not currently find it necessary to set up an Appointments Committee. Furthermore, following amendments to the bylaws in accordance with Law 262/2005, as subsequently amended, and the associated implementing regulations, the members of the Board of Directors are appointed by means of the voting list mechanism described above, and thus on the basis of candidate lists submitted by the shareholders in possession of the equity interests indicated in article 14 of the bylaws.

8. Remuneration Committee

The Company Board of Directors has set up a Remuneration Committee pursuant to article 2.2.3(3)(m) of the Stock Market Regulation, applicable to STAR-qualified issuers, and in accordance with the Corporate Governance Code. This Committee was set up pursuant to a resolution by the Board

of Directors on 2 September 2005 and will hold office as long as the Board of Directors that appointed it is in office.
In accordance with the Corporate Governance Code, this Committee may only make proposals. In particular, the Chief Executive Officers remain responsible for defining the policies and remuneration levels for senior management.
In accordance with article 2.2.3(3)(m) of the Stock Market Regulation and Principles of the Corporate Governance Code, the Committee exclusively comprises Non-executive Directors, most of whom are independent.

The Remuneration Committee is responsible for:

- proposing the adoption of the Remuneration Policy for Directors and key management personnel;
- proposing or expressing opinions to the Board of Directors on the remuneration of Executive Directors and other Directors who hold specific positions and on the setting of any performance objectives related to any variable remuneration component, monitoring the implementation of decisions taken by the Board and verifying, in particular, the actual achievement of the *performance* objectives;
- periodically assessing the adequacy, overall consistency and practical application of the Remuneration Policy of Executive Directors, other Directors assigned special duties and key management personnel, availing itself with regard to the latter of information provided by the Chief Executive Officers; submitting proposals to the Board of Directors.

In particular, the Committee takes into due account the following in determining said remunerations: consistency with remunerations recognised in previous mandates, compliance with the commitments assumed and responsibilities of the positions held, professional qualifications possessed by the parties concerned, and the size of the Company, Group and respective prospects for growth.

On 23 March 2012, the Remuneration Committee held a meeting which was duly minuted. The aim of the meeting was to analyse the results deriving from the variable remuneration plan relating to the Group for the year 2011, the proposed remuneration of the Directors assigned special executive duties and managers, the variable remuneration of the key figures at the Company, the definition of the principles for allocating variable components of the remuneration of the Group's subsidiaries for the year 2012 and the Remuneration Report for the Shareholders' Meeting called to approve the financial statements.

The meeting lasted for 2 hours

For the current year at least two meetings are scheduled. One was held on 19 February 2012 while the other is scheduled for May 2012. In performing its functions, the Remuneration Committee had the power to access the information and business departments necessary for carrying out its duties and to make use of external consultants, under the terms established by the Board of Directors.

No financial resources were allocated to the Remuneration Committee since it makes use of the business resources and structures of the Issuer in carrying out its duties.

On 13 May 2011, the Board of Directors appointed the following Committee members: Cesare Pizzul (Chairman), Chiara Mio and Maria Cristina Pedicchio, all of whom are Independent Non-executive Directors.

The Directors Cesare Pizzul and Chiara Mio have accounting and financial experience deemed adequate by the Board at the time of appointment.

No Director shall attend the meetings of the Remuneration Committee in which proposals to the Board of Directors regarding their remuneration are put forward.

9. Directors' remuneration

As prescribed by article 20 of the Company bylaws, the members of the Board of Directors are entitled to annual compensation, determined by the Shareholders' Meeting for the entire period of their term, and reimbursement of the expenses they incur on official business. After receiving the opinion of the Board of Statutory Auditors, the Board of Directors determines the remuneration of the Chairman, Vice Chairmen, Chief Executive Officers and members of the Executive Committee. Alternatively, the Shareholders' Meeting may determine a total amount for remuneration of all Directors, including those assigned special duties, with the allocation of that aggregate amount being determined by the Board of Directors upon consultation with the Board of Statutory Auditors.
A significant portion of the remuneration of the Executive Directors and Directors with strategic responsibility is linked to the operating results obtained by the Company and/or the achievement of specific targets set previously by the Board of Directors.
The compensation of Non-executive Directors is based on the commitment requested from each one, considering the participation of each on one or more committees. Their remuneration is not related to the operating results of the Company. The Non-executive Directors are not beneficiaries of share-based incentive plans.
The Shareholders' Meeting of 28 April 2011 resolved to set the total remuneration for the Board of Directors at € 900,000.00, to be divided according to subsequent resolution by the Board, including non-proportionally, and including the remuneration of Board members assigned special duties in the financial years 2011-2013.
Information on the Remuneration Policy adopted by the Issuer and on the remuneration received by the members of the Board of Directors during the financial year is fully provided in Section II of the Remuneration Report prepared pursuant to art. 123-*ter* of the TUF and art. 84-*quater* of the Consob Issuer Regulation, available in accordance with legal requirements on the Company's website www.eurotech.com in the "Investors" section.

Incentive mechanisms of the Internal Audit Officer and Financial Reporting Manager

There are no incentive mechanisms of the Internal Audit Officer and Financial Reporting Manager.

10. Control and risks committee

On 2 September 2005, the Board of Directors set up a Control and Risks Committee with the functions prescribed by the Corporate Governance Code. It mandated the Chairman of the Board of Directors to define and adopt internal operating and administrative procedures that would ensure healthy and efficient company management.
In accordance with article 2.2.3(3)(n) of the Stock Market Regulation, applicable to STAR-qualified issuers, and article 7.C.2 of the Corporate Governance Code, the Control and Risks Committee provides advice and proposals to the Board of Directors on the internal control and risk management system
More specifically, this Committee in assisting the Board of Directors:

a) evaluates, together with the Financial Reporting Officer and consulting the Independent Auditor and the Board of Statutory Auditors, the correct application of accounting policies and, in the case of groups, their suitability for the preparation of the consolidated financial statements;
b) expresses opinions on specific issues regarding the identification of key business risks;
c) examines the periodic reports relating to the evaluation of the internal control and risk management system, and those of particular significance prepared by *Internal Audit* function;
d) monitors the independence, adequacy, efficacy and efficiency of the *Internal Audit* function;
e) may request the *Internal Audit* function to perform checks on specific operating areas, giving concomitant communication to the Chairman of the Board of Statutory Auditors;
f) reports to the Board at least every six months, upon approval of the financial statements for the full-year and the half-year report, on its activity and the adequacy of the internal control and risk management system.

At its meeting of 13 May 2011, the Board of Directors appointed the following members of the Control and Risks Committee: Chiara Mio (Chairman), Cesare Pizzul and Maria Cristina Pedicchio, all of whom are Independent Non-executive Directors.
The Control and Risks Committee reported to the Board of Directors on Committee activities and the adequacy of the internal control system at least once every six months, upon approval of the financial statements for the full-year and the half-year report;
All the members of the Control and Risks Committee have appropriate accounting and financial experience. The Control and Risks Committee held 4 (four) meetings during the reporting period, on 17 February, 12 June, 13 July, and 30 November, all of which were duly minuted.

The Control and Risks Committee meetings lasted one hour on average. During the financial year, changes to internal procedures and processes for monitoring risk in the current and successive reporting periods were analysed, and information was exchanged periodically with the Board of Statutory Auditors and with the planned Oversight Committee to allow any critical issues in the respective areas of responsibility to be brought up. A Member of the Board of Statutory Auditors also attended the meetings. At least [four] meetings are planned for the current financial year, on dates that will be set according to the requirements of the Company and the Control and Risks Committee.
Parties who are not members of the Control and Risks Committee may attend meetings at the invitation of the Committee Chairman.
In performing its functions, the Control and Risks Committee has the power to access the information and business operations necessary to carry out its duties and to make use of external consultants, under the terms established by the Board of Directors.

No financial resources were allocated to the Control and Risks Committee, since it makes use of the business resources and structures of the Issuer in carrying out his tasks.

11. Internal control and risk management system

The Board of Directors has set up an internal control and risk management system for auditing - once full operational efficiency is reached - effective compliance with the internal operating and administrative procedures adopted to ensure healthy and efficient management and – where possible – identification, prevention and management of financial and operating risks and fraud against the Company.
The Board of Directors defines the guidelines for the internal control and risk management system, construed as a set of processes designed to monitor the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations, and the protection of Company assets.

To this end, the Board, after consultation with the Control and Risks Committee:
(i) handles the prevention and management of Company risks relating to the Issuer and Group through the definition of control and risk management system guidelines that can ensure that these risks are properly identified and adequately measured, monitored, managed and assessed, also in view of protecting corporate assets and healthy and fair corporate management, in line with the identified strategic objectives;
(ii) assesses the adequacy of the internal control and risk management system on a periodic basis, and at least once annually, in relation to the characteristics of the company and risks assumed, as well as its efficacy;
(iii) approves, on at least an annual basis, the plan prepared by the Internal Audit Officer, consulting the Board of Statutory Auditors and the Director responsible for the internal control and risk management system;
(iv) assesses, consulting the Board of Statutory Auditors, the result set out by the Independent Auditor in the letter of suggestions, if any, and in the report on key matters arising from the auditing of the accounts.

The Board also, at the proposal of the Chief Executive Officer in charge of overseeing the functioning of the internal control system (the "**Delegated Director**") and after consultation with the Control and Risks Committee, as well as consulting the Board of Statutory Auditors:

(a) appoints and revokes the Internal Audit Officer;
(b) ensures that he or she has resources adequate for discharging his or her responsibilities;
(c) defines the remuneration in line with company policy.

The internal control and risk management system is therefore organised and managed by four bodies: the Board of Directors, the Delegated Director, the Internal Audit Officer and the Control and Risks Committee (see section 10 hereinabove).

On 2 April 2012, the Board of Directors reviewed the adequacy, effectiveness and actual functioning of the internal control system.

11.1. Executive Director responsible for the internal control system

The Delegated Director is responsible for:

(i) identifying typical corporate risks, according to the characteristics of Company activity and the activity of its subsidiaries and the sector in which they operate;

(ii) through the design, management and monitoring of the internal control system, implementing the guidelines established by the Board of Directors, reporting on its operations to the Board of Directors when requested. In order to carry out these functions, the Delegated Director relies on the assistance of the Compliance Officer.

The Board of Directors designated Vice Chairman and CEO Roberto Siagri as Delegated Director on 13.05.11.

11.2. Internal Audit Officer

The functions of the *Internal Audit* Officer (formerly the Internal Control Officer) are carried out by Stefano Bertoli, appointed by the Board of Directors on 13 May 2011 on the proposal of the Delegated Director, with the approval of the Control and Risks Committee and consulting the Board of Statutory Auditors.
The Internal Audit Officer is not in charge of any operating area and reports hierarchically to the Board.
The *Internal Audit* Officer is assigned the following duties:

(a) checking, both continuously and in connection with specific requirements and in observance of the international standards, the operation and appropriateness of the internal control and risk management system using an audit plan approved by the Board of Directors that is based on a structured analysis plan that prioritizes the main risks;

(b) preparing periodic reports containing adequate information on his or her activity, the procedures followed to manage the risks and observance of the plans defined to reduce them. The periodic reports contain an assessment of the adequacy of the internal control and risk management system;

(c) promptly preparing reports on particularly important events;

(d) sending the reports described under paragraphs (b) and (c) to the chairmen of the Board of Statutory Auditors, the Internal Control and Risks Committee and the Board of Directors, as well as to the Delegated Director of the internal control and risk management system;

(e) checking the reliabilitiy of the information systems, including the accounting systems, as part of the audit plan.

The Internal Audit Officer had direct access during the reporting period to all information useful for performing his duties.

No financial resources were allocated to the *Internal Audit* Officer, since he makes use of the business resources and structures of the Issuer in carrying out his tasks.

No remuneration was allocated to the *Internal Audit* Officer.
During the year the Internal Audit Officer reported on his activities to the Control and Risks Committee, the Board of Statutory Auditors and the Delegated Director.

The principal activities carried out during the year related to analysis of *business* risk and the auditing of corporate procedures regarding those risks.

11.3. Organisation model pursuant to Legislative Decree 231/2001

The Organisation, Management and Control Model (the "**Model**") was approved on 29 March 2008 pursuant to Legislative Decree 231 of 8 June 2001.

The Model is based on the principles and guidelines set out in the:

a) Stock Market Regulation;
b) Corporate Governance Code;
c) guidelines for drafting organisational, management and control models pursuant to Legislative Decree 231/01, approved by Confindustria on 7 March 2002, as subsequently amended

The Model makes provision for the following:

1. Oversight Committee
    a. designation of an existing body or establishment of a new body;
    b. definition of the flow of information from and to the Oversight Committee.

2. Identification of the principal areas at risk of criminal offences (articles 24 and 25)
    a. historical analysis;
    b. identification of the principal corporate areas involved in possible cases of criminal offence;
    c. identification of the persons concerned.

3. *Risk assessment* (articles 24 and 25)
    a. identification and assessment of existing controls;
    b. identification of any defects in controls.

4. Other parts of the Model
    a. code of ethics;
    b. organisational system;
    c. delegations of authority, including power of signature;
    d. manual and IT procedures;
    e. management control system;
    f. information and training of personnel on the Model;
    g. disciplinary system;
    h. formalisation of the model summary document.

5. Model monitoring
    a. analysis of results and definition of corrective measures;
    b. Assisting the Supervisory Body in:
        i. defining an audit plan;
        ii. carrying out audits on the Model.

Since the Oversight Committee ceased to exist when the mandate of the previous Board of Directors expired, on 13 May 2011 Stefano Fruttarolo (Chairman), Chiara Mio and Stefano Bertoli were appointed as the new members of the Oversight Committee. They all fulfil the relevant legal requirements.

11.4 Independent auditor

The Independent Auditor responsible for auditing the accounts is Reconta Ernst & Young SpA.

The auditing engagement was conferred at the Ordinary Shareholders' Meeting of 21 July 2005 for the three-year period including the financial years 2005, 2006 and 2007, and was extended for another six financial years (2008, 2009, 2010, 2011, 2012 and 2013) via a subsequent resolution by the Ordinary Shareholders' Meeting of 7 May 2007.

11.5. Financial Reporting Manager

Pursuant to article 19, paragraph 4 of the Company bylaws, the manager assigned to prepare the company's accounts (the "**Financial Reporting Manager**") must be appointed by the Board of Directors of the Company following mandatory consultation with the Internal Control Committee. The Financial Reporting Manager must satisfy the professional requisites of specific expertise in the administration and accounting and must be granted adequate powers and resources to perform the above functions. He/she must be also be paid adequate compensation.

On 13 May 2011, the Board, with the approval of the Board of Statutory Auditors, appointed Sandro Barazza, Administration and Finance Officer and a member of the Board of Directors, as the Financial Reporting Manager. Upon appointment, the Board verified that she has the requisites required by law and the Bylaws.

The Financial Reporting Manager is delegated full powers directly and/or indirectly related to the performance of the duties assigned to him/her, including the power to access all types of information and/or documents relating to the Company and/or Group companies as deemed relevant and/or appropriate for discharging the duties legally assigned to him/her.

Main features of the current risk management and internal control systems relating to the financial disclosure process pursuant to article 123-bis, paragraph 2, letter b) of the TUF

Introduction
According to the Corporate Governance Code, the internal control system comprises all the rules, procedures and organisational structures designed to allow, through an appropriate identification process, the measurement, management and monitoring of the main risks, for the healthy and proper management of the business, in line with pre-set objectives.

The definition provided in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) identifies the internal control system as a process designed to provide reasonable security in pursuing the objectives of efficiency and effectiveness in operating activities, reliable information in the financial statements and compliance with laws and regulations in force.

In line with the definitions described, the system for managing existing risk relating to Eurotech's financial disclosure process is one part of the Group's wider system of internal control.

Description of the main features of the current internal control and risk management system relating to the financial disclosure process

a) General operating principles of the internal control and risk management system

Eurotech's internal control and risk management system is based on the following key elements:
- Eurotech's Code of Ethics;
- clear business organisation with well-defined responsibilities;
- business policy and procedure;
- information systems (particularly relating to the objectives of a correct segregation of functions);
- management control and the *directional* reporting system;
- continuing training of company personnel;
- a structured and controlled external communication process.

Given the definitions of the internal control and risk management system provided above, control is intended to mean an action undertaken by a manager to increase the probability that pre-set objectives are achieved or to reduce the impact of any risks related to these objectives.

These controls may be exercised *ex-ante* (to prevent the occurrence of unwanted events), or *ex-post* (to identify and correct unwanted events that have taken place).

The company Directors and managers, within their respective areas of competence, are responsible for:
- identifying and assessing risks to business operations;
- defining and establishing *policy*, operating standards, procedures, systems and other tools to reduce the probability and/or impact of any risks to a minimum;
- issuing operating instructions for control processes and encouraging employees to carry out their tasks in a controllable and controlled way;
- maintaining the adequacy and efficiency of the control processes established.

The four key objectives for control operations that every business manager is required to fulfil are:
1. safeguarding business resources, including human and financial resources;
2. ensuring the reliability of the data and information used internally or communicated externally;
3. promoting efficient and effective actions;
4. ensuring that senior management guidelines, (including the budget, plans, policies and procedures) are respected and executed according to the laws and regulations under which the Company operates.

b) Internal control and risk management system in the financial disclosure process

Of the four objectives, the second and the fourth are closely connected to the financial disclosure process, which is mainly governed by the Chief Executive Officer and the Financial Reporting Manager pursuant to article 154-*bis* of the TUF.

In line with the operational principles of Eurotech's internal control system, the Chief Executive Officer and the Financial Reporting Manager carefully and scrupulously identify the main risks to the financial disclosure process every year. The risk identification process involves identifying the Group Companies and the operating flows that are vulnerable to material errors or fraud, with reference to the business results in Eurotech's separate and/or consolidated financial statements.

In response to the risks identified and evaluated according to the probability that they will happen and the effects of this on the financial statements, appropriate control procedures are created, which are assessed at both the design and the operational stage. Assessment of the design of the control procedures helps to guarantee that they are appropriate for the risks for which they were created. Assessment of operational effectiveness over time ensures that the procedures continue to be appropriate throughout the financial disclosure period.

c) Roles and responsibilities within the internal control and risk management system

Apart from the duties of each company manager as described in point a), the main players in the system for the internal control of the financial disclosure process are as follows:

- the Chief Executive Officer and the Financial Reporting Manager pursuant to article 154-*bis* of the TUF, who are responsible for defining and assessing specific control procedures governing risks involved in the process of drawing up the accounting documents;
- the Control and Risks Committee, which analyses the results of the audit of the internal control and risk management system and reports periodically to the Board of Directors on the action to be taken;
- the Oversight Committee pursuant to Legislative Decree 231/01, which monitors for corporate offences pursuant to Legislative Decree 231/01, identifying risk scenarios and verifying first hand that control regulations have been respected. The Oversight Committee also monitors compliance with and application of the Group's code of ethics.

11.6. Coordination between the parties involved in the internal control and risk management system

Coordination between the various actors involved in the internal control and risk management system (Board of Directors, Delegated Director, Internal Control and Risks Committee, Board of Statutory Auditors, *Internal Audit* Officer, Financial Reporting Manager and Independent Auditor) occurs through a continuous flow of information between these parties and the provision of regular meetings, which allows adequate visibility of business risks impending and managed in the Eurotech Group and of the issues raised and brought to the attention of the different supervision and control bodies.

12. Directors' interests and related party transactions

On 19 October 2010, the Board of Directors assigned the Control and Risks Committee, which comprises three Independent Directors, the task of issuing an opinion on the procedure for identifying, approving and managing related party transactions.

At its meeting of 12 November 2010, the Company's Board of Directors, with a positive opinion given by the Control and Risks Committee, adopted the Committee's regulations on related party transactions and a dedicated procedure for related party transactions (the "**Related Party Procedure**"), adopted pursuant to the Regulation for Related Party Transactions. The Related Party Procedure governs the identification, approval and management of related party transactions. Specifically, the Related Party Procedure:
- governs methods for identifying related parties, defining methods and schedules for the preparation and updating of the list of related parties, and identifying the business departments involved;
- identifies rules to identify related party transactions before completion;
- regulates procedures for the execution of related party transactions by the Company, including via subsidiaries pursuant to article 2359 of the Civil Code or subject to management and coordination activity;
- establishes methods and a schedule for fulfilling the obligations of disclosure to the corporate bodies and the market.

In applying the Related Party Procedure, the Company also takes account of CONSOB communication DEM/10078683, published on 24 September 2010, which contains indications and guidelines for the implementation of the Related Party Regulation.
The Related Party Procedure came into force on 1 January 2011.

The Related Party Procedure and the related annexes can be found in the Investors section of the Issuer's website at **www.eurotech.com**.

Committee for Related Party Transactions

On 12 November 2010, the Board of Directors also resolved to create a Committee for Related Party Transactions, comprising Independent Directors and performing all the tasks set out in the Related Party Procedure. The Committee for Related Party Transactions, in its current composition as a result of the Board's resolution of 13 May 2011, consists of Cesare Pizzul, Chiara Mio and Maria Cristina Pedicchio, all of whom are Independent Non-executive Directors.

The Committee for Related Party Transactions performs all the activities required by the Related Party Procedure. Specifically, the Committee for Related Party Transactions is authorised to release, before approval and/or execution of related party transactions, a non-binding reasoned opinion on the interest for the Company in performing these transactions, and the convenience and substantive correctness of the relative terms.

The Committee for Related Party Transactions meets at the registered office or in other locations mutually agreed by its members, whenever the Committee Chairman deems necessary, as frequently as required to fulfil the tasks assigned to the Committee or when a Committee member makes a reasoned request to the Chairman.

Members of the Board of Statutory Auditors may attend meetings of the Committee for Related Party Transactions; on a case-by-case basis, depending on the transaction concerned, persons authorised to approve and/or execute transactions (including persons tasked with leading discussions related to the transaction), and/or persons whose attendance is deemed useful in conducting the meeting, may also attend.

The Chairman of the Committee for Related Party Transactions is responsible for calling meetings and setting the agenda. At least three days' notice is given for meetings of the Committee for Related Party Transactions. The meeting may be called by *fax* or *e-mail.* If the meeting is urgent (the Chairman must assess whether this is the case), it may be called by telephone with one day's notice. The Committee for Related Party Transactions may also validly meet without notice if all its members are present.

Meetings of the Committee for Related Party Transactions are valid if the majority of its members are present, and resolutions are made by majority of those present, with abstentions not included in the result.

Meetings may also take place via teleconferencing or videoconferencing systems, provided that all the participants can be identified and that they can follow the discussion, speak in real time as agenda items are being discussed and transmit and receive documents, and provided that the context of examination and resolution can be guaranteed. If these conditions exist, the meeting is regarded as taking place at the location of the Chairman and the Secretary. In the event of emergency, the Chairman has the power to communicate with the Committee members in writing, taking minutes of the resolutions adopted.
On 27 January 2012, the Committee for Related Party Transactions held one meeting which was duly minuted. The meeting focused on the analysis of the recognition and updating of any significant transactions.

The meeting lasted for 1 hour.

During the year, the Committee for Related Party Transactions performed its duties in accordance with the Procedure.

13. Appointment of Statutory Auditors

Pursuant to Article 26 of the Bylaws, the Board of Statutory Auditors is comprised of three Statutory Auditors and two Alternate Auditors. Their term is for three financial years and expires on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term. They may be re-elected. The Statutory Auditors must satisfy the requirements, including those governing the possession of various positions at the same time, envisaged by law and other applicable provisions. Pursuant to article 1(3) of Ministry of Justice Decree 162 of 30 March 2000, research, development, production and marketing of software, systems, and devices in the IT, electronic and electro-mechanical sectors must be considered strictly related to Company activities. With reference to the rules on the balance between genders in the composition of control bodies pursuant to art. 148, paragraph 1-*bis* of the TUF, as introduced by Law 120/2011, and the implementation provisions of CONSOB, the Board adapted the Bylaws to the aforesaid regulations pursuant to articles 2365, paragraph 2 of the Civil Code, and 19, paragraph 1, of the Bylaws at the 15 March 2013 meeting.

In observance of the balance between genders regulations in force, the Board of Statutory Auditors is appointed based on the lists the Shareholders submit, in which the candidates are listed by progressive number. The list comprises two sections: one for candidates for the post of Statutory Auditor and the other for candidates for the post of Substitute Auditor.

The lists containing a number of candidates equal to or greater than three must be formed by candidates belonging to both genders so that at least one-fifth belong to the less represented gender (at the time of the first mandate after 12 August 2012) and then one-third (however rounded up to the excess) of the candidates for the office of Statutory Auditor and at least one-fifth (at the time of the first mandate after 12 August 2012) and then one-third (however rounded up to the excess) of the candidates for the office of Substitute Auditor.

Only those shareholders who, either individually or in combination with others, own voting shares equivalent to at least 2 (two) per cent of the voting capital at the Ordinary Shareholders' Meeting, or representing any other percentage that may be established or cited by statutory or regulatory provisions, may submit lists. With resolution 18452 of 30.01.13, CONSOB set the minimum shareholding for submitting lists of candidates for the election of the Issuer's control body at 4.5% of the share capital, for the year ended 31 December 2012.

Ownership of the equity interest required, pursuant to the foregoing, for submission of the list, declared according to the terms and methods provided for in the laws and regulations currently *in force*.
No shareholder, including shareholders in a relevant shareholders' agreement pursuant to article 122 of the TUF, or the controlling shareholder, subsidiaries or companies subject to joint control pursuant to article 93 of the TUF, may submit or participate in the submission of more than one list or vote for different lists, either directly or through an intermediary or trust company. No candidate may run on more than one list, on penalty of ineligibility. The lists may not include candidates who (without prejudice to any other cause of ineligibility or forfeiture) do not satisfy the requirements set out in any applicable laws or regulations are that are envisaged in article 148(2) of the TUF.

Outgoing Statutory Auditors may be re-elected. The submitted lists must be deposited at the registered office of the Company at least twenty-five days before the scheduled date of the Shareholders' Meeting on its single call, and mention thereof shall be made in the meeting notice, without prejudice to any other forms of public notice and procedures of deposit required pursuant to any applicable laws and regulations. If, when the deadline for the submission of lists has passed, only one list has been submitted, or only lists presented by shareholders with significant relationships pursuant to the applicable laws and regulations currently in force, lists may be also be submitted within the time period stipulated by the applicable rules in force; in this case the minimum shareholding threshold is halved.

The lists must contain:

a) information on the identities of the shareholders presenting the lists, indicating their total percentage shareholding;

b) a statement by shareholders other than those that individually or jointly own a controlling or relative majority equity interest in the Company, attesting to the absence of relationships with the latter pursuant to current laws and regulations;

c) complete information about the candidates' experience and qualifications, and statements from the candidates attesting to their satisfaction of legal requirements and acceptance of candidacy, as well as a list of any management and supervisory positions held at other companies.

Any list that does not comply with the foregoing requirements will be regarded as null and void.

The Statutory Auditors are elected as follows:

1) two Statutory Auditors and one Substitute Auditor are elected from the list receiving the highest number of votes at the Shareholders' Meeting, according to their numerical order of listing in the respective sections of the list;

2) one Statutory Auditor, who is appointed Chairman of the Board of Statutory Auditors, and a Substitute Auditor are elected from the list that receives the second highest number of votes at the Shareholders' Meeting and that, pursuant to applicable laws and regulations, is not directly or indirectly associated with the shareholders that submitted or voted for the list receiving the highest number of votes, according to their numerical order of listing in the respective sections of the list. In the case of a tie vote between two or more lists, the most senior candidates in terms of age shall be elected.

If the composition of the Board of Statutory Auditors is not ensured by following the procedures set out above, the necessary replacements of its Statutory Auditors will be made in compliance with the balance between genders regulations in force with candidates for the office of statutory auditor on the list that received the highest number of votes, following the progressive order of the candidates listed.

A Statutory Auditor forfeits his/her position in the cases envisaged by law and regulation, and when the requirements established in the bylaws for his/her candidacy are no longer satisfied. When a Statutory Auditor's seat is vacated, it is filled by the Substitute Auditor elected on the same list as that of the former Statutory Auditor. However, the Board of Statutory Auditors must always be chaired by the Statutory Auditor elected on the minority slate and the composition of the Board of Statutory Auditors must comply with the balance between genders regulations in force. When the Shareholders' Meeting is required to appoint Statutory and/or Substitute Auditors to expand the Board of Statutory Auditors, it proceeds as follows: when Auditors elected from the majority list are to be replaced, the appointment is made by relative majority vote without list restrictions; when Auditors elected from the minority list are to be replaced, the Shareholders' Meeting makes the appointment by relative majority vote, choosing between the candidates on the same list as that of the outgoing Auditor, provided that the balance between genders regulations are observed. When this procedure does not permit, for any reason, the replacement of Auditors on the minority list, the Shareholders' Meeting will vote by relative majority; however, the results of this last vote may not include the votes of the shareholders who, according to the notices served pursuant to applicable laws and regulations, own directly or indirectly or jointly with other shareholders in a relevant shareholders' agreement pursuant to article 122 of the TUF, the relative majority of exercisable votes at the Shareholders' Meeting, or the votes of the shareholders that control, are controlled or are subject to joint control with them. However, the balance between genders regulations in force must always be observed. The preceding provisions for election of Statutory Auditors do not apply at the Shareholders' Meetings where only one list is submitted or only one list is voted. In these cases the Shareholders' Meeting resolves by relative majority, provided that the balance between genders regulations are observed.

14. Composition and functioning of the board of statutory auditors

On 28 April 2011, the Ordinary Shareholders' Meeting, following the expiry of the previous control body, appointed the new Board of Statutory Auditors in the persons of Claudio Siciliotti, Michela Cignolini and Giuseppe Pingaro as Statutory Auditors, and Lorenzo Ginisio and Michele Testa as Substitute Auditors on the basis of a single majority list submitted by the shareholder Roberto Siagri that got 6,673,471 votes in favour representing 99.308% of the voting capital (equal to 6,719,995 ordinary shares), according to the bylaws in force for a period of three years and however until the financial statements of the fiscal year ending on 31 December 2013 are approved.
The current composition of the Board of Statutory Auditors is shown in Table 3 attached to this Report.

For more information about the list filed for the appointment of the control body, please refer to the Company's website at **www.eurotech.com**, in the "Investors" section, where the *curricula vitae* of the Directors are also available.

The following table shows the other positions held by members of the Board of Statutory Auditors at companies pursuant to Book V, Title V, Chapters v, vi and vii of the Civil Code.

Name and surname	Position at Eurotech	Company	Management and supervisory positions
Claudio Siciliotti	Chairman of the Board of Statutory Auditors	Concast Technologies Srl, Udine (UD);	Chairman of the Board of Statutory Auditors
		Eurotech SpA, Amaro (UD);	Chairman of the Board of Statutory Auditors
		FriulanaGas SpA, Campoformido (UD);	Chairman of the Board of Statutory Auditors
		Germacar Auto SpA, Zoppola (PN);	Chairman of the Board of Statutory Auditors
		Hypo Alpe-Adria-Bank SpA Tavagnacco (UD)	Chairman of the Board of Statutory Auditors
		Mangiarotti SpA, Sedegliano (UD);	Chairman of the Board of Statutory Auditors
		Sager SpA, San Giovanni al Natisone (UD);	Chairman of the Board of Statutory Auditors
		SMS Concast Italia SpA, Udine (UD);	Chairman of the Board of Statutory Auditors
		Thermokey SpA, Teor – Rivarotta (UD),	Chairman of the Board of Statutory Auditors
		Cineca Consorzio Interuniversitario, Casalecchio di Reno (BO);	Statutory Auditor:
		E.F.Fim SpA, Udine (UD);	Statutory Auditor
		FriulanaGas Srl, Campoformido (UD);	Statutory Auditor
		Sartogo SpA, Udine (UD);	Statutory Auditor
		Valagro SpA, Atessa (CH).	Statutory Auditor
		Germacar di Cesaro Sergio SpA, Pordenone (PN);	Substitute Statutory Auditor
		Germacar Udine SpA, Tavagnacco (UD);	Substitute Statutory Auditor
		Rizzani De Eccher SpA, Pozzuolo del Friuli (UD);	Substitute Statutory Auditor
		RTH Group SpA, Udine (UD);	Substitute Statutory Auditor
		Stark SpA, Trivignano Udinese (UD);	Substitute Statutory Auditor
		FidelisTust Company Srl, Milano (MI);	Chairman of the Board of Directors
		Koinos Cooperativa Informatica Organizzazione Servizi dei Dottori Commercialisti, Milan (MI).	Board of Directors
		Cirano Srl, Udine (UD).	Sole Director
		OIC – Organismo Italiano di Contabilità, Rome (RM).	Supervisory Director
Michela Cignolini	Statutory Auditor	Germacar di Cesaro Sergio SpA, Pordenone (PN);	Chairman of the Board of Statutory Auditors
		Mia Fiduciaria SpA, Roma (RM).	Chairman of the Board of Statutory Auditors
		Concast Technologies Srl, Udine (UD);	Statutory Auditor
		Eurotech SpA, Amaro (UD);	Statutory Auditor
		Geber SpA, Tavagnacco (UD);	Statutory Auditor
		Germacar Auto SpA, Zoppola (PN);	Statutory Auditor
		Pretitalia SpA – Bergamo (BG)	Statutory Auditor
		RTH Group SpA, Udine (UD);	Statutory Auditor
		SMS Concast Italia SpA, Udine (UD).	Statutory Auditor
		Certicomm – Autorità Nazionale di Certificazione in liquidation, Rome (RM);	Substitute Statutory Auditor
		FriulanaGas SpA, Campoformido (UD);	Substitute Statutory Auditor
		FriulanaGas Srl, Campoformido (UD);	Substitute Statutory Auditor
		Germacar Udine SpA, Tavagnacco (UD);	Substitute Statutory Auditor
		Sager SpA, San Giovanni al Natisone (UD);	Substitute Statutory Auditor
		Thermokey SpA, Teor – Rivarotta (UD).	Substitute Statutory Auditor
		Private Trust Company Srl in Liquidazione, Milano (MI).	Liquidator
		Giustidue Srl, Udine (UD).	Liquidator
		Invec Srl in Liquidazione, Udine (UD)	Liquidator
		Fidelis Trust Company Srl – Milano (MI)	Board of Directors
		Erresse Immobiliare Srl, Udine (UD).	Board of Directors

Name and surname	Position at Eurotech	Company	Management and supervisory positions
Giuseppe Pingaro	Statutory Auditor	Eurotech SpA (Eurotech Group)	Statutory Auditor
		Associazione per l'Assistenza Sanitaria Integrativa ai Dirigenti della Finmeccanica – ASID	Statutory Auditor
		Cassa di Previdenza per i Dirigenti del Gruppo Finmeccanica – Fondo Pensione Complementare	Statutory Auditor

For information on the administrative and supervisory duties vested in the members of the Board of Statutory Auditors, see the figures published by CONSOB pursuant to article 144-*quinquiesdecies* of the CONSOB Issuer Regulation, in the Corporate Boards section of the www.sai.consob.it website.

The Board of Statutory Auditors held 6 (six) meetings during the financial year: 13 February, 30 March, 7 May, 30 July, 8 August, and 29 October 2012.

The average meeting duration was about two hours.
For the current year there are at least four meetings scheduled, one of which was already held 1 February and others are scheduled on the following dates: 6 May, 29 July and 28 October 2013.

At its meeting held 30 March 2012 the Board of Statutory Auditors confirmed that its members still satisfied the requirement that its members be independent in accordance with the provisions of the Corporate Governance Code governing the independence of Directors. The results of this assessment will be included in the Statutory Auditors' Report to the Shareholders' Meeting, pursuant to article 2429 of the Civil Code.

Any Statutory Auditor who, on his/her own account or on behalf of third parties, has an interest in a given transaction by the Issuer, shall promptly provide the other Auditors and the Chairman of the Board of Directors with comprehensive information on the nature, terms, origin and scope of this interest. The Board of Statutory Auditors periodically monitors the independence of the Independent Auditor, verifying compliance with relevant regulatory provisions and the nature and scale of the services rendered. The results of the assessment are included annually in the report to the Shareholders' Meeting.

Attendance of the Chairman of the Board of Statutory Auditors and Auditors at the meetings of the Board of Directors and the characteristics of board reporting enable the Auditors to obtain adequate knowledge of the field of activity in which the Issuer operates, its dynamics and their evolutions, as well as the relevant regulatory framework.

In carrying out its duties, the Board of Statutory Auditors regularly collaborated with the Control and Risks Committee through contact with the Internal Audit Officer. For information on coordination procedures, please refer to paragraph 11 above.

Pursuant to article 27 of the Company bylaws, the Board of Statutory Auditors performs the functions delegated to it by law and other applicable regulatory provisions. In the case of the listing of the Company's shares on an Italian regulated market, the Board of Statutory Auditors also exercises all other duties and powers envisaged by special laws. The Directors must report to it in writing on a quarterly basis pursuant to article 150 of the TUF. The Board of Statutory Auditor meetings may also be held by conference call and/or video conference, provided that: a) the Chairman and the person taking the meeting minutes are present at the same meeting location; and b) all participants can be identified and can follow the discussion, receive, transmit and read documents, and orally participate in real time on all matters. If these requirements are satisfied, the meeting of the Board of Statutory Auditors is considered to be held at the location of the Chairman and person taking the minutes.

The Company accounts are audited by a qualified Independent Auditor or firm of auditors (on point see *supra* par. 11.4).

The Board of Statutory Auditors is assigned the functions of the Internal Control and Audit Committee and, in particular, the supervisory functions of (i) the financial disclosure process; (ii) the effectiveness of the internal control, internal auditing, if applicable, and risk management systems; (iii) the auditing of the annual accounts and the consolidated accounts; and (iv) the independence of the Independent Auditor or auditing firm, particularly with regard to the rendering of services not related to auditing to the entity subject to the account audit.
In particular, with reference to the provisions of article 19 of Legislative Decree 39/2010, the attendance of the Board of Statutory Auditors at the meetings of the Control and Risks Committee has been identified as a "modus operandi", in order to be able to exchange information useful for discharging duties assigned by the regulations in accordance with the specific areas of competence.

15. Shareholder Relations

The Company believes that it has a specific interest, as well as duty to the market, in establishing a continuous dialogue based on mutual understanding of roles with the majority of shareholders and institutional investors. This dialogue must be conducted in compliance with the procedure governing external disclosure of corporate documents and information.

On 8 August 2008, the Company's Board of Directors appointed Andrea Barbaro as *head of relations with institutional investors and other shareholders (Investor Relator*), in order to ensure fair, continuous and complete communication in accordance with article 2.2.3.(3)(i) of the Stock Market Regulation, applicable to STAR-qualified issuers. Nonetheless, the disclosure of information regarding the Company in the course of these relations must be made in compliance with the internal Inside Information Regulation.

Disclosure is also provided by the prompt publication of corporate documents on the Company *website*. On the website investors can freely consult, in Italian and English, all press releases issued to the market, the Issuer's periodical accounting documents, approved by the competent corporate bodies (annual financial report, half-year financial report, interim reports on operations), the Report on Corporate Governance and Ownership Structure and documentation distributed at meetings with professional investors, analysts and the financial community.

They can also find the Company bylaws, documentation provided for Shareholders' Meetings, communications related to *Internal Dealing*, this Report on *corporate governance* and any other document whose publication on the Issuer's website is mandatory under the applicable regulations.

16. Shareholders' Meeting and Shareholders' rights

Pursuant to article 8 of the current Company bylaws, only shareholders with voting rights may take part in the Shareholders' Meeting. Legitimacy of participation in the Shareholders' Meeting and the exercising of voting rights is established via communication to the Company by the intermediary legally authorised to keep the accounts, on the basis of records in the accounts as at the end of the accounting day on the seventh open market day preceding the date set for the Shareholders' Meeting in single call, and received by the Company in accordance with the law. Shareholders with voting rights may, by law, be represented by proxy.

Ordinary and Extraordinary Shareholders' Meetings are convened, by law, at the Company's registered office or at any other location indicated in the meeting notice, provided that it is within Italy.

Pursuant to article 6 of the Company bylaws, Ordinary and Extraordinary Shareholders' Meetings may be held via videoconference or teleconference with participants in more than one location, whether adjoining or remote, provided that the principles of collective decision-making, good faith and parity of shareholder treatment are respected.

The agenda for the Shareholders' Meeting is established by the person exercising the power to call the meeting, pursuant to law and the Company bylaws, or, if the meeting is called at the request of the shareholders, on the basis of the items to be discussed indicated in the request.

Pursuant to article 9 of the Company bylaws, those with the right to participate in the Shareholders' Meeting, either on their own account or on behalf of others, may by law be represented by proxy. §Electronic proxy notification may be sent, as indicated in the meeting notice, either via a message to the certified electronic mailbox at the address provided in the notice, or via the dedicated section of the Company's website.

Pursuant to article 11 of the Company bylaws, in order for the constitution and resolutions of the Shareholders' Meeting (whether Ordinary or Extraordinary) to be valid, the provisions of law and the Company bylaws must be observed. As well as the provisions of law and the Company bylaws, the Shareholders' Meetings are conducted according to the specific Shareholders' Meeting Regulation as approved by the Shareholders' Meeting.

Article 127-*ter* of the TUF establishes that only shareholders with voting rights may submit questions on the agenda also before the Meeting. Questions received before the Meeting will be answered during it at the latest. The Company will have the opportunity to provide a single answer to questions having the same content. The notice of call shall specify a period within which the questions submitted before the Meeting must be received by the Company. The term cannot be more than three days prior to the Meeting date in first or single call, or five days if the notice of call contemplates that the Company provides an answer to the questions received before the Meeting. In this case, the answers are given at least two days before the Meeting by publishing them in a special section of the Company's website.

In accordance with Principle 9.P.1 of the Corporate Governance Code, the Directors are required to encourage and facilitate the broadest possible participation of shareholders at Shareholders' Meetings. Since Company Shareholders' Meetings have always been held on an orderly basis, the Board of Directors does not currently deem it necessary to propose adoption of a specific regulation to govern the proceedings of Shareholders' Meetings.

The Directors and Statutory Auditors are also required to attend the Shareholders' Meetings, during which they are required to provide the shareholders with information regarding the Company in accordance with the rules governing price sensitive information.

As prescribed by article 10.2 of the bylaws, the Chairman of the Shareholders' Meeting is responsible for ascertaining the identity and legitimacy of those present, confirming that the Shareholders' Meeting was duly convened, and confirming the presence of a quorum of shareholders necessary for valid resolution. The Chairman is also required to moderate the proceedings, establish the voting procedures and verify the results of the votes.

At Shareholders' Meetings during the year, the Directors and Statutory Auditors, to ensure that shareholders took decisions falling within the scope of the meeting in an informed manner, provided shareholders with Company information in accordance with current regulations on price sensitive information.

A Meeting was held on 27 April 2012, which five Directors attended.

Pursuant to article 3, paragraph 2 of the bylaws, in the event of a resolution to extend the term of the Company, shareholders who do not approve the resolution will not have the right of withdrawal.

According to the provisions of article 29 of the bylaws, the net profits identified in the financial statements, minus the portion allocable to the legal reserve up to the legal limit, are allocated by resolution of the Shareholders' Meeting. Specifically, the Shareholders' Meeting, at the proposal of the Board of Directors, may resolve to create and increase other reserves.

With regard to shareholders' rights that are not described in this Report, see the applicable laws and regulations currently in force.

At its meeting of 07.03.13, pursuant to application criterion 9.C.4 of the Code, the Board did not find it necessary to propose to the Shareholders' Meeting amendments to the bylaws relating to the percentage established for the exercising of minority rights, insofar as, pursuant to article 144-*quater* of the CONSOB Issuer Regulation, for the submission of lists for the appointment of members of the Board of Directors and the Board of Statutory Auditors, articles 14 and 26 of the Issuer's bylaws stipulate respective thresholds of 2.5% and 2% of the voting capital or any different percentage established or prescribed by legal or regulatory provisions. Note in this regard that, with resolution 18452 of 30 January 13, CONSOB set the minimum shareholding for submitting lists of candidates for the election of the Issuer's Board of Directors at 4.5% of the share capital, for the year ended 31 December 2012.

17. Other corporate governance practices

The Issuer does not use corporate governance structures other than those set out in the legal and regulatory standards described in this Report.

18. Changes since the End of the Reporting Period

Eurotech has not made any changes to the corporate governance structure during the year other than those specifically identified in this report.

TABLE 1 INFORMATION ON THE OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE

	No. of shares	% of the share capital	Listed (indicate the markets) / unlisted	Rights and obligations
Ordinary shares	35,515,784	100%	MTA/ STAR Segment	Every share entitles the shareholder to one vote. The rights and duties of shareholders are set out in articles 2346 et seq. of the Civil Code
Shares with restricted voting rights	0	0		
Shares with no voting rights	0	0		

SIGNIFICANT SHAREHOLDINGS

Reporting party	Direct Shareholder	% of ordinary capital	% of voting capital
Dino Paladin	Dino Paladin	2.656 %	2.656 %
Roberto Siagri	Nextra Gen Srl	2.355 %	2.355 %
Roberto Siagri	Roberto Siagri	4.446 %	4.446 %
	Total	6.801 %	6.801 %
Finmeccanica SpA	Finmeccanica SpA	11.084 %	11.084 %

TABLE 2 STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES

BOARD OF DIRECTORS											Control and Risks Committee		Remuneration Committee		Eventual Appointments Committee		Eventual Executive Committee		Committee for Related party transactions	
Office	Members	In office since	In office until	List (M/m)*	Exec.	Non-exec.	Indep. re. Code	Indep. re. TUF	(%) **	Number of other positions ***	****	**	****	**	****	**	****	**	****	**
Chairman and Chief Executive Officer	Number of other positions ***	28/04/2011 First appointment: 30/09/1992	Approval of financial statements at 31/12/2013	M	X				100	8										
Vice Chairman and Chief Executive Officer	Giampietro Tecchiolli	28/04/2011 First appointment: 19/11/2001	Approval of financial statements at 31/12/2013	M	X				57	8										
Director Financial Reporting Manager	Sandro Barazza	28/04/2011 First appointment: 08/08/2008	Approval of financial statements at 31/12/2013	M		X			100	8										
Director and Lead Independent Director	Cesare Pizzul	28/04/2011 First appointment: 05/05/2008	Approval of financial statements at 31/12/2013	M		X	X	X	86	9	X	100	X	100					X	100
Director	Maria Cristina Pedicchio	28/04/2011 First appointment: 28/04/2011	Approval of financial statements at 31/12/2013	M		X	X	X	71	6	X	75	X	100					X	100
Director	Chiara Mio	28/04/2011 First appointment: 05/05/2005	Approval of financial statements at 31/12/2013	M		X	X	X	43	2	X	100	X	100					X	100
Director	Giovanni Bertolone	28/04/2011 First appointment: 19/10/2010	Approval of financial statements at 31/12/2013	M		X			29	5										
Director	Giancarlo Grasso	28/04/2011 First appointment: 28/04/2011	Approval of financial statements at 31/12/2013	M		X			86	3										
Director	Giovanni Soccodato	28/04/2011 First appointment: 14/11/2008	Approval of financial statements at 31/12/2013	M		X			71	5										

DIRECTORS DEPARTED IN THE REPORTING PERIOD

	Name Surname

NB:

* This column indicates whether the member was elected from the majority list (M) or minority list (m). See Section 4.2 of the Report.

** This column indicates the respective percentage attendance of the Directors at meetings of the Board of Directors and the committees (no. of times attended/no. of meetings held during the effective mandate of the party concerned).

*** This column indicates the number of Director/Auditor positions held by the party concerned at other companies.

**** This column indicates the membership of the Board of Directors member to the Committee with an “X”.

TABLE 3 STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors							
Office	Members	In office since	In office until	List (M/m)*	Independence re. Code	** (%)	Number of other positions ***
Chairman	Claudio Siciliotti	28/04/2011	Approval of financial statements at 31/12/2013	M	X	83%	23
Statutory Auditor	Michela Cignolini	28/04/2011	Approval of financial statements at 31/12/2013	M	X	100%	20
Statutory Auditor	Giuseppe Pingaro	28/04/2011	Approval of financial statements at 31/12/2013	M	X	50%	3
Substitute Statutory Auditor	Lorenzo Ginisio	28/04/2011	Approval of financial statements at 31/12/2013	M	X		
Substitute Statutory Auditor	Michele Testa	28/04/2011	Approval of financial statements at 31/12/2013	M	X		

STATUTORY AUDITORS DEPARTED IN THE REPORTING PERIOD

Indicate the required *quorum* for presentation of the lists at the time of the last appointment 4.5%

Number of meetings held during the year 7

NB:

* This column indicates whether the member was elected from the majority list (M) or minority list (m). See Section 14 of the Report.

** This column indicates the percentage attendance of the Statutory Auditors at meetings of the Board of Statutory Auditors (no. of times attended/no. of meetings held during the effective mandate of the party concerned).

*** This column indicates the number of Director/Auditor positions held by the party concerned at other companies

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EUROTECH

Consolidated financial statements at 31.12.12 prepared according to international accounting standards

The science of today is the technology of tomorrow.

Edward Teller

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Consolidated balance sheet

(€'000)	Notes	at December 31, 2012	at December 31, 2011
ASSETS			
Intangible assets	1	112,853	125,922
Property, Plant and equipment	2	4,756	5,897
Investments in affiliate companies	3	275	278
Investments in other companies	3	257	270
Deferred tax assets	33	1,083	1,439
Other non current financial assets	12	0	226
Other non-current assets	4	672	843
Total non-current assets		**119,896**	**134,875**
Inventories	5	18,282	23,734
Contracts in progress	6	850	2,356
Trade receivables	7	26,641	26,724
Income tax receivables	9	362	938
Other current assets	10	2,170	2,569
Receivables from affiliates companies	8	0	1,163
Short term borrowing allowed to affiliates companies and other Group companies	13	0	178
Other current financial assets	13	144	0
Cash & cash equivalents	11	12,116	13,596
Total current assets		**60,565**	**71,258**
Total assets		**180,461**	**206,133**
LIABILITIES AND EQUITY			
Share capital		8,879	8,879
Share premium reserve		136,400	136,400
Other reserves		(25,107)	(10,236)
Group shareholders' equity	**14**	**120,172**	**135,043**
Equity attributable to minority interest	**14**	**0**	**0**
Total shareholders' equity	**14**	**120,172**	**135,043**
Medium-/long-term borrowing	16	10,327	10,482
Employee benefit obligations	17	1,676	1,718
Deferred tax liabilities	33	9,486	12,111
Other non-current liabilities	18	846	1,586
Total non-current liabilities		**22,335**	**25,897**
Trade payables	19	15,084	18,388
Short-term borrowing	16	13,036	17,253
Derivative instruments	36	344	376
Income tax liabilities	9	2,103	1,731
Other current liabilities	21	7,387	7,229
Business combination liabilities	20	0	216
Total current liabilities		**37,954**	**45,193**
Total liabilities		**60,289**	**71,090**
Total liabilities and equity		**180,461**	**206,133**

Consolidated income statement

INCOME STATEMENT

(€'000)	Notes	FY 2012	FY 2011
Revenues from sales of products and services	F	93,627	93,806
Other revenues	28	807	382
Operating costs:			
Cost of materials	23	(44,644)	(47,266)
Service costs	25	(14,813)	(16,483)
Lease & hire costs	24	(2,245)	(2,464)
Payroll costs	26	(24,956)	(25,378)
Other provisions and other costs	27	(1,911)	(1,229)
Cost adjustments for in-house generation of non-current assets	29	2,138	2,632
Depreciation & amortisation	30	(7,955)	(7,708)
Asset impairment	30	(82)	(257)
Operating profit		**(34)**	**(4,875)**
Share of associates' profit of equity	32	(56)	123
Finance expense	31	(2,605)	(7,840)
Finance income	31	2,424	5,979
Profit before taxes		**(271)**	**(6,613)**
Income tax	33	(2,512)	(633)
Net profit (loss) before minority interest		**(2,783)**	**(7,246)**
Minority interest		**0**	**0**
Group net profit (loss) for period		**(2,783)**	**(7,246)**
Base earnings (losses) per share	**15**	**(0.079)**	**(0.206)**
Diluted earnings (losses) per share	**15**	**(0.079)**	**(0.206)**

Consolidated statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME

(€'000)	**FY 2012**	**FY 2011**
Net profit (loss) before minority inerest (A)	**(2,783)**	**(7,246)**
Other elements of the statement of comprehensive income		
Net profit (loss) from Cash Flow Hedge	32	(37)
Tax effect	-	-
	32	*(37)*
Foreign balance sheets conversion difference	(11,721)	8,576
Exchange differences on equity method	-	(18)
Exchange differences on equity investments in foreign companies	(399)	653
Tax effect	-	-
	(399)	*653*
After tax comprehensive profit (loss) (B)	*(12,088)*	*9,174*
Comprehensive net result (A+B)	**(14,871)**	**1,928**
Comprehensive minority interest	**-**	**-**
Comprehensive Group net profit (loss) for period	**(14,871)**	**1,928**

Statement of changes in consolidated shareholders' 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 December 31, 2011	**8,879**	**39**	**136,400**	**34,514**	**(35,703)**	**(376)**	**(124)**	**(1,340)**	**(7,246)**	**135,043**	**-**	**-**	**-**	**135,043**

(€'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 December 31, 2012	-	-	-	-	-	-	-	-	(2,783)	(2,783)	-	(2,783)
Comprehensive other profit (loss)												
- Hedge transactions	-	-	-	-	-	32	-	-	-	32	-	32
- Foreign balance sheets conversion difference	-	-	-	(11,721)			-	-	-	(11,721)	-	(11,721)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	(399)	-	-	(399)	-	(399)
Comprehensive result	-	-	-	(11,721)	-	32	(399)	-	(2,783)	(14,871)	-	(14,871)
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**

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

(€'000)	at December 31, 2012	at December 31, 2011
CASH FLOWS GENERATED BY OPERATIONS:		
Group net profit	**(2,783)**	**(7,246)**
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:		
Depreciation & amortization intangible assets, property, plant and equipment	8,037	7,965
Write-down of receivables	868	353
Interest income	(69)	(117)
Share of net profit of associate and non-consolidated subsidiaries	56	(123)
Provision for (use of) long-term employee severance indemnities	(42)	37
Provision for (use of) risk provision	(740)	(543)
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability	(2,269)	(477)
Changes in current assets and liabilities		
Trade receivables	(785)	2,058
Other current assets	975	1,701
Inventories and contracts in process	6,958	(3,655)
Trade payables	(3,304)	(804)
Other current liabilities	530	1,914
Total adjustments and changes	**10,215**	**8,309**
Cash flow generated (used) in operations	**7,432**	**1,063**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sales of tangible and intangible assets	164	48
Assignment for deconsolidation	4	0
Interest income	69	117
Purchase of intangible fixed assets	(3,572)	(2,872)
Purchase of tangible fixed assets	(612)	(821)
Decreases (Increases) other financial assets	1,567	(686)
Net investments in long-term investments and non-current assets	131	164
Minority interest purchase	0	(2,369)
Pay outstanding debt for business combinations prior years	0	(1,066)
Business acquisition net of cash acquired	(217)	(935)
Cash flow generated (used) in investment activities	**(2,466)**	**(8,420)**

CONSOLIDATED CASH FLOW STATEMENT

(€'000)	at December 31, 2012	at December 31, 2011
CASH FLOW FROM FINANCING ACTIVITIES:		
Loans taken	880	0
(Increases) decreases financial assets held for sales	(144)	0
Increases (decreases) short term loan	1,616	1,724
Repaid loans medium/long term	(6,868)	(5,847)
Cash flow generated (absorbed) by financial assets	**(4,516)**	**(4,123)**
Net foreign exchange difference	(1,930)	1,325
Increases (decreases) in cash & cash equivalents	**(1,480)**	**(10,155)**
Opening amount in cash & cash equivalents	**13,596**	**23,751**
Cash & cash equivalents at end of period	**12,116**	**13,596**
Interest paid	**1,250**	**1,351**
Income taxes paid (get)	**3,677**	**697**

Notes to the financial statements

Nothing endures but change.

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A – Corporate information

The publication of the consolidated financial statements of Eurotech SpA for the year ended 31.12.12 was authorised by resolution of the Board of Directors on 15.03.13. Eurotech SpA is a joint stock company incorporated and domiciled in Italy. The Group has its registered office in Amaro, Italy. Eurotech is a group active in the research, development, and marketing of miniaturised computers (NanoPCs) and high-performance computers featuring high computing and high efficiency capacity (HPCs). For further information, see Note F.

B – Reporting policies and IFRS compliance

Il bilancio consolidato è stato redatto in conformità agli International Financial Reporting Standard (IFRS) emanati dall'International Accounting Standards Board (IASB) e omologati dalla Commissione Europea secondo la procedura di cui all'art. 6 del Regolamento (CE) n. 1606/2002 del Parlamento Europeo e del Consiglio Europeo del 19 luglio 2002 entro il 31 dicembre 2012, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/2005. Per IFRS si intendono anche tutti i principi contabili internazionali rivisti (IAS), tutte le interpretazioni dell'International Financial Reporting Interpretations Committee (IFRIC), precedentemente denominate Standing Interpretations Committe (SIC).
Consolidated financial statements are based on recognition at cost, except for derivative financial instruments, which are normally recognised at fair value. Despite the difficult global economic situation, Eurotech found no significant uncertainties (as defined in paragraph 25 of IAS 1) related to business continuity, also taking into account actions taken to deal with the situation, industrial flexibility, the existing order portfolio and current opportunities.

All accounting standards used are the same as those adopted for the period ended 31.12.11, except for the following new or revised IFRSs or IFRICs, which were applied for the first time by the Group at 1 January 2012. Eurotech's adoption of the revised policies and interpretations had no effect on the Group's income statement or balance sheet, partly because the cases and instances they govern are not applicable to Group business, but only affect the presentation of the financial statements and disclosure:

- *IFRS 7 Integrative Information – Financial transfers* – The modification requires integrative information regarding the assets transferred that are not fully deleted from the financial statement. The company must provide information that allows uses of the financial statements to understand the relationship between these assets that are not deleted and the related liabilities. If the assets are fully deleted but the company maintains a residual involvement, it must provide the information that allows users of the financial statement to evaluate the nature of the residual involvement of the entity in the assets deleted and the associated risks. The effective adoption date of the modification is for annual fiscal years starting on 1 July 2011 or later. The Group does not have assets with these features so there was no impact on the presentation of the Group's financial statement.

The IASB has also issued the following standards or interpretations already adopted by the European Union, which the Group has not adopted in advance but the adoption of which is mandatory for accounting periods subsequent to 01.01.13. The Group intends to adopt these principles when they go into effect:

- *IAS 1 Submission of the Financial Statements – Entry of Other Components of the Total Income Statement in the Financial Statements* - The modification of the IAS 1 changes the grouping of the items presented under other components of the total income statement. The entries could be reclassified (or "recycled") in the income statement in the future (for example, the net profit on coverage of net investments, the conversion differences in foreign financial statements, the net profit on cash flow hedge and net profit/loss of financial assets available for sale) should be submitted separately based on the entries that will never be reclassified (for example, the accounting profit/loss on defined benefit plans and the revaluation of lands and buildings). The modification only deals with the submission method and does not have any impact on the Group's financial position or results. The modification goes into effect for the fiscal years that started on 1 July 2012 or later;
- *IAS 19 (2011) Employee Benefits* – The IASB issued many changes to IAS 19. They range from radical changes such as the elimination of the corridor mechanism and the concept of expected returns from the plan assets to simple clarifications and terminology changes. Currently, the Group only enters total unreported accounting profits and losses that exceed 10% of the greater of the defined benefit obligation and the fair market value of the plan assets on the date and based on the remaining duration of the employee's working life in agreement with IAS 19.93. Subsequently, the anticipated economic-financial situation does not reflect a part of the net unrecognized accounting losses. The modifications go into effect for the fiscal years that started on 01.01.13 or later; These modifications have an impact on the economic and financial situation and on the Group's economic results.
- *IAS 12 Income Taxes — Recovery of Underlying Assets* - The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. The presumption works if the investment property is depreciated and owned with the goal to utilize during the period all the benefits originated from the investment property, instead of obtain the benefits form the sale. The amendment is effective for annual periods beginning on or after 1 January 2013. This amendment did not have an impact on Good Group's financial position, performance or its disclosures.
- *IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters* - The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment had no impact to the Group;
- *IAS 28 (2011) Investments in subsidiaries and joint ventures (revised in 2011)* – Following the new IFRS 11 *Joint Agreements* and IFRS 12 *Information on Investments in Other Companies*, the IAS 28 was renamed Investments in Subsidiaries and Joint Ventures and describes the application of the shareholders' equity method for investments in joint ventures in addition to the affiliates. The modifications go into effect for the fiscal years that started on 01.01.13 or later;
- *IAS 32 Financial Assets and Liability Compensation - Modification to IAS 32* - The modifications clarify the meaning of "currently has a legal right to compensate." The modifications also clarify the application of the IAS 32 compensation criteria in case of regulation systems (for example, centralized compensation centres) that apply non-simultaneous gross regulation mechanisms. These modifications must not impact the Group's financial position and results and go into effect for the annual fiscal years that start on 1 January 2014 or the following;

- *IFRS 1 Government Loans – Modifications to IFRS 1* – This modification requires entities that adopt the IFRS for the first time to apply the provisions of IAS 20 Public contribution accounting and information on public assistance for government financing on the IFRS settlement date. The entity can decide to apply the provisions of IAS 39 and IAS 20 to government financing retrospectively if the information necessary to do it were obtained at the time of the initial accounting of the financing. The payment will give new users the benefit to not have to evaluate government financing with an interest rate below the market rate retrospectively. The modification goes into effect for the fiscal years that started on 01 January 2013 or later. The modification does not have any impact on the Group;
- *IFRS 7 Integrative Information – Financial Asset and Liability Compensation – Modifications to IFRS 7* - These modifications require the entity to provide information on the compensation rights and relative agreements (for example, guarantees). The information will give the reader of the financial statements useful information on evaluating the effect of the compensation agreements on the entity's financial position. The new information is requested for all financial instruments which are the object of the compensation based on IAS 32 Financial Instruments: entry in the financial statements. The information is required for the financial instruments that are subject to executive framework compensation contracts or similar agreements, regardless of the fact that they are compensated based on IAS 32. These modifications will not have any impact on the Group's financial position or results and shall go into effect for the fiscal years that start on 1 January 2013 or later;
- *IFRS 10 Consolidated Financial Statements, IAS 27 (2011) Separate Financial Statements* - IFRS 10 replaces part of IAS 27 *Consolidated and Separate Financial Statements* that governs the accounting of the consolidated financial statement. This also deals with the problems raised in SIC-12 Consolidation – *Companies with a Specific Purpose*. IFRS 10 establishes a single control model, which is applied to all companies, including special purpose entities. Based on the provisions that were presenting IAS 27, the changes introduced by IFRS 10 shall require the management to conduct relevant discretional evaluations to determine which companies are subsidiaries and which must be consolidated by the parent company. Based on the preliminary analysis performed, it is not expected that IFRS 10 shall have any impact on the investments currently held by the Group. This principle applies for the fiscal years starting on 1 January 2014 or later;
- *IFRS 11 Joint Control Agreements* - The IFRS 11 replaces the IAS 31 Joint Venture Investments and SIC-13 Joint Control Entities – In kind conferrals by control participants. IFRS 11 eliminates the option to enter the subsidiaries jointly in the accounts using the proportional consolidation method. The joint subsidiaries that respect the definition of a joint venture must instead be entered using the shareholders' equity method. This principle applies for the fiscal years starting on 1 January 2013 or later and must be applied retrospectively from the initial agreements at first time application. Based on the preliminary analysis performed, it is not expected that IFRS 11 shall have any impact on the net financial position, results and disclosure of the Group.
- *IFRS 12 Information on Investments in Other Entities* – The IFRS12 includes all provisions on previous information included in IAS 27 regarding the consolidated financial statements as well as the information provisions of IAS 31 and IAS 28. This information regards investments by a company in a subsidiary, joint venture, affiliated company or structured vehicle. New information cases are also anticipated. The principle will not have any impact on the Group's financial position or results. This principle applies for the fiscal years starting on 1 January 2013 or later;
- *IFRS 13 Fair Value Evaluation* – IFRS 13 establishes an individual guideline on the IFRS for all fair trade evaluations. IFRS 13 does not modify the cases in which the use of the fair value is required but rather provides a guideline on how to evaluate the fair value within the context of IFRS when the application of the fair value is requested or allowed. The Group is currently evaluating the impact of

this principle on its financial position and results but, based on the preliminary results, no significant effect is expected. This principle applies for the fiscal years starting on 1 January 2013 or later;
- *IFRIC 20 Excavation costs during the production phase for an open-air mine* – This interpretation applies to excavation costs incurred for open-air mining during the production phase for mining. The interpretation involves accounting the benefits derived from excavation. This interpretation is effective for annual fiscal years starting on 1 January 2013 or later. The new interpretation shall not have any impact on the Group.

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
his improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

The consolidated financial statements were drafted in euro, rounding amounts to the nearest thousand unless otherwise indicated. The financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement, and the following explanatory notes.

The data used for consolidation have been taken from the income statements and balance sheets prepared by the Directors of individual subsidiaries. These figures have been appropriately amended and restated as necessary to align them with international accounting policies and with uniform group-wide classification policies.

C – Discretionary evaluations and relevant accounting estimates

The preparation of the Group's financial statements requires all directors to make subjective assessments, estimates and assumptions that may affect the value of revenues, expenses, assets, liabilities and contingent liabilities at the reporting date. However, uncertainties about such assumptions and estimates may determine effects which will require significant adjustments to the accounting value of said assets and/or liabilities.

Discretionary evaluations
In applying Group accounting policies, directors made decisions based on the following discretionary evaluations (not including those involving estimates) with a significant effect on the values posted in the financial statements:

Recognition of revenue – Sale of components – According to directors, sales of components made by the Group to outsourcers (which use these components in their operations and subsequently resell their products to the Group) imply a continued relationship with the transferred assets and do not give rise to collection of the contracted consideration. Consequently, on the basis of IAS 18, these transactions are not recognised as sales.

Uncertainty in the estimates
The estimates at year-end are reviewed periodically and could lead to significant adjustments in the book value of the assets and liabilities within the subsequent financial period. Estimates are used to recognise:

Impairment of non-financial assets
At every reporting date, the Group tests for impairment of all non-financial assets.

Specifically, goodwill and other intangible assets with an indefinite useful life are submitted to review at least annually and during the year to check for impairment; this check requires the Group to make an estimate of the value in use of the cash generating unit to which goodwill and other intangible assets with a definite useful life are attributed, in turn based on the estimated cash flows expected from the unit, time-discounted at an appropriate rate
As at 31 December 2012, the book value of goodwill was €81,180 thousand (€88,101 thousand in 2011). Further details are provided in Note 1.

Other non-financial assets are annually tested for impairment when there is evidence that the assets may be impaired.

In preparing calculations to determine value in use, directors need to estimate expected cash flows from operations or from the cash-generating unit and choose a discount rate that can adequately calculate the present value of these cash flows. Further details and a sensitivity analysis of key assumptions are provided in Note 1.

Deferred tax assets

Deferred tax assets are recognised against all temporary differences and tax losses carried forward, to the extent that future taxable profits are likely that can absorb said temporary differences or that can use said tax losses. The Board of Directors is required to make a significant discretionary evaluation to determine the amount of deferred taxes that can be posted. Directors have to determine the most likely timing and amount of future taxable profits and a planned strategy of future taxes payable.

At 31 December 2012, unrecognised tax losses carried by the Parent Company were estimated at €33,388 thousand (€31,060 thousand in 2011). In the Group as a whole, unrecognised tax losses came to €39,479 thousand (€37,764 thousand in 2011).

Development costs

Development costs are capitalised as per the accounting standard described in Note E. Initial cost capitalisation is based on the Directors' assessment of the technical and economical feasibility of the project, normally when the project itself has reached a certain stage in the development plan and it is likely that the asset will generate future economic benefits. In order to determine capitalised amounts, Directors need to make assumptions about expected future cash flows from fixed assets, discount rates to be applied and periods in which benefits will accrue. At 31 December 2012, the best estimate of the book value of capitalised development costs was €6,288 thousand, of which €4,020 thousand in progress (€6,340 thousand in 2011, of which €3,311 thousand in progress).

Other items subject to estimates

Estimates are also used to recognise provisions for risks on receivables, for inventory obsolescence, amortisation, write-downs of assets, employee benefits, taxes, and provisions for risks and charges, to determine the total costs of jobs and the respective state of progress, in order to record deferred tax assets and allocate the purchase price of recent business acquisitions.

D – Scope of consolidation

The consolidated financial statements include the annual financial statements of the Parent Company, Eurotech SpA, and the Italian and foreign subsidiaries in which Eurotech directly or indirectly (through subsidiaries and associates) exercises control, makes financial and operating decisions and obtains the respective benefits.
The companies included in the scope of consolidation on a line-by-line basis at 31 December 2011 are as follows:

Company name	Registered office		Share capital	Group % ownership	
Parent company					
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	€	8,878,946		
Subsidiary companies consolidated line-by-line					
Dynatem Inc.	Mission Viejo (USA)	USD	1,000	100.00%	
Eth Devices S.r.o.	Bratislava (Slovakia)	€	10,000	100.00%	
Eurotech Inc.	Columbia (USA)	USD	26,500,000	100.00%	
Eurotech Ltd.	Cambridge (UK)	GBP	33,333	100.00%	
E-Tech USA Inc.	Salt Lake City (USA)	USD	8,000,000	100.00%	
Eurotech France S.A.S.	Venissieux Cedex (France)	€	795,522	100.00%	
I.P.S. Sistemi Programmabili S.r.l.	Via Piave, 54 – Caronno Varesino (VA)	€	51,480	100.00%	
Parvus Corp.	Salt Lake City (USA)	USD	119,243	100.00%	
Saee S.r.l.	Via Fratelli Solari, 3/a – Amaro (UD)	€	15,500	100.00%	
EthLab S.r.l.	Via Dante, 78 – Trento	€	115,000	99.99%	
Advanet Inc.	Okayama (Japan)	JPY	72,440,000	90.00%	(1)

(1) Officially, the Group owns 90% of the company, but as Advanet holds 10% of the share capital in the form of treasury shares, it is fully consolidated

The following affiliates are consolidated at equity:

Affiliated companies consolidated at equity		
Delos S.r.l. in liquidation	Via Roberto Cozzi, 53 - Milan	40.00%
Chengdu Vantron Technology Inc.	Chengdu (China)	38.00%
eVS embedded Vision Systems S.r.l.	Ca' Vignal2, Strada Le Grazie 15 - Verona	24.00%
Emilab S.r.l.	Via Jacopo Linussio, 1 – Amaro (UD)	24.82%
Rotowi Technologies S.p.A. in liquidation (formerly U.T.R.I. S.p.A.)	Via del Follatolo, 12 – Trieste	21.31%

The main changes with regard to subsidiaries and affiliates compared with 31.12.11 are as follows:
- 03/01/2012 subsidiary Isidorey LLC, already in liquidation, has ceased operations;

- 09/01/2012 subsidiary U.T.R.I. S.p.A. changed its name to Rotowi Technologies S.p.A. and was put into liquidation.
- 30/08/2012 was sold for 8% of the shares of eVS embedded Vision Systems S.r.l.;
- 11/10/2012 Eurotech Finland Oy completed the liquidation process and was closed.

E – Accounting standards and policies

Consolidation policies

Consolidation policies from 01 January 2012

The consolidated financial statements include the financial statements of Eurotech SpA (Parent Company) and its subsidiaries, prepared on 31 December every year. The financial statements of the subsidiaries are drawn up using the same accounting standards as for the Parent Company; any consolidation adjustments are carried out to make consistent the items affected by the application of different accounting standards. All infragroup balances and transactions, including any unrealised profits deriving from relationships between Group companies, are completely derecognised. The portion pertaining to the Group of unrealised profits and losses with associates is derecognised. Unrealised losses are derecognised, except in cases where they represent impairment.

Subsidiaries are fully consolidated from the acquisition date, i.e. the date at which the Group acquires control, and cease to be consolidated on the date at which control is transferred outside the Group.

Losses are attributed to minority interests even when this gives rise to a negative balance for minority shareholdings.

Changes in the equity interest of the Parent Company in a subsidiary that do not involve loss of control are booked as equity transactions. Specifically, in the case of acquisitions of minority interests, the difference between the price paid and the book value of the portion of the net assets purchased is posted directly to equity.

If the Parent Company loses control of a subsidiary, it:

- derecognises the subsidiary's assets (including any goodwill) and liabilities
- derecognises the carrying value of any minority interest in the former subsidiary
- derecognises cumulative exchange rate differences recognised in equity
- recognises the fair value of the payment received
- recognises the fair value of any equity interest retained in the former subsidiary
- recognises any profit or loss in the income statement
- restates the portion held by the Parent Company of the components previously posted to the statement of comprehensive income to the income statement or to retained earnings, as appropriate.

Consolidation policies from 01 January 2012

Some of the policies described above have been applied prospectively.
Furthermore, with regard to the above consolidation policies, in some circumstances the following differences are carried forward:

- Acquisitions of minority interests that took place before 1 January 2010 were booked using the entity concept method, according to which the difference between the price paid and the book value of the portion of the net assets acquired is posted directly to equity.
- Losses registered by the Group were attributed to minority interests until the balance of the latter was reduced to zero. Any further loss exceeding this value was attributed to the Group, unless the minority interests had an obligation to cover it. Losses registered before 1 January 2010 were not reallocated between the minority interests and the shareholders of the Parent Company.
- Once control has been lost, the Group books the retained portion of the equity interest according to its proportionate share of the net asset on the date at which control was lost. The carrying value of this shareholding at 1 January 2010 was not re-presented.

Conversion of foreign currency items and financial statements from non-euro currency

The consolidated financial statements are presented in euro, which is the functional and presentation currency used by the Group. Each Group entity determines its own functional currency, which is used to value the items in the individual financial statements.

Transactions in foreign currency are initially recognised at the exchange rate (in relation to the functional currency) in force at the transaction date. Monetary assets and liabilities denominated in foreign currency are converted to the functional currency at the exchange rate in force at the reporting date. All exchange rate differences are posted to the income statement, except for differences deriving from loans in foreign currency that form part of a net investment in a foreign company, which are recognised directly in equity until the net investment is disposed of, at which time it is recognised in the income statement. Taxes and tax receivables attributable to exchange rate differences on these loans are also posted directly to equity. Non-monetary items valued at historic cost in foreign currency are translated using the exchange rates in force at the date at which the transaction is initially recognised. Non-monetary items posted at fair value in foreign currency are converted using the exchange rate in force at the date of calculation of this value.

Any goodwill deriving from the acquisition of a foreign operation, and any changes in fair value that change the book values of the assets and liabilities deriving from the acquisition of this foreign operation, are booked as assets and/or liabilities of the foreign operation. These values are therefore expressed in the functional currency of the foreign operation and are translated at the exchange rate in force at the reporting date.

Before 1 January 2005, the Group chose to treat goodwill, and any changes in fair value that change the book value of the assets and liabilities at the time of acquisition, as Group assets and liabilities. Therefore, these assets and liabilities are already expressed in the presentation currency or they are non-monetary items, and there is therefore no further translation difference.

The functional currency used by US subsidiaries Parvus Corp., Eurotech Inc., Dynatem Inc. and E-Tech USA Inc. is the US dollar; the functional currency used by UK subsidiary Eurotech Ltd. is the pound sterling; and the functional currency used by Japanese subsidiary Advanet Inc. is the Japanese yen.

At the reporting date, the assets and liabilities of these subsidiaries were translated to the presentation currency of the Eurotech Group (the euro) at the exchange rate in force on this date, while the income statement was converted using the average exchange rate for the year. Exchange rate differences arising from the conversion of income statement items at a different rate from that in force at the reporting date, and those arising from the translation of opening equity at a different rate from that in force at the reporting date, are recognised directly in equity and presented separately in a dedicated reserve. When a foreign company is disposed of, the cumulative exchange rate differences recognised in equity relating to that particular foreign company are posted to the income statement.

The schedule below shows the exchange rates used, as issued by the Italian Foreign Exchange Bureau:

Currency	Average 2012	As of December 31, 2012	Average at 2011	As of December 31, 2011
British pound sterling	0.81087	0.81610	0.86788	0.83530
Japanese Yen	102.49188	113.61000	110.95860	100.20000
USA Dollar	1.28479	1.31940	1.39196	1.29390

Accounting policies

The accounting standards and policies applied to prepare the consolidated financial statements for the year ended 31 December 2012 are shown below.

Intangible assets

Intangible assets acquired separately are initially capitalised at cost, while assets acquired through business combinations are booked at fair value. After initial posting, intangible assets are booked net of accumulated amortisation and accumulated value losses. Intangible assets produced in-house, except for development costs, are not capitalised and are reported in the income statement in the year in which they are incurred. The useful life of intangible assets is valued as definite or indefinite.
Intangible assets with a definite useful life are amortised throughout their useful life and submitted to congruence tests whenever there are indications of possible impairment. The period and method of amortisation to be applied are re-examined at the end of each financial year or more frequently as necessary. Changes in the expected useful life and the methods with which future economic benefits related to intangible assets are achieved by the Group are posted by modifying the period or method

of amortisation, as adjusted, and treated as modifications of the accounting estimates. Amortisation allowances of intangible assets with finite useful life are reported in the income statement in the cost category matching the function of the intangible asset.
Intangible assets with indefinite useful life are submitted to annual impairment testing on an individual or cash generating unit basis. No amortisation is reported for these assets. The useful life of an intangible asset with indefinite useful life is annually reviewed to verify the conditions underlying this classification. Otherwise, the useful life estimated is changed from indefinite to definite.

Profits or losses arising from the sale of an intangible asset are measured as the difference between the net proceeds of the sale and the carrying value of the intangible asset and are recognised in the income statement when the asset is derecognised.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are booked using the purchase method. The purchase cost is measured as the sum of the payment made at fair value at acquisition date and the amount of any minority interest in the acquiree. For every business combination, the acquirer must value any minority interest in the acquiree at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquiree. Acquisition costs are paid and classified in administrative expenses.
When the Group acquires a business, it must classify or designate the financial assets acquired or liabilities assumed in accordance with the contractual terms and financial conditions and other pertinent conditions existing at acquisition date. This includes establishing whether an embedded derivative must be separated from the primary contract.
If the business combination is carried out in more than one stage, the acquirer must recalculate the fair value of the equity interest previously held and valued using the equity method, recognising any resulting profit or loss in the income statement.
Any potential payment must be recognised by the acquirer at fair value at acquisition date. Changes in the fair value of the potential payment classified as an asset or liability shall be recognised, pursuant to IAS 39, in the income statement or as other components of comprehensive income. If the potential payment is classified in equity, its value must not be recalculated until its extinction is booked against equity.
Goodwill is initially valued at cost, calculated as the excess between the sum of the payment made and the amount recognised for minority interests, and the identifiable assets acquired and liabilities assumed by the Group. If the payment is less than the fair value of the net assets of the acquired subsidiary, the difference is posted to the income statement.
After initial recognition, goodwill is valued at the reduced cost of the accumulated impairment losses. For the purposes of the impairment test, goodwill acquired in a business combination must, at acquisition date, be allocated to every Group cash generating unit expected to benefit from the combination, aside from the fact that the other assets or liabilities of the acquired entity are assigned to these units.
If goodwill is allocated to a CGU and the entity sells part of the assets of this unit, the goodwill associated with the asset sold must be included in the carrying value of the asset when calculating the gain or loss deriving from the disposal. The goodwill associated with the asset sold must be calculated on the basis of the relative values of the asset sold and the portion retained by the CGU.

Business combinations before 1 January 2010

Differences by comparison with the above policies are set out below.
Business combinations were booked using the purchase method. Transaction costs directly attributable to the combination were regarded as part of the purchase cost. Minority interests were calculated according to the portion of the identifiable net assets of the acquiree pertaining to minorities.
Business combinations carried out in stages were booked at separate times. Each new acquisition of shares did not affect the goodwill previously recognised.
The potential payment was recognised if, and only if, the Group had a current obligation, and cash outflows were probable and the estimate could be reliably calculated. Subsequent changes to the potential payment were booked as part of goodwill.

On first-time adoption of IFRS, the Group decided to not apply IFRS 3 – Business Combinations retroactively to acquisitions made before 1 January 2004; as a result, goodwill generated on acquisitions prior to the date of transition to IFRS was maintained at the previous value, determined according to Italian accounting standards, subject to testing and adjustment for impairment.

Research and development costs

Research costs are recognised in the income statement at the time they are incurred.

Development costs incurred with reference to a specific project are only capitalised when the Group can demonstrate (a) that it is technically practicable to complete the fixed asset so as to make it available for use or for sale; (b) that it intends to complete the fixed asset for use or for sale; (c) the way in which it will probably generate future benefits; (d) the availability of technical, financial and all other resources needed to complete the asset; and (e) its ability to reliably determine the costs attributed to the asset throughout its development.
Capitalised developed costs are amortised over the period in which all future expected revenues will occur. During the development period, the asset is re-examined annually to verify potential impairment. After the initial posting, development costs are assessed at cost, minus any other amortisation or accumulated losses. Amortisation of the asset begins as soon as development is completed and the asset becomes available for use.
All other development costs are reported in the income statement in the period they are incurred.

Patents and trademarks

Patents have been granted by the competent body for a minimum of ten years with renewal option by the Group if the patent continues to produce utility over time.
Trademarks acquired separately are initially recognised at cost inclusive of ancillary charges. Trademarks acquired through business combinations are recognised at their fair value measured at the acquisition date. Following initial recognition, trademarks are recorded at cost, net of goodwill provisions and any accumulated impairment losses.
Trademarks with a definite useful life recognised in the statement of financial position are amortised over a period of between 8 and 10 years and subject to impairment testing whenever a loss of value is indicated. Its useful life is reviewed on an annual basis.

Trademarks with an indefinite useful life are not amortised but are subject to impairment testing at least annually.

Registration costs in other countries of trademarks and patents developed internally are recorded in the income statement when they are incurred.

Other intangible assets

Other intangible assets purchased or produced internally are recorded as assets, in accordance with IAS 38 - Intangible Assets, when it is likely that the asset will generate future economic benefits and when the cost of the asset can be reliably determined.
Intangible assets with a definite useful life recognised within a business combination, such as customer relationships and order portfolios, are initially recognised at fair value at the date of acquisition, separately from goodwill, if this value can be reliably determined. After initial recognition, they are recognised net of related cumulative amortisation and of any impairment determined in the same way as for tangible assets. Customer relationships are amortised on a straight-line basis in a period of 5 to 10 years, while amortisation of the order book correlates to the processing of orders in the book at the time of acquisition. Useful life is re-assessed annually, and any changes are applied prospectively as necessary.

Gains or losses arising from the sale of an intangible asset are measured as the difference between the net revenues from the sale and the carrying value of the intangible asset and are recognised in the income statement when the asset is derecognised.

Tangible assets

The value of property, plant and equipment is stated at historical cost, including any direct ancillary charges for making the asset suitable for the use for which it was intended, increased, where relevant and in the case of current obligations, by the current value of the estimated cost for disposal or removal of the asset. If significant portions of these tangible assets have different useful lives, these components are booked separately. Land, whether the site of buildings or free from construction, is not depreciated since it is considered to have an unlimited life.

The value of a building, subject to revaluation in periods prior to 1 January 2004 (the date of transition to IFRS), is recognised according to fair value at the transition date and this value is the replacement cost starting from that date (deemed cost).

Property, plant and equipment are listed net of respective accumulated depreciation and any impairment determined according to the methods described below. Depreciation is calculated on a straight-line basis, according to the estimated life of the asset for the company, which is re-examined annually and adjusted for changes on a case-by-case basis. The main technical amortisation rates used are based on the useful life of each individual item:

Buildings	33 years
Plant and machinery	from 7 to 10 years
Industrial and commercial equipment	from 4 to 6 years

Production equipment	from 4 to 6 years
Furniture and fixtures	from 7 to 10 years
Electronic office equipment	from 3 to 5 years
Automobiles and motor vehicles	from 4 to 5 years

The carrying value of tangible assets is tested for impairment if events or situational changes indicate that the carrying value cannot be recovered. If there is such an indication and if the carrying value exceeds the estimated realisable value, the assets are written down to reflect their realisable value. The realisable value of a tangible asset is the higher of its net selling price and value in use.

In determining value in use, estimated future cash flows are discounted to their current value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate cash flows independently, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. Impairment is booked in the income statement under amortisation, depreciation and write-downs. The initial value is reinstated if the causes of impairment in previous financial years are no longer valid.

At the time of the sale or when future economic benefits no longer exist on the use of an asset, it is derecognised from the statement of financial position and related losses or gains (calculated as the differences between the sale price and the carrying value) are reported in the income statement in the year of its elimination.

The outstanding value of the asset, useful life and methods applied are reviewed annually and adjusted if necessary at the end of every financial year.

Financial charges incurred for investments in assets for which there is generally a certain period of time to make the asset ready for use or sale (qualifying assets, pursuant to IAS 23 – Financial Charges) are capitalised and depreciated throughout the useful life of the class of assets to which they refer. All other financial charges are recognised in the income statement as they are incurred.

Equity investments in associates

Equity investments in associates, in which the Eurotech Group has significant influence, are valued using the equity method. The income statement reflects the Group share of the results of the associate. Equity investments in an associate are booked in the income statement at cost, increased by subsequent changes pursuant to acquisition of the Group share in the net assets of the associate, according to the net equity method. Goodwill relating to the associate is included in the carrying value of the shareholding and is not subject to amortisation or to impairment testing.

The Group share of the results of the associate is recognised in the income statement. This share represents the profits of the associate attributable to shareholders, and therefore profits net of tax and the portions payable to the other shareholders of the associate.
If an associate enters adjustments directly in equity, the Group recognises its share and posts it, where applicable, in its statement of changes in shareholders' equity. Gains and losses arising from transactions between the Group and the associate are derecognised in proportion to the investment in the associate.

If the Group share of losses exceeds the carrying value of the equity investment, the latter is derecognised and the surplus is recorded in a special reserve in the amount in which the Group has legal or implicit obligations toward the subsidiary company to cover its losses or, in any event, to make payments on its behalf.

After applying the equity method, the Group assesses whether it is necessary to recognise a further impairment of its equity interest in the associate. The Group makes this assessment at every reporting date if there is objective evidence of impairment of the equity interest in the associate. If this is the case, the Group calculates the impairment as the difference between the recoverable value of the associate and the carrying value of the associate in its statement of financial position, recognising this difference in the annual income statement and classifying it under “Group share of the results of associates”.

When significant influence over the associate has been lost, the Group calculates and recognises any residual equity interest at fair value. Any difference between the carrying value of the equity interest at the date of loss of significant influence and the fair value of the residual interest and of the payments received must be posted to the income statement.

Associates end their financial year on the same date as the Group; when the accounting policies used do not comply with those used by the Group, they are adjusted at year-end to make them the same as those used by Group for transactions and events of the same nature and occurring in similar circumstances.

Equity investments in other companies

If the fair value of financial assets made up of equity investments in other companies cannot be measured at the reporting date because the shares are not listed, they are valued at the purchase or subscription cost, after deducting capital refunds, which is adjusted for impairment using the methods described for tangible assets. If the reasons for a write-down cease to exist, equity investments valued at cost are written back to the initial value, and the effect is entered in the income statement. The risk deriving from any losses exceeding shareholders’ equity is recorded in an appropriate provision to the extent to which it is committed to fulfil the legal or implicit obligations of the subsidiary company, or in any event to cover its losses.

Other non-current assets

Receivables and other long-term investments held until expiration date are booked at cost, represented by the fair value of the initial amount given in exchange, increased by applicable transaction costs. The initial carrying value is subsequently adjusted to take account of capital refunds and any write-downs or amortisation of the difference between the repayment value and the initial posted value. Amortisation is charged according to the effective internal interest rate, which is the rate that equalises, at the time of their initial recognition, the current value of expected cash flows and the initial posted value (amortised cost method).

Inventories

Inventories, except for work in progress, are stated at the lower of the purchase or production cost and the estimated realisable value represented by the amount that the company expects to obtain from their sale in the course of normal operations.

The cost of raw materials and finished products is calculated by applying the average weighted purchase cost for each transaction, including all ancillary purchase charges.

The production cost of finished and semi-finished products comprises the direct cost of raw materials and labour plus a portion of general production expenses calculated according to standard production capacity, excluding any financial charges.

Obsolete and/or slow-turnover inventories are written down based on their current potential use or on future realisation. The write-down is reversed in subsequent periods if the reason for maintaining it no longer exists.

Contracts in progress

Contracts in progress are valued according to the contractual amounts that have accrued with a reasonable degree of certainty, in accordance with the percentage-of-completion method, so as to attribute revenues and profits to the relevant individual accounting periods, in proportion to completion status. The progress of the contract is determined as the contract costs incurred for work performed to date as a proportion of the estimated total contract costs. The positive or negative difference between the value of the contracts accrued at year-end and the amounts billed is booked respectively under liabilities or assets in the statement of financial position.

Contract revenues, in addition to contract considerations, include changes, price adjustments, and recognition of incentives to the extent to which it is probable that these represent actual revenues that can be reliably determined. Actual losses are recognised regardless of the state of progress of jobs.

Trade receivables and other receivables

Receivables included in current and non-current assets are initially recognised at fair value and then at amortised cost and adjusted for impairment.
Trade receivables whose expiration date falls within the normal commercial terms are not time-discounted and are booked at cost (identified by their face value), net of the respective impairment, which is booked to a specific reserve. Amounts considered uncollectible are estimated according to the current value of expected future cash flows. Impaired receivables are written off and reversed when they become uncollectible.

Impairment of financial assets

At every reporting date the Group tests for impairment of financial assets or groups of financial assets.

Assets determined using the amortised cost method

If there is an objective indication that a loan or receivable recognised at amortised cost may be impaired, the impairment is measured as the difference between the asset's carrying value and the present value of expected future cash flows (excluding future loan losses not yet incurred) discounted at the initial interest rate of the financial asset (i.e., the effective interest rate calculated at initial recognition). The carrying value of the asset is written down using a specific reserve and the impairment is recognised in the income statement.
If the impairment is reduced in subsequent periods and there is objective evidence that the reduction is due to an event occurring after the recognition of the impairment loss, the impairment may be reversed. Any impairment loss reversals are recognised in the income statement to the extent that the carrying value of the asset does not exceed the amortised cost at the date of reversal.
With regard to trade receivables, an impairment provision is made when there is objective evidence (e.g., the probability of default or significant financial distress of borrowers) that the group will not be able to recover all amounts due according to the original terms and conditions of the invoice.

Treasury shares

Treasury shares purchased are deducted from equity according to the relative purchase cost. The purchase, sale, issue or cancellation of the company's own equity instruments does not entail recognition of any gain or loss in the income statement.

Cash and cash equivalents

Cash and cash equivalents include ready cash, i.e., values that are either available on demand or which can be quickly liquidated, will give good results and do not have collection costs. For the purposes of the consolidated cash flow statement, cash was represented gross of bank overdrafts at the reporting date.

Financial liabilities

Trade payables and other liabilities

Trade payables, whose expiration date falls within the normal commercial terms, are not time-discounted and are booked at cost (identified by their face value), net of the respective impairment, which is booked to a specific reserve.

Other liabilities included in both current and non-current assets are initially recognised at cost, which corresponds to the fair value of the liability, net of transaction costs directly attributed to the issue of the liability. Following initial recognition, financial liabilities are valued using the amortised cost criterion and the effective initial interest rate method.

Loans

All loans are initially recognised at the fair value of the amount received net of ancillary charges related to acquiring the loan. After initial recognition, loans are valued using the amortised cost criterion and the effective interest rate method. Every gain or loss is booked to the income statement when the liability is extinguished, unless this takes place through the amortisation process.
If a long-term loan agreement provision is breached at the reporting date or prior to this date, with the result that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before approval of the financial statements for publication, not to demand payment due to breach of contract. The liability is classified as current at the reporting date because the company does not have an unconditional right to defer settlement for at least 12 months after this date.

Derivative financial instruments

The Group uses derivative financial instruments such as interest-rate swaps in order to hedge any risk from fluctuations of interest rates. Such derivative financial instruments are initially recognised at fair value at the date they are entered into; their fair value is recalculated periodically. They are recognised as assets when their fair value is positive and as liabilities when it is negative. Pursuant to IAS 39, hedging derivative financial instruments are recognised based on hedge accounting standards only when:

a) a formal designation exists and a hedging relationship report was prepared at the beginning of the hedging transaction;
b) the hedging relationship is expected to be highly effective;
c) the hedging relationship effectiveness can be reliably measured;
d) the hedging relationship itself is highly effective in all accounting periods for which it was designated.

When derivative financial instruments are used to hedge the fair value of underlying instruments (so called fair value hedges, as in the case of hedging the fair value of fixed-rate assets/liabilities), they are recognised at fair value through the income statement; and the hedged instruments are adjusted accordingly for changes in fair value of the hedged risk.
When derivatives are cash-flow hedges, e.g. hedging the change in cash flows of assets and liabilities at a variable rate due to interest-rate fluctuations, changes in the fair value are initially recognised on

the statement of financial position and are then charged to the income statement consistent with the economic effects produced by the hedged transaction.
Consistent with strategy, the Group does not enter into speculative transactions on derivative instruments. In any event, if these transactions cannot be qualified as hedge transactions, they are registered as speculative transactions. Changes in the fair value of derivatives that do not meet the requirements for qualification as hedging instruments are recognised in the income statement.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable, part of a financial asset or part of a group of similar assets) is derecognised from the financial statements when:

- rights to receive the cash flows from the asset are extinguished;
- the Group holds the right to receive cash flows from the asset, but has undertaken a contractual obligation to pay for them in full and immediately to a third party;
- the Group has transferred the right to receive cash flows from the asset and (a) has essentially transferred all the risks and benefits of ownership of the financial asset or (b) has not transferred nor retained the risks and benefits of the asset, but has transferred its control.

If the Group has transferred the rights to receive cash flows from an asset and has neither transferred nor held all the risks and benefits or has not lost control of them, the asset is recognised in the Group financial statements to the extent of its residual involvement in the asset. Residual involvement which takes the form of a guarantee on the transferred asset is valued at the lesser of the initial carrying value of the asset and the maximum value of the amount that the Group could be required to pay.
If the residual involvement takes the form of an option issued and/or acquired on the transferred asset (including the options regulated by cash or similar), the amount of Group involvement corresponds to the amount of the transferred asset that the Group can re-acquire; however, in the case of a put option issued on an asset measured at fair value (including options regulated in cash or with similar dispositions), the measure of residual involvement of the Group is limited to the lesser between the fair value of the transferred asset and the strike price of the option.

Financial liabilities

A financial liability is derecognised from the financial statements when the obligation underlying the liability is extinguished, voided or completed.
If an existing financial liability is replaced by another by the same lender, at substantially different conditions, or the conditions of an existing liability are essentially changed, this exchange or change is treated like an accounting elimination of the original liability and a new liability is recorded, posting to the income statement any differences between the accounting values.

Employee benefit obligations

Benefits guaranteed to employees, paid concurrent to or subsequent to the cessation of the employment relationship through defined benefit plans (employee severance indemnity accrued at 31 December 2010 or pension plans) or other long-term benefits (withdrawal indemnity) are recognised in the period when this right vests.

The Group implemented defined benefit and/or defined contribution pension plans, based on conditions and local practices in the countries where the Group operates.

Liabilities related to defined benefit programmes, net of any activities to service the plan, are determined based on actuarial assumptions and are recognised on an accrual basis consistent with the employment services necessary to obtain the benefits. The liabilities are valued by actuarial staff. The portion of cumulative net value of actuarial gains or losses in excess of the greater of 10% of the actuarial value of the defined benefit obligation and 10% of the fair value of the plan asset at the end of the previous reporting period is amortised over the remaining average working life of employees (the corridor method). At first-time adoption of IFRSs, the Group decided to recognise all existing cumulative actuarial gains or losses, while having decided to use the corridor method for all actuarial gains or losses subsequently incurred. All costs stemming from retrospective services are recognised with the straight-line method over an average timeframe, until the rights to benefits vest.

Pursuant to amendments to severance indemnities under Law 296 of 27 December 2006 (2007 Budget Law), the severance indemnities of Italian companies accrued at 1 January 2007 or at the date employees choose the option they will exercise are included in the defined benefit plan category, both in the event of option for supplementary pension and option for allocation to the treasury fund at INPS. The accounting treatment of severance indemnities is now similar to that used for other types of pension scheme contributions.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover losses or liabilities of a stated nature or of a certain or probable existence, the amount or date of which was not identified at year-end. Provisions are recognised when there is a current obligation (legal or implicit) arising from a past event that necessitates an amount of resources to meet the obligation and a reliable estimate can be made of the amount of the obligation. When the Group believes that a provision to the reserve for risks and charges is partly or totally repaid, e.g. in the case of risks covered by insurance policies, the indemnity is only recognised as a separate item in the assets if, and only if, it is virtually certain. In this case, the cost of the provision in the income statement is stated net of the amount recognised for indemnity.
Provisions are booked at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties at the reporting date. If the effect of time-discounting the value of the cash is significant, provisions are determined by time-discounting expected future cash flows at a pre-tax discount rate that reflects the current market evaluation of the cost

of money in relation to the time. When time-discounting is performed, the increase in the provision due as time passes is recognised as a financial charge.

Liabilities for decommissioning

An accrual for decommissioning expenses was made against costs that some foreign operations will incur in future periods for the decommissioning, demolition, dismantling and removal of some fixed assets at the end of their useful life. A credit to the plant and machinery entry was stated as a contra entry.
Decommissioning costs are carried at the present value of expected costs needed to settle the obligation, by using estimated cash flows and a pre-tax discount rate that reflects the specific risks related to the decommissioning liability.
The unwinding of the discount is recognised in the income statement as it occurs. Estimated cash flows are revised annually and adjusted as appropriate. Any change in cost estimates or in the discount rate applied are used to reduce the costs of the asset.

Grants

Grants made by public bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions provided for obtaining them are met.
If grants relate to cost components, they are recognised as income but are consistently spread out over the periods so that they refer to the costs they are intended to offset. If the grant is related to any activity or development activity whose value is recognised as a fixed asset, it directly reduces the value of the fixed assets.

Operating grants (granted in order to provide immediate self-financing to the business or as compensation for expenses and losses incurred in a prior financial year) are fully recognised in the income statement at the time when the conditions for posting are met.

Leasing

A contractual agreement is defined as a lease (or containing a leasing transaction) according to the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use this asset.
A review is carried out after the start of the agreement only if one of the following conditions appears:

a) there is a change in the agreement conditions, other than renewal or extension of the agreement;
b) a renewal option is exercised or an extension is granted, unless the terms of the renewal or extension are not initially included in the terms of the lease transaction;
c) there is a change in the conditions whereby adaptation depends on a specific activity; or
d) there is a substantial change in the asset.

When a re-examination is carried out, the accounting treatment of the lease will begin or cease on the date at which the circumstances that have given rise to the review for scenarios a), c) or d) change and at the date of renewal or extension for scenario b).

Financial lease agreements that transfer to the Group all the risks and benefits associated with ownership of the leased asset are capitalised from the start date of the lease agreement at the fair value of the leased asset, or at the present value of lease payments if this is lower. Lease payments are apportioned between principal and interest in order to apply a constant periodic rate of interest on the remaining balance of the liability (principal). Financial charges are written to the income statement. Capitalised leased assets are depreciated on the shorter of the estimated useful life of the asset and the duration of the lease agreement, if it is not reasonably certain that the Group will obtain ownership of the asset at the end of the agreement.

Lease agreements in which the lessor essentially retains all the risks and benefits typical of ownership are classified as operating leases. Lease payments are charged to the income statement on a straight-line basis according to the duration of the agreement.

Revenues and costs

Recognition of revenues

Revenues are recognised in the measure in which it is possible to reliably determine the fair value and it is probable that the respective economic benefits will be used.

Depending on the type of transaction, revenues are recognised according to the specific criteria reported below:

- revenues from sales of goods are recognised when the significant risks and benefits of ownership of the goods are transferred to the buyer, generally at the date the goods are shipped;
- revenues for performing services are recognised according to the state of completion of the assets based on the criteria envisaged for contract work in progress. If it is not possible to reliably estimate the value of revenues, these are recognised up to the amount of the costs incurred that is deemed recoverable.

Interest

Interest income and expenses are recognised according to interest accrued on the net value of related assets and liabilities using the effective interest rate (the rate that discounts all future cash flows based on the expected useful life of the financial instrument to equal the net carrying amount of the financial asset).

Dividends

Dividends are reported when the shareholders' right to receive payment is established.

Income tax

Current tax assets and liabilities for the period and for all prior periods are carried at the amount expected to be recovered or to be paid to the tax authorities pursuant to tax legislation in force. Tax rates and fiscal provisions used to calculate the amount are as issued or substantially issued at the reporting date of 31.12.12.
Current taxes relating to elements recognised directly in equity are recognised directly in equity and not in the income statement.

Deferred tax liabilities are calculated using the liability method on temporary differences at the reporting date between tax amounts related to assets and liabilities and the amounts recognised in the derecognise. Deferred tax liabilities are recognised with regard to all taxable temporary differences, except for:

- when deferred tax assets arise from initial posting of goodwill or an asset and liability in a transaction which is not a business combination and which, at the time of the transaction, does not have an effect on income in the financial year calculated for the financial statements, nor on the income or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, in the event that recharging temporary differences can be controlled and it is likely that it will not take place in the foreseeable future.

Deferred tax assets are recognised against tax losses carried forward to the extent that the company is likely to earn taxable income in the future which can make applicable the use of deductible temporary differences and fiscal losses carried forward, unless:

- the deferred tax asset related to temporary deductible differences arises from the initial recognition of an asset or liability in a transaction that is a business combination and which, at the time of the transaction, does not influence the profit for the year calculated for the purposes of the financial statements or gains or losses calculated for fiscal purposes;
- in the case of taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, tax assets are recognised in the amount that temporary differences might be used in the immediate future and that there is adequate taxable income against which the temporary differences can be used.

The recoverability of deferred tax assets is reviewed at the end of every year and is reduced if it is unlikely that sufficient income will be earned in the future to allow all or part of this credit to be used. Unrecognised deferred tax assets are reviewed annually at year-end and are recorded to extent to which taxable profit is likely to be sufficient to allow these deferred tax assets to be recovered.
Deferred tax assets and liabilities are recognised based on the tax rates expected to be applied during the year when these activities are realised or these liabilities extinguished, taking into account the rates in force and those issued or allocated at year-end.
Income taxes related to items posted to equity are directly recognised in equity and not in the income statement.
Deferred tax assets and deferred tax liabilities are offset if there is a legal right to offset current tax assets and liabilities and deferred income tax referring to the same taxable object and the same tax authorities.

F – Segment information

For operating purposes, the Group is organised in business lines, also known as business segments, in which the "NanoPC" and "HPC (high performance computers)" segments are the most important. In view of the current low relevance of HPC business sector profits, we have chosen to provide disclosure on the NanoPC segment only, divided by the regions in which the Group operates in various ways and based on which senior management monitors performance. There were no significant infragroup transactions between business segments.
Besides the HPC segment, the Group's regions in the NanoPC segment are defined according to the localisation of Group assets and operations. They are: Europe, North America and Asia.
Management monitors the EBIT of the individual business units separately for the purposes of resources allocation and performance assessment.

Business segments

The following schedule presents data on revenues, results and information on assets and liabilities and investments of the Group for the periods ended 31.12.11 and 31.12.12.

(€'000)	NanoPC			High Performance Computer			Total		
	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change
Sales and service revenue by segment									
Sales and service revenue by segment	90,255	90,971	-0.8%	3,372	2,835	18.9%	93,627	93,806	-0.2%
Ebitda by segment	7,954	3,279	142.6%	49	(189)	125.9%	8,003	3,090	159.0%
Ebit by segment	530	(4,170)	112.7%	(564)	(705)	20.0%	(34)	(4,875)	99.3%
Total EBIT							(34)	(4,875)	99.3%
Net finance income (expense)							(181)	(1,861)	90.3%
Shares of associates' profit (loss)	(56)	123					(56)	123	-145.5%
Profit before tax of continuing operations							(271)	(6,613)	95.9%
Income tax							(2,512)	(633)	-296.8%
Net profit (loss)							(2,783)	(7,246)	61.6%

Revenues from sales and services in the NanoPCs business segment came to €90,971 thousand in 2011 and €90,255 thousand in 2012, reporting a decrease of 0.8%. This decrease is due to market contraction in several sectors and geographic areas.
Revenues from sales and services generated by the HPC business rose from €2,835 thousand in 2011 to €3,372 thousand in 2010, due to new opportunities for the Aurora family's new developments and products.

The breakdown of revenues for the nanoPC segment is as follows:

(€'000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change	FY 2012	FY 2011	% YoY Change
Third party Sales	41,898	39,440		18,540	24,211		29,817	27,320		0	0		90,255	90,971	
Infra-sector Sales	2,318	1,368		7,000	8,078		189	718		(9,507)	(10,164)		0	0	
Total Sales revenues	44,216	40,808	8.4%	25,540	32,289	-20.9%	30,006	28,038	7.0%	(9,507)	(10,164)	6.5%	90,255	90,971	-0.8%
Gross profit	20,283	17,421	16.4%	8,724	11,215	-22.2%	18,904	17,373	8.8%	(116)	(251)	-53.8%	47,795	45,758	4.5%
Gross profit margin - %	45.9%	42.7%		34.2%	34.7%		63.0%	62.0%					53.0%	50.3%	
EBITDA													7,954	3,279	142.6%
EBITDA margin - %													8.8%	3.6%	
EBIT													530	(4,170)	n.s.
EBIT margin - %													0.6%	-4.6%	

As regards the trend in sales by geographical segment shown in the schedule above, there is an increase for North American and Asia while there was a decrease in Europe for reasons already mentioned.

The table below shows assets and investments in the Group's individual business segments at 31.12.12 and 31 December 2011.

(€'000)	NanoPC		High Performance Computer		Total	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Assets and liabilites						
Segment assets	172,929	200,203	6,530	4,444	179,459	204,647
Investments in subsidiaries non consolidated, associate & other companies	532	548	0	0	532	548
Unallocated assets					470	938
Total assets	**173,461**	**200,751**	**6,530**	**4,444**	**180,461**	**206,133**
Segment liabilities	57,814	68,118	2,475	2,972	60,289	71,090
Unallocated liabiities					0	0
Total liabilities	**57,814**	**68,118**	**2,475**	**2,972**	**60,289**	**71,090**
Other segment information						
Investments in tangible assets	612	820	0	0	612	820
Investments in intangible assets	3,531	2,428	41	453	3,572	2,881
Depreciation & amortisation	7,424	7,449	613	516	8,037	7,965

Assets and investments in the nanoPC segment by region are shown in the table below:

(€'000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Activities by sector	58,714	64,726	54,146	61,118	102,227	118,697	(42,158)	(44,338)	172,929	200,203
Investments	2,959	2,301	483	618	701	329	0	0	4,143	3,248

Segment assets at 31.12.12 do not include investments in affiliates and other companies (€532 thousand) and the current income taxes of the Parent Company (€470 thousand).

G – Breakdown of main balance sheet items

1 – Intangible assets

The following table shows the changes in the historical cost and accumulated amortisation of intangible assets in the reporting period:

(€'000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	12,509	88,908	27,130	3,411	40,250	172,208
Previous years' impairment	(836)	(807)	(11,462)	(96)	-	(13,201)
Previous years' amortisation	(8,644)	-	(4,549)	-	(19,892)	(33,085)
OPENING BALANCE	**3,029**	**88,101**	**11,119**	**3,315**	**20,358**	**125,922**
Purchases	260	-	1,423	1,878	11	3,572
Other changes	(2,321)	(6,921)	(1,322)	(151)	(3,969)	(14,684)
Impairment in period	(55)	-	-	(27)	-	(82)
Transfers	1,069	-	-	(1,069)	-	-
Amortisation in period	(2,058)	-	(688)	-	(3,799)	(6,545)
Other changes in cumulative impairment	95	-	48	74	-	217
Other changes in cumulative amortisation	2,249	-	27	-	2,177	4,453
TOTAL CHANGES	**(761)**	**(6,921)**	**(512)**	**705**	**(5,580)**	**(13,069)**
Purchase or production costs	11,517	81,987	27,231	4,069	36,292	161,096
Impairment	(796)	(807)	(11,414)	(49)	-	(13,066)
Cumulative amortisation	(8,453)	-	(5,210)	-	(21,514)	(35,177)
CLOSING BALANCE	**2,268**	**81,180**	**10,607**	**4,020**	**14,778**	**112,853**

The change in intangible assets was primarily caused by the effect of investments as well as exchange rate fluctuations and write-downs in the period.

Investments refer primarily to recognition of development costs by the Group companies and the costs incurred to purchase new software licenses.
The "other changes" item refers to the exchange differences accrued on the beginning balances of the values expressed in foreign currency, particularly in relation to the "goodwill" item and the "other fixed assets" item, which includes the value of customer relationships defined at the time of allocation of the price of the acquisitions.

The "trademarks" item reflects write-downs on the ADS and Arcom trademarks following the decision made by Eurotech management in the final months of 2008 to no longer use these trademarks.
The "Advanet" trademark, which was booked at the time of acquisition of the Advanet Group, is still defined by management as an asset with an indefinite life, as its use for commercial and production purposes has no time limits, considering its characteristics and its position on the Japanese market. As a result, it is not subject to amortisation, but instead to annual impairment tests.

Goodwill refers to the higher value paid, when fully consolidated subsidiaries were acquired, in excess of the fair value of the assets and liabilities acquired. Goodwill is not subject to amortisation but is subject to annual impairment tests.

The increased development costs relative to internal activities carried out by the Group during the year are capitalised net of any contributions received. These fixed assets with a definite useful life are amortised on a straight-line basis based on the life cycle of the products developed, which is estimated at three to five years, beginning from the date of completion of the reference development project. This asset is subject to impairment tests whenever loss of value is indicated. Development costs capitalised in previous years were written down this year by €55 thousand because they referred to products that did not achieve market success within the timeframe initially estimated.

The "software, trademarks, patents and licences" item mainly includes the costs incurred to implement what became the Group's sole information system. Software is amortised on a straight-line basis over three financial years. The increase during the year was mainly due to costs incurred to acquire software licences for security systems and new products for these systems, as well as management programme licences.

The "assets in progress" item of €4,020 thousand includes €4,015 thousand in development costs (internal payroll, materials and services) related to new products in NanoPC models and systems, included the "rugged" version of the wrist worn computer, which were still in the project stage at year-end or for which production had not yet been launched. During the year, the Group made a write-down of €27 thousand for development costs capitalised in previous years relating to projects in progress, after deciding to abandon the manufacturing or manufacturing launch of the relative products and/or components used in them.

Book value of goodwill and the trademarks allocated to each of the cash generating units:

In order to carry out the annual impairment test, the posted individual goodwill and trademarks with an indefinite useful life acquired through business combinations were allocated to their respective cash flow generating units, corresponding to the legal entity or group of companies to which they refer to test for impairment.

Cash generating units	at December 31, 2012 Goodwill	at December 31, 2012 Trademark with an indefinite useful life	at December 31, 2011 Goodwill	at December 31, 2011 Trademark with an indefinite useful life
Advanet Group	49,087	9,321	55,656	10,568
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	24,123	-	24,598	-
Eurotech Ltd. (ex Arcom Ltd.)	5,351	-	5,228	-
Eurotech France S.a.s.	1,051	-	1,051	-
Parvus Corp.	1,478	-	1,478	-
Other	90	-	90	-
TOTAL	**81,180**	**9,321**	**88,101**	**10,568**

The recoverable amounts of the individual CGU were calculated according to their value in use. To calculate the respective value, the cash flow projections from the 2013-2015 economic and financial plan were used, as approved by directors of the Parent Company on 07 March 2013, while cash flows beyond three years and for an unlimited time period were extrapolated by assuming cash flows similar to those of the third year of the financial plan approved. The plans were prepared in the respective functional currencies, and the consequent recoverable values were uniformly compared with the book values in foreign currency allocated to the various cash generating units. Sensitive elements of the approved financial plan were, if necessary, taken into account in calculating recoverable value provided by the individual subsidiaries.

The growth rate used was 1.5% (2011: 1.5%), less than the average long-term growth rate for the embedded PC segment forecast for the various core markets. The discount rate (WACC – Weighted Average Cost of Capital) applied to prospective cash flows varies within a range of 5.06% to 9.40%, calculated according to the country where the individual companies operate and the average debt structure of each company and net of tax effects.
The key parameters used for impairment tests are as follows:

	ITA	JAP	USA	FRA	UK
Risk free	5.50%	0.85%	1.78%	2.52%	1.87%
Total Market Premium	5.00%	5.00%	5.00%	5.00%	5.00%
Beta unlevered	0.820	0.820	0,820	0.820	0.820
WACC	9.40%	5.06%	5.97% - 7.83%	6.68%	6.10%

The average yield rates at the starting date of the budget reference period for 10-year government bonds were used for the risk free category.
The unlevered Beta corresponds, on average, to some Parent Company "comparables" for all the CGUs considered. Moreover, the WACC of the CGUs was calculated by using the beta coefficient, recalculated using the leverage effect deriving from the average sector debt/equity ratio.
Considering the assumptions made based on the business and financial plans for 2013-2015 and use of the principal parameters determined for the individual core markets, the values in use resulting from

the impairment tests did not indicate that it was necessary to make further write-downs in the value of goodwill and trademarks with an indefinite life. Nevertheless, the impairment tests conducted based on the prudent financial flows for each CGU during the sensitivity analysis prepared by the directors highlighted the need to make further reductions to the value of the goods and the brands with an indefinite life.
For Eurotech inc, a higher WACC was used by virtue of the application of an additional 2% Risk Premium to further reflect the riskiness of the CGU. In particular, the American subsidiary's total for FY2012, less than anticipated, showed a significant order portfolio as of 31 December 2012 that does not completely consider the significant contracts signed in 2012 and its historic ability to obtain orders during the fiscal year. These positive indicators support the assumptions at the basis of the provisional 2013-2015 plans of the subsidiary.
The recoverability of the values of non-current intangible assets resulting from acquisition of the Advanet Group and Eurotech Inc. appears to be conditioned on the occurrence of possible changes in the key assumptions used to estimate them. Specifically, a 0.5% reduction in the long-term growth rate could cause the carrying values to exceed their recoverable value. Furthermore, management believes that the long-term growth estimate for 2012 of 1.5%, already used in 2011, is far below estimates for the Japanese and US embedded PC markets.
Generally, the directors also assumed in their assessments that, although some external indicators (particularly Eurotech's stock market performance) might signal net asset impairment, there was no need to carry out any write-downs. The directors believe that the market performance reflects the international economic situation and that it did not vary significantly during 2012 from the index trend for the sector in which Eurotech operates. Future developments at the Eurotech group and expectations for the coming years based on existing purchase orders and opportunities, stakeholder relations and products currently in the portfolio, particularly those developed in recent years, are regarded by the Directors as important factors in support of their decision not to change the values posted.

2 – Property, plant and equipment

The table below shows changes in the historical cost and accumulated depreciation and the value of the assets in the period under review:

	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	LEASED ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchse of production cost	790	7,819	5,071	6,205	5	935	20,825
Previous year's depreciation	(99)	(6,164)	(4,288)	(4,112)	-	(265)	(14,928)
OPENING BALANCE	**691**	**1,655**	**783**	**2,093**	**5**	**670**	**5,897**
Purchases	-	68	115	184	-	245	612
Disposals	-	(5)	(22)	(414)	-	-	(441)
Decreases due to change in consolidation area	-	(12)	-	(22)			(34)
Other changes	-	(723)	(223)	(178)	-	-	(1,124)
Transfers	-	(5)	(2)	7	-	-	-
Depreciation in period	(17)	(458)	(351)	(528)	-	(56)	(1,410)
Reversal of cumulative depreciation	-	4	15	258	-	-	277
Transfers amortisation	-	5	2	(7)	-	-	-
Decreases in cumulative amortisation due to changes in consolidation area	-	10	-	20	-	-	30
Other changes in cumulative amortisation	-	676	187	83	-	3	949
TOTAL CHANGES	**(17)**	**(440)**	**(279)**	**(597)**	**-**	**192**	**(1,141)**
Purchase or production cost	790	7,142	4,939	5,782	5	1,180	19,838
Cumulative depreciation	(116)	(5,927)	(4,435)	(4,286)	-	(318)	(15,082)
CLOSING BALANCE	**674**	**1,215**	**504**	**1,496**	**5**	**862**	**4,756**

The "land and buildings" item of €674 thousand comprises the carrying value of land and buildings owned by the subsidiary IPS Sistemi Programmabili Srl and the costs incurred by the Parent Company for improvements to leased property.
The increases of €68 thousand in plant and machinery, €115 thousand in industrial and commercial equipment and €184 thousand in other fixed assets refer mainly to the replacement of equipment and new goods made to make the individual Group companies more efficient and effective.
The "fixed assets under lease" item comprises €862 thousand in assets under leasing agreements, booked using the financial method; including €615 thousand for land and buildings in Amaro (UD), the Company's production centre, and €30 thousand in other assets acquired during the year by the subsidiary IPS Sistemi Programmabili Srl and €217 thousand in equipment purchased during the year by the subsidiary Advanet.. Inc.

The “other changes” item refers to exchange differences accrued on the opening balances of the values at cost and cumulative depreciation.

3 – Investments in affiliates and other companies

The table below shows changes in investments in affiliates and other companies in the reporting period:

	at December 31, 2012					
(€'000)	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS / WRITE-DOWN	EOP VALUE	% OWNERSHIP
Investments in associate companies:						
Chengdu Vantron Technology Inc.	189	-	-	-	192	38.00%
Delos S.r.l. in liquidazione	21	-	(14)	-	7	40.00%
Emilab S.r.l.	60	-	-	9	69	24.82%
eVS embedded Vision Systems S.r.l.	8	-	(1)	-	7	24.00%
Rotowy Technologies S.p.A. (ex U.T.R.I. S.p.A.)	-	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	**278**	**-**	**(15)**	**9**	**275**	
Investments in other companies:						
Cosint	2	-	-	-	3	
ALC Consortium	3	-	-	-	3	
Consorzio Ecor' IT	2	-	-	-	2	
Consorzio Aeneas	5	-	-	-	5	
Inasset S.r.l.	44	-	-	-	44	2.91%
Veneto Nanotech S.p.a.	10	-	(10)	-	-	
Kairos Autonomi	202	-	-	-	199	19.00%
Others	2	-	-	-	1	
TOTAL INVESTMENTS IN OTHER COMPANIES	**270**	**-**	**(10)**	**-**	**257**	

At 31.12.12 Eurotech owned the following shareholdings in affiliates consolidated at equity:

- Emilab Srl = 24.82%, created in 1998;
- Delos Srl = 40%, created during the first half of 2005 and placed in liquidation in 2011;
- eVS embedded Vision Systems Srl = 24%, a spin-off from the University of Verona;
- Rotowi Technologies S.p.A. (formerly U.T.R.I. S.p.A.) = 21.32%, following a series of share purchases in 2007 and 2008. This affiliate presented a debt restructuring plan in 2010 pursuant to article 182-*bis* of the Budget Law, which led to a non-recoverability evaluation of the amount posted. In 2010, the accounting value was completely depreciated.
- Chengdu Vantron Technology Inc., already consolidated and currently 38% owned following the sale of 5.75% of the share capital at year-end;

The closing dates of the financial statements and the financial years of all the affiliates coincide with those of the Parent Company.

The schedule below shows the values of the assets, liabilities, revenues and annual results of equity interests in affiliates at 31.12.11, as operating and financial information for year-end 2012 is not yet available:

(€'000)	At December 31, 2012						At December 31, 2011						
	Emilab	Delos	UTRI	evS	Vantron	TOTAL	Emilab	Delos	UTRI	evS	Isidorey	Vantron	TOTAL
Share of the Associate's balance sheet:	(*)	(***)	(*)	(*)	(*)		(**)	(***)	(**)	(**)	(**)	(**)	
Current assets	691	75	473	94	8,303	9,636	447	75	1,003	120	34	1,030	2,710
Non current assets	607	0	10	23	1,897	2,537	318	0	3,107	10	11	91	3,537
Current liabilities	(762)	0	(807)	(80)	(2,083)	(3,732)	(353)	0	(4,212)	(97)	(25)	(321)	(5,009)
Non current liabilities	(260)	0	(240)	(11)	0	(511)	(175)	0	(552)	(7)	(636)	0	(1,370)
Net assets	**276**	**75**	**(564)**	**26**	**8,117**	**7,930**	**237**	**75**	**(654)**	**26**	**(616)**	**800**	**(132)**
Revenue	937	0	0	189	11,706	12,832	603	0	116	195	141	1,375	2,430
Profit (Loss)	39	(15)	90	0	1,261	1,375	31	(15)	(1,220)	1	(619)	117	(1,704)
Carrying amount of the investment	**69**	**7**	**0**	**7**	**192**	**275**	**69**	**7**	**0**	**7**	**0**	**192**	**275**

(*) FY2011

(**) FY2010

(***) Financials of liquidation as of September 30, 2011

4 – Other non-current assets

The schedule below shows the breakdown of other non-current assets at 31.12.12 and 31.12.11:

(€'000)	at December 31, 2012	at December 31, 2011
Other non-current receivables	672	843
TOTAL OTHER NON CURRENT ASSETS	672	843

Other receivables main comprise security deposits that do not accumulate interest; the decrease was mainly due to the reimbursement of the deposits paid.

5 – Inventories

The schedule below shows the breakdown of inventories at 31 December 2012 and 31 December 2011:

(€'000)	at December 31, 2012	at December 31, 2011
Raw & auxiliary materials and consumables - gross	7,807	6,954
Inventory write-down provision	(1,116)	(928)
Raw & auxiliary materials and consumables - net	**6,691**	**6,026**
Work in process and semi-finished goods - gross	5,228	9,185
Inventory write-down provision	(18)	(24)
Work in process and semi-finished goods	**5,210**	**9,161**
Finished poducts and goods for resale - gross	7,728	9,364
Inventory write-down provision	(1,451)	(1,012)
Finished products and goods for resale - net	**6,277**	**8,352**
Advances	**104**	**224**
TOTAL INVENTORIES	18,282	23,763

At 31 December 2012 inventories totalled €18,282 thousand, net of inventory write-downs totalling €2,585 thousand. The decrease in inventory is due to an efficient management of inventory.

The schedule below shows changes in the inventory write-down reserve in the periods under review:

CHANGES IN CUMULATIVE INVENTORY WRITE-DOWN PROVISION

(€'000)	at December 31, 2012	at December 31, 2011
OPENING BALANCE	**1,964**	**1,704**
Provisions	1,140	549
Other changes	(566)	72
Increases due to business combination	0	228
Utilisation	47	(589)
CLOSING BALANCE	**2,585**	**1,964**

The "other changes" item refers to changes in the write-down reserves due to exchange differences.
In 2011, the corporate aggregate increases are due mainly to changes in the write-down reserves, pursuant to acquisition of Dynatem.
The raw materials inventory write-down reserve of €1,116 thousand refers to obsolete or slow moving materials, whose full posted value some Group companies do not expect to recover.
The finished products write-down reserve increased by €439 thousand primarily to cover the risks of slow turnover of certain standard and custom finished products.

6 – Work in progress

The schedule below shows information related to work in progress at 31 December 2012 and 31 December 2011:

(€'000)	at December 31, 2012	at December 31, 2011
Contract revenues recognised as revenue in the period	2,273	2,690
Contract costs bome as at balance-sheet date	1,325	1,873
Profits recognised as at balance-sheet date	**948**	**817**
Anticipi ricevuti	699	862
Gross amount owed by customer for contractual work	2,273	2,684
Contract costs and proits recognised as at balance-sheet date	2,273	2,690
Revenues recognised in previous periods	2,104	1,944
Billing based on completion status	3,527	2,278
Gross amount owed by customer for contractual work	**850**	**2,356**

The amount referring to down payments received is posted in the "other current liabilities" item in the "amounts owed to customers" sub-item.

7 – Trade receivables

The schedule below shows the breakdown of trade receivables and the respective adjustment reserves at 31.12.12 and 31.12.11:

(€'000)	at December 31, 2012	at December 31, 2011
Trade receivables - customers	28,392	27,811
Doubtful debt provision	(1,751)	(1,087)
TOTAL TRADE RECEIVABLES	**26,641**	**26,724**

Note that, at the reporting date, the Group did not present significant concentrations of credit risk. Trade receivables falling due within 12 months are normally non-interest bearing and generally fall due at 90/120 days.
Trade receivables decreased by € 83 thousand vs. 31 December 2011. The amount reflects the concentration of revenue in the last few months of 2012. Receivables include some €235 thousand of cash orders presented subject to collection but not yet due at the end of the reporting period.

Receivables are shown net of doubtful debt provision of €1,751 thousand. Changes in doubtful debt provision in the years under review were as follows:

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION

(€'000)	at December 31, 2012	at December 31, 2011
OPENING BALANCE	**1,087**	**713**
Provisioning	868	353
Other changes	(372)	32
Increases due to business combination	0	5
Utilisation	168	(16)
CLOSING BALANCE	**1,751**	**1,087**

Provisions of €868 thousand made during the year were necessary to adjust the value of individual receivables to their presumed realisable value. In particular, Eurotech Inc prudently depreciated a significant commercial credit that, although it was due more than 3 years ago, the directors felt could still be collected.
Group policy is to identify the individual receivables to be written down, and the allocations made reflect these specific write-downs. "Other changes" includes the effect of translating financial statements in foreign currency.

At 31 December, trade receivables that were past due but not written down were as follows:

(€'000)	Total	Not overdue	Overdue but not write-off				
			< 30 days	30 - 60 days	60 - 90 days	90 - 180 days	Over 180 days
2012	26,641	18,266	3,207	946	126	278	3,818
2011	26,724	19,133	2,860	829	308	579	3,015

Credits more than 180 days overdue represent 14.3% of the commercial credits as of 31 December 2012 and they include a credit partially impaired in the hands of Eurotech Inc. overdue for more than 3 years. The directors feel that the amount is recoverable despite the delay in payment.

8 – Affiliate receivables

The receivables to affiliates decrease to €1,163 thousand. On 31 December 2011, the amount referred almost completely to a receivable to Isidorey (currently closed after the liquidation process) originally created as a financial receivable. The receivable posted reflected the value of tangible and intangible assets that, at the start of 2012, were transferred to the American subsidiary E-Tech USA by the Isidorey liquidator. In particular, this asset refers to the development of the cloud computing platform developed in the last 18 months.

9 – Tax receivables and payables

Receivables for income taxes represent receivables from individual governments for direct taxation (IRES and income taxes in various countries) which should be recovered within the next year as well as receivables for withholdings made by the US companies following payment of interest charges on infragroup loans and dividends distributed to the Parent Company. Compared to 31 December 2011, the value dropped to €576 thousand.

Income tax payables are made up of current taxes relating to the year still to liquidate and represent the amounts that the companies must pay to the tax authorities of the respective countries. These payables are calculated according to the tax rates currently in force in each country. Foreign tax payables were €2,035 thousand (2011: €1,627 thousand in 2011), while Italian tax payables were €68 thousand (2011: (€104 thousand in 2011).
The amount of Italian taxes covers the tax debt for the previous fiscal years ascertained at the IPS subsidiary, which had a negative effect. Despite the effect in question, the directors felt it was appropriate to allocate the entire debt amount to the interest accrued at the end of the fiscal year.

Income tax payables and receivables are offset if there is a legal right to do so.

10 – Other current assets

The schedule below shows the composition of other current assets at 31 December 2012 and 31 December 2011:

(€'000)	at December 31, 2012	at December 31, 2011
Amounts receivable for grants	200	201
Advance payments to suppliers	137	116
Tax receivables	634	1,124
Other receivables	57	48
Accrued income and prepaid expenses	1,142	1,080
TOTAL OTHER CURRENT ASSETS	**2,170**	**2,569**

Grants receivable relate to grants that will reasonably be received by Parent Company Eurotech SpA by the end of the following year for the development of new products and technologies carried out in previous years.

Tax receivables mainly comprise receivables for indirect tax (VAT). VAT receivables do not bear interest and are generally settled with the competent tax authority on a monthly basis.

Prepaid expenses refer to costs incurred in advance for banking charges, maintenance fees, utilities, various services and insurance.

11 – Cash & cash equivalents

The schedule below shows the composition of cash and equivalents at 31.12.11 and 31.12.12:

(€'000)	at December 31, 2012	at December 31, 2011
Bank and post office deposits	12,089	13,571
Cash and valuables in hand	27	25
TOTAL CASH & CASH EQUIVALENTS	**12,116**	**13,596**

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents is €12,116 thousand (€13,596 thousand at 31.12.11).

Cash and cash equivalents decreased by €1,480 thousand vs. 31 December 2011 due largely to the combined effect of the cash utilised to pay off loan instalments before the due date, short-term portions paid on medium- to long-term loans to manage the company.

12 – Other financial assets

The other financial assets decreased to €226 thousand. They represented the transferral to a partner of the relevant share of a loan received by the French subsidiary as the lead company in a project financed in France Following the non-reimbursement of the loan, the receivable for the partner for its share of the loan did not occur.

13 – Net financial position

The schedule below shows the Group's net financial position at 31 December 2012 and 31 December 2011:

(€'000)		at December 31, 2012	at December 31, 2011
Cash & cash equivalents	A	(12,116)	(13,596)
Cash equivalent	**B=A**	**(12,116)**	**(13,596)**
Short term borrowing allowed to affiliates companies	C	0	(178)
Other current financial assets	D	(144)	0
Derivative instruments	E	344	376
Short-term borrowing	F	13,036	17,253
Business aggregation liabilities	G	0	216
Short-term financial position	**H=C+D+E+F+G**	**13,236**	**17,667**
Short-term net financial position	**I=B+H**	**1,120**	**4,071**
Medium/long term borrowing allowed to affiliates companies	J	0	0
Other non current financial assets	K	0	(226)
Medium/long term borrowing	L	10,327	10,482
Medium-/long-term net financial position	**M=J+K+L**	**10,327**	**10,256**
NET FINANCIAL POSITION) NET DEBT	**N=I+M**	**11,447**	**14,327**

Net debt stood at €11,447 thousand at 31 December 2012 compared to €14,327 thousand compared to the previous year.

At 31 December 2011, short-term financial liabilities (pursuant to IAS 1.65) included the medium- to long-term portion (6,000 thousand) of an outstanding loan, for which one of the covenants in the loan agreements was not respected, according to the consolidated figures reported at 31 December 2009.

In 2012, the financial institution released a waiver letter in which they formally expressed their willingness to continue the loan relationship on the basis of the original amortisation plan. The portion of the financial liabilities reclassified in this way to the medium to long term during the year came to €6 million.

At 31.12.12, the Group complied with the financial covenants contained in the existing loan agreements.

14 – Shareholders' equity

The schedule below shows the composition of shareholders' equity at 31.12.11 and 31.12.12:

(€'000)	at December 31, 2012	at December 31, 2011
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(25,107)	(10,236)
Group shareholders' equity	**120,172**	**135,043**
Equity attributable to minority interest	**0**	**0**
Total shareholders' equity	**120,172**	**135,043**

The share capital at 31 December 2012 was made up of 35,515,784 ordinary shares, wholly subscribed and paid up, with no nominal value.

The balance in the legal reserve of the issuer at 31.12.12 came to €39 thousand and was formed by profit provisions made until the financial year ended at 31 December 2005.

The share premium reserve, which relates entirely to the Parent Company, is shown at a total amount of €136,400 thousand.

The positive translation reserve of €22,793 million is generated by inclusion in the consolidated financial statements of the balance sheets and income statements of US subsidiaries Parvus Corp., Eurotech Inc. and E-Tech USA Inc., as well as of UK subsidiary Eurotech Ltd. and E-Tech USA Inc, the Japanese subsidiary owned by Advanet Inc..

The item "Other reserves" was negative by € 42,949 thousand and, as well as other reserves, consisted of the parent company's surplus reserve, formed by losses carried forward, allocations of retained earnings from prior years and other reserves of different origin.
The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €344 thousand and decreased by €32 thousand gross of the tax effect, and was not recorded due to the absence of the relative prerequisites.
The foreign exchange reserve in which – based on IAS 21 – foreign exchange differences relating to infragroup foreign-currency loans that constitute part of a net investment in foreign operations are

recognised, was negative by €523 thousand and was again not recorded due to the absence of the prerequisites. During the fiscal year, this reserve was increased to €399 thousand.

At the end of the reporting period, the Parent Company, Eurotech SpA, held 420,140 treasury shares. Their number remained unchanged compared with 31 December 2011 and the shares had no effect either on the income statement or on equity.

15 – Base and diluted earnings (losses) per share

Base earnings (losses) per share (EPS) are calculated by dividing the income of the year pertaining to ordinary shareholders of the Parent Company by the average weighted number of ordinary shares in circulation during the year, net of own shares.

No equity transactions were reported in FY 2011 and 2012 that diluted earnings per share.

The schedule below shows earnings for the period and information on the shares used to calculate base and diluted EPS.

(€'000)	at December 31, 2012	at December 31, 2011
Net income (loss) attributable to parent company shareholders	(2,783,000)	(7,246,000)
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(420,140)	(420,140)
Weighted average number of ordinary shares except own shares	35,095,644	35,095,644
Net income (loss):		
- per share	(0.079)	(0.206)
- per share diluted	(0.079)	(0.206)

16 – Borrowings

The schedule below shows the breakdown of medium- to long-term financial payables at 31.12.12:

LENDER	COMPANY	BALANCE ON 31.12.2011	BALANCE ON 31.12.2012	SHORT TERM within 12 months	TOTAL MEDIUM AND LONG-TERM	MID TERM Over 12 months	LONG TERM Over 5 years
CURRENT OUTSTANDINGS - (a)		4,878	6,494	6,494	-	-	-
Finance Lease	Eurotech S.p.A.	232	122	122	-	-	-
Finance Lease	I.P.S. Sist.Progr. S.r.l.	22	10	10	-	-	-
Finance Lease	Advanet Inc.	-	219	45	174	174	-
Anvar	Eurotech France	565	-	-	-	-	-
TOTAL OTHER FINANCINGS		819	351	177	174	174	-
Banca Pop. Friuladria	Eurotech S.p.A.	5,000	3,000	2,000	1,000	1,000	-
Total Credit Agricole		**5,000**	**3,000**	**2,000**	**1,000**	**1,000**	**-**
Veneto Banca	Eurotech S.p.A.	256	-	-	-	-	-
Total Veneto Banca		**256**	**-**	**-**	**-**	**-**	**-**
Cassa di Risparmio del FVG	Eurotech S.p.A.	7,000	6,000	2,000	4,000	4,000	-
Total Gruppo INTESA - SAN PAOLO		**7,000**	**6,000**	**2,000**	**4,000**	**4,000**	**-**
The Chugoku Bank Ltd	Advanet Inc.	998	735	290	445	445	-
Total The Chugoku Bank Ltd		**998**	**735**	**290**	**445**	**445**	**-**
Cassa Rurale della Valle dei Laghi	EthLab S.r.l.	351	307	44	263	208	55
Total Credito Coperativo Banks		**351**	**307**	**44**	**263**	**208**	**55**
Unicredit	EthLab S.r.l.	43	-	-	-	-	-
Unicredit	Eurotech S.p.A.	8,390	6,476	2,031	4,445	4,445	-
Total Gruppo Unicredit		**8,433**	**6,476**	**2,031**	**4,445**	**4,445**	**-**
TOTAL BANK DEBT - (c)		22,038	16,518	6,365	10,153	10,098	55
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		22,857	16,869	6,542	10,327	10,272	55
TOTAL DEBT - [(a) + (b) + (c)]		27,735	23,363	13,036	10,327	10,272	55

Bank overdrafts

Bank overdrafts are not backed by unsecured or secured guarantees and include uses with the technical form of "subject to collection."

Other loans

Other loans refer to:

- a residual debt in the amount of €122 thousand fully short-term for future lease payments for a property lease between the parent company and S.B.S. Leasing S.p.A., which has been recognised as a finance lease and is related to the land and building in Amaro (UD) used for the Company's production facilities and related furnishings and electronic equipment. The lease expires in 2013;
- a residual debt of €10 thousand fully short-term for future payments on a lease agreement signed by the subsidiary IPS Sistemi Programmabili SpA, which has been recognised as a finance lease and relates to the purchase of furnishings for the new production facility in Rezzato (BS); the lease expires in 2013;
- a residual debt of €219 thousand (€174 thousand of which medium- to long-term) for future payments on a lease agreement signed by the subsidiary Advanet Inc, which has been recognised as a finance lease for the purpose of production equipment at the production facility in Okayama (Japan); the lease expires in 2017.

Bank loans

Bank loans refer mainly to:

- a loan granted to the Parent Company by Banca Popolare Friuladria for €3,000 thousand (of which €1,000 thousand medium- to long-term) falling due in 2014 for the investment made to acquire, including through a subsidiary, the companies Arcom Control Systems Inc. (now merged with Eurotech Inc.) and Arcom Control Systems Ltd. (now Eurotech Ltd.). This loan is subject to covenants with annual verification based on the year-end financial statements. The covenants (which include early repayment or an increase in the interest rate spread), concern debt to equity, debt to EBITDA, allocations for risks and receivables and extraordinary expenses/revenues (non-reoccurring for IAS/IFRS). They also provide for maintaining at least 70% of the Arcom Group for the duration of the loan. These covenants were respected at 31 December 2012;
- a loan granted to the Parent Company by Cassa di Risparmio of FVG for €6,000 thousand (€4,000 thousand of which medium- to long term), falling due in 2015, to finance the acquisition of 25% of the shares of the subsidiary Advanet. This loan is subject to covenants (which include the possibility of early repayment or increase in the interest rate spread) with annual verification based on the year-end financial statements. The covenants relate to debt to equity and debt to EBITDA (both of these are respected as of 31 December 2012);
- the outstanding portion (6,476, of which €4,445 medium- to long-term) of a loan granted to the Parent Company by Unicredit, expiring in 2015, to finance the acquisition, including through a subsidiary, the company Applied Data Systems Inc. (now Eurotech Inc.). This loan is subject to covenants (which include the possibility of early repayment or an increase in the interest rate spread) with annual verification based on the year-end financial statements. The covenants relate to debt to equity and debt to EBITDA. All the covenants were respected at the reporting date;

- a loan granted to Advanet Inc by The Chugoku Bank Ltd for a residual total of €735 thousand, which can be repaid in 2015, to incur the Japanese current assets;
- the outstanding portion (€307 thousand, of which €263 thousand medium- to long-term) of a loan to EthLab Srl to acquire patents and know-how.

17 – Employee benefits

The schedule below shows the breakdown of employee benefits at 31.12.12 and 31.12.11:

(€'000)	at December 31, 2012	at December 31, 2011
Employees' leaving indemnity	379	398
Foreing Employees' leaving indemnity	1,210	1,225
Employees' retirement fund	87	95
TOTAL EMPLOYEES' BENEFITS	**1,676**	**1,718**

Defined benefit plans

The schedule below shows the breakdown of defined benefit plans at 31.12.12 and 31.12.11:

	Defined benefit plans			
	Italy		Japan	
(€'000)	31-12-2012	31-12-2011	31-12-2012	31-12-2011
Liabilities at start of period	**398**	**429**	**1,225**	**1,164**
Cost relating to present service	19	20	127	118
Finance expense	14	16	16	17
Other changes	0	0	(157)	125
Benefits paid out	(52)	(67)	(3)	(199)
Actuarial loss (gain) reconised	0	0	2	0
Liabilities at end of period	**379**	**398**	**1,210**	**1,225**

The defined benefit plans in force in Italy refer exclusively to employee severance indemnity. With adoption of the new International Accounting Standards (IAS), and especially IAS 19, employee severance indemnity is considered a defined benefit obligation whereby the liability is measured based on actuarial techniques. Pension plans in Japan are also considered as such and following the business combination, the company valued the relative liability pursuant to IAS 19.

Gains and losses arising from the actuarial calculation based on the new assumptions starting from 1 January 2007 in relation to the employee severance indemnity and other defined benefit plans in place at year-end are charged to the income statement as a cost or revenue when the cumulated net value of the actuarial gains and losses not reported for each plan at the end of the previous year exceeds more than 10% of the higher value of obligations referring to defined benefit plans and the fair value of the assets referred to the plans at that date (so called "corridor method").

Also pursuant to the 2007 Budget Law, severance indemnities accrued as of 1 January 2007 or as of the option date to exercise by the employees are included in the category of defined benefit plans, both in the event of option for supplementary retirement and option for allocation to the treasury fund at INPS. The accounting treatment of severance indemnities is now similar to that used for other types of pension scheme contributions.

The key assumptions used in determining the current value of severance indemnities are illustrated below:

Actuarial assumption	Defined benefit plans			
	Italy		Japan	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
Discount Rate	4.20%	4.68%	1.00%	1.30%
Expected rates of future wages and salary increases	2.00%	2.00%	1.00%	1.00%
Expected rates of staff turnover	10.00%	10.00%	1.00%	1.00%
Duration	15	22	25	25

The schedule below summarises the change in the current value of the severance indemnities at the end of the period; as indicated in the accounting standards, these values might not correspond to the booked liability.

Variation of current value of the obligation	Defined benefit plans			
	Italy		Japan	
(€'000)	31-12-2012	31-12-2011	31-12-2012	31-12-2011
Projected benefit obligation at January 1,	482	482	1,408	1,363
Current Service cost	19	20	127	118
Interest cost	14	16	16	17
Other changes	0	0	(157)	125
Pensions paid	(52)	(67)	(3)	(199)
Actuarial gains or losses	(12)	31	75	(16)
Projected benefit obligation at December 31	**451**	**482**	**1,466**	**1,408**

The Group's application of the corridor method in recording actuarial gains and losses for each defined benefit plan has created a difference between the current value of the obligation and the liability recorded. The schedule below shows the limits of the corridor compared with the cumulative actuarial gains and losses not recognised to determine the net actuarial gain or loss that must be reported in the following year.

LIMITS OF THE 'CORRIDOR'	Defined benefit plans			
(€'000)	31-12-2012	31-12-2011	31-12-2012	31-12-2011
Unrecognized actuarial gains or losses at January 1	84	53	178	184
Corridor at January 1	48	48	141	136
Difference (A)*	**36**	**8**	**37**	**48**
Duration	15	22	25	25
Recognized actuarial gains or losses (A/B)	5	0	2	0
Unrecognized actuarial gains or losses at January 1	84	53	178	184
Actuarial gains or losses per year	(12)	31	75	(16)
Subtotal	**72**	**84**	**253**	**168**
Recognized actuarial gains or losses	0	0	2	0
Unrecognized actuarial gains or losses at December 31	**72**	**84**	**251**	**168**

The following is the reconciliation of the current value of the obligation and the liability booked and the summary of the cost components recorded in the income statement.

	Defined benefit plans			
	Italy		Japan	
(€'000)	31-12-2012	31-12-2011	31-12-2012	31-12-2011
Projected benefit obligation	451	482	1,466	1,408
Unrecognized actuarial gains or losses	72	84	251	168
Other changes	0	0	(5)	(15)
Provisions for pensions charged to balance sheet	**379**	**398**	**1,210**	**1,225**
Current Service cost	19	20	127	118
Interest cost	14	16	16	17
Recognized actuarial gains or losses	0	0	2	0
Costs charged to income statement	**33**	**36**	**145**	**135**

Employee severance indemnity reserve

The employee severance indemnity reserve refers to the charge that the subsidiary Eurotech France SAS must pay employees if they are still employed by the subsidiary when they reach retirement age.

With adoption of IFRS, the indemnity falls into the category of other long-term benefits to employees to be booked according to IAS 19, and the respective liability is therefore calculated using actuarial techniques.

Actuarial gains and losses are immediately recorded and the corridor method is not used.

The schedule below shows the breakdown of the employee retirement reserve at 31.12.12 and 31.12.11:

EMPLOYEES' RETIREMENT FUND

(€'000)	at December 31, 2012	at December 31, 2011
JANUARY 1,	**95**	**88**
Provision	-	7
Utilization	(8)	-
RESERVE AT THE END OF THE PERIOD	**87**	**95**

18 – Reserve for risks and charges

The schedule below shows the breakdown of the reserve for risks and charges at 31.12.12 and 31.12.11:

(€'000)	at December 31, 2012	at December 31, 2011
Selling agents' commission fund	46	41
Director termination fund	162	911
Guarantee reserve	314	279
Busting depreciable asset	324	355
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	**846**	**1,586**

Supplementary customer indemnity provision

The supplementary customer indemnity provision is allocated based on the amounts envisaged by legislation and collective economic agreements regarding situations of interruption in the mandate given to agents. The effect of time-discounting the share of liabilities that will be liquidated beyond the next year is not expected to be significant.

Cumulative provision for directors' termination indemnity

The cumulative provision for directors' termination indemnity refers to the indemnity recognised for directors with powers set out in by the bylaws of the Company or its subsidiaries. This indemnity is generally paid in the year after the respective allocation and is provisioned for periodically for the relevant share.

Product warranty provision

The product warranty provision is allocated based on the expectations of the charge to incur for non-fulfilment of the warranty commitment on products sold at year-end.

Other risks reserve

The other risks reserve is allocated on the basis of expected costs to be incurred for risks related to legal disputes not yet settled and miscellaneous risks. During the reporting period the existing risks reserve was reversed because the risk for which the reserve was created had ceased to exist.

Asset disposal reserve

The asset disposal reserve was allocated in response to an obligation for future costs that a number of Japanese companies of the Group will incur in future years for the disposal, demolition, disassembly, and removal of a number of assets, and improvements to leased property, at the end of their useful lives or of the lease agreement.

The schedule below shows the changes in the reserve for risks and charges in the years under review:

SELLING AGENTS' COMMISSION FUND

(€'000)	at December 31, 2012	at December 31, 2011
JANUARY 1,	**41**	**37**
Provision	5	4
RESERVE AT THE END OF THE PERIOD	**46**	**41**

DIRECTOR TERMINATION FUND

(€'000)	at December 31, 2012	at December 31, 2011
JANUARY 1,	**911**	**887**
Provision	186	192
Other	(112)	88
Utilization	(823)	(256)
RESERVE AT THE END OF THE PERIOD	**162**	**911**

GUARANTEE RESERVE

(€'000)	at December 31, 2012	at December 31, 2011
JANUARY 1,	**279**	**454**
Provision	49	-
Other	(12)	21
Utilization	(2)	(215)
Increases due to business combination	-	19
RESERVE AT THE END OF THE PERIOD	**314**	**279**

BUSTING DEPRECIABLE ASSET

(€'000)	at December 31, 2012	at December 31, 2011
JANUARY 1,	**355**	**529**
Provision	12	-
Other	(43)	168
Utilization	-	(342)
RESERVE AT THE END OF THE PERIOD	**324**	**355**

19 – Trade payables

The schedule below shows the composition of trade payables at 31.12.11 and 31.12.12:

(€'000)	at December 31, 2012	at December 31, 2011
Third parties	15,084	18,339
Affiliate companies	0	49
TOTAL TRADE PAYABLES	**15,084**	**18,388**

Trade payables at 31.12.12 came to €15,084 thousand, posting a decrease of €3,304 thousand with respect to 31.12.11. Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

20 – Payables for business combinations

The debts for corporate aggregations were zeroed following the residual payment of €216 thousand to Dynamtem Inc, shareholders for the part of the price that was restricted for the escrow deposit during the purchase, which became payable in 2012.

21 – Other current liabilities

The schedule below shows the composition of other current liabilities at 31.12.11 and 31.12.12:

(€'000)	at December 31, 2012	at December 31, 2011
Social contributions	726	588
Other	2,929	3,990
Advances from customers	1,538	994
Other tax liabilities	545	272
Gross amount owed to customer for contractual work	699	862
Accrued expanses	950	523
TOTAL OTHER CURRENT LIABILITIES	7,387	7,229

Social security payables

Social security payables refer to amounts due for social security contributions accrued and pertaining to the year.

Other payables

The schedule below shows the breakdown of other payables at 31.12.12 and 31.12.11:

(€'000)	at December 31, 2012	at December 31, 2011
Employees	923	1,120
Vacation pay	714	813
Directors	145	100
Debiti verso sindaci	100	70
Recall liability	0	700
Other	1,047	1,187
TOTAL OTHER PAYABLES	2,929	3,990

Amounts payable to employees refer to salaries and wages for the month of December 2012 and payable in the following month, as well as bonuses awarded to some categories of employees. Liabilities for holidays and leaves of absence refer to holidays and leaves accrued and not used by employees at the reporting dates. These recent payables include related contributions.

The "payables for recall" refer to the residual payable for non-reoccurring costs incurred for the recall of modified custom products.

Advances for contributions refer to prepayments made upon requests for contributions that were already accounted for and to be accounted for.

22 – Commitments and guarantees

Operating lease commitments – Group as tenant

The Group has entered into operating lease agreements for some buildings, used as operating offices for the Company and some of its subsidiaries, for some industrial equipment and vehicles. Property leases have an average life of between 6 and 9 years, with renewal provisions. Renewals are an option that each company has on the property it holds.

Operating leases of industrial equipment have an average life of 5 years.
Operating leases of motor vehicles have an average life of 3 years.

In 2006, an operating lease agreement was entered into on the property designated as administrative and technical offices for the Parent Company. This operating lease agreement has a duration of six years beginning on 1 September 2006 and stipulates that the Company can rescind with advance notice of 12 months to the lessor. The agreement also includes a purchase option on the property object of the agreement. This option can be exercised at any time at the end of six years of the agreement. The acquisition price will be determined by an expert appointed by the parties or by the court, and in any event, the price calculated must make reference to the provisions regarding how to determine sale prices of industrial buildings in force for industrial development consortia, especially Tolmezzo.

Future leases in relation to non-rescindable operating lease agreements in force at 31.12.12 are as follows:

(€'000)	at December 31, 2012	at December 31, 2011
Within 12 months	1,660	1,398
Over 12 months but within five years	1,884	746
Over 5 years	55	-

Warranties

The Eurotech Group has potential liabilities at 31.12.12 deriving from sureties of €743 thousand granted by a number of credit institutions to Group companies.

H – Breakdown of key income statement items

23 – Costs of raw & auxiliary materials and consumables used

(€'000)	FY 2012	FY 2011
Purchases of raw materials, semi-finished and finished products	40,116	49,786
Changes in inventories of raw materials	4,273	5,037
Change in inventories of semi-finished and finished products	255	(7,557)
TOTAL COST OF MATERIALS	**44,644**	**47,266**

The "raw and auxiliary materials and consumables used" item shows a decrease due mainly to the rise in efficiency in inventory management and the purchase of materials.

24 – Other operating costs

(€'000)	FY 2012	FY 2011
Service costs	14,813	16,483
Rent and leases	2,245	2,464
Payroll	24,956	25,378
Non recurrent costs	0	910
Accruals and other costs	1,911	1,229
Cost adjustments for in-house generation of non-current assets	(2,138)	(2,632)
Operating costs net of cost adjustments	**41,787**	**43,832**

25 – Service costs

(€'000)	FY 2012	FY 2011
Industrial services	4,780	5,329
Commercial services	3,306	4,513
General and administrative costs	6,727	6,641
Total costs of services	**14,813**	**16,483**

In the periods considered, costs of services reported a decrease, chiefly due to the streamlining and containment of costs implemented. This reduction would be increased if done in the local currency.

26 – Payroll costs

(€'000)	FY 2012	FY 2011
Wages, salaries, and Social Security	24,465	24,917
Severance indemnities	328	325
Retirement benefit and similar obligations	0	7
Other costs	163	129
Total cost of personnel	**24,956**	**25,378**

The item includes payroll costs which in the period in question reported a decrease due to the reduction in wages and salaries and the decrease in the cost of wages and salaries and the number of staff in some of the Group companies.

As shown in the table below, the number of Group employees decreased at the end of the periods considered, rising from 463 in 2011 to 420 in 2012.

Employees	Average 2012	at December 31, 2012	Average 2011	at December 31, 2011
Manager	17.5	15	21.4	20
Clerical workers	351.9	344	370.4	367
Line workers	65.0	61	83.3	76
TOTAL	**434.4**	**420**	**475.1**	**463**

27 – Other provisions and costs

(€'000)	FY 2012	FY 2011
Doubtful debt provision	868	353
Other Provisions	10	72
Other costs	1,033	804
Total accruals and other costs	**1,911**	**1,229**

The amounts in the "allowance for doubtful accounts" item refer to provisions made to the respective reserve to represent receivables at their realisable value. The "allocations" entry refers fully to the depreciation of receivables entered under other receivables and that are not commercial.
The "miscellaneous operating charges" item includes losses on receivables for €95 thousand (€35 thousand at 31 December 2011).

28 – Other revenues

(€'000)	FY 2012	FY 2011
Government grants	286	27
Sundry revenues	521	355
Total other revenues	**807**	**382**

These entries refer mainly to research and development activities which receive funding from local governments and training activities provided for employees.
The other revenue entry considers the revenues earned in the United States for the termination of an active case.

29 – Cost adjustments for internally generated non-current assets

The "in-house generation of non-current assets" item at 31.12.12 (€2,138 thousand) refers to €340 thousand in costs incurred in-house to develop new circuit boards for a high-performance, low-consumption processor, €386 thousand to develop products in the high-performance wearable PC range, €41 thousand for costs incurred by the Parent Company for developments related to new systems connected to the HPC strategic business unit, €392 thousand for costs incurred by the subsidiary Eurotech inc for new products regarding the "Cloud platform", €112 thousand incurred by the subsidiary IPS Sistemi Programmabili Srl for activities involving new monitoring systems; €505 thousand for material and staff costs incurred by the subsidiary Parvus Corp to build several new mobile routers in the transportation

and defence sector for €116 thousand due primarily to the personnel costs incurred by the subsidiary Advanet Inc for €220 thousand from new development projects and €27 thousand for the creation of new passenger/people counter models.
Total adjustments for internal increases comprise €1,472 thousand in payroll costs (2011: €1,874 thousand), €388 thousand in service costs (2011: €342 thousand), €278 thousand in materials costs (2011: €416 thousand).

30 – Amortisation, depreciation and write-downs

(€'000)	FY 2012	FY 2011
Amortisation of intangile assets	6,545	5,895
Amortisation of property, plant and equipment	1,410	1,813
Write-down of fixed assets	82	257
Total amortisation and depreciation	**8,037**	**7,965**

The change was mainly due to complete the amortization process for some intangible assets, particularly development costs, and some instrumental goods. Amortisation relating to PPA refers entirely to customer relationships, in the amount of €3,794 thousand (2011: €3,445 thousand).

The write-down in assets is entirely due to the reduced value of the "development costs" item, particularly for projects, related to special products that have not achieved the market success expected.

31 – Financial charges and income

(€'000)	FY 2012	FY 2011
Exchange-rate losses	1,355	6,489
Interest expenses	973	1,076
Expenses on derivatives	214	210
Other finance expenses	63	65
Financial charges	**2,605**	**7,840**

(€'000)	FY 2012	FY 2011
Exchange-rate gains	2,335	5,853
Interest income	69	117

(€'000)	**FY 2012**	**FY 2011**
Other finance income	20	9
Financial incomes	**2,424**	**5,979**

The financial management trend is influenced by exchange rate management that had a positive effect of €980 thousand in 2012 (2011: negative effect for €636 thousand). The exchange rate management influenced the profit and loss accounting, realized and non-realized on the main foreign currencies in which the Group operates (USD, GBP and YEN).
The financial expenses highlight a reduction in liability interest due to the debt reduction while underlining a constant rate of the absolute value of expenses on derivate revenues from one period to another.

The active interest is slightly lower than the reduction in average inventory on deposits.

32 – Valuations of affiliates using the equity method

The amount of €56 thousand derives from the combined capital loss effect on investments for €66 thousand and the revaluation of investments for €10 thousand. The value registered for 2011 of €123 thousand was fully related to the investment revaluation and, in particular, for €115 thousand of the subsidiary Isidorey Llc due to the lack of the loss coverage fun registered for the previous period.

33 – Income tax for the period

Income taxes come to €2,512 thousand in 2012 and a € 633 thousand in 2011.

(€'000)	**FY 2012**	**FY 2011**
Pre-tax result	(271)	(6,613)
Income taxes	(2,512)	(633)

The schedule below shows the breakdown in income taxes, distinguishing current taxes from deferred tax assets and liabilities and taxes related to Italian legislation from foreign taxes of Group companies:

(€'000)	FY 2012	FY 2011
IRES (Italian corporate income tax)	561	85
IRAP (Italian Regional business tax)	12	21
Foreign current income taxes	3,027	1,720
Total current income tax	**3,600**	**1,826**
Net (prepaid) deferred taxes: Italy	(9)	(14)
Net (prepaid) deferred taxes: Non-italian	(1,079)	(1,281)
Net (prepaid) deferred taxes	**(1,088)**	**(1,295)**
Previous years taxes	0	102
Previous years taxes	**0**	**102**
TOTAL INCOME TAXES	**2,512**	**633**

Income taxes totalled €2,512 thousand at 31.12.12 (current taxes of €3,600 thousand and net deferred tax assets of -€1,088 thousand) compared with €633 thousand at 31.12.11 (current taxes of €1,826 thousand and net deferred tax assets of €102 for taxes for the previous year and -€1,295 thousand for net deferred taxes), posting an increase of €1,879 thousand.

The Group has fiscal losses arising in the Parent Company and subsidiaries Saee Srl, Dynatem Inc, ETH Devices S.r.o., E-Tech USA Inc, Eurotech Inc. and IPS Sistemi Programmabili Srl for which deferred tax assets of more than €39.5 million (2011: €37.8 million) were not recognised, to be reported within the deadlines applicable in each country to offset future taxable profits of the companies in which these losses arise. No deferred tax assets were recognised in relation to these losses since there are currently no assumptions that can be used to compensate future taxable profits within the next few fiscal years.

At 31.12.12, there were no deferred tax liabilities, posted or unposted, for taxes on the undistributed earnings of certain subsidiaries or affiliates because there are no assumptions regarding distribution.

I – Other information

34 – Related-party transactions

The consolidated financial statements include the financial statements of Eurotech SpA and its subsidiaries shown in the schedule below:

Name		Location	% of ownership 31.12.2012		% of ownership 31.12.2011	
Subsidiaries						
Parvus Corp.		United States	100.00%		100,00%	
I.P.S. Sistemi Programmabili S.r.l.		Italy	100.00%		100.00%	
ETH Lab S.r.l.		Italy	99.99%		99.99%	
Eurotech Finland Oy		Finland	-		100.00%	
Eurotech France S.A.S.		France	100.00%		100.00%	
Eurotech Ltd.		UK	100.00%		100.00%	
E-Tech Inc.		United States	100.00%		100.00%	
Eurotech Inc.		United States	100.00%		100.00%	
ETH Devices S.r.o.		Slovakia	100.00%		100.00%	
Saee S.r.l.		Italy	100.00%		100.00%	
Dynatem Inc.		USA	100.00%		100.00%	
Advanet Inc.		Japan	90.00%	(1)	90.00%	(1)
Affiliated companies						
Chengdu Vantron Technologies Inc.		China	38.00%		43.75%	
Delos S.r.l.	(2)	Italy	40.00%		40.00%	
Isidorey Llc.		United States	-		40.00%	
eVS embedded Vision Systems S.r.l.		Italy	24.00%		32.00%	
Emilab S.r.l.		Italy	24.82%		24.82%	
Rotowi Technologies S.p.A. in liquidation (ex U.T.R.I. S.p.A.)	(2)	Italy	21.32%		21.32%	

(1) The percentage of formal possession is 90%, but due to the possession by Advanet of 10% of the share capital in the form of treasury shares, it is fully consolidated

(2) Company in liquidation

Below is a list of transactions between related parties (in the period in which they were such), not eliminated during consolidation.

RELATED PARTIES	Revenues to related parties	Interest to related parties	Purchases from related parties	Receivables from related parties	Payables from related parties
Associated companies					
Chengdu Vantron Technology Inc	35	-	451	16	249
Emilab S.r.l.	-	-	34	-	-
eVS embedded Vision Systems S.r.l.	-	-	10	-	-
Total	**35**	**-**	**495**	**16**	**249**
Other related parties					
Wulfenia	-	-	18	-	7
Finmeccanica Group	3,970	-	14	4,245	16
Kairos Autonomi	-	9	-	-	-
Total	**3,970**	**9**	**32**	**4,245**	**23**

Below is a list of compensations accrued in favour of Directors and Auditors for the services provided to Eurotech S.p.A. and to other consolidated companies in compliance with the matters under Article 78 of CONSOB's Regulation for Issuers 11971/99, as amended, and Annex 3C of said regulation.

			at December 31, 2012		
Name	Nomination	Expiration	Fees for the appointment	Other fees	Benefits
Siagri Roberto	President	In charge up to 31.12.2013 financials approval	330	10	4
Tecchiolli Giampietro	Vice President - Director	In charge up to 31.12.2013 financials approval	220	10	3
Barazza Sandro	Director	In charge up to 31.12.2013 financials approval	10	127	3
Bertolone Giovanni	Director	In charge up to 31.12.2013 financials approval	10	-	-
Grasso Giancarlo	Director from April 28, 2011	In charge up to 31.12.2013 financials approval	10	-	-
Mio Chiara	Director	In charge up to 31.12.2013 financials approval	25	-	-
Pedicchio Maria Cristina	Director	In charge up to 31.12.2013 financials approval	25	-	-
Pizzul Cesare	Director	In charge up to 31.12.2013 financials approval	25	-	-
Soccodato Giovanni	Director	In charge up to 31.12.2013 financials approval	10	-	-
Siciliotti Claudio	President of Board of Statutory Auditors	In charge up to 31.12.2013 financials approval	45	-	-
Cignolini Michela	Statutory Auditor	In charge up to 31.12.2013 financials approval	30	-	-
Pingaro Giuseppe	Statutory Auditor	In charge up to 31.12.2013 financials approval	30	-	-
TOTAL			**770**	**147**	**10**

Lastly, the following is information on equity interests held in the company and its subsidiaries by members of the management and supervisory bodies, general managers and managers with strategic responsibilities, as well as by their spouses not legally separated and their minor children, directly or via companies controlled, trustee companies or via an interposed third party, as shown by the shareholder register, notifications received and other information acquired from the members of the management and supervisory bodies, general managers, and strategically accountable managers in compliance with the requirements of article 79 of Consob Regulation 11971/19 99 as subsequently amended and Annex 3C of the same regulation.

		at December 31, 2012							
Name		Company	Possessory title	Share at January 1,	Share acquired in the period	Share disposed in the period	Share at the end of the period	of which shares at the end of the period indirectly	
Siagri Roberto	President	Eurotech	Ownership	2,500,531	-	(180,000)	2,320,531	1,040,371	
Tecchiolli Giampietro	Director	Eurotech	Ownership	191,015	-	-	191,015	-	
Barazza Sandro	Director	Eurotech	Ownership	2,000	-		2,000	-	
Bertolone Giovanni	Director	Eurotech	Ownership	-	-	-	-	-	
Grasso Giancarlo	Director	Eurotech	Ownership	-	-	-	-	-	
Mio Chiara	Director	Eurotech	Ownership	-	-	-	-	-	
Pedicchio Maria Cristina	Director	Eurotech	Ownership	-	-	-	-	-	
Pizzul Cesare	Director	Eurotech	Ownership	-	-	-	-	-	
Soccodato Giovanni	Director	Eurotech	Ownership	-	-	-	-	-	
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	20,000		-	20,000	10,000	(*)
Cignolini Michela	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	
Pingaro Giuseppe	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	

(*) Shares owned indirectly by Pronet S.r.l.

35 – Financial risk management: objectives and criteria

The Group's financial instruments, other than derivative contracts, include bank loans in the various technical forms, financial leases, short-term and at-sight bank deposits. These instruments are intended to finance Group operations. The Group has several other receivable and payable financial instruments at its disposal, such as trade receivables arising from operations and liquidity. The Group also had transactions in derivatives, mainly swap or collar transactions on interest rates. The objective is to manage interest rate risks caused by Group transactions and by its sources of finance.

In accordance with Group policies, no speculative derivatives have been entered into.

The main risks generated by Group financial instruments are interest rate risks, exchange risks, liquidity risks and credit risks. The Board of Directors has reviewed and agreed to the policies for managing these risks, as summarised below.

Interest rate risk

Group exposure to the risk of interest rate fluctuations mainly involves medium-term obligations taken on by the Group, featuring variable interest rates linked to various indices. In previous years, the Group signed interest rate swap contracts providing for recognition of a variable rate against payment of a fixed rate. The contracts are designated to hedge changes in the interest rates in place on some loans. Group policy is to maintain between 30% and 60% of its loans at a fixed rate. At 31.12.12, approximately 45% the loans of the parent company have a fixed rate (in 2011, the percentage was around 45%). Most of the outstanding loans of the Japanese companies are fixed-rate, since these are currently more convenient than variable-rate loans.

Exchange rate risk

In view of the significant investment transactions in the USA, Japan and the UK, with substantial foreign currency cash flows from business and financial operations, the Group's financial statements could be significantly affected by changes in the USD/EUR, JPY/EUR and GBP/EUR exchange rates. In 2012, no foreign exchange hedges were executed because of the uneven USD, GBP and JPY flows, particularly taking into account that the individual subsidiaries tend to operate in their respective functional currencies in their respective core markets.

About 85.0% of sales of goods and services (2011: 83.7%) and 76.4% (2010: 78.3%) of the cost of goods purchases and the operating costs of the Group are denominated in a different currency from the functional currency used by the Parent Company to draw up these financial statements.

Product and component price risk

Group exposure to price risk is not significant.

Credit risk

The Group trades only with known and reliable customers. The Group's policy is to check the creditworthiness grade of customers that request extended payment arrangements. In addition, the balance of receivables is monitored during the year so that the amount of non-performing positions is not significant. Maximum risk exposure is shown in Note 7. Only some of the receivables from our main customers are insured due to the reduction of the exposure granted by insurance companies in 2009.
Financial assets are recognised in the financial statements net of write-downs calculated according to the risk of counterparty default, taking into account the information available on the customer's level of solvency and historical data.
There is no significant concentration of credit risk in the Group. Nevertheless, there is a receivable to customers for the American subsidiary Eurotech Inc for a nominal value of €1.8 million that is due within 3 years, which was partially depreciated during the fiscal year in order to cover it with an adequate fund of about 40% of the value. Despite this, the directors feel that this receivable is fully payable, which could highlight a credit risk in the future.
Credit risk concerning other Group financial assets, which include cash and equivalents and financial instruments, presents a maximum risk equal to the book value of these assets in the event of insolvency of the counterparty.

Liquidity risk

The objective of the Group is to strike a balance between maintenance of funds and flexibility through the use of overdrafts, loans, and finance leases, as well as via equity financing in the market.

Group policy states that no more than 40% of loans must fall due within 12 months.
At 31.12.12, 38.8% of Group financial payables will accrue within one year (2011: 27.9%), based on the balances of the original plans. These values are different in 2011 from those in the financial statement balances since, by virtue of the informal agreements with credit institutions, there is no risk of early repayment.

Considering the current net financial position and the structure of working capital, the risk that the Group will be unable to honour its financial liabilities is decidedly very remote. The Company systematically controls liquidity risk by analysing a specific reporting system and the economic environment; the uncertainties that are a periodic feature of the financial markets require a particular focus on liquidity risk management. With this in mind, initiatives have been taken to generate financial resources with business operations and to maintain an adequate level of available liquidity, to ensure a normal level of operations and to respond to the strategic decisions of the next few years. The Group therefore plans to respond to the requirements of payables falling due and planned investments via flows from business operations, available cash and, as necessary, via bank loans and other forms of funding.

(€'000)	Less 12 months	1 to 2 yeears	3 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	6,542	5,539	4,733	55	16,869
Trade payables and other liabilities	22,471	0	0	0	22,471
Fianancial derivatives	115	115	114	0	344
Total as of December 31, 2012	**29,128**	**5,654**	**4,847**	**55**	**39,684**

Capital management

The aim of Group capital management is to ensure that adequate levels of the capital indicators are maintained in order to sustain the business and achieve maximum value for shareholders.
The Group manages the capital structure and modifies it according to changes in economic conditions. Group policy does not currently include the distribution of dividends. To maintain or upgrade the capital structure, the Group may reimburse capital or issue new securities.
No change was made to the objectives, policies, or procedures during the years 2011 and 2012.
The Group has periodically verified its capital through a debt/capital ratio or the net debt to the total capital plus the net debt. In view of the current world financial situation, which is decidedly unstable, it is not easy to remember credit institution financing, even though the parameters set by the management policy are valid.
Group policies should aim to maintain this ratio between 20% and 40% (at 31.12.12, the ratio was 9.5%). Group net debt includes interest-bearing loans and payables for investments in shareholdings, net of cash and cash equivalents. Capital includes the capital attributable to Parent Company shareholders, net of undistributed net profits.

(€'000)	at December 31, 2012	at December 31, 2011
Other current and non current financial assets	(144)	(404)
Derivative instruments	344	376
Borrowing	23,363	27,735
Debiti per acquisto partecipazioni	0	216
Cash & cash equivalents	(12,116)	(13,596)
Net financial position	**11,447**	**14,327**
Group Equity	120,172	135,043
Group Equity	**120,172**	**135,043**
EQUITY AND NET FINANCIAL POSITION	**131,619**	**149,370**
Net financial position on Equity	**9.5%**	**10.6%**

36 – Financial Instruments

Fair Value Evaluation and the Relative Evaluation Hierarchy

All financial instruments registered at their fair value can be classified in the three categories defined below:
Level 1: market quote
Level 2: technical evaluation (based on observable market data)
Level 3: technical evaluations (not based on observable market data)

The fair value of derivatives and of loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. The fair value of other financial assets has been calculated using market interest rates. Comparison of the carrying value and the fair value by category of all Group financial instruments booked in the financial statements does not show significant differences worth representing.

On 31 December 2012, the Group holds the following financial instruments assessed at their fair value:

(€'000)	Notional value at December 31, 2012	Fair valute at December 31, 2012 (debit)	Fair valute at December 31, 2012 (credit)	National value at December 31, 2011	Fair valute at December 31, 2011 (debit)	Fair valute at December 31, 2011 (credit)
Cash flow hedge						
Contracts Interest Rate Swap (IRS)	7,095	0	(344)	10,116	0	(376)

It is highlighted how all the assets and liabilities that are assessed at their fair market value on 31 December 2012 are due to the number 2 hierarchical level for their fair value evaluation. Moreover, during FY 2012, there were no transfers from Level 1 to Level 2 or Level 3 and vice versa.

Rischio di tasso d'interesse

Gli interessi su strumenti finanziari classificati a tasso variabile sono rideterminati ad intervalli infrannuali. Gli interessi su strumenti finanziari classificati a tasso fisso sono mantenuti costanti fino alla data di scadenza dello strumento.

Attività di copertura

Copertura dei flussi finanziari

Al 31 dicembre 2012, il Gruppo detiene 3 contratti di interest rate swap (per un valore nozionale di Euro 7,1 milioni) sottoscritti negli ultimi 4 anni e designati come strumenti di copertura dal rischio di variazione del tasso d'interesse.

	Due date	Fixed rate	Floating rate	Market value (€'000)
Interest rate swap contracts				
€857,142	30.06.14	2.21%	Euribor 6 month	(16)
€3,000,000	31.12.15	2.52%	Euribor 6 month	(112)
€3,238,005	31.12.15	4.08%	Euribor 6 month	(216)

Interest rate swap contract conditions were negotiated to coincide with the conditions of the underlying commitments.

The accounting treatment of these financial instruments in 2012 entailed an decrease in equity of €32 thousand and decreased the cash flow hedge reserve as a direct reduction of equity to €344 thousand.

37 - Events after the reporting period

There were no events of note subsequent to the end of the financial year.

Amaro, 15 March 2013

On behalf of the Board of Directors
Chairman
Roberto Siagri

Annex I

Information provided pursuant to Article 149-*duodecies* of the Consob Issuer Regulation

The world of reality has its limits;
the world of imagination is boundless.
Jean-Jacques Rousseau

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The schedule below has been prepared in accordance with article 149-*duodecies* of the Consob Issuer Regulation and shows the amounts paid in 2012 for auditing and other services provided by the independent auditing firm and entities that are a part of this firm's network.

(€)	Service provider	Eurotech Group entity	2012 fees
Audit	Reconta Ernst & Young S.p.A.	Parent company - Eurotech S.p.A.	124,642
	Reconta Ernst & Young S.p.A.	Subsidiaries	25,212
	Rete Ernst & Young	Subsidiaries	344,063
Tax consultant	Rete Ernst & Young	Parent company - Eurotech S.p.A.	3,293
	Rete Ernst & Young	Subsidiaries	4,193
	Reconta Ernst & Young S.p.A.	Subsidiaries	-
TOTAL			**501,403**

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Certification of the consolidated financial statements

pursuant to 154-*bis* of Legislative Decree 58 of 24 February 1998

Nothing is ever accomplished
by a reasonable man.
Bucy's Law

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Amaro, 15 March 2013

1. We the undersigned, Roberto Siagri, the Chief Executive Officer and Sandro Barazza, the Financial Reporting Manager of Eurotech SpA, hereby attest, pursuant to article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, to:
   - the adequacy in relation to the characteristics of the company and
   - the effective application

   of the administrative and accounting procedures for the preparation of the financial statements in financial year 2012.

2. Assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements to 31.12.12 is based on a model defined by Eurotech in keeping with the COSO framework (a document in the COSO Report) and taking into account the document "Internal Control over Financial Reporting – Guidance for Smaller Public Companies", both of which were prepared by the Committee of Sponsoring Organizations of the Treadway Commission and which represent an internationally recognised general framework of reference.

3. We furthermore attest that:

   3.1 The consolidated financial statements to 31.12.12:
   - were prepared in compliance with the international accounting standards (IFRSs) recognised in the European Union pursuant to Regulation (CE) 1606/2002 of the European Parliament and of the Council, dated 19 July 2002
   - correspond to the results in the corporate books and accounting records
   - provide a fair and true representation of the assets, liabilities, financial position and profit or loss of the Issuer and of all its consolidated companies.

3.2 The report on operations includes a fair review of the development and performance of the business and the situation of Eurotech as the Issuer and of all its consolidated companies, together with a description of the principal risks and uncertainties that they face.

Chief Executive Officer	Financial Reporting Manager
Roberto Siagri	*Sandro Barazza*

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Indipendent Auditor's report on the consolidated financial statements

If everything seems under control,
you're just not going fast enough.
Mario Andretti

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders of
Eurotech S.p.A.

1. We have audited the consolidated financial statements of Eurotech S.p.A. and its subsidiaries (the "Eurotech Group") as of and for the year ended December 31, 2012, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Eurotech S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 30, 2012.

3. In our opinion, the consolidated financial statements of the Eurotech Group at December 31, 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Eurotech Group for the year then ended.

4. The Directors of Eurotech S.p.A. are responsible for the preparation of the Management report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Management report and the specific section on Corporate Governance and the Company's Ownership Structure regarding the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Management report and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the consolidated financial statements of the Eurotech Group as of December 31, 2012.

Treviso, March 28, 2013
Reconta Ernst & Young S.p.A.
Signed by: Michele Graziani, Partner

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