EUROTECH

Imagine. Build. Succeed.

Consolidated Interim Management report

at 31 March 2014

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

Date of issue: 14 May 2014
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www.eurotech.com

EUROTECH S.p.A.
Registered offices: Via Fratelli Solari 3/A, Amaro (Udine), Italy
Paid-in share capital: EUR 8,878,946 fully paid in
Tax code and
Udine Company Register no.: 01791330309

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Company information

Board of Directors	
Chairman	Roberto Siagri [7]
Vice Chairman	Giampietro Tecchiolli
Director	Giulio Antonello [1, 2, 3]
Director	Sandro Barazza [1, 4]
Director	Paola Bonomo [1, 2, 5, 6, 7]
Director	Riccardo Costacurta [1, 2, 3, 5, 6]
Director	Chiara Mio [1, 2, 3, 5, 6, 7, 8]
Director	Dino Paladin [1]
Director	Giuseppe Panizzardi [1]

The Board of Directors currently in office was appointed by shareholders at the Annual General Meeting of 24 April 2014, and will remain in office until approval of the financial statements for the year 2016.

Board of Statutory Auditors	
Chairman	Claudio Siciliotti
Statutory Auditor	Michela Cignolini
Statutory Auditor	Giuseppe Pingaro
Substitute Auditor	Laura Briganti
Substitute Auditor	Gianfranco Favaro

The Board of Statutory Auditors currently in office was appointed by shareholders at the Annual General Meeting of 24 April 2014, and will remain in office until the approval of the financial statements for the year ending 31 December 2016.

Independent Auditor	
	PricewaterhouseCoopers

The independent auditor was appointed for the period 2014-2022 by shareholders at the Annual General Meeting of 24 April 2014.

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

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

Performance highlights

Income statement highlights

(€'000)		1Q 2014	%	1Q 2013	%	% change
OPERATING RESULTS						
SALES REVENUES		14,209	100.0%	11,335	100.0%	25.4%
GROSS PROFIT MARGIN	(*)	7,368	51.9%	5,999	52.9%	22.8%
EBITDA	(**)	(749)	-5.3%	(1,643)	-14.5%	54.4%
EBIT	(***)	(2,026)	-14.3%	(3,190)	-28.1%	36.5%
PROFIT (LOSS) BEFORE TAXES		(2,063)	-14.5%	(2,301)	-20.3%	10.3%
PROFIT (LOSSES) FROM DISCONTINUED OPERATIONS		0	0.0%	369	3.3%	-100.0%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(2,397)	-16.9%	(1,729)	-15.3%	-38.6%

Income statement net of the accounting effects of purchase price allocation

(€'000)		1Q 2014 adjusted	%	1Q 2013 adjusted	%	% change
OPERATING RESULTS						
SALES REVENUES		14,209	100.0%	11,335	100.0%	25.4%
GROSS PROFIT MARGIN	(*)	7,368	51.9%	5,999	52.9%	22.8%
EBITDA	(**)	(749)	-5.3%	(1,643)	-14.5%	54.4%
EBIT	(***)	(1,432)	-10.1%	(2,363)	-20.8%	39.4%
PROFIT (LOSS) BEFORE TAXES		(1,469)	-10.3%	(1,474)	-13.0%	0.3%
PROFIT (LOSSES) FROM DISCONTINUED OPERATIONS		0	0.0%	369	3.3%	-100.0%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(2,038)	-14.3%	(1,227)	-10.8%	-66.1%

For a breakdown of effects arising from purchase price allocation, see the notes on page 12.

(*) Gross profit = difference between revenues from sale of products and services and consumption of raw materials.

(**) EBITDA, an intermediate figure, is earnings before amortisation, depreciation and impairment of non-current assets, financial income and expenses, the valuations of affiliates at equity and of income taxes for the period. This is a measure used by the Group to monitor and assess its operating performance. Since the composition of EBITDA is not regulated by the reference accounting standards, the determination criteria applied by the Group may not be the same as that used by others and may therefore not be comparable.

(***) EBIT, or earnings before financial income and expenses, the valuations of affiliates at equity and income taxes for the period.

Balance sheet and financial highlights

€'000	at March 31, 2014	at December 31, 2013	at March 31, 2013
NET NON-CURRENT ASSETS	91,991	91,880	111,248
NET WORKING CAPITAL	15,758	12,054	21,105
NET INVESTED CAPITAL*	97,180	92,986	121,535
ASSETS HELD FOR SALES	0	0	9,389
SHAREHOLDERS' EQUITY	106,012	108,099	113,922
NET FINANCIAL POSITION	(8,832)	(15,113)	17,002

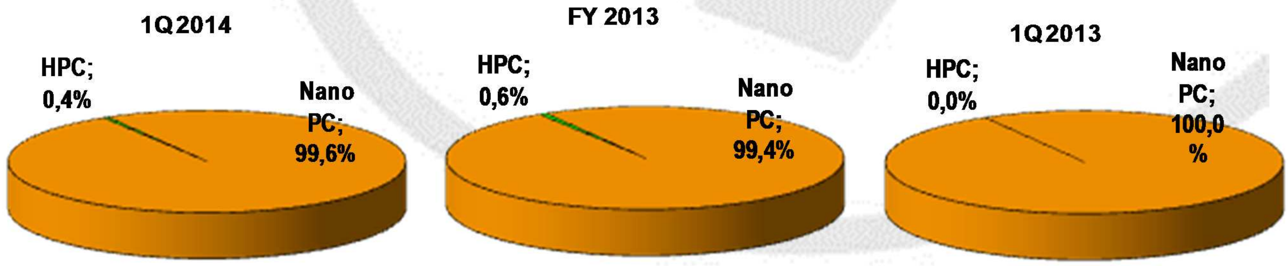
(*) Non-current non-financial assets, plus working capital, less non-current non-financial liabilities.

Employee headcount

	at March 31, 2014	at December 31, 2013	at March 31, 2013
NUMBER OF EMPLOYEES	359	354	361

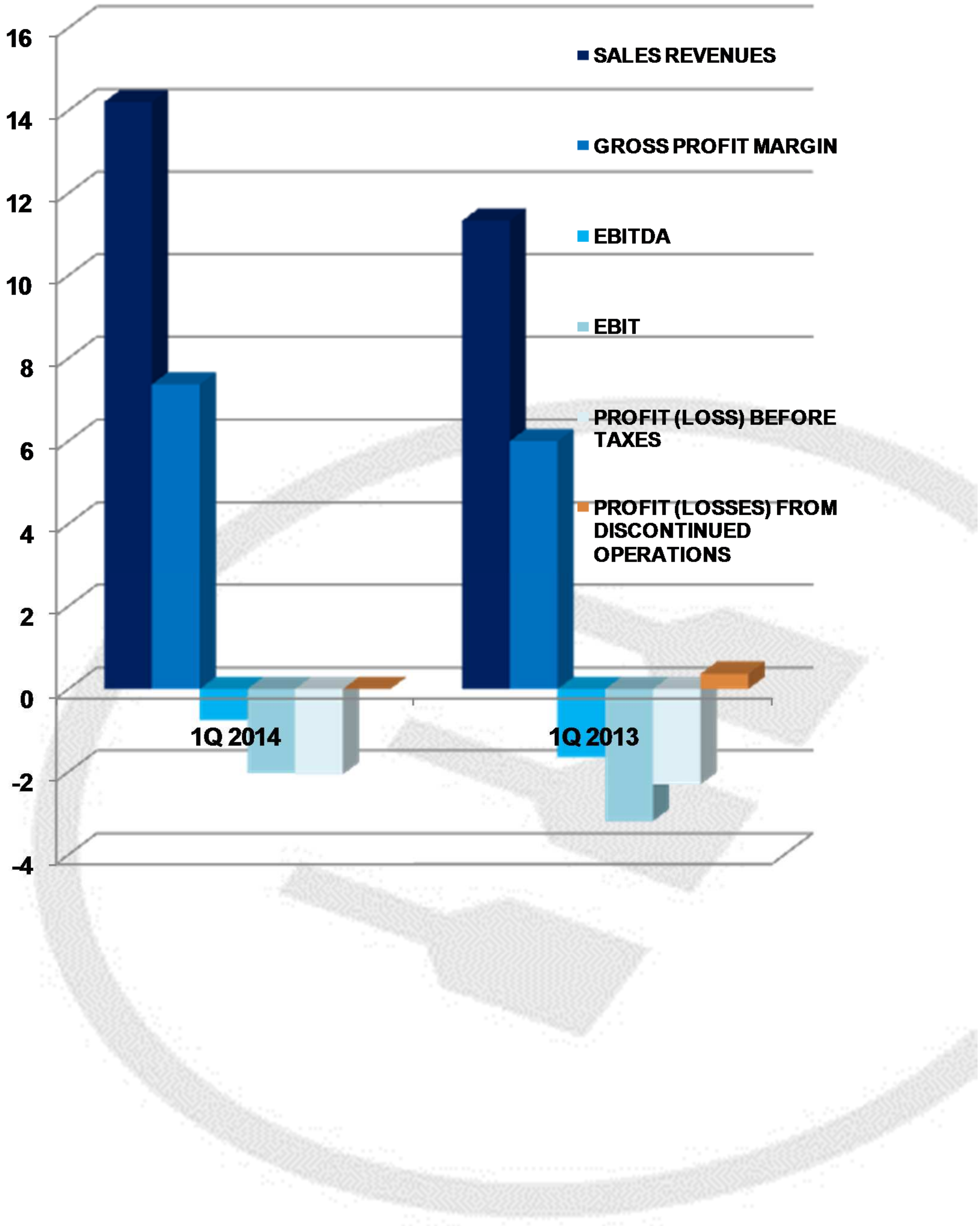
Revenues by business line

(€'000)	NanoPC				High Performance Computer				Total			
	1Q 2014	1Q 2013 Restated^	% YoY Change	FY 2013	1Q 2014	1Q 2013 Restated^	% YoY Change	FY 2013	1Q 2014	1Q 2013 Restated^	% YoY Change	FY 2013
Sales revenues	14,155	11,334	24.9%	65,729	54	1	n.s.	377	14,209	11,335	25.4%	66,106



The business lines covered by the Group are 'NanoPCs' and 'HPCs' (high performance computers). The NanoPC line comprises miniaturised electronic modules and systems for the transport, industrial, medical, logistics, defence and security sectors, while the HPC line consists of highly energy-efficient supercomputers featuring high computing capacity, which has in the past targeted universities and research institutes, and now also has applications in services and industry.

Performance



Information for shareholders

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.

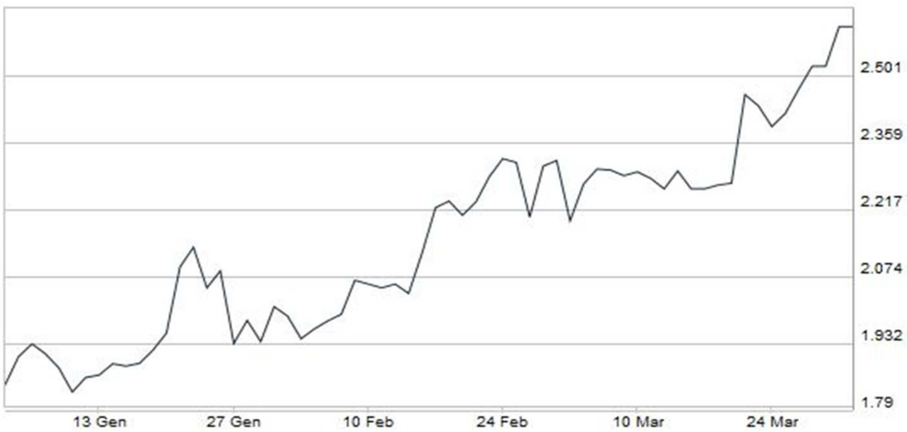
Share capital of Eurotech S.p.A. at 31 March 2014

Share capital	EUR 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	1,217,020
Stock market capitalisation (based on the share's average price in March 2014)	EUR 93 million
Stock market capitalisation (based on the share's reference price at 31 March 2014)	EUR 92 million

Performance of Eurotech S.p.A. shares

Absolute performance of EUROTECH S.p.A. shares
01.01.2014 – 31.03.2014

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

The Eurotech Group

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 Japan, 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: 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 through a network and communicating.
Within this overall vision, Eurotech works on the research, development, engineering and marketing of special-purpose miniaturised computers (NanoPCs) and of high-performance, high energy efficiency supercomputers (HPCs). NanoPCs and HPCs are the two major classes of devices that, by connecting to and co-operating with each other, form that pervasive computing infrastructure that historically we have referred to as "pervasive computing grid" and that now we call "Internet of Things".

In the NanoPC segment, the Group's offering differs 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 (i.e. placed inside a device or system), often used as a component of 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 many types of applications, both conventional and emerging. Eurotech is most active in the transport, industrial, medical, defence, security and logistics sectors. The aspect 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 choose Eurotech because they want to minimise the Total Cost of Ownership of their projects or systems. 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 segment, Eurotech designs and creates green supercomputers with huge computing capacity in a small space, created via mass and parallel connection of high-performance miniaturised computers. These supercomputers – in the past aimed at cutting-edge research institutes, computing centres, and universities – are turning out to be indispensable in advanced sectors such as nanotechnology, biotechnology and cyber security. We also expect them to have a significant impact also in the medical and industrial fields in the near future.

While we continue to enhance our established NanoPC and HPC offering, we more and more address the challenge of creating end-to-end solutions to seamlessly interconnect distributed smart objects and move valuable data between machines, leveraging on the Cloud IT infrastructure.
With a tiny, connected computer attached, any object can generate a data stream and potentially become an asset monitored via the web: from a vending machine to a money bundle, from an agricultural vehicle to a rail crossing. But to create the so-called Internet of Things you must manage the interface between real world and digital world, between sensors and web, between devices and Cloud.

At Eurotech, we know how to process significant data in real world applications, how to move it into the Cloud and how to make it actionable for business processes and applications. Today, our boards, systems and devices can be easily plug into the Cloud infrastructure, both public or private, through our Everywere Cloud software platform, that quickly connects smart objects to build distributed systems for M2M application. Thanks to our platform, our partners and customers can build flexible solutions that support new value-add services and asset monitoring applications in several operating environments.

Summary of performance in the first quarter of 2014 and expected business progress

Introduction

The interim management statement of the Eurotech Group at 31 March 2014, which has not been independently audited, and the financial statements for comparative periods were drawn up according to the IASs/IFRSs issued by the International Accounting Board and endorsed by the European Union.

Group results at 31 March 2014 and of the periods compared were drawn up according to the IAS/IFRSs in effect on the date of preparation and prepared on the basis of Annex 3D of Issuers' Regulations no. 11971 of 14 May 1999 as amended and supplemented.

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

Reporting policies

The consolidated financial statements were drafted on the basis of financial statements to 31 March 2014 prepared by the consolidated companies and adjusted, where necessary, to align them with the Group's IFRS-compliant accounting and classification policies.
The accounting standards and consolidation methods used to prepare the consolidated quarterly report are consistent with those used in the Group's consolidated financial statements to 31 December 2013, to which readers are invited to refer, except for the adoption of the new standards, amendments and interpretations in effect since 1 January 2014.

The Group adopted several standards and amendments for the first time, but they did not entail any amendment and/or restatement of the previous financial statements; they include IAS 32 Financial instruments: Presentation; IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements; IFRS 12 Disclosure of Interests in Other Entities and IAS 28 (2011) Investments in Associates and Joint Ventures
Taxes have been calculated based on the best possible estimates. According to the criterion used for translation into euro of accounts expressed in different currencies, balance sheets are translated at the exchange rate in effect on the final day of the accounting period, and income statements are translated at the average exchange rate for the period. Differences arising from translation of the balance sheets and income statements are posted to a balance sheet reserve.

Unless otherwise specified, the financial statements, tables and explanatory notes are expressed in thousands of euro (€'000).

In accordance with CONSOB requirements, income statement figures are shown for the quarter under review and are compared with data for the same period in the previous financial year (FY). Restated balance sheet figures, which refer to the closing date of the quarter, are compared with the closing date of the previous FY.

The format of the financial statements is the same as that used in the half-yearly report and in the annual financial statements.

This document presents some alternative performance indicators to allow for better evaluation of the Group's economic and financial performance. These are as follows:
- Gross profit, or the difference between revenues from sales and services and use of materials
- EBITDA, or earnings before amortisation, depreciation and write-downs, financial income and expenses, the valuations of affiliates at equity and income taxes for the period
- EBIT, or earnings before financial income and expenses, the valuations of affiliates at equity and income taxes for the period.

Operating performance in the period

The quarter just ended was characterised by a recovery of turnover compared to last year and by a number of investments in the various company areas, which increased the operating costs in absolute value but that, on the level of incidence on turnover, still remain below what was recorded in previous years. Controlling costs is still one of the major goals in order to be able to get a breakeven result as soon as possible.
The aim of the investments being made on the structure and on personnel is to strengthen the Group's ability to present the new offer of M2M platforms, security and surveillance solutions, and green HPC on the market. These investments should generate visible results in terms of order intake during the upcoming quarters.
Group revenues for 1Q14 were €14.21 million compared to €11.33 million in 1Q13. The increase comes from the higher turnover generated by customers in the American area, and above all in the Japanese area, which last year presented a weak first quarter. The trend of the first quarter historically is not very meaningful since it is the weakest of the year, nonetheless management considers the dual-digit percentage growth as a good start.

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[A] relating to the business combinations of Dynatem Inc. and of Advanet Inc., while those coming from Applied Data Systems Inc. (today Eurotech Inc.) were concluded on 31 December 2013.

The following is a summary of interim results with and without the effects of PPA:
- EBIT would have come out at €-1.43 million, rather than €-2.03 million
- the pre-tax loss would have been €-1.47 million, rather than €-2.06 million
- the consolidated net loss would have been €-2.04 million rather than €-2.40 million.

Maintaining the gross margin at the target levels set by management is without a doubt another indicator that lets us look at the expected performance of this 2014 in a positive manner.
The gross margin of 1Q14 was €7.37 million or 51.9% as a percentage of revenues (compared to 52.9% as a percentage of revenues in 1Q13 and 49.6% at the end of 2013).

[A] More specifically, the effects of recognition in accounts of PPA relating to the business combinations concerning Dynatem Inc. and the Advanet Group (for Applied Data Systems Inc. for 2013 only) are as follows

- depreciation, amortisation and impairment: €594 thousand (€827 thousand at 31 March 2013), equal to the higher amortisation charged to the higher value attributed to intangible assets (and in particular to customer relationships). The higher amortisation is attributable to the higher values assigned to the Dynatem Inc. cash generating unit and Advanet Group (for Eurotech Inc. - formerly Applied Data Systems Inc. and Arcom Control Systems Inc. in 2013 only);
- lower income taxes: €235 thousand (€325 thousand at 31 March 2013) resulting from the tax effect on adjustments made.

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

In the quarter in question, operating costs gross of adjustments increased by €219 thousand from € 8.21 million in 1Q13 to €8.43 million in 1Q14.
Due to the performance of revenues mentioned above, the impact of gross operating costs on revenues decreased from 72.4% in 1Q13 to 59.3% in 1Q14.
The slight rise in absolute value reflects the greater investments made and affected the Group's EBITDA, partially offsetting the positive effect of the increased revenues.

In the first quarter, EBITDA amounted to €-749 thousand (-5.3% of revenues) compared to €-1,643 thousand for 2013 (-14.5% of revenues).

EBIT was €-2.03 million in 1Q14 (-14.3% of revenues): the reduction of loss of €1.16 million by comparison with the 2013 quarter (€-3.19 million) reflects the higher revenues generated which were only partly offset by a reduction in gross margin and operating costs.
This performance is tied to the EBITDA result already discussed above. It was also affected by depreciation and amortisation in the income statement in the first quarter of 2014, arising both from operating assets that became subject to depreciation at 31 March 2014 and from PPA effects relating to the acquisitions of Dynatem Inc. and Advanet Inc. The effect on EBIT of the higher values attributed as a result of PPA was €0.59 million in Q1 2014, compared with €0.83 million in Q1 2013.

In 1Q14, the net financial result was €-37 thousand compared with the positive value of €889 thousand in 1Q13. They were particularly affected by the different exchange rates in terms of average values in the periods considered and to a lesser extent the reduction in financial charges.
For further details, see explanatory note J.

In the quarter in question the pre-tax loss was €2.06 million, while 1Q13 had a loss of €2.30 million. The reduction of €0.24 million reflects the combined effect of the €1.16 million increase in EBIT and the more negative performance of the net financial result for €0.92 million due to the different performance of exchange rates.
PPA effects on the pre-tax result amounted to €0.59 million in Q1 2014, compared with €0.83 million in Q1 2013.

The Group net result was €-2.40 million for the quarter (€-1.73 million in 1Q13). The trend, besides reflecting the dynamics of the result before tax, is due to the different tax burden of the Group companies as a whole.

Financial statements and explanatory notes

The trend in operating performance can be seen in the restated consolidated income statement and is shown below, in both absolute amounts and percentage terms:

Consolidated income statement

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

OPERATING RESULTS (€/000)	1Q 2014	1Q 2013
Net profit (loss) before minority inerest (A)	**(2,397)**	**(1,729)**
Other elements of the statement of comprehensive income		
Other comprehensive income to be reclassified to profit or loss insubsequent periods:		
Net profit (loss) from Cash Flow Hedge	(1)	9
Tax effect	-	-
	(1)	*9*
Foreign balance sheets conversion difference	*1,012*	*(4,822)*
Exchange differences on equity investments in foreign companies	4	615
Tax effect	-	-
	4	*615*
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)	*1,015*	*(4,198)*
Comprehensive net result (A+B)	**(1,382)**	**(5,927)**
Comprehensive minority interest	**0**	**0**
Comprehensive Group net profit (loss) for period	**(1,382)**	**(5,927)**

See notes on page 20.

Consolidated balance sheet

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

Net financial debt

Pursuant to the CESR recommendation of 10 February 2005, the following table shows the Group's net financial debt at 31 March 2014, breaking it down by due date and comparing it with the situation at 31 March 2013 and 31 December 2013:

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

Working capital

The Group's working capital at 31 March 2014, compared with the situation at 31 March 2013 and 31 December 2013, is as follows:

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

Cash flow

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

A – Eurotech Group business

The Eurotech Group operates in the segments of miniaturised computers for special uses (NanoPCs) and supercomputers with energy efficient high-performance computing capability (HPCs).

The NanoPC business line is represented by miniaturised electronic modules and systems, currently targeting the transport, industrial, defence, security, medical and logistics sectors.
Activity in this segment is carried out by Eurotech S.p.A., I.P.S. Sistemi Programmabili Srl and SAEE Srl, which mainly operate in Italy, as well as Dynatem Inc. and Eurotech Inc. (USA), which mainly operate in the US, Eurotech Ltd. (United Kingdom), which mainly operates in the UK, Eurotech France SAS (France), which mainly operates in France, and Advanet Inc. (Japan), which mainly operates in Japan. Our NanoPC products are marketed under the trademarks Eurotech, Dynatem, IPS and Advanet.

The HPC line consists of green supercomputers currently targeting universities, research institutes and data-processing centres.

Eurotech shares (ETH.MI) have been listed on the STAR segment of Borsa Italiana (the Italian stock exchange) since 30 November 2005.

B – Basis of consolidation

The companies included in the basis of consolidation on a line-by-line basis at 31 March 2014 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%
E-Tech USA Inc.	Columbia (USA)	USD	8,000,000	100.00%
Eth Devices S.r.o.	Bratislava (Slovakia)	€	10,000	100.00%
Eurotech France S.A.S.	Venissieux Cedex (France)	€	795,522	100.00%
Eurotech Inc.	Columbia (USA)	USD	26,500,000	100.00%
Eurotech Ltd.	Cambridge (UK)	GBP	33,333	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Via Piave, 54 – Caronno Varesino (VA)	€	51,480	100.00%
Saee S.r.l.	Via Fratelli Solari, 5 – Amaro (UD)	€	15,500	100.00%
EthLab S.r.l.	Viale Dante, 300 – Pergine (TN)	€	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.

Subsidiaries valued at equity

Chengdu Vantron Technology Inc.	Chengdu (China)	45.00%
Delos S.r.l. in liquidation	Via Roberto Cozzi 53 – Milan	40.00%
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%

Other minor companies measured at cost

Kairos Autonomi	Salt Lake City (USA)	19.00%

No changes took place in the subsidiary and associate companies from 31 December 2013.

The following table provides information on the exchange rates used to translate foreign companies' financial statements into the Eurotech Group's presentation currency (the euro). The rates correspond to those released by the Italian Foreign Exchange Bureau (Ufficio Italiano Cambi).

Currency	Average 3Months 2014	As of March 31, 2014	Average 2013	As of December 31, 2013	Average 3Months 2013	As of March 31, 2013
British pound sterling	0.82787	0.82820	0.84926	0.83370	0.85111	0.84560
Japanese Yen	140.79778	142.42000	129.66267	144.72000	121.79500	120.87000
USA Dollar	1.36963	1.37880	1.32812	1.37910	1.32063	1.28050

C - Revenues

As previously mentioned, in applying IFRS 5 the data referring to 31 March 2013 do not include the turnover of the US subsidiary Parvus Corp. and therefore cannot be compared with the data presented previously.
The revenues achieved by the Group in 1Q14 amounted to €14.21 million (€11.33 million in 1Q13, which would be €10.72 million at exchange rates equal to current ones), up €2.87 million or 25.4% more than that of the same period of the previous year. This performance is partly due to turnover achieved after deliveries were shifted from year-end 2013 to 2014 and in part to recovery of revenues in the Japanese area compared to 1Q13, which recorded a drop compared to the historical trend. Group visibility for the first half is still good, with constant monitoring for the Group's most important geographic areas, i.e. North America and Japan.

The breakdown of revenues by individual business line and related changes are as follows:

SALES BY BUSINESS SEGMENT	1Q 2014	%	1Q 2013	%	Var. %
NanoPC	14,155	99.6%	11,334	100.0%	24.9%
High Perf. Computer	54	0.4%	1	0.0%	5300.0%
TOTALE SALES AND SERVICE REVENUE	**14,209**	**100.0%**	**11,335**	**100.0%**	**25.4%**

In NanoPCs, revenues came in at €14.16 million in the 1Q14, compared with €11.33 million in 1Q13.
HPC revenues were fairly insignificant in 1Q14 (€54 thousand) compared with a practically zero value in 1Q13. The HPC business line is still characterised by a limited number of customers, generally from the world of science and research and today also from the service sector, and this makes the distribution of revenue unequal over time

The NanoPC segment is divided by region as follows:

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1Q 2014	1Q 2013	% YoY Change	1Q 2014	1Q 2013	% YoY Change	1Q 2014	1Q 2013	% YoY Change	1Q 2014	1Q 2013	% YoY Change	1Q 2014	1Q 2013	% YoY Change
Third party Sales	3,416	3,223		4,738	4,092		6,001	4,019		0	0		14,155	11,334	
Infra-sector Sales	76	149		494	1,153		6	189		(576)	(1,491)		0	0	
Total Sales revenues	3,492	3,372	3.6%	5,232	5,245	-0.2%	6,007	4,208	42.8%	(576)	(1,491)	61.4%	14,155	11,334	24.9%

The North American business area's revenues totalled €3.42 million in 1Q14 and €3.22 million in 1Q13, with a 6.0% YoY increase. This increase is the effect of the prospects that are being fulfilled in that area by virtue of the existing orders, which should generate higher revenues particularly in the second half of the year. The policy of developing sales to key customers with significant orders is essential for medium/long term growth in sales, but in the short term led to an unequal distribution of sales over the course of the quarters.
The European business area reported an increase from €4.09 million of 1Q13 to €4.74 million of 1Q2014 (+15.8%) mainly due to the translation of the new orders of last year in the British area into revenues. In looking at the European area as a whole, a slowdown in acquiring orders is noted, and this is due to an economic situation still marked by stagnation.
The Asian business area showed a significant increase of 49.3% from €4.02 million to €6 million. This increase would be even greater if compared to constant exchange rates (1Q2014 recorded a 15.6% depreciation of the Yen-Euro exchange rate compared to 1Q2013) and takes the level of revenues back to the best historical levels after a momentary drop in sales to a key local customer in Q12013 led to sales being postponed to subsequent quarters.

The following table shows the geographical breakdown of revenues based on customer location:

BREAKDOWN BY GEOGRAPHIC AREA	1Q 2014	%	1Q 2013	%	var. %
European Union	1,973	13.9%	2,498	22.0%	-21.0%
United States	5,252	37.0%	3,986	35.2%	31.8%
Japan	6,000	42.2%	4,001	35.3%	50.0%
Other	984	6.9%	850	7.5%	15.8%
TOTAL SALES AND SERVICE REVENUES	**14,209**	**100.0%**	**11,335**	**100.0%**	**25.4%**

As regards the amounts by geographic area shown in the table, sales in the United States rose 31.8% and this caused a 37.0% incidence of the United States area on total revenues of 1Q2014 compared to 35.2% of 1Q2013. The effect pointed out here, compared to the previous table, is to be attributed to the revenues of one American customer in the transport sector handled by the British subsidiary.

Similar to what happened at year-end 2013, the Japanese area contributed to 42.2% of the Group's revenues and is therefore the leading market.
As for the European area - again with reference to customer localisation - the level of revenues decreased 21.0%, resulting in 13.9% of total revenues.

D – Costs of raw & auxiliary materials and consumables used

The item raw materials and consumables, which is closely linked to revenues, increased in the period under review from €5.34 million in 1Q2013 to €6.84 million in 1Q2014. In the period in question, there was a €1.50 million change (28%) in comparison with the increase in revenues of 25.4%. This disproportionate figure is mainly linked to the different mix of products sold in the two periods under comparison.

As a percentage of revenues, these costs increased from 47.1% in 1Q13 to 48.1% in 1Q14.

E – Service costs

Service costs rose by 9.1% from €2.92 million in 1Q13 to €3.19 million in 1Q14, an increase of €267 thousand in absolute terms. As a percentage of sales, these costs decreased from 25.8% in 1Q13 to 22.5% in 1Q14.
Against the current trend of past years when steps were taken to rationalise the structure, the increase is due to the new investments that the Group is making in the new business lines of the M2M platforms, security and surveillance solutions and the green HPCs for applications in industry and services. These investments are partly being made in the research and development area, and particularly in the sales and marketing area to get closer to the customers and to strengthen our presence on the markets.

F – Payroll costs

Payroll costs in the period under review decreased 2.0% from €4.71 million (41.5% of revenues) to €4.61 million (32.5% of revenues). Management pays close attention to the personnel area, also by virtue of the new hirings made and that will be made over the quarters to come.
Compared to 31 December 2013, headcount rose from 354 to 359.

The table below shows the Group headcount.

Employees	at March 31, 2014	at December 31, 2013	at March 31, 2013
Manager	11	11	11
Clerical workers	319	314	320
Line workers	29	29	30
TOTAL	**359**	**354**	**361**

G – Other provisions and costs

At 31 March 2014 this item included provision of €14 thousand for doubtful accounts (vs. € 57 thousand in 1Q13) and refers to provisions made to cover any non-collectability of trade receivables.
Other provisions and costs as a percentage of revenues were 1.5%, compared with 1.3% in the same period of 2013.

H – Other revenues

Other revenues showed a decrease of 45.1%. The item decreased from €567 thousand in 1Q13 to €311 thousand in the same period this year. Other revenues comprise the capitalisation of development costs for new solutions featuring highly integrated standard modules and systems for €287 thousand (€444 thousand in 1Q13), as well as miscellaneous income of €24 thousand (€280 thousand in 1Q13, comprising €110 of revenues generated by the parent company from the American company Parvus in application of IFRS5, which does not provide for the elimination of intercompany relations if the operating activities disposed of or held for sale are reclassified), while there were no operating grants in the period (like 1Q13).

I – Depreciation & amortisation and impairment

Depreciation and amortisation decreased by €270 thousand from €1.55 million in 1Q13 to €1.28 million in 1Q14, which was primarily due to the effect of translating foreign financial statements to Euro.

Amortisation relating to purchase price allocation, which at 31 March 2014 totalled €0.59 million, related entirely to customer relationships.

J – Financial income and expenses

The reduction in financial charges, which decreased from €1.11 million in 1Q2013 to €0.34 million in 1Q2014, was mainly due to the reduced losses on exchange rates relating to the trend of the USD and the GBP.

The absolute value and percentage on revenues of the main financial expense items were as follows:

- foreign exchange losses: €0.20 million at 31.03.2014 (1.4% as a percentage of revenues), compared with €0.93 million at 31.03.2013 (8.2% as a percentage of revenues)
- miscellaneous interest expenses: €124 thousand at 31.03.2014 (0.9% of sales), versus €170 thousand at 31.03.2013 (1.5% of sales).

Again as an effect of the reduced exchange rate delta, financial income as well shows a reduction of €1.69 million, down from €2.00 million of 1Q2013 to €0.31 million in 1Q2014.

(€'000)	1Q 2014	1Q 2013	change %
Exchange-rate losses	204	926	-78.0%
Interest expenses	124	170	-27.1%
Other finance expenses	17	12	41.7%
Financial charges	**345**	**1,108**	**-68.9%**

(€'000)	1Q 2014	1Q 2013	change %
Exchange-rate gains	282	1,960	-85.6%
Interest income	22	34	-35.3%
Other finance income	4	3	33.3%
Financial incomes	**308**	**1,997**	**-84.6%**
Net financial income	**(37)**	**889**	**-104.2%**
% impact on sales	**-0.3%**	**7.8%**	

K – Income taxes

Income taxes at 31 March 2014 amounted to a total of €334 thousand (of which €441 thousand for current taxes and €107 thousand in net deferred tax assets) compared to an impact of €203 thousand at 31 March 2013 (of which €18 thousand for current taxes and €185 thousand in net deferred tax liabilities), recording a decrease of €537 thousand.

L – Non-current assets

The minimum change in non-current assets between 31 December 2013 and 31 March 2014 of €0.11 million is mainly due to the course of business and is in part affected by the changes in exchange rates. The effects of net investments in tangible and intangible assets amounting to approximately €0.58 million were more than offset by depreciation and amortisation amounting to €1.28 million.
The most significant increases remain those in research and development which amounted to € 0.28 million during the quarter.

a – Intangible assets

The table below shows their composition and the main changes during the period:

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
OPENING BALANCE (A)	2,215	62,715	7,993	1,802	8,508	83,233
Changes as at March 31, 2013						
- Purchases	-	-	19	285	-	304
- Amortisation and impairment in period (-)	(319)	-	(143)	-	(594)	(1,056)
- Other changes	952	661	122	(945)	134	924
Total changes (B)	**633**	**661**	**(2)**	**(660)**	**(460)**	**172**
CLOSING BALANCE (A+B)	2,848	63,376	7,991	1,142	8,048	83,405

The carrying value of goodwill and trademarks with an indefinite useful life allocated to each of the cash-generating units is as follows:

Cash generating units	at March 31, 2014		at December 31, 2013	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	39,157	7,436	38,535	7,317
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	17,805	-	17,801	-
Eurotech Ltd. (ex Arcom Ltd.)	5,273	-	5,238	-
Eurotech France S.a.s.	1,051	-	1,051	-
Other	90	-	90	-
TOTAL	63,376	7,436	62,715	7,317

b – Property, plant and equipment

The table below shows their composition and the main changes during the period:

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	LEASED ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
OPENING BALANCE (A)	1,257	775	253	1,039	36	158	3,518
Changes as at march 31, 2014							
- Purchases	-	78	49	148	-	-	275
- Disposals	-	-	-	(2)	-	-	(2)
- Amortisation and impairment in period (-)	(9)	(83)	(35)	(84)	-	(10)	(221)
- Other changes	-	23	2	20	(13)	(24)	8
Total changes (B)	**(9)**	**18**	**16**	**82**	**(13)**	**(34)**	**60**
CLOSING BALANCE (A+B)	1,248	793	269	1,121	23	124	3,578

c - Other non-current financial assets

The item other non-current financial assets, amounting to €2,176 thousand (€2,342 thousand at 31 December 2013) fully refers to the residual credit coming from the sale of the company Parvus Corp. More specifically, it regards the amount of USD 3 million concerning the portion of the price bound to the purchaser's guarantee by an escrow deposit for 18 months, from 1 October 2013.

M – Working capital

Working capital rose by €3.70 million, from €12.05 million at 31 December 2013 to €15.76 million at 31 March 2014 due to the different flow of cash receipts and payments.
The drop in current assets of €0.71 million is primarily due to the reduction in trade receivables of €0.91 million, stocks and income tax credits totalling €0.27 million, just partly offset by a net increase in other current assets of €0.47 million.
The decrease of €4.41 million in current liabilities was due to an overall reduction in items such as trade payables (€2.80 million), tax payables (€0.60 million) and other current liabilities (€1.01 million).

N – Net financial position

The Group had a net cash of €8.83 million at 31 March 2014, compared to €15.11 million at 31 December 2013.
This change is mainly due to the use of cash for operating activities - in consideration of the historical seasonality of sales of the Eurotech Group that creates greater liquidity in the second half of the year - and the investments made, including those in own shares.
See the performance of cash flows on page 18.

As also done at 31 December 2013, the item short-term financial liabilities (in application of IAS 1.65) includes the medium to long term portion (€2.00 million) of a loan with regard to which not all the contractual terms and conditions were not fulfilled already at year-end, which was a contingent effect of failure to notify the sale of an important asset (Parvus Corp.) in advance. The parent company is waiting to receive the letter of waiver from the bank in order to be able to carry the loan to the due dates set out in the original repayment plan.

Medium-/long-term financial liabilities include principal on bank loans and finance leases falling due beyond 12 months.
Short-term financial liabilities mainly consist of current account overdrafts, the current portion of mortgage loans, and payables to other lenders falling due by 31 March 2015.

O – Changes in equity

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Actuarial gains/(losses) on defined benefit plans reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2013	8,879	39	136,400	4,196	(45,711)	(159)	(254)	(1,399)	(2,132)	8,240	108,099	-	108,099
2013 Result allocation	-	998	-	-	7,242	-	-	-	-	(8,240)	-	-	-
Profit (loss) as atMarch 31, 2014	-	-	-	-	-	-	-	-	-	(2,397)	(2,397)	-	(2,397)
Comprehensive other profit (loss)													
- Hedge transactions	-	-	-	-		(1)	-	-	-	-	(1)	-	(1)
- Foreign balance sheets conversion difference	-	-	-	1,012	-			-	-	-	1,012	-	1,012
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	4	-	-	4	-	4
Comprehensive result	-	-	-	*1,012*	-	*(1)*	-	*4*	-	*(2,397)*	*(1,382)*	-	*(1,382)*
- Other changes and transfers					-	-			(705)		(705)		(705)
Balance as at March 31, 2014	8,879	1,037	136,400	5,208	(38,469)	(160)	(254)	(1,395)	(2,837)	(2,397)	106,012	-	106,012

P – Significant events in the quarter

The main events occurring in the quarter were announced in the press releases listed below (the full text can be viewed on the Group website www.eurotech.com on the page http://www.eurotech.com/it/sala+stampa/news):

- 30/01/2014 Eurotech Obtains "Partner" Supplier Qualification from John Deere in its "Achieving Excellence" Programme
- 19/02/2014 Eurotech Announces DynaCOR 30-10, the New Core i7-based Fanless Computer Rack Mount, Ideal for Critical Environments
- 20/02/2014 Eurotech Announces the New Generation Embedded Module of the Catalyst Family
- 31/03/2014: Eurotech: Deposit of the Financial Statements at 31 December 2013.

In addition, the company attended the 2014 Star Conference in Milan on 26 March.

Other than those discussed in previous paragraphs, no other particularly significant events occurred in the quarter.

Q – Events after 31 March 2014

For events occurring since 30 September, please see the press releases listed below (the full text can be viewed on the Group's website www.eurotech.com on the page http://www.eurotech.com/it/sala+stampa/news):

– 02/04/2014 Eurotech: Everyware Software Framework (ESF) Added to the Intel Software Stack for the Internet of Things (IoT)
– 24/04/2014 Eurotech: Resolutions Passed by Ordinary Shareholders' Meeting on 24 April 2014

R - Risks and uncertainties

Reference should be made to the paragraphs "Main risks and uncertainties to which the Group is exposed" and "Financial risk management": objectives and criteria" contained in the 2013 Consolidated Financial Statements which set out the risks to which the Eurotech Group is exposed.

S – Disclosure

We also specify that:

- Group intercompany transactions take place at market prices and are eliminated during the consolidation process
- Group companies' related-party transactions form part of the normal course of business and are settled under arm's length conditions
- pursuant to CONSOB communication 15519/2005, there were no non-recurring economic components in the consolidated quarterly results to 31 March 2014
- pursuant to CONSOB communication DEM/6064296 of 28 July 2006, there were no atypical and/or unusual transactions carried out in the first quarter of 2014
- at 31 March 2014 the company held 1,217,020 treasury shares for a total value of €2,832 thousand: Changes were the following:

	No. of shares	Face value of a share (Thousand of Euro)	% share capital	Carrying value (€'000)	Average unit value
Status as at 1 January 2014	871,020	218	2.45%	2,140	2.46
Purchases	346,000	87	0.97%	706	2.04
Status as at 31 March 2014	1,217,020	305	3.43%	2,846	2.34

- as regards the requirements of Article 150, paragraph 1, of Italian Legislative Decree no. 58 of 24 February 1998, no members of the Board of Directors have executed transactions with Group companies in situations of potential conflict of interest.
- pursuant to Article 3 of Consob Resolution 18079 of 20 January 2012, Eurotech opts for the simplification scheme provided for by Articles 70, paragraph 8, and 71, paragraph 1-bis, of the

Regulation adopted by Consob by resolution 11971 of 14 May 1999 as amended, making use of the right to depart with the obligations to publish the information documents provided for by Annex 3B of the aforesaid Consob Regulation in the event of significant mergers, spin-offs, capital increases through contributions of goods in kind, acquisitions and sales.

Amaro, 14 May 2014

On behalf of the Board of Directors

Signed Roberto Siagri
Chairman

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Declaration of the Financial Reporting Manager

Amaro, 14 May 2014

D E C L A R A T I O N

PURSUANT TO ARTICLE 154 BIS, PARAGRAPH 2 – PART IV, TITLE III, CHAPTER II, SECTION V-BIS, OF LEGISLATIVE DECREE 58 OF 24 FEBRUARY 1998: "CONSOLIDATED FINANCE ACT, PURSUANT TO ARTICLES 8 AND 21 OF LAW 52 OF 6 FEBRUARY 1996"

I, Sandro Barazza,

Financial Reporting Manager of Eurotech S.p.A., with reference to the Consolidated Interim Management Statement at 31 March 2014 approved by the company's Board of Directors on 14 May 2014,

S T A T E

in compliance with the matters set forth under ex - art. 154 bis , section 2, letter - part IV, title III, chapter II, section V-bis of the Legislative Decree 58 of 24 February 1998, to the best of my knowledge, the Consolidated Interim Management Statement at 31 March 2013 corresponds to the accounting entries.

The Financial Reporting Manager
Signed Sandro Barazza

www.eurotech.com