EUROTECH

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Consolidated Interim Management report

at 30 September 2013

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: 13 November 2013
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in the Investors section of
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
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 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 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 shareholders at the Annual General Meeting of 21 July 2005. This term was extended by shareholders for the period 2008-2013 at the Annual General Meeting on 7 May 2007.

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] 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.

Performance highlights

Following the application of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* – during the preparation of the Consolidated Interim Management Statement at 30 September 2013, the results of the periods under comparison were also restated. For more details, see the note on page 14.

Income statement highlights

3rd Q 2013	%	3rd Q 2012 Restated^	%	% change	(€'000)		9M 2013	%	9M 2012 Restated^	%	% change
					OPERATING RESULTS						
15,000	100.0%	18,477	100.0%	-18.8%	SALES REVENUES		43,294	100.0%	55,234	100.0%	-216%
8,576	57.2%	10,304	55.8%	-16.8%	GROSS PROFIT MARGIN	(*)	22,901	52.9%	27,699	50.1%	-17.3%
865	5.8%	1,637	8.9%	-47.2%	EBITDA	(**)	(1,500)	-3.5%	600	1.1%	350.0%
(680)	-4.5%	(328)	-1.8%	-107.3%	EBIT	(***)	(6,207)	-14.3%	(5,016)	-9.1%	-23.7%
(634)	-4.2%	(832)	-4.5%	23.8%	PROFIT (LOSS) BEFORE TAXES		(5,362)	-12.4%	(6,116)	-11.1%	12.3%
1,202	8.0%	686	3.7%	75.2%	PROFIT FROM DISCONTINUED OPERATIONS		1,300	3.0%	1,015	1.8%	28.1%
(212)	-1.4%	(990)	-5.4%	78.6%	GROUP NET PROFIT (LOSS) FOR THE PERIOD		(4,772)	-11.0%	(5,438)	-9.8%	12.2%

(^) Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 30 September 2012, as they reflect the adjustments described on page 13.

Income statement net of the accounting effects of purchase price allocation

3rd Q 2013 adjusted	%	3rd Q 2012 Restated^ & adjusted	%	% change	(€'000)		9M 2013 adjusted	%	9M 2012 Restated^ & adjusted	%	% change
					OPERATING RESULTS						
15,000	100.0%	18,477	100.0%	-18.8%	SALES REVENUES		43,294	100.0%	55,234	100.0%	-216%
8,576	57.2%	10,304	55.8%	-16.8%	GROSS PROFIT MARGIN	(*)	22,901	52.9%	27,699	50.1%	-17.3%
865	5.8%	1,637	8.9%	-47.2%	EBITDA	(**)	(1,500)	-3.5%	600	1.1%	350.0%
102	0.7%	656	3.6%	-84.5%	EBIT	(***)	(3,804)	-8.8%	(2,152)	-3.9%	-76.8%
148	1.0%	152	0.8%	-2.6%	PROFIT (LOSS) BEFORE TAXES		(2,959)	-6.8%	(3,252)	-5.9%	9.0%
1,202	8.0%	686	3.7%	75.2%	PROFIT FROM DISCONTINUED OPERATIONS		1,300	3.0%	1,015	1.8%	28.1%
263	1.8%	(412)	-2.2%	163.8%	GROUP NET PROFIT (LOSS) FOR THE PERIOD		(3,315)	-7.7%	(3,755)	-6.8%	11.7%

(^) Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 30 September 2012, as they reflect the adjustments made described on page 13.

For a breakdown of effects arising from purchase price allocation, see the notes on page 16.

(*) 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.

Statement of financial position and financial highlights

€'000	at September 30, 2013	at December 31, 2012 Restated^	at September 30, 2012 Restated^
NET NON-CURRENT ASSETS	102,031	119,896	132,706
NET WORKING CAPITAL	12,563	23,731	28,400
NET INVESTED CAPITAL*	105,119	131,399	146,136
ASSETS HELD FOR SALES	8,100	0	0
SHAREHOLDERS' EQUITY	102,660	119,952	129,631
NET FINANCIAL POSITION	10,559	11,447	16,505

(*) Non-current non-financial assets, plus working capital, less non-current non-financial liabilities.
(^) Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2012 and 30 September 2012, as they reflect the adjustments described on page 13.

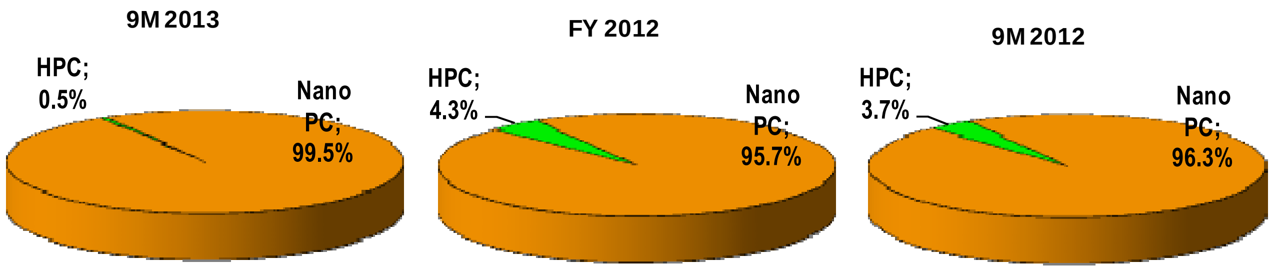
Employee headcount

	at September 30, 2013	at December 31, 2012	at September 30, 2012
EMPLOYEES	405	420	423

These figures include the headcount of Parvus Corp., that as at 30 September 2013 had 49 employees.

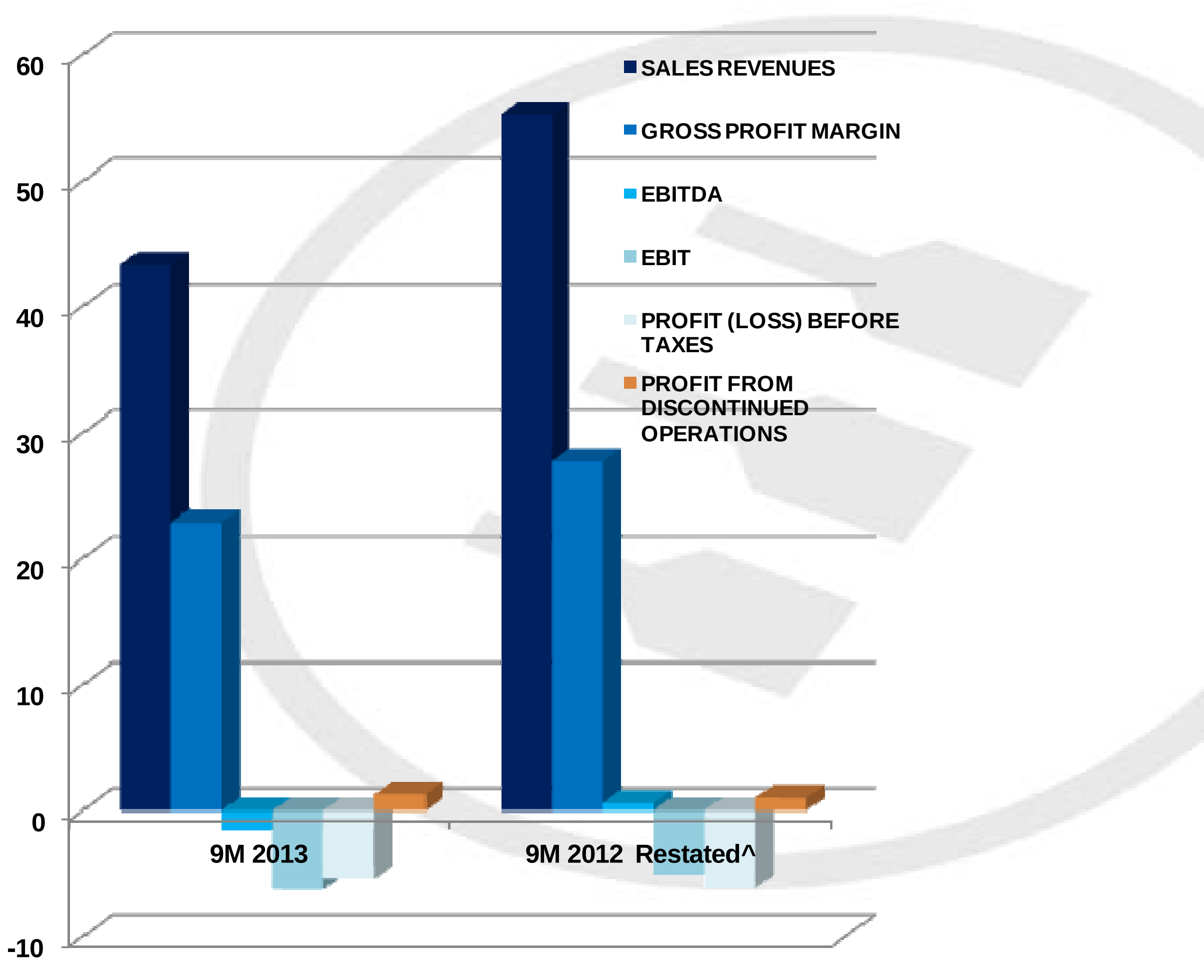
Revenues by business line

(€'000)	NanoPC				High Performance Computer				Total			
	9M 2013	9M 2012	% YoY Change	FY 2012	9M 2013	9M 2012	% YoY Change	FY 2012	9M 2013	9M 2012	% YoY Change	FY 2012
Sales revenues	43,086	53,197	-19.0%	75,368	208	2,037	-89.8%	3,372	43,294	55,234	-21.6%	78,740



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, security, defence, medical and logistics sectors, while the HPC line consists of highly energy-efficient supercomputers, 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.

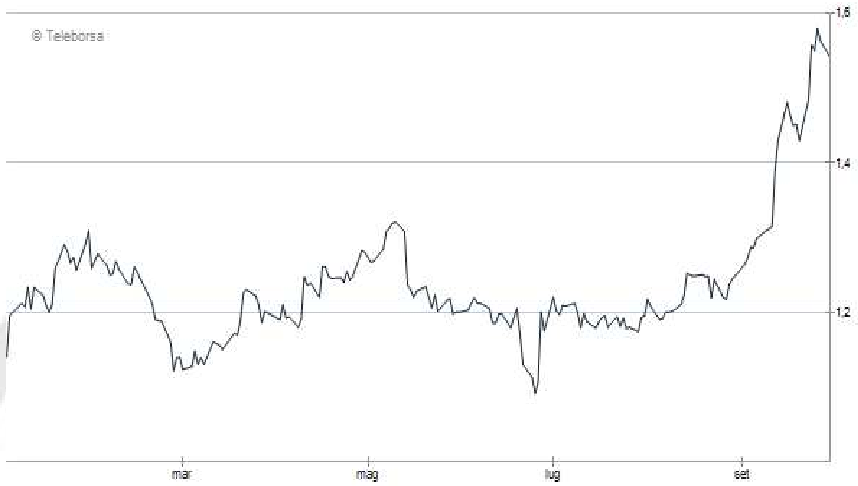
Share capital of Eurotech S.p.A. at 30 September 2013

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	420,410
Stock market capitalisation (based on the share's average price in September 2013)	€54 million
Stock market capitalisation (based on the share's reference price at 30 September 2013)	€55 million

Performance of Eurotech S.p.A. shares

Relative performance of EUROTECH S.p.A. shares
01.01.2013 – 30.09.2013

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 has operating offices 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: 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 to 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 highly energy-efficient, high-performance 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 we have previously referred to as the “pervasive GRID”, and which we now call the “Internet of Things”.

In the nanoPC segment, the Group’s offer 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. inserted into a device or a system), often used as component in OEM products;
- an application-ready subsystem or platform, used as elements 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 wired 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 offer 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 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 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 highly energy-efficient 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 in the medical and industrial fields in the near future.

While we continue to improve our overall offer of NanoPCs and HPCs, we are increasingly focused on the challenge of creating end-to-end solutions to seamlessly connect distributed smart devices and transmit essential data between machines, using Cloud IT infrastructure.
If it is equipped with a small interconnected computer, any object can generate a flow of data and potentially become an asset monitored via the web, whether a vending machine, a bundle of banknotes, an agricultural vehicle or a level crossing. To create the so-called "Internet of Things", however, it is paramount to manage the interface between real world and digital world, between sensors and the web, between devices and the Cloud.

At Eurotech, we know how to handle the important data of real-world applications, how to send it to the Cloud and how to make it usable for company processes and applications. Today, our boards, systems and devices can be easily integrated into a Cloud infrastructure, through our Everywhere Cloud software platform, which enables smart devices to be connected quickly to create and maintain distributed systems for M2M solutions. Thanks to our platform, our partners and customers can create flexible solutions that support new value-added services and asset monitoring applications in a variety of operational environments.

Summary of performance in the third quarter of 2013 and business outlook

Introduction

The consolidated quarterly report of the Eurotech Group at 30 September 2013, which has not been independently audited, and the statements for comparative periods were drawn up according to the IASs/IFRSs issued by the International Accounting Board and endorsed by the European Union.

The Group's results at 30 September 2013 and comparable periods were prepared according to the IASs/IFRSs in force on the date of preparation and the statements drawn up according to Annex 3D of the Italian Issuers' Regulation no. 11971 of 14 May 1999, as amended and supplemented.

On 11 July 2013, the Board of Directors of Eurotech gave the Executive Directors a mandate to conduct a valuation of the assets of US subsidiary Parvus Corp..
As set out in IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* – in drafting the Consolidated Interim Management Statement at 30 September 2013, all the net assets of the US subsidiary were restated as "held for sale" and the results of previous periods under comparison were also restated, where required.

Reporting policies

The consolidated financial statements were drafted on the basis of financial statements to 30 September 2013 prepared by the consolidated companies and adjusted, where necessary, to align them with the Group's IFRS-compliant accounting and classification policies.
The accounting policies and consolidation methods used to prepare the Consolidated Quarterly Report are consistent with those used in the Consolidated Annual Financial Report at 31 December 2012, to which we expressly invite readers to refer, except for the adoption of new standards, amendments and interpretations in force at 1 January 2013 and for the adoption of IFRS 5 relating to "assets held for sale".

For the first time, the Group adopted certain standards and amendments that required previous financial statements to be restated; these include IAS 19 *Employee Benefits,* IFRS 5 *Non-current Assets held for Sale and Discontinued Operations,* IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements.*

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, statement of financial position items are translated at the exchange rate in effect on the final day of the accounting period, and income statement items are translated at the average exchange rate for the period. Differences arising from translation of the statement of financial position and income statements are posted to a shareholders' equity 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.

The preparation of the financial statements and the related notes to the accounts required the use of estimates and assumptions, with particular reference to provisions for write-downs and risk reserves. Estimates are revised periodically, and any adjustment, following changes in the circumstances on which the estimate was based or in light of new information, is booked in the income statement. The use of estimates is an essential part of preparing the accounting statements, and is not prejudicial to their overall reliability.

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.

IAS 19 - Defined benefit plans

The Group has defined benefit pension plans both in Italy and Japan, and these require contributions to a separately managed fund.
IAS 19R was applied with retroactive effect from 1 January 2012. The expected yield from assets servicing the defined benefit plan has not therefore been booked to the income statement. The interest on the net liability of the defined benefit plan (net of the plan's assets) has however been booked to the income statement. Interest is calculated using the discount rate used to measure the net assets or liabilities of the pension plan.
Unvested past service costs can no longer be deferred to the period when they vest. All past service costs are recognised in the income statement at the earlier of the date on which the plan is modified, the date on which the related restructuring costs are recognised or the date on which the employment relationship comes to an end. Until 2012, unvested past servicing costs were recognised on a straight-line basis over the plan's average vesting period. With the move to IAS 19R, past service costs are recognised immediately on the income statement if the benefits vest immediately with the introduction or modification of the pension plan.

Impact of the move to IAS 19R

For the Group, the move to IAS 19R had an impact on the net obligation of the defined benefit plan of the Japanese subsidiary and on the employee severance indemnity of Italian companies due to the difference in the accounting of actuarial gains and losses, previously booked using the corridor method, while now the total amount is to be booked under "Other components of comprehensive income" and in a specific shareholders' equity reserve. As this is a change in the standard applied retrospectively, the previous year was restated, from 1 January 2012.

No impact was recorded in the income statement in the first nine months of 2013 or 2012.

There was also no significant impact on the condensed half-yearly cash flow statement or on the basic or diluted earnings per share figure.

Non-current Assets Held for Sale and Discontinued Operations

The non-current assets and groups for sale classified as held for sale are valued at the lower of their book value and their fair value stripping out sales costs. Non-current assets and groups for sale are classified as held for sale if their book value will be recovered through their sale rather than their continuous use. This condition is only considered to have been met if the sale is highly probable and the asset or group for sale is available for sale immediately in its current condition. The Management must be engaged in the sale, which must be completed within a year of the classification date.
Assets held for sale are not included in the result from operations, and are presented in a single line of the income statement showing the gain or loss net of taxes resulting from assets held for sale.

On 11 July 2013, the Board of Directors of Eurotech gave Executive Directors the task of valuing the assets of US subsidiary Parvus Corp. at values no lower than a certain limit. This valuation showed a potentially significant gain in relation to the book value of the shareholding and the related capital invested at consolidated level.
Based on this resolution, on 30 September, the assets of subsidiary Parvus Corp. were classified as held for sale.

The results for the first nine months of 2013 and 2012 of the entity undergoing the valuation are summarised below:

OPERATING RESULTS	9M 2013 (€/000)	9M 2013 ($/000)	9M 2012 (€/000)	9M 2012 ($/000)
Revenues from sales of products and	10,187	13,418	9,572	12,260
Cost of materials	(3,851)	(5,072)	(3,895)	(4,989)
Gross profit	**6,336**	**8,346**	**5,677**	**7,271**
Operating expenses	(4,325)	(5,696)	(4,383)	(5,614)
Other revenues	301	397	543	695
Profit before depreciation and amortization (EBITDA)	**2,312**	**3,047**	**1,837**	**2,352**
Depreciation & amortisation	(411)	(541)	(237)	(304)
Operating profit (EBIT)	**1,901**	**2,506**	**1,600**	**2,048**
Finance (expense) income	19	25	55	71
Profit before taxes from a discontinued operation	**1,920**	**2,531**	**1,655**	**2,119**
Income tax	(620)	(817)	(640)	(820)
Net profit (loss) from a discontinued operation	**1,300**	**1,714**	**1,015**	**1,299**

The main categories of assets and liabilities of the entity held for sale at 30 September 2013 and at 31 December 2012 are as follows:

	9M 2013 (€/000)	9M 2013 ($/000)	at December 31, (€/000)	at December 31, ($/000)
ASSETS				
Intangible assets	2,007	2,711	2,109	2,782
Property, Plant and equipment	147	199	163	215
Other non-current assets	6	8	6	8
Inventories	2,666	3,601	950	1,254
Other current assets	4,063	5,485	5,178	6,832
Cash & cash equivalents	919	1,241	2,415	3,186
Company assets	**9,808**	**13,245**	**10,821**	**14,277**
Goodwill	1,478		1,478	
Non-current assets classified as held for sale	**11,286**	**13,245**	**12,299**	**14,277**
LIABILITIES				
Total non-current liabilities	472	637	735	970
Current liabilities	2,714	3,666	2,778	3,665
Liabilities directly associated with non-current assets classified as held for sale	**3,186**	**4,303**	**3,513**	**4,635**
Net assets directly associated with disposal group	**8,100**	**8,942**	**8,786**	**9,642**

On 1 October 2013, Eurotech signed an agreement to sell the entire share capital of its subsidiary Parvus Corporation. The consideration for the transaction was set by the parties at USD 38 million (equivalent to approximately €28.1 million at current exchange rates), net debt free. This amount will be subject to an adjustment based on the working capital of Parvus Corporation at 30 September 2013. Positive adjustments in Eurotech's favour are capped at USD 300 thousand. The collection of the payment, net of the escrow for 18 months covering contractual warrantees, was USD 35 million on the closing date (1 October 2013), while the adjustment based on the working capital will be made within 150 days from such date.

Operating performance in the period

Like the previous quarters, the first nine months of 2013 were marked on the one hand by lower sales compared with the Group's historical performance, and on the other hand by confirmation that the measures put in place to cut operating costs continue to have the desired effects.
The decision to sell US subsidiary Parvus Corp. and its subsequent sale on 1 October 2013, changed the targets pursued by the Group over the year, and also opened up new growth and investment opportunities for the whole Group.
As stated above, the figures relating to operating assets represent the Group's results without taking into account the contribution that the subsidiary held for sale (Parvus Corp.) would have made if it were consolidated for the full nine months.

Group revenues decreased by 21.6%, from €55.23 million in the first nine months of 2012 to €43.29 million in the first nine months of this year.
Revenues continued to be influenced by customer requests both in North America and Japan to schedule deliveries in the last part of the year and the on-going difficult economic environment in Europe. The weakening compared with the previous year of the currencies in which the Group operates, particularly the yen, further widened the revenues gap versus 2012.

New orders intake remains positive, however: at constant exchange rates, the order book is higher than last year. In particular, there are some very positive signs regarding orders in the US, despite the drop in revenues on this market.

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)[A] relating to the business combinations of Applied Data Systems Inc. (now Eurotech Inc.), Dynatem Inc. and Advanet Inc..

The following is a summary of interim results with and without the effects of PPA:
- EBIT would have come out at €-3.80 million, rather than €-6.21 million
- the pre-tax loss would have been €2.96 million, rather than €5.36 million
- the consolidated net loss would have been €3.32 million rather than €4.77 million.

The gross profit margin came in at 52.9%, higher than the figure registered for the first nine months of 2012 and just above the 52.3% reported at year-end 2012. Over the third quarter, the Group improved its profit margins both compared with the first half of 2013 and the same period of 2012 on a same consolidation perimeter basis, owing to a product sales mix that was more profitable than past average.

In the nine months in question, gross of adjustments, operating costs were reduced by €2.94 million, from €28.73 million in the first nine months of 2012 to €25.80 million in the first nine months of 2013.
This had a positive impact on Group EBITDA, partly offsetting the negative impact of lower revenues.
Owing to the revenues performance commented on above, gross operating costs rose as a percentage of revenues, from 52.0% in the first nine months of 2012 to 59.6% in the first nine months of 2013.
As for revenues, the reduction in operating costs was partly due to the different exchange rate used to translate the financial statements of foreign companies. Having said that, as in previous quarters, the lower costs are also due to the measures undertaken by the management to make the Group's structure more efficient and lower the activation threshold for operating leverage. Due to the traditional distribution of revenues over the quarters, which for this year is likely to be more imbalanced in the fourth quarter, the ratio of fixed costs to revenues is expected to fall significantly, assessed over the 12 months.

EBITDA totalled €-1,500 thousand (-3.5% of revenues) for the first nine months of the year, compared with €600 thousand for 2012 (1.1% of revenues)

EBIT fell to €-6.21 million (-14.3% of revenues), from €-5.02 million in the first nine months of 2012 (-9.1% of revenues), reflecting the lower turnover generated, which was only partly offset by lower operating costs and depreciation and amortisation.
The EBIT figure reflects also the effects of depreciation and amortisation charged to the income statement in 9M13, as well as the trend in EBITDA mentioned previously. The depreciation and amortisation arose from both operating assets that became subject to depreciation in the reporting period, and from non-monetary effects of PPA relating to the acquisitions of Eurotech Inc. (formerly Applied Data Systems Inc.), Dynatem Inc. and Advanet Inc.. The effect on EBIT of the PPA amounts in 9M13 was €2.40 million, versus €2.86 million in 9M12.

[A] More specifically, the effects of recognition in accounts of PPA relating to the business combinations of Applied Data Systems Inc., Dynatem Inc. and Advanet Inc. are as follows:

- depreciation, amortisation and impairment: €2,403 thousand (€2,864 thousand at 30 September 2012), equal to the higher amortisation charged to the higher value attributed to customer relationships (intangible assets). In both periods, the higher amortisation is attributable to the higher values assigned to the Eurotech Inc. cash generating unit (formerly Applied Data Systems Inc.), Dynatem Inc. and Advanet Inc..
- lower income taxes: €946 thousand (€1,181 thousand at 30 September 2012) resulting from the tax effect on adjustments made

Net finance income was €0.84 million in the first nine months of 2013, versus net finance expense of €1.10 million in 9M12. This performance was affected by the different trend in exchange rates, in terms of average value in the periods under review, and lower financial charges.
Overall, foreign exchange differences had a positive effect on the period of €1,271 thousand (compared with a negative effect of €166 thousand in 9M12), while financial management relating to interest had an effect of €666 thousand (€891 thousand in 9M12). For greater detail, readers should refer to the comments made in Note “J”.

The Group booked a pre-tax operating loss in 9M13 of €5.36 million, versus a loss of €6.12 million in 9M12. This performance was influenced by the factors outlined above. The effects of price allocation on the pre-tax result amounted to €2.86 million in 9M12 and €2.40 million in 9M13.

The group net loss from current operations came to €6.07 million in the first nine months of 2013, compared with a net loss of €6.45 million in the same period last year. This performance not only reflects the pre-tax profit result, but is due to the tax burden on the Group’s various units.
Total PPA effects on the group net result from current operations in 9M13 amounted to €1.46 million (€1.68 million in 9M12).

The net result from assets held for sale reflects the net result for the period of US subsidiary Parvus Corp., which, owing to the application of IFRS 5, was entirely represented in this item.

The group net loss came to €4.77 million in the first nine months of 2013, compared with a loss of €5.44 million in the same period last year. This result includes both the result from current operations and that relating to assets held for sale.

The third quarter saws a decline in Group revenues of approximately 18.8%, and reflects the economic situation and the change in the distribution of sales over the year, commented on above: the Group registered 3Q revenues of €15.00 million (accounting for 34.6% of total January to September revenues), while the same quarter of 2012 showed revenues of €18.48 million (accounting for 33.5% of total revenues in the first nine months).
In 3Q13, the different sales mix led to a clear increase in the gross profit margin, which took the margin for the nine-month period to over 52%. The gross profit margin was 57.2% in 3Q13, compared with 55.8% in 3Q12. This performance confirms the soundness of the strategy being implemented, with some products offering higher margins with software and services included.
The interim results are influenced by the trend in operating costs and in depreciation and amortisation charged in the quarter. EBITDA was €0.87 million in the third quarter, with a margin of 5.8% on the quarter's revenues, while in the same quarter of 2012, EBITDA was €1.64 million, with an 8.9% margin on revenues.
EBIT was also influenced by the lower revenue figure in the third quarter of 2013, totalling €-680 thousand (-4.5% as a percentage of revenues), from €-328 thousand (-1.8% of revenues) in the same period of 2012. PPA had a negative effect on EBIT of €782 thousand in the third quarter of 2013 and €984 thousand in the same period a year previously.
The result from discontinued operations had a positive effect of €1.20 million in 3Q13, compared with €0.69 million in 3Q12.
These trends contributed to generate the interim 9M results mentioned above.

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	3rd Qtr 2013	%	3rd Qtr 2012 Restated^	%	9 months 2013 (b)	%	9 months 2012 Restated^ (a)	%	change (b-a) amount	change (b-a) %
CONTINUING OPERATIONS											
Sales revenue	C	15,000	100.0%	18,477	100.0%	43,294	100.0%	55,234	100.0%	(11,940)	21.6%
Cost of material	D	(6,424)	-42.8%	(8,173)	-44.2%	(20,393)	-47.1%	(27,535)	-49.9%	7,142	-25.9%
Gross profit		**8,576**	**57.2%**	**10,304**	**55.8%**	**22,901**	**52.9%**	**27,699**	**50.1%**	**(4,798)**	**17.3%**
Services costs	E	(2,900)	-19.3%	(3,305)	-17.9%	(9,020)	-20.8%	(10,198)	-18.5%	1,178	-11.6%
Lease & hire costs		(425)	-2.8%	(536)	-2.9%	(1,286)	-3.0%	(1,632)	-3.0%	346	-21.2%
Payroll costs	F	(4,554)	-30.4%	(5,038)	-27.3%	(14,238)	-32.9%	(15,893)	-28.8%	1,655	-10.4%
Other provisions and costs	G	(150)	-1.0%	(355)	-1.9%	(1,252)	-2.9%	(1,011)	-1.8%	(241)	23.8%
Other revenues	H	318	2.1%	567	3.1%	1,395	3.2%	1,635	3.0%	(240)	14.7%
EBITDA		**865**	**5.8%**	**1,637**	**8.9%**	**(1,500)**	**-3.5%**	**600**	**1.1%**	**(2,100)**	**350.0%**
Depreciation & Amortization	I	(1,545)	-10.3%	(1,965)	-10.6%	(4,707)	-10.9%	(5,616)	-10.2%	909	16.2%
Asset impairment	I	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	n/a
EBIT		**(680)**	**-4.5%**	**(328)**	**-1.8%**	**(6,207)**	**-14.3%**	**(5,016)**	**-9.1%**	**(1,191)**	**23.7%**
Share of associates' profit at equity		211	1.4%	(11)	-0.1%	240	0.6%	(43)	-0.1%	283	n.s.
Finance expense	J	(705)	-4.7%	192	1.0%	(1,736)	-4.0%	(1,888)	-3.4%	152	-8.1%
Finance income	J	540	3.6%	(685)	-3.7%	2,341	5.4%	831	1.5%	1,510	181.7%
Profit before tax		**(634)**	**-4.2%**	**(832)**	**-4.5%**	**(5,362)**	**-12.4%**	**(6,116)**	**-11.1%**	**754**	**-12.3%**
Income tax	K	(780)	-5.2%	(844)	-4.6%	(710)	-1.6%	(337)	-0.6%	(373)	110.7%
interest		**(1,414)**	**-9.4%**	**(1,676)**	**-9.1%**	**(6,072)**	**-14.0%**	**(6,453)**	**-11.7%**	**381**	**5.9%**
Minority interest	O	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**n/a**
ASSETS HELD FOR SALE											
Profit for the period from discontinued operations	O	**1,202**	**8.0%**	**686**	**3.7%**	**1,300**	**3.0%**	**1,015**	**1.8%**	**285**	**28.1%**
Group net profit (loss)	**O**	**(212)**	**-1.4%**	**(990)**	**-5.4%**	**(4,772)**	**-11.0%**	**(5,438)**	**-9.8%**	**666**	**12.2%**
Base earnings per share						**(0.136)**		**(0.155)**			
Diluted earnings per share						**(0.136)**		**(0.155)**			

(^) Some amounts shown in this column do not correspond with those shown in the condensed consolidated financial statements to 30 September 2012, as they reflect the adjustments made described on page 13.

OPERATING RESULTS (€/000)	9M 2013	9M 2012 Restated^
Net profit (loss) before minority inerest (A)	**(4,772)**	**(5,438)**
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	107	(50)
Tax effect	-	-
	107	*(50)*
Foreign balance sheets conversion difference	*(12,163)*	*247*
Exchange differences on equity method	-	*16*
Exchange differences on equity investments in foreign companies	(466)	14
Tax effect	-	-
	(466)	*14*
After taxes net other comprehensive income to be reclassified to profit or loss in subsequent periods (B)	*(12,522)*	*227*
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on defined benefit plans	2	1
Tax effect	(1)	-
	1	*1*
After taxes net other comprehensive income not being reclassified to profit orloss in subsequent periods (C)	*1*	*1*
Comprehensive net result (A+B+C)	**(17,293)**	**(5,210)**
Comprehensive minority interest	**0**	**0**
Comprehensive Group net profit (loss) for	**(17,293)**	**(5,210)**

(^) Some amounts shown in this column do not correspond with those shown in the condensed consolidated financial statements to 30 September 2012, as they reflect the adjustments made described on page 13.

See explanatory note on page 24.

Consolidated statement of financial position

(€'000)	Notes	at September 30, 2013	at December 31, 2012 Restated^
ASSETS			
Intangible assets		95,883	112,853
Property, Plant and equipment		3,687	4,756
Investments in affiliate companies		616	275
Investments in other companies		252	257
Deferred tax assets		1,013	1,083
Other non-current assets		580	672
Total non-current assets	L	**102,031**	**119,896**
Inventories		17,480	18,282
Contracts in progress		0	850
Trade receivables		12,031	26,641
Income tax receivables		213	362
Other current assets		1,912	2,170
Receivables from affiliates companies		3	0
Other current financial assets		101	144
Cash & cash equivalents		10,252	12,116
Total current assets		**41,992**	**60,565**
Non-current assets classified as held for sale		**11,286**	**0**
Total assets		**155,309**	**180,461**
LIABILITIES AND EQUITY			
Share capital		8,879	8,879
Share premium reserve		136,400	136,400
Other reserves		(42,619)	(25,327)
Group shareholders' equity	O	**102,660**	**119,952**
Equity attributable to minority interest	O	**0**	**0**
Total shareholders' equity	O	**102,660**	**119,952**
Medium-/long-term borrowing		7,133	10,327
Employee benefit obligations		1,810	1,896
Deferred tax liabilities		6,851	9,486
Other non-current liabilities		814	846
Total non-current liabilities		**16,608**	**22,555**
Trade payables		12,216	15,084
Trade payables from affiliates companies		273	0
Short-term borrowing		13,542	13,036
Derivative instruments		237	344
Income tax liabilities		703	2,103
Other current liabilities		5,884	7,387
Total current liabilities		**32,855**	**37,954**
Liabilities directly associated with non-current assets classified as held for sale		**3,186**	**0**
Total liabilities		**52,649**	**60,509**
Total liabilities and equity		**155,309**	**180,461**

(^) Some amounts shown in this column do not correspond with those shown in the consolidated financial statements to 31 December 2012, as they reflect the adjustments described on page 13.

Net financial debt

Pursuant to the CESR recommendation of 10 February 2005, the following table shows the Group's net financial debt at 30 September 2013, breaking it down by due date and comparing it with the situation at 30 September 2012 and 31 December 2012:

(€'000)		at September 30, 2013	at December 31, 2012	at September 30, 2012
Cash & cash equivalents	A	(10,252)	(12,116)	(10,712)
Cash equivalent	**B=A**	**(10,252)**	**(12,116)**	**(10,712)**
Short term borrowing allowed to affiliates companies	C	0	0	0
Other current financial assets	D	(101)	(144)	(100)
Derivative instruments	E	237	344	426
Short-term borrowing	F	13,542	13,036	12,526
Business aggregation liabilities	G	0	0	217
Short-term financial position	**H=C+D+E+F+G**	**13,678**	**13,236**	**13,069**
Short-term net financial position	**I=B+H**	**3,426**	**1,120**	**2,357**
Medium/long term borrowing allowed to affiliates companies	J	0	0	0
Other non current financial assets	K	0	0	(186)
Medium/long term borrowing	L	7,133	10,327	14,334
Medium-/long-term net financial position	**M=J+K+L**	**7,133**	**10,327**	**14,148**
(NET FINANCIAL POSITION) NET DEBT	**N=I+M**	**10,559**	**11,447**	**16,505**

Working capital

The Group's working capital as at 30 September 2013, compared with the situation at 30 September 2012 and 31 December 2012, is as follows:

(€'000)	Notes	at September 30, 2013 (b)	at December 31, 2012 (a)	at September 30, 2012	Changes (b-a)
Inventories		17,480	18,282	23,489	(802)
Contracts in progress		0	850	1,255	(850)
Trade receivables		12,031	26,641	21,796	(14,610)
Receivables from affiliates companies		3	0	0	3
Income tax receivables		213	362	495	(149)
Other current assets		1,912	2,170	2,570	(258)
Current assets		*31,639*	*48,305*	*49,605*	*(16,666)*
Trade payables		(12,216)	(15,084)	(13,104)	2,868
Trade payables from affiliates companies		(273)	0	0	(273)
Income tax liabilities		(703)	(2,103)	(1,487)	1,400
Other current liabilities		(5,884)	(7,387)	(6,614)	1,503
Current liabilities		*(19,076)*	*(24,574)*	*(21,205)*	*5,498*
Net working capital	M	**12,563**	**23,731**	**28,400**	**(11,168)**

The working capital figure at 30 September 2013 does not take into account the amount attributable to the working capital of subsidiary Parvus Corp., which was classified as "held for sale".

Cash flow

(€'000)	at September 30, 2013	at December 31, 2012 Restated^	at September 30, 2012 Restated^
Cash flow generated (used) in operations	7,313	7,432	187
Cash flow generated (used) in investment activities	(681)	(2,466)	(2,659)
Cash flow generated (absorbed) by financial assets	(4,236)	(4,516)	(875)
Net foreign exchange difference	(1,846)	(1,930)	463
Increases (decreases) in cash & cash equivalents	550	(1,480)	(2,884)
Opening amount in cash & cash equivalents	9,702	13,596	13,596
Cash & cash equivalents at end of period	10,252	12,116	10,712

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 comprises miniaturised electronic modules and systems, currently targeting the transport, industrial, medical, security, defence and logistics sectors.
Activity in this segment is carried out by Eurotech SpA, I.P.S. Sistemi Programmabili Srl and SAEE Srl, which mainly operate in Italy, as well as Parvus Corp., 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 products are marketed under the trademarks Eurotech, Parvus, Dynatem, IPS and Advanet.

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

Eurotech shares (ETH.MI) have been listed on the STAR segment of 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 30 September 2013 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.	Columbia (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. (2)	Salt Lake City (USA)	USD	119,243	100.00%
Saee S.r.l. in liquidation	Via Fratelli Solari, 5 Amaro (UD)	€	15,500	100.00%
EthLab S.r.l.	Via Dante, 300 – 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.
(2) Following application of IFRS 5, the company is consolidated, but booked under "assets held for sale".

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%

The main changes with regard to subsidiaries and affiliates compared with 31 December 2012 are as follows:

- on 31 January 2013, the Group signed an agreement with the shareholder of Vantron Inc. to buy 7% of the company, bringing the stake to 45% of the share capital.

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 9Months 2013	As of September 30, 2013	Average 2012	As of December 31, 2012	Average 9Months 2012	As of September 30, 2012
British pound sterling	0.85211	0.83605	0.81087	0.81610	0.81203	0.79805
Japanese Yen	127.37958	131.78000	102.49188	113.61000	101.61484	100.37000
USA Dollar	1.31711	1.35050	1.28479	1.31940	1.28082	1.29300

C - Revenues

Revenues earned by the Group amount to €43.29 million (€55.23 million in the first nine months of 2012), a decrease of €11.94 million (21.6%) on the same period of last year. The figure reflects the decline in North America, as described below.
As mentioned above, following the application of IFRS 5, the figures do not include the revenues of US subsidiary Parvus Corp. and are therefore not comparable with data presented previously.

For operating purposes, the Group is organised in business lines, also known as business segments: "nanoPC" and "HPC" (high performance computers) are the relevant segments. In view of the current predominance of the nanoPC segment it has been decided to provide disclosure on it on a geographical basis, in terms of the location of the Group's companies and based on the same criteria for monitoring activities as is currently used by top management.
The Group's geographical areas in the nanoPC segment are defined according to the location of Group assets and operations. The areas identified within the Group are: Europe, North America and Asia.

Revenues by business line

Revenue trends by individual business line and related changes were as follows:

3rd Q 2013	%	3rd Q 2012	%	SALES BY BUSINESS SEGMENT	9M 2013	%	9M 2012	%
14,959	99.7%	17,560	95.0%	NanoPC	43,086	99.5%	53,197	96.3%
41	0.3%	917	5.0%	High Perf. Computer	208	0.5%	2,037	3.7%
15,000	**100.0%**	**18,477**	**100.0%**	**TOTALE SALES AND SERVICE REVENUE**	**43,294**	**100.0%**	**55,234**	**100.0%**

NanoPC revenues decreased by 19.0%, from €53.20 million in the first nine months of 2012 to €43.09 million in the first nine months of 2013.
HPC revenues also fell compared with the previous year, from €2.04 million in 9M12 to €0.21 million in 9M13. The HPC business line's revenues are still marked by a few large orders for a limited number of customers.

Revenues of nanoPC segment by business geographical area

As specifically regards the nanoPC segment, revenues by geographical area can be further detailed as follows:

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	9M 2013	9M 2012	%YoY Change	9M 2013	9M 2012	%YoY Change	9M 2013	9M 2012	%YoY Change	9M 2013	9M 2012	%YoY Change	9M 2013	9M 2012	%YoY Change
Third party Sales	11,448	18,062		13,813	13,838		17,825	21,297		0	0		43,086	53,197	
Infra-sector Sales	459	1,376		2,905	4,675		187	751		(3,551)	(6,802)		0	0	
Total Sales revenues	11,907	19,438	-38.7%	16,718	18,513	-9.7%	18,012	22,048	-18.3%	(3,551)	(6,802)	47.8%	43,086	53,197	-19.0%

The North American business area's revenues totalled €11.91 million in 9M13 compared with €19.44 million in 9M12, down 38.7%. This fall is due to requests made by customers at the beginning of the year to shift deliveries in the fourth quarter of the year.
The European business area also registered an overall drop in revenues from €18.51 million in 9M12 to €16.72 million in 9M13, which represents a decrease of 9.7% including interregional sales. This fall was attributable to a general drop in revenues in some areas of Europe, due to stagnant demand in those countries.
The Asian business area saw revenues decrease by 18.3%, from €22.05 million to €18.01 million, mainly owing to the exchange rate effect resulting from the conversion of figures in yen into euro.

Revenues by customer geographical area

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

3rd Q 2013	%	3rd Q 2012	%	BREAKDOWN BY GEOGRAPHIC AREA	9M 2013	%	9M 2012	%	var. %
3,155	21.0%	3,587	19.4%	European Union	9,548	22.1%	11,583	21.0%	-17.6%
3,484	23.2%	5,799	31.4%	United States	12,641	29.2%	18,957	34.3%	-33.3%
7,633	50.9%	8,435	45.7%	Japan	17,788	41.1%	21,696	39.3%	-18.0%
728	4.9%	656	3.6%	Other	3,317	7.7%	2,998	5.4%	10.6%
15,000	**100.0%**	**18,477**	**100.0%**	**TOTAL SALES AND SERVICE REVENUES**	**43,294**	**100.0%**	**55,234**	**100.0%**	**-21.6%**

As regards the figures by geographical area shown in the table above, revenues in the US fell by 33.3%, but are expected to stage a marked recovery by the end of the year. The US contributed 29.2% to total revenues in the first nine months of 2013.
The Japan region registered a reduction of 18.0%, mainly due to the negative exchange rate effect due to the conversion of the Japanese subsidiary's financial statements.
In Europe, again with reference to customer location, turnover decreased by 17.6%, and accounted for about 22.1% of total revenues.

D – Costs of raw & auxiliary materials and consumables used

Costs of raw & auxiliary materials and consumables used, which relate in absolute terms to sales, fell in the period under review from €27.53 million in 9M12 to €20.39 million in 9M13.

As a percentage of revenues, consumption of raw & auxiliary materials and consumables fell to 52.9% in 9M13 (compared with 50.1% in 2012).

E – Service costs

Service costs decreased from €10.20 million in 9M12 to €9.02 million in 9M13, a decrease in absolute terms of €1.18 million, or 11.6%. This cost item decreased as a percentage of revenues from 18.5% in 9M12 to 20.8% in 9M13.
The decrease largely reflects careful cost containment by the Group and synergies generated.

F – Payroll costs

In the period under review, payroll costs decreased by 10.4%, from €15.89 million to €14.24 million. As well as reflecting the lower headcount, this reduction also reflects the different exchange rate for conversion of costs in yen into euro .

As shown in the table below, the Group's headcount (including that of Parvus, the cost of which is not however represented under payroll costs but incorporated into the result of assets held for sale) fell at the end of the period under review, from 423 (372 not including the employees of subsidiary Parvus Corp.) in 9M12 to 405 (356 not including the employees of subsidiary Parvus Corp.) in 9M13, a decrease of 15 versus 31 December 2012.

The table below shows the number of Group employees by category, in each of the periods compared:

Employees	at September 30, 2013	at December 31, 2012	at September 30, 2012
Manager	15	15	16
Clerical w orkers	330	344	343
Line w orkers	60	61	64
TOTAL	405	420	423

G – Other provisions and costs

At 30 September 2013, this item included a provision for doubtful accounts of €734 thousand (€337 thousand in the first nine months of 2012), and refers to provisions made for the possibility of uncollectable trade receivables. Specifically, the write-down for the year includes a prudential write-down of €0.57 million on a customer of subsidiary Eurotech Inc., which had already been partially written down at 31 December 2012. This receivable has now been written down to the tune of 70%.
Other provisions and costs as a percentage of revenues were 2.9% versus 1.8% in the same period in 2012.

H – Other revenues

Other revenues fell by €240 thousand, from €1.63 million in the first nine months of 2012 to €1.39 million 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 €1.01 million (€1.20 million in the first nine months of 2012), as well as miscellaneous income of €0.38 million (€0.41 million in the first nine months of 2012), while operating grants totalled zero (€17 thousand in 9M12).

I – Depreciation and amortisation

This item decreased by €909 thousand, from €5.62 million in 9M12 to €4.71 million in 9M13.

Amortisation relating to purchase price allocation, which at 30 September 2013 totalled €2.40 million, related entirely to the residual portion of the customer relationships of Eurotech Inc., Dynatem Inc. and Advanet Inc..

J – Financial income and expenses

The decrease in financial expenses, which went from €1.89 million in 9M12 to €1.74 million in 9M13, was mainly due to the combined effect of lower interests and greater exchange rate losses.

Financial income increased from €0.83 million in the first nine months of 2012 to €2.34 million in the first nine months of 2013. This increase is mainly due to greater foreign exchange gains in the current period.

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

- foreign exchange losses: €1.05 million at 30 September 2013 (2.4% as a percentage of revenues), compared with €0.95 million at 30 September 2012 (1.7% as a percentage of revenues)
- foreign exchange gains: €2.32 million at 30 September 2013 (5.4% as a percentage of revenues), compared with €0.79 million at 30 September 2012 (1.4% as a percentage of revenues)
- miscellaneous interest expenses: €689 thousand 30 September 2013, or 1.6% as a percentage of revenues, in line with the figure at 30 September 2012.

3rd Q 2013	3rd Q 2012	(€'000)	9M 2013	9M 2012	1H 2012
508	(473)	Exchange-rate losses	1,047	954	1,427
153	220	Interest expenses	519	765	545
0	47	Expenses on derivatives	101	119	72
44	14	Other finance expenses	69	50	36
705	**(192)**	**Financial charges**	**1,736**	**1,888**	**2,080**

3rd Q 2013	3rd Q 2012	(€'000)	9M 2013	9M 2012	1H 2012
531	(731)	Exchange-rate gains	2,318	788	1,519
4	0	Interest income	12	19	19
5	17	Other finance income	11	24	7
540	**(714)**	**Financial incomes**	**2,341**	**831**	**1,545**
(165)	**(125)**	**Net financial income**	**605**	**(1,057)**	**(535)**

K – Income taxes

Taxes at 30 September 2013 amount to €0.71 million (of which €1.49 million for current taxes and €0.78 million for net deferred tax assets) compared with tax of €0.34 million at 30 September 2012 (of which €1.80 million for current taxes and €1.46 million for net deferred tax assets), representing an increase of €0.37 million.

L – Non-current assets

The decrease in non-current assets between 31 December 2012 and 30 September 2013 of €17.86 million is due to the reclassification of the non-current assets of subsidiary Parvus Corp. under "assets held for sale" for

€3.64 million and to the change in operating assets for €14.22 million. This change was primarily due to foreign exchange rate changes, as well as net investments of about €1.20 million in property, plant and equipment and intangible assets before depreciation and amortisation totalling €4.71 million.
The most significant increase is related to intangible assets and is largely linked to projects to develop new products carried out by the Group.

a – Intangible assets

The table below shows their breakdown and 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)	2,268	81,180	10,607	4,020	14,778	112,853
Changes as at September 30, 2013						
- Purchases	218	-	106	774	-	1,098
- Disposals	-	-	-	-	-	-
- Amortisation and impairment in period (-)	(1,029)	-	(477)	-	(2,407)	(3,913)
Changes in consolidation area / IFRS5	(807)	(1,478)	(16)	(1,286)	-	(3,587)
- Other changes	1,598	(7,450)	(1,329)	(1,672)	(1,715)	(10,568)
Total changes (B)	**(20)**	**(8,928)**	**(1,716)**	**(2,184)**	**(4,122)**	**(16,970)**
CLOSING BALANCE (A+B)	2,248	72,252	8,891	1,836	10,656	95,883

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 September 30, 2013		at December 31, 2012	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Inc.	42,318	8,036	49,087	9,321
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	23,569	-	24,123	-
Eurotech Ltd. (ex Arcom Ltd.)	5,224	-	5,351	-
Eurotech France S.a.s.	1,051	-	1,051	-
Parvus Corp.	-	-	1,478	-
Other	90	-	90	-
TOTAL	72,252	8,036	81,180	9,321

b – Property, plant and equipment

The table below shows their breakdown and 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)	674	1,215	504	1,496	5	862	4,756
Changes as at Settembre 30, 2013							
- Purchases	-	7	36	60	-	-	103
- Disposals	-	-	-	-	-	-	-
- Amortisation and impairment in period (-)	(12)	(293)	(163)	(274)	-	(52)	(794)
Changes in consolidation area / IFRS5	-	-	(44)	(119)	-	-	(163)
- Other changes	(2)	(55)	(37)	(94)	-	(27)	(215)
Total changes (B)	**(14)**	**(341)**	**(208)**	**(427)**	**-**	**(79)**	**(1,069)**
CLOSING BALANCE (A+B)	660	874	296	1,069	5	783	3,687

M – Net working capital

Net working capital decreased by €11.17 million, from €23.73 million at 31 December 2012 to €12.56 million at 30 September 2013. Of this change, €1.80 million was due to the reclassification of Parvus Corp. figures.
The decrease of €16.67 million in current assets was mainly due to the decrease of customer receivables by €14.61 million (€11.31 million stripping out the effect of Parvus), due to the receipt of trade receivables and the low level of revenues, as well as the decrease in inventories and work in progress.
The decrease in current liabilities of €5.50 million (€2.98 million stripping out the effect of Parvus) was due to the combined effect of falls in trade payables, income taxes and other current liabilities.

N – Net financial position

The Group had net financial debt of €10.56 million at 30 September 2013 against net financial debt of €11.45 million at 31 December 2012.

The change is primarily due to the attempt to generate liquidity internally by reducing working capital.
See also Cash flow on page 22.

Medium-/long-term financial liabilities include principal on bank loans and finance leases falling due beyond 12 months except those mentioned above.
Short-term financial liabilities mainly consist of current account overdrafts, the current portion of mortgage loans, and payables to other lenders falling due by 30 September 2014.

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, 2012 Restated^	8,879	39	136,400	22,793	(42,949)	(344)	(220)	(523)	(1,340)	(2,783)	119,952	-	119,952
2012 Result allocation	-	-	-	-	(2,783)	-	-	-	-	2,783	-	-	-
2013 *(loss)*	-	-	-	-	-	-	-	-	-	(4,772)	(4,772)	-	(4,772)
- Hedge transactions	-	-	-	-	-	107	-	-	-	-	107	-	107
- Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	2	-	-	-	2	-	2
- Foreign balance sheets conversion difference	-	-	-	(12,163)				-	-	-	(12,163)	-	(12,163)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	-	(466)	-	-	(466)	-	(466)
Comprehensive result	-	-	-	*(12,163)*	-	*107*	*2*	*(466)*	-	*(4,772)*	*(17,292)*	-	*(17,292)*
Balance as at September 30, 2013	8,879	39	136,400	10,630	(45,732)	(237)	(218)	(989)	(1,340)	(4,772)	102,660	-	102,660

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/en/press+room/news):

– 08/08/2013: The Satellite Applications Catapult uses Eurotech's M2M platform to enable satellite technologies
– 27/08/2013: Eurotech establishes new dedicated Business Unit, Eurotech Systems, to provide embedded device and M2M solutions in Japan and South Korea
– 29/08/2013: Eurotech: BoD approves consolidated half-year results at 30 June 2013

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

Q – Events after the reporting period

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):):

- 01/10/2013: Eurotech: agreement for the sale of Parvus Corporation to Curtiss-Wright Corporation
- 15/10/2013: Eurotech: BoD approves treasury shares purchase program
- 22/10/2013: Eurotech announces CPU-71-15 High performance Single Board Computer based on second generation Intel® Core i7™

The company also took part in the Star Conference 2013 in London on 2 October.

R – Other information

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 30 September 2013
- pursuant to CONSOB communication DEM/6064296 of 28 July 2006, there were no atypical and/or unusual transactions carried out in the third quarter of 2013
- at 30 September 2013 the company held 420,140 treasury shares for a total value of €1,340 thousand: there have been no changes in treasury shares as of the date of this report
- the detailed Corporate Governance report is provided with the annual financial statements
- pursuant to CONSOB communication DEM/11070007 of 5 August 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
- 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 no. 18079 of 20 January 2012, Eurotech has adopted the simplification procedure set out in Articles 70, paragraph 8, and 71, paragraph 1-bis, of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999 as amended. It therefore opts to derogate from the requirement to publish the information documents set out in Attachment 3B of this Consob Regulation for significant transactions such as mergers, spin-offs, capital increases via contributions in kind, acquisitions and sales.

Amaro, 13 November 2013

On behalf of the Board of Directors

Signed Roberto Siagri
Chairman

Declaration of the Financial Reporting Manager

Amaro, 13 November 2013

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 30 September 2013 approved by the company's Board of Directors on 13 November 2013,

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 30 September 2013 corresponds to the accounting entries.

The Financial Reporting Manager
Signed Sandro Barazza

www.eurotech.com