

PRESS RELEASE

Eurotech: Board today approves consolidated first-half results at 30 June 2008

Amaro (UD), 29 August 2008

- Consolidated revenues: +19% from €35.45 million to €42.12 million
- Consolidated gross profit: +31% from €17.77 million to €23.30 million
- Consolidated EBITDA: from €0.68 million to €1.68 million
- Consolidated EBIT: from € -1.46 million to € -2.66 million
- Consolidated EBT: from € -0.70 million to € -4.14 million
- Net financial position: €6.95 million

Today, the Board of Directors of Eurotech S.p.A. examined and approved the results related to the first half 2008.

Group sales in the first six months of the year reported 19% growth over the same period of 2007, increasing from €35.45 million to €42.12 million. 2008's first half results are characterised by a change of the consolidation area due to the acquisition of the Japanese Group Advanet, finalized during the second half of 2007.

Gross profit for the first half of 2008 came to €23.30 million (+31% year on year), for a margin on sales of 55.3%, which is a significant improvement over the first half of 2007 (€17.77 million, equal to 50.1% of sales revenues), primarily due to the higher profitability of the Advanet Group, but also to the new products the Eurotech Group has released.

EBITDA in the first half came to €1.68 million, for a clear improvement over the €0.68 million of the same period of the previous year. The EBITDA margin on sales increased from 1.9% to 4.0%. As a result of this increase in revenues and in gross margin, the first half of 2008 was better able to absorb, in absolute terms, operating costs, that for Eurotech are primarily fixed ones: this led to a stronger performance for EBITDA than for the first six months of 2007, both in absolute terms and as a margin on sales.

It is also important to note that operating costs are distributed in a nearly even manner throughout the year, whereas revenues have historically been greater in the second half. This means that operating costs had, in percentage terms, a greater impact on revenues than is expected for the second half of the year and for the full financial year.

EUROTECH GROUP
HEADQUARTERS
EUROTECH spa
Via F. Solari, 3/A
33020 Amaro (UD) –
ITALY
Tel. +39 / 0433 485411
Fax. +39 / 0433 485499
ir@eurotech.com
www.eurotech.com

www.eurotech.com
ir@eurotech.com

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EBIT came to a loss of €2.66 million and a margin on sales of -6.3%, as compared with a loss at the EBIT level of €1.46 million and margin on sales of -4.1% for the first half of 2007. EBIT in the first half of 2008 was significantly affected by the non-monetary impact of depreciation and amortisation due to the price allocation of the acquisitions of Applied Data Systems Inc., the Arcom Group, and the Advanet Group: the negative impact of this price allocation totalled €2.62 million for the first half of 2008 and €1.27 million for the first half of 2007.

The pre-tax loss came to €4.14 million (vs. a loss of €0.90 million for the first half of 2007). Net of the price allocation effects, the loss would have been €1.29 million (and €0.57 million for the first half of 2007). Compared to last year's first half, in 2008 we are missing the positive contribution of the interests on the portion of cash used during the second half of 2007 to acquire Advanet and we have also greater negative interests coming from the fundings activated to support the acquisition.

In the first half of 2008, the net loss for the Group amounted to €5.07 million, compared with the loss of €0.90 million for the same period last year. Net of the price allocation effects, this result would be negative for €3.48 million (and positive for €60 thousand for the first half of 2007).

As of 30 June 2008, the Group posted a net financial position of €6.95 million, substantially in line with the value posted at the end of 2007 (€6.38 million). The small difference is mainly linked to the non-monetary effects deriving from the cash in foreign currencies.

Still at 30 June 2008, the Group net working capital was of €23.07 million, down 15% from €27.15 million posted at 31 december 2007. This reduction is a consequence of the company's policy to control and contain net working capital.

Summarizing, these first six months of 2008 have been a period of transition, with the key moment in the process of integrating the various affiliates of the Group represented by the merger of ADS and Arcom Inc in the U.S., officially completed on the first of July 2008 and which resulted in the establishment of Eurotech Inc. The unification of these two U.S. firms under the Eurotech brand will further strengthen the brand itself, which will now benefit from significantly greater visibility.

The merger of ADS and Arcom was also a means to harmonising all corporate processes, from development to logistics and sales, which laid the groundwork for achieving synergies and economies of scale and that, in turn, has led to a process of naturally reducing costs, the effects of which should begin to be seen as early as the second half of 2008.

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HEADQUARTERS
EUROTECH spa
Via F. Solari, 3/A
33020 Amaro (UD) –
ITALY
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ir@eurotech.com
www.eurotech.com

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Regarding the strategic alliances in place, we expect them to start producing positive effects on our market proposition.

With reference to Finmeccanica, its entrance into the shareholding of Eurotech is in the finishing phase: authorizations to formally close this operation are being finalized and, once the closing will be completed, we expect that the tight relationship with Finmeccanica will further strengthen the partnership that began in 2006 and will have a positive impact on market penetration.

Also the partnership with Intel, related to both NanoPCs and HPCs, has had and will continue to have positive effects. For example, the new Catalyst platform of Eurotech, based on the innovative low-power Atom processor and suitable for the production of MID (Mobile Internet Devices), is obtaining positive feedbacks from the market.

Finally, the new ready-to-use products such as ZyPad (the wearable computer) and ZyWan (the Mobile Access Router) are scoring important design wins, which is proof of the fact that focusing on innovation is a successful strategy over the medium term, even when faced with generalised difficulties in the global economy.

In accordance with section 2 of Article 154-bis the Consolidated Finance Act, Financial Reporting Manager, Sandro Barazza, declared that the accounting information contained in this press release corresponds to accounting records, corporate books, and accounting entries.

EUROTECH GROUP
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EUROTECH spa
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33020 Amaro (UD) –
ITALY
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ir@eurotech.com
www.eurotech.com

THE EUROTECH GROUP

Eurotech (ETH,MI) is a company active in the research, development, production and marketing of miniaturised computers (NanoPCs) and of computers featuring high-performance computing capability (HPCs),

www.eurotech.com
ir@eurotech.com

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Company contacts:

Investor relations

Andrea Barbaro
Tel. 0433-485411
e-mail: a.barbaro@eurotech.com

Communication Department

Cristiana della Zonca
Tel. 0433-485411
e-mail: c.dellazonca@eurotech.com

Press Office:

Community
Communication consulting
Marco Rubino
Tel. 02-89404231
e-mail: marco.rubino@communitygroup.it

EUROTECH GROUP
HEADQUARTERS
EUROTECH spa
Via F. Solari, 3/A
33020 Amaro (UD) –
ITALY
Tel. +39 / 0433 485411
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www.eurotech.com
ir@eurotech.com

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PRESS RELEASE
ANNEXES – FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

OPERATING RESULTS (Thousands of Euro)	1st Half 2007	%	1st Half 2008	%
Revenues from sales of products and services	35,454	100.0%	42,115	100.0%
Cost of materials	(17,683)	-49.9%	(18,813)	-44.7%
Gross profit	17,771	50.1%	23,302	55.3%
Service costs	(6,737)	-19.0%	(8,082)	-19.2%
Lease & hire costs	(732)	-2.1%	(1,046)	-2.5%
Payroll costs	(10,596)	-29.9%	(13,399)	-31.8%
Other provisions and other costs	(552)	-1.6%	(423)	-1.0%
Other revenues	1,528	4.3%	1,329	3.2%
Profit before depreciation and amortization	682	1.9%	1,681	4.0%
Depreciation & amortisation	(2,075)	-5.9%	(4,109)	-9.8%
Asset impairment	(63)	-0.2%	(230)	-0.5%
Operating profit	(1,456)	-4.1%	(2,658)	-6.3%
Share of associates' profit of equity	(39)	-0.1%	(60)	-0.1%
Finance expense	(748)	-2.1%	(2,481)	-5.9%
Finance income	1,546	4.4%	1,058	2.5%
Profit before taxes	(697)	-2.0%	(4,141)	-9.8%
Income tax	(203)	-0.6%	(819)	-1.9%
Net profit (loss) before minority interest	(900)	-2.5%	(4,960)	-11.8%
Minority interest	(4)	0.0%	109	0.3%
Group net profit (loss) for period	(896)	-2.5%	(5,069)	-12.0%
Base earnings (losses) per share	(0.026)		(0.143)	
Diluted earnings (losses) per share	(0.025)		(0.143)	

EUROTECH GROUP
 HEADQUARTERS
 EUROTECH spa
 Via F. Solari, 3/A
 33020 Amaro (UD) –
 ITALY
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 ir@eurotech.com
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PRESS RELEASE
CONSOLIDATED BALANCE SHEET

(€'000)	at December 31, 2007	at June 30, 2008
ASSETS		
Intangible assets	111,918	106,246
Property, Plant and equipment	6,737	6,326
Investments in affiliates companies	109	875
Investments in other companies	930	259
Deferred tax assets	1,802	1,941
Other non-current assets	630	613
Total non-current assets	122,126	116,260
Inventories	22,129	20,439
Contracts in progress	2,364	383
Trade receivables	18,807	15,723
Income tax receivables	3,251	3,695
Other current assets	2,793	2,404
Derivative instruments	82	407
Cash & cash equivalents	56,604	42,675
Total current assets	106,030	85,726
Total assets	228,156	201,986
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Reserves	117,510	108,613
Net profit (loss) for period	(4,922)	(5,069)
Group shareholders' equity	121,467	112,423
Minority capital and reserves	2,549	2,404
Minority profit (loss) for period	(84)	109
Equity attributable to minority interest	2,465	2,513
Total shareholders' equity	123,932	114,936
Medium-/long-term borrowing	34,172	26,963
Employee benefit obligations	1,512	1,534
Deferred tax liabilities	16,103	14,620
Other non-current liabilities	1,345	1,289
Business combination liabilities	15,864	15,982
Total non-current liabilities	68,996	60,388
Trade payables	14,506	11,489
Short-term borrowing	9,787	7,090
Income tax liabilities	2,112	1,861
Other current liabilities	5,581	6,222
Business combination liabilities	3,242	0
Total current liabilities	35,228	26,662
Total liabilities	104,224	87,050
Total liabilities and equity	228,156	201,986

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 HEADQUARTERS
 EUROTECH spa
 Via F. Solari, 3/A
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 ITALY
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 www.eurotech.com

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ir@eurotech.com

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CASH FLOW

CASH FLOW STATEMENT (€'000)	1Half 2007	1Half 2008
CASH FLOWS GENERATED BY OPERATIONS:		
Group net profit	(896)	(5,069)
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:		
Minority interests	(4)	109
Depreciation & amortization intangible assets, property, plant and equipment	2,138	4,339
Write-down of receivables	120	305
Affiliated companies booked at equity	39	60
Cost for bringing up-to-date and exchange adjustment for put option		235
Stock option expenses	131	0
Provision for (use of) long-term employee severance indemnities	55	22
Provision for (use of) risk provision	126	(56)
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability	(249)	(1,622)
Changes in current assets and liabilities		
Trade receivables	535	2,779
Other current assets	(1,486)	(55)
Inventories and contracts in process	(6,035)	3,671
Trade payables	(11)	(3,017)
Other current liabilities	(939)	390
Total adjustments and changes	(5,580)	7,160
Cash flow generated (used) in operations	(6,476)	2,091
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sales of tangible assets	1	2
Interest income	1,467	779
Purchase of intangible fixed assets	(1,989)	(1,326)
Purchase of tangible fixed assets	(1,304)	(446)
Net investments in long-term investments and non-current assets	(1)	(138)
Business acquisition net of cash acquired:	(30,719)	(3,488)
<i>Intangible assets</i>	<i>(219)</i>	<i>0</i>
<i>Goodwill</i>	<i>(19,431)</i>	<i>0</i>
<i>Trademark, customer relationship and order book</i>	<i>(11,879)</i>	<i>0</i>
<i>Tangible assets</i>	<i>(427)</i>	<i>0</i>
<i>Other non-current assets</i>	<i>(192)</i>	<i>0</i>
<i>Current assets</i>	<i>(8,091)</i>	<i>0</i>
<i>Provisions for risks & contingencies and employee severance indemnities</i>	<i>46</i>	<i>0</i>
<i>Liabilities</i>	<i>9,474</i>	<i>0</i>
<i>Minority purchase</i>	<i>0</i>	<i>(129)</i>
<i>Business combination liabilities</i>	<i>0</i>	<i>(3,359)</i>
Cash flow generated (used) in investment activities	(32,545)	(4,617)
CASH FLOW FROM FINANCING ACTIVITIES:		
Other changes in shareholders' equity	(305)	0
Minority	33	(82)
Loans taken	0	139
Increases (decreases) short term loan	1,414	(1,894)
Repaid loans medium/long term	(3,113)	(8,930)
Cash flow generated (absorbed) by financial assets	(1,971)	(10,767)
Changes in the conversion difference	542	(636)
Increases (decreases) in cash & cash equivalents	(40,450)	(13,929)
Opening amount in cash & cash equivalents	119,614	56,604
Cash & cash equivalents at end of period	79,164	42,675
Interest paid	686	1,784
Income taxes paid	1,914	2,102

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 EUROTECH spa
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 ITALY
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ir@eurotech.com
www.eurotech.com

www.eurotech.com
ir@eurotech.com

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NET FINANCIAL POSITION

(€'000)		at June 30, 2007	at December 31, 2007	at June 30, 2008
Cash & cash equivalents	A	(79,164)	(56,604)	(42,675)
Cash equivalent	B=A	(79,164)	(56,604)	(42,675)
Derivative instruments	C	(132)	(82)	(407)
Short-term borrowing	D	5,014	9,787	7,090
Business aggregation liabilities	E	0	3,242	0
Short-term financial position	F=C+D+E	4,882	12,947	6,683
Short-term net financial position	G=B+F	(74,282)	(43,657)	(35,992)
Business aggregation liabilities	H	0	15,864	15,982
Medium-/long-term borrowing	I	14,454	34,172	26,963
Medium-/long-term net financial position	J=H+I	14,454	50,036	42,945
NET FINANCIAL POSITION	K=G+J	(59,828)	6,379	6,953

NET WORKING CAPITAL

(€'000)	at June 30, 2007	at December 31, 2007	at June 30, 2008	Changes
		(a)	(b)	(b-a)
Inventories	17,512	22,129	20,439	(1,690)
Contracts in progress	4,488	2,364	383	(1,981)
Trade receivables	13,121	18,807	15,723	(3,084)
Income tax receivables		3,251	3,695	444
Other current assets	7,432	2,793	2,404	(389)
Current assets	42,553	49,344	42,644	(6,700)
Trade payables	(13,384)	(14,506)	(11,489)	3,017
Income tax liabilities	(764)	(2,112)	(1,861)	251
Other current liabilities	(7,383)	(5,581)	(6,222)	(641)
Current liabilities	(21,531)	(22,199)	(19,572)	2,627
Net working capital	21,022	27,145	23,072	(4,073)

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 EUROTECH spa
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 ITALY
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