

# PRESS RELEASE

# EUROTECH: BoD APPROVAL TODAY OF CONSOLIDATED HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2009

America re-starts, Japan still with the handbrake on

Amaro (Udine), 28 August 2009

- Consolidated revenues: from € 42.12 million to € 38.91 million, -7.6%
- Consolidated gross profit: from € 23.30 million to € 20.99 million
- Consolidated EBITDA: from € 1.68 million to € -1.08 million
- Consolidated EBIT: from € -2.66 million to € -5.09 million
- Consolidated EBT: from € -4.14 million to € -5.46 million
- Net financial debt: € -3.85 million

Today the Board of Directors of Eurotech SpA reviewed and approved the results relating to the first half of 2009.

In the first six month of 2009 (1H09), Group revenues amounted to € 38.91 million (mn) vs. € 42.12 mn in the first half of 2008 (1H08). This -7.6% decrease was mainly due to the decrease in order intake that occurred between the end of 2008 and beginning of 2009 following the onset of the global economic situation. The impact of the global macroeconomic situation is evident above all in Japan and in Europe, where the most significant sales decreases occurred. The American area instead featured growth, demonstrating that the first signals moving towards exit from the crisis are emerging in the area that was first adversely affected by it.

Gross profit margin remained in line with that achieved at 2008 year-end and was 53.9%, slightly down vs. the margin achieved in 1H08 – but still slightly higher than management's forecasts. Maintenance of margin demonstrates (a) the soundness of the business model applied by the Group, increasingly based on the sale of high-value products, and (b) the ongoing attention paid to the curbing of COGS implemented via integration and harmonisation among Group affiliates of processes for managing industrial operations.

In the semester considered, EBITDA decreased from € 1.68 mn in 1H08 to a loss of € -1.08 mn in 1H09. This performance was primarily due to lower gross-profit contribution following the decrease in sales.

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1H09 featured Group attention to continuing implementation of synergies between the various affiliates, with a special focus on the incidence of existing fixed costs via policies to rein them in and rationalise resources. The flexibility of some units made it possible to contain the





impact of prevalently fixed costs in a semester that, for the reasons highlighted earlier, was below the Group's real capacity.

It should also be remembered that, historically speaking, the Group's business trend features heavier concentration of sales in the second part of the year, meaning that fixed costs typically show better absorption at year-end.

There was an EBIT loss of € -5.09 mn in 1H09, with a margin of -13.1% while 1H08 featured a loss of € -2.66 mn in 1H08 with a -6.3% margin. As well as by the decrease in EBITDA, this performance also reflected the effects of depreciation & amortisation charged to the income statement in 1H09. The latter stemmed both from operating assets that became subject to depreciation in 1H09 and from the non-monetary effects of purchase price allocation (PPA) relating to the acquisitions of Eurotech Inc. (eformerly Applied Data Systems Inc. and Arcom Control Systems Inc.) and of the Advanet Group. The negative effect on EBIT of PPA was € 1.57 mn in 1H09 vs. € 2.62 mn in 1H08.

There was a pre-tax loss in 1H09 of € -5.46 mn (vs. a loss of € -4.14 mn in 1H08). Pre-tax performance was affected by the financial side, with net finance expense of € -345 thousand in 1H09 vs. expense of € -1.42 mn in 1H08. The factors having a positive effect on finance in 1H09 were (a) careful deployment of cash, (b) reduction of interest rates on bank borrowings, and (c) a better foreign exchange differential due to currency trends (above all the Japanese yen's exchange rate, which affected valuation of the put option on 25% of Advanet's capital).

In 1H09 there was an after-tax loss attributable to equity holders of the parent company of  $\in$  -6.18 mn vs.  $\in$  -5.07 mn in 1H08. After stripping out the non-monetary effects of PPA, the loss would be  $\in$  -5.64 mn (vs.  $\in$  -3.48 mn in 1H08).

At 30 June 2009 the Group featured net financial debt of  $\in$  -3.85 mn vs. net cash of  $\in$  0.57 mn at 2008 year-end. As well as to use for investments made, the change was primarily due to use of cash resources for operating requirements in a semester when sales were lower than the Group's real potential

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www.eurotech.com ir@eurotech.com Once again as at 30 June 2009, the Group's net working capital amounted to € 25.32 mn, down by -7.6% vs. € 27.43 mn reported at 31 December 2008. In summary, this first half of 2008 was a marking-time semester. The global crisis has inevitably also affected Eurotech – but fortunately less so than in the case of many other companies. Playing in our favour is our balanced international positioning in three continents and our low exposure to bank debt, as well as the fact that we are only indirectly involved in decline of the consumer sector (mainly via Advanet which is active in the semiconductor equipment segment).





We have taken the opportunity of the slight top-line slowdown to dedicate even greater effort to integration of the various Group companies. Our aim is to create a more efficient and agile organisation, able to maximise the benefit of recovery, which now seems to be imminent.

Although the global scenario turned out to be difficult in 1H09, double-digit growth in the US defence sector continued. To date, 8 of the top 10 contractors are already Eurotech customers, further demonstrating the reputation that the company has successfully built up over the years via its subsidiary Parvus. There is therefore a good basis for continuation – or even acceleration – of this growth in the years to come, thanks to the fact that, today, Parvus has sufficient critical mass to attract major orders.

Looking once again at the Group's growth path, we have continued our strategy of strengthening our presence in the medical and transport sectors, which confirmed, with a few geographical exceptions, their anti-cyclicality. When the recovery materialises, we should be able to benefit from the change in market sector mix, with the aim of achieving better medium- and long-term visibility than in the past.

Lastly, in July the first order was received for a supercomputer based on Aurora, the new HPC (high-performance computing) architecture developed by Eurotech. The order materialised just one month after the big success achieved by the innovative Aurora platform at the recent 2009 International Supercomputer Conference (ISC) held in Germany. We believe that this supercomputing platform will be able to give a significant boost to sales in the next few years.

We advise the public that, as required by the CONSOB (Italian securities & exchange commission), the Consolidated Half-Yearly Financial Report as at 30 June 2009 is available to anyone who asks for it at the company's registered headquarters as well as at the headquarters of Borsa Italiana SpA. The report is also available on Eurotech's website at the address www.eurotech.com

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Tel. +39 / 0433 485411 Fax +39 / 0433 485455 Pursuant to Article 154-bis, paragraph 2, of the Italian Consolidated Finance Act (Legislative Decree 58/1998), the financial reporting manager of Eurotech SpA, Sandro Barazza, herewith declares that the financial disclosure contained in this press release corresponds to documentary evidence, corporate books, and accounting records.





#### THE EUROTECH GROUP

Eurotech (ETH.MI) is a global company based in Italy and with locations in the rest of Europe, North America and Asia. The Eurotech group develops and markets miniaturised computers for special uses (NanoPCs) and computers featuring major computing capacity (HPCs – High-Performance Computers). With these two product categories, Eurotech aims to become a leader in implementation of the pervasive computing infrastructure commonly know as GRID, capable of enabling an entire range of value-added services and functions in the transport, defence, industrial, medical and scientific-research sectors.

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## ANNEXES - FINANCIAL STATEMENTS

# **CONSOLIDATED INCOME STATEMENT**

OPERATING RESULTS (€/000)	1H 2008	%	1H 2009	%	
Revenues from sales of products and services	42,115	100.0%	38,914	100.0%	
Operating costs:					
Cost of materials	(18,813)	-44.7%	(17,929)	-46.1%	
Gross profit	23,302	55.3%	20,985	53.9%	
Service costs	(8,082)	-19.2%	(8,251)	-21.2%	
Lease & hire costs	(1,046)	-2.5%	(1,063)	-2.7%	
Payroll costs	(13,399)	-31.8%	(13,513)	-34.7%	
Other provisions and other costs	(423)	-1.0%	(1,037)	-2.7%	
Other revenues	1,329	3.2%	1,800	4.6%	
Profit before depreciation and amortization	1,681	4.0%	(1,079)	-2.8%	
Depreciation & amortisation	(4,109)	-9.8%	(3,652)	-9.4%	
Asset impairment	(230)	-0.5%	(357)	-0.9%	
Operating profit	(2,658)	-6.3%	(5,088)	-13.1%	
Share of associates' profit of equity	(60)	-0.1%	(23)	-0.1%	
Finance expense	(2,481)	-5.9%	(1,957)	-5.0%	
Finance income	1,058	2.5%	1,612	4.1%	
Profit before taxes	(4,141)	-9.8%	(5,456)	-14.0%	
Income tax	(819)	-1.9%	(692)	-1.8%	
Net profit (loss) before minority inerest	(4,960)	-11.8%	(6,148)	-15.8%	
Minority interest	109	0.3%	30	0.1%	
Group net profit (loss) for period	(5,069)	-12.0%	(6,178)	-15.9%	
Base earnings (losses) per share	(0.143)		(0.176)		
Diluted earnings (losses) per share	(0.143)		(0.176)		

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at June 30, 2009

at December 31, 2008





## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(€'000)

(€'000)	at December 31, 2008	at June 30, 2009		
ASSETS				
Intangible assets	114,399	107,906		
Property, Plant and equipment	7,885	7,221		
Investments in affiliates companies	875	852		
Investments in other companies	249	246		
Deferred tax assets	1,533	2,061		
Medium/long term borrowing allowed to affiliates companies	0	300		
Other non-current assets	749	708		
Total non-current assets	125,690	119,294		
Inventories	19,783	19,307		
Contracts in progress	383	533		
Trade receivables	22,063	16,380		
Income tax receivables	4,124	2,561		
Other current assets	2,792	2,323		
Other current financial assets	719	0		
Cash & cash equivalents	38,684	31,808		
Total current assets	88,548	72,912		
Total assets	214,238	192,206		

8,879	8,879
125,180	113,868
134,059	122,747
3,414	3,221
137,473	125,968
24,654	22,460
1,742	1,525
12,556	11,253
1,921	1,726
8,049	0
48,922	36,964
15,207	9,507
5,782	5,271
346	511
1,461	1,007
5,047	5,267
0	7,711
27,843	29,274
76,765	66,238
214,238	192,206
	125,180 134,059 3,414 137,473 24,654 1,742 12,556 1,921 8,049 48,922 15,207 5,782 346 1,461 5,047 0 27,843 76,765

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# **STATEMENT OF CHANGES IN EQUITY**

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Exchange differences reserv	Treasury shares	Profit (loss) for period	Group shareholders' equity	Minority interest capital & reserves	Profit (loss) of third parties	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2007	8,879	39	136,400	( 3,978)	( 12,365)	81	( 2,622)	( 44)	( 4,922)	121,468	2,549	( 85)	) 2,464	123,932
2007 Result allocation					(4,922)				4,922	_	( 85)	85		
Profit (loss) as at June 30, 2008	-	-	-	-	-	-	-	-	( 5,069)	( 5,069)	-	109	109	( 4,960)
Comprehensive other profit (loss)														
- Hedge transactions	-	-	-	-	-	325	-	-	-	325	-	_		325
- Foreign balance sheets conversion difference	-		-	( 2,972)		-		-	-	( 2,972)	( 8)	-	( 8)	( 2,980)
- Exchange differences on equity investments in foreign companies	-				-	_	(1,200)			(1,200)	-	-		( 1,200)
Minority purchase	-	-			( 129)		-		-	(129)	( 52)		( 52)	(181)
Comprehensive result	-	-	-	( 2,972)	( 129)	325	( 1,200)	-	( 5,069)	( 9,045)	(60)	109	49	( 8,996)
Balance as at June 30, 2008	8,879	39	136,400	( 6,950)	( 17,416)	406	( 3,822)	( 44)	( 5,069)	112,423	2,404	109	2,513	114,936
(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Exchange differences reserv	Treasury shares	Profit (loss) for period	Group shareholders' equity	Minority interest capital & reserves	Profit (loss) of third parties	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2008	8,879	39	136,400	12,562	( 7,852)	( 347)	( 1,574)	( 1,340)	( 12,708)	134,059	3,184	230	3,414	137,473
2008 Result allocation		-			( 12,708)	-	-	-	12,708	-	230	( 230)	-	
Profit (loss) as at June 30, 2009	-	-	-			-	-	-	( 6,178)	( 6,178)	-	30	30	( 6,148)
Comprehensive other profit (loss)														
- Hedge transactions	-	-	-	-	-	( 164)	-	-		( 164)	-	-	-	( 164)
- Foreign balance sheets conversion														
difference				( 4,676)	-		-	-	-	( 4,676)	( 223)	-	( 223)	( 4,899)
- Exchange differences on equity							( 20.4)			(204)				( 20 4)
investments in foreign companies  Comprehensive result	-	-		( 4,676)	-	( 164)	(294)	-	( 6,178)	( 294)	(223)	30	( 193)	( 294)
				, . ,		. /	` ′			, . ,	. /		. ,	
Balance as at June 30, 2009	8,879													

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> Interest paid Income taxes paid

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ITALY



## **CONSOLIDATED CASH FLOW STATEMENT**

CASH FLOW STATEMENT (€'000)	1H 2008	1H 2009
CASH FLOWS GENERATED BY OPERATIONS:		
Group net profit	(5,069)	(6,178
Adjustments to reconcile reported net profit with cash &		
cash equivalents generated (used) in operations:		
Minority interests	109	3
Depreciation & amortization intangible assets, property, plant and equipment	4,339	4,00
Write-down of receivables	305	70
Interest income	(779)	(35)
Affiliated companies booked at equity	0	2
Cost for bringing up-to-date and exchange adjustment for put option	235	(32)
Provision for (use of) long-term employee severance indemnities	22	(21)
Provision for (use of) risk provision	(56)	(19
(Provision for) / use of deferred tax asset / Provision for (use of) deferred		
tax liability	(1,622)	(1,83
Changes in current assets and liabilities		
Trade receivables	2,779	4,97
Other current assets	(55)	2,03
Inventories and contracts in process	3,671	32
Trade payables	(3,017)	(5,70
Other current liabilities	390	(234
Total adjustments and changes	6,381	3,24
Cash flow generated (used) in operations	1,312	(2,930
outh new generated (assa) in operations	1,512	(2,330
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sales of tangible and intangible assets	2	
Interest income	779	35
Purchase of intangible fixed assets	(1,326)	(1,418
Purchase of tangible fixed assets	(446)	(422
Decreases (Increases) other financial assets	0	41
Net investments in long-term investments and non-current assets	(138)	4
Business acquisition net of cash acquired:	(3,488)	
Minority purchase	(129)	0
Business combination liabilities	(3,359)	0
Cash flow generated (used) in investment activities	(4,617)	(1,014
CASH FLOW FROM FINANCING ACTIVITIES:		
Minorty	(82)	
Loans taken	139	47
Increases (decreases) short term loan	(1,894)	(11;
Repaid loans medium/long term	(8,151)	(3,068
Cash flow generated (absorbed) by financial assets	(9,988)	(2,70
Changes in the conversion difference	(636)	(227
Increases (decreases) in cash & cash equivalents	(13,929)	(6,876
Opening amount in cash & cash equivalents	56,604	38,68
Cash & cash equivalents at end of period	42,675	31,80

1,784

2,102

704

2,325





## **NET FINANCIAL POSITION**

(€'000)		at June 30, 2008	at December 31, 2008	at June 30, 2009
Cash & cash equivalents	А	(42,675)	(38,684)	(31,808)
Cash equivalent	B=A	(42,675)	(38,684)	(31,808)
Other current financial assets	С		(719)	0
Derivative instruments	D	(407)	346	511
Short-term borrowing	E	7,090	5,782	5,271
Business aggregation liabilities	F	0	0	7,711
Short-term financial position	G=C+D+E+F	6,683	5,409	13,493
Short-term net financial position	H=B+G	(35,992)	(33,275)	(18,315)
Medium/long term borrowing allowed to affiliates companies			0	(300)
Business aggregation liabilities	1	15,982	8,049	0
Medium/long term borrowing	J	26,963	24,654	22,460
Medium-/long-term net financial position	K=I+J	42,945	32,703	22,160
NET FINANCIAL POSITION	L=H+K	6,953	(572)	3,845

## **NET WORKING CAPITAL**

(€'000)	at June 30, 2008	2008	at June 30, 2009	Changes	
		(a)	(b)	(b-a)	
Inventories	20,439	19,783	19,307	(476)	
Contracts in progress	383	383	533	150	
Trade receivables	15,723	22,063	16,380	(5,683)	
Income tax receivables	3,695	4,124	2,561	(1,563)	
Other current assets	2,404	2,792	2,323	(469)	
Current assets	42,644	49,145	41,104	(8,041)	
Trade payables	(11,489)	(15,207)	(9,507)	5,700	
Income tax liabilities	(1,861)	(1,461)	(1,007)	454	
Other current liabilities	(6,222)	(5,047)	(5,267)	(220)	
Current liabilities	(19,572)	(21,715)	(15,781)	5,934	
Net working capital	23,072	27,430	25,323	(2,107)	

at Dagambay 24

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