OFFERING CIRCULAR

Eurotech S.p.A.

(incorporated with limited liability in the Republic of Italy with registration number 01791330309)

Global Offering of 8,652,000 Shares

8,652,000 ordinary shares of €0.25 nominal value each (the "**Shares**") of Eurotech S.p.A. (the "**Company**" or "**Eurotech**") are being offered and sold by the Company and First Gen-e Serviços de Consultoria SA (the "**Selling Shareholder**") in a Global Offering (as defined below).

The Global Offering consists of (i) an institutional offering of up to 6,921,600 Shares to professional investors in Italy and institutional investors outside Italy (excluding Australia, Canada, Japan and the United States) in compliance with Regulation S of the Securities Act (as defined below) (the "**Institutional Offering**"), and (ii) an Italian public offering of a minimum of 1,730,400 Shares to retail investors exclusively in Italy (the "**Public Offering**" and, together with the Institutional Offering, the "**Global Offering**"). The Public Offering consists of (a) a public offering of Shares in a minimum amount of not less than 20% of the aggregate number of Shares offered under the Public Offering (the "**Retail Offering**"), (b) an offering of up to 114,400 Shares to our employees (the "**Employee Offering**"), and (c) an offering of up to 6,500 Shares to certain of our agents (the "**Agent Offering**").

The Shares which are the subject of the Global Offering (the "**Offered Shares**") will consist of (i) not more than 7,450,000 new Shares (in respect of which were excluded any rights of subscription thereto of the existing shareholders under Article 2441, fifth paragraph, of the Italian Civil Code) to be issued by the Company, the issue of which was authorised at an extraordinary meeting of the shareholders of the Company on July 21, 2005, and (ii) not more than 1,202,000 Shares, which are currently in issue, to be sold by the Selling Shareholder.

The Company, the Selling Shareholder and Mediobanca – Banca di Credito Finanziario S.p.A. (the "**Global Co-ordinator**") may in certain circumstances agree to reduce the number of Shares offered pursuant to the Global Offering. Notice of any such reduction, together with any conditions thereto and/or consequences thereof, will be given at the time of notification of the Offering Price (as defined herein).

For a more detailed description of the Global Offering see the section headed "Plan of Distribution" below.

The Selling Shareholder has granted the Global Co-ordinator, as bookrunner and manager, an option to place up to an amount of shares, equivalent to 15% of the aggregate number of Offered Shares at the Offering Price, less applicable commissions, to cover any over-allotments or for stabilization activities. This option (the "**Over-allotment Option**") may be exercised once, in whole or in part, within the period of 30 days from the date of commencement of trading of the shares. In connection with this over-allotment option, the Selling Shareholder has also granted to the Global Co-ordinator an option to borrow up to 1,297,992 shares on or after the closing date of the global offering pursuant to a share lending agreement entered into on the same date as the Institutional Underwriting Agreement. This option may be exercised once, in whole or in part within the period of 30 days from the date of commencement of trading of the shares. In the event that the option to borrow the shares is exercised, the Global Co-ordinator shall have all rights of ownership with respect to the borrowed shares during the over-allotment period but shall not be obliged to exercise the over-allotment option.

The Offered Shares will represent 46.45% of our total issued share capital or 53.42% if the Over-allotment Option is exercised in full. After completion of the Global Offering and assuming the Over-allotment Option is exercised in full, the Selling Shareholder will no longer own any of our share capital.

Investing in our Shares involves risk. For a more detailed description of those risks, see the section headed "Risk Factors" below.

This is our initial public offering and no public market currently exists for our Shares. On November 7, 2005, the Italian Stock Exchange gave formal approval under decree number 4316 for our Shares to be listed on MTAX. We expect trading of our Shares on MTAX-Star to start on or about November 30, 2005. The actual date of commencement of trading will be published by the Italian Stock Exchange in accordance with subsection 6 of Article 2.4.3 of the rules of the Italian Stock Exchange.

The Offered Shares are in registered form and carry voting rights. The Offered Shares rank proportionally with all of our other Shares and are eligible for dividends declared for the year ending December 31, 2005 and any subsequent years. For a more detailed description of the Shares and the payment of dividends, see the sections headed "Description of Our Share Capital" and "Dividends and Dividends Policy" below. We will deduct Italian tax at source when paying dividends. This tax is also due if we pay dividends to non-residents of Italy. For a more detailed description of the treatment of our Shares for the purposes of taxation, see the section headed "Taxation" below.

Our Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act.

Our Shares exist in book-entry form only and you will not receive a physical certificate representing our Shares. Our Shares will be credited, as you direct, to your or your intermediary's account at Monte Titoli S.p.A. ("**Monte Titoli"**), which also includes the accounts for nominees of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear"**) or Clearstream Banking, *société anonyme* ("**Clearstream**").

Global Co-ordinator, Lead Manager, Sponsor and Bookrunner
Mediobanca –Banca di Credito Finanziario S.p.A.

The date of this Offering Circular is November 25, 2005.

We and the Selling Shareholder assume responsibility for the content of this Offering Circular. We and the Selling Shareholder have used all reasonable care to ensure that:

- the information contained in this Offering Circular about us, the Group, the Shares and the Global Offering is true and accurate and not misleading;
- this Offering Circular contains all information relating to us, the Group and the Shares which is material in the context of the Global Offering;
- this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements in it, in the light of circumstances under which they are made, not misleading; and
- all information extracted from third party sources has been accurately extracted.

In making an investment decision, you must rely on your own evaluation of our Company and the Group and the risks inherent in an investment in our Shares. In doing so, you should rely only on the information contained or referred to in this document. No person is authorised to provide you with conflicting information. If anyone provides you with different or inconsistent information, you should not rely on it. Unless specified otherwise, the information in this Offering Circular is accurate only as of the date set out on the front cover of this Offering Circular. Our business, financial condition, results of operations, and prospects may have changed since that date.

Our Shares have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States (as defined in Regulation S under the Securities Act). For a more detailed description of restrictions on offers and sales of our Shares and the distribution of this Offering Circular see "Plan of Distribution" below.

Certain jurisdictions restrict the distribution of this Offering Circular and the offering and sale of our Shares. No one is making a public offering of or an invitation to acquire our Shares or distributing a prospectus or this Offering Circular in any jurisdiction outside Italy where this is unlawful. You should inform yourselves of and observe these restrictions. Neither the Selling Shareholder, the Global Co-ordinator nor we accept any responsibility should you or any other person violate these restrictions. The Shares are not transferable except in accordance with the restrictions described herein. For an additional description of certain restrictions on the distribution of this Offering Circular and the offering and sale of our Shares, see the section headed "Plan of Distribution" and "Transfer Restrictions" below.

We have filed this Offering Circular with the *Commissione Nazionale per le Societá e la Borsa* ("**CONSOB**"). However, we have not submitted this Offering Circular to CONSOB's clearance procedures. Accordingly, it may not be used in connection with an offer of our Shares to the public in Italy. For the purposes of the Public Offering and the listing on MTAX-Star, we have prepared a prospectus in the Italian language, the *Prospetto Informativo*. CONSOB authorised the *Prospetto Informativo* as the only document for distribution to the public in Italy in connection with an offer to sell and purchase our Shares. See the section headed "Available Information" below.

The Shares offered in the Institutional Offering may not be offered or sold, directly or indirectly, in Italy or to a resident of Italy, other than to a "professional investor" within the meaning of Article 30, paragraph 2 and Article 100(a) of Legislative Decree no. 58 of February 24, 1998 (the "**Unified Financial Act**") and as defined by Articles 25 and 31(2) of CONSOB Regulation No. 11522 of July 1, 1998, as amended ("**Regulation No. 11522**") (a "**Professional Investor**"), excluding (i) management companies authorised to manage individual portfolios on behalf of third parties (*società di gestione del risparmio)*, (ii) fiduciary companies managing portfolio investments regulated by Article 60, paragraph 4 of Legislative Decree no. 415 of July 23, 1996, as amended, and in accordance with applicable Italian laws and regulations provided therein (*società fiduciarie*) and (iii) individuals (*persone fisiche)* who demonstrate certain professional requirements provided by Article 13, paragraph 2 of Regulation no. 11522 for persons who exercise administrative, managerial or supervisory functions at a registered dealing firm (*società di intermediazione mobiliare*). Any such offer or issue or any distribution of the preliminary offering circular or the offering circular within Italy and in connection with the institutional offering must be conducted either by banks, investment firms (as defined in the Unified Financial Act) or financial companies enrolled in the special register provided for by Article 107 of Legislative Decree No. 385 of September 1, 1993, as amended (the "**Banking Act**"), to the extent such entities are duly authorised to engage in the placement and/or underwriting of financial instruments in Italy in accordance with the relevant provisions of the Unified Financial Act.

You are one of the limited recipients of this document. You may not copy or reproduce, in whole or in part, or distribute or disclose any of its contents or use any of the information in this Offering Circular for any purpose other than considering an investment in our Shares.

The Global Co-ordinator does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information in this Offering Circular. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Global Co-ordinator.

You must not rely on the contents of our Offering Circular as if it were investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for any legal, tax, business, financial and related aspects of a purchase of our Shares. Neither we nor the Selling Shareholder make any representation to you regarding the legality of your investment in our Shares. If you have any doubts about the contents or the meaning of the information in this document, you should consult an authorised or professional person who specialises in advising on the acquisition of financial instruments.

IN CONNECTION WITH THE GLOBAL OFFERING, MEDIOBANCA – BANCA DI CREDITO FINANZIARIO S.P.A., EITHER IN ITS OWN NAME AND FOR ITS OWN ACCOUNT OR IN THE NAME AND FOR THE ACCOUNT OF THE MANAGERS, MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF OUR SHARES AT A LEVEL WHICH MIGHT NOT HAVE BEEN OBTAINED OTHERWISE IN THE OPEN MARKET. THESE TRANSACTIONS MAY BE EFFECTED ON MTAX-STAR OR OTHERWISE. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND IN ANY EVENT SHALL NOT CONTINUE AFTER THE 30TH DAY FOLLOWING THE DATE OF THE COMMENCEMENT OF TRADING OF THE SHARES.

THIS DOCUMENT IS FOR DISTRIBUTION IN THE U.K. ONLY (I) TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS (BEING "INVESTMENT PROFESSIONALS" WITHIN THE MEANING OF ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER")) OR (II) TO PERSONS WHO FALL WITHIN ARTICLES 48 TO 50 OF THE ORDER OR (III) ON THE GROUNDS THAT IT IS MADE TO OR DIRECTED AT ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE TO OR DIRECTED AT (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT IS DIRECTED ONLY AT RELEVANT PERSONS. OTHER PERSONS SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. THIS DOCUMENT IS CONFIDENTIAL AND IS BEING SUPPLIED TO YOU SOLELY FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON TO ANY OTHER PERSON OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE.

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF US FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. FEDERAL TAX LAWS; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

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CERTAIN DEFINED TERMS

In this Offering Circular, "Eurotech", the "Company", the "Group", "we", "us" and "our" refer to Eurotech S.p.A. and its subsidiaries, unless otherwise indicated or the context requires otherwise. Unless otherwise specified or the context so requires, all references to "Italy" mean the Republic of Italy. "EU" means the European Union. "U.S." and "United States" mean the United States of America, its territories and its possessions.

AVAILABLE INFORMATION

We have prepared a prospectus in the Italian language, the *Prospetto Informativo*, to offer and sell the Offered Shares to retail investors in Italy in compliance with applicable Italian laws. You may consult the *Prospetto Informativo* if you wish. However, this Offering Circular is not a direct translation of the *Prospetto Informativo*. This Offering Circular has been prepared solely for the purposes of the Institutional Offering and is being made available only to persons who are entitled to participate in the Institutional Offering.

Under Italian law, we are required to file with the Italian Stock Exchange unaudited quarterly and six-monthly financial statements and audited annual financial statements. Since January 1, 2005, these financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") in the Italian language only. Prior to such date, these financial statements were prepared in accordance with the Italian law governing the preparation of financial statements, as interpreted by, and integrated with, the accounting principles established by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* (the Italian accounting profession) (**"Italian GAAP"**). For further information with respect to the presentation of our financial information, please see "Presentation of our Financial and Other Information" below.

Copies of the *Prospetto Informativo* and our financial statements are available at the Italian Stock Exchange and at our registered office.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about our Company and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties, assumptions and other important factors include, among others:

- dependency on management and key personnel;
- increased growth levels leading to structural and integration problems;
- acquisitions;
- rapid technological development;
- competition;
- success of new products;
- regulation of markets in which we operate;
- dependency on key suppliers;
- dependency on public investment in market;
- validity of share price in technology sector;
- lack of market for our Shares.

We are under no obligation to update or revise publicly any forward-looking statement. The forward-looking events discussed in this Offering Circular might not happen. In addition, you should not interpret statements regarding past trends or activities as promises that those trends or activities will continue in the future. All written, oral and electronic forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

PRESENTATION OF OUR FINANCIAL AND OTHER INFORMATION

Since January 1, 2005, we have prepared our consolidated financial statements in accordance with IFRS. Prior to such date, we prepared our financial statements in accordance with Italian GAAP. The accompanying consolidated financial statements as of and for each of the three years ended December 31, 2002, 2003 and 2004 were specifically prepared for the registration and listing of our shares. These consolidated financial statements are prepared in accordance with Italian GAAP and are presented in a format that follows the scheme applied for the presentation of our June 30, 2005 IFRS consolidated financial statements. Due to our size we were not required to prepare consolidated financial statements for Italian legal and statutory purposes in the years 2002, 2003 and 2004. With respect to the year ended December 31, 2004, based on the CONSOB rules applicable to new registrants, we have also prepared consolidated financial statements restated in accordance with IFRS.

Our consolidated financial statements (including the notes to those statements) as of and for each of the three years ended December 31, 2002, 2003 and 2004 (prepared in accordance with Italian GAAP) and as of and for the six months ended June 30, 2005 (prepared in accordance with IFRS in connection with the request for initial listing of the Shares on MTAX-Star) have been audited by our independent auditors, Reconta Ernst & Young S.p.A. Their reports, together with such financial statements, are included elsewhere in this Offering Circular.

In addition, Reconta Ernst & Young S.p.A. issued a special purpose report on our consolidated balance sheet as of December 31, 2004, our consolidated statements of income, cash flows and shareholders' equity for the year ended December 31, 2004 and related explanatory notes, restated in conformity with IFRS. These restated consolidated statements were prepared for the purposes of inclusion in the listing prospectus, as required by Regulation 809/2004/CE. Their report, together with such restated consolidated financial statements, is included elsewhere in this Offering Circular.

Our interim consolidated financial statements as of and for the six-month period ended June 30, 2004 and as of and for the nine-month periods ended September 30, 2004 and 2005, prepared in accordance with IFRS, have not been audited. Therefore, investors are cautioned against placing undue reliance upon those financial statements. Certain line items from these financial statements, although not the financial statements themselves, have been included elsewhere in this Offering Circular.

As disclosed in the explanatory notes to our IFRS consolidated financial statements, we will adopt IFRS for the first time in our comparative financial statements for the years ended December 31, 2004 and 2005. Accordingly, the transition provisions of IFRS 1 will result in IFRS standards that are effective on December 31, 2005 being applied to determine our beginning IFRS balance sheet as at January 1, 2004 and our IFRS financial statements for the two years ended December 31, 2004 and 2005. Accordingly, the December 31, 2004, June 30, 2005 and September 30, 2005 IFRS financial information included in this Offering Circular is subject to change related to new IFRS standards that become effective between the date of issue of our IFRS statements and December 31, 2005 and new interpretations with regards to existing standards. We make no representations regarding the nature or amount of the adjustments necessary for the 2004 and 2005 IFRS financial information to comply with IFRS as of the date of this Offering Circular or IFRS as at December 31, 2005.

In the tables herein, a dash (—) represents no value and brackets (   ) around a number indicate a negative amount. Certain financial and statistical information in this Offering Circular has been subject to rounding adjustments. Accordingly, the sum of certain data may not add up to the expressed total.

GLOSSARY

This glossary contains certain technical terms relating to our market, products and operations used within this Offering Circular.

ApeNEXT a form of high performance computer designed and built for use in scientific research, in particular in the field of physics.

Apemille a form of high performance computer designed and built for use in scientific research, in particular in the field of physics.

Backplane a dedicated interconnection board used in high performance computers.

Business Intelligence an identification of factors critical to success through the analysis of business and market data.

Business model a theoretical representation of certain aspects of a business activity.

Chip solid state circuit based on silicon, for example, microprocessors, memory chips, etc.

PC-Cluster a form of high performance computer created by interconnecting an extremely high number of microprocessors of the type normally used in personal computers.

Concept an idea leading to a research project.

CPU a Central Processing Unit, also called a processor or microprocessor, which executes instructions for programs stored in its main memory and processes data internally.

Crate a metal rack holding a number of microprocessor modules constituting a high performance computer.

Custom a product designed and built according to the customer's specifications.

Desy Deutsches Elektronen Synchrotron, a research institute based in Berlin, Germany.

Driver a software program controlling a peripheral unit of a computer.

Embedded pc a miniaturised computer integrated in an electronic system.

Engineering the definition and design of the technical specifications of a product or process.

Firmware a low-level software program inserted into a device's on-board memory, which becomes a permanent part of a computing device.

CAGR compound annual growth rate.

GANTT a diagram used to schedule the various activities or milestones required for the completion of a project.

GRID	the virtual realisation of distributed computing and data resources, such as processing, network bandwith and storage capacity, to create a single system image granting access to greater IT capabilities.
HPC or high performance computer	also called a supercomputer, a machine having an extremely high computational power, obtained by interconnecting tens, hundreds or possibly thousands of microprocessors.
ICT	Information and Communication Technology. The structures, services and products forming the world of information and communications.
Hard disk	a mass memory unit for the storage of computer data.
Hardware	the physical components and logical devices of a computer, used in systems for data processing and communications.
Interface	a hardware or software environment allowing communication and interaction between different systems or between the computer and the user.
Internet	the global network connecting computers worldwide and allowing the exchange of information.
Intranet	an internal network connecting a company's computers, based on Internet technology (the TCP/IP protocol).
IT	Information Technology. The structures, services and products forming the world of information and communications.
Lead time	the time elapsed between receipt of an order and delivery of the ordered product or service. Lead time includes order registration, time spent on the waiting list, production time, storage time and shipment time.
Linux	an open source operating system, whose code is freely available and can be modified by any user.
Manufacturing resource planning	a software program allowing the planning of the purchase of materials and components for a manufacturing process.
Make to forecast	a production planning model based on expected demand within a defined period of time.
Make to order	a production planning model based on confirmed customers' orders.
Microprocessor	also called a CPU, a silicon solid state circuit incorporating a processing unit.
Middleware	intermediate-level software programs allowing interaction and communication between different applications.
Module	a sub-system or electronic device consisting of microprocessors, electronic components, printed circuits and connectors, based on an industry-standard open architecture.

Networking	hardware, software and services allowing connection and interaction between computers.
NanoPC	a miniaturised computer for specific applications, constructed with international industry-standard modules.
OEM	an original equipment manufacturer. An equipment designer and vendor who buys systems and components from manufacturers.
Outsourcing	the delegation of non-core operations to external manufacturers (or subcontractors) that specialize in the relevant operation, for quality or financial reasons.
Porting	software operations performed in order to adapt the relevant operating system to a specific hardware platform.
Project management	activities aimed at the identification, planning and control of the various stages of a project.
QOS	Quality Of Service. The amount of data transferred in a defined period of time, used to evaluate a network's efficiency.
Rack	a metal cabinet containing the backplanes and processing boards that form part of a high performance computer.
Robust	rugged products are ones designed and built for use in hostile environments, which are expected to resist shocks, vibrations, humidity, extreme temperature ranges, etc.
Service provider	an operator providing services such as connectivity, data processing, data storage and remote computing.
Silicon foundry	a manufacturer of solid state circuits based on silicon.
System	an electronic machine designed and built by integrating modules, software, operating system and middleware in specially built frameworks, providing dedicated solutions for specific applications.
Vision System	an electronic machine designed and built by integrating vision sensors, software, operating system and middleware in specially built frameworks, providing dedicated solutions for specific applications.
Software	the interface between hardware and data, designed to enable a task, process or computation to be performed.
Supercomputer	also called an HPC (high performance computer), a machine having an extremely high computational power, obtained by interconnecting tens, hundreds or even thousands of microprocessors.
System Integration	the creation of a complex information system that may include designing or building a customized architecture or applications, integrating it with new or existing hardware, packaged and custom software, and communications.

System Integrator	an operator active in the field of system integration.
System Software	basic software, including operating systems (proprietary and otherwise) and any related applications software (i.e. programming languages and compilers) for all kinds of hardware, from mainframes to PCs.
TeraFlops	a unit of measurement used to evaluate the computational power of a high performance computer. One TeraFlops is one thousand billion floating-point operations being performed in one second.
Time to market	the time elapsed between the visualisation of a product concept and its introduction to the market.
Peripheral unit	a device or machine connected to a computer.
Wireless	communications between electronic devices via the use of electromagnetic waves instead of cables.

SUMMARY

This summary may not contain all the information that may be important to you. You should carefully read this entire Offering Circular, including our financial statements appearing elsewhere in this Offering Circular and the risks described under the section headed "Risk Factors" below, before deciding whether to invest in our Shares. You should not rely on this summary only.

Overview

The Company is a corporation (*Società per azioni)* incorporated under Italian law, registered at the Company's Registry in Udine under registration number 01791330309 and having its principal office in Amaro (Udine). The duration of the Company is until December 31, 2050 which may be extended by way of an extraordinary meeting of the shareholders of the Company, excluding a withdrawal right for dissenting shareholders. In case of disputes between shareholders and the Company, jurisdiction is determined under applicable law.

The Company carries out the research, development, production and marketing of miniaturised computers (**"NanoPCs"**) and high performance computers (**"HPCs"**). The Group seeks to be a centre of technological excellence which designs, develops and markets innovative solutions and robust architectures for miniaturised computers intended for specific applications, mainly in harsh environments and hostile conditions. The know-how acquired by Eurotech in the field of NanoPCs gives us an edge in the development and manufacturing of HPCs.

Eurotech is focused on research and development, and on the acquisition of scientific, technological and industrial know-how in leading state-of-the-art sectors, having regard to future scenarios and expected market evolution. Since its incorporation, Eurotech has always considered research and development to be a key factor in its business model.

The Group operates mainly in the Italian, European and North American markets through the following companies: Eurotech S.p.A., IPS Sistemi Programmabili S.r.l., Neuricam S.p.A (all three based in Italy), Parvus Corp. (based in the USA), Erim Développement S.A.S. (based in France) and Eurotech Finland Oy (based in Finland). For a further description of the Group, its structure and our subsidiaries see the section headed "Our Business – Corporate Structure" below.

NanoPCs are miniaturized computers suited for specific applications and designed for operation in harsh and hostile environments or critical conditions, like elevated temperature ranges. These rugged and reliable devices are resistant to vibrations, humidity, thermal and mechanical shock and sudden pressure changes. Due to their very small dimensions, these computers are called "NanoPCs" and are built using modules designed in accordance with international standards (as defined for example by the PC/104 Consortium and the PICMG PCI Industrial (Consortium). They feature low power consumption, standard interfaces and standard programming languages.

Our NanoPC operations are carried out by the following companies: Eurotech, I.P.S. Sistemi Programmabili S.r.l. and Neuricam S.p.A. (all three located and operating mainly in Italy), Parvus Corp. (based and operating in the USA), Erim Développement S.A.S. (based and operating in France) and Eurotech Finland Oy (based in Finland and operating in Northern Europe and China). Our NanoPC products are marketed with the following trade marks: Eurotech, Parvus, IPS and Neuricam.

The Group's NanoPC product range includes modules, systems and network appliances destined for the defence, transport, medical and industrial sectors. Our NanoPC operations accounted for 91.5 per cent. of the Group's sales as at December 31, 2004 and 89.2 per cent. of the Group's sales as at June 30 (financial information as at June 30 has been prepared in accordance with IFRS).

HPCs are high performance computers built by connecting tens, hundreds or thousands of microprocessors. HPCs are intended for advanced applications in science and technology, but can also be very useful in industry and in statistics, where applications require huge computational power.

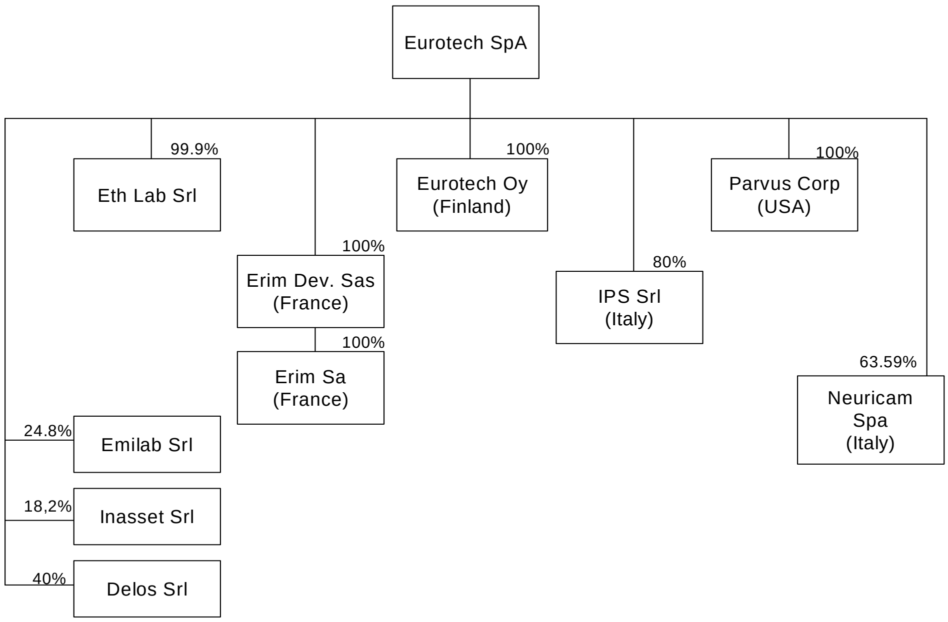
The Group's products in the HPC sector comprise high performance computers destined for universities, scientific research institutions and computational centres.

The HPC sector accounted for 8.5 per cent. of the Group's sales as at December 31, 2004 and 10.8 per cent. of the Group's sales at June 30, 2005 (financial information as at June 30 has been prepared in accordance with IFRS).

Eurotech is active in the field of HPCs with the Exadron trade mark (a division located at our headquarters in Amaro, Italy).

Our address is: Via Jacopo Linussio, Amaro, Udine. Our telephone number is: +39 433 485411.

The following chart shows the corporate structure of our Group as at the date of this Offering Circular.



Company Strengths

Eurotech's management believes it benefits from the following strengths:

- Technological leadership: As a result of its business model and technological know-how, the Group constantly has an up-to-date vision of the market and state-or-the-art technology. Accordingly, it is able to anticipate the requirements of the market. Strategic planning and research help to optimise the cost-benefit ratio of every project, which is either borne by us or passed on to the end client. This allows us to make efficient use of our capital and to accelerate time-to-market.

- Receptiveness to customers' needs: Eurotech is always ready to listen to and understand the requirements of the market. With regard to its customers, Eurotech "speaks the same language." It puts itself in the customer's place and tries to understand the problem in hand and to offer the best possible assistance. This attitude builds up customer loyalty and medium to long-term relationships.

- Product quality and performance: Eurotech's products and solutions satisfy customers' specifications with innovative solutions, while maintaining a high quality level which guarantees a competitive price to performance ratio.

- Modularity and flexibility of the offered technological solutions.

The Global Offering

The Global Offering	The Global Offering consists of the Institutional Offering and the Public Offering. The Public Offering consists of the Retail Offering, the Employee Offering and the Agent Offering.
The Institutional Offering	The Global Co-ordinator is offering up to 6,921,600 Shares to professional investors in Italy as defined in CONSOB Regulation no. 11522 of July 1, 1998, as amended, and to institutional investors outside of Italy (excluding Australia, Canada, Japan and the United States) in compliance with Regulation S under the Securities Act.
The Public Offering	The Public Offering consists of the Retail Offering, the Employee Offering and the Agent Offering. The Retail Managers (as defined below) are offering a minimum of 1,730,400 Shares to retail investors exclusively in Italy.
The Retail Offering	The Retail Offering consists of a public offering of Shares in a minimum amount of not less than 20% of the aggregate number of Shares offered under the Public Offering.
The Employee Offering	The Employee Offering consists of an offering of up to 114,400 Shares to our employees.
The Agent Offering	The Agent Offering consists of an offering of up to 6,500 Shares to certain of our agents.
The Selling Shareholder	The Selling Shareholder is First Gen-e Serviços de Consultoria SA.

Over-allotment Option	The Selling Shareholder has granted the Global Co-ordinator, as bookrunner and manager, an option to place up to an amount of Shares, equivalent to 15% of the aggregate number of the Offered Shares at the Offering Price, less applicable commissions, to cover any over-allotments or for stabilization activities. This option may be exercised, in whole or in part, within the period of 30 days from the date of commencement of trading of the shares. In connection with this over-allotment option, the Selling Shareholder has also granted to the Global Co-ordinator an option to purchase up to 1,297,992 shares on or after the closing date of the global offering pursuant to the Institutional Underwriting Agreement. This option may be exercised once, in whole or in part, within the period of 30 days from the date of commencement of trading of the shares. In the event that the option to borrow the shares is exercised, the Global Co-ordinator shall have all rights of ownership with respect to the borrowed shares during the over-allotment period but shall not be obligated to exercise the over-allotment option. For a more detailed description of the Over-allotment Option, see the section headed "Plan of Distribution" below.
Shares	Ordinary Shares of €0.25 nominal value each of the Company.
Offering price	€3.40 per Share (the "**Offering Price**").
Shares outstanding immediately before the Global Offering	11,175,296
Shares outstanding immediately after the Global Offering	18,625,296
Voting rights	Under Italian law and our By-Laws, each holder of our shares is entitled to cast one vote for each Share held. Holders of our shares are entitled to vote at and attend ordinary and extraordinary meetings of the shareholders of the Company. For a more detailed description of the rights attaching to our Shares, see the section headed "Description of Our Share Capital" below.
Dividend policy	The Shares will be eligible for all dividends, if any, declared in respect of our financial year ended December 31, 2005. Our dividend policy in future periods, and the amount of future dividends, will depend upon a number of factors including, but not limited to, our capital expenditure and investment plans, level of profitability, ratio of debt to equity and applicable provisions of Italian law. For a more detailed description of our dividend policy, see the section headed "Dividends and Dividend Policy" below.

Tax

Subject to certain exceptions, dividends payable by us to non-residents of Italy are generally subject to Italian substitute tax at the rate of 27%, which may be (i) reduced by applicable tax treaties or conventions provided all the required conditions are met or, alternatively, (ii) refunded from the Italian tax authorities up to 4/9 of the relevant amount, provided it is proven that the associated dividends have been definitively taxed in the recipient's country of residence in an amount at least equal to the total refund claimed. Italy has concluded income tax treaties with over 60 countries, including all members of the European Union and the United States.

Capital gains made on certain sales of our Shares will be subject to capital gains tax in Italy, subject to any applicable double taxation treaties.

A transfer tax is in certain cases payable on the transfer of our Shares executed in Italy.

For a more detailed description of taxation matters with respect to the holding and transfer of our Shares, see the section headed "Taxation of Ordinary Shares" below.

Use of proceeds

We intend to use the net proceeds of the Global Offering, net of expenses and underwriting fees, to expand our business activities in accordance with our business development program, in particular through investment into research and development of our products in order to increase our revenues and our number of employees. We will not receive any of the proceeds from the sale of Shares by the Selling Shareholder.

For a more detailed description of the use of proceeds of the Global Offering, see the section headed "Use of Proceeds" below.

Listing and trading

Our Shares are expected to be listed on MTAX-Star. On November 7, 2005, the Italian Stock Exchange, under decree number 4316, gave formal approval for the Shares to be listed on MTAX and, on November 9, 2005, CONSOB gave formal approval (*nulla osta*) for the publication of the Italian prospectus with respect to the Public Offering.

Trading of the Shares is expected to commence on or about November 30, 2005. The actual date of commencement of trading will be published by the Italian Stock Exchange in accordance with subsection 6 of Article 2.4.3 of the rules of the Italian Stock Exchange, together with the indication of the specific trading segment of the ordinary shares.

Lock-ups	We and the Global Co-ordinator have entered into separate lock-up agreements (the "**Lock-up Agreements**"), with certain of our shareholders pursuant to which we and such shareholders have each agreed, during the period of 12 months (for Roberto Siagri, Dino Feragotto, Roberto Chiandussi, Giampietro Tecchiolli, Giorgio Pezzulli, The S.r.l., Massimo Mauri and Friulia Finanziaria Regionale Friuli Venezia Giulia S.p.A. ("**Principal Shareholders**") and 6 months (for Giovanni Saladino, Umberto Lago, Finanziaria 2008 S.r.l. e Paolo Vicentini respectively), in each case following the date on which trading of the Shares commences, directly or indirectly, not to offer, sell, contract to sell or issue or otherwise dispose of any shares of the same class or series as the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive Shares or any such substantially similar securities, or purchase or sell any option or other guarantee or enter into any swap, hedge or other agreement that would have similar economic consequences to the foregoing, or to participate in increases or issuance of securities convertible or exchangeable for shares or similar instruments which will grant substantially similar rights to those of the Offered Shares, in each case without the prior written consent of the Global Co-ordinator (such consent not to be unreasonably withheld). These arrangements do not apply to the Shares, the shares sold pursuant to the Over-allotment Option, the shares issued pursuant to the Company's incentive and/or stock option plans, and disposals of shares required by any applicable laws and regulations.
Transfer restrictions	You should read the section headed "Transfer Restrictions" below for a discussion of the restrictions on transfers of the Shares.
Payment and settlement	Payment for the Offered Shares is expected to be made on or about November 30, 2005. It is expected that the Offered Shares will be delivered against payment for the same in €, through the facilities of Monte Titoli. It is further expected that interests in the Offered Shares will be credited to accounts of intermediaries at Monte Titoli, including accounts for nominees of Euroclear and Clearstream. Settlement of trades of the Offered Shares will occur through the respective facilities of Monte Titoli, Euroclear and Clearstream, or certain other financial intermediaries in accordance with their respective procedures. You should read the section headed "The Italian Securities Market" below.
Share security numbers	The ISIN of the Shares is IT0003895668.
Our dealing in our own Shares	Subject to limits under Italian law, we may purchase a limited percentage of our own Shares at any time. You should also read the section headed "Description of Our Share Capital—Our purchase of our own Shares" below.

RISK FACTORS

An investment in our Shares involves certain risks. You should carefully consider all the information contained in this Offering Circular, including the risks described below, before making any investment with respect to our Shares.

Below we indicate the specific and generic risks that we invite our investors to take into consideration before any investment in our Shares. We specifically outline risks related to the Company, our industry as well as to the Global Offering.

Risks related to the Company

***Our business is cyclical*.**

The net losses for the Group for the six months ended June 30, 2004 and 2005 were €(424,000) and €(389,000), respectively.

However, the net Group earnings for the nine months ended September 30, 2005 were positive, at €252,000. This is primarily due to the cyclicality of our business, where traditionally we have a concentration of billing in the second half of each financial year, which is a historical characteristic of our business. Since consequently revenues are mostly earned in the second half of our financial year, the percentage of revenue represented by the various cost line items are much larger in the first six months of the year than in the latter.

Our customer order book as at September 30, 2005 stood at €18,000,000. We believe that about 30% of this order book should be completed and therefore billed by the end of this financial year.

We are heavily dependent on our management and key personnel

Our existing operations and continued future development depends to a significant degree upon the technical knowledge of our personnel. Our success further depends in large part upon our ability to attract, develop, motivate and retain highly skilled employees.

Furthermore, the success of the Group is likely to depend in a large part on the performance and active participation of certain key individuals of our management. Should key members of the management leave the Group we cannot guarantee that we will ultimately be able to promptly replace them. This may have negative effects on our performance and the implementation of the Group's strategy. Consequently, our financial conditions and results of operations could be materially adversely affected by such departures.

Our increased growth levels may lead to structural and integration problems

In the past three years the Group has undergone an intense and increased phase of growth. The Group's revenue has increased from €8,249,000 in 2002 to €18,811,000 at the end of 2004 (the above numbers are calculated on the basis of Italian GAAP; for further financial information and in particular financial information calculated using IFRS see the section headed "**Operating and Financial Review and Prospects**" below).

Increased levels of growth means that management may have to make changes to its organisational infrastructure and internal procedures in order to manage not only the growth but also the various demands that growth places on an organisation. Difficulties in the organisational and procedural management of such matters could have a negative impact on the Group's ability to respond to market demands in a timely fashion.

We have historically experienced variations in our net working capital during the previous financial years.

During the financial years ended December 31, 2002, 2003 and 2004 we experienced variations in our net working capital. Net working capital was €5.510 million at December 31, 2002, €5.478 million at December 31, 2003, and €5.032 million at December 31, 2004, calculated under Italian GAAP, and €8.595 million at December 31, 2004, as calculated under IFRS. These variations are due to the sale of trade receivables/effected during 2004 (in an amount of €3.792 million for the year ended December 31, 2004) and which have continued to be effected during the current financial year (in an amount of €5.327 million for the nine months ending September 2005). The financial statements for the year ended December 31, 2004 prepared in accordance with IFRS show a negative result in respect of operating cashflows as the sale of trade receivables is not recognised under IFRS. The Company does not currently have in place any additional means of managing capital. The Company has agreed, by June 30, 2006, to put in place reporting procedures and controls to allow it to manage, on a monthly basis cashflows, creditor days for each creditor, and the number of days it takes to pay suppliers.

Recent Acquisitions

Certain of the companies that comprise the Group have been acquired during recent years. Generally, the acquisition of any company creates risks associated with its integration into an existing group, for example, at a managerial level and in respect of the reporting and budgeting procedures that may be required. For more information please see the section headed "Our Business - Our History" below.

Eurotech Finland Oy is in a start-up phase and the results for the six months ended June 30, 2005 show a loss of approximately €94,803, and the results for the nine months to September 30, 2005 show a loss of approximately €154,000. Unless these losses are offset by earnings by the end of the year ending December 31, 2005, the Company will be required to inject further capital, in an amount not less than minimum required by law, or put the Company into liquidation within a 12 month period.

Exchange Risks

Parvus Corporation has its operations in the United States and carries out its activities in U.S. dollars. The Group's consolidated financial statements, which are presented in Euros, contain amounts which are translated from U.S. dollars, and therefore the Company is subject to a certain level of exchange rate risk, which might adversely impact its future earnings.

Risks relating to our operations and to our industry

Rapid technological development

The further growth of our Group will depend on our ability to maintain the technological competitiveness of our core products and services in a market that is characterised by rapid and significant changes in technology. While we are focusing on increased investment into research and development of innovative applications in order to profit from market opportunities created by a changing technological environment there is no guarantee that we will be able to introduce competitive products in a timely fashion.

We may not be able to compete successfully in a highly competitive market

The market in which we operate is developing and we expect the level of competition to increase in all of the markets in which we compete. The market in which we operate is characterised by the rapid and aggressive entrance of new competitors, including business divisions of much larger technology, that may have significantly greater economies of scale and resources than we have and therefore be in a better position to invest in developing and acquiring appropriate technology and also to expand into new business fields. If we are unable to compete successfully, we may not be able to attract new customers or retain our existing customers. This may adversely affect the results of the Group.

Success of new products

We are operating in a relatively new and still fairly underdeveloped market. Customer demand for our products may initially be less or develop more slowly than we anticipate. If we are unable to market our new products that are anticipated in our strategic plan as a result of competition, or lower market demand, or technical issues, we are likely to experience reduced revenue that could materially adversely affect the results of the Group.

Regulations affecting the markets in which we provide our services have been changing, in particular with regard to the use of hazardous substances in electric and electronic applications

On July 25, 2005, legislative decree No. 151, implementing European directive 2002/95/CE, regulating the restriction of certain hazardous substances in electric and electronic appliances and European directive 2002/96/CE, regulating handling of electronic and electric appliances' waste was adopted. The legislative decree will eventually lead to elimination of lead and other heavy metals in all products used in the production process of the Company. We will be required to substitute current components with lead free substitutions. If we encounter problems during the substitution of such components we may experience production delays and consequently lose customers and business.

We are dependent on key suppliers

As with our competitors, we rely on microprocessors produced by significant worldwide suppliers. If our suppliers decide to change their products, and/or substitute them with new products which are less suitable for our needs, our results may be negatively adversely affected.

We are dependent on public investment in the Group's market

In certain areas of the market, the demand for certain products/solutions is closely related to public spending, both on a state and regional level. As at December 31, 2004, activities of the Group which are dependent on public sector investment represented approximately 8% of Group revenues and, as at September 30, 2005, 15% of Group revenues. A reduction in public spending or a change in public policies with respect such sectors could materially adversely affect the results of the Group.

Risks related to the Global Offering

The market for shares in the technological sector and in other sectors characterised by high growth volume have historically been volatile and subject to volatile volumes in trading

The market for shares of companies active in the technological sector and in other sectors characterised by high growth have typically been subject to high fluctuations in price and in trading. Such fluctuations could have a negative effect on our share price.

In the past, markets throughout the world on which the shares of innovative and high growth companies trade have seen significant fluctuations which in some cases have been adverse overall, both in terms of share price and trading volumes. Similar market trends in Italy could have a negative effect on our share price.

The Global Co-ordinator has been appointed to monitor and propose purchases and sales of our shares at amounts and prices specified by the instructions accompanying the rules of the Italian Stock Exchange. The Global Co-ordinator has also been appointed to manage the Global Offering, including the book building process.

USE OF PROCEEDS

We intend to use the net proceeds of the Global Offering, net of expenses and underwriting fees, to expand our business activities in accordance with our business development programme described elsewhere in this Offering Circular. In particular we intend to make investments into research and development of our products in order to increase our revenues and our number of employees.

The Company and the Selling Shareholder will pay a commission (the "**Selling Commission**") not exceeding 5% of the gross proceeds of the Global Offering to the Global Co-ordinator. As at the date of this Offering Circular the exact figure of the Selling Commission is not known. The Selling Commission and the total amount of expenses incurred in connection with the Global Offering will be published in a daily financial newspaper with nationwide circulation in Italy by way of an "Integrated Notice" on the date on which the definitive pricing and results of the Global Offering are announced.

We will not receive any of the proceeds from the sale of Shares by the Selling Shareholder.

DIVIDENDS AND DIVIDEND POLICY

Our shareholders are entitled to annual dividends recommended by our board of directors and approved by shareholders in ordinary meeting. We can only pay dividends out of our distributable profits and reserves on an unconsolidated basis for each relevant year. Before paying dividends, we must set aside 5% of our net income on an unconsolidated basis to our legal reserve fund (*riserva legale*). This requirement ceases if our legal reserve fund, including amounts set aside during prior years, reaches, or remains 20% of the aggregate nominal value of our share capital. The same restriction applies, on an unconsolidated basis, to each of our Italian subsidiaries.

The distribution of dividends is subject to the approval of our shareholders. Amounts determined by the shareholders' meeting may be set aside in the statutory reserve fund and in any other reserve funds established by the shareholders. The residual amount of our net income may be paid as dividends or may be set aside in optional reserve funds that may be distributed (referred to as “distributable reserves”), provided that the legal reserve described above remains equal to or grater than the statutorily required minimum. .Our shareholders may adopt a resolution at an extraordinary meeting of the shareholders of the Company to convert distributable reserves into additional share capital with or without the issuance of new shares. If new shares are issued, they will be allocated to our shareholders in proportion to their ownership before the increase, without further contribution or payment. Alternatively, if no new shares are issued, the nominal value of our outstanding shares will proportionally increase to reflect the capital increase.

We cannot pay any dividends if we suffer losses that affect our share capital unless the share capital is replenished or reduced accordingly.

The Offered Shares are eligible for dividends, if any, declared for the financial year ended December 31, 2005 and any subsequent years. Although we expect to declare and pay dividends on our Shares, we make no assurance as to whether or when we will make such declaration or the amount of such dividend.

For a description of the limitations on our ability to pay dividends under Italian law, you should also read the section headed "Description of Our Share Capital—Dividends."

Shareholders must collect their dividends within five years of the date on which they were paid by the Company. After such time, uncollected dividend payments revert to the Company.

Under Italian law, only companies whose financial statements must be submitted to external auditing may pay interim dividends. They may do so, however, only if certain conditions are fulfilled and if that company’s by-laws expressly authorise interim dividend distribution. You should read the section headed "Description of Our Share Capital—Dividends" for a more detailed description of the provisions of Italian laws governing dividends.

Our shareholders cannot be asked to repay interim dividends or annual dividends which were distributed on the basis of duly approved financial statements, if these dividends were paid in compliance with applicable law and collected by the shareholders in good faith.

We will automatically credit any dividends we pay to your deposit account with an intermediary participant in Monte Titoli without the need for you to show documents proving your ownership of the Shares.

Under Italian tax law in force at the date hereof, dividends payable on our ordinary shares to non-residents of Italy and to certain Italian residents will be subject to deduction of Italian substitute tax. See the section headed "Taxation of Ordinary Shares—Taxation of dividends." Currently, if you are not a resident in Italy or have no permanent establishment in Italy to which our Shares are effectively connected, the substitute tax is levied at a rate of 27%, if not reduced by double taxation treaties. You should also see "Taxation of Ordinary Shares" for more information concerning substitute tax on dividends. If you are resident in a country with which Italy has entered into a double taxation treaty which allows for the exchange of information, in order to benefit from the tax treatment provided under the treaty, you should provide the depository of the Shares with: (i) a self declaration attesting that you are entitled to benefit from the reduced tax rate under the treaty provisions; and (ii) a tax resident certificate issued by the tax authority of your country of residence. Such certification must be provided on a yearly basis.

In connection with the payment of dividends, we and/or the intermediary with whom the Shares are deposited must supply the Italian taxation authorities with certain information concerning the identity of (a) those of our shareholders who elected to treat such dividends as part of their taxable income; and (b) those of our shareholders who are not resident in Italy.

To allow us to comply with this requirement, you must supply us and/or the intermediary with whom the Share are deposited with the following information:

- if you are residing in Italy, you must provide us with your Italian tax identification number, if any;
- if you are not residing in Italy, you must provide us with your tax identification number in your country of residence;
- if you are a legal entity, you should provide us with its name, country of establishment and address;
- if you are an individual, you should provide us with your name, address and place and date of birth; and
- if you are a partnership, you should provide us with the information required for legal entities and also the information required for individuals for at least one of your representatives.

CAPITALISATION

The following table sets out our unaudited consolidated cash and cash equivalents, short-term debt and capitalisation as of September 30, 2005 on an actual basis and as adjusted to reflect our receipt of net proceeds from the Global Offering of 7,450,000 Shares issued by us. The adjustments reflect our sale of Shares at an Offering Price of €3.40 per Share before deduction of underwriting commissions and expenses. You should read this table together with our consolidated financial statements and the related notes contained elsewhere in this Offering Circular.

For further information regarding the capitalisation of the Group, see the section headed "Operating and Financial Review and Prospects" and the notes to our unaudited interim consolidated financial statements for the nine months ended September 30, 2005.

	As of September 30, 2005	
	Actual	**As Adjusted[1]**
	Unaudited	
	(Thousands of €)	
Cash and cash equivalents	3,732	29,062
Short-term borrowings (including current portion of long-term debt)	3,128	3,128
Long-term debt, less current portion	2,987	2,987
Group shareholders' equity:		
Share capital[2]	2,794	4,656
Reserves	5,201	28,669
Net profit for the period	252	252
Total group shareholders' equity	8,247	33,577
Total capitalisation	**11,234**	**36,564**

(1) Adjusted to assume completion of the offering at the offering price of €3.40

(2) Reflects 18,625,296 authorized and issued shares nominal value €0.25 each

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements (including the notes thereto) as of and for each of the three years ended December 31, 2002, 2003 and 2004 (prepared in accordance with Italian GAAP) and as of and for the six months ended June 30, 2005 (prepared in accordance with IFRS) which have been audited by our independent auditors, Reconta Ernst & Young S.p.A. Their reports, together with such financial statements, are included elsewhere in this Offering Circular. In addition, Reconta Ernst & Young S.p.A. issued a special purpose report on our consolidated balance sheet as of December 31, 2004 and our consolidated statements of income, cash flows and shareholders' equity for the year ended December 31, 2004 and related explanatory notes, restated in conformity with IFRS. Their report, together with such restated consolidated financial statements, is included elsewhere in this Offering Circular. Our interim consolidated financial statements as of and for the six-month period ended June 30, 2004 and as of and for the nine-month periods ended September 30, 2004 and 2005, prepared in accordance with IFRS have not been audited. Therefore, investors are cautioned against placing undue reliance upon those financial statements. In addition, pro-forma income statement data for the year ended December 31, 2004 (prepared under IFRS) are also presented. The 2004 pro-forma income statement include the acquisitions of Erim Développement S.A.S. and Finnish Vikerkaar Oy (since renamed Eurotech Finland Oy) for a full financial year.

Statement of Operations Data

Years ended December 31, 2002, 2003 and 2004

CONSOLIDATED STATEMENT OF OPERATIONS (Thousands of €)	**2002**	**%**	**2003**	**%**	**2004**	**%**	**2004 IFRS**	**%**	**2004 IFRS PRO-FORMA**	**%**
Sales and service revenue	8,249	100.0%	11,723	100.0%	18,811	100.0%	16,649	100.0%	19,797	100.0%
Operating costs:										
Cost of materials	(3,880)	-47.0%	(5,817)	-49.6%	(8,648)	-46.0%	(6,486)	-39.0%	(7,534)	-38.1%
Services	(1,719)	-20.8%	(2,343)	-20.0%	(3,410)	-18.1%	(3,480)	-20.9%	(4,259)	-25.5%
Rent and leases	(132)	-1.6%	(182)	-1.6%	(286)	-1.5%	(286)	-1.7%	(370)	-1.9%
Payroll	(2,150)	-26.1%	(3,138)	-26.8%	(5,235)	-27.8%	(5,212)	-31.3%	(6,144)	-31.0%
Accruals and other costs	(88)	-1.1%	(100)	-0.9%	(120)	-0.6%	(172)	-1.0%	(216)	-1.1%
Other revenue	542	6.6%	696	5.9%	775	4.1%	973	5.8%	990	5.0%
Profit before depreciation and amortization, finance costs and taxes	822	10.0%	839	7.2%	1,887	10.0%	1,986	11.9%	2,264	11.4%
Depreciation and amortization	(603)	-7.3%	(675)	-5.8%	(863)	-4.6%	(529)	-3.2%	(630)	-3.2%
Operating profit	219	2.7%	164	1.4%	1,024	5.4%	1,457	8.8%	1,634	8.3%
Share of profit of associate	(72)	-0.9%	(45)	-0.4%	9	0.0%	9	0.1%	9	0.0%
Finance costs	(120)	-1.5%	(274)	-2.3%	(501)	-2.7%	(517)	-3.1%	(603)	-3.0%
Finance income	59	0.7%	75	0.6%	84	0.4%	84	0.5%	90	0.5%
Extraordinary costs and expenses	52	0.6%	79	0.7%	(10)	-0.1%	0	0.0%	0	0.0%
Profit before taxes	138	1.7%	(1)	0.0%	606	3.2%	1,033	6.2%	1,130	5.7%
Income tax expense	(172)	-2.1%	(226)	-1.9%	(420)	-2.2%	(455)	-2.7%	(452)	-2.3%
Net profit (loss) for the year	(34)	-0.4%	(227)	-1.9%	186	1.0%	578	3.5%	678	3.4%
Minority interest	(48)	-0.6%	29	0.2%	(14)	-0.1%	(69)	-0.4%	(69)	-0.3%
Group net profit (loss) for the year	14	0.2%	(256)	-2.2%	200	1.1%	647	3.9%	747	3.8%

Six months ended June 30, 2004 and 2005

CONSOLIDATED STATEMENT OF OPERATIONS (Thousands of €)	Six months ended 30 June 2004 IFRS – Unaudited	%	Year ended 31 December 2004 IFRS	%	Six months ended 30 June 2005 IFRS	%
Sales and service revenue	**6,784**	100.0%	**16,649**	100.0%	**11,000**	100.0%
Operating costs:						
Cost of materials	(3,420)	-50.4%	(6,486)	-39.0%	(5,022)	-45.7%
Services	(1,435)	-21.2%	(3,480)	-20.9%	(2,555)	-23.2%
Rent and leases	(104)	-1.5%	(286)	-1.7%	(195)	-1.8%
Payroll	(2,342)	-34.5%	(5,212)	-31.3%	(3,704)	-33.7%
Accruals and other costs	(78)	-1.1%	(172)	-1.0%	(102)	-0.9%
Other revenue	334	4.9%	973	5.8%	609	5.5%
Profit before depreciation and amortization, finance costs and taxes	**(261)**	**-3.8%**	**1,986**	**11.9%**	**31**	**0.3%**
Depreciation and amortization	(205)	-3.0%	(529)	-3.2%	(430)	-3.9%
Operating profit	**(466)**	**-6.9%**	**1,457**	**8.8%**	**(399)**	**-3.6%**
Share of profit of associate	5	0.1%	9	0.1%	6	0.1%
Finance costs	(245)	-3.6%	(517)	-3.1%	(317)	-2.9%
Finance income	35	0.5%	84	0.5%	139	1.3%
Profit before taxes	**(671)**	**-9.9%**	**1,033**	**6.2%**	**(571)**	**-5.2%**
Income tax expense	176	2.6%	(455)	-2.7%	96	0.9%
Net profit (loss) for the period	**(495)**	**-7.3%**	**578**	**3.5%**	**(475)**	**-4.3%**
Minority interest	**(71)**	**-1.0%**	**(69)**	**-0.4%**	**(86)**	**-0.8%**
Group net profit (loss) for the period	**(424)**	**-6.3%**	**647**	**3.9%**	**(389)**	**-3.5%**

Nine months ended September 30, 2004 and 2005

CONSOLIDATED STATEMENT OF OPERATIONS (Thousands of €)	30/09/2004 IFRS – Unaudited	%	31/12/2004 IFRS	%	30/09/2005 IFRS – Unaudited	%
Sales and service revenue	9,671	100.0%	16,649	100.0%	19,839	100.0%
Operating costs:						
Cost of materials	(4,251)	-44.0%	(6,486)	-39.0%	(9,554)	-48.2%
Services	(2,198)	-22.7%	(3,480)	-20.9%	(4,088)	-20.6%
Rent and leases	(169)	-1.7%	(286)	-1.7%	(303)	-1.5%
Payroll	(3,506)	-36.3%	(5,212)	-31.3%	(5,139)	-25.9%
Accruals and other costs	(118)	-1.2%	(172)	-1.0%	(101)	-0.5%
Other revenue	490	5.1%	973	5.8%	934	4.7%
Profit before depreciation and amortization, finance costs and taxes	**(81)**	**-0.8%**	**1,986**	**11.9%**	**1,588**	**8.0%**
Depreciation and amortization	(322)	-3.3%	(529)	-3.2%	(671)	-3.4%
Operating profit	**(403)**	**-4.2%**	**1,457**	**8.8%**	**917**	**4.6%**
Share of profit of associate	7	0.1%	9	0.1%	14	0.1%
Finance costs	(328)	-3.4%	(517)	-3.1%	(554)	-2.8%
Finance income	46	0.5%	84	0.5%	194	1.0%

CONSOLIDATED STATEMENT OF OPERATIONS **(Thousands of €)**	**30/09/2004 IFRS – Unaudited**	**%**	**31/12/2004 IFRS**	**%**	**30/09/2005 IFRS – Unaudited**	**%**
Profit before taxes	**(678)**	**-7.0%**	**1,033**	**6.2%**	**571**	**2.9%**
Income tax expense	153	1.6%	(455)	-2.7%	(402)	-2.0%
Net profit (loss) for the year	**(525)**	**-5.4%**	**578**	**3.5%**	**169**	**0.9%**
Minority interest	**(92)**	**-1.0%**	**(69)**	**-0.4%**	**(83)**	**-0.4%**
Group net profit (loss) for the year	**(433)**	**-4.5%**	**647**	**3.9%**	**252**	**1.3%**

Balance sheet data

December 31, 2002, 2003 and 2004

CONSOLIDATED BALANCE SHEET	31 December			
(Thousands of €)	**2002**	**2003**	**2004**	**2004 IFRS**
ASSETS				
Intangible assets	883	2,803	4,099	5,306
Property, plant and equipment	1,763	1,888	1,931	2,223
Other non current assets	33	30	55	293
Total non current assets	**2,679**	**4,721**	**6,085**	**7,822**
Inventory	2,298	2,854	4,662	5,250
Contracts in progress				0
Trade receivables	5,459	6,208	5,726	8,402
Other current assets	548	952	648	419
Cash and cash equivalents	22	902	2,560	2,560
Total current assets	**8,327**	**10,916**	**13,596**	**16,631**
Total assets	**11,006**	**15,637**	**19,681**	**24,453**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital	425	425	1,247	1,247
Retained earnings	4,145	4,130	3,167	3,548
Net profit (loss) for the period	14	(256)	200	647
Group shareholders' equity	**4,584**	**4,299**	**4,614**	**5,442**
Minority capital and reserves	575	527	446	625
Minority profit (loss) for the period	(48)	29	(14)	(69)
Minority interests	**527**	**556**	**432**	**556**
Total shareholders' equity	**5,111**	**4,855**	**5,046**	**5,998**
Long-term debt	1,240	3,568	3,516	3,516
Convertible notes	0	0	2,500	2,465
Employees' benefits	334	437	574	550
Other non current liabilities	25	139	139	754
Total non current liabilities	**1,599**	**4,144**	**6,729**	**7,285**
Trade payables	1,992	3,455	4,539	4,011
Short-term borrowings	1,501	2,102	1,902	5,694
Taxes payable	290	395	442	442
Other current liabilities	513	686	1,023	1,023
Total current liabilities	**4,296**	**6,638**	**7,906**	**11,170**
Total liabilities	**5,895**	**10,782**	**14,635**	**18,455**
Total liabilities and shareholders' equity	**11,006**	**15,637**	**19,681**	**24,453**

Memorandum accounts	**1,245**	**3,931**	**6,454**

June 30 and September 30, 2005

CONSOLIDATED BALANCE SHEET (Thousands of €)	31 December 2004 IFRS	FTA IAS 32-39	1 January 2005 Restated	30 June 2005 IFRS	30 September 2005 IFRS – Unaudited
ASSETS					
Intangible assets	5,306		5,306	5,928	6,296
Property, plant and equipment	2,223		2,223	2,345	2,436
Other non current assets	293		293	696	704
Total non current assets	**7,822**	**0**	**7,822**	**8,969**	**9,436**
Inventory	5,250		5,250	6,325	6,329
Contracts in progress	0		0	626	1,567
Trade receivables	8,402		8,402	8,967	6,083
Other current assets	419		419	733	1,479
Cash and cash equivalents	2,560		2,560	654	3,732
Total current assets	**16,631**	**0**	**16,631**	**17,305**	**19,190**
Total assets	**24,453**	**0**	**24,453**	**26,274**	**28,626**
			0		
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital	1,247		1,247	1,247	2,794
Retained earnings	3,548	5	3,553	4,253	5,201
Net profit (loss) for the period	647		647	(389)	252
Group shareholders' equity	**5,442**	**5**	**5,447**	**5,111**	**8,247**
Minority capital and reserves	625		625	593	593
Minority profit (loss) for the period	(69)		(69)	(86)	(83)
Minority interests	**556**	**0**	**556**	**507**	**510**
Total shareholders' equity	**5,998**	**5**	**6,003**	**5,618**	**8,757**
Long-term debt	3,516		3,516	3,148	2,987
Convertible notes	2,465	(18)	2,447	2,458	0
Employees' benefits	550		550	598	663
Other non current liabilities	754	(4)	750	889	1,046
Total non current liabilities	**7,285**	**(22)**	**7,263**	**7,093**	**4,696**
Trade payables	4,011		4,011	5,377	7,765
Short-term borrowings	5,694		5,694	4,244	3,128
Taxes payable	442		442	319	514
Other current liabilities	1,023	17	1,040	3,623	3,766
Total current liabilities	**11,170**	**17**	**11,187**	**13,563**	**15,173**
Total liabilities	**18,455**	**(5)**	**18,450**	**20,656**	**19,869**
Total liabilities and shareholders' equity	**24,453**	**0**	**24,453**	**26,274**	**28,626**

Net financial debt

December 31, 2002, 2003 and 2004

(Thousands of €)	31/12/2002	31/12/2003	31/12/2004	31/12/2004 IFRS
Cash and cash equivalents	22	902	2,560	2,560
Other current financial assets		140		
Short-term debt	(1,501)	(2,102)	(1,902)	(5,694)
Total net short-term debt	**(1,479)**	**(1,060)**	**658**	**(3,134)**
Convertible bonds	0	0	(2,500)	(2,465)
Long-term debt	(1,240)	(3,568)	(3,516)	(3,516)
Total long-term debt	**(1,240)**	**(3,568)**	**(6,016)**	**(5,981)**

Net financial debt	**(2,719)**	**(4,628)**	**(5,358)**	**(9,115)**

The difference between the 2004 Italian GAAP Statements and the 2004 IFRS Statements (from €5.358 million to €9.115 million) is principally due to changes in net short-term debt (reflecting the fact that the sale of trade receivables (in an amount of €3.792 million) was not recognised under IFRS and, accordingly, the short-term debt from financing entities is recognised).

June 30, 2005 and September 30, 2005

(Thousands of €)	**01/01/2005 Restated**	**30/06/2005 IFRS**	**30/09/2005 IFRS – Unaudited**
Cash and cash equivalents	2,560	654	3,732
Short-term debt	(5,694)	(4,244)	(3,128)
Total net current debt	**(3,134)**	**(3,590)**	**604**
Convertible bonds	(2,447)	(2,458)	-
Long-term debt	(3,516)	(3,148)	(2,987)
Total long-term debt	**(5,963)**	**(5,606)**	**(2,987)**
Net financial debt	**(9,097)**	**(9,196)**	**(2,383)**

Net financial debt at September 30, 2005 improves by Euro 6.813 million with respect to June 30, 2005, principally for: I) the sale of receivables to factor agencies for an amount of Euro 5.327 million at the end of September 2005 (which substantially transfers all risks and rewards of the receivables, thus permitting the recognition of the sale in the IFRS balance sheet), and ii) the conversion of the convertible bonds of Euro 2.458 million in July 2005.

Total available lines of credit and related utilization at June 30, 2005 and September 30, 2005, follow:

(Thousands of Euro)	Available 30/6/2005 IFRS	Utilised 30/6/2005 IFRS	Available 30/9/2005 IFRS	Utilised 30/9/2005 IFRS
Bank overdraft	9,780	2,758	9,839	1,671
Short-term financial debt	1,486	1,486	1,457	1,457
Medium/long-term debt	3,148	3,148	2,987	2,987
TOTAL	14,414	7,392	14,283	6,115

At June 30, 2005 and September 30, 2005, the Group has available lines of credit for further utilization amounting approximately to Euro 7.000 million and Euro 8.200 million, respectively.

Cash Flows

For the years ended December 31, 2002, 2003 and 2004

(Thousands of €)	**31/12/2002**	**31/12/2003**	**31/12/2004**	**31/12/2004 IFRS**	**31/12/2004 IFRS pro-forma**
Net cash provided by (used in) operating activities	830	1.296	2.608	(498)	(277)
Net cash provided by (used in) investment activities	(856)	(2,791)	(2,102)	(2,683)	(1,500)
Net cash provided by (used in) financing activities	-	2,404	1,192	4,879	3,109
Effect of change in exchange rates (*)	-	(29)	(40)	(40)	(40)

Pro-forma adjustments	-	-	-	-	(100)
Increase (decrease) of cash and cash equivalents	(26)	880	1,658	1,658	1,192
Cash and cash equivalents at beginning of the period	48	22	902	902	1,368
Cash and cash equivalents at the end of the period	22	902	2,560	2,560	2,560

Note (*): This line item represents the changes in exchange rates at the beginning and the end of each financial year. This arises from the conversion of the balance sheet of our US subsidiary, Parvus, (which is originally reported in US dollars) into Euros(€)).

For the six months ended June 30, 2005 and for the nine months ended September 30, 2005

(Thousands of €)	**31/12/2004 IFRS**	**30/06/2005 IFRS**	**30/09/2005 IFRS – Unaudited**
Net cash provided by (used in) operating activities	(498)	907	6,113
Net cash provided by (used in) investing activities	(2,683)	(1,101)	(1,824)
Net cash provided by (used in) financing activities	4,879	(1,776)	(3,198)
Effect of change in exchange rates	(40)	64	81
Increase (decrease) of cash and cash equivalents	1,658	(1,906)	1,172
Cash and cash equivalents at beginning of the period	902	2,560	2,560
Cash and cash equivalents at the end of the period	2,560	654	3,732

Per share data

For the years ended December 31, 2002, 2003 and 2004, for the six months ended June 30, 2004 and 2005 and for the nine months ended September 30, 2004 and 2005

€	2002	2003	2004	2004 IFRS	2004 IFRS pro-forma	6/30/2004 IFRS - Unaudited	6/30/2005 IFRS	9/30/2004 IFRS - Unaudited	9/30/2005 IFRS - Unaudited
Number of shares	9,818,336	9,818,336	9,884,172	9,884,172	9,884,172	9,818,336	9,975,296	9,853,797	10,281,963
Ebitda per share	0.084	0.085	0.191	0.201	0.229	(0.027)	0.003	(0.008)	0.154
Operating margin (Ebit) per share	0.022	0.017	0.104	0.147	0.165	(0.047)	(0.040)	(0.041)	0.089
Net income (loss) per share	0.001	(0.026)	0.020	0.065	0.076	(0.043)	(0.039)	(0.044)	0.025
Net equity per share	0.467	0.438	0.467	0.551	0.551	0.434	0.512	0.448	0.802
Operating cash flow per share	n/a	n/a	n/a	(0.050)	(0.028)	n/a	0.091	n/a	0.095
Number of shares (diluted)	n/a	n/a	n/a	10,387,505	10,387,505	9,818,336	11,175,296	10,057,130	11,175,296
Ebitda per share diluted	n/a	n/a	n/a	0.191	0.218	(0.027)	0.003	(0.008)	0.142
Operating margin (Ebit) per share diluted	n/a	n/a	n/a	0.140	0.157	(0.047)	(0.036)	(0.040)	0.082
Net income (loss) per share diluted	n/a	n/a	n/a	0.065	0.075	(0.043)	(0.031)	(0.043)	0.028
Net equity per share diluted	n/a	n/a	n/a	0.526	0.526	0.434	0.461	0.439	0.744
Operating cash flow per share diluted	n/a	n/a	n/a	(0.045)	0.024	n/a	0.085	n/a	0.093

The number of shares utilized for the computation of the data per share for all periods presented has been computed on the number of shares resulting from the split of the nominal value of the shares from Euro 1.00 to Euro 0.25 of July 21, 2005.

Diluted per share data have been computed for IFRS data only, since no dilution criteria are available under Italian GAAP. Diluted earnings per share take into account the convertible bonds issued on July 29, 2004.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with, and is qualified in its entirety by, our consolidated financial statements (including the notes to those statements) as of and for each of the three years ended December 31, 2002, 2003 and 2004 (prepared in accordance with Italian GAAP) and as of and for the six months ended June 30, 2005 (prepared in accordance with IFRS) have been audited by our independent auditors, Reconta Ernst & Young S.p.A. Their reports, together with such financial statements, are included elsewhere in this Offering Circular. In addition, Reconta Ernst & Young S.p.A. issued a special purpose report on our consolidated balance sheet as of December 31, 2004, our consolidated statements of income, cash flows and shareholders' equity for the year ended December 31, 2004 and related explanatory notes, restated in conformity with IFRS. Their report, together with such restated consolidated financial statements, is included elsewhere in this Offering Circular. Our interim consolidated financial statements as of and for the six-month period ended June 30, 2004 and as of and for the nine-month periods ended September 30, 2004 and 2005, prepared in accordance with IFRS have not been audited. Therefore, investors are cautioned against placing undue reliance upon those financial statements. Certain line items from these financial statements, although not the financial statements themselves, have been included elsewhere in this Offering Circular. This description contains forward-looking statements based on assumptions about the Group's future business. The Group's actual results could differ materially from those contained in the forward-looking statements.

COMPARISON OF THE FINANCIAL YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

Explanation of financial statements used in this operating and financial review

The following section contains our management's discussion and analysis of our financial position and operating results for the three financial years ended December 31, 2002, 2003 and 2004.

As reported above, historically, we have prepared our financial statements and results under Italian GAAP. In 2004 we moved from presenting our results under Italian GAAP to presenting our results under IFRS. Our results for the year ended December 31, 2004 are presented both in Italian GAAP (the "2004 Italian GAAP Statements") and IFRS (the "2004 IFRS Statements"). In addition, pro-forma financial statements for the year ended December 31, 2004 (prepared under IFRS) (the "2004 IFRS Pro-forma Statements") are also included. The 2004 IFRS Pro-forma Statements are adjusted to include the acquisitions of Erim Développement S.A.S. ("Erim") and Finnish Vikerkaar Oy (since renamed Eurotech Finland Oy) ("Eurotech Finland") for a full financial year. All differences between the 2004 IFRS Pro-forma Statements and the 2004 IFRS Statements are due to the inclusion of Erim and Eurotech Finland in the former statements for that full financial year.

Unless stated otherwise, references in this Operating and Financial Review and Prospects to results for the year ended December 31, 2004 are to the 2004 Italian GAAP Statements.

OPERATING RESULTS

Overview

Operating results **Thousands of €**	**2002**	**%**	**2003**	**%**	**2004**	**%**	**2004 IFRS**	**%**	**2004 IFRS Pro-forma**	**%**
Sales and services revenues	8,249	100.0%	11,723	100.0%	18,811	100.0%	16,649	100.0%	19,797	100.0%
Operating Costs										
Cost of materials	(3,880)	-47.0%	(5,817)	-49.6%	(8,648)	-46.0%	(6,486)	-39.0%	(7,534)	-38.1%

Services	(1,719)	-20.8%	(2,343)	-20.0%	(3,410)	-18.1%	(3,480)	-20.9%	(4,259)	-21.5%
Rent and leases	(132)	-1.6%	(182)	-1.6%	(286)	-1.5%	(286)	-1.7%	(370)	-1.9%
Payroll	(2,150)	-26.1%	(3,138)	-26.8%	(5,235)	-27.8%	(5,212)	-31.3%	(6,144)	-31.0%
Accruals and other costs	(88)	-1.1%	(100)	-0.9%	(120)	-0.6%	(172)	-1.0%	(216)	-1.1%
Other revenue	542	6.6%	696	5.9%	775	4.1%	973	5.8%	990	5.0%
Earnings before depreciation and amortization finance costs and taxes	**822**	**10.0%**	**839**	**7.2%**	**1,887**	**10.0%**	**1,986**	**11.9%**	**2.264**	**11.4%**
Depreciation and amortization	(603)	-7.3%	(75)	-5.8%	(863)	-4.6%	(529)	-3.2%	(630)	-3.2%
Operating profit	**219**	**2.7%**	**164**	**1.4%**	**1,024**	**5.4%**	**1,457**	**8.8%**	**1,634**	**8.3%**
Share of profit of associates	(72)	-0.9%	(45)	-0.4%	9	0.0%	9	0.1%	9	0.0%
Finance costs	(120)	-1.5%	(274)	-2.3%	(501)	-2.7%	(517)	-3.1%	(603)	-3.0%
Finance income	59	0.7%	75	0.6%	84	0.4%	84	0.5%	90	0.5%
Extraordinary costs and revenues, net	52	0.6%	79	0.7%	(10)	-0.1%	0	0.0%	0	0.0%
Earnings before taxes	**138**	**1.7%**	**(1)**	**0.0%**	**606**	**3.2%**	**1,033**	**6.2%**	**1,130**	**5.7%**
Income taxes	172	-2.1%	226	-1.9%	420	-2.2%	455	-2.7%	452	-2.3%
Net earnings (loss) for the year	**(34)**	**-0.4%**	**(227)**	**-1.9%**	**186**	**- 1.0%**	**578**	**3.5%**	**678**	**3.4%**
Minority interest	**(48)**	**-0.6%**	**29**	**0.2%**	**(14)**	**-0.1%**	**(69)**	**-0.4%**	**(69)**	**-0.3%**
Group net earnings (loss) for the year	**14**	**0.2%**	**(256)**	**-2.2%**	**200**	**1.1%**	**647**	**3.9%**	**747**	**3.8%**

Table 1

During the three years ended December 31, 2002, 2003 and 2004 our revenues have shown a steady increase, from €8.249 million for the year ended December 31, 2002 to €18.811 million for the year ended December 31, 2004, representing a compound annual growth rate of 51.1%.

Our financial ratios have also improved during this period. In particular, earnings before interest, taxes, depreciation and amortization ("EBITDA") increased from €822,000 for the year ended December 31, 2002 to €1.887 million for the year ended December 31, 2004, equivalent to 10% of revenues. Earnings before interest and taxes ("EBIT") increased from €219,000 for the year ended December 31, 2002 to €1.024 million for the year ended December 31, 2004, equivalent to an increase in EBIT as a percentage of revenue from 2.7% for the year ended December 31, 2002 to 5.4% for the year ended December 31, 2004.

Our profit before tax, which was €138,000 for the financial year ended December 31, 2002, increased to €606,000 for the financial year ended December 31, 2004; this represents a percentage of revenue of 1.7% and 3.2%, respectively. The net loss of the Group (including our share the Group and third party) was €(34,000) for the fiscal year ended December 31, 2002 and €186,000 for the fiscal year ended December 31, 2004 (representing a percentage of revenue of (0.4)% and 1.0%, respectively, while the net earnings of the Group were €14,000 and €200,000 at January 1, 2002 and December 31, 2004 respectively, representing a percentage of revenue of 0.2% and 1.1%, respectively.

We believe that a key driver for these increases is the successful implementation of our strategic plan (set out below). For the years ended December 31, 2002, 2003 and 2004 this has focused on:

- the development of new products and solutions with higher margins – in particular in our NanoPC business;
- focusing on standard solutions and support for customers using custom-made products and solutions assembled from standard components upon specific client requests, which is referred to as the "building block" strategy by our NanoPC business;
- our acquisition strategy (which has resulted in the acquisitions of I.P.S. Sistemi Programmabili S.r.l. ("I.P.S."), Parvus Corporation ("Parvus"), Eurotech Finland and Erim) which focused on expanding our business into additional geographic markets, and the development of new product markets. This has given us the opportunity to strengthen relationships with the main players in our target markets of transport action, defence, medical and industrials;
- the organic expansion of our geographic presence in additional markets, which has seen us open new offices in Germany and China;
- the ongoing development of our HPC business.

Selected Income Statement information

Thousands of €	2002		2003		2004		2004 IFRS		2004 IFRS Pro-forma		Changes 2003-2002	Changes 2004-2003
Sales and service revenue	8,249	100.0%	11,723	100.0%	18,811	100.0%	16,649	100.0%	19,797	100.0%	42.1%	60.5%
Margin*	4,369	53.0%	5,906	50.4%	10,163	54.0%	10,163	61.0%	12,263	61.9%	35.2%	72.1%
Ebitda	822	10.0%	839	7.2%	1,887	10.0%	1,986	11.9%	2,264	11.4%	2.1%	124.9%
Ebit	219	2.7%	164	1.4%	1,024	5.4%	1,457	8.8%	1,634	8.3%	-25.1%	524.4%
Earnings before taxes	138	1.7%	(1)	0.0%	606	3.2%	1,033	6.2%	1,130	5.7%	-100.7%	-
Group net profit (loss)	14	0.2%	(256)	-2.2%	200	1.1%	647	3.9%	747	3.8%	-1,928.6%	178.1%

**Revenue less cost of materials.*

Table 2

Revenue increased from €8.249 million for the year ended December 31, 2002 to €11.723 million in for the year ended December 31, 2003, a growth of approximately 42.1%. Of this growth, approximately €3.020 million, or 36.6%, is due to the inclusion of Parvus and I.P.S. in the consolidated financial statements for the year ended December 31, 2003. Parvus's results were included in the last five months of the year December 31, 2003, starting with the date of its acquisition in July 2003. I.P.S.'s results were consolidated into the statements for the entire year ended December 31, 2003, as I.P.S. was acquired in December 2002.

Revenue increased from €11.723 million for the year ended December 31, 2003 to €18.811 million for the year ended December 31, 2004, a growth of approximately 60.5%. This growth was due to a number of factors, in particular the following: firstly, we enjoyed an increase in the volume of sales in our NanoPC business, driven by a major refocusing to products/solutions with higher margins and an increase in sales of standard systems and solutions; secondly, we commenced sales in our HPC business at beginning of 2003; and thirdly, the acquisitions of Erim and Eurotech Finland were included for the first time in our consolidated financial statements. Erim's financial statements were consolidated for the last three months of 2004, starting with its acquisition in October 2004 and Eurotech Finland's were included for the last five months of 2004, starting with its acquisition in July 2004. These two acquisitions have contributed to an increase in the revenue of the Group of approximately €1.197 million, or 10.2%.

The difference in revenues for the financial year 2004 as stated in the 2004 Italian GAAP Statements and the 2004 IFRS Statements, being €2.162 million (as set out in the 2004 IFRS Statements), was due to the reclassification of revenue relating to the out-sourcing of certain production processes to sub-contractors, which under Italian GAAP are recognised as sales by the Company (and subsequently re-purchases), but under IFRS are not recognized as sales (and repurchases), and hence are not reported as revenues or in cost of materials. However, this also leads to an increase in EBIT as a percentage of revenue from 54% to 61%.

Our margin (revenues less costs of materials) increased from €4.369 million to €5.906 million and €10.163 million, or 53%, 50.4% and 54%, in the years ended December 31, 2002, 2003 and 2004, respectively.

The difference in revenues reported in the 2004 IFRS Statements, and revenues in the 2004 IFRS Pro-forma Statements, being €3.148 million, arises from the inclusion of the results of Erim and Eurotech Finland in the latter for the full financial year. The difference between the presentation of this margin in our 2004 IFRS Statements and our 2004 IFRS Pro-forma Statements, an increase of approximately 20.7%, is also due to the inclusion of the Erim and Eurotech Finland in the latter for the full financial year.

Our EBITDA was €822,000, €839,000 and €1.887 million in the years ended on December 31, 2002, 2003 and 2004, respectively, being approximately 10%, 7.2% and 10% of revenue in the years ended December 31, 2002, 2003 and 2004, respectively. In the 2004 IFRS Statements, EBITDA for the year ended December 31, 2004 was €1.986 million, approximately 11.9% of revenue, while in the 2004 IFRS Pro-forma Statements it was €2.264 million, approximately 11.4% of revenue. Our net earnings for this period increased by €100,000, representing 3.51% and 3.41% of revenues in the 2004 IFRS Statements and the 2004 IRFS Pro-forma Statements, respectively.

The change in EBITDA for the year ended December 31, 2003 was largely a result of the acquisition of Parvus. The change in EBITDA for the year ended December 31, 2004 was a result of a change in the product mix characterized from a shift to systems and products with higher margins. The increase of €99,000 in EBITDA between the 2004 Italian GAAP Statements and the 2004 IFRS Statements is due to a reclassification of certain costs, primarily service and payroll costs as well as certain allowances and other revenue. The increase of €278,000 in EBITDA between the IFRS 2004 Statements and 2004 IFRS Pro-forma Statements is due to the inclusion of Erim and Eurotech Finland for the full financial year.

Our EBIT was €219,000, €164,000 and €1.024 million for the years ended December 31, 2002, 2003 and 2004, respectively. This represents 2.7%, 1.4% and 5.4% of the revenue for those years, respectively. EBIT as a percentage of revenue decreased by 25.1% between the years ended December 31, 2002 and 2003, and increased by 524.4% between the years ended December 31, 2003 and 2004. This increase primarily reflects the acquisition of Parvus. Additional factors contributing to the increase for the year ended December 31, 2004 are increased revenues due to a different mix of products as well as an improvement in operating leverage from our fixed cost base.

The increase of €433,000 in EBIT between the 2004 Italian GAAP Statements and the 2004 IFRS Statements is due to an adjustment in certain costs, including the treatment of goodwill, which is not amortized under IFRS. The difference of €177,000 in EBIT between the 2004 IFRS Statements and 2004 IFRS Pro-forma Statements is due to the inclusion of Erim and Eurotech Finland in the latter for the full financial year.

EBIT as a percentage of revenue was 8.8% and 8.3% for the 2004 IFRS Statements and 2004 IFRS Pro-forma Statements, respectively, in line with changes to our EBITDA.

Our earnings before taxes were €138,000 for the year ended December 31, 2002, a loss of €(1,000) for the year ended December 31, 2003, and €606,000 for the year ended December 31, 2004. The variation between the 2004 Italian GAAP Statements and the 2004 IFRS Statements was €427,000, which variation was due to the application of the IFRS accounting principles, in particular, as reported above, because goodwill is not amortised under IFRS. The difference of €97,000 between the 2004 IFRS statements and the 2004 IFRS Pro-forma Statements is due to the inclusion of Erim and Eurotech Finland in the latter for the full financial year.

Our net profit was €14,000 for the year ended December 31, 2002, a loss of €(256,000) for the year ended December 31, 2003, and a profit of €200,000 for the year ended December 31, 2004. This change derives, amongst other factors, primarily from the different tax charges of the Group companies and, to a lesser extent, to minority interests.

The following table shows the development, by business segment, of revenue, our margin (revenues less costs of materials), EBITDA and EBIT in the three preceding financial years.

Thousands of	**NanoPC**					**High Performance Computer**					**Total**				
€	**2002**	**2003**	**2004**	**2004 (1)**	**2004 (2)**	**2002**	**2003**	**2004**	**2004 (1)**	**2004 (2)**	**2002**	**2003**	**2004**	**2004 (1)**	**2004 (2)**
Sales and service revenue	8,249	10,320	17,218	15,056	18,204	0	1,403	1,593	1,593	1,593	8,249	11,723	18,811	16,649	19,797
Margin(3)	4,369	5,653	9,720	9,720	11,820	0	253	443	443	443	4,369	5,906	10,163	10,163	12,263
Ebitda	822	831	1,895	1,994	2,272	0	8	(8)	(8)	(8)	822	839	1,887	1,986	2,264
Ebitda margin	10.0%	8.1%	11.0%	13.2%	12.5%		0.6%	-0.5%	-0.5%	-0.5%	10.0%	7.2%	10.0%	11.9%	11.4%
Ebit	219	190	1.075	1,508	1,685	0	(25)	(51)	(51)	(51)	219	165	1,024	1,457	1,634
Ebit margin	2.7%	1.8%	6.2%	10.0%	9.3%		-1.8%	-3.2%	-3.2%	-3.2%	2.7%	1.4%	5.4%	8.8%	8.3%

Notes

(1) Under IFRS

(2) Pro forma under IFRS

(3) Revenues less costs of materials

Table 3

Revenue in the Nano PC business was €8.249 million, €10.320 million and €17.218 million for the years ended December 31, 2002, 2003 and 2004, respectively. This is equivalent to an increase of approximately 25.1% between the years ended December 31, 2002 and 2003, and 66.8% between the years ended December 31, 2003 and 2004, respectively. The increase between the years ended December 31, 2002 and 2003 resulted from the inclusion of I.P.S. in our financial results, and the inclusion of Parvus for the last 5 months of the year ended December 31, 2003. The increase between the years ended December 31, 2003 and 2004 is due to the following factors. Of the total increase of 66.8%, 55.2% is due to a growth in revenue relative to sales of products, including sales by companies acquired in 2003 (principally Parvus), while the remaining 11.6% is principally due to the inclusion of the results of companies acquired during the course of 2004 (Erim for three months during the year ended December 31, 2004, and Eurotech Finland for five months during that year).

Our HPC business did not exist in 2002. Sales in this business only commenced in the year ended December 31, 2003. The revenue from this business was €1.403 million for the year ended December 31, 2003 and €1.593 million for the year ended December 31, 2004, representing an increase of approximately 13.5%. The HPC business is conducted entirely by Eurotech, none of our group companies being active in this business.

The decrease of €2.162 million of revenue in the NanoPC business between the 2004 Italian GAAP Statements and the 2004 IFRS Statements is primarily due to the fact that the transfers of goods to sub-contractors as part of the out-sourcing of certain production processes are not recognized as sales and repurchases under IFRS (as they are under Italian GAAP) and hence are not reported as a cost of materials or as revenue.

Thousands of €	**NanoPC**		**HPC**		**Total**	
(Under Italian GAAP)	**Var. 03-02**		**Var. 03-02**		**Var. 03-02**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Sales and service revenue	2,071	25.1%	1,403	n.s.	3,474	42.1%
Ebitda	9	1.1%	8	n.s.	17	2.0%
Ebit	(29)	-13.2%	(25)	n.s.	(54)	24.8%
EBITDA margin		0.4%		n.s.		0.5%
EBIT margin under Italian GAAP		-1.4%		n.s.		-1.6%

Table 4

Thousands of €	**NanoPC**		**HPC**		**Total**	
(Under Italian GAAP)	**Var. 04-03**		**Var. 04-03**		**Var. 04-03**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Revenue of Sales	6,898	66.8%	190	13.5%	7,088	60.5%
Ebitda	1,064	128.1%	(16)	-207.2%	1,048	125.0%
Ebit	885	465.9%	(26)	(1031%)	859	521.6%
Ebitda margin		15.4%		-8.4%		14.8%
Ebit margin		12.8%		-13.7%		12.1%

Table 5

The changes in EBITDA and EBIT in our HPC business, which began trading during 2003, are not material in absolute terms. Although these showed a percentage decrease of 207.2% and 103.1%, respectively, between the financial years ended December 31, 2003 and 2004, the actual changes in EBIT and EBITDA were €16,000 and €26,000.

Breakdown of Revenue

(Thousands of €)	**2002**		**2003**		**2004**		**2004 IFRS**		**2004 IFRS Pro forma**		**Changes on 2003-2002**	**Changes on 2003-2002**
Commercial Revenue*	420	5.1%	940	8.0%	2,162	11.5%	0	0.0%	0	0.0%	124.0%	130.0%
Sales of products	7,190	87.2%	10,114	86.3%	16,291	86.6%	16,291	97.8%	19,313	97.6%	40.7%	61.1%
Sales of services	640	7.8%	669	5.7%	358	1.9%	358	2.2%	484	2.4%	4.6%	46.5%
Total Revenue	8,249	100.0%	11,723	100.0%	18,811	100.0%	16,649	100.0%	19,797	100.0%	42.1%	60.5%

**Revenues arising under Italian GAAP on transfers to sub-contractors subsequently re-transferred to the Company.*

Table 6

Commercial revenue was €420,000, €940,000 and €2.162 million for the years ended December 31, 2002, 2003 and 2004, respectively. This represents an increase of approximately 124% between the years ended December 31, 2002 and 2003, and of approximately 130% between the years ended December 31, 2003 and 2004. Commercial revenue is the revenue arising under Italian GAAP, as referred to above, which is derived from the out-sourcing of certain production processes to sub-contractors and is primarily attributable to Eurotech. The out-sourced components are subsequently re-transferred to Eurotech by its sub-contractors. These transactions are not recognized as sales or repurchases under IFRS.

Revenue from sales of products refers to sales of modules and systems and was €7.190 million, €10.114 million and €16.291 million for the years ended December 31, 2002, 2003 and 2004, respectively. This represents an increase of approximately 40.7% between the years ended December 31, 2002 and 2003, and of approximately 61.1% between the years ended December 31, 2003 and 2004. The increases are, respectively, as a result of the inclusion of Parvus and I.P.S. in the financial results for the year ended December 31, 2003 (for five months and the full financial year, respectively) and the inclusion of Eurotech Finland and Erim in the financial results (for five and three months, respectively) for the year ended December 31, 2004. The increase of €3.022 million between the 2004 IFRS Statements and the 2004 IFRS Pro-forma Statements is due to the inclusion of Erim and Eurotech Finland in the latter for the full financial year.

Revenue from sales of services was €640,000, €669,000 and €358,000 for the years ended December 31, 2002, 2003 and 2004, respectively. Revenue from services is revenue received from engineering and project services. This represents an increase of 4.6% between the years ended on December 31, 2002 and 2003, and a decrease of 46.5% between the years ended on December 31, 2003 and 2004. The increase is due to the inclusion of Parvus in the financial results for the year ended December 31, 2003 (for five months and the full financial year, respectively), and the decrease of 46.5% is due to a refocusing of the product catalogue of Parvus.

There is no change between the 2004 Italian GAAP Statements and the 2004 IFRS Statements. The increase of €126,000 between the 2004 IFRS Statements and the 2004 IFRS Pro-forma Statements is due to the inclusion of Erim and Eurotech Finland in the latter for the full financial year.

Break-down by Geographic Area

(Thousands of €s)	**2002**		**2003**		**2004**		**2004 IFRS**		**2004 IFRS Pro forma**		**Changes 2003-2002**	**Changes 2004-2003**
Geographic												
European Union	7,753	94.0%	9,772	83.4%	13,270	70.5%	11,158	67.0%	14,306	72.3%	26.0%	35.8%
United States	6	0.1%	1,366	11.7%	4,485	23.8%	4,485	26.9%	4,485	22.7%	-	228.4%
Other	490	5.9%	585	5.0%	1.056	5.6%	1,006	6.0%	1,006	5.1%	19.4%	80.5%
Total Revenue	8,249	100.0%	11,723	100.0%	18,811	100.0%	16,649	100.0%	19,797	100.0%	42.1%	60.5%

Table 7

Revenue in the European Union was €7.753 million, €9.772 million and €13.270 million for the years ended December 31, 2002, 2003 and 2004, respectively. This represents an increase of 26% between the years ended December 31, 2002 and 2003, and a further increase of 35.8% between the years ended December 31, 2003 and 2004. These increases are due to our organic growth as well as the inclusion of Parvus and I.P.S. in our results for the year ended December 31, 2003 (for five months and the full financial year, respectively) and Eurotech Finland and Erim (for the last five and three months, respectively) in our results for the year ended December 31, 2004.

No material revenue was generated in the United States in 2002. Revenues in the United States increased €1.360 million from the year ended December 31, 2002 to the year ended December 31, 2003, and €3.119 million from the year ended December 31, 2003 to the year ended December 31, 2004. Our entire revenue in the United States is generated by Parvus, which was acquired during 2003.

Revenue in other geographic areas increased by 19.4% between the years ended December 31, 2002 and 2003, and by 80.5% between the years ended December 31, 2003 and 2004.

The following table shows an analysis of our costs and revenue.

Breakdown of costs and revenue

(Thousands of €)	2002	%	2003		2004		2004 IFRS	%	2004 IFRS Pro-forma	%
Sales and service revenues	8,249	100.0%	11,723	100.0%	18,811	100.0%	16,649	100.0%	19,797	100.0%
Cost of materials	(3,880)	-47.0%	(5,817)	-49.6%	(8,648)	-46.0%	(6,486)	-39.0%	(7,524)	-38.1%
Margin (*)	**4,369**	**53.0%**	**5,906**	**50.4%**	**10,163**	**54.0%**	**10,163**	**61.0%**	**12,263**	**61.9%**
Services	(1,719)	20.8%	(2,343)	-20.0%	(3,410)	-18.1%	(3,480)	-20.9%	(4,259)	-21.5%
Rent and leases	(132)	-1.6%	(182)	-1.6%	(286)	-1.5%	(286)	1.7%	(370)	-1.9%
Payroll	(2,150)	-26.1%	(3,138)	-26.8%	(5,235)	-27.8%	(5,212)	-31.3%	(6,144)	-31.0%
Accruals and other costs	(88)	-1.1%	(100)	-0.9%	(120)	-0.6%	(172)	-1.0%	(216)	-1.1%
Other	542	6.6%	696	5.9%	775	4.1%	973	5.8%	990	5.0%
Profits before interest. Taxes. Depreciation and amortization (EBITDA)	**822**	**10.0%**	**839**	**7.2%**	**1,887**	**10.0%**	**1,986**	**11.9%**	**2,264**	**11.4%**

(*) Revenue less cost of materials

Table 8

Breakdown of Cost of Materials

(Thousands of €)	2002	% on revenue	2003	% on revenue	2004	% on revenue	IFRS	2004 IFRS	% on revenue	Pro-forma adjustments.	2004 IFRS Pro-forma	% on revenue
Purchases of raw materials, semi-finished and finishe materials	3,346	40.6%	5,978	51.0%	9,178	48.8%	(419)	8,759	52.6%	1,141	9,900	50.0%
Changes in inventory of raw material	445	5.4%	300	2.6%	(21)	-0.1%	(1,743)	(1,764)	-10.6%	(3)	(1,767)	-8.9%
Changes in inventory of semi-finished and finished materials	89	1.1%	(461)	-3.9%	(509)	-2.7%		(509)	-3.1%	(90)	(599)	-3.0%
Consumption of raw materials, semi-finished and finished goods												
Total cost of materials	**3,880**	**47.0%**	**5,817**	**49.6%**	**8,648**	**46.0%**	**(2,162)**	**6,486**	**38.96%**	**1,048**	**7,534**	**38.1%**

Table 9

Cost of materials, shown in the Table 9 above, has steadily increased over the years ended December 31, 2002, 2003 and 2004, respectively. This was €3.880 million, €5.817 million and €8.648 million in those years, respectively. This represents an increase of 49.9% between the years ended December 31, 2002 and 2003, due to an increase in sales volumes and the inclusion of Parvus for five months, and IPS for the entire year, in the year ended December 31, 2003. Costs for usage of materials increase by 48.7% between the years ended December 31, 2003 and 2004 due to an increased volume of production and an evolution of the product mix as well as the inclusion of Erim and Eurotech Finland (in each case on the basis set out above).

The difference of €2.162 million of cost of materials between the 2004 Italian GAAP Statements and under the 2004 IFRS Statements are due to the fact that, as described above, transfers of components to and from sub-contractors as part of out-sourcing production processes are not recognized as sales and repurchases under IFRS and hence not reported as either revenue or in costs of materials. The difference of €1.048 million of cost of materials between the 2004 IFRS Statements and the 2004 IFRS Pro-forma Statements are due to the inclusion of Erim and Eurotech Finland in our results for the full financial year.

Cost of materials as a percentage of revenue increased from 47% for the year ended December 31, 2002 to 49.6% for the year ended December 31, 2003 and decreased to 46% for the year ended December 31, 2004. For the year ended December 31, 2003, the changes were largely driven by the inclusion of Parvus in the financial statements (for five months of that financial year). The inclusion of Parvus in our group has also required certain restructurings, the effects of which were shown in the reduction in this percentage for the year ended December 31, 2004. The changes are also due to a change in our product mix during the relevant financial period.

Other Operating Costs

(Thousands of €)	2002	% of revenue	2003	% of revenue	2004	% of revenue	2004 IFRS	% of revenue	2004 IFRS Pro-forma	% of revenue
Service costs	1,719	20.8%	2,343	20.0%	3,410	18.1%	3,480	20.9%	4,259	21.5%
Rent and leases	132	1.6%	182	1.6%	286	1.5%	286	1.7%	370	1.9%
Payroll	2,150	26.1%	3,138	26.8%	5,235	27.8%	5,212	31.3%	6,144	31.0%
Accruals and other costs	88	1.1%	100	0.9%	120	0.6%	172	1.0%	216	1.1%
Other revenue	(542)	-6.6%	(696)	-5.9%	(775)	-4.1%	(973)	-5.8%	(990)	-5.0%
Other operating costs, net	**3,547**	**43.0%**	**5,067**	**43.2%**	**8,276**	**44.0%**	**8,177**	**49.1%**	**9,999**	**50.5%**

Table 10

Other operating costs, as presented in table 10 above, were €3.547 million, €5.067 million and €8.276 million for the years ended December 31, 2002, 2003 and 2004, respectively. This represents an increase of 42.9% between the years ended December 31, 2002 and 2003, and 63.3% between the years ended December 31, 2003 and 2004.

The difference of €99,000 in other operating costs between the 2004 Italian GAAP Statements and the 2004 IFRS Statements is due to the reclassification of certain costs, primarily service and payroll costs, as well as certain allowances and other revenue. The difference of €1.822 million in other operating costs between the 2004 IFRS Statements and the 2004 IFRS Pro-forma Statements are due to the inclusion of Erim and Eurotech Finland in the latter period for the full financial year.

Service Costs

The following table contains a breakdown of certain service costs.

(Thousands of €)	2002	2003	Changes on 2002	2004	Changes on 2003	2004 IFRS	Changes on 2003	2004 IFRS Pro forma
Production services	544	511	-6.1%	925	81.1%	925	81.1%	1,456
Sales services and commissions	650	748	15.2%	1,021	36.5%	1,021	36.5%	1,066
General and administrative services	525	1,085	106.5%	1,464	35.0%	1,534	41.4%	1,737
Total service costs	**1,719**	**2,343**	**36.3%**	**3,410**	**45.5%**	**3,480**	**48.5%**	**4,259**
Service costs as a percentage of revenue	20.8%	20.0%		18.1%		20.9%		21.5%

Table 11

Service costs were €1.719 million, €2.343 million and €3.410 million for the years ended December 31, 2002, 2003 and 2004, respectively. This represents an increase of 36.3% between the years ended December 31, 2002 and 2003, and 45.5% between the years ended December 31, 2003 and 2004. These increases are due to the inclusion of I.P.S. (for the full year), and Parvus (for 5 months of that financial year), in our results for the year ended December 31, 2003 which led to an increase in general service costs of 106.5% from the year ended December 31, 2002 and 2003, while the ongoing inclusion of Parvus, and the inclusion of Eurotech Finland and Erim (for five and three months, respectively), led to an increase of industrial service costs of 81.1% for the year ended December 31, 2004.

Service costs as a percentage of revenue were 20.8%, 20% and 18.1% for the years ended December 31, 2002, 2003 and 2004, respectively. These changes were primarily due to an improvement in operating leverage from our fixed cost base.

The difference of €70,000 between the 2004 Italian GAAP Statements and the 2004 IFRS Statements was due to the expensing of certain administrative service costs (when incurred), which were capitalized under Italian GAAP. The difference of €779,000 between the 2004 IFRS Statements and the 2004 IFRS Pro-forma Statements is due to the inclusion of Erim and Eurotech Finland in the latter period for the full financial year.

Breakdown of Rent and Leases

(Thousands of €)	2002	2003	Changes on 2002	2004	Changes on 2003	2004 IFRS	Changes on 2003	2004 IFRS Pro forma
Building lease AMARO (ITALY)	24	46	94.8%	62	34.5%	62	34.5%	62
Building lease TRENTO (ITALY)	24	25	1.4%	25	1.1%	25	1.1%	25
Building lease SHANGHAI (CHINA)	2	6	256.3%	6	9.2%	6	9.2%	6
Building lease SALT LAKE CITY (USA)	0	41	N/A	76	84.8%	76	84.8%	76
Building lease MUNICH (GERMANY)	0	4	N/A	5	9.1%	5	9.1%	5
Building lease PERGINE (ITALY)	0	0	N/A	10	N/A	10	N/A	10
Building lease LYON (FRANCE)	0	0	N/A	14	N/A	14	N/A	63
Building lease (FINLAND)	0	0	N/A	15	N/A	15	N/A	15
Other rent and leases	82	60	-26.9%	72	20.3%	72	20.3%	107
Rent and leases	**132**	**182**	**38.3%**	**286**	**56.9%**	**286**	**56.9%**	**370**
Rent and Leases as a percentage of revenue	1.6%	1.6%		1.5%		1.7%		1.9%

Table 12

The cost of rent and leases increased from €132,000 for the year ended December 31, 2002 to €182,000 for the year ended December 31, 2003, and €286,000 for the year ended December 31, 2004, representing an increase of 38.3% and 56.9%, respectively. The increase for the year ended December 31, 2003 was mainly due to the inclusion of Parvus (for five months of that financial year) and ETH Lab S.r.l. (incorporated during the year), and the increase for the year ended December 31, 2004 was mainly due to the inclusion of Eurotech Finland and Erim (for five and three months respectively). The cost of rent and leases as a percentage of revenue was 1.6%, 1.6% and 1.5% for the years ended December 31, 2002, 2003 and 2004, respectively. These changes are in line with the increase in our revenue.

The difference of €84,000 between the 2004 IFRS Statements and the 2004 IRFS Pro-forma Statements is due to the inclusion of Erim and Eurotech Finland in the latter for the full financial year.

Breakdown of Payroll

(Thousands of €)	2002	2003	Changes on 2002	2004	Changes on 2003	2004 IFRS	Changes on 2003	2004 IFRS Pro forma
Wages	1,575	2,489	58.0%	4,405	77.0%	4,405	77.0%	5,059
Social security	451	509	12.9%	672	32.0%	672	32.0%	953
Severance allowances	95	123	29.5%	141	14.6%	118	-4.1%	115
Retirement lump sum payments	0	6	100.0%	0	-100.0%	0	-100.0%	0
Other costs	29	11	-62.1	17	54.5%	17	54.5%	17
Total payroll	**2,150**	**3,138**	**46.0%**	**5,235**	**66.8%**	**5,212**	**66.1%**	**6,144**
Payroll as a percentage of revenue	26.1%	26.8%		27.8%		31.3%		31.0%

Table 13

Payroll costs were €2.150 million, €3.138 million and €5.235 million for the years ended December 31, 2002, 2003 and 2004, respectively. This represents an increase of 46% between the years ended December 31, 2002 and 2003, and 73.6% between the years ended December 31, 2003 and 2004.

The increase between 2002 and 2003 is primarily due to an increased number of employees after the acquisition of Parvus. The increases for the year ended December 31, 2004 are due to the growth of our group and an increase in the number of employees following the acquisition of Erim and Eurotech Finland.

The decrease of €23,000 from the 2004 Italian GAAP Statements to the 2004 IFRS Statements (as set out in the 2004 IFRS Statements) is due to different accounting treatment of certain severance allowances. The increase of €932,000 between the 2004 IFRS Statements and the 2004 IFRS Pro-forma Statements (as set out in the 2004 IFRS Pro-forma Statements) is due to the inclusion of Erim and Eurotech Finland in the latter period for the full financial year.

Payroll as a percentage of revenue was 26.1%, 26.8% and 27.8% for the years ended 2002, 2003 and 2004, respectively.

Breakdown of Accruals and Other Costs

(Thousands of €)	2002	2003	Changes on 2002	2004	Changes on 2003	2004 IFRS	Changes on 2003	2004 IFRS Pro-forma
Provision for bad debt	25	26	4.0%	20	-23.1%	20	-23.1%	20
Accruals	4	6	50.0%	8	33.3%	8	33.3%	12
Other costs	59	68	15.3%	92	35.3%	144	111.8%	184
Total accruals and other costs	**88**	**100**	**13.6%**	**120**	**20.0%**	**172**	**72.0%**	**216**
Accounts and other costs as a percentage of revenue	1.1%	0.9%		0.6%		1.0%		1.1%

Table 14

Total accruals and other costs increased by 13.6% between the years ended December 31, 2002 and 2003, and 20% between the years ended December 31, 2003 and 2004, due to an increase in certain non-operating costs.

The increase of €52,000 between the 2004 Italian GAAP Statements and the 2004 IFRS Statements is due to a reclassification of extraordinary expenses. The increase of €44,000 between the 2004 IFRS Statements and the 2004 IFRS Pro-forma Statements is due to the inclusion of Erim and Eurotech Finland in the latter for the full financial year.

The provision for bad debts was €25,000, 26,000 and 20,000 for the years ended December 31, 2002, 2003 and 2004, respectively. This reflects the quality of our accounts receivable, which remained constant during these three years.

Breakdown of Other Revenue

(Thousands of €)	2002	2003	Changes on 2002	2004	Changes on 2003	2004 IFRS	Changes on 2003	2004 IFRS Pro-forma	Changes on 2003
Government grants	517	200	-61.3%	350	75.0%	89	-55.5%	89	-55.5%
Capitalised development costs	8	443	5,437.5%	367	-17.2%	775	74.9%	775	74.9%
Other	17	53	211.8%	58	9.4%	109	105.7%	126	137.7%
Total other revenue	**542**	**696**	**28.4%**	**775**	**11.4%**	**973**	**39.8%**	**990**	**42.2%**
Other revenue as a percentage of revenue	6.6%	5.9%		4.1%		5.8%		5.0%	

Table 15

Other revenue was €542,000, €696,000 and €775,000 for the years ended December 31, 2002, 2003 and 2004, respectively. This represents an increase of 28.4% between the years ended December 31, 2002 and 2003, and 11.4% between the years ended December 31, 2003 and 2004, respectively. The increase in the year 2003 was primarily due to increases in capitalised development costs, which increased at a rate greater than a reduction in the level of government grants. Changes between the years ended December 31, 2003 and 2004 decreased by 11.4%, primarily due to increases in capitalised development costs.

The increase of €198,000 between the 2004 Italian GAAP Statements and the 2004 IFRS Statements is due to the elimination of the government grants, to higher capitalization of development costs and the reclassifications of extraordinary revenue. The difference between the 2004 IFRS Statements and the 2004 IFRS Pro-forma Statements, an increase of €17,000, is due to the inclusion of Erim and Eurotech Finland in the latter period for the full financial year.

Breakdown of Amortization and Depreciation

(Thousands of €)	2002	2003	Changes on 2002	2004	Changes on 2003	2004 IFRS	Changes on 2003	2004 IFRS Pro-forma
Amortization of intangible assets	350	391	11.7%	589	50.6%	261	-33.2%	352
Depreciation of property, plant and equipment	253	284	12.3%	274	-3.5%	268	-5.6%	278
Total amortization and depreciation	**603**	**675**	**11.9%**	**863**	**27.9%**	**529**	**-21.6%**	**630**
Amortization and depreciation as a percentage of revenue	7.3%	5.8%		4.6%		3.2%		3.2%

Table 16

The above table shows changes in amortization and depreciation. Amortization and depreciation were €603,000, €675,000 and €863,000 for the years ended December 31, 2002, 2003 and 2004, respectively. This represents an increase of 11.9% between the years ended December 31, 2002 and 2003, and 27.9% between the years ended December 31, 2003 and 2004, respectively. These increases are primarily due to increases in the amortization of intangible assets, and in particular to changes in consolidation principally related to the amortization of goodwill.

The decrease of €334,000 between the 2004 Italian GAAP Statements and the 2004 IFRS Statements is primarily due to the fact that goodwill is not amortized under IFRS. The increase of €101,000 between the 2004 IFRS Statements and the 2004 IFRS Pro-forma Statements (as set out in the 2004 IFRS Pro-forma Statements) is due to the inclusion of Erim and Eurotech Finland in the latter period for the full financial year.

Total amortization and depreciation as a percentage of revenue was 7.3%, 5.8% and 4.6% for the years ended December 31, 2002, 2003 and 2004, respectively.

Other Income Statement Information

(Thousands of €)	2002	2003	Changes on 2002	2004	Changes on 2003	2004 IFRS	Changes on 2003	2004 IFRS Pro-forma	Changes on 2003
Share of profit of associate	**(72)**	**(45)**	**-37.5%**	**9**	**-120.0%**	**9**	**0.0%**	**9**	**0.0%**
As a percentage of revenue	-0.9%	-0.4%		0.0%		0.1%		0.0%	
Financial costs	**(120)**	**(274)**	**128.3%**	**(501)**	**82.8%**	**(517)**	**3.2%**	**(603)**	**16.6%**
As a percentage of revenue	-1.5%	-2.3%		-2.7%		-3.1%		-3.0%	
Financial Income	**59**	**75**	**27.1%**	**84**	**12.0%**	**84**	**0.0%**	**90**	**7.1%**
As a percentage of revenue	0.7%	0.6%		0.4%		0.5%		0.5%	

Table 17

Our holding in Emilab S.r.l., which amounts to 24.82%, is accounted for under the equity method.

Emilab S.r.l. was written-down in 2002 by €5,000. In 2004 it was revalued up by €4,000.

Ascensit S.r.l. was written-down in 2002 for €67,000 to recognize the portion of its loss for the period and in 2003 for €45,000 to recognize, in addition to the loss for the period, the elimination of the unrealized intragroup gain for the sale of a business to the parent company. In 2005 the investment was revalued by €5,000.

Our financial expenses increased during the years ended December 31, 2002, 2003 and 2004. In particular, interest expenses increased from €120,000 for the year ended December 31, 2002 to €274,000 for the year ended December 31, 2003, representing an increase of 128.3%. This was primarily due to financings undertaken in respect of our acquisition programme and due to some exchange losses deriving from a deterioration in the €and US dollar exchange rate. The increase between the years ended December 31, 2003 and 2004 to €501,000, representing an increase of 82.8%, was due to an increase in mid- and long-term financing, the issue of a convertible bond and the renegotiation of certain Interest Rate Swaps.

The difference of €16,000 between the 2004 Italian GAAP Statements and the 2004 IFRS Statements was due to different accounting principles regarding employee benefits. The difference of €86,000 between the 2004 IFRS Statements and the 2004 IFRS Pro-forma Statements was due to the inclusion of Erim and Eurotech Finland in the latter period for the full financial year.

Financial income was €59,000, €75,000 and €84,000 for the years ended December 31, 2002, 2003 and 2004, respectively. This represents an increase of 27.1% between the years ended December 31, 2002 and 2003, and 12% between the years ended December 31, 2003 and 2004. This was primarily due to the renegotiation of certain swaps. The difference of €6,000 between the 2004 IFRS Statements and the 2004 IFRS Pro-forma Statements is due to the inclusion of Erim and Eurotech Finland in the latter for the full financial year.

Income Taxes

(Thousands of €)	2002	% of revenue	2003	% of revenue	2004	% of revenue	2004 IFRS	% of revenue	2004 IFRS pro-forma	% of revenue
Profit before taxes	138	1.7%	(1)	0.0%	606	3.2%	1,033	6.2%	1,130	5.7%
Income taxes	172	2.1%	226	1.9%	420	2.2%	455	2.7%	452	2.3%
Income taxes as a percentage of profit before taxes (effective tax rate)	**124.6%**		**n.a.**		**69.3%**		**44.0%**		**40.0%**	

Table 18

Income taxes were €172,000, €226,000, and €420,000 for the years ended 2002, 2003 and 2004, respectively, representing a percentage of revenue of 2.1%, 1.9% and 2.2%, respectively.

The difference of €35,000 between the 2004 Italian GAAP Statements and the 2004 IFRS Statements is primarily attributable to the effect of income taxes on the IFRS adjustments.

Breakdown of taxes

The following table shows a breakdown of taxes, showing differences between current and deferred taxes, and between Italian and foreign taxes.

(Thousands of €)	2002	2003	2004
IRES (Italian Government current tax)	103	96	168
IRAP (Italian Regional current tax)	125	144	186
Current foreign taxes	0	36	67

Total current tax	228	276	421
DEFERRED ITALIAN TAXES	(56)	23	(64)
DEFERRED FOREIGN TAXES	0	(73)	63
Total deferred taxes	(56)	(50)	(1)
TOTAL INCOME TAXES	**172**	**226**	**420**

Table 19

The reconciliation between the statutory tax rate and the effective tax rate is presented with respect to the Government income taxes ("IRES" in Italy) which are computed starting from the accounting profit before taxes, For the local Italian income tax ("IRAP"), no reconciliation is presented because its computation is performed starting from a different basis.

The following table summarizes the above information.

(Thousands of €)		**31/12/2002**	**31/12/2003**	**31/12/2004**
Italian statutory tax rate		34%	34%	33%
Earnings before tax		138	(1)	606
Taxes at the Italian statutory rate		47	(0)	200
Difference between the Italian statutory rate and the foreign tax rates		0	(24)	(64)
Permanent differences:				
Exempt income		*(105)*	*(23)*	
Non-deductible costs		*113*	*242*	*358*
Tax losses not considered recoverable			*84*	
Other differences			(12)	(71)
	Subtotal	8	291	287
Other differences				
Tax losses not considered recoverable in prior years		*(25)*	*(20)*	*(60)*
Other negative differences		*(20)*	*(15)*	*(30)*
Other positive differences		*58*	*1*	
	Subtotal	13	(34)	(90)
Taxable income		159	232	739
Current taxes		*102*	*132*	*235*
Deferred taxes		*(48)*	*(53)*	9
Total taxes, excluding IRAP		54	79	244
Current taxes IRAP		125	144	186
Deferred taxes IRAP		(8)	3	(10)
Total IRAP taxes		118	147	176
Total income taxes		172	226	420
Effective tax rate		**124.6%**	**n.s.**	**69.3%**

Table 20

The primary reasons for the changes to the effective tax rate of the group are as follows:

- Changes in deferred tax assets (39% for Parvus and 33.33% for Erim);
- Tax exemptions;
- Non-deductible costs;
- Limitation in the deductibility of tax losses in our US subsidiary; and
- Tax loss carryforwards of prior periods not recognized in prior periods.

Return on Equity

	2002	2003	2004	2004 IFRS
Economic ratios				
R.O.E.: Net profit for the group/net equity of the group	0.3%	-6.0%	4.3%	11.9%
R.O.C.E.: Operating profit/(consolidated net equity of the group plus net debt)	2.8%	1.7%	9.8%	9.6%

Table 21

The above table shows a ROE (return on equity) of 0.3% for the year ended December 31, 2002. The ROE for the year ended December 31, 2003 was minus 6% but was positive (4.3%) for the year ended December 31, 2004. Calculated under IFRS, it was 11.9% for the year ended December 31, 2004.

With regard to ROCE (return on capital employed), which was 2.8%, 1.7% and 9.8% for the years ended December 31, 2002, 2003 and 2004, respectively, and 9.6% under the 2004 IFRS Statements, changes were primarily driven by our the acquisition programme over the past three financial years. ROCE results, in average, were higher than the average Euribor interest rate on loans assumed.

CONSOLIDATED BALANCE SHEET

(Thousands of €)	31/12/02	31/12/03	31/12/04	31/12/04 IFRS
Assets				
Intangible assets	883	2,803	4,099	5,306
Property, plant and equipment	1,763	1,888	1,931	2,223
Other non current assets	33	30	55	293
Total non current assets	**2,679**	**4,721**	**6,085**	**7,822**
Inventory	2,298	2,854	4,662	5,250
Trade receivables	5,459	6,208	5,726	8,402
Other current assets	548	952	648	419
Cash and cash equivalents	22	902	2,560	2,560
Total current assets	**8,327**	**10,916**	**13,596**	**16,631**
Total assets	**11,006**	**15,637**	**19,681**	**24,453**
Liabilities and Shareholders' Equity				
Share capital	425	425	1,247	1,247
Retained	4,145	4,130	3,167	3,548
Net profit (loss) for the year	14	(256)	200	647
Group shareholders' equity	**4,584**	**4,299**	**4,614**	**5,442**
Minority capital and reserves	575	527	446	625
Minority profit (loss) for the year	(48)	29	(14)	(69)
Minority interests	**527**	**556**	**432**	**556**
Total shareholders' equity	**5,111**	**4,855**	**5,046**	**5,998**
Long-term debt	1,240	3,568	3,516	3,516
Convertible notes	0	0	2,500	2,465
Employees' benefits	334	437	574	550
Other non current liabilities	25	139	139	754
Total non current liabilities	**1,599**	**4,144**	**6,729**	**7,285**
Trade payables	1,992	3,455	4,539	4,011
Short-term borrowings	1,501	2,102	1,902	5,694
Tax payable	290	395	442	442
Other current liabilities	513	686	1,023	1,023
Total current liabilities	**4,296**	**6,638**	**7,906**	**11,170**
Total liabilities	**5,895**	**10,782**	**14,635**	**18,455**
Total liabilities and shareholders equity	**11,006**	**15,637**	**19,681**	**24,453**
Memorandum accounts*	**1,245**	**3,931**	**6,454**	

*Total of commitments on the face of the statement but not included in the balance sheet

Table 22

Non-current assets

(Thousands of €)	31/12/2002	31/12/2003	31/12/2004	31/12/2004 IFRS
Intangible assets	883	2,803	4,099	5,306
Property, plant and equipment	1,763	1,888	1,931	2,223
Other non-current assets	33	30	55	293
Total non-current assets	**2,679**	**4,721**	**6,085**	**7,822**

Table 23

Our non-current assets increased from €2.679 million in the year ended December 31, 2002 to €4.721 million, and €6.085 million, in the years ended December 31, 2003 and 2004, respectively. These increases were primarily due to increases in non-current assets (in particular goodwill) arising from the inclusion of Parvus in our financial statements for the year ended December 31, 2003, and Erim and Eurotech Finland in the year ended December 31, 2004.

As reported in the table below, certain principal investments were made during the three years ended December 31, 2004. Included in these investments are amounts of €138,000 and €298,000, which were capitalised development costs in 2003 and 2004.

The differences between the 2004 Italian GAAP Statements and the 2004 IFRS Statements primarily relate to the following line items: intangible assets (which increased by €1.207 million due to the capitalization of development costs), and the elimination of the amortization of goodwill and the elimination of intangible assets, which are in both cases not recognised under IFRS. Property, plant and equipment increased by €292,000, primarily due to the recognition of the fair value of the building owned by I.P.S. Other increases in other non-current assets are due to the reclassification under IFRS of certain current tax assets as deferred tax assets.

The Group does not use nor own any particularly valuable machinery or equipment in any business segment where it operates.

Breakdown of major additions to Intangible Assets and Property Plant and Equipment

(Thousands of €)	31/12/2002	31/12/2003	31/12/2004	31/12/2004 IFRS
Intangible assets	92	722	341	639
Property, plant and equipment	202	200	346	358
Total major additions to intangible assets and property, plant and equipment	**294**	**922**	**687**	**997**

Table 24

Current Assets

(Thousands of €)	31/12/2002	31/12/2003	31/12/2004	31/12/2004 IFRS
Inventory	2,298	2,854	4,662	5,250
Trade receivables	5,459	6,208	5,726	8,402
Other current assets	548	952	648	419
Cash and cash equivalent	22	902	2,560	2,560
Total current assets	**8,327**	**10,916**	**13,596**	**16,631**

Table 25

The line item "total current assets", as shown in table 25 above, increased from €8.237 million in the year ended December 31, 2002 to €10.916 million in the year ended December 31, 2003, and to €13.596 million in the year ended December 31, 2004. This was primarily due to an increase in our inventory of raw materials, in particular between 2002 and 2003, and, during all three years, was also due to changes in the level of inventory of finished materials. This arose from acquisitions which were then consolidated, as well as an increase in activity levels and a developing product mix.

Trade receivables decreased in the year ended December 31, 2004, despite an increase in sales, due to a sale of trade receivables effected during 2004 in an amount of €3.792 million, which sale was undertaken to improve our liquidity.

Changes between the 2004 Italian GAAP Statements and the 2004 IFRS Statements are primarily due to the reclassification of several items: an increase of €588,000 in respect of transfers of materials to sub-contractors (which remains as inventory under IFRS and thereby reduces revenue, as discussed above), an increase of €2.676 million in respect of trade receivables (as the sale of trade receivables referred to above is not recognised under IFRS). In addition current assets were reduced by an amount of €229,000 as a result of the reclassification of certain deferred tax assets of €218,000 to non-current assets, as a result of reclassifying €35,000 from current assets (which corresponds to a reduction in the principal amount of certain convertible bonds outstanding) and an adjustment of €24,000 for the recognition under IFRS of government grants to be received.

Net Working Capital

Net working capital, excluding financial line items, consists of the following:

(Thousands of €)	31/12/2002	31/12/2003	31/12/2004	31/12/2004 IFRS
Inventory	2,298	2,854	4,662	5,250
Trade receivables	5,459	6,208	5,726	8,402
Other current assets	548	952	648	419
Trade payables	(1,992)	(3,455)	(4,539)	(4,011)
Taxes payable	(290)	(395)	(442)	(442)
Other current liabilities	(513)	(686)	(1,023)	(1,023)
Total net working capital	**5,510**	**5,478**	**5,032**	**8,595**

Table 26

At December 31, 2004 working capital did not increase, under Italian GAAP, despite a substantial increase in revenue, primarily due to the sale of trade receivables (referred to above) which took place in December 2004. This sale of receivables is not recognised when the financial statements are prepared in accordance with IFRS (as set out above).

The increase in the trade payables was due to the acquisitions undertaken during the past three financial years and to an increase in activity levels of the Company.

The major effects in the management of working capital are set out below. The improvement in debtor days in the financial year 2004 was influenced by the sale of trade receivables (referred to above) in the amount of €3.792 million. Debtor days, when calculated in accordance with IFRS (which does not taken into consideration this sale of €3.792 million), stand at 184 days.

Ratios Affecting Line Items Included in Working Capital

	31/12/2002	31/12/2003	31/12/2004	31/12/2004 IFRS
Ratios affecting line items includes in working capital				
Inventory turnover (Annual average inventory / net revenue * 365)	105	80	73	90
Creditor days (Commercial loans / net revenue * 365)	242	193	111	184

Debtor days Suppliers / acquisition of goods and services * 365)	144	152	132	120

Table 27

Net financial debt

The following table sets out as net financial debt as at December 31, in each of the years ended 2002, 2003 and 2004.

(Thousands of €)	31/12/2002	31/12/2003	31/12/2004	31/12/2004 IFRS
Cash and cash equivalents	22	902	2,560	2,560
Other current financial assets		140		
Short-term debt	(1,501)	(2,102)	(1,902)	(5,694)
Total net short-term debt	**(1,479)**	**(1,060)**	**658**	**(3,134)**
Convertible bonds	0	0	(2,500)	(2,465)
Long-term debt	(1,240)	(3,568)	(3,516)	(3,516)
Total long-term debt	**(1,240)**	**(3,568)**	**(6,016)**	**(5,981)**
Net financial debt	**(2,719)**	**(4,628)**	**(5,358)**	**(9,115)**

Table 28

Our net financial debt under Italian GAAP has increased over the past three years. It was €2.719 million, €4.628 million and €5.358 million for the years ended December 31, 2002, 2003 and 2004, respectively. Net financial debt at December 31, 2004 under IFRS does not take into account the sale of receivables of €3.792 million and, accordingly, short-term borrowings increase for the same amount. Principally as a result of this effect, net financial debt under IFRS is higher by €3.757 million at December 31, 2004.

The increase in cash and cash equivalents is due to the inclusion of acquired group companies and the cash received for the sale of trade receivables (as referred to above).

A convertible bond was issued in July 2004 and subscribed by our shareholders, which was issued to finance the acquisition of Erim and Eurotech Finland. As at the date of this Offering Circular, all the bondholders have converted their bonds into Eurotech shares at a conversion ratio of sixty such shares for each bond. Our share capital consequently increased by €150,000 and the remaining amount subscribed was classified as paid-in capital.

Our medium and long-term debt obligations are due, primarily, to the financings undertaken in order to complete our acquisition programme over the past two years and for additional investments in the companies which were acquired.

The difference of €3.792 million between the 2004 Italian GAAP Statements and the 2004 IFRS Statements is principally due to changes in net short-term debt (reflecting the fact that the sale of trade receivables was not recognised under IFRS and, accordingly, the short-term debt from financing entities is recognised).

The increase in short-term debt at December 31, 2004 (as set out in the 2004 IFRS Statements) reflects advanced payments made available to the Group before the sale of trade receivables referred to above.

The table below shows our mid-term and long-term liabilities as at December 31, 2004.

Lender (Thousands of €)	Company	Due date	Interest	Balance on 31.12.2004	Short term within 12 months	Total Medium and Long Term	Mid term Over 12 months	Long term More than 5 years
Current outstandings				**488**	**488**		-	-
SIMEST	Eurotech S.p.A.	04/06/2010	2.83%	123	12	111	98	12
IMI San Paulo	Eurotech S.p.A.	01/01/2007	3.70%	187	92	95	95	0

Lender (Thousands of €)	Company	Due date	Interest	Balance on 31.12.2004	Short term within 12 months	Total Medium and Long Term	Mid term Over 12 months	Long term More than 5 years
Leasing Finanziario	Eurotech S.p.A.	01/03/2013	4.75%	687	61	626	277	349
ANDVAR IDA	Gruppo Erim	31/12/2005	n.a.	102	102	0		
Total Other financings				**1,099**	**267**	**832**	**470**	**361**
Banco di Brescia	Eurotech S.p.A.	31/12/2006	5.37%	44	22	22	22	
Total Gruppo Banca Lombarda				***44***	***22***	***22***	***22***	
Banca Pop. Vicenza	Eurotech S.p.A.	30/09/2007	3.10%	92	33	59	59	
Total Gruppo Banca Pop. Vincenza				***92***	***33***	***59***	***59***	
Banca Intesa	Eurotech S.p.A.	30/06/2008	3.30%	1,185	325	860	860	
Banca Intesa	I.P.S. Sist. Progr. S.r.l.	30/06/2009	euribor 3m +1.8%	79	16	63	63	
Banca Pop. Friuladria	Eurotech S.p.A.	31/12/2007	2.93%	498	160	338	338	
Baco Ambros. Van	Eurotech S.p.A.	31/01/2005		9	9	0	0	
Total Gruppo INTESA				***1,771***	***510***	***1,261***	***1,261***	
Unicredit	Eurotech S.p.A.	31/12/2005	euribor 3m + 2.0%	56	56	0	0	
Unicredit	Eurotech S.p.A.	30/06/2009	euribor 3m + 2.0%	500	0	500	500	
Total Gruppo Unicredit				***556***	***56***	***500***	***500***	
Friulcassa	Eurotech S.p.A.	31/07/2008	5.75%	609	146	463	463	
Total Gruppo IMI San Paolo				***609***	***146***	***463***	***463***	
Key Bank	Parvus Corporation	02/09/2005	5.18%	43	43	0	0	
Key Bank	Parvus Corporation	02/09/2006	5.42%	43	24	19	19	
Key Bank	Parvus Corporation	02/09/2007	6.57%	95	33	62	62	
Key Bank	Parvus Corporation	02/09/2008	5.10%	34	8	26	26	
Total Key Bank				***215***	***108***	***107***	***107***	
Banque Pop. De Lyon	Gruppo Erim	30/06/2006	4.20%	152	76	76	76	
Créd. Comm. De France	Gruppo Erim	30/04/2006	4.20%	120	60	60	60	
Crédit Lyonnais	Gruppo Erim	30/06/2006	4.20%	272	136	136	136	
Total bank debt				**3,831**	**1,146**	**2,685**	**2,685**	**0**
Total other financing and bank debt				**4,930**	**1,414**	**3,516**	**3,155**	**361**
Total debt				**5,418**	**1,902**	**3,516**	**3,155**	**361**

Table 29

At December 31, 2004, our total bank debt was €4.930 million and, taken together with current account liabilities of €488,000, our total bank debt at December 31, 2004 was €5.418 million, of which €1.902 million comprises current liabilities. As at September 30, 2005 the Group companies had unused credit facilities available to them of €8.168 million (increased from €7.021 million as at June 30, 2005 and €6.321 million as at December 31, 2004). No default has occurred with respect to these credit facilities.

Cash Flows

The following shows our cash flows for each of the periods referred to below distinguishing between cash flows from operating activities investment activities and financial activities, and summarizes the information set out in the financial statements set out in this Offering Circular.

(Thousands of €)	31/12/2002	31/12/2003	31/12/2004	31/12/2004 IFRS	31/12/2004 IFRS pro-forma
Net cash provided by (used in) operating activities	830	1.296	2.608	(498)	(277)
Net cash provided by (used in) investment activities	(856)	(2,791)	(2,102)	(2,683)	(1,500)
Net cash provided by (used in) financing activities	0	2,404	1,192	4,879	3,109
Effect of change in exchange rates*	0	(29)	(40)	(40)	(40)
Pro-forma adjustments	0	0	0	0	(100)
Increase (decrease) of cash and cash equivalents	(26)	880	1,658	1,658	1,192
Cash and cash equivalents at beginning of the period	48	22	902	902	1,368
Cash and cash equivalents at the end of the period	22	902	2,560	2,560	2,560

Table 31

Note (*): This line item represents the changes in exchange rates at the beginning and the end of each financial year. This arises from the conversion of the balance sheet of our US subsidiary, Parvus, (which is originally reported in US dollars) into Euros(€)).

The cash flows generated from operating activity for the years ended December 31, 2002, 2003 and 2004 show a consistent increase. The table below sets out this increase. The IFRS 2004 Statements show a decrease in operating cash flow as the sale of trade receivables (referred to above) is not recognized under IFRS. In particular, for the periods below the following items have had an impact on cash flows:

(Thousands of €)	**31/12/2002**	**31/12/2003**	**31/12/2004**	**31/12/2004 IFRS**	**31/12/2004 IFRS pro-forma**
Group net profit (loss)	14	(256)	200	647	747
Non cash items	694	834	978	827	849
Changes in net working capital	122	718	1,430	(1,972)	(1,873)
Net cash flow provided by (used in) operating activities	**830**	**1,296**	**2,608**	**(498)**	**(277)**

Table 32

Changes in investment activities are primarily driven by the acquisitions made in 2003 and 2004, in particular the acquisition of Parvus in 2003 (for an amount of 1.889 million) and of Erim and Eurotech Finland in 2004 (for a combined amount of €1.279 million). Additional investments in intangible assets and property plant and equipment amounted to €154,000, €902,000 and €646,000 on December 31, 2002, 2003, and 2004, respectively.

The incurrence of additional debt and the issue of the convertible bonds (as described above), were undertaken to finance the acquisitions undertaken by the group. As a result of the cash movements from increased operating activity, cash increased from €22,000 at December 31, 2002 to €2.560 million at December 31, 2004.

Leverage

The changes in our net financial debt have resulted in the following changes in our financial leverage:

	31/12/2002	**31/12/2003**	**31/12/2004**	**31/12/2004 IFRS**
Leverage				
Financial Leverage	34.7%	48.8%	51.5%	60.3%
(Net financial debt / net financial debt plus net equity of the group)				

Table 33

Our financial leverage has steadily increased during the financial years ended December 31, 2002, 2003 and 2004. Under IFRS accounting principles, as of December 31, 2004, leverage has deteriorated as compared to Italian GAAP, due to the different treatment of the sale of trade receivables (as referred to above).

The conversion of certain convertible bonds, in an amount of €2.500 million into share capital (which was approved by our shareholders meeting on July 21, 2005) will significantly reduce our leverage.

COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 2004 AND 2005.

OPERATING RESULTS

Operating results (Thousands of €)	**30/06/2004 IFRS**	**%**	**30/12/2004 IFRS**	**%**	**30/06/2005 IFRS**	**%**
Sales and service revenue	6,784	100.0%	16,649	100.0%	11,000	100.0%
Operating Costs						
Cost of materials	(3,420)	-50.4%	(6,486)	-39.0%	(5,022)	-45.7%

Services	(1,435)	-21.2%	(3,480)	-20.9%	(2,555)	-23.2%
Rent and leases	(104)	-1.5%	(286)	-1.7%	(195)	-1.8%
Payroll	(2,342)	-34.5%	(5,212)	-31.3%	(3,704)	-33.7%
Accruals and other costs	(78)	-1.1%	(172)	-1.0%	(102)	-0.9%
Other revenue	334	4.9%	973	5.8%	609	5.5%
Profit before depreciation and amortization						
Finance costs and taxes	**(261)**	**-3.8%**	**1,986**	**11.9%**	**31**	**0.3%**
Depreciation	(205)	-3.0%	(529)	-3.2%	(430)	-3.9%
Operating profit	**(466)**	**-6.9%**	**1,457**	**8.8%**	**(399)**	**-3.6%**
Share of profit of associates	5	0.1%	9	0.1%	6	0.1%
Finance Costs	(245)	-3.6%	(517)	-3.1%	(317)	-2.9%
Finance income	35	0.5%	84	0.5%	139	1.3%
Profit before taxes	**(671)**	**-9.9%**	**1,033**	**6.2%**	**(571)**	**-5.2%**
Income tax expenses	176	2.6%	(455)	-2.7%	96	0.9%
Net profit (loss) for the period	**(495)**	**-7.3%**	**578**	**3.5%**	**(475)**	**-4.3%**
Minority interest	**(71)**	**-1.0%**	**(69)**	**-0.4%**	**(86)**	**-0.8%**
Group net profit (loss) for the period	**(424)**	**-6.3%**	**647**	**3.9%**	**(389)**	**-3.5%**

Table 34

Operating Results

(Thousands of €)	**30/06/2004 IFRS**		**31/12/2004 IFRS**		**30/06/2005 IFRS**		**Changes**
Sales and service revenue	6,784	100.0%	16,649	100.0%	11,000	100.0%	62.1%
Margin*	3,364	49.6%	10,163	61.0%	5,978	54.3%	77.7%
Ebitda	(261)	-3.8%	1,986	11.9%	31	0.3%	111.9%
Ebit	(466)	-6.9%	1,457	8.8%	(399)	-3.6%	14.4%
Profit before taxes	(671)	-9.9%	1,033	6.2%	(571)	-5.2%	14.9%
Group net profit (loss)	(424)	-6.3%	647	3.9%	(389)	-3.5%	8.3%

*Revenue less cost of materials

Table 35

Our revenue was €6.784 million for the six months ended June 30, 2004 and €11 million for the six months ended June 30, 2005, an increase of approximately 62.1%. This increase was due to the combined effect of the inclusion of Erim and Eurotech Finland (for the full six months in 2005) (€1.716 million or 25.3%) and positive development in our operating activities (€2.5 million or 36.8%).

Our internal growth was due to the implementation of the following strategic plan:

- the development and sale of new products/solutions with higher margins – particularly in our NanoPC business;
- our focus on standard and custom products/solutions, as well as integrated systems;
- on-going development in the field of HPC.

In particular, Parvus increased its revenue from €1.930 million for the six months ended June 30, 2004 to €3.399 million for the six months ended June 30, 2005, an increase of 76.1%. This is primarily due to a better penetration of the defence market, thanks to the introduction of technological solutions that were already available to other group companies.

Another factor influencing our revenue is the concentration of our billing in the second half of the year.

Our margin (of revenue less cost of materials) increased by 77.7% between the six months ended June 30, 2004 and the six months ended June 30, 2005. It increased from €3.364 million to €5.978 million, representing 49.6% and 54.3% of revenue, respectively. These improvements are primarily due to the successful implementation of the strategic plan referred to above.

EBITDA was negative for the six months ended June 30, 2004 (€(261,000)) and positive for the six months ended June 30, 2005 (€31,000), an increase of 111.9%. This was primarily due to the inclusion of Erim and Eurotech Finland into our consolidated financial statements for the full six months in 2005. Further factors influencing the improvement were a changed mix of products as well as an improvement in the operating leverage from our fixed cost base.

EBIT was negative for both the six months ended June 30, 2004 and the six months ended June 30, 2005, although it did improve by 14.4% when such periods are compared. EBIT as a percentage of revenue changed from negative (6.9)% to 3.6% for the six months ended June 30, 2004 and 2005, respectively. These changes were due to improved levels of EBIT.

Profit before taxes increased by €100,000 from €(671,000) for the six months ended June 30, 2004 to €(571,000) for the six months ended June 30, 2005. This development was consistent with the development of EBIT referred to above.

The Group reported net losses for the six months ended June 30, 2004 of €(424,000) and for the six months ended June 30, 2005 (€(389,000)). This primarily results from differences in the different tax charges of the Group companies and, to a lesser extent, to the portion of profit attributable to third parties.

The following table shows the development, by business segment, of revenue, our margin (revenue less cost of materials), EBITDA and EBIT.

(Thousands of €)	Nano PC			High Performance Computer			Total		
	30/06/2004 IFRS	30/06/2005 IFRS	Var % 05-04	30/06/2004 IFRS	30/06/2005 IFRS	Changes on 04	30/06/2004 IFRS	30/06/2005 IFRS	Changes on 04
Sales and service revenue	6,551	9,811	49.8%	233	1,189	410.3%	6,784	11,000	62.1%
Margin*	3,299	5,543	68.0%	65	416	540.0%	3,364	5,978	77.7%
Ebitda	(183)	66	-136.1%	(78)	(35)	-55.1%	(261)	31	111.9%
Ebitda percentage on revenue	-2.8%	0.7%		-33.5%	-2.9%		-3.8%	0.3%	
Ebit	(366)	(342)	6.6%	(100)	(57)	-43.0%	(466)	(399)	14.4%
Ebit percentage on revenue	-5.6%	-3.5%		-42.9%	-4.8%		-6.9%	-3.6%	

*Revenue less cost of materials

Table 36

In our NanoPC business, revenue was €6.551 million for the six months ended June 30, 2004 and €9.811 million for the six months ended June 30, 2005, representing, an increase of 49.8%. Of this 49.8% increase, 23.6% was attributable to an increase in sales volume, primarily achieved at Eurotech, and the remaining 26.2% was attributable to the inclusion of Erim and Eurotech Finland (for the full six month period) in our consolidated financial statements.

Breakdown of Revenue

(Thousands in €)	30/06/2004 IFRS		30/06/2005 IFRS		Changes on2004
Sales of products	6,605	97.4%	10,758	97.8%	62.9%
Service revenue	179	2.6%	242	2.2%	35.3%
Total revenue	6,784	100.0%	11,000	100.0%	62.1%

Table 37

The breakdown of revenue shows an increase for the six months ended June 30, 2005 in revenue from sales of products of 62.9%. This is due to our on-going acquisition programme and an increase in the company's activity levels, both of which have positively influenced our revenues from sales of products.

Breakdown by Geographic Area

(Thousands in €)	30/06/2004 IFRS		30/06/2005 IFRS		Changes on 2004
Geographic area					
European Union	4,538	66.9%	7,539	68.5%	66.1%
United States	2,130	31.4%	3,400	30.9%	59.6%
Other	116	1.7%	61	0.6%	-47.4%
Total revenue	6,784	100.0%	11,000	100.0%	62.1%

Table 38

The substantial increase in revenue in the United States is attributable to increased sales activities of our US subsidiary Parvus. Changes in revenue in the European Union are due to the inclusion of acquired group companies in our consolidated financial statements and an increase in our own activity levels.

Breakdown of costs and revenue

(Thousands of €)	30/06/2004 IFRS	%	30/06/2005 IFRS	%
Sales and service revenue	6,784	100.0%	11,000	100.0%
Cost of materials	(3,420)	-50.4%	(5,022)	-45.7%
Margin*	**3,364**	**49.6%**	**5,978**	**54.3%**
Services	(1,435)	-21.2%	(2,555)	-23.2%
Rent and leases	(104)	-1.5%	(195)	-1.8%
Payroll	(2,342)	-34.5%	(3,704)	-33.7%
Accruals and other costs	(78)	-1.1%	(102)	-0.9%
Other revenue	334	4.9%	609	5.5%
Profit before interest, taxes, depreciation and amortization (EBITDA)	**(261)**	**-3.8%**	**31**	**0.3%**

*Revenue less cost of materials

Table 39

Breakdown of cost of materials

(Thousands of €)	30/06/2004 IFRS	% sui Ricavi	30/06/2005 IFRS	% on revenue
Purchases of raw materials, semi-finished and finished goods	4,463	65.8%	6,092	55.4%
Changes in raw material inventory	(460)	-6.8%	(312)	-2.8%
Changes in semi-finished and finished goods inventory	(583)	-8.6%	(758)	-6.9%
Cost of materials	**3,420**	**50.4%**	**5,022**	**45.7%**

Table 40

Our cost of raw materials, semi-finished and finished goods increased from €3.420 million at the six months ended June 30, 2004 to €5.022 million at the six months to June 30, 2005. This increase of 46.8% is due to the inclusion of new group companies in our consolidated financial statements and an increase in sales volumes.

Cost of materials as a percentage of revenue was 50.4%, and 45.7%, for the six months ended June 30, 2004 and 2005, respectively. This development is primarily due to a better product mix and the positive impact of the acquisition of a French group subsidiary, which has a better average margin (revenue less cost of materials) influencing the entire group.

Breakdown of other operating costs

(Thousands of €)	30/06/2004 IFRS	% sui Ricavi	30/06/2005 IFRS	% on revenue
Services	1,435	21.2%	2,555	23.2%
Rent and leases	104	1.5%	195	1.8%
Payroll	2,342	34.5%	3,704	33.7%
Accruals and other costs	78	1.1%	102	0.9%
Other revenue	(334)	-4.9%	(609)	-5.5%
Other operating costs	**3,625**	**53.4%**	**5,947**	**54.1%**

Table 41

Other operating costs (as set out in the above table) increased from €3.625 million at the six months ended June 30, 2004 to €5.947 million at the six months ended June 30, 2005, an increase of 64.1%. Other operating costs as a percentage of revenue changed only slightly, from 53.4% to 54.1%.

Breakdown of service costs

(Thousands of €)	30/06/2004 IFRS	30/06/2005 IFRS	Changes on 2004
Production Services	405	988	144.0%
Sales services and commissions	409	682	66.7%
General and administrative services	621	885	42.5%
Total service costs	**1,435**	**2,555**	**78.0%**
Service costs as a percentage of revenue	21.2%	23.2%	

Table 42

Total service costs were €1.435 million and €2.555 million for the six months ended June 30, 2004 and 2005, respectively, an increase of 78%. Service costs as a percentage of revenue increased from 21.2% to 23.2%. This increase in value is due to the strategy of the expansion of the group.

The largest increase was in costs of production, from €405,000 to €988,000 for the six months ended June 30, 2004 and 2005, respectively, representing an increase of 144%. This is primarily due to major investments in new products.

The level of sales services and commission costs increased by 66.7%, from €409,000 at the six months ended June 30, 2004 to €682,000 at the six months ended June 30, 2005. The increase is primarily due to increased levels of operating activity, and increased penetration into new markets in Italy, France and the United States.

General and administrative expenses increased by 42.5%, from €621,000 at the six months ended June 30, 2004 to €885,000 at the six months ended June 30, 2005. This is primarily due to the costs incurred by Parvus, which were incurred when improved administrative and general corporate structures were put in place.

Costs of rent and leases increased by 87.5% from €104,000 at the six months ended June 30, 2004 to €195,000 at the six months ended June 30, 2005. Rent and leases costs as a percentage of revenue increased from 1.5% to 1.8%. The change is due to the increased costs of rent incurred by the group due to the acquisition of new group companies and to the acquisition of additional production and office space.

Breakdown of Payroll

(Thousands of €)	**30/06/2004 IFRS**	**30/06/2005 IFRS**	**Changes on 2004**
Wages and salaries	1,897	2,9555	55.8%
Social security	389	598	53.7%
Provision for employees' benefits	50	97	94.0%
Other	6	54	n.s.
Total payroll costs	**2,342**	**3,704**	**58.2%**
Total payroll costs as a percentage of revenue	34.5%	33.7%	

Table 43

Total payroll costs increased by 58.2% from €2.342 million at the six months ended June 30, 2004 to €3.704 million at the six months ended June 30, 2005. This is primarily due to the inclusion of Erim and Eurotech Finland (for the full period in 2005) in our consolidated financial statements and an increase of personnel within existing group companies.

Total payroll costs as a percentage of revenue was 34.5% and 33.7% for the six months ended June 30, 2004 and 2005, respectively, due to a more effective use of group resources.

The following table shows the number of employees for the relevant periods, which increased from 127 to 160.

	30/06/2004	**30/06/2005**
Management	1	2
White Collar Employees	96	127
Blue Collar Employees	30	31
Total	**127**	**160**

Table 44

The number of employees did not change between June 30, 2005 and September 30, 2005.

As at September 30, 2005 the Company has contracts with five self-employed contract employees.

Breakdown of Accruals and Other Costs

(Thousands of €)	**30/06/2004 IFRS**	**30/06/2005 IFRS**	**Changes on 2004**
Provision for bad debts	25	25	0.0%
Accruals	0	5	N/A
Other costs	53	72	35.8%
Total accruals and other costs	**78**	**102**	**30.8%**
As a percentage of revenue	1.1%	0.9%	

Table 45

Provision for bad debts refers to the provisions accounted for in the respective periods. Other costs refer to indemnities in favor of our agents.

Total accruals and other costs as a percentage of revenue was 1.1% for the six months ended June 30, 2004, and decreased to 0.9% for the six months ended June 30, 2005, a largely constant level.

Breakdown of Other Revenue

(Thousands of €)	30/06/2004 IFRS	30/06/2005 IFRS	Changes on 2004
Government grants	0	6	n.s.
Capitalised development costs	214	555	159.3%
Other	120	48	-60.0%
Total other revenue	**334**	**609**	**82.3%**
As a percentage of revenue	4.9%	5.5%	

Table 46

Total other revenue increased by 82.3%, from €334,000 to €609,000 for the six months ended June 30, 2004 and 2005, respectively. The increase is primarily due to an increase in the capitalization of development costs incurred by the Group. These costs were incurred to develop new solutions and systems as well as integrated standard modules. The capitalized costs arose from payroll, material and structural costs.

Total other revenue as a percentage of revenue increased, due to increased development activity in the first six months of the financial year 2005.

Breakdown of Amortization and Depreciation

(Thousands of €)	30/06/2004 IFRS	30/06/2005 IFRS	Changes on 2004
Amortization of intangible assets	87	275	216.1%
Depreciation of property, plant and equipment	118	155	31.4%
Total amortization and depreciation	**205**	**430**	**109.8%**
As a percentage of revenue	3.0%	3.9%	

Table 47

The increase in total amortization and depreciation was 109.8%, increasing from €205,000 to €430,000 for the six months ended June 30, 2004 and 2005, respectively. The increases are shown in the above table. These variations are attributable to the inclusion of additional group companies and the increase in amortization of development costs which were capitalized in the preceding period. During the first six months of 2005, a large part of the costs of development which were capitalized in 2004 were amortized.

Amortization and depreciation as a percentage of revenue increased from 3% to 3.9%, related to an increase in the amortization of costs capitalized for the development of new standard solutions, showing the increased effort of the group in these activities.

Other Income Statement Information

(Thousands of €)	30/06/2004 IFRS	30/06/2005 IFRS	Changes on 2004
Share of profits of associate	**5**	**6**	**20.0%**

As a percentage of revenue	0.1%	0.1%	

Finance costs	**(245)**	**(317)**	**29.4%**
As a percentage of revenue	-3.6%	-2.9%	
Finance income	**35**	**139**	**297.1%**
As a percentage of revenue	0.5%	1.3%	

Table 48

Holdings in associates accounted for under the equity method were revalued by €5,000 in the six months ended June 30, 2004 and €6,000 in the six months ended June 30, 2005, respectively.

The increase in our finance costs was 29.4%, increasing from €245,000 to €317,000 for the six months ended June 30, 2004 and 2005, respectively. Finance costs as a percentage of revenue were 3.6% and 2.9%, respectively. The increase was primarily due to an increase in medium and long-term liabilities, which were incurred with the issue of a convertible bond and on sales of trade receivables.

Financing revenue increased by 297%, from €35,000 to €139,000, for the six months ended June 30, 2004 and 2005, respectively. This increase was primarily due to changes in the € and US dollar exchange rate and due to the effect of the termination of certain Interest Rate Swaps.

(Thousands of €)	**30/06/2004**	**% on revenue**	**30/06/2005**	**% on revenue**
Loss before taxes	(671)	-9.9%	(571)	-5.2%
Income tax benefit	(176)	-2.6%	(96)	-0.9%
Income tax benefit as a percentage of loss before taxes (effective tax rate)	**26.2%**		**16.8%**	

Table 49

Losses before taxes were €(671,000) and €(571,000) for the six months ended June 30, 2004 and 2005, respectively. This is an improvement on the percentage of revenue from (9.9)% to (5.2)% in 2005.

The following table shows a breakdown of taxes, showing differences between current and deferred taxes, and between Italian and foreign taxes our relative taxes bases.

(Thousands of €)	**30/06/2004 IFRS**	**% of revenue**	**30/06/2005 IFRS**	**% of revenue**
CURRENT IRES TAXES	0		28	
CURRENT IRAP TAXES	34		50	
CURRENT FOREIGN TAXES	21		49	
Current tax	**55**	**0.8%**	**127**	**1.2%**
DEFERRED ITALIAN TAXES	(239)		(219)	
DEFERRED FOREIGN TAXES	8		(4)	
Total deferred tax benefit	(231)	-3.4%	(223)	-2.0%
Total net income tax benefit	**(176)**	-2.6%	**(96)**	-0.9%

Table 50

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet (Thousands of €)	**31/12/2004 IFRS**	**FTA IAS 32-39**	**01/01/2005 Restated**	**30/06/2005 IFRS**

Assets				
Intangible assets	5,306		5,306	5,928
Property, Plant and equipment	2,223		2,223	2,345
Other non current assets	293		293	696
Total non current assets	**7,822**	**0**	**7,822**	**8,969**
Inventory	5,250		5,250	6,325
Contracts in progress	0		0	626
Trade receivables	8,402		8,402	8,967
Other current assets	419		419	733
Cash and cash equivalents	2,560		2,560	654
Total current assets	**16,631**	**0**	**16,631**	**17,305**
Total assets	**24,453**	**0**	**24,453**	**26,274**
Liabilities and Shareholders' Equity				
Share capital	1,247		1,247	1,247
Retained earnings	3,548	5	3,553	4,253
Net profit (loss) for the period	647		647	(389)
Group shareholder's equity	**5,442**	**5**	**5,447**	**5,111**
Minority capital and reserves	625		625	593
Minority profit (loss) for the period	(69)		(69)	(86)
Minority interests	**556**	**0**	**556**	**507**
Total shareholders' equity	**5,998**	**5**	**6,003**	**5,618**
Long-term debts	3,516		3,516	3,148
Convertible notes	2,465	(18)	2,447	2,458
Employees' benefits	550		550	598
Other non current liabilities	754	(4)	750	889
Total non current liabilities	**7,285**	**(22)**	**7,263**	**7,093**
Trade payables	4,011		4,011	5,377
Short-term borrowings	5,694		5,694	4,244
Tax payables	442		442	319
Other non current liabilities	1,023	17	1,040	3,623
Total non current liabilities	**11,170**	**17**	**11,187**	**13,563**
Total liabilities	**18,455**	**(5)**	**18,450**	**20,656**
Total liabilities and shareholders' equity	**24,453**	**0**	**24,453**	**26,274**

Table 51

In the comparisons reported in the following paragraphs, unless otherwise specified, the December 31, 2004 data relate to the restated data which reflect the application of IAS 32 and 39.

Non-current assets

(Thousands of €)	**31/12/2004**	**30/06/2005**
Intangible assets	5,306	5,928
Property, plant and equipment	2,223	2.345
Other non current assets	293	696
Total non current assets	**7,822**	**8,969**

Table 52

Fixed assets are shown in the above table. This item changed from €7.882 million to €8.969 million for the six months ended June 30, 2004 and 2005, respectively. This increase is primarily due to the capitalization of intangible assets of development costs and software costs for the implementation of the new ERP.

Breakdown of charges to Intangible Assets and Principal Investments

(Thousands of €)	**31/12/2004**	**30/06/2005**
Intangible assets	639	897
Property, plant and equipment	358	276
Other non-current assets	0	60

Total principal investments	**997**	**1,233**

Table 53

Current Assets

(Thousands of €)	31/12/2004	30/06/2005
Inventory	5,250	6,325
Contracts in progress	0	626
Trade receivables	8,402	8,967
Other current assets	419	733
Cash and cash equivalents	2,560	654
Total current assets	**16,631**	**17,305**

Table 54

Current assets increased from €16,631 million to €17.305 million for the six months ended June 30, 2004 and 2005, respectively. This increase is primarily due to changes in inventory levels and an increase in contracts in progress (which arise from advances made in connection with HPC Apenex. An increase of €314,000 in other current assets is primarily due to a VAT tax credit.

Net Working Capital

(Thousands of €)	31/12/2004	30/06/2005
Inventory	5,250	6,325
Contracts in progress	0	626
Trade receivables	8,402	8,967
Other current assets	419	733
Trade payables	(4,011)	(5,377)
Tax payables	(442)	(319)
Other current liabilities	(1,040)	(3,623)
Net working capital	**8,578**	**7,332**

Table 55

The decrease in net working capital is primarily due to the increase of other current liabilities for advances from customers. The increase in inventory is offset by the increase in trade payables.

Net Financial Position

(Thousands of €)	01/01/2005 Restated	30/06/2005 IFRS
Cash and cash equivalents	2,560	654
Short-term debt	(5,694)	(4,244)
Total net current debt	**(3,134)**	**(3,590)**
Convertible bonds	(2,447)	(2,458)
Long-term debt	(3,516)	(3,148)
Total long-term debt	**(5,963)**	**(5,606)**
Net financial debt	**(9,097)**	**(9,196)**

Table 56

Our net financial debt does not show any material changes, having increased from €9.097 million as of January 1, 2005 to €9.196 million as of June 30, 2005.

A convertible bond was issued in July 2004 and subscribed by our shareholders, which was issued to finance the acquisition of Erim and Eurotech Finland. As at the date of this Offering Circular, all the bondholders have converted their bonds into Eurotech shares at a conversion ratio of sixty such shares for each bond. Our share capital consequently increased by €150,000 and the remaining amount subscribed was classified as paid-in capital.

Lender (Thousands of €)	**Company**	**Due date**	**Interest**	**Balance on 30.06.2005**	**Short term within 12 months**	**Total Medium and Short-term**	**Mid term Over 12 months**	**Long term Over 5 years**
Current outstandings			**4.1% (*)**	**2,758**	**2,758**	**-**	**-**	**-**
SIMEST	Eurotech S.p.A.	04/06/2010	2.83%	123	25	98	**98**	0
IMI San Paolo	Eurotech S.p.A.	01/01/2007	3.70%	187	142	45	45	0
Leasing Finanziario	Eurotech S.p.A.	01/03/2013	4.75%	640	61	579	276	303
Other financings				**950**	**228**	**722**	**419**	**303**
Banco di Brescia	Eurotech S.p.A.	30/12/2006	5.37%	33	22	11	**11**	0
Total Gruppo Banca Lombarda				***33***	***22***	***11***	***11***	***0***
Friulcassa	Eurotech S.p.A.	31/07/2008	5.75%	537	148	389	389	0
Total Gruppo IMI San Paolo				***537***	***148***	***389***	***389***	***0***
Banca Intensa	Eurotech S.p.A.	30/06/2008	3.30%	1,025	331	694	694	0
Banca Intensa	I.P.S. Sist. Progr. S.r.l.	30/06/2009	euribor 3m + 1.8%	71	11	60	60	0
Banca Intensa	I.P.S. Sist. Progr. S.r.l.	31/05/2010	4.66%	99	10	89	89	0
Banca Pop. Friuladria	Eurotech S.p.A.	31/12/2007	2.93%	419	150	269	269	0
Total Gruppo INTESA				***1,614***	***502***	***1,112***	***1,112***	***0***
Key Bank	Parvus Corporation	02/09/2005	5.18%	16	16	0	0	0
Key Bank	Parvus Corporation	02/09/2006	5.42%	35	28	7	7	0
Key Bank	Parvus Corporation	02/09/2007	5.67%	89	38	51	51	0
Key Bank	Parvus Corporation	02/09/2008	5.10%	33	10	23	23	0
Key Bank	Parvus Corporation	02/09/2009	6.20%	15	5	10	10	0
Total Key Bank				***188***	***97***	***91***	***91***	***0***
Banca Pop. Vicenza	Eurotech S.p.A.	30/06/2007	3.10%	76	33	43	43	0
Total Gruppo Banca Pop. Vicenza				***76***	***33***	***43***	***43***	***0***
Unicredit	Eurotech S.p.A.	31/12/2005	euribor 3m + 2.0%	28	28	0	0	0
Unicredit	Eurotech S.p.A.	30/06/2008	euribor 3m _ 2.0%	500	0	500	500	0
Unicredit	Eurotech S.p.A.	30/04/2010	euribor 3m + 1.6%	350	70	280	280	0
Total Gruppo Unicredit				***878***	***98***	***780***	***780***	***0***
Crédite Lyonnais	Gruppo Erim	30/06/2006	4.20%	136	136	0	0	0
Créd. Comm. De France	Gruppo Erim	30/04/2006	4.20%	60	60	0	0	0
Banque Po. De Lyon	Gruppo Erim	30/06/2006	4.20%	76	76	0	0	0
Accrued liabilities				86	86	0	0	0
Total bank debt				**3,684**	**1,258**	**2,426**	2,426	**0**
Total other financings and bank debt				**4,634**	**1,486**	**3,148**	**2,845**	**303**
Total debt				**7,392**	**4,244**	**3,148**	**2,845**	**303**

- This figure represents the average rates computed at the end of the relevant period under the technical form SBF and financing for the sale of trade receivables.

Table 57

At June 30, 2005 our total bank debt was €4.634 million. Together with our current account liabilities of €2.758 million we have a total bank indebtedness of €7.392, €4.244 million of which is short term. Additional financing facilities of approximately €7.000 million were available as at June 30, 2005.

(Thousands of €)	**Available 30/6/2005 IFRS**	**Utilised 30/6/2005 IFRS**

Bank overdraft	9,780	2,758
Short-term financial debt	1,486	1,486
Medium/long-term financial debt	3,148	3,148
TOTAL	**14,414**	**7,392**

Cash Flows

(Thousands of €)	31/12/2004 IFRS	30/06/2005 IFRS
Net cash provided by (used in) operating activities	(498)	907
Net cash provided by (used in) investing activities	(2,683)	(1,101)
Net cash provided by (used in) financing activities	4,879	(1,776)
Effect of change in exchange rates (*)	(40)	64
Increase (decrease) of cash and cash equivalents	1,658	(1,906)
Cash and cash equivalents at beginning of the period	902	2,560
Cash and cash equivalents at the end of the period	2,560	654

Note (*): This line item represents the changes in exchange rates at the beginning and the end of each financial year. This arises from by the conversion of the balance sheet of our US subsidiary Parvus (which is originally reported in US dollars into €s).

Table 58

Cash flow generated from operating activities were €907,000 as of June 30, 2005.

Investment activity is significantly influenced by our investment in the development of new products in the field of Nano PC Systems and modules as well as our new ERP system, and investment in industrial, commercial and hardware equipment.

Cash flows derived from financing activities largely arise from the reimbursement of short-term and medium-term financing and the partial reimbursement of advances received from financial entities for the sale of trade receivables.

Leverage

The changes in our net financial debt have resulted in the following changes in our financial leverage:

	30/06/2004	30/06/2005
Leverage:		
Financial leverage	60.3%	62.1%
(Net financial position / net financial position plus net share capital		

Table 59

Our financial leverage slightly increased in the six months ended June 30, 2005 as opposed to the six months to June 30, 2004. This is primarily due to the increase of our net financial debt and a decrease of our consolidated net equity.

The transformation of the convertible bond of €2.500 million (referred to above), which was approved in the shareholders meeting of July 21, 2005, will significantly reduce our leverage.

OPERATING RESULTS, CASH FLOWS AND LIQUIDITY FOR THE 9 MONTH ENDED SEPTEMBER 30, 2004 AND 2005.

OPERATING RESULTS

Operating results (Thousands of €)	30/09/2004 IFRS	%	31/12/2004 IFRS	%	30/09/2005 IFRS	%
Sales and service revenue	9,671	100.0%	16,649	100.0%	19,839	100.0%
Operating Costs						
Cost of materials	(4,251)	-44.0%	(6,486)	-39.0%	(9,554)	-48.2%
Services	(2,198)	-22.7%	(3,480)	-20.9%	(4,088)	-20.6%
Rent and leases	(169)	-1.7%	(286)	-1.7%	(303)	-1.5%
Payroll	(3,506)	-36.3%	(5,212)	-31.3%	(5,139)	-25.9%
Accruals and other costs	(118)	-1.2%	(172)	-1.0%	(101)	-0.5%
Other revenue	490	5.1%	973	5.8%	934	4.7%
Profit before depreciation and amortization	**(81)**	**-0.8%**	**1,986**	**11.9%**	**1,588**	**8.0%**
Amortization	(322)	-3.3%	(529)	-3.2%	(671)	-3.4%
Operating profit	**(403)**	**-4.2%**	**1,457**	**8.8%**	**917**	**4.6%**
Share of profit of associates	7	0.1%	9	0.1%	14	0.1%
Finance Costs	(328)	-3.4%	(517)	-3.1%	(554)	-2.8%
Finance income	46	0.5%	84	0.5%	194	1.0%
Profit before taxes	**(678)**	**-7.0%**	**1,033**	**6.2%**	**571**	**2.9%**
Income tax expenses	153	1.6%	(455)	-2.7%	(402)	-2.0%
Net profit (loss) for the period	**(525)**	**-5.4%**	**578**	**3.5%**	**169**	**0.9%**
Minority interest	**(92)**	**-1.0%**	**(69)**	**-0.4%**	**(83)**	**-0.4%**
Group net profit (loss) for the period	**(433)**	**-4.5%**	**647**	**3.9%**	**252**	**1.3%**

Table 60

Operating Results

(Thousands of €)	30/09/2004 IFRS		31/12/2004 IFRS		30/09/2005 IFRS		Var %
Sales and service revenue	9,671	100.0%	16,649	100.0%	19,839	100.0%	105.1%
Margin*	5,420	56.0%	10,163	61.0%	10,285	51.8%	89.8%
Ebitda	(81)	-0.8%	1,986	11.9%	1,588	4.0%	n.s.
Ebit	(403)	-4.2%	1,457	8.8%	917	4.6%	327.5%
Profit before taxes	(678)	-7.0%	1,033	6.2%	571	2.9%	184.2%
Group net profit (loss)	(433)	-4.5%	647	3.9%	252	1.3%	158.2%

*Revenue less cost of materials

Table 61

Our revenue was €9.671 million for the nine months ended September 30, 2004 and €19.839 million for the nine months ended September 30, 2005, an increase of approximately 105.1%. This increase was due to the combined effect of the inclusion of Erim (€2.415 million or 25.0% of this 105.1%) and positive developments in our operating activities (€7.753 million or 80.1%). The positive developments in our operating activities confirm a trend already apparent from the results for the six months ended June 30, 2005 (set out above). In particular, Parvus increased its revenue from €3.208 million for the nine months ended September 30, 2004 to €5.812 million for the nine months ended September 30, 2005, an increase of 81.2%. This is primarily due to a better penetration of the North-American market, thanks to the introduction of technological solutions that were already available to other members of the group.

Our margin (revenue less cost of materials) increased by 89.8% between the nine months ended September 30, 2004 and the nine months ended September 30, 2005, from €5.420 million to €10.285 million (representing 56.0% and 51.8% of revenue, respectively). These improvements are primarily due to the improved product mix and increased revenues in our HPC business.

EBITDA was negative for the nine months ended September 30, 2004 (€(81,000)) and positive for the nine months ended September 30, 2005 (€1.588 million). This was primarily due to the inclusion of Erim into our consolidated financial statements and an improvement in the operating leverage from our fixed cost base.

EBIT was negative for the nine months ended September 30, 2004 (€(403,000)) and positive for the nine months ended September 30, 2005 (€917,000). EBIT as a percentage of revenue changed from negative (4.2)% to 4.6% for the nine months ended September 30, 2004 and 2005, respectively. These changes were due to improvements in levels of EBIT.

Profit before taxes increased by €1.249 million from €(678,000) for the nine months ended September 30, 2004 to €571,000 for the nine months ended September 30, 2005. This development was consistent with the development of EBIT referred to above.

The Group reported net losses for the nine months ended September 30, 2004 of €(433,000) and net profits for the nine months ended September 30, 2005 of (€252,000). This primarily results from differences in the different tax charges of the Group companies and, to a lesser extent, to the portion of profit attributable to third parties.

The following table shows the development, by business segment, of revenue, our margin (revenue less cost of materials), EBITDA and EBIT.

(Thousands of €)	Nano PC			High Performance Computer			Total		
	30/09/2004	30/09/2005	Var % 05-04	30/09/2004	30/09/2005	Var % 05-04	30/09/2004	30/09/2005	Var % 05-04
Sales and service revenue	9,212	16,796	82.3%	459	3,043	563.0%	9,671	19,839	105.1%
Margin*	5,292	9,129	72.5%	128	1,156	803.1%	5,420	10,285	89.8%
Ebitda	122	835	584.4%	(203)	753	470.9%	(81)	1,588	n.s.
Ebitda percentage on revenue	1.3%	5.0%		-44.2%	24.7%		-0.8%	8.0%	
Ebit	(190)	183	196.3%	(213)	734	444.6%	(403)	917	327.5%
Ebit percentage on revenue	-2.1%	1.1%		-46.4%	24.1%		-4.2%	4.6%	

*Revenue less cost of materials

Table 62

In our NanoPC business, revenue was €9.212 million for the nine months ended September 30, 2004 and €16.796 million for the nine months ended September 30, 2005, representing an increase of 82.3%. Of this 82.3% increase, 56.1% was attributable to an increase in sales volume, primarily achieved at Eurotech, and the remaining 26.2% was attributable to the inclusion of Erim in our consolidated financial statements.

In our HPC business, revenue was €459.000 for the nine months ended September 30, 2004 and €3.043 million for the nine months ended September 30, 2005, representing, an increase of 563.0%, which is entirely due to increased revenues of the Company.

Breakdown of Revenue

(Thousands in €)	30/09/2004 IFRS		30/09/2005 IFRS		Changes on 2004
Sales of products	9,367	96.9%	19,726	99.4%	110.6%
Service revenue	304	3.1%	113	0.6%	-62.8%
Total revenue	9,671	100.0%	19,839	100.0%	105.1%

Table 63

The breakdown of revenue shows an increase for the nine months ended September 30, 2005 in revenue from sales of products of 110.6%. This is due to our on-going acquisition program and an increase in the company's activity levels, both of which have positively influenced our revenues from sales of products.

Breakdown by Geographic Area

(Thousands in €)	30/09/2004 IFRS		30/09/2005 IFRS		Changes on 2004
Geographic area					
European Union	6,029	62.3%	13,404	67.6%	122.3%
United States	3,325	34.4%	5,667	28.5%	70.4%
Other	317	3.3%	768	3.9%	142.3%
Total revenue	9,671	100.0%	19,839	100.0%	105.1%

Table 64

The substantial increase in revenue in the United States is attributable to increased sales activities of our US subsidiary Parvus. Changes in revenue in the European Union are due to the inclusion of acquired group companies in our consolidated financial statements and an increase in our own activity levels.

Breakdown of costs and revenue

(Thousands of €)	30/09/2004 IFRS	%	30/09/2005 IFRS	%
Sales and service revenue	9,671	100.0%	19,839	100.0%
Cost of materials	(4,251)	-44.0%	(9,554)	-48.2%
Margin*	**5,420**	**56.0%**	**10,285**	**51.8%**
Services	(2,198)	-22.7%	(4,088)	-20.6%
Rent and leases	(169)	-1.7%	(303)	-1.5%
Payroll	(3,506)	-36.3%	(5,139)	-25.9%
Accruals and other costs	(118)	-1.2%	(101)	-0.5%
Other revenue	490	5.1%	934	4.7%
Profit before interest, taxes, depreciation and amortization (EBITDA)(81)	**(81)**	**-0.8%**	**1,588**	**8.0%**

*Revenue less cost of materials

Table 65

Breakdown of cost of materials

(Thousands of €)	30/09/2004 IFRS	% sui Ricavi	30/09/2005 IFRS	% on revenue
Purchase of raw materials, semi-finished and finished goods	5,039	52.1%	10,363	52.3%
Changes in raw material inventory	(282)	-2.9%	(481)	-2.4%
Changes in semi-finished and finished goods inventory	(506)	-5.2%	(348)	-1.8%
Cost of materials	**4,251**	**44.0%**	**9,554**	**48.2%**

Table 66

Our cost of raw materials, semi-finished and finished goods increased from €4.251 million at the nine months ended September 30, 2004 to €9.554 million at the nine months to September 30, 2005, representing an increase of 124.5%. This was due to the inclusion of new group companies in our consolidated financial statements and an increase in sales volumes.

Cost of materials as a percentage of revenue was 44.0%, and 48.2%, for the nine months ended September 30, 2004 and 2005, respectively. This development was due to a better product mix.

Breakdown of other operating costs

(Thousands of €)	30/09/2004 IFRS	% sui Ricavi	30/09/2005 IFRS	% on revenue
Services	2,198	22.7%	4,088	20.6%
Rent and leases	169	1.7%	303	1.5%
Payroll	3,506	36.3%	5,139	25.9%
Accruals and other costs	118	1.2%	101	0.5%
Other revenue	(490)	-5.1%	(934)	-4.7%
Other operating costs	**5,501**	**56.9%**	**8,697**	**43.8%**

Table 67

Other operating costs (as set out in the above table) increased from €5.501 million at the nine months ended September 30, 2004 to €8.697 million at the nine months ended September 30, 2005, representing an increase of 58.1%. Other operating costs as a percentage of revenue changed slightly, from 56.9% to 43.8% due to improvements in operating leverage from our fixed cost base.

Breakdown of service costs

(Thousands of €)	30/09/2004 IFRS	30/09/2005 IFRS	Changes on 2004
Production Services	515	1,461	183.7%
Sales services and commissions	715	1,114	55.8%
General and administrative services	968	1,513	56.3%
Total service costs	**2,198**	**4,088**	**86.0%**
Service costs as a percentage of revenue	22.7%	20.6%	

Table 68

Total service costs were €2.198 million and €4.088 million for the nine months ended September 30, 2004 and 2005, respectively, an increase of 86.0%. Service costs as a percentage of revenue increased from 22.7% to 20.6%. This increase in value is due to strategy of expansion of the Group.

The largest increase was in costs of production, from €515,000 to €1.461 million for the nine months ended September 30, 2004 and 2005, respectively, representing an increase of 183.7%. This is primarily due to the inclusion of Erim in our consolidated financial statements and due to a cost increase related to our increased sales.

The level of sales services and commission costs increased by 55.8%, from €715,000 at the nine months ended September 30, 2004 to €1.114 million at the nine months ended September 30, 2005. The increase is primarily due to increased levels of operating activity, and increased penetration into new markets in Italy, France and the United States.

General and administrative expenses increased by 56.3%, from €968,000 at the nine months ended September 30, 2004 to €1.513 million at the nine months ended September 30, 2005. This is primarily due to the costs incurred by Parvus, which were incurred when improved administrative and general corporate structures were put in place.

Costs of rent and leases increased by 79.3% from €169,000 at the nine months ended September 30, 2004 to €303,000 at the nine months ended September 30, 2005. Rent and leases costs as a percentage of revenue increased from 1.7% to 1.5%. The change is due to the increased costs of rent incurred by the Group due to the acquisition of new group companies and to the acquisition of additional production and office space.

Breakdown of Payroll

(Thousands of €)	30/09/2004 IFRS	30/09/2005 IFRS	Changes on 2004
Wages and salaries	2,708	3,883	43.4%
Social security	716	1,027	43.4%
Provision for employees' benefit	75	127	69.3%
Other	7	102	n.s.
Total payroll costs	**3,506**	**5,139**	**46.6%**
Total payroll costs as a percentage of revenue	36.3%	26.0%	

Table 69

Total payroll costs increased by 46.6% between the nine months ended September 30, 2004 and the nine months ended September 30, 2005. This is primarily due to the inclusion of Erim in our consolidated financial statements and an increase of personnel within existing group companies, which was due to our acquisition program.

Total payroll costs as a percentage of revenue was 36.3% and 26.0% for the nine months ended September 30, 2004 and 2005, respectively, due to a more effective use of group resources.

The following table shows the number of employees for the relevant periods, which increased from 125 to 157.

Employers	30/09/2004	30/09/2005
Management	1	2
White Collar Employees	97	116
Blue Collar Employees	27	39
Total	**127**	**157**

Table 70

Breakdown of Accruals and Other Costs

(Thousands of €)	30/09/2004 IFRS	30/09/2005 IFRS	Changes on 2004
Provision for bad debts	27	26	-3.7%
Other costs	91	75	-17.6%
Total accruals and other costs	**118**	**101**	**-14.4%**
Total accruals and others costs As a percentage of revenue	1.2%	0.5%	

Table 71

Provision for bad debts refers to the provisions accounted for in the respective periods. Total accruals and other costs as a percentage of revenue was 1.2% for the nine months ended September 30, 2004, and decreased to 0.5% for the nine months ended September 30, 2005, a largely constant level.

Breakdown of Other Revenue

(Thousands of €)	30/09/2004	30/09/2005	Changes on

	IFRS	IFRS	2004
Government grants	0	9	n.s
Capitalised development costs	422	849	101.2%
Other	68	76	11.8%
Total other revenue	**490**	**934**	**90.6%**
Total other Revenue as a percentage of revenue	5.1%	4.7%	

Table 72

Total other revenue increased by 90.6%, from €490,000 to €934,000 for the nine months ended September 30, 2004 and 2005, respectively. The increase is primarily due to an increase in the capitalization of development costs incurred by the Group. These costs were incurred to develop new solutions and systems as well as integrated standard modules. The capitalized costs arose from payroll, material and structural costs.

Total other revenue as a percentage of revenue decreased from 5.1% for the nine months ended September 30, 3004 to 4.7% for the nine months ended September 30, 2005 due to a significant increase in the capitalization of development costs.

Breakdown of Amortization and Depreciation

(Thousands of €)	**30/09/2004 IFRS**	**30/09/2005 IFRS**	**Changes on 2004**
Amortization of intangible assets	95	426	348.4%
Depreciation of property, plant and equipment	227	245	7.9%
Total amortization and depreciation	**322**	**671**	**108.4%**
Total amortization and depreciation as a percentage of revenue	3.3%	3.4%	

Table 73

The increase in total amortization and depreciation was 108.4%, increasing from €322,000 to €671,000 for the nine months ended September 30, 2004 and 2005, respectively. The increases are shown in the above table. These variations are attributable to the inclusion of additional group companies and the increase in amortization of development costs which were capitalized in the preceding period. During the first nine months of 2005, a large part of the costs of development which were capitalized in 2004 were amortized.

Other Income Statement Information

(Thousands of €)	**30/09/2004 IFRS**	**30/09/2005 IFRS**	**Changes on 2004**
Share of profits of associate	**7**	**14**	**100.0%**
Shares of profits of associate as a percentage of revenue	0.1%	0.1%	
Finance costs	**(328)**	**(554)**	**68.9%**
Financial costs as a percentage of revenue	-3.4%	-2.8%	
Finance income	**46**	**194**	**321.7%**
Finance income as a percentage of revenue	0.5%	1.0%	

Table 74

Holdings in associates accounted for under the equity method were revalued by €7,000 in the nine months ended September 30, 2004 and €14,000 in the nine months ended September 30, 2005, respectively.

The increase in our finance costs was 68.9%, increasing from €328,000 to €554,000 for the nine months ended September 30, 2004 and 2005, respectively. Finance costs as a percentage of revenue were 3.4% and 2.8%, respectively. The increase was primarily due to an increase in medium and long term liabilities, which were incurred with the issue of a convertible bond and on sales of trade receivables.

Financing revenue increased by 321.7%, from €46,000 to €194,000, for the nine months ended September 30, 2004 and 2005, respectively. This increase was primarily due to changes in the € and US dollar exchange rate and due to the effect of the termination of certain Interest Rate Swaps.

(Thousands of €)	30/09/2004	% sui Ricavi	30/09/2005	% on revenue
Profit (Loss) before taxes	(678)	-7.0%	571	2.9%
Tax or income tax benefit	(153)	-1.6%	402	2.0%
Tax or income tax benefit as a percentage of revenue	**22.6%**		**70.4%**	

Table 75

Profits/(losses) before taxes showed a loss of €(678,000) and a profit of €571,000 for the nine months ended September 30, 2004 and 2005, respectively. This represents an improvement as a percentage of revenue from (7.0)% to 2.9%.

The following table shows a breakdown of taxes, showing differences between current and deferred taxes, and between Italian and foreign taxes our relative taxes bases.

(Thousands of €)	30/09/2004 IFRS	% of revenue	30/09/2005 IFRS	% of revenue
CURRENT IRES TAXES	0		8	
CURRENT IRAP TAXES	68		113	
CURRENT FOREIGN TAXES	32		304	
Current tax	**100**	**1.0%**	**425**	**2.1%**
DEFERRED (ANTICIPATED) ITALIAN TAXES	(274)		(31)	
DEFERRED (ANTICIPATED) FOREIGN TAXES	21		8	
Total (current) deferred tax benefit	(253)	-2.6%	(23)	-0.1%
Total net income tax benefit	**(153)**	-1.6%	402	2.0%

Table 76

Economic ratios

	2002	2003	2004	2004 IFRS
Economic ratios				
R.O.E.: Net profit for the group/net equity of the group	0.3%	-6.0%	4.3%	11.9%
R.O.C.E.: Operating profit/(consolidated net equity of the group plus net debt)	2.8%	1.7%	9.8%	9.6%

The economic ratios presented in the above table indicate a ROE of 0.3% for 2002, (6)% for 2003 and 4.3% for 2004 (11.9% under IFRS). We believe that this increase in the ratio between net profit and net equity of the Group, in particular in 2004, indicates our ability to achieve return on our equity.

With regard to ROCE, which was 2.8% in 2002, 1.7% in 2003 and 9.8% in 2004 (9.6% under IRFS), we believe that the developments were driven by our acquisition strategy in the three years examined hereunder, remaining, however, always positive and above Euribor.

	31/12/2004	30/06/2005	30/09/2005
Economic ratios			
R.O.E.: Net profit for the group/net equity of the group	11.9%	-7.6%	3.1%
R.O.C.E.: Operating profit/(consolidated net equity of the group plus net debt)	9.6%	-2.7%	8.2%

Our ROE for this period was influenced by the net group earnings (which were €(389,000)) on June 30, 2005 and €252,000 on September 30, 2005 and the increase in shareholders' equity due to the conversion of our convertible bond into ordinary shares.

Changes in ROCE, which was negative for the six months ended June 30, 2005 at €(399,000) and positive for the nine months ended September 30, 2005 at €917,000 are driven by the developments in shareholders' equity and the changes in our net financial position, which improved from €(9.196) million on June 30, 2005 to €(2.383) million.

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet (Thousands of €)	**01/01/2005 Restated**	**30/06/2005 IFRS**	**30/09/2005 IFRS**
Assets			
Intangible assets	5,306	5,928	6,296
Property, Plant and equipment	2,223	2,345	2,436
Other non current assets	293	696	704
Total non current assets	**7,822**	**8,969**	**9,436**
Inventory	5,250	6,325	6,329
Contracts in progress	0	626	1,567
Trade receivables	8,402	8,967	6,083
Other current assets	419	733	1,479
Cash and cash equivalents	2,560	654	3,732
Total current assets	**16,631**	**17,305**	**19,190**
Total assets	**24,453**	**26,274**	**28,626**
Liabilities and Shareholders' Equity			
Share capital	1,247	1,247	2,794
Retained earnings	3,553	4,253	5,201
Net profit (loss) for the period	647	(389)	252
Group shareholder's equity	**5,447**	**5,111**	**8,247**
Minority capital and reserves	625	593	593
Minority profit (loss) for the period	(69)	(86)	(83)
Minority interests	**556**	**507**	**510**
Total shareholders' equity	**6,003**	**5,618**	**8,757**
Long-term debts	3,516	3,148	2,987
Convertible notes	2,447	2,458	0
Employees' benefits	550	598	663
Other non current liabilities	750	889	1,046
Total non current liabilities	**7,263**	**7,093**	**4,696**
Trade payables	4,011	5,377	7,765
Short-term borrowings	5,694	4,244	3,128
Tax payables	442	319	514
Other current liabilities	1,040	3,623	3,766
Total current liabilities	**11,187**	**13,563**	**15,173**
Total liabilities	**18,450**	**20,656**	**19,869**
Total liabilities and shareholders' equity	**24,453**	**26,274**	**28,626**

Table 77

Non-current assets

(Thousands of €)	31/12/2004	30/06/2005	30/09/2005
Intangible assets	5,306	5,928	6,296
Property, plant and equipment	2,223	2,345	2,436
Other non current assets	293	696	704
Total non current assets	**7,822**	**8,969**	**9,436**

Table 78

Fixed assets are shown in the above table. This item increased from €8.969 million to €9.436 million at June 30, 2005 and September 30, 2004 respectively. This increase is primarily due to the capitalization of intangible assets of development costs and software costs for the implementation of the new ERP.

Breakdown of charges to Intangible Assets and Principal Investments

(Thousands of €)	31/12/2004	30/06/2005	30/09/2005
Intangible assets	639	897	1,416
Property, plant and equipment	358	276	460
Financing assets	0	60	60
Total principal investments	**997**	**1,233**	**1,936**

Table 79

Current Assets

(Thousands of €)	31/12/2004	30/06/2005	30/09/2005
Inventory	5,250	6,325	6,329
Contracts in progress	0	626	1,567
Trade receivables	8,402	8,967	6,083
Other current assets	419	733	1,479
Cash and cash equivalents	2,560	654	3,732
Total current assets	**16,631**	**17,305**	**19,190**

Table 80

Current assets increased from €17.305 million to €19.190 million from June 30, 2005 to September 30, 2005.

This increase is primarily due to

- an increase in contracts in progress (which arise from advances made in connection with HPC Apenex);
- a decrease of trade receivables, which was primarily effected through the sale of trade receivables, which were sold effective September 2005 for an amount of €5.327 million. The sale is characterized by a transfer of substantially all risks and benefits associated with such receivables, which are consequently not included in our financial statements anymore;
- an increase in pother current activity, related to our initial listing and capital increases;
- an increase of available liquidity of €5.244 million, related to the above-mentioned sale of trade receivables.

Net Working Capital

(Thousands of €)	31/12/2004	30/06/2005	30/09/2005

Inventory	5,250	6,325	6,329
Contracts in progress	0	626	1,567
Trade receivables	8,402	8,967	6,083
Other current assets	419	733	1,479
Trade payables	(4,011)	(5,377)	(7,765)
Tax payables	(442)	(319)	(514)
Other current liabilities	(1,040)	(3,623)	(3,766)
Net working capital	**8,578**	**7,332**	**3,413**

Table 81

The decrease in net working capital from June 30, 2005 to September 30, 2005 is primarily due to the increase of accounts payable and to the decrease of accounts receivable, partially offset by the increase in contract in progress and other current assets.

Net Financial Position

The following table shows our net financial position at the end of the indicated period.

(Thousands of €)	**31/12/2004**	**30/06/2005**	**30/09/2005**
Cash and cash equivalents	2,560	654	3,752
Short-term debt	(5,694)	(4,244)	(3,128)
Total net current debt	**(3,134)**	**(3,590)**	**604**
Convertible bonds	(2,447)	(2,458)	0
Long-term debt	(3,516)	(3,148)	(2,987)
Total long-term debt	**(5,963)**	**(5,606)**	**(2,987)**
Net financial debt	**(9,097)**	**(9,196)**	**(2,383)**

Table 82

Our net financial debt has decreased, from €(9.196 million) as of June 30, 2005 to €(2.383 million) as of September 30, 2005, a decrease of €6.813 million.

Our short term net financial position was €(3.590 million) on June 30, 2005 and €604,000 on September 30, 2005, primarily due to the above-mentioned sales of trade receivables. Our medium and long-term net financial position was €5.606 million as of June 30, 2005 and €2.987 million as of September 30, 2005 due to the conversion of certain of our convertible bonds into shares. This convertible bond was issued in July 2004 and subscribed by our shareholders. It was issued to finance the acquisition of Erim and Eurotech Finland. As at the date of this Offering Circular, all the bondholders have converted their bonds into Eurotech shares at a conversion ratio of sixty such shares for each bond. Our share capital consequently increased by €150,000 and the remaining amount subscribed was classified as paid-in-capital.

During the first quarter of 2005 and in particular during mid-February, we registered our highest net debt, with a maximum increase of €12.100 million which subsequently stabilized at a significantly lower level due to the sale of trade receivables and the conversion of our convertible bond, both of which are described above.

(Thousands of Euro)	**Available 30/9/2005 IFRS**	**Utilised 30/9/2005 IFRS**
Bank overdraft	9,839	1,671
Short-term financial debt	1,457	1,457

Medium/long-term debt	2,987	2,987
TOTAL	**14,283**	**6,115**

At September 30, 2005 lines of credit available for further use amount to €8.200 million.

Cash Flows

(Thousands of €)	31/12/2004	30/06/2005	30/09/2005
Net cash provided by (used in) operating activities	(498)	907	6,113
Net cash provided by (used in) investing activities	(2,683)	(1,101)	(1,824)
Net cash provided by (used in) financing activities	4,879	(1,776)	(3,198)
Effect of change in exchange rates	(40)	64	81
Increase (decrease) of cash and cash equivalents	1,658	(1,906)	1,172
Cash and cash equivalents at beginning of the period	902	2,560	2,560
Cash and cash equivalents at the end of the period	2,560	654	3,372

Note (*): This line item represents the changes in exchange rates at the beginning and the end of each financial year. This arises from by the conversion of the balance sheet of our US subsidiary Parvus (which is originally reported in US dollars into €s).

Table 83

Cash flow generated from operating activities were €6.113 million as of September 30, 2005, primarily deriving from:

- An increase in other current liabilities, related to advances from customers and payroll costs;
- An increase in trade payables;
- A decrease in trade receivables, due to the above-mentioned sale of trade receivables;
- An increase in inventory.

As of September 30, 2005, the Group's net cash flows were negative in the amount of €2.383 million. The net cash flow does not include guarantees, except for the following: Eurotech has put in escrow a cash deposit of €83,000 to counter-guarantee certain bank guarantees received with regard to financing from SIMEST, in respect of which an amount of €123,000 was outstanding as at September 30, 2005; I.P.S. has granted a mortgage of €310,00 to Banca Intesa to secure the financing advanced in respect of the acquisition of certain real estate. €67,000 was still outstanding as of September 30, 2005. The mortgage is in respect of an amount of €310,000.

Investment activity is significantly influenced by our investment in the development of new products in the field of Nano PC Systems and modules as well as our new ERP system, and investment in industrial, commercial and hardware equipment.

Cash flows derived from financing activities largely arise from the reimbursement of short-term and medium-term financing and the partial reimbursement of projected revenue from counterparties to the sale of trade receivables.

Leverage

The changes in our net financial debt have resulted in the following changes in our financial leverage:

	31/12/2004	30/06/2005	30/09/2005
Leverage:			
Financial leverage	60.3%	62.1%	12.9%

(Net financial position / net financial position plus net share capital

Table 84

Our financial leverage decreased in the nine months ended September 30, 2005 as opposed to the nine months ended September 30, 2004. This is primarily due to a combined effect of the conversion of our convertible bond and an increase in our net financial position.

LIMITATIONS ON THE USE OF FINANCING RESOURCES

To the best of our knowledge there are no limitations on the use of our financing resources.

FUTURE INVESTMENTS

The company has not planned any significant future investments.

SIGNIFICANT CHANGES

As at the date of this Offering Circular, as far as we are aware there have been no significant changes in the Group's financial position or business since December 31, 2004.

EXPECTED TRENDS

This statement is not a forecast or estimate of future income or earnings. However, in light of the results set out above for the nine months ended September 30, 2005, we believe that our earnings for the year ending December 31, 2005 will be positive and that our revenues will increase compared to those for the year ended December 31, 2004, on the basis that historically the majority of our revenues have been attributable to the second half of each financial year. Our customer order book as at September 30, 2005 stood at €18 million.

FINANCIAL RESOURCES

INFORMATION REGARDING THE COMPANY FINANCIAL RESOURCES (SHORT AND LONG TERM)

Financial debt as of June 30, 2005 was €4.634 million which, when taken together with outstanding current accounts of €2.758 million, amounts to a total bank debt of €7.392 million, of which €4.244 is □ealized□ed as short term liabilities. Financial debt as at September 30, 2005 was not materially different from financial debt as at June 30, 2005.

As at September 30, 2005 the Group companies had unused credit facilities available to them of €8.168 million (increased from €7.021 million at June 30, 2005 and €6.231 million as at December 31, 2004). No default has occurred with respect to these credit facilities.

CASH FLOWS

To meet its cash flow requirements for the ordinary course of business, the Company uses cash flows arising from operating activities and cash flows arising as from the sale of trade receivables.

FINANCING REQUIREMENTS AND FINANCING STRUCTURE

During the three financial years ended December 31, 2002, December 31, 2003, and December 31, 2004 the Company did not access the capital markets for its financing needs, other than to issue the convertible bond issued to certain shareholders on July 29, 2004 (referred to in the section entitled "Operating and Financial Review and Prospects" above).

Details of our bank debt are set out above and in the section entitled "Operating and Financial Review and Prospects" above. With the following exceptions, that bank debt comprises unsecured obligations:

- Eurotech has put in escrow a cash deposit of €83,000 to counter-guarantee certain bank guarantees received with regard to financing from SIMEST, in respect of which an amount of €123,000 was outstanding as at September 30, 2005;
- I.P.S. has granted a mortgage of €310,000 to Banca Intesa to secure the financing advanced in respect of the acquisition of certain real estate. €67,000 was still outstanding as of September 30, 2005.

LIMITATIONS ON THE USE OF OUR FINANCIAL RESOURCES

At the date of this Offering Circular we are not subject to any limitations on the use of our financial resources that, during the past three financial years had, or as at the date of this Offering Circular could have, directly or indirectly, any adverse effect on our use of our financial resources.

OUR BUSINESS

OVERVIEW

The Company is a joint stock corporation (*Societa per azioni)* incorporated under Italian law, registered at Company's Registry in Udine under registration number 01791330309 and having its principal office in Amaro (Udine). The duration of the Company is until December 31, 2050 which may be extended by way of an extraordinary meeting of the shareholders of the Company excluding a withdrawal right for dissenting shareholders.

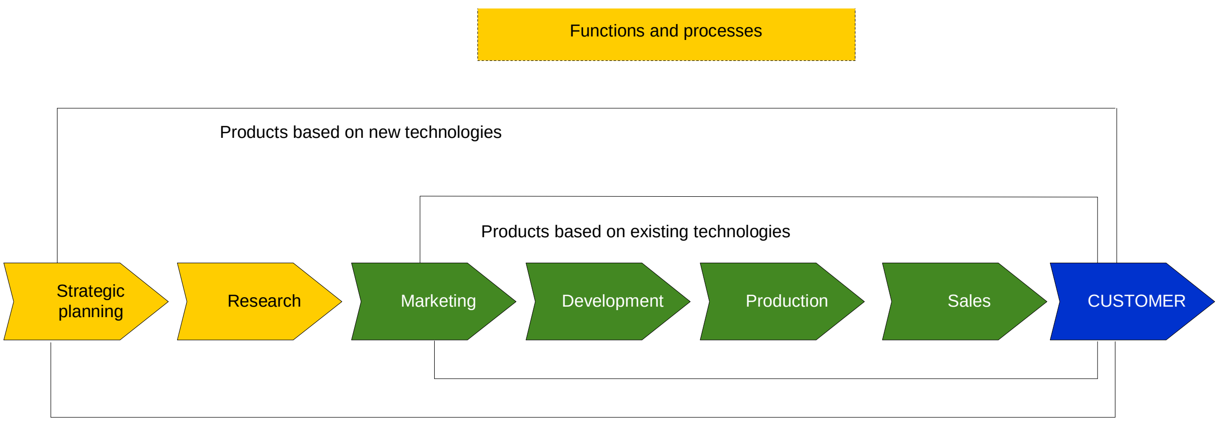
The Company carries out the research, development, production and marketing of miniaturised computers (**"NanoPCs"**) and high performance computers (**"HPCs"**). The Group's products within the NanoPC sector consist of miniaturised electronic modules and systems, for the fields of transportation, defence, medical diagnostics and industry. The Group's products within the HPC sector consist of high performance computers for universities, research institutes and computation centres.

The Group seeks to be a centre of technological excellence which designs, develops and markets innovative solutions and robust architectures for miniaturised computers intended for specific applications, mainly in harsh environments and hostile conditions. The know-how acquired by Eurotech in the field of NanoPCs gives us an edge in the development and manufacturing of HPCs.

Eurotech is focused on research and development, and on the acquisition of scientific, technological and industrial know-how in leading state-of-the-art sectors, having regard to future scenarios and expected market evolution. Since its incorporation, Eurotech has always considered research and development to be a key factor in its business model.

The Group operates mainly in the Italian, European and North American markets through the following companies: Eurotech S.p.A., IPS Sistemi Programmabili S.r.l., Neuricam S.p.A (all three based in Italy), Parvus Corp. (based in the USA), Erim Développement S.A.S. (based in France) and Eurotech Finland Oy (based in Finland). For a further description of the Group, its structure and our subsidiaries see the section headed "Our Business – Corporate Structure" below.

The Group's operations are focused on the research of innovative and value-added solutions designed to be one step ahead of scenarios and markets as they evolve, and all as outlined in our strategy. The two functions of strategy and research are closely related and constantly interact, as shown by the table below, which represents the flow of the Group's activities.



OUR PRODUCT RANGES

NanoPCs

Overview: NanoPCs are miniaturised computers suited for specific applications and designed for operation in harsh and hostile environments or critical conditions, like elevated temperature ranges. These rugged and reliable devices are resistant to vibrations, humidity, thermal and mechanical shock and sudden pressure changes.

Due to their very small dimensions, these computers are called “NanoPCs” and they are built using modules designed in accordance with international standards (as defined by, for example, the PC/104 Consortium and the PICMG PCI Industrial Consortium). They feature low power consumption, standard interfaces and standard programming languages.

Our NanoPC operations are carried out by the following companies: Eurotech, I.P.S. Sistemi Programmabili S.r.l. and Neuricam S.p.A (all three located and operating mainly in Italy), Parvus Corp. (based and operating in the USA), Erim Développement S.A.S. (based and operating in France) and Eurotech Finland Oy (based in Finland and operating in Northern Europe and China). Our NanoPC products are marketed with the following trade marks: Eurotech, Parvus, IPS, Neuricam and Ascensit.

Our NanoPC operations accounted for 91.5% of the Group’s sales as at December 31, 2004, and to 89.2% of the Group’s sales as at June 30, 2005 (financial information as at June 30 has been prepared in accordance with IFRS).

Products and Markets: The table below summarises the Group’s products and markets within the NanoPC sector.

Products/markets	Defence	Transportation	Medical	Industrial
Standard modules	□	□	□	□
Custom modules	□	□	□	□
Vision sensor modules		□	□	□
Standard systems	□	□	□	□
Custom systems	□	□	□	□
Vision sensor systems		□	□	□
Network appliances				□

Product range: Our NanoPC product range includes modules, systems and network appliances.

“Modules” are printed circuit boards integrated with microprocessors and connectors, based on open architectures. Modules can be:

- “standard” – standard boards listed on Eurotech’s products catalogue (see fig. 1).
- “custom” – custom boards based on Eurotech’s proprietary technology, designed and developed according to the customer’s specific requirements (see fig. 2).
- “vision sensors” – highly miniaturised electronic modules for image detection and interpretation, developed by Eurotech using proprietary technology (see fig. 3).


Fig. 1

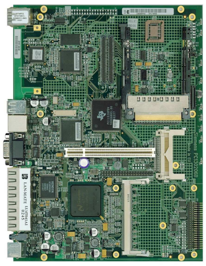


Fig. 2


Fig. 3

"Systems" are complete machines that can be:

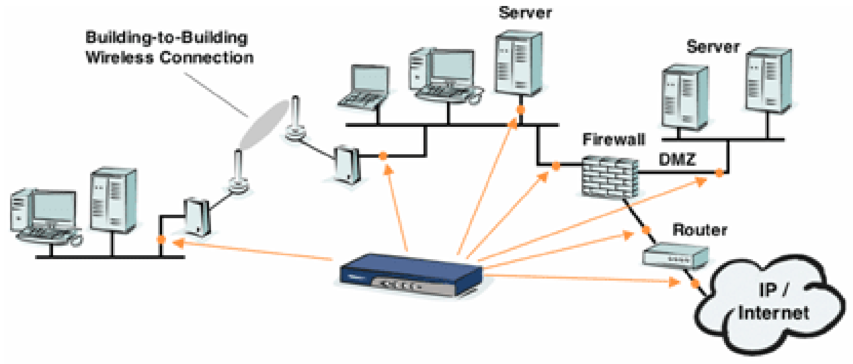
- "standardised" – standard machines available on Eurotech's products catalogue, designed and built by integrating standard modules, software, operating system and middleware in specially built containers, providing dedicated solutions for specific applications (see fig. 4)
- "customised" – machines built according to customers' specifications, designed and built by integrating standard and custom modules, software, operating system and middleware in specially built containers, providing dedicated solutions for specific applications (see fig. 5)
- "vision sensors" – electronic systems for image detection and interpretation, developed using proprietary hardware and software technology by Eurotech (see fig. 6).


Fig. 4


Fig. 5


Fig. 6

“Network appliances” are electronic devices for QOS, load balancing and bandwidth management, based on the Linux operating system.



Product sectors: Our NanoPCs products are sold in a range of industry sectors, including the following:

- Transportation: Eurotech’s NanoPCs are used in public transport vehicles such as trains (especially last generation trains), buses, water-buses, and in transportation infrastructures (such as traffic monitoring systems on motorways). Within this sector, Eurotech provides modules and systems for on-board information and entertainment, video surveillance, wireless communications, vehicle management and control, traffic monitoring, remote-controlled vehicles, radio communications and displays.

- Defence: Eurotech’s NanoPCs are used in transportation systems, communication systems, vehicle location systems, and in electronic devices generally used for defence in many countries. In this sector, Eurotech provides modules and systems for avionics (displays for airplanes), wearable computers, communication systems and electronic instrumentation for unmanned autonomous vehicles.

- Industrial: Eurotech’s NanoPCs are also suitable for industrial use, which includes human/machine interface devices, industrial automation systems, security appliances and networking appliances for the management of data traffic on the internet, intranet and GRID.

- Medical: Eurotech’s NanoPCs have various medical applications. Eurotech provides modules and systems for diagnostics, monitoring of vital functions and remote monitoring of patients.

Customers: Eurotech’s customers within the NanoPC sector are mainly industrial groups operating in the fields described above. The table below lists our main customers, the type of products they require and the sector in which they are interested.

Customer	Products	Sector
Alstom	Custom systems	Transportation
Ansaldo	Standard modules	Transportation
Bombardier	Standard modules	Transportation
Elsag	Standard and custom systems	Transportation
Thetis	Standard and custom systems	Transportation
Sepa	Standard modules	Transportation
BAE	Custom systems	Defence
Boeing	Custom systems	Defence
BA Systems	Standard modules	Defence
L3-Communication	Custom systems	Defence

Lockheed	Custom systems	Defence
MBDA	Custom systems	Defence
Eurocopter	Standard modules	Defence
Selca	Standard modules	Industrial
Soc.Coop. Bilanciai	Standard and custom modules	Industrial
Ilapack	Standard systems	Industrial
Salvagnini	Standard and custom modules	Industrial
IMAJE	Custom modules	Industrial
Varian Medical	Custom systems	Medical
LMA	Custom modules	Medical
Gendex	Standard modules	Medical

High Performance Computers (HPCs)

Overview: HPCs are high performance computers built by connecting tens, hundreds or thousands of microprocessors.

HPCs are intended for advanced applications in science and technology, but can also be very useful in industry and in statistics, where applications require huge computational power.

The Group's customers within the HPC sector are universities, scientific research institutes and computational centres. Eurotech's supercomputers are currently being used in areas of physics and biotechnology.

The most significant feature of HPCs is their computational power, which is measured in Teraflops. An average personal computer has a computational power of approximately one thousandth of a Teraflop. A TOP 500 international list is published listing the 500 most powerful currently operating supercomputers in the world. Eurotech was in the TOP 500 list with its HPC "Avogadro", which was delivered to CILEA (*Consorzio Interuniversitario Lombardo per l'Elaborazione Automatica*) in May 2004 and features a computational power of 1.6 Teraflops (see TOP 500 Edition, November 2004).

The most up-to-date supercomputer manufactured by Eurotech is "Apenext", which has a computational power of up to 15 Teraflops and was designed and developed to handle quark physics.

Another important feature of HPCs is the use of high-speed communication channels for processors' interconnection. In order to optimise this feature, Eurotech developed and patented proprietary technology in collaboration with *Istituto Nazionale di Fisica Nucleare* (the Italian national institute for nuclear physics).

Other relevant features of HPCs are their low power consumption associated with efficient heat dissipation and relatively small dimensions (considering their use and environment).

Eurotech is active in the field of HPCs with the Exadron trademark (a division located at the Company's headquarters in Amaro, Udine, Italy). The HPC sector accounted for 8.5% of the Group's sales as at December 31, 2004, and to 10.8% of the Group's sales as at June 30, 2005 (financial information for the six-month period to June 30, 2005, has been prepared in accordance with IFRS).

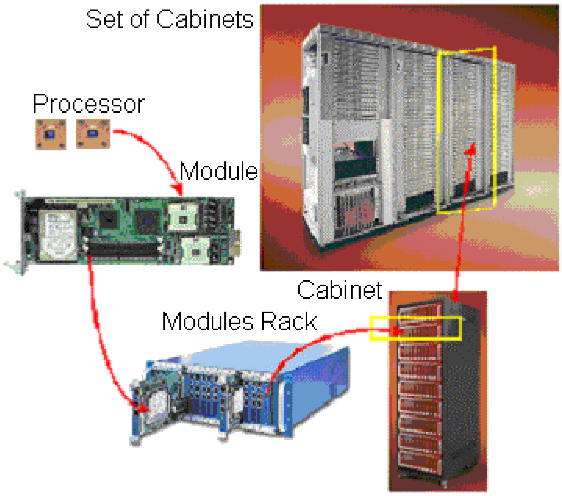
Products: The table below summarises the Group's products within the HPC sector.

Products	Universities	Research Institutes	Computational Centres*
Standard	□	□	□
Custom	□	□	

- Service providers offering computational services to a number of different users (for example, CILEA)

Product range: Our HPC product range includes the following:

- *Standard HPCs* – supercomputers based on a “PC cluster” architecture, which involves linking a large number of personal computer microprocessors in a cluster by means of a high speed connection. A standard HPC consists of one or more metal racks containing a number of crates stacked with modules. Each module in turn holds several microprocessors, as shown in the figure below.



The production of standard HPCs incorporates a complex hardware and software design focused on microprocessors integration and performance optimisation, both essential requirements to guarantee high computational power.

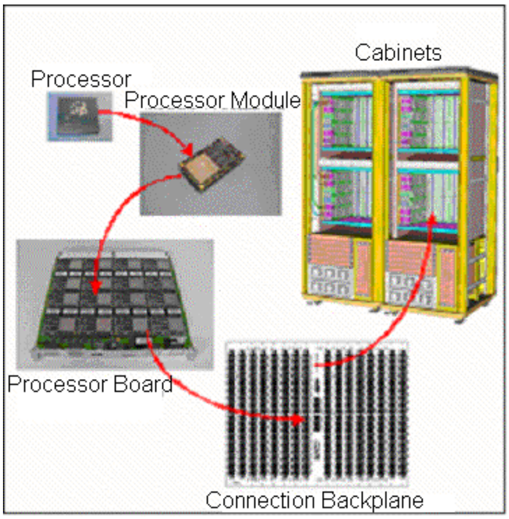
Standard HPCs manufactured by Eurotech are based on microprocessors and modules available on the market, but Eurotech uses proprietary architecture for technology and interconnections. The ability to design and manufacture the interconnection architecture represents the core of the Group’s know-how in this field.

The computational power of Eurotech’s standard HPCs delivered to date reaches up to 3 Teraflops, assuring high speed, moderate power consumption and relatively small dimensions.

- *Custom HPCs* – supercomputers based on electronic components designed according to customers’ specifications, which feature higher computational power than standard HPCs.

Custom HPCs are based on dedicated architecture designed to satisfy the ultimate user’s special requirements. Unlike standard HPCs, the components, architecture and construction are unique and specifically designed for the customer.

Custom HPCs consist of one or more metal racks containing a number of backplanes (i.e. interconnection boards) stacked with modules. Each module in turn holds several microprocessors, as shown in the diagram below.



For example, custom HPCs of the Apenext family are assembled using boards, processors and operating systems especially designed to match customers' specifications.

The distinctiveness of a custom HPC lies in the fact that it can be tailored to suit very specific needs (for example, it can perform specialized calculations for a particular research field, like biotechnologies or elementary particles physics). It is designed and assembled to operate where a standard HPC cannot fulfil the customer's requirements in terms of efficiency, power consumption and price versus performance ratio.

Eurotech's custom HPCs are suitable for universities and research institutes such as the Italian National Institute for Nuclear Physics and Deutsches Elektronen Synchrotron.

Custom HPCs manufactured by Eurotech are capable, to date, of attaining up to 15 Teraflops of computational power.

Customers: Our Group's customers within the HPC sector are universities, research centres and public research institutes. The table below lists our main customers, the type of products they use and the sector in which they are interested:

Customer	Products	Sector
Cilea	Standard HPC	Computation centre
INFN	Custom HPC	Research institute
DESY	Custom HPC	Research institute
ITC-ECT	Standard HPC	Research institute
University of Palermo	Standard HPC	University
University of Rome	Standard HPC	University
University of Milan	Standard HPC	University
University of Parma	Standard HPC	University
SISSA	Standard HPC	University

OUR MARKETS

Eurotech is active in the market of electronics, and more specifically in the market of miniaturized electronic systems for data processing. Within this market, the Company is active in the sectors of NanoPCs and HPCs.

NanoPCs

As at the date of this Offering Circular, no market surveys are available for the NanoPC sector. This new sector represents the latest evolution in the field of embedded computers, triggered by recent developments in interconnection technologies (wireless communications and the Internet), by the integration of these technologies in computers and by new computer miniaturization techniques. Accordingly, the survey presented below refers to the more generic sector of embedded computers.

Market dimensions: According to a survey (*Source: Board-Level Embedded Computer Markets and Trends – Fifth ed., Electronic Trend Publications, Inc., 2005*) on electronic boards based on standard architectures, worldwide sales revenues for the sector of embedded computers are estimated at 3.7 billion US dollars for the year 2004, with an expected growth of up to 5.5 billion US dollars within the year 2009 (CAGR 7.8%) as shown in the table below.

Market segments: The market of embedded computers can be divided into five segments, according to the table below:

Mln. USD	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**CAGR**
Communications	1,238.3	1,317.3	1,422.2	1,650.4	1,754.9	1,934.0	9.3%
Industrial	997.8	1,064.0	1,140.1	1,228.0	1,267.4	1,328.8	5.9%
Medical	426.9	447.1	474.8	512.5	555.4	612.7	7.5%
Defence/Aerospace	700.8	748.1	816.5	922.5	1,003.1	1,098.4	9.4%
Other (*)	405.9	422.6	441.6	463.3	488.1	516.6	4.9%
TOTAL	**3,769.7**	**3,999.1**	**4,295.2**	**4,776.7**	**5,068.9**	**5,490.5**	**7.8%**

(*) Inclusive of Transportation, which represents for Eurotech a relevant market segment

- *Communications:* In the year 2004, communications represented the largest market segment, with 33% of total sales. This segment achieved an exceptional growth performance between 1995 and 2000, due to the Internet boom and to the progress of telecommunications. In the following years (namely in 2001 and 2002) this segment stopped growing, and later resumed a slow, then slightly faster growth. According to the above table, expected growth of this segment is estimated at a 9.3% CAGR for the period 2004-2009. This should be true especially of operators which focused on building long-term relationships with their customers, mainly represented by OEMs (Original Equipment Manufacturers).

- *Industrial:* In the year 2004, industry was, after communications, the fastest-growing segment, with approx. 26% of total sales. This highly positive growth rate was due to renewed investments by semiconductor manufacturers (especially in the United States). Independently from the cyclic nature of some industrial activities (of which semiconductor manufacturers are a good example), the above table shows that this segment clearly provides growth opportunities for embedded computers manufacturers, estimated at a 5.9% CAGR for the period 2004-2009.

- *Medical:* In the year 2004, the medical segment represented 11% of the embedded computers market, and growth is estimated at a 7.5% CAGR for the period 2004-2009. This market segment is peculiar because, while it does not require the high-level specifications typical of other segments like industry and defence, the products must answer the certification requirements of public health services and comply with strict safety requirements (like for instance low electromagnetic interference, moderate heat dissipation, electric safety, noise control). The entry barrier to this segment is represented by the high investments required to develop and manufacture products that match the above listed specifications. Besides, production and delivery are subject to approval by health authorities, and can therefore be delayed. Another peculiarity of this segment is the long life cycle of products.

- *Defence / Aerospace:* In the year 2004, the defence/aerospace segment came third with 19% of the embedded computers market. Future growth is estimated at a 9.4% CAGR for the period 2004-2009. The defence segment, especially in the United States, has experienced a significant growth since 1995, when in order to □ealized public investment on defence and to improve system performances, the US Defence Department decided to increase its acquisitions of COTS (Commercial Off The Shelf) products, freely available on the market. This has become the current practice, together with the request for catalogue products with a long life cycle, developed on standard platforms that guarantee they are interchangeable and can be interconnected.

- *Other:* This entry includes important segments like transportation. In the year 2004, this Company as a whole represented about 11% of the embedded computers market (for an approx. amount of US$400 million), and growth is estimated at a 4.9% CAGR for the period 2004-2009.

Market tendency: According to the survey by Electronic Trend Publications, Inc., 2005, at the moment OEMs are subject to strong pressure and find themselves forced to develop more complex products in less time. Besides, due to the reorganization of their sector, OEMs outsourced products development in the past, and have now partly lost this important internal competence. Therefore, the expected evolution of the sector should be the following:

- big OEMs will resort to outsourcing in order to build complete systems
- embedded computers manufacturers will:
  - multiply alliances and partnerships in order to develop new technologies and new products
  - multiply mergers and acquisitions in order to enter new markets and to obtain products and technologies completing or integrating their offer
  - see new operators appear, with the know-how to develop new ideas and technologies

HPCs

Market dimensions: According to a survey (*Source: Worldwide High-Performance Technical Computer System 2004-2008, Forecast – IDC, 2004*) on the HPC market, worldwide sales revenues for this sector are estimated at US$5.5 billion for the year 2003, with an expected growth of up to US$7.6 billion within the year 2008 and a CAGR estimated at 6.5% for the period 2003-2008, as shown in the table below.

Market segments: The technical market of HPCs can be divided into four segments, described below. Eurotech is able to supply HPCs of all kinds, but is mainly focused on the “capability” and “enterprise” segments.

Market dimensions (in terms of sales) and expected growth rates are listed in the following table.

Mln USD	2002	2003	2004	2005	2006	2007	2008	CAGR (2003-2008)
Capability	1,002.7	771.2	793.1	793.2	784.4	833.7	849.4	1.9%
Enterprise	785.0	866.9	879.6	906.0	933.1	942.4	942.2	1.7%
Divisional	1,061.5	1,215.2	1,294.3	1,368.7	1,461.9	1,527.1	1,556.8	5.1%
Departmental	1,850.1	2,712.5	3,124.6	3,489.0	3,764.6	4,016.7	4,289.3	9.6%
TOTALE	4,699.3	5,565.8	6,091.6	6,556.9	6,944.1	7,319.9	7,637.6	6.5%

- *Technical capability:* This segment contains HPCs configured to answer extreme computation requirements and purchased to solve the most demanding problems. It is considered a mature but relatively stable market. According to the above table, in the year 2003 the capability segment represented 14% of the HPC market, and growth is estimated at a 1.9% CAGR for the period 2003-2008. The capability market is subject to variability resulting from product cycles, geopolitical events, political initiatives, governmental decisions, technology shifts and entries/departures of operators.

- *Technical enterprise:* This segment contains HPCs purchased to support high-speed data processing applications, having a price per unit of 1 million USD or more. According to the above table, in the year 2003 the enterprise segment represented approx. 15.5% of the HPC market, and growth is estimated at a 1.7% CAGR for the period 2003-2008. This segment is expected to develop a strong interest for PC-cluster architecture solutions.

- *Technical divisional:* This segment contains HPCs purchased to support high-speed data processing applications, having a price per unit of 250.000 to 1 million USD. According to the above table, in the year 2003 the divisional segment represented 22% of the HPC market, and growth is estimated at a 5.1% CAGR for the period 2003-2008. This segment is expected to lose some customers to the departmental segment.

- *Technical departmental:* This segment contains HPCs purchased to support high-speed data processing applications, having a price per unit of less than 250.000 USD. According to the above table, in the year 2003 the departmental segment represented 48% of the HPC market, and growth is estimated at a 9.6% CAGR for the period 2003-2008. Customers in this segment are expected to benefit from the entry into the market of standard processors and cluster solutions.

Market tendency: According to the *Worldwide High-Performance Technical Computer System* survey of 2004, the expected evolution of the HPC sector should be the following:

- growing demand from biotechnologies will foster long-term development
- more units will be sold, but the average price per unit will tendentially be lower
- cluster solutions will become increasingly widespread, and will contribute, being based on relatively low-cost commercial off-the-shelf components, to the reduction of prices and sector margins.

NEW PRODUCTS AND SERVICES

The Group's target is to become an outstanding centre of technological excellence, capable of developing innovative technologies that in turn will generate innovative products for the ultimate benefit of our customers. Eurotech's know-how in the fields of miniaturization, interconnection of processors and high-speed communications allows the Company to offer innovative and state-of-the-art solutions in several value-added niche market sector. Eurotech's aim is to retain its technological leadership in the strategic sectors of NanoPCs and HPCs.

In the last three years, the Group has developed the following new products:

NanoPC sector: Eurotech developed and improved existing products in order to meet the present and future requirements of the market through the constant monitoring of new technologies:

- Localization systems and fleet monitoring systems based on short- and long-range wireless communications that use advanced communication protocols such as wi-fi, GPRS and UMTS;
- Advanced video surveillance systems interconnected on mobile systems that use advanced image compression technologies such as MPEG, MPEG4 and JPEG2000;
- Human-machine interfaces for trains, integrating traditional communication systems used on railways with up-to-date electronic technologies;
- Remote-control systems for unmanned devices employed in the sector of defence; and
- Interactive public information systems operating in particularly hostile environments where communications are difficult.

HPC sector: Eurotech expanded and improved its HPC range by introducing new supercomputers dedicated to specific applications:

- Avogadro, a cluster supercomputer based on standard technology for applications in the field of bio-informatics;
- APE3, a high-speed interconnection board; and
- APEnext, a supercomputer based on Eurotech's proprietary technology.

KEY STRENGTHS

Eurotech operates in a competitive environment where "time-to-market" and "problem solving" capability are essential requirements.

"Time-to-market" is the time period between conceiving a new product and introducing it into the market. In Eurotech's chosen business sectors, time-to-market can be shortened by anticipating future solutions based on technological evolution and users' needs. Our management needs to assess the market's capacity to absorb innovative products and the level of product performance required by customers, whilst simultaneously taking new technologies into account.

"Problem solving" is the ability to understand quickly the customers' needs and to offer real, effective and affordable solutions.

In this environment, Eurotech's management has identified the following key factors as being important to its business:

- Fast and easy integration of single products with other components, in order to realise a complex system. This feature is particularly required in the NanoPC sector.

- Good price versus performance ratio: the customer must be offered products and solutions that match not only his requirements but also have price and a power consumption suited to their use and operational environment.

- High reliability: considering the extremely specific uses they are intended for, both NanoPCs and HPCs must guarantee very high reliability standards, to ensure trouble-free operation, safety of the surrounding environment and cost-effectiveness.

Accordingly, Eurotech's management believes the Group benefits from:

- Technological leadership: As a result of its business model and technological know-how, the Group constantly has an up-to-date vision of the market and state-of-the-art technology. Accordingly, it is able to anticipate the requirements of the market. Strategic planning and research help to optimise the cost-benefit ratio of every project, which is either borne by us or passed on to the end client. This allows us to make efficient use of our capital and to accelerate time-to-market.

- Receptiveness to customers' needs: Eurotech is always ready to listen to and understand the requirements of the market. With regard to its customers, Eurotech "speaks the same language". It puts itself in the customer's place and tries to understand the problem in hand and to offer the best possible assistance. This attitude builds up customer loyalty and medium to long-term relationships.

- Product quality and performance: Eurotech's products and solutions satisfy customers' specifications with innovative solutions, while maintaining a high quality level which guarantees a competitive price to performance ratio.

- Modularity and flexibility of the offered technological solutions.

MARKETING, SALES AND PRODUCTION

Marketing and sales are core elements of the Group's business model and in the Company's organisation.

Marketing

Our marketing department manages and controls all of the Group's activities and its aim is to create, maintain and optimise the products we offer and also our relationship with customers in the various markets, whilst at the same time providing data and information to Eurotech's development and production departments.

In order to find an optimal balance between the desire to fulfil customers' expectations and the need to implement cost-effective business processes (for example, purchasing, production, logistics), our marketing department aims to propose, whenever possible, standard solutions that can be tailored to match the end-user's requirements after minimal customisation. This is made possible by Eurotech's ability to offer modular components and platforms which are already developed and/or available and which can be used as building blocks and integrated differently according to each specific situation.

The table below lists the Group's products and markets which are, as at the date of this Offering Circular, managed by the marketing department.

NanoPCs

Products/markets	Defence	Transportation	Medical	Industrial
Standard modules	□	□	□	
Custom modules	□	□	□	
Vision sensor modules		□	□	□
Standard systems	□	□	□	□
Custom systems	□	□	□	□
Vision sensor systems		□	□	□
Network appliances				□

HPCs

Products	Universities	Research Institutes	Computational Centres*
Standard	□	□	□
Custom	□	□	

Our marketing department operates in close connection with our sales, development and production departments, in order to:

- identify which product is most suited to the customer's needs, selecting either a standard or a custom solution;
- assist the customer in integrating Eurotech's product into a previously existing environment;
- negotiate the terms of the sale and the terms of the supply deal;
- provide after-sales support.

In addition, our marketing department passes on to our production department an estimate of the expected sales and delivery terms once settled with the customer. The production department then uses this information to set its production schedule.

Sales

Eurotech's products are sold either directly by the sales staff of the head company based in Amaro, or indirectly, through agents and distributors, depending on product type and market sector. NanoPCs are marketed both directly and indirectly, and hence sold both directly by Eurotech and through agents and distributors. HPCs, however, are marketed and sold directly.

The sales approach for NanoPCs depends on the complexity of each system.

For highly customized NanoPCs, a close relationship between the customer and the Company is absolutely essential to define and refine the product's specifications and to accelerate the production process. These products are sold directly.

Standard NanoPCs available on the company's catalogue are mainly sold through agents and distributors, although sometimes, for strategic reasons or to preserve long-term relationships, customers are dealt with directly by the sales staff in Amaro.

HPCs are extremely complex systems, often designed for very specific applications, and they are usually acquired by universities and research institutes. For these reasons, they are always marketed directly. Contact with customers is maintained and run by an expert in charge at the Amaro headquarters.

The Company believes that understanding the customer's needs is important in order to optimize client relationships; consequently, a strong interaction between our marketing and our sales departments are a major element of our business model.

Therefore, our sales networks undertakes other activities besides selling efforts, such as for example client relationship development. These activities are undertaken both directly at headquarters and at our local agents/distributors, assigned to certain geographic regions. We use a database of potential contacts for these efforts, which is kept up-to-date among other things through valuable input from our marketing department.

Production

Production is both outsourced and performed internally. All related activities are supervised by our production department.

Production stages that are considered strategic due to the confidential nature of the technological know-how involved or to the secrecy of the manufacturing process, or that require careful quality control, are carried out at Eurotech's plants.

Production planning also takes into account the difference between standardised and customised products. Standardised products are produced according to forecasted demand: such products are manufactured and then stored on the basis of expected monthly demand, according to the information provided by the marketing department and the sales department. Customised products are made to order: such products are manufactured against confirmed sales orders and are scheduled for delivery according to customers' needs.

The whole process of production is controlled by a software program for manufacturing resource planning, managing every aspect of production from the processing of sales orders to calculation and purchase of required materials, storage, manufacturing and orders filling.

Actual manufacture is performed through the assembly and test of hardware components (either standard or custom) that consist of mechanical parts, electric and electronic devices, followed by software installation.

Production is carried out in several consecutive phases, and the whole process lasts approximately five to nine weeks in the case of NanoPCs and six to eleven weeks in the case of HPCs. Production stages are as follows:

Components purchase
▼
Modules assembly
▼
Modules test and screening
▼
Systems assembly
▼
Systems test and screening
▼
Software installation
▼
Delivery
▼
On site installation(for HPCs only)

Components purchase: The Group purchases or outsources the production of components, either standardised or designed according to Eurotech's specifications. Components can be mechanical (aluminium containers), electric (interconnection cables) or electronic (microprocessors, memories, hard disks).

Modules assembly: Modules are assembled almost completely in outsourcing, by external resources having the technical competence required to deal with products of high complexity.

Modules test and screening: Modules are tested at Eurotech's plants (with the exception of some elementary or highly automated steps). All the test equipment and screening procedures are developed by Eurotech.

Systems assembly: In order to build a system, boards are assembled in metal boxes (or metal racks in the case of HPCs), components are interconnected and middleware installed. Systems are assembled at Eurotech's plants, but the assembly of some of the less complex products is outsourced.

Systems test and screening: Systems are tested at Eurotech's plants, but some of the screening of less complex products and some systems with highly automated testing procedures are outsourced.

Software installation: This stage includes the installation of the operating system, the drivers for specific peripherals and middleware. Dedicated application software is installed upon request. Software installation is performed internally.

Delivery: Product shipment is dealt with by the storehouses at Eurotech's plants. For the delivery of products available on catalogue or for recurring orders, products are delivered by the external resource responsible for the assembly and testing.

On site installation: Eurotech provides on-site installation exclusively for HPCs.

The following table summarises the production stages, which are either performed at Eurotech's plants or outsourced:

Products/Components	Internal	External
Custom electronic components		□
Standardised electronic components		□
Custom mechanical and electromechanical components		□
Modules assembly	□	□
Modules test and screening	□	□
Systems assembly	□	□
Systems test and screening	□	□
Software installation	□	

As at the date of this Offering Circular, the Group's production plants are located at Eurotech's facilities in Amaro (Italy) and in Salt Lake City (USA).

Quality control and certifications

Eurotech's Quality System is certified according to ISO 9001-2000 requirements, and its production plant based in Amaro (Italy) is certified according to ISO 14001 requirements. Constant improvement programs have been implemented and are currently in use to attain shorter time-to-market delays, shorter delivery delays, lower cost of products, more rational storage, higher turnover of stored materials, reduction of "non-quality costs".

OUR REVENUES BY SECTOR AND GEOGRAPHY

The following table shows the sales revenues of the Company's activities for the fiscal years ended December 31, 2002, December 31, 2003 and December 31, 2004 evaluated according to Italian financial standards, December 31, 2004, December 31, 2004 pro-forma, the six months ended June 30, 2004 and June 30, 2005 and the nine months ended September 30, 2005 evaluated according to International Financial Reporting Standards (see "Operating and Financial Review and Prospects – Introduction" above).

Sales revenues per sector:

Thousand €s	31.12.2002	31.12.2003	31.12.2004	31.12.2004 IFRS	31.12.2004 IFRS pro-forma	30.6.2004 (*)	30.6.2005 (*)	30.09.2005
NanoPCs	8,249	10,320	17,218	15,056	18,204	6,551	9,811	16,796
HPCs	0	1,403	1,593	1,593	1,593	233	1,189	3,043
TOTAL	8,249	11,723	18,811	16,649	19,797	6,784	11,000	19,839

(*) Note: according to IFRS financial reporting standards

The following table shows the sales revenues of the Company's activities divided per geographical areas, for the fiscal years ended December 31, 2002, December 31, 2003 and December 31, 2004 evaluated according to Italian financial standards, December 31, 2004, December 31, 2004 pro-forma, June 30, 2004 and June 30, 2005 evaluated according to International Financial Reporting Standards (see "Operating and Financial Review and Prospects – Introduction" above).

Sales revenues per geographical areas:

Thousand €s	31.12.2002		31.12.2003		31.12.2004		31.12.2004 IFRS		31.12.2004 IFRS pro-forma		30.6.2004 (*)		30.6.2005 (*)		30.9.2005 (*)	
European Union	7,753	94.0%	9,772	83.4%	13,270	70.5%	11,158	67.0%	14,306	72.3%	4,538	66.9%	7,539	68.5%	13,404	67.6%
United States	6	0.1%	1,366	11.7%	4,485	23.8%	4,485	26.9%	4,485	22.7%	2,130	31.4%	3,400	30.9%	5,667	28.6%
Other	490	5.9%	585	5.0%	1,056	5.6%	1,006	6.0%	1,006	5.1%	116	1.7%	61	0.6%	768	3.9%
TOTAL	**8,249**	**100.0%**	**11,723**	**100.0%**	**18,811**	**100.0%**	**16,649**	**100%**	**19,797**	**100.0%**	**6,784**	**100.0%**	**11,000**	**100.0%**	**19,839**	**100.0%**

(*) Note: according to IFRS financial reporting standards

INTELLECTUAL PROPERTY

The Company employs microprocessors produced by the largest manufacturers worldwide, like the vast majority of companies operating in the field of electronics. Possible modifications or replacements of products by manufacturers could adversely affect the Company's business.

Excepting the above, the company and its subsidiaries are not significantly dependent on patents, licenses, industrial, commercial or financial agreements, trade marks, grants, authorizations and new manufacturing processes.

The know-how developed internally is protected by the laws on intellectual property, which forbid duplication of intellectual work. Since this know-how represents a considerable intellectual asset, the Company has registered a number of patents and trademarks.

KEY CUSTOMERS AND SUPPLIERS

Customers

In the last two years, the Company has had approximately 750 customers, for the most part industrial Companies operating in the fields of defence, transportation, medical diagnostics, the industry, universities, public agencies and research centres.

The following table lists the percentage in sales revenues of the top three and top ten customers of the Company as at December 31, 2003 and December 31, 2004.

	December 31, 2003	**December 31, 2004**
Three first customers	11.90%	18.50%
Ten first customers	25.60%	33.10%

None of the above customers represents more than 10% of sales revenues.

Eurotech's management believes that the Company is not significantly dependent on any specific customer or group of customers, considering their high yearly turnover. For instance, among the top ten customers of 2004, only two were also among the top ten customers of 2003.

Suppliers

The Company's suppliers can be divided into three categories:

- Silicon foundries: these are big manufacturers of international dimensions which supply custom electronic components designed by Eurotech. Delivery delays are relatively long (up to 20 weeks), but these components are always available on the market in unlimited amounts.

- Suppliers of standard electronic components, which can be:

A class (i.e. chip suppliers): large microprocessor manufacturers supply all the companies operating in the hardware sector. Delivery delays range between 2 and 8 weeks, and orders can be rescheduled. Components are always available on the market, in unlimited amounts.

B class (i.e. interface driver suppliers): these components are manufactured by a number of suppliers and are always available on the market, in unlimited amounts. Delivery delays range from 1 to 4 weeks and orders can be rescheduled.

C class (i.e. suppliers of connectors, resistors, capacitors): these are widely circulated commodities, always available on the market.

- Suppliers of mechanical and electromechanical components: a number of suppliers provide these components, either standard or custom, using widely available technologies.

With the exception of the reschedulings our suppliers are permitted to make to supplies of microprocessors in the "A Class" of components (as referred to above), which can affect our activities, we believe that the Company is not significantly dependent on any specific supplier.

COMPETITION

Eurotech is active in the field of electronics, and more specifically in the sector of miniaturized electronic systems for data processing. Within this sector, the Company operates in the markets of NanoPCs (within embedded computers) and HPCs (High Performance Computers), both described in "Our Business – Key Markets" above.

As already stated in "Our Business – Key Markets" above, no market surveys are available for the NanoPC sector, which represents the latest evolution in the field of embedded computers, triggered by recent developments in interconnection technologies (wireless communications and the Internet), by the integration of these technologies in computers and by new computer miniaturization techniques.

As regards the new NanoPC sector, the management believes that Eurotech does not currently have any exactly comparable competitors. Other operators, like Kontron, Radisys, SBS Technology and Advantech, also have the technological know-how required to offer miniaturized devices, but they are large multinational companies featuring a very large products range that focus on a number of different markets.

Many operators are present in the HPC sector, with a range of sizes. The competitor most similar to Eurotech is Cray, which offers a similar range of products, but other companies are equally active in this field, like IBM and Silicon Graphics. In order to secure a competitive edge in the HPC market, it is essential to offer solutions that answer customers' demands in terms of efficiency, power consumption and price-versus-performance ratio. This capacity in turn depends on technological know-how, which is therefore a critical factor to secure the Company's market position.

In relation to the Company's performance in this sector, the TOP 500 list, in the edition published in November 2004, which presents the 500 most powerful HPCs worldwide, manufactured by 25 different companies, Eurotech was present on the list with the Exadron trademark.

For a description of the key strengths of Eurotech see "Our Business – Key Strengths" above.

RESEARCH AND DEVELOPMENT

Research

Eurotech has always considered its research to be a key factor in the success of its business. Its business model includes both research projects developed in collaboration with external partners and research projects managed internally.

Research projects shared with external partners are based on strategic agreements made with universities, research centres and science institutes. Collaboration with external partners (either in the form of long-term partnerships or of single project agreements) allows Eurotech to be in close contact with the world of science and scientific research, and at the same time helps □ealized the cost/benefit ratio of its projects. It is especially useful to reduce the negative impact of projects carrying a high investment risk in terms of employed resources.

Strategic agreements put in place long-term collaboration in large research fields, they have no expiration date and do not list explicit or detailed objectives, which are defined as the partnership develops.

Research agreements refer to specific projects and contain a detailed list of objectives, activities, dedicated resources and expected delays.

The most important agreements made by Eurotech with universities and research centres over the last two years are listed below.

Strategic agreements

- with the **Institute for Scientific and Technological Research based in Trento-Italy (IRST)**, for the development of ubiquitous computing technologies in relation to pervasive computing and high performance computing;

- with the **Italian-Indian Research centre**, for research on GRID and pervasive computing. Partners in the project are Indian research institutes, Italian universities (Milan Polytechnic, the University of Naples and Genua and IRST of Trento) and the Eurotech Company.

Research agreements

- with the **University of Milano-Bicocca (Physics department)**, for common research projects on computational sciences. In the first three years, complex biological systems will be analysed using numerical methods of statistical mechanics and field theory. This is a renewable three-year agreement which involves financial support on the part of Eurotech to the university of Milano-Bicocca;

- with the **Institute for Culture of Trentino (ICT) and the European Centre for Theoretical and Nuclear Physics of Trento-Italy (ETC)**, for the implementation and development of a high-speed interconnection system for the GRID of the European computation network, which connects the most important European universities and research institutes. This is a two-year agreement starting on October 24, 2003 and is partially funded by Eurotech;

- with the **University of Udine-Italy (engineering department),** for research on pervasive computing at a general level (survey of specialized literature, identification of objectives and possible applications) and at a more specific level (development of models, methods, technologies and prototypes). This is a renewable three-year agreement and is partially funded by Eurotech;

(iv) with the **University of Trieste-Italy (Science department)** for research on quantum computing. This is a three-year agreement;

(v) with the **National Institute for Nuclear Physics** for the study or/and production of interconnection prototypes and systems with high speed for systems requiring high performance calculations.

To deal with some specific projects, Eurotech Company has also founded certain special purpose vehicles, in partnership with the universities, research centres and individual researchers in charge of the relevant projects. The vehicles are the following:

- **Delos S.r.l.**, a company co-founded by Eurotech and by the University of Milano-Bicocca, Milano-Ricerche, Prof. Fantucci and other researchers, in order to realize a software system for virtual high-throughput screening, a process used in the pharmaceutical industry to study and implement new drugs;

- **Inasset S.r.l.**, a company co-founded by Eurotech and by a Company of researchers, in order to realize software and hardware systems organized in a data centre, offering information and communication technology services in outsourcing, through the Internet.

As at the date of this Offering Circular, internal research projects are managed by the research department. The activity and creativity of researchers is directed toward specific areas, so that the newly acquired knowledge has the most chance of being transformed into concrete applications, marketable products and solutions.

Internal research is organized according to a precise model, which includes evaluation of results (both from a technical/scientific point of view and in relation to their expected economic performance) and the sharing of newly acquired knowledge. In summary, this methodological approach comprises the following:

- Identification of the research projects

Internal research projects are fostered by the inputs coming from the strategic planning function, which attempts to identify future trends and anticipates market evolution and customers' requirements. At this stage, projects involving a high investment risk can be entrusted to external partners, in order to mitigate any potential negative economic impact.

- Project management

Internal research project management follows strict and codified procedures. Every stage is planned according to schemes, tables and activity programming models (e.g. GANTT) which monitor progress, identify critical situations, keep track of time schedules and evaluate costs.

- Know-how consolidation and protection

The results of internal research projects are carefully documented, because newly acquired know-how represents a considerable asset and must become a shared and easily available resource. Each project is supported by written data, by the description of each performed step and by the analysis of results. Detailed documentation also simplifies the registration of patents for the protection of newly acquired know-how.

- Evaluation of results

For Eurotech, research must produce concrete results that are capable of being transformed into marketable products and solutions. All projects are subject to regular monitoring, and their performance is evaluated according to a number of parameters like time schedules, expected results and costs.

The following table presents some of the research projects undertaken over the last five years.

Sector of activity	**Project start**	**Project conclusion**	**Results**
NanoPCs	2000	2003	VISOC (Vision System On Chip)
NanoPCs	2002	2004	WWPP (Wearable Computer)
HPCs	2002	2004	ApeNEXT
HPCs	2003	2004	APE-C3

Some of Eurotech's projects have or will get public funding and/or financial support from public agencies. The most important among them are the following:

- **Litbio**: a project for the creation of an interdisciplinary laboratory for HPC-based computational biotechnologies at the seat of CILEA, an academic computation centre in Milan. Eurotech's partners in this project, which was started in May 2005, are CILEA, CNR (Italian National Research centre) and the Universities of Genua and Camerino. This is a five-year project financed by the Italian Ministry of Education, University and Research.

- **Study and development of a family of interconnected mobile computers for AVL (Automatic Vehicle Location) and AVM (Automatic Vehicle Management)**: a one-year project started in March 2004 and funded by the Italian region Friuli-Venezia Giulia and by the European Fund for Regional Development.

For certain other Eurotech projects, public funding applications are in progress and the board believes should shortly be approved. These projects comprise the following:

- **Personal Wearable Computer**: a two-year project for the implementation of a wearable PC that can be interfaced with all kinds of sensors for various applications.

- **SISSA**: a two-year project for the realization of a parallel computer based on innovative interconnection technologies and on a shared file system.

- **Pervasive computation laboratory (University of Udine)**: a two-year project for the creation of a pervasive computation laboratory at the Engineering department of the University of Udine.

- **Vision systems (University of Trieste)**: a two-year project for the implementation of image processing algorithms in automatic surveillance applications at the IPC laboratory of the University of Trieste.

Development

The development function implements the results of research projects and makes them available for production. As a key part of this process, it designs and modifies products according to inputs from the marketing department, in order to reflect market requirements.

When the management decides that the results of a research project can be transformed into a marketable product or solution, development starts to industrialize the new concept, exchanging information on customers' needs with the marketing staff.

As at the date of this Offering Circular, the development function has a staff of 44 engineers.

Development performs the following functions:

- Hardware, Firmware and systems design

For every new product, the development department carefully evaluates product features, design time and expected costs. Standard products are provided with a specific set of functions in accordance with information from the marketing department. Custom products are designed according to customers' specifications. Design engineers select the hardware architecture, identify the best suited technology (either consolidated or innovative, provided it has been proved), choose the electronic components and modules (hardware, firmware, middleware, software drivers) and finally integrate all the components. Design is carried out internally, but some of the less relevant functions are outsourced under Eurotech's supervision. All the Company's companies use the same software tools and applications, so that design is modular and shareable, therefore increasing efficiency.

- Engineering

Engineering has the responsibility of transforming a design into a product that can be manufactured. Accordingly, it must select the production process that best takes into account the selected technology, the product complexity, costs, quality, reliability, expected volumes and production delay (lead time). In the engineering stage, several solutions are studied and analysed, for the product to be easily assembled, tested and integrated into the production cycle. This stage is performed both by internal Eurotech staff (i.e. for the selection and amalgamation of the various parts and components) and in outsourcing (i.e. for the design of printed circuits), and anyway using the same, or similar but validated, software tools.

- Product validation and certification

In this stage, the development staff verifies the product's conformity to technical specifications and to standard norms. Each product is tested, validated and certified according to: electric functions, conformity to environment specifications (temperature and humidity), resistance to mechanical shocks and vibrations, hermetic sealing, protection from dust, operation at high altitude (for avionics), electromagnetic compatibility, software compatibility with the specified operating systems.

Tests are performed using internal resources (staff and equipment) and external resources (for some specific tests like hermetic sealing). The tests for electromagnetic compatibility (for CE, E, MIL) are performed at the Emilab S.r.l. laboratories, based in Amaro (Udine-Italy) at Eurotech's production site.

- Design of assembly and test equipment for internal use

Eurotech designs and develops internally, and realizes in outsourcing, the equipment for assembly, test and screening (i.e. machines for functional testing, equipment for detection of correct operation during tests in climatic chambers, etc.). The related testing software is developed internally.

Costs sustained by the company for R&D activities

The following table summarizes the costs sustained by the company for R&D activities in the last two fiscal years.

R&D costs (*)	2003	2004
Staff costs for R&D	1,255,000 €s	2,439,000 €s
% on total staff costs	40%	41.00%
Service costs for R&D	235,000 €s	348,000 €s
Total costs for R&D	1,490,000 €s	2,788,000 €s
% on sales revenue	12%	14%

(*) data are calculated using management's assumptions and accounting data.

The total research and development costs are comprised of staff costs for research and development (which amounts to approximately 40% of total staff costs) plus service costs.

STRATEGIC PLANNING

The strategic planning function refers to the general guidelines of the Company's operations. It anticipates technological trends, forecasts the evolution of expected scenarios and the future requirements of markets and customers.

This function is essential to Eurotech's business model and is open to contributions from any level of the Company's organization.

Strategic planning plays a key role because the management believes that the ability to offer the right solutions with the right time-to-market is one of the strengths of the Company.

Strategic planning activities involve:

- the constant analysis of both existing and emerging technologies, and of their possible relevance for the Company's reference markets;
- the constant monitoring of the products offer in relevant markets;
- the study and analysis of demand, using the input coming from the marketing and from the Company's customers.

From the above activities, strategic planning extrapolates a prospective vision of the markets that allows to identify and finally offer products and services that anticipate customers' needs.

Therefore, the ability to identify new technologies and new markets (or niches) represents a significant competitive advantage. The management is convinced that Eurotech possesses this advantage, and that it will preserve and reinforce it in the future.

Once the vision of prospective market scenarios has been outlined and developed, the proper inputs are transmitted from the strategic planning to the research function.

To further improve this aspect of the Company's business, in July 2005, Eurotech put in place a scientific committee for the study and identification of future technological scenarios. The members of the committee are:

Name	Titles and positions
Prof. Francesco Antonio Archetti	Full Professor at the Department of IT, Systems and Communications (DISCo) of the University of Milano – Bicocca. General Director of the "Consorzio Milano Ricerca".
Prof. Stefano Baroni	Full Professor in "Theoretical Condensed Matter Physics" at SISSA (Scuola Internazionale Superiore di Studi Avanzati) in Trieste. Founder and Director of the Democritos National Simulation Centre in Trieste.
Prof. Edoardo Boncinelli	Full Professor of Biology at the Scientific Institute San Raffaele in Milan.
Prof. Fausto Giunchiglia	Full Professor of Computer Science at the University of Trento; Head of the Department of Information and Communication Technology at the University of Trento.
Dott. Luciano Milanesi	Member of the Scientific Committee of the CNR-ITB (National Research Council – Institute for Biomedical Technologies). Company Leader of CISI (Centre for bio-molecular Interdisciplinary Studies and Industrial applications) and of GRID.it
Prof. Pier Luca Montessoro	Full profession in complex computer systems at the University of Udine. Head of the Department of Electrical, Management and Mechanical Engineering (DIEGM) at the University of Udine.
Prof. Enrico Sangiorgi	Full Professor in Electronics at the University of Bologna; IEEE Fellow and Distinguished Lecturer at the Electron Devices Society; Director of the IU.NET (Italian Universities NanoElectronic Team)
Prof. Marco Vanneschi	Full Professor in Computer Science at the Department of Computer Science of the University of Pisa. Since 2002, he is the co-ordinator of the MIUR-FIRB National Project on GRID Computing (GRID.it).

HISTORY

The Company was incorporated on September 30,1992 as a limited liability company, under the name Eurotech S.r.l. The Company was incorporated with a share capital of Lire 50,000,000 (approximately €25,822). On June 23, 1998, by extraordinary meeting of the shareholders of the Company was changed into a public company (*societa per azioni)*.

The history of the Company coincides with the period in development of computers generally referred to in the computer industry as the "first technological jump". Between the late 1980s and the early 1990s, the technology of personal computers (**"PCs"**), previously considered unsophisticated and of limited use, underwent a drastic development and began to replace other types of computers.

The Company was founded during this period of technological evolution, with its business aim being to minimise the size of hardware parts of PCs, therefore rendering them useful for new applications and new technologies.

In 1993, a year after its incorporation, the Company developed its first products, based on the standard PC/104.

On May 25, 1994, in order to sustain its growth, at an extraordinary meeting of the shareholders of the Company, a capital increase of the Company to Lire 200,000,000 (approximately €103,291) was approved, of which Lire 80,000,000 (approximately €41,316) ordinary shares were offered to and subscribed by shareholders and Lire 70,000,000 (approximately €36,151), preferred shares were offered to and subscribed by Friulia Finanziaria Regionale Friuli – Venezia Giulia S.p.A. ("**Friulia**"). After giving effect to this capital increase, the share capital of the Company was held as follows:

Each of Messrs Paolo Bais, Stefano Cotterli, Dino Feragotto, Roberto Chiandussi and Giorgio Pezzulli held 11% of the share capital, Mr. Roberto Siagri held 10% of the share capital and Friulia held 35% of the share capital of the Company.

From 1995 to 2000, the Company began to change from a form of laboratory and research centre to an industrial enterprise. This transformation was achieved through the development of scientific and technological know-how and an expansion of product lines. On October 3, 1995, an extraordinary meeting of the shareholders of the Company approved the transfer of the registered office to Majano (Udine) via dei Castelli, 143 and further increased the share capital from Lire 200,000,000 (approximately €103,291) to Lire 400,000,000 (approximately €206,582).

In the same year, the Company developed a platform PC/104 based on the family of X86 processors. In 1996, due to an increased need for premises, the Company again transferred its commercial operations and registered office to Amaro (Udine), Zona Industriale, via Jacopo Linussio, 1.

The outstanding balance paid during the financial years ended December 31, 2003 and 2004 was €10,000 and €29,000 respectively. The Company projects that the balance to be paid for the current fiscal year will increase as compared to 2004 but should then remain stable for 2005.

In 1997 the Company further increased its product range, developing a CPU based Intel Pentium processor on a compact PCI platform. In 1998 the Company ceased supplying its product range based on the standard compact PCI and began production and development of a product range based on the standard PC-104 Plus (an evolution of the standard PC/104).

On May 4, 1998, in order to widen its product range and increase its activity in the field of research and development of innovative technological solutions, the Company and researchers from IRST (Istituto per la Ricerca Scientifica e Tecnologica di Trento), founded Neuricam S.p.A. Neuricam S.p.A. was founded to exploit research results of the IRST in the field of intelligence sensors. On incorporation, the share capital of Neuricam S.p.A. was held as follows: the Company 40%, Giampietro Tecchiolli (current chief executive officer of the Company) 20%, and third parties 40%. As at the date of this Offering Circular, the Company holds 63.59% of the share capital of Neuricam S.p.A.

On June 9, 1998, Emilab S.r.l. was founded Emilab S.r.l., is active in the sector of measurement and certifications of electromagnetic compatibility in electrical security. On incorporation, the share capital of Emilab S.r.l. was held as follows: the Company 11.2%, Agemont S.p.A., 44%, and third parties 44.8%. As at the date of this Offering Circular, the Company holds 24.82% of the share capital of Emilab S.r.l.

On June 23, 1998, an extraordinary meeting of the shareholders of the Company approved the change in the legal form of the Company from a limited liability company (*societa a responsibilita limitata*) into a joint stock corporation (*società per azioni*) and simultaneously increased a share capital from Lire 400,000,000 (approximately €206,582) to Lire 500,000,000 (approximately €258,228).

Since 1998, Eurotech has expanded its commercial activities from its core European market into America, Asia and Australia by entering into a number of distribution agreements.

During 2000 the Company opened an office in Minneapolis (USA) in order to establish a direct presence in the North American market.

On June 12, 2000, the Company founded Ascensit S.r.l. On incorporation, the Company held 70% of the share capital of Ascensit S.r.l. with third parties holding the remaining 30%. Ascensit S.r.l. is active in software development based on the Linux operating system.

In 2001, in order to sustain its growth, the Company effected a capital increase with two private equity investors, Finanziaria 2008 S.r.l. and First Gen-E Servicos de Consultoria S.A. An extraordinary meeting of the shareholders of the Company held on May 18, 2001 approved, amongst other things: (i) the conversion of 140,000 of its preferred shares into ordinary shares of the Company; and (ii) the increase of the share capital of the Company to €516,880 by the issuance of 494,000 ordinary shares of the Company for a consideration of €260,000. The new investors together with previous shareholders of the Company also entered into a shareholders agreement. The shareholders agreement has been terminated as of the initial listing.

In 2002, the Group opened an office in Munich, Bavaria (Germany).

On November 27, 2002, Eurotech acquired a division, “Neuricam Sistemi”, from Neuricam S.p.A. (in which Eurotech then held 51.55% of its share capital). Neuricam Sistemi is active in the field of integration and testing of super calculation systems for APE projects. The purchase price comprised €149,579.75 together with a balancing payment, due on 27 November 2008, based on 6.4% of Eurotech’s subsequent revenues from sales of APEmille and APEnext products during the period from the acquisition date.

On December 20, 2002, the Company acquired 80% of the share capital of I.P.S. Sistemi Programmabili S.r.l., a company active in the sector of industrial automatisation systems and man-machine interfaces for a purchase price of €800,000. The Company agreed to acquire the remaining 20% of the share capital in several tranches for an aggregate purchase price of €63,000 together with an additional amount of up to €200,000, to be determined based on the achievement of certain performance factors of I.P.S. Sistemi Programmabili S.r.l. In 2002 the Group entered the market for supercalculators for scientific research, taking advantage of its know-how in miniaturising hardware and in the interconnectivity of a parallel processors. The Company developed and constructed the supercomputers of the APE100 family, designated for physical laboratories.

In 2003, Eurotech also created the subdivision “Exadron” in order to focus its activities in the HPC sector.

On June 30, 2003, Eurotech acquired the business of Ascensit S.r.l. (in which it then held 42.74%) for a purchase price of €288,886.

On July 28, 2003 Eurotech acquired the entire share capital of Parvus Corp., a corporation with a registered office in Utah (USA) active in the field of NanoPC’s, for a purchase price of €1,948,787. The acquisition of Parvus Corp. reinforced the Company’s presence in North America and following the acquisition, Eurotech closed its office in Minneapolis.

On July 31, 2003, EthLab S.r.l. was founded by Eurotech. It held 99.9% of the share capital, with Giampietro Tecchiolli (the current chief technological officer of the Company) holding the remaining 0.1% of the share capital. EthLab S.r.l. is active in the field of research.

In 2004 the Company commenced research and development activities in the field of Grid computing, being networks that interconnect several computers in various locations, drawing on its know-how in the field of both NanoPC’s and HPC.

On July 29, 2004 an extraordinary meeting of the shareholders of the Company authorised: (i) the increase in the share capital of the Company to €1,227,292 (by way of bonus issue of shares from accumulated reserves), (ii) the increase in the share capital (in respect of which were excluded any rights of subscription thereto of the existing shareholders under Article 2441, fifth paragraph, of the Italian Civil Code) from €1,227,292 to €1,246,912 through the issuance of 19,620 new shares with a nominal value of €1 and a share price of €7.2666 each, offered to and subscribed by Mr Giampietro Tecchiolli (the current chief executive officer of the Company); (iii) the issue of convertible bonds in an amount of €2,500,000 through the issuance of 2,500 bonds each with a nominal value of €1,000, offered to current shareholders according to their then current shareholdings; and (iv) in order to satisfy the issuance of the convertible bonds, an increase in share capital of up to a maximum amount of €1,524,412. The convertible bonds issued by the Company were subscribed as follows: 625 securities by FIRST GEN-E Servicos de Consultoria S.A., 250 convertible securities by Friulia and 1,625 convertible securities by The S.p.A. FIRST GEN-E Servicos de Consultoria S.A. 625 convertible securities were acquired by The S.p.A. on June 21, 2005.

On August 27, 2004, and January 14, 2005 Eurotech acquired the entire share capital of Vikerkar Oy (subsequently renamed Eurotech Finland Oy). Eurotech Finland Oy is active in the sector of NanoPC's. The purchase price was €175,000. As a result of this acquisition, the Group acquired a presence in the northeast European market. Eurotech Finland Oy is also responsible for establishing the presence of the Group in China.

On September 29, 2004 an extraordinary meeting of the shareholders of the Company authorised the conversion of 52,500 preferred shares into ordinary shares of the Company.

On October 5, 2004, the Company acquired from third parties, for a total purchase price of €1,452,904, a 100% interest in the share capital of Erim Développement S.A.S. This acquisition ties in with a programme of increased geographical market focus, in this case the French market, which is relevant particularly for clients in the transport sector.

On March 9, 2005, the Company acquired from STH S.r.l. an 18.8% interest in the share capital of Inasset S.r.l., a company active in the sector of internet service provider. Inasset S.r.l. was acquired at a price of €20,000, such price determined without reference to expert reports or third party valuations.

On April 22, 2005, Delos S.r.l. was incorporated, a company active in the sector of virtual high throughput screening, the Company has a 40% interest in its share capital. The other shareholders in Delos S.r.l. are the University of Milano-Bicocca, Milano-Ricerche, Prof. Fantucci and other researchers.

On May 24, 2005, THE S.r.l. bought 62,000 ordinary shares in the Company from Roberto Chiandussi and 47,700 ordinary shares from Giorgio Pezzulli. On the same date Paolo Vicentini bought 7,300 ordinary shares in the Company from Giorgio Pezzulli.

On June 9, 2005, an ordinary meeting of the Company authorised the application for admission to trading of the Company's ordinary shares on the *Nuovo Mercato – Segmento Techstar* (now called MTAX-Star), organised and regulated by *Borsa Italiana S.p.A.*

On July 21, 2005, bondholders exercised their right to convert into shares the convertible bonds authorised for issue by an extraordinary meeting of shareholders on July 29, 2004, such conversion taking place at a conversion ratio of sixty ordinary shares for each bond and with a consequent increase in our share capital up to €1,396,912.

On the same date, an extraordinary meeting of the shareholders (taking into consideration the conversion of the convertible bonds and the increase in the share capital of €1,396,912 representing 1,396,912 shares with a nominal value of €1 each) authorised: (i) the reduction in the nominal value of the €1,396,912 shares from €1 to €0.25 leading to a share increase from 1,396,912 shares to 5,587,648 shares, (ii) an increase in the share capital from €1,396,912 by way of a bonus issue on a 2 for 1 basis such that the share capital was increased to €2,793,824.

The same shareholders' meeting resolved, amongst other things: (i) to increase the paid-in share capital (excluding any rights of subscription of existing shareholders under Article 2441, fifth paragraph, of the Italian Civil Code) by a maximum nominal amount of €2,250,000 (equal to a maximum of 9,000,000 ordinary shares with a nominal value of €0.25 each) for the purpose of the Global Offering and (ii) taking into account the maximum increase in share capital for the purpose of the Global Offering, authorised, additional on admission to trading of the Company's ordinary shares, an increase in the paid-in share capital by a maximum nominal amount of €300,000 (equal to a maximum of 1,200,000 ordinary shares with a nominal value of €0.25 each) excluding any rights of subscription, such increase being reserved for the stock option plan for directors and other companies within the Group.

On July 29, 2005, the board of directors approved the implementation of the 2005-2007 Incentive Plan and determined that a tranche of a maximum of 1,100,000 shares be distributed to the beneficiaries of the plan in amounts to be determined by the board of directors and at the Offering Price for the Global Offering. The board of directors also determined that the options will be exercisable in two tranches.

On September 15, 2005, and following on from the meeting of June 9, 2005, an ordinary meeting of shareholders authorised the application for admission to trading of the Company's shares to MTAX-Star, organized and regulated by Borsa Italiana S.p.A.

The same shareholders' meeting authorised the board of directors, amongst other things (i) to acquire, on one or more occasions, ordinary shares of the Company for a period of 18 months after the publication of the *Prospetto Informativo*, (ii) to exercise (including through internal delegation) options with regard to own shares held by the Company, (iii) to dispose, at any time and on one or more occasions, of such shares and on conditions to be determined, the proceeds of such sales to be used for the Incentive Plan; and further authorised the board of directors acting through its Chairman to acquire own shares to give to the Global Co-ordinator on conditions to be determined and to sell or acquire own shares to give effect to the activities of the Global Co-ordinator as specified by the rules and regulations of the *Borsa Italiana S.p.A.*

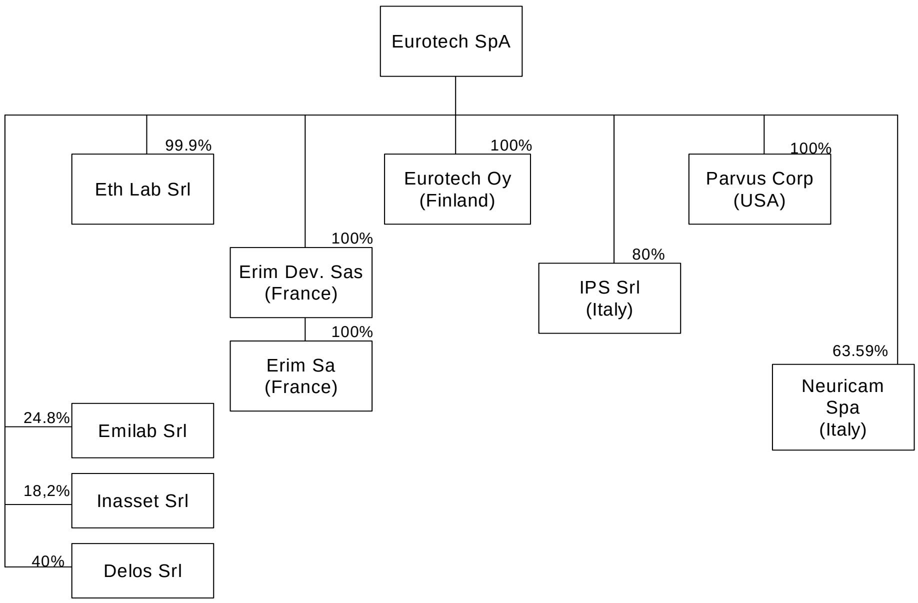
On October 10, 2005, Eurotech acquired the trade mark "Ascensit" from Ascensit for a purchase price of €30,000.00.

On October 17, 2005 Eurotech sold its participation in Ascensit (42.74%) for a purchase price of €10,299.10 to a third party.

**Note: In this section "History", Lire amounts were converted into € at the rate prevailing on January 1, 2002 (€1: Lire1,936.27).*

CORPORATE STRUCTURE

The following chart shows the corporate structure of our Group as at the date of this Offering Circular.



Our Group is made up of the companies listed below.

Eurotech S.p.A. was incorporated on September 30, 1992 and has its registered office in Amaro (Udine), via J. Linussio 1. Eurotech S.p.A. is the holding company for the Group.

Parvus Corp has its registered office in Salt Lake City, Utah (USA) 3222 So. Washington Street and is a wholly owned subsidiary of the Company. The share capital of Parvus Corp is, at the date of this Offering Circular, US$119,243 and was acquired by the Company on July 28, 2003. Parvus Corp is primarily active in the sector of NanoPC's.

Erim Development S.a.s has its registered office in Venissieux Cedex (France), 13 avenue de la Republique and is a wholly owned subsidiary of the Company. The share capital of Erim Development S.a.s is, at the date of this Offering Circular, €1,071,000 and was acquired by the Company on October 5, 2004 for a purchase price of €1,452,904. Erim Development S.a.s is primarily active in the sector of NanoPC's.

Erim SA has its registered office in Venissieux Cedex (France), 12 avenue de la Republique and is a wholly owned subsidiary of Erim Development S.a.s. The share capital of Erim SA is, at the date of this Offering Circular, €972,426. Erim SA is primarily active in the sector of NanoPC's.

Eurotech Finland Oy has its registered office in Helsinki (Finland) Kaarelantie 12 and is a wholly owned subsidiary of the Company. The share capital of Eurotech Finland Oy is, at the date of this Offering Circular, €108,430.74 and was acquired by the Company on August 27, 2004. Eurotech Finland Oy is primarily active in the sector of NanoPC's. Eurotech Finland OY is in a start-up phase and the results for the six months ended June 30, 2005 show a loss of approximately €94,803, and the results for the nine months to September 30, 2005 show a loss of approximately €154,000. Unless these losses are off set by earnings by the end of the year ending December 31, 2005, the Company will be required to inject further capital, in an amount not less than minimum required by law, or put the Company into liquidation within a 12 month period.

I.P.S. Sistemi Programmabili S.r.l. has its registered office in Caronno Varesino (Va), via Piave 54 and is registered at the company's registry in Varese under number 01152780126. The share capital of I.P.S. Sistemi Programmabili S.r.l. is, at the date of this Offering Circular, €51,480 of which the Company acquired 80% on December 20, 2002 with the remaining 20% being held by third parties. I.P.S. Sistemi Programmabili S.r.l. is primarily active in the sector of man-machine interface and industrial automatisation systems.

Neuricam S.p.A. has its registered office in Trento, via Santa Maria Maddalena, n. 12. The share capital of Neuricam S.p.A. is, at the date of this Offering Circular, €1,136,080 of which the Company acquired 63.59% on November 22, 2004 and a further 5.45% is currently held by THE S.r.l. The remaining 30.96% of the share capital of Neuricam S.p.A. is held by third parties. Neuricam S.p.A. is primarily active in the field of research, development and production of electric system and informatic sensors.

EthLab S.r.l. has its registered office in Pergine Valsugana (Trento), via Dante 78 and is registered at the company's registry in Trento under registration number 01843000223. The share capital of EthLab S.r.l. is, at the date of this Offering Circular, €15,000 of which the Company holds 99.9% with the remaining 0.1% being held by Giampietro Tecchiolli. EthLab S.r.l. is primarily active in the field of research, development and production of pro-types within the informatic sector.

Inasset S.r.l. has its registered office in Amaro (Udine) via Fratelli Solaria 5 and is registered at the company's registry in Udine under registration number 02349490306. The share capital of Inasset S.r.l. is, at the date of this Offering Circular, €110,000 of which the Company acquired 18.18% on March 9, 2005 with the remaining share capital being held by third parties. Inasset S.r.l. is primarily active in the field of erogasion and acts as an internet service provider.

Delos S.r.l. has its registered office in Milan, via Roberto Cozzi 53 and is registered at the company's registry in Milan under registration number 04843860968. The share capital of Delos S.r.l. is, at the date of this Offering Circular, €100,000 of which the Company acquired 40% on April 22, 2005 with the remaining share capital being held by third parties. Delos S.r.l. is primarily active in the sector of Virtual High-Throughput screening.

Emilab S.r.l. has its registered office in Amaro (Udine) via Jacopo Linussio 1 and is registered at the company's registry in Udine under registration number 02055250308. The share capital of Emilab S.r.l. is, at the date of this Offering Circular, €66,300 of which the Company holds 24.82% with the remaining share capital being held by third parties. Emilab S.r.l. is primarily active in the running of a laboratory for measurements in the field of electromagnetic compatibility and electric security.

REAL PROPERTY

As at the date of this Offering Circular, the only property owned by the Group is as follows:

Owner	Address	Use	Size (sqm)
IPS S.r.l.	Caronno Varesino (Vr) V. Piave n °56	Industrial use	643.4

As at the date of this Offering Circular, the Group is a party to the following leases:

Company	Address	Use	Annual rent
Eurotech S.p.A.	Comune di Amaro (Ud) V.	Industrial use	€24,522

	Jacopo Linussio n °1		(excluding VAT)
Eurotech S.p.A.	Comune di Amaro (Ud) V. Solari n °5	Industrial use	€44,115 (excluding VAT)
Neuricam S.p.A.	Comune di Trento V.S. Maria Maddalena n °12	Non-residential use	€25,740
Parvus Corp.	3222 So. Washington St. Salt Lake City, Utah 84115 – USA	Industrial use	$84,000
Erim SA	13 avenue de la Republique 69692 Venissieux Cedex France	Non-residential use	€62,805
Eurotech Finland Oy	Eurotech Finland Oy Kaarelantie 12 00430 Helsinki, Finland	Office	€37,810
Eurotech S.p.A.	Hanns-Schwindt-Str. 8 81829 Munich, Germany	Non-residential use	€4,872
Eurotech S.p.A.	11D83 Shanghai Mart No. 2299 West Yan An Road 200336, Shanghai China	Non-residential use	$4,359

In addition, as at the date of this Offering Circular, the Group is a party to the following lease:

Company	Address	Use	Monthly rent
Eurotech S.p.A.	Comune di Amaro (Ud) V. Solari n °3	Industrial use	€7,606.08 (excluding VAT)

The property indicated above is subject to a leasing contract entered into by and between the Company and SBS Leasing S.p.A., which terminates in March 2013.

None of the Group companies own or use any other material or property which is relevant for its business activities.

Related Party Transactions

Acquisitions: On November 27, 2002, the Company acquired the Neuricam Sistemi division from Neuricam S.p.A., whose operations are in the field of integration and testing of super calculators for APEmille and APEnext projects. The purchase price consisted of an initial purchase price of €149,579.75, with balancing payments payable three times a year until November 27, 2008, based on 6.4% of Eurotech's subsequent annual revenues realised from sales of APEmille and APEnext products since the acquisition date. The purchase price was determined without reference to, or involving, third parties. As at the date of this Offering Circular, the Company holds 63.59% of the share capital of the Neuricam S.p.A. On December 3, 2002 the board of directors of the Company ratified the acquisition of Neuricam Sistemi and the actions of the Company's Chairman and Managing Director, Mr Roberto Siagri in respect thereof. The Company believes this transaction was undertaken at arm's length and on market terms.

On June 30, 2003, the Company acquired a division active in projections and productions of network appliances from Ascensit S.r.l. The remaining share capital of Ascensit S.r.l. is held by third parties. The purchase price was determined without any third party valuations and amounted to €288,886.81. The Company has disposed of its 42.74% participation in Ascensit S.r.l. as of October 17, 2005 for a price of €10,299.

On October 10, 2005 the Company acquired the trackwork "Ascensit" from Ascensit for a purchase price of €30,000. The Company beliefs this transaction was undertaken at arm's length and on market terms.

Loans to Subsidiaries: The Company has entered into a number of loan arrangements with certain of its subsidiaries. The principal terms of these intra-group loans are as follows:

Borrower	Date	Expiry Date	Currency	Amount	Interest
Erim Développement S.a.S.	October 5, 2004	October 4, 2006	€	524,354	5% p.a.
Eurotech Finland Oy	October 26, 2004	December 31, 2007	€	100,000	5% p.a.
IPS Sist. Program S.r.l.	December 20, 2004	December 31, 2005	€	100,000	5% p.a.
Parvus Corporation	September 30, 2003	December 31, 2005	USD	50,000	4% p.a.
Parvus Corporation	March 12, 2004	March 12, 2007	USD	200,000	4.5% p.a.
Parvus Corporation	May 12, 2004	December 31, 2007	USD	60,000	5% p.a.
Parvus Corporation	November 10, 2004	November 10, 2007	USD	50,000	5% p.a.

Litigation

Save as otherwise set out in this Offering Circular, neither Eurotech nor any other member of the Group is, or has been over the past 12 months, a party to any administrative, judicial, legal or arbitration proceedings (whether actual, pending or threatened) which could have a material adverse effect on the financial condition of Eurotech and/or the Group.

The group RTD Embedded Technologies Inc. (which is part of Real Team Devices Finland OY) has made the following claims:

(a) that Eurotech Finland Oy's director competed against RTD Embedded Technologies Inc. in breach of a non-compete clause in an agreement between RTD Embedded Technologies Inc. and Tomi Hannen;

- that Eurotech Finland Oy and Eurotech caused damage to RTD Embedded Technologies Inc. as a result of this breach.

RTD Embedded Technologies Inc. are claiming damages in the amount of €2.3 million. None of the director of Eurotech Finland Oy, Eurotech Finland Oy itself nor Eurotech has contested these claims. As at the date of this Offering Circular, Eurotech Finland Oy has not received notice of any legal or arbitration proceedings in respect of such claims.

OUR MANAGEMENT

Our board of directors (*consiglio di amministrazione*) and our principal officers manage our day-to-day operations. In addition, we also have a board of statutory auditors, a remuneration committee and an internal control committee.

Board of directors

Under Italian law and pursuant to Article 19 of our By-Laws, the board of directors is responsible for managing our business and supervising our operations, and has the power to do anything within the scope of our corporate purpose, except for the actions reserved, by Italian law or our By-Laws, to the shareholders.

The board of directors may comprise no less than 5 and no more than 11 members. As at the date of this Offering Circular, the current board of directors comprises of 9 members who were appointed at an ordinary meeting of the shareholders of the Company on June 9, 2005, July 21, 2005 and September 2, 2005. These directors have been appointed until the date on which the financial statements of the Company for the period ending December 31, 2007 are approved.

For the purposes of the offices held, each of the directors are domiciled at the Company's registered office, except for Giovanni Saladino who is domiciled at Banca Gesfid, Via Adami 10, 6910 Lugano, Michele Vitali who is domiciled at MVI Italia S.r.l ,Via Santa Marta 19, 20123 Milano, Caterina Belletti who is domiciled at Studio Legale Associato Belletti – Presot, Corso del Popolo 23, 34074, Monfalcone (Go), and Alberto Felice DeToni who is domiciled at DIEGM of Udine University, Via delle Scienze 208, 33100 Udine.

The following table shows the current members of our board of directors, their respective positions and their place and date of birth:

Title	Name	Place and Date of Birth
Chairman	Roberto Siagri	Motta di Livenza (TV), 20 June 1960
Chairman	Massimo Mauri	Rho (MI), 9 April1971
Chairman Director	Dino Feragotto	Gemona del Friuli (UD), 22 April 1957
Director (and chief technological officer)	Giampietro Tecchiolli	Trento, 9 December 1961
Director	Giovanni Saladino	Palermo, 3 May1964
Director	Michele Vitali	Milano, 24 November 1956
Director	Caterina Belletti	Gorizia, 12 July 1965
Director	Alberto Felice De Toni	Curtarolo (PD), 27 June 1955
Director	Giovanni Spangaro	Ampezzo Carnico (UD) 30 May 1930

Directors are elected at ordinary meetings of the shareholders of the Company to serve for terms of up to three years. Directors may be re-elected for consecutive terms and do not have to be shareholders of the Company. Pursuant to Italian law, shareholders may remove directors at any time and, in the case of removal without just cause, directors are entitled to claim damages from us. Directors may resign at any time by giving written notice to the board of directors and the chairman of our board of statutory auditors. Our board of directors, with the approval of our board of statutory auditors, must appoint replacements to fill any vacancies that exist between meetings of the shareholders of the Company, to serve until the next ordinary meeting of the shareholders of the Company. Under Italian law, shareholders may increase or decrease the number of members of the board of directors when deciding on the election of board members. If, in the case of an even number of board members, half of our board or if, in the case of an odd number of board members, a majority of our board members resign or otherwise ceases to be directors, our entire board of directors must be removed and will be considered to have resigned automatically. In that case, our board of statutory auditors must promptly convene a meeting of the shareholders of the Company to appoint a new board.

Under Article 16 of our By-Laws, a meeting of the board of directors may be convened at the registered office of the Company or any other location in Italy. Meetings of the board of directors may be convened by the Chairman, or if absent the Vice Chairman. Meetings of the board of directors are convened on not less than 5 days' notice given by way of letter, fax or other appropriate method of communication, sent to the residence of each member of the board of directors. In urgent cases, notice of the convening of a meeting of the board of directors may be given by telegram, fax, email or any other electronic means with only 24 hours notice. Video and telephone board meetings are permitted. Board meetings will be validly convened if all members of the board of directors are present notwithstanding that no notice has been given. Under Article 17 of our By-Laws, a majority of the board members constitute a quorum. Decisions are taken through majority vote, from which abstentions are excluded.

The Chairman coordinates the responsibilities and activities of the board of directors and is responsible for ensuring that each member of the board of directors is provided with sufficient information to carry out its duties.

In accordance with Article 3 of the Code of Ethics (*Codice di Autodisciplina*) and pursuant to ordinary meetings of shareholders of the Company on July 21, 2005 and September 2, 2005, Caterina Belletti, Alberto Felice De Toni and Giovanni Spangaro were appointed as independent directors of the Company.

Under Article 15 of our By-Laws, the board of directors elects from its members a Chairman and one or more Vice Chairmen. The Chairman or, in his absence, a sole Vice Chairman or, when there is more than one Vice Chairman, the longest serving, will preside over board meetings.

Under Article 21 of our By-Laws, the board of directors is authorised to appoint an executive committee. The board may also nominate one or more board members to which to delegate certain board functions. The executive committee and individual board members to whom such functions are delegated, have to report to the board of directors at least quarterly regarding the operations of the Company, major decisions taken by them and how they have carried out the functions delegated to them. The Chairman, and each Vice Chairman, will automatically be members of the executive committee.

On July 29, 2005, our board of directors delegated to (i) its Chairman, Mr. Roberto Siagri, and its Vice Chairmen, Dino Feragotto and Massimo Mauri, the power to represent and operate the Company so as to supervise the Group's management and organisation and to (ii) Mr. Tecchiolli, Director, the power, amongst other things, to carry out the Group's research and development plan.

On September 2, 2005, our board of directors resolved to appoint an executive committee (the **"Executive Committee"**). Roberto Siagri, Dino Feragotto and Massimo Mauri are members of the Executive Committee. The Executive Committee has the following powers: (i) execution and rescission of sale/purchase contracts, exchange contracts (*□ealize*) related to movable goods, machines, cars, raw materials, goods, finished and semi-finished products and tools necessary to carry out the Company's business up to a value of €2,000,000; (ii) execution and rescission of "*joint venture and partnership"* with universities and research institutes; (iii) filing applications for bank loans, approval and rescission of loans up to a value of €500,000 (excluding financial operation with black listed countries), (iv) transactions with factoring companies; (v) sale of goods and services' (except for assets necessary to carry out the business activities) of up to a value of €5,000,000 and/or for a period of time not exceeding three years; (vi) to participate in public administration and public and private entities' bids and to execute related agreements for a value of not less than €5,000,000, (vii) execution of other contracts up to a value of

€2,000,000, excluding contracts relating to the sale of goods or services specified in paragraphs (v) and (vi) above, and (viii) the drawing up of guidelines for the financial resources' management and available liquidity.

None of the members of our board of directors have executed employment contracts with the Company or any other member of the Group.

The following contains summary biographical information relating to each member of our board of directors:

Roberto Siagri: Mr Siagri graduated in physics from Trieste University. He is the Chairman and managing director of the Company and has been a member of our board of directors since its incorporation. After founding Eurotech, he was later involved in marketing and sale activities, strategic planning and business development. From 1985 to 1992 he worked for I of Reana del Rojale (Udine) (at the time, part of the ASEM group of companies), research and development division, initially as part of the research team and later as head of the division. From 2002 to 2003 Mr Siagri was a professor at Udine University for Mechanic Engineering, teaching electronical digital systems.

Dino Feragotto: Mr Feragotto has an Industrial Electronic diploma from "Istituto Tecnico Industriale" (Udine). He is Vice-Chairman of Eurotech and Managing Director of Eurotech's Southern European division. He has been a member of our board of directors since the incorporation of the Company. Until 2001 (after founding Eurotech) he was involved with industrial operations' management and later, financial and control activities. In 1979 he co-founded ASEM, operating in the office and industrial PC market where he was the co-ordinator of technical activities until 1990. From 1992 he was marketing co-ordinator. He has been on the board of directors of many companies within the Group. In 1976 he started his own business as industrial automation programmer for Ferriere Nord (Pittini group), later assuming responsibility for coordinating and managing automation projects.

Massimo Mauri: Mr Mauri graduated from IULM Milan University, Public Relations faculty. He is Eurotech's Vice-Chairman and was appointed at an extraordinary meeting of the shareholders of the Company held on May 18, 2001. He is the head of, and advisor to, the public relation's division. He is responsible for relations between co-founders and institutional investors (banks and private equity funds), Eurotech's shareholders. In 2004, he worked for Melior Equity Fund I of Meliorbanca. From 2001 to 2003 he was a consultant for FIRST GEN-E and Servicos SA of BancaGesfid S.A., a private equity fund. From 1996 to March 2005 he was a manager for VNU, a Dutch multinational company in the publishing business, as co-ordinator of relations with commercial clients.

Giampietro Tecchiolli: Mr Tecchiolli graduated in physics from Trento University. He is Eurotech's Group chief technological officer and Chairman of EthLab S.r.l. and was appointed at an ordinary meeting of the shareholders of the Company held on November 19, 2001. He was a director of Exadron's division of Eurotech and was a co-founder of Neuricam S.p.A. where he was also vice-chairman and head of the research and development division. From 1988 to 1998 he worked for the Trento Research and Scientific Institute as system architecture developer. From 1987 to 1998 he cooperated with the National Institute of Nuclear Physics in the sector of parallel computation and theoretical computational physic and elementary particles. He promoted the INFN experiments denominated RTS, Totem++ e TotemFarm for the realisation of VLSI *chip* and was the co designer of the neural chip TOTEM. Author of several international publications and patents, he was a professor at Verona University (1993-2002), and Trento University (1998-2000), and Udine University (2003-2005) and Parma University (2003-2005).

Giovanni Saladino: Mr Saladino graduated from Bocconi University in Milan in business economics, specialising in business finance. From 1993 he was General Director of Gesfid S.A. bank, Lugano, where, since 1995, he has been the Management area director. In 1992, he was head of Customer Relationships at Gottardo Bank, Lugano and in 1991 was working Framlington, CCF Group, Trading Securities / Italian Desk. In 1990, he was head of European Venture Capital for A.F.A. New York – USA.

Michele Vitali: Mr Vitali graduated from Bocconi University in Milan in business economics, specialising in business finance. He is a partner of MVI Italia S.r.l., which is part of Private Equity MV. Between 2002 and 2005, he was vice chairman of the Fiocchi Group. From 1987 to 2002, he worked for BNP PARIBAS as Central Director and, later, as Central Co-director. From 1980 to 1987, he worked for Chase Manhattan Bank in Italy and abroad. He was a member of two ABI technical commissions.

Caterina Belletti: Ms Belletti has a law degree from Trieste University. She has been practicing law since 1993. She works with Professor Cendon at Trieste University, Faculty of Economics and she is a professor of "*diritto □ealize*" at Trieste University of Science Formation. Between 1993 and 2004, she was an associate at several law firms.

Alberto Felice De Toni: Mr De Toni graduated from Padua University in Chemical Engineering. He has carried out a research programme in Industrial Science Innovation. Since 1987, he has been a professor of production strategy and management and complex systems management at Udine University. Between 1981 and 1983, he worked for Cerved (Chamber of Commerce National Computer Science Society) as head of their industrial computer science projects division. From 1980 to 1981, he worked for ENI Research in San Donato Milanese in their planning and organisational development unit. He works with many scientific institutes in Italy and abroad. Since September 2002, he has been vice chairman of the Area Science Park in Trieste.

Giovanni Spangaro: surveyor, is currently chairman and founder of Misa S.r.l. operating in the electronic memories' sector. He also founded the company Vetroresina S.p.A. which operates at the European level in production of containers and tubes in fibre-glass. He was also a member and vice-chairman of the Udine Industrialists Association. He is the chairman of the Chemical Industry and Plastic Materials' Group.

Executive Officers

As at the date of this Offering Circular, there are no general directors (*Direttori Generali*) of the Company. The following table shows the current executive officers of the Company, their respective positions and their place and date of birth:

Title	Name	Place and Date of Birth
Director of Industrial Operations	Marco Cipolat	Trento, 24 December 1961
Commercial director for industrial automation	Paolo Pozzato	Turin, 30 November 1962

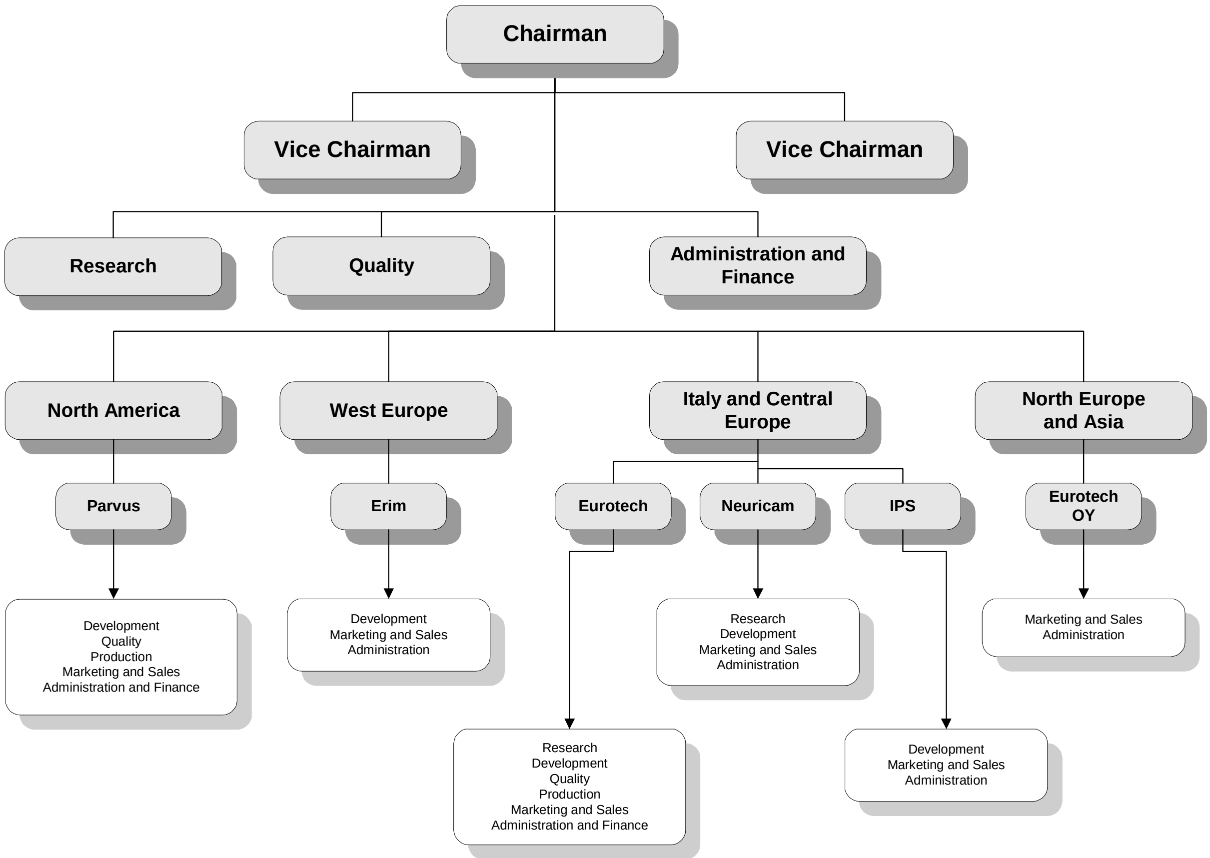
The following contains summary biographical information relating to each of our executive officers specified above:

Marco Cipolat: Mr Cipolat is an electronics technician and is currently responsible for Italian industrial operations. Since 2001, he has been Operations Director for Eurotech, responsible for the development of production, engineering production, logistics and purchases.

Paolo Pozzato: Mr Pozzato has a University diploma in marketing from Turin University, Business Management School. He is responsible for IPS' products. From 2002 to 2004, he was the director of the Italian branch of Oldham SA.

Organisational Structure

The following is a chart showing the management and organisational structure of Eurotech and the other members of the Group:



Statutory Auditors

Under Italian law, in addition to electing our board of directors, our shareholders also elect a board of statutory auditors (*collegio sindacale*). Under Article 26 of our By-Laws, the board of statutory auditors is composed of three independent experts in accounting matters, plus two alternative auditors who will automatically replace outgoing statutory auditors or statutory auditors who are otherwise unable to serve.

Members of the board of statutory auditors are elected from a list of nominees at an ordinary meeting of shareholders of the Company. Shareholders holding not less than 2% of the voting rights of the ordinary shares of the Company have the right to make such nomination. Each shareholder or certain groups of shareholders, may only present one list of nominees. Under Italian law, statutory auditors may be elected by shareholders for a term of up to three years and may be re-elected. Statutory auditors may only be removed for cause and with the approval of an Italian court. The current members of the board of statutory auditors were appointed by an ordinary meeting of shareholders of the Company on June 9, 2005 and will remain in office until the date on which the financial statements for the year ended December 31, 2007 are approved.

The table below shows the names of the members of the board of statutory auditors as at the date of this Offering Circular, their positions, their place and date of birth and office.

Title	Name	Place and Date of Birth	Office
President	Claudio Siciliotti	Udine, 28 July 1952	Studio Siciliotti Via Giusti 2 33100 Udine
Auditor	Umberto Lago	Vicenza, 29 September 1964	Via Falzarego 52,36100 Vicenza
Auditor	Stefano Milanese	Udine, 11 August 1957 Friulia	Via Locchi, 19,34100 Trieste
Alternate Auditor	Michela Cignolini	Udine, 17 August 1967	Studio Siciliotti Via Giusti 2, 33100 Udine
Alternate Auditor	Roberto d'Imperio	San Nazzaro Sesia, 20 April 1958	Vicolo Siai, 16, 28021, Borgo Manero (NO)

Pursuant to Italian law and Article 27 of our By-Laws, the board of statutory auditors oversees our compliance with law and our By-Laws, our proper administration and the adequacy of internal controls and accounting reporting systems. The board of statutory auditors is required to meet at least once every quarter to report any irregularities to CONSOB and to report specific matters to shareholders and Italian courts. The board of statutory auditors may inspect our premises and statutory books at any time. The members of the board of statutory auditors are jointly and severally liable with the members of the board of directors for any acts or omissions of the directors if the damage resulting from such act or omission could have been avoided by the supervision of the board of statutory auditors. The members of the board of statutory auditors must attend the meetings of the Executive Committee, meetings of the board of directors and meetings of the shareholders of the Company.

The following contains summary biographical information relating to each member of our statutory auditors:

Claudio Siciliotti: Bachelor in Political Science from Bocconi University in Milan. He is a registered accountant at Trieste University. He has been a registered accountant and member of Udine Chartered Accountants since 1980. He has been a registered auditor since the formation of the register (G.U. April 21, 1995); Technical Consultant for the Tribunal of Udine. Claudio Siciliotti was originally appointed as a member of the board of directors of the Company at an extraordinary meeting of the shareholders of the Company held on May 25, 1994. He was subsequently appointed as President of the board of statutory auditors at an ordinary meeting of the shareholders of the Company held on September 12, 1994.

Stefano Milanese: Bachelor in Economics from Trieste University, Master form L. Bocconi University in Milan, registered Auditor (G.U. 18 febbraio 2000). He was the financial director for Zanussi and responsible for the operations of Mediocredito F.V.G. He was group strategic director for Friulia and is currently in charge of Friulia's merchant banking operations.

Umberto Lago: Graduated from Bocconi University in Milan in business economics, he also has Ph.D. in Business Strategy and Marketing (London University – Imperial College). He is an accountant and an auditor. He is an associate professor of business management at Bologna University. He is a consultant for industrial and commercial companies in the marketing, business strategy and extraordinary finance's area.

Michela Cignolini: Graduated in political science from Trieste University. She has been an accountant since 1995, and is a registered auditor and technical consultant for the tribunal of Udine. She was originally appointed as a member of the board of directors at an ordinary meeting of the shareholders of the Company held on September 12, 1994.

Roberto D'Imperio: Graduated in Economics from BOCCONI University in Milan. He has been a registered accountant since 1986.

External auditors

We, and other companies like us whose shares are listed on an Italian regulated market, must appoint a firm of external auditors. Our external auditors will verify:

- that our accounting records are correctly kept and accurately reflect our activities during each fiscal year; and

- that our financial statements correspond to our accounting records and that the verification checks conducted by the external auditors comply with applicable rules and regulations.

Our external auditors express their opinion on our financial statements in a report that our shareholders may view before the annual meeting of the shareholders of the Company. Our external auditors are appointed at an ordinary meeting of the shareholders of the Company for a three-year term. We may not appoint the same external auditors for more than three consecutive three-year terms. All appointments must be notified to CONSOB.

The current appointment of Reconta Ernst & Young S.p.A. as our independent accountants will expire at the annual meeting of the shareholders of the Company that will approve our financial statements for the year ended December 31, 2007. Reconta Ernst & Young have been appointed as our independent accountant's for our financial years ended December 31, 2005, 2006 and 2007.

Under Article 156 of the Unified Financial Act, Reconta Ernst & Young S.p.A. has audited our consolidated financial statements for the years ended December 31, 2002, 2003 and 2004 and expressed its positive opinion in an appropriate report. At our request, our external auditors have also reviewed our report for the six months ended June 30, 2005 expressing their positive opinion in an appropriate report.

Furthermore, our auditors have been appointed by Eurotech's shareholders, as of July 25, 2005 to verify that our six-monthly report and accounting records are correctly kept and accurately reflect our activities during each of 2005, 2006 and 2007 fiscal years pursuant to the Unified Financial Act.

Other relevant activities of our board members and statutory auditors

The following table lists the companies in which, as at the date of this Offering Circular and within the last 5 years, members of the board of directors, executive officers and members of the statutory auditors held positions either as members of the board of directors, the board of statutory auditors, executive officers or shareholders.

Board of Directors:

Name / Position	Companies in which positions held during the preceding 5 years	Companies in which positions held as at the date of this Offering Circular
ROBERTO SIAGRI		
Shareholder	THE S.r.l	THE S.r.l
DINO FERAGOTTO		
Director	CO.S.IN.T.-Consorzio per Sviluppo	CO.S.IN.T.-Consorzio per Sviluppo

	Industriale Tolmezzo	Industriale Tolmezzo
Managing Shareholder	THE S.r.l	THE S.r.l
Shareholder	Techno – Pro S.a.s.	
GIOVANNI SALADINO		
General Director	Banca Gesfid	Banca Gesfid
Shareholder	The S.r.l.	The S.r.l.
MICHELE VITALI		
Director	Giulio Fiocchi S.p.A., Energyfog Systems S.a.s	Energyfog Systems S.a.s
Auditor	Merchant Venture Investment Holdings BV	
Alternate Auditor	Pension Fund COMETA	Pension Fund COMETA
Executive Officer	BNP PARIBAS	
ALBERTO FELICE DE TONI		
Director	ISDEE – Trieste Study and Documentation Institute on European Community and Oriental Europe, CATAS – Laboratory and Center of research on wood-furniture of San Giovanni al Natisone (UD), Euris Group (Euris S.r.l., Euris Solutions S.p.A. and Gesta Consulting S.p.A.)	ISDEE – Trieste Study and Documentation Institute on European Community and Oriental Europe, CATAS – Laboratory and Center of research on wood-furniture of San Giovanni al Natisone (UD), Euris Group (Euris S.r.l., Euris Solutions S.p.A. and Gesta Consulting S.p.A.)
Chairman	Telefriuli	
Vice-chairman	Area Science Park	Area Science Park
President	Agemont S.p.A.	Agemont S.p.A.
Shareholder	Euris S.p.A	Euris S.p.A.

The other members of the board of directors are not and have not been, during the 5 years preceding the date of this Offering Circular, members of any board of directors, executive committee or board of statutory auditors, shareholders, or of any company that are not controlled by the Company.

Executive Officers:

Name / Position	**Companies in which positions held during the preceding 5 years**	**Companies in which positions held as at the date of this Offering Circular**
PAOLO POZZATO		
Director	Oldham Italia S.r.l. –Xycom Automation S.r.l.	

Mr. Marco Cipolat is not and has not been, during the 5 years preceding the date of this Offering Circular, a member of any board of directors, executive committee or board of statutory auditors, shareholders, or of any company which is not controlled by the Company.

Board of Statutory Auditors:

Name / Position	Companies in which positions held during the preceding 5 years	Companies in which positions held as at the date of this Offering Circular
CLAUDIO SICILIOTTI		
Chairman of the board of directors	Hypo Alpe-Adria-Finance S.r.l.	Hypo Alpe-Adria-Finance S.r.l.
Vice Chairman	Consiglio Nazionale dei Dottori Commercialisti (Accountants Official Register)	Consiglio Nazionale dei Dottori Commercialisti (Accountants Official Register)
Managing Director	Hypo Alpe-Adria-Finance S.r.l.	Hypo Alpe-Adria-Finance S.r.l.
Director	Certicomm Autorità Nazionale di Certificazione, Data Services S.r.l., Delta Erre S.p.A., Hypo Alpe-Adria-Finance S.r.l., OIC, Roma 2002 S.p.A., Web Service S.p.A.	Certicomm Autorità Nazionale di Certificazione, Data Services S.r.l., Delta Erre S.p.A., Hypo Alpe-Adria-Finance S.r.l., OIC, Roma 2002 S.p.A., Web Service S.p.A.
President of the Board of Statutory Auditors	Advanced Global Solution A.G.S. S.p.A., B.P. Sedie S.p.A., C.O.A.S. Italia S.p.A., Cefin S.p.A. Chemidro S.p.A., Concast Technologies S.r.l., Elveca S.p.A., Friulanagas S.p.A., Germacar Auto S.p.A., Pittini S.p.A. Prestitalia S.p.A., RTH Group S.p.A., Sager S.r.l., Stark S.p.A., Tardivello Gregorio & C. S.p.A. Thermokey S.p.A., Trastec Scpa, Botto Faustino S.p.A., Ceramiche Girardi S.p.A., De Eccher S.p.A., Ethon S.r.l., Eurotel, Feberplast S.r.l., Fior di Mela S.coop. a r.l., Immobiliare De Candido S.r.l., Risorse BTA S.r.l., Tecnoenergia S.r.l., Tisana Sharif S.r.l.	Advanced Global Solution A.G.S. S.p.A., B.P. Sedie S.p.A. ,C.O.A.S. Italia S.p.A., Cefin S.p.A., Chemidro S.p.A., Concast Technologies S.r.l., Elveca S.p.A., Friulanagas S.p.A., Germacar Auto S.p.A., Pittini S.p.A., Prestitalia S.p.A., RTH Group S.p.A., Sager S.r.l., Stark S.p.A., Tardivello Gregorio & C. S.p.A., Thermokey S.p.A., Trastec Scpa.
Auditor	E.F. Fim S.p.A., Edilfriuli S.p.A., Friulmac S.p.A., Germacar Immobiliare S.p.A., Hypo Alpe Adria Leasing S.r.l., Iniziative Commerciale Padova S.p.A., Marfin S.p.A., Microled S.r.l., Pittini Finanziaria S.p.A., Redifin S.p.A., Strip Cotone S.p.A., 4 Sale Italia S.p.A., Agenzia Reg. Sanità, Cumini Auto S.r.l., Distilerie Camel S.p.A., I-AM.IT S.p.A., Le Officine Riunite S.p.A., Net Services S.p.A. in liquidazione, Step S.p.A.	E.F. Fim S.p.A., Edilfriuli S.p.A., Friulmac S.p.A., Germacar Immobiliare S.p.A., Hypo Alpe Adria Leasing S.r.l., Iniziative Commerciale Padova S.p.A., Marfin S.p.A., Microled S.r.l., Pittini Finanziaria S.p.A., Redifin S.p.A., Strip Cotone S.p.A.
Alternate Auditor	Finanziaria 2008 S.p.A., Geber S.p.A., Germacar di Cesaro Sergio S.p.A., Germacar S.r.l., Germacar Udine S.p.A., Noveco S.p.A., Rizzani De Eccher, I.F.A.P. S.p.A., Neoflex S.p.A., Neophane S.p.A., Poldo	Finanziaria 2008 S.p.A., Geber S.p.A., Germacar di Cesaro Sergio S.p.A., Germacar S.r.l, Germacar Udine S.p.A., Noveco S.p.A., Rizzani De Eccher.

	S.p.A., Sipa Holding S.r.l., Sipa Industriale S.r.l., Sofart S.p.A., Tonon & C. S.p.A.	
Managing Shareholder	Gemini S.n.c, Siciliotti e Associati dottori commercialisti	Gemini S.n.c, Siciliotti e Associati dottori commercialisti
Representative Shareholder	Sagittario Due S.S., Sagittario S.S. Sagittario Tre S.S., Safittario Uno S.s.	Sagittario Due S.S., Sagittario S.S. Sagittario Tre S.S.
UMBERTO LAGO		
Auditor	Va Bene S.r.l.	Va Bene S.r.l.
Shareholder	Bergoi S.r.l., Downtown Pictures S.r.l., Bluauto S.r.l., MIBU S.r.l., Mark Up S.a.s.	
Director	Downtown Pictures S.r.l., Bluauto S.r.l., MIBU S.r.l.	
Non-managing Shareholder	Downtown Pictures S.r.l.	Downtown Pictures S.r.l.
Managing Director	MIBU S.r.l.	MIBU S.r.l.
STEFANO MILANESE		
Director	Eurotech S.p.A., Friulco S.p.A., Geofin S.p.A. in receivership (“*amministrazione controllata*”), IBS International Biomedical Systems S.r.l., Modulblock S.p.A., Pane & Vino S.p.A., Raco S.p.A., Videe S.p.A., World Trade Center Friuli Venezia Giulia S.p.A.	Friulco S.p.A., Geofin S.p.A. in receivership (“*amministrazione controllata*”), Modulblock S.p.A., Pane & Vino S.p.A., Videe S.p.A.
Auditor	B Company S.p.A., BPT S.p.A., Cabas S.p.A., Cantiere Se.Ri.Gi di Aquileia S.p.A., Ilcam S.p.A., Mistral FVG S.r.l, Presame S.r.l., Prosciuttificio Dok Castello S.p.A., Trudi S.p.A.	B Company S.p.A., BPT S.p.A., Cabas S.p.A., Cantiere Se.Ri.Gi di Aquileia S.p.A., Ilcam S.p.A., Mistral FVG S.r.l., Presame S.r.l., Prosciuttificio Dok Castello S.p.A.
MICHELA CIGNOLINI		
Vice Chairman	Data Services S.r.l.	Data Services S.r.l.
Managing Director	Data Services S.r.l.	Data Services S.r.l.
Director	Data Services S.r.l., Private Trust Company S.r.l.	Data Services S.r.l., Private Trust Company S.r.l.
President of the Board of Statutory Auditors	Germacar di Cesaro Sergio S.p.A., Germacar S.r.l., LO.GI.CA S.p.A., Marfin S.p.A., Private Trust Company S.r.l., Coop. Borgo San Sergio	Germacar di Cesaro Sergio S.p.A., Germacar S.r.l., LO.GI.CA S.p.A., Marfin S.p.A. Private Trust Company S.r.l.
Auditor	B.P. Sedie S.p.A., Chemidro S.p.A. Concast Technologies S.r.l., Geber S.p.A., Germacar Immobiliare S.p.A., Pittini Finanziaria S.p.A., RTH Group S.p.A., Favaro S.p.A., Finanziaria 2008 S.p.A., Fior di Mela S.coop. a r.l.	B.P. Sedie S.p.A., Chemidro S.p.A. Concast Technologies S.r.l., Geber S.p.A., Germacar Immobiliare S.p.A., Pittini Finanziaria S.p.A., RTH Group S.p.A.
Alternate Auditor	Cefin S.p.A., Friulanagas S.p.A.,	Cefin S.p.A., Friulanagas S.p.A.,

	Germacar Auto S.p.A., Germacar Udine S.p.A., Pittini S.p.A., Prestitalia S.p.A., Sager S.r.l., Strip Cotone S.p.A, Tardivello Gregorio & C. S.p.A. Thermokey S.p.A., Botto Faustino S.p.A., Cumini Auto S.r.l., Le Officine Riunite S.p.A., Risorse BTA S.r.l., Tecnoenergia S.r.l., Tisana Sharif S.r.l.	Germacar Auto S.p.A., Germacar Udine S.p.A., Pittini S.p.A., Prestitalia S.p.A., Sager S.r.l., Strip Cotone S.p.A, Tardivello Gregorio & C. S.p.A., Thermokey S.p.A.
Managing Shareholder	Siciliotti e Associati dottori commercialisti	Siciliotti e Associati dottori commercialisti
ROBERTO D'IMPERIO		
Director	Elveca Plastic Engineering S.r.l., Analisi – Società di Revisione S.p.A., Certicomm – Autorità Nazionale di Certificazione, Centro di Assistenza Fiscale Nazionale Dottori Commercialisti S.p.A. Siglabile CAF DO.C. S.P.A. ovvero CAF Nazionale Dottori Commercialisti S.p.A., Consiglio Nazionale dei Dottori Commercialisti	Elveca Plastic Engineering S.r.l., Analisi – Società di Revisione S.p.A., Certicomm – Autorità Nazionale di Certificazione, Centro di Assistenza Fiscale Nazionale Dottori Commercialisti S.p.A. Siglabile CAF DO.C. S.P.A. ovvero CAF Nazionale Dottori Commercialisti S.p.A., Consiglio Nazionale dei Dottori Commercialisti
President of the Board of Statutory Auditors	Rubinetterie Carlo Nobili S.p.A., Vamoter S.r.l., Interflex S.p.A., M.R.G. S.p.A., Cefin S.p.A., Web Service S.p.A., I.C. Solution S.p.A.	Rubinetterie Carlo Nobili S.p.A., Vamoter S.r.l., Interflex S.p.A., M.R.G. S.p.A., Cefin S.p.A., Web Service S.p.A., I.C. Solution S.p.A.
Auditor	Germacar S.r.l., F.I.R. Rubinetterie S.p.A., Reali e Associati Società di Intermediazione Mobiliare (SIM) S.p.A., ITI S.P.A., Piscetta Fratelli S.r.l., Germacar di Cesaro Sergio S.p.A., Germacar Auto S.p.A., Deoflor S.p.A., Germacar Udine S.p.A.	Germacar S.r.l., Reali e Associati Società di Intermediazione Mobiliare (SIM) S.p.A., Piscetta Fratelli S.r.l., Germacar di Cesaro Sergio S.p.A., Germacar Auto S.p.A., Deoflor S.p.A., Germacar Udine S.p.A.
Liquidator	Ema Industriale S.r.l., Studi Riuniti S.r.l.	Ema Industriale S.r.l., Studi Riuniti S.r.l.
Managing shareholder and "socio d'opera"	Guarida S.S. di D'Imperio Roberto E C., Spra 2004 S.S. di D'Imperio Roberto & C.	Guarida S.S. di D'Imperio Roberto E C., Spra 2004 S.S. di D'Imperio Roberto & C.
Shareholder with limited liability ("Socio Accomandante")	Igea System S.a.s.	Igea System S.a.s.

Employees

As at September 30, 2005 Eurotech had approximately 157 employees worldwide.

Corporate Governance Code, the Remuneration Committee and Remuneration

In order to ensure compliance with the disciplinary rules for listed Italian public companies adopted by the Italian Stock Exchange, on September 2, 2005, the board of directors of the Company amended its rules of Corporate Governance so as to comply with the Corporate Governance Code (*Codice di Autodisciplina*).

In particular, pursuant to Article 8 of the Code of Ethics and the Rules of the Markets organised and managed by the Italian Stock Exchange (*Regolamento dei Mercati Organizzati e Gestiti da Borsa Italiana S.p.A.*), the board of directors of the Company has approved the establishment of a Remuneration Committee for directors and executive officers. The Remuneration Committee is appointed by the board of directors and consists of two members: Michele Vitali, as chairman and the independent director, Alberto Felice De Toni. The Remuneration Committee's role is to propose to the board of directors: (i) remuneration for any managing directors and other directors with specific entitlements, and (ii) remuneration for the executive officers based upon criteria recommended to them by the managing directors.

The Company believes that its group and organisational structure is compliant with the applicable *Corporate Governance* rules.

The following tables shows the compensation paid to our directors and our statutory auditors during the financial year ended December 31, 2004. All amounts are in €.

Directors:

Company	Position	Name	Remuneration	Other remuneration	Non-monetary benefits	Total
Eurotech S.p.A.	Chairman	Roberto Siagri	127,500	3,200(1)	2,229	132,929
Eurotech S.p.A.	Vice Chairman	Dino Feragotto	107,100	3,200(1)		110,300
Eurotech S.p.A.	Vice Chairman	Massimo Mauri	4,500	12,000(2)		16,500
Eurotech Consigliere	Director	Gianpietro Tecchiolli	34,400	57,200(2)		91,600

- Compensation for offices held in other Group companies.
- Compensation for consulting activities.

Executive Officers:

Company	Position	Name	Remuneration (€)
Eurotech S.p.A.	Executive Officer	Marco Cipolat	85,392
Eurotech S.p.A.	Executive officer (*)	Paolo Pozzato	16,007

(*) Employed since 1st October 2004.

Statutory Auditors:

Company	Position	Name	Remuneration	Other remuneration	Total
Eurotech	BSA President	Claudio Siciliotti	9,180	8,000 (1)	17,180

Eurotech	Auditor	Michela Cignolini	7,140	7,140

- Compensation for offices held in other Group companies.

As at the date of this Offering Circular, there are no loans and/or guarantees granted by the Company and/or any other member of the Group in favour of members of the board of directors, executive officers or the board of statutory auditors of the Company.

Except for the stock option plan granted to the directors of Eurotech and other companies within the Group (see “Management’s ownership of Shares” below), there are no additional benefits for members of the board of directors, executive officers or the board of statutory auditors of the Company.

As at the date of this Offering Circular, and as required under Italian law, the Group has made the following reserve for specified members of the board of directors and executive officers:

- €20,000 as remuneration for 2005 for Roberto Siagri as Chairman of the board of directors;
- €15,000 as remuneration for 2005 for Massimo Mauri as Vice Chairman of the board of directors;
- €15,000 as remuneration for 2005 for Dino Feragotto as Vice Chairman of the board of directors;
- €12,000 as remuneration for 2005 for Giampietro Tecchiolli as Managing Director;
- €41,233 for Marco Cipolat; and
- €3,404 for Paolo Pozzato.

Internal Control Committee

On September 2, 2005, the board of directors of the Company also approved the establishment of an Internal Control Committee. The Internal Control Committee is appointed by the board of directors and consists of two members: non-executive independent director, Caterina Belletti, as Chairman and executive independent director, Giovanni Spangaro. The Internal Control Committee has the following functions:

(i) to assist the board of directors in structuring internal control systems;

(ii) to assist the board of directors in periodically verifying the adequacy and effectiveness of the internal control’s system;

(iii) to assist the board of directors in its evaluation of the activity schedule of the individual in charge of internal control and the periodical schedules which are to be prepared every six months;

(iv) to assist the board of directors in its evaluation (together with the board of directors and auditors) of the adequacy of accounting principles’ and their homogeneity in view of preparation of the consolidated balance sheet;

(v) (a) to assist the board of directors in its evaluation of the external auditors’ proposals (in order to select the external auditors); (b) to assist the board of directors in its evaluation of the external auditors' proposed activities' schedule and the results set out in their report and proposals letters;

(vi) when the financial statements and the six monthly reports are approved, to provide the board of directors with a report analysing activities carried out and the adequacy and effectiveness of internal controls; and

(vii) to carry out any additional activities as deemed appropriate by the board of directors with special attention to the relationship with the external auditors.

Meetings of the Internal Control Committee are attended by the President of the board of statutory auditors, any other auditor designated by the President of the board of statutory auditors, the managing director in charge of control issues and, by the Internal Control Committee's invitation, the person in charge of internal controls, or any other employee whose attendance is deemed appropriate. The Internal Control Committee acts with the board of statutory auditors, the person in charge of internal control and the managing director in charge of control issues.

Management's ownership of Shares

The following table sets out the number of shares held directly by members of the board of directors and by the executive officers:

Name	Number of shares (as at the date of this Offering Circular)	% of share capital represented by shares
Roberto Siagri*	1,349,440	12.08%
Dino Feragotto*	1,294,984	11.59%
Massimo Mauri*	120,000	1.07%
Giovanni Saladino*	180,000	1.61%
Giampietro Tecchiolli*	156,960	1.40%
Umberto Lago*	109,080	0.98%

Note: Details relating to the Lock-up Agreements that have been entered into over these shareholdings are set out in "Plan of Distribution – Lock-up Agreements" below.*
*Note**: Each of Messrs. Dino Feragotto, Massimo Mauri, Giovanni Saladino and Roberto Siagri hold 100% of the issued share capital of THE S.r.l. which company holds 2,175,760 Shares in the Company, representing 19.47% of the total issued share capital of the Company prior to the Global Offering.*

As at the date hereof, the following board members have the following stock options:

<table>
<tr><th>Name</th><th>Number of Options</th><th>Nominal value of the Shares</th><th>Exercise Price</th><th>Exercise Period</th></tr>
<tr><td>Roberto Siagri</td><td>200,000</td><td rowspan="3">€ 0.25</td><td rowspan="3">Offering price</td><td rowspan="3">1 December 2006 to 29 December 2006;
1 December 2007 to 28</td></tr>
<tr><td>Dino Feragotto</td><td>145,000</td></tr>
<tr><td>Massimo Mauri</td><td>165,000</td></tr>
</table>

Giampietro Tecchiolli	75,000			December 2007

As at the date of this Offering Circular, none of the remaining members of the board of directors held any shares in our Company.

Immediately following the Global Offering, the members of our board of directors and senior management will, in the aggregate, hold direct and indirect equity interests in our Company of 16.65% (if the Over-allotment Option is exercised in full or not).

As at the date of this Offering Circular, none of the members of the board of statutory auditors has any direct or indirect equity interest in our Company.

Conflicts of Interest

Other than those related party transactions specified under the heading "Related Party Transactions" in the section "Our Business" above or as otherwise detailed in this Offering Circular, to our knowledge, none of the members of the board of directors or the board of statutory auditors or the executive officers, have or have had any conflict of interest (potential or otherwise) between their respective personal interests and those of the Company.

Giampietro Tecchiolli, director of the Company owns 0,1% of the share capital of Eth Lab. S.r.l., which is controlled by Eurotech with a participation equal to 99,9% of its share capital.

Corporate Governance

The Company is compliant with the corporate governance rules imposed by Italian law. In addition, the Company has approved the following corporate governance rules:

On July 29, 2005, the board of directors of the Company approved the Internal Dealing Code (*il codice di comportamento*) pursuant to the Rules of the Markets organised and managed by the Italian Stock Exchange (*Regolamento dei Mercati Organizzati e Gestiti da Borsa Italiana S.p.A.*).

In accordance with the recommendation set out in Article 11 of the Corporate Governance Code (*Codice di Autodisciplina*), on September 2, 2005, the board of directors of the Company appointed Massimo Mauri as director responsible for investor relationships (*Responsabile delle relazioni con gli investitori*) who will be in charge of managing the Company's relationship with its institutional investors, other shareholders and the financial community in general.

Pursuant to Article 27 of the Company's By-Laws, the auditors' appointment is based on a list of nominees provided by the shareholders. Only shareholders holding (individually or collectively) shares with voting power representing at least 2% of the share capital are entitled to approve such lists.

Incentive Plans

On July 29, 2005 the board approved the implementation of the 2005-2007 Incentive Plan and determined that a tranche of a maximum 1,100,000 shares be distributed to the beneficiaries of the plan, in amounts to be determined by the board of directors and at the Offering Price for the Global Offering. The board of directors has further decided that the options will be exercisable in two tranches.

On September 15, 2005 an extraordinary shareholders meeting of the Company approved and authorised the board of directors to: (i) acquire, on one ore more occasions, ordinary shares of the Company for a period of 18 months after the publication of the *Prospetto Informativo*, with conditions to be determined;

(ii) to exercise options with regard to own shares held by the Company; (iii) to dispose of such own shares, at a time and under circumstances to be determined, the proceeds of such sales to be used for the Incentive Plan.

Shareholder resolutions connected with the Global Offering

On September 15, 2005, an extraordinary shareholders meeting approved: (i) the acquisition by us of our own shares required for the compensation of the Global Co-ordinator; and (ii) the acquisition or sale by us of our own shares as required for stabilization activities of the Global Co-ordinator.

PRINCIPAL SHAREHOLDERS AND THE SELLING SHAREHOLDER

The Principal Shareholders

The following table sets out, as at the date of this Offering Circular, the holders (direct or indirect) of 2% or more of the share capital of the Company.

Shareholder	Number of Shares prior to the Global Offering	% of share capital prior to the Global Offering	Number of Shares immediately following the Global Offering	% of share capital immediately following the Global Offering	Number of Shares subject to the Over-allotment Option	Number of Shares immediately following the Global Offering and exercise of the Over-allotment Option	% of share capital immediately following the Global Offering and exercise of the Over-allotment Option
Roberto Chiandussi	800,000	7.16	800,000	4.30	0	800,000	4.30
Giorgio Pezzulli	856,000	7.66	856,000	4.60	0	856,000	4.60
Finanziaria 2008 S.r.l.	318,344	2.85	318,344	1.71	0	318,344	1.71
First Gen – E-Serviços De Consultoria SA (2)	2,499,992	22.37	1,297,992	6.97	1,297,992	0	0
Friulia Finanziaria Regionale Friuli Venezia Giulia S.p.A.(3)	1,131,992	10.13	1,131,992	6.08	0	1,131,992	6.08
THE S.r.l.(4)	2,178,528	19.47	2,178,528	11.70	0	2,178,528	11.70
Dino Feragotto (5)	1,294,984	11.59	1,294,984	6.95	0	1,294,984	6.95
Massimo Mauri (5)	120,000	1.07	120,000	0.64	0	120,000	0.64
Giovanni Saladino (5)	180,000	1.61	180,000	0.97	0	180,000	0.97
Roberto Siagri (5)	1,349,440	12.08	1,349,440	7.25	0	1,349,440	7.25

- Finanziaria 2008 S.r.l. is controlled by entities outside the Group.
- First Gen E-Serviços De Consultoria SA is controlled by Banca Gesfid in Lugano, the Company is managed by Gen-E Management Ltd.
- Friulia Finanziaria Regionale Friuli Venezia Giulia S.p.A. is controlled by the Friulia Venezia Giulia Region.
- 1,080,000 of the Shares owned by THE S.r.l. are held in an escrow account in favour of Friulcassa Cassa di Risparmio Regionale and 800,000 Shares owned by THE S.r.l. are held in an escrow account in favour of Banca Popolare Friuladria.
- Each of Messrs. Dino Feragotto, Massimo Mauri, Giovanni Saladino and Roberto Siagri hold 100% of the issued share capital of THE S.r.l. Each of Messrs. Dino Feragotto, Massimo Mauri, Giovanni Saladino and Roberto Siagri hold 100% of the issued share capital of THE

S.r.l. which company holds 2,175,760 Shares in the Company, representing 19.47% of the total issued share capital of the Company prior to the Global Offering.

To the best of the knowledge of the Company, as at the date of this Offering Circular, no entity or person controls the Company under Article 93 of the Unified Financial Act and no person will control the Company after the initial public offering of its Shares.

As at the date of this Offering Circular, the Company has no knowledge of any agreements which may lead to a change in control of the Company.

The Selling Shareholder

First Gen-e Serviços de Consultoria SA, the Selling Shareholder, is a company incorporated under the laws of Portugal, registered at the commercial register of the "Free Zone" of Madeira, registration number 4933/2000.03.23, tax number 511.121.598.

The Selling Shareholder's registered office is at Avenida do Infante no. 50, Sé, Funchal, Madeira, Portugal.

DESCRIPTION OF OUR SHARE CAPITAL

We summarise below a brief description of our shares and certain provisions of our By-Laws (as defined below) and of Italian law applicable to Italian companies whose shares are listed on a regulated market in the EU. This summary contains all the information that we consider to be material regarding our shares but is not complete. The summary of Italian securities law contained in this Offering Circular is based on laws and regulations in Italy as in effect on the date of this Offering Circular, which may be subject to change.

In this section, reference is made to the new Italian Corporate law introduced by Legislative Decree no. 6 of January 17, 2003, which came into effect from January 1, 2004 (the "***Corporate Law Reform***"*), which, in certain respects, will apply also to Italian listed companies. We cannot assure you that the Corporate Law Reform will remain unaltered as, inter alia, further coordination between rules concerning Italian listed and unlisted companies might be introduced.*

You should read this summary together with our By-Laws or inform yourself about Italian law applicable to us and not rely on this summary only.

The registrar and the paying agent with respect to the shares is Monte Titoli, located at via Mantegna 6, 20154 Milan, Italy.

Set out below is a summary of information concerning the shares and provisions of our current By-Laws and of Italian law in effect as at the date hereof, and of the Corporate Law Reform as at the date hereof. Comments relating to the Corporate Law Reform are limited to provisions, which would apply by operation of law irrespective of any amendment to the By-Laws. This summary contains all information which we consider to be material regarding the shares but does not purport to be complete. This summary is qualified in its entirety by reference to the By-Laws or current Italian law, as the case may be.

General

Our share capital consists of ordinary shares with a nominal value of €0.25 each. No other category of shares exist as at the date of this Offering Circular. All of the shares issued and outstanding at the date hereof are in registered form, validly issued and fully paid. As at the date of this Offering Circular, the issued and outstanding share capital of the Company is €2,793,824 comprising 11,175,296 ordinary shares of €0.25 each.

Issue of additional shares

In general, the issue of additional shares must be authorised by a majority of our shareholders in an extraordinary meeting of the shareholders of the Company. Listed companies may issue savings shares, which carry preferential rights, but do not grant voting rights in meetings of the shareholders of the Company. The issuance of savings shares must be approved by an extraordinary meeting of the shareholders of the Company.

Under the Corporate Law Reform, new classes of shares with special voting rights and participation rights may be issued.

Meetings of the shareholders of the Company

Meetings of the shareholders of the Company may be either ordinary meetings or extraordinary meetings. Meetings of the shareholders of the Company may be called by the board of directors and in general must be called upon the request of holders of at least 10% of the total number of issued and outstanding shares. Meetings of the shareholders of the Company may also be called by the board of statutory auditors or by the court having jurisdiction, if our board of directors or board of statutory auditors, respectively, has breached its fiduciary duty to our shareholders or has not called the meeting in accordance with the provisions of Italian law. Under the Corporate Law Reform, this right of holders may not be enforceable in the event that a proposal or a report by the board of directors of the Company is required by law in respect of the matters in the agenda of the meeting of the shareholders of the Company. Holders of shares are entitled to attend and vote for each share held. Votes may be cast personally or by proxy, in accordance with applicable regulations.

Ordinary meetings of the shareholders of the Company must be convened at least once a year to approve our financial statements, which meeting must be convened within 120 days or under certain circumstances within 180 days, after the end of the financial year to which such statements relate. Under the By-Laws, at ordinary meetings of the shareholders of the Company, shareholders resolve upon dividend distribution, if any, appoint directors and statutory auditors and the independent auditors, determine their remuneration and vote on the liability of directors and statutory auditors and any business matters submitted by the board of directors.

The quorum required, in person or by proxy, for an ordinary meeting upon first call to be validly held is at least 50% of the total number of issued and outstanding shares, while on second call there is no quorum requirement. Resolutions at an ordinary meeting may be adopted, in both first and second calls, by the affirmative vote of the holders of the majority of the shares present or represented. The By-Laws provide for a voting list system for the appointment of statutory auditors. These lists may be submitted only by those shareholders who represent at least 2% of shares with voting rights at ordinary meetings of the shareholders of the Company.

Extraordinary meetings of the shareholders of the Company may be called to pass upon, among other things, proposed amendments to the By-Laws, capital increases, mergers, de-mergers, issues of debentures, appointment of liquidators and similar extraordinary actions. Under the Corporate Law Reform, an issue of debentures, not convertible into shares of the same company, may be resolved upon by the board of directors unless the by-laws of the company provide differently. According to the By-Laws, the quorum required for an extraordinary meeting upon first call to be validly held at least 50% of the total number of the issued and outstanding shares. The quorum required for an extraordinary meeting upon second call to be validly held is more than one-third of the total number of the issued and outstanding shares. Under the By-Laws, on the third call, the quorum required for the extraordinary meeting to be validly held at least one-fifth (or 20%) of the total number of issued and outstanding shares. Resolutions of extraordinary meetings on first and second call will be validly passed with the approval of at least two-thirds of the holders of shares represented at such meetings. In general, and with some exceptions, the approval of more than 50% of the shares outstanding is required for the issue of shares, convertible bonds and warrants for the purchase of shares which are not reserved to existing shareholders.

Under Article 7 of our By-Laws, shareholders are informed of future meetings of the shareholders of the Company to be held by publication of a notice in the *Gazzetta Ufficiale* of the Republic of Italy (the "**Official Gazette**") or in the newspaper *Finanza e Mercati*, at least 30 days prior to the date fixed for the meeting. The above-mentioned notice period shall be reduced to 20 days in the event a meeting of the shareholders of the Company has been requested by shareholders representing at least 10% of the issued and outstanding shares, or at least one-fifth (or 20%) of the issued and outstanding shares. The meetings of the shareholders of the Company to be held while a tender offering is pending shall be called by a notice published in a daily newspaper with general circulation in Italy, as well as through two press agencies, at least 15 days prior to the date fixed for the meeting. In the event that the quorum required on second call for an extraordinary meeting of the shareholders of the Company to be held is not obtained, a third meeting may be called within 30 days. The notice of such meeting shall be published in the Official Gazette at least 8 days before the date fixed for the meeting. In addition, a meeting will be deemed duly held if 100% of the share capital is represented and all directors and statutory auditors are present at the meeting. Similarly, the Corporate Law Reform provides that a meeting will be deemed duly held if 100% of the share capital is represented and the majority of the directors and of the surveillance corporate bodies is present at the meeting.

All registered shareholders may attend a meeting of the shareholders of the Company. To attend any meeting, shareholders must instruct the relevant depository associated with Monte Titoli with which their accounts are held to procure the necessary admission tickets and proxy forms.

Solicitation and collection of proxies are regulated by Articles 136 to 144 of the Unified Financial Act and by Articles 134 to 138 of CONSOB Regulation no. 11971 of May 14, 1999, as amended. Shareholders may appoint proxies by completing and signing the form attached to the admission ticket. The current By-Laws do not provide for limits to shareholders' representation in the meetings of the shareholders of the Company by proxies which have been given according to the aforementioned provisions. The solicitation of proxies may be carried out by an intermediary, which has been appointed by and acts on behalf of the promoter of such solicitation, through the distribution of a prospectus and a proxy form. The vote, related to the shares for which a proxy has been issued, is exercised by the promoter or by the intermediary that has carried out the solicitation. The intermediary is prevented from delegating performance of its duties to third parties. The promoter of a solicitation shall own shares, which enable the same to vote in the meeting of the shareholders of the Company for which the proxy is requested, in the amount of at least 1% of voting shares and shall be registered, for at least six months, in the register of shareholders for the same amount of shares. Solicitation of proxies shall be carried out only by investment companies, banks, *società di gestione del risparmio* (mutual funds), *società di investimento a capitale variabile* (investment companies characterised by a variable capital stock) and corporations whose only purposes are solicitation and proxy activities. An association consisting of at least 50 shareholders, who are natural persons and who each hold no more than 0.1% of the voting share capital, may collect and exercise proxy votes on behalf of its members. A proxy shall be subscribed by shareholders. It is revocable and can be assigned only for single meetings of the shareholders of the Company that have been already called, and effective also in relation to possible further calls. Under the Corporate Law Reform, it may be possible to confer proxies which are effective for more than one meeting of the shareholders of the Company in the case of a general power of attorney or a power of attorney granted by a company or other entity to its employees.

Duly adopted resolutions of a meeting of the shareholders of the Company are binding on all shareholders. However, each absent or dissenting shareholder (as well as our directors or statutory auditors) has the right, under Italian law, to ask a court to annul resolutions taken in violation of applicable laws or the by-laws. Any person who has an interest in a shareholders' resolution may ask a court to declare such resolution null and void in accordance with applicable provisions of law. The Corporate Law Reform provides that absent, dissenting or abstaining shareholders have the right to challenge a voidable shareholders' resolution in respect of which: (i) they have shares with voting rights; and (ii) such shares represent at least 1 per 1000 of the share capital of a listed company. In addition, in a limited number of cases (including the merger of a company listed on MTAX into an unlisted company) applicable law grants shareholders who are dissenting from certain resolutions of the meeting of the shareholders of the Company the right to withdraw from the company and to obtain redemption of their shares by the issuer at the average market price of the shares during the previous six month period. A redemption can be effected either by utilising the available reserves of the issuer (in which case the shares may be held and registered in the name of the issuer) or alternatively by a reduction of share capital of the issuer in accordance with the applicable provisions. The Corporate Law Reform provides for other rights of withdrawal from the company for shareholders who did not vote in favour of certain shareholders' resolutions (including any resolution which entails the exclusion from the listing with reference to shares listed on regulated markets). In addition, the Corporate Law Reform provides for new procedures to be carried out before the redemption of the shares, which include: (a) the offer of an option to the other shareholders (and holders of bonds convertible into shares of the company); (b) in the case of listed shares, the offer on regulated markets; (c) the purchase by the company using available reserves; and (d) in the event that available reserves or profit do not exist, the calling of an extraordinary meeting of the shareholders of the Company to resolve upon the reduction of the share capital or the winding up of the company.

Dividends

Payments of annual dividends are subject to the approval of our shareholders at the annual meeting of the shareholders of the Company. A shareholder collects dividends through the depository bank associated with Monte Titoli.

Before paying dividends, 5% of the net profit (on an unconsolidated basis) for each year must be set aside to a statutory reserve fund (*riserva legale*). This requirement ceases if this reserve fund, including amounts set aside during prior years, reaches, or is maintained at, 20% of the aggregate nominal value of our share capital. The shareholders may also decide to allocate earnings to reserve funds (distributable earnings). The distributable reserves may be distributed as long as the legal reserve does not fall below the legal minimum as a result of such distribution.

Pre-emptive rights

Pursuant to Italian law, new issuances of shares of capital stock, whether shares or other classes of capital stock, may be authorised pursuant to a resolution of shareholders at an extraordinary meeting of the shareholders of the Company. Shareholders (and holders of convertible bonds) are entitled to subscribe for new issues of: (i) shares; (ii) debt instruments convertible into shares; and (iii) any other warrants, rights or options entitling the holder to acquire shares, in each case in proportion to their respective shareholdings (and for the holders of convertible bonds taking into consideration the conversion ratio). As at the date of this Offering Circular, our share capital is entirely represented by shares. Subject to certain conditions principally designed to prevent dilution of the rights of shareholders, the pre-emptive rights do not apply where the increase in the share capital is to be subscribed through a contribution in kind, and may be waived or limited for any particular issue of such securities but only upon the affirmative vote of the shareholders representing more than 50% of the share capital present or represented at an extraordinary meeting, irrespective of whether such vote is taken at a meeting held on the second or third call, and only when our interest requires it. See the paragraphs headed "Description of Our Share Capital — Meetings of the shareholders of the Company" above. Pre-emptive rights can also be limited under certain conditions pursuant to Article 2441 (last paragraph) of the Italian Civil Code and Article 134, second paragraph of the Unified Financial Act when the newly issued shares are offered for subscription to our employees or employees of our subsidiaries or of companies controlling the Company. Under the Corporate Law Reform, the by-laws of any company, the shares of which are listed on regulated markets, may permit share capital increases which waive the shareholders' pre-emptive rights provided that: (i) such capital increase does not exceed 10% of the pre-existing share capital; (ii) the issue price of the new shares corresponds to the market price of such shares; and (iii) the condition of sub-paragraph (ii) above is confirmed in a report of the company's independent auditors.

Liquidation rights

Under Italian law, shareholders are entitled to share in the liquidation proceeds of their company in proportion to the nominal value of their shares after the company has satisfied all its creditors' claims. In addition, shareholders' rights to liquidation proceeds are further subordinated to the rights of preferred equity holders (if any) to receive the nominal value of their investment. Preferred equity holders include holders of savings shares or preferred shares, if any. After those distributions, the shareholders will receive the remaining liquidation proceeds, in proportion to their shareholding.

Our purchase of our own shares

We may purchase our own fully-paid shares on the following conditions and limitations under Italian law:

- the purchase is authorised by an ordinary meeting of the shareholders of the Company;

- the nominal value of the shares purchased may not exceed 10% of the outstanding share capital, taking into consideration also the shares owned by our subsidiaries. Shares held in excess of this 10% limit must be sold within one year of the date of purchase;

- Ithe purchase of such shares must be financed out of our retained earnings or distributable reserves as shown in the last approved non-consolidated financial statements. Therefore, the total purchase price may not be greater than the earnings available for distribution or the distributable reserves;

- the purchase must be made in a manner that ensures the equal treatment of the shareholders.

Similar requirements and limitations apply with respect to purchase of our shares by our subsidiaries. The shares owned by us or our subsidiaries are not entitled to voting rights but will count at the meetings of the shareholders of the Company for quorum purposes.

As at the date hereof, we do not own any of our own shares.

SECURITIES TRADING IN ITALY

This is our initial public offering and no public market currently exists for our Shares. On November 7, 2005, the Italian Stock Exchange gave formal approval under decree number 4316 for our Shares to be listed on MTAX, an Italian electronic stock market. We expect trading of our Shares on MTAX-Star to start on or about November 30, 2005. The actual date of commencement of trading will be published by the Italian Stock Exchange in accordance with subsection 6 of Article 2.4.3 of the rules of the Italian Stock Exchange, together with the indication of the specific trading segment of the ordinary shares. All transactions in securities on the Italian stock exchange are quoted in €.

The Italian Securities Market

We expect our shares to be traded on the *MTAX,* the Italian automated screen-based system, which is administered by *Borsa Italiana S.p.A.* and is subject to the supervision and control of CONSOB, the public authority charged with regulating investment companies, securities markets and public offerings of securities in Italy in order to ensure transparency and regularity of dealings and the protection of investors. *Borsa Italiana S.p.A.* was established to manage the Italian regulated financial markets (including the *MTAX)* pursuant to Legislative Decree No. 415 of July 23, 1996 (the "**Eurosim Decree**"). *Borsa Italiana S.p.A.* commenced operations in January 1998 and has issued rules governing, *inter alia,* the organization and administration of the Italian Stock Exchange, MTAX-Star, the over-the-counter, futures and options markets as well as admission to listing on and trading in these markets.

The Eurosim Decree implemented in Italy EC Directive No. 93/22 (the *Investment Services Directive)* and EC Directive No. 93/6 (the *Capital Adequacy Directive)* and provided for a major reform of the Italian securities market. A vast majority of the provisions contained in the Eurosim Decree have been consolidated in the Unified Financial Act. Various implementing regulations have been promulgated pursuant to the Unified Financial Act. Under the Unified Financial Act, public trading of equity securities may be carried out on a professional basis by authorized financial intermediaries *(società d'intermediazione mobiliare,* or **"SIM"**s), banks and certain types of finance companies. In addition, banks and investment firms organized in any member state of the European Union ("**EU**") are permitted to operate in Italy either as a branch or on a cross-border basis provided that the intent of such bank or investment firm is communicated to CONSOB and the Bank of Italy *(Banca d'Italia)* by the competent authorities of the member state according to specific procedures. Non-EU banks and non-EU investment firms may operate in Italy subject to the specific authorization of CONSOB and the Bank of Italy.

For a description of stock transfer rules in Italy, see "*—Form and Transfer of Our Shares*" below.

Clearance and Settlement

The settlement of stock exchange transactions is carried out by Monte Titoli, a centralized securities clearing system owned by the Bank of Italy and certain major Italian banks and financial institutions. Almost all Italian banks and certain SIMs have securities accounts with Monte Titoli and act as depositories for investors. Beneficial owners of shares may hold their interests through deposit accounts with any depository having an account with Monte Titoli. The beneficial owners of shares held with Monte Titoli may transfer their shares, collect dividends and exercise other rights with respect to the shares through such accounts.

Participants in Euroclear and Clearstream, Luxembourg may hold their interests in shares and transfer their shares, collect dividends and exercise other shareholders' rights with respect to such shares through Euroclear or Clearstream, Luxembourg. Holders of shares may request Euroclear or Clearstream, Luxembourg to transfer their shares to an account set up for such holders with an Italian bank or any authorized broker having an account with Monte Titoli. Application has been made for the shares to be accepted for clearance through Euroclear and Clearstream, Luxembourg.

Pursuant to Legislative Decree No. 213 of June 24, 1998 ("**Decree No. 213**"), holders of shares deposited with Monte Titoli may not obtain physical delivery of certificates representing their shares.

Market Regulations

A three-day rolling cash settlement period applies to all trades of equity securities in Italy. Any person, through an authorized intermediary, may purchase or sell listed securities following (i) for sales, the deposit of the securities and (ii) for purchases, the deposit of 100.0% of their value in cash. No closing price is reported for the electronic trading system, but (i) an official price for each security, calculated as a weighted average of all trades carried out during the trading day, net of trades executed on a "cross-order" basis and (ii) a reference price for each security, calculated as a weighted average of the last 10.0% of the trades carried out during such day, net of trades executed on a "cross-order" basis, are published daily.

If the opening price of a share (established each trading day before trading begins and based on bids received) differs by more than 10.0% (or such other amount as may be established by Borsa Italiana from the previous day's reference price, trading in that share will not be permitted until Borsa Italiana. Authorizes the recommencement of trading. If the price of a share fluctuates by more than 5.0% from the last reported sale price or 10.0% from the previous day's reference price during the course of a trading day, automatic suspension is declared for a period of time determined by Borsa Italiana S.p.A. In the event of such suspension, orders already placed may not be modified or cancelled, and new orders may not be processed. Borsa Italiana S.p.A. has the authority to suspend trading of any security in response to extreme price fluctuations or for other reasons. In extreme situations, CONSOB may, where necessary, adopt measures designed to ensure the transparency of the market, orderly trading and protection of investors.

Form and Transfer of Our Shares

Pursuant to Decree No. 213 and CONSOB Regulation 11768 of December 23, 1998, as amended ("**CONSOB Regulation 11768/1998**"), the shares of a company which is listed or to be listed on any Italian stock exchange may not be represented by paper certificates and all transfers and exchanges of a listed company's shares must take place through a book-entry system managed by a centralized securities depositary. Accordingly, our shares are deposited with an intermediary, as defined in and required under CONSOB Regulation 11768/1998, and will be transferred and exchanged through the book-entry system operated by Monte Titoli. The shares will be registered in the name of Monte Titoli and transferred between beneficial owners based on instructions, given to the relevant depositaries associated with Monte Titoli, to debit the depository account of the seller and to credit the depository account of the purchaser.

Pursuant to Article 24 of CONSOB Regulation 11768/1998, intermediaries admitted to the book-entry system include, inter alia: (i) the Bank of Italy, Italian or EU banks, or non-EU banks authorized by the Bank of Italy to operate in Italy; (ii) SIMs; (iii) EU investment companies or non-EU investment companies authorized by CONSOB to operate in Italy; (iv) Italian asset management companies exclusively for the activity of management of investment portfolios on a customer by customer basis; (v) stockbrokers (agenti di cambio) listed on the single national list referred to in Article 201 of the Unified Financial Act; (vi) issuing companies exclusively for financial instruments issued by them or by companies in which they hold a controlling interest; (vii) EU or non-EU entities operating a centralized clearing system; (viii) entities operating a clearing system governed by Articles 69(2) and 70 of the Unified Financial Act; (ix) financial intermediaries registered with the Bank of Italy pursuant to Article 107 of Legislative Decree No. 385 of September 1, 1993, as amended; (x) the Italian Postal System (Poste Italiane S.p.A.); and (xi) the Italian Bank for Deposits and Loans (Cassa Depositi e Prestiti S.p.A.).

To transfer shares under the automated book-entry system introduced by Decree No. 213, the owners of our shares are required to give instructions to their intermediaries. If the transferee is a customer of the transferor's intermediary, the intermediary will simply transfer the shares from the transferor's account to the account of the transferee. If, however, the transferee is a customer of another intermediary, the transferor's intermediary will instruct the centralized clearing system to transfer the shares to the account of the transferee's intermediary, which will then register the shares on the transferee's account.

Each intermediary maintains a custody account for each of its customers setting out the financial instruments of such customer and keeps a record of all transfers, payments of dividends, exercise of rights attributable to such financial instruments, charges or other encumbrances on the instruments. A shareholder (or any other eligible party) that needs to prove ownership of shares may request from the intermediary a certificate stating that the intermediary is holding the shares on deposit in the shareholder's account. The request shall indicate, among other things: (i) the quantity of financial instruments in respect of which the statement is requested; (ii) the rights which the applicant intends to exercise; (iii) in case of rights exercisable at shareholders' meetings, the date and nature of the meeting; and (iv) the duration in respect to which the certificate's validity is requested.

The intermediary must issue the certificate within three days of receiving the request and may not transfer the shares referred to in the certificate until the certificate lapses or is returned. Shareholders may exercise their rights over the shares only after these have been delivered to an intermediary for deposit with a centralized security custody and administration system.

The book-entry system began operations on October 5, 1998, when Monte Titoli cancelled all share certificates representing listed shares in its possession and returned them to the issuing companies. Monte Titoli registered the shares in accounts held under the name of the depositing intermediaries and gave them and the issuing companies notice of the registration. The intermediaries, in turn, registered the shares in the shareholders' accounts. Since January 1, 1999, shareholders have been allowed to exercise their rights only after they have deposited their share certificates with an intermediary and authorized it to deposit the shares with a company operating a centralized clearing system.

All of our shares will be deposited with Monte Titoli on or prior to the closing date. Accordingly, it will not be possible for a shareholder to obtain physical delivery of shares. Instead, transfers of shares will be made only through the procedures described above.

Reporting Requirements

Pursuant to the Unified Financial Act (*Testo Unico*) and CONSOB Regulation 11971/1999, a shareholder that owns more than 2.0%, 5.0%, 7.5%, 10.0% or subsequent multiples of five, of the shares of a listed company must notify CONSOB and the relevant company within five business days of the acquisition. Any shares held in excess of such levels cannot be voted on until the appropriate notice is given. In addition, any reduction of a shareholder's interest below these thresholds must be reported to CONSOB and the listed company whose shares are acquired or sold (the "**subject company**") within the same time limit.

Moreover, a listed company that owns more than 10.0% of the shares of an unlisted company must (i) notify CONSOB within 30 days of the board of directors' approval of the financial statements or the semiannual financial statements, and (ii) notify the subject company within seven days of the purchase. The decrease of share ownership under 10.0% must be reported to the subject company by the shareholder within seven days of the decrease.

Any resolution taken in violation of the above-mentioned reporting requirements may be annulled if the resolution would not have been adopted in the absence of such votes.

For the purpose of calculating these ownership thresholds, shares owned by any person, irrespective of whether the voting rights are exercisable by such person or by a third party, are taken into consideration and, except in certain circumstances, account is also taken of shares held through, or shares the voting rights of which are exercisable by, subsidiaries, fiduciaries or intermediaries.

For the purpose of calculating the ownership threshold of 5%, 10%, 25%, 50% and 75%, shares should also be taken into account which: (i) a person has an option, directly or indirectly, to acquire or sell; and (ii) a person may acquire further to the exercise of warrant or conversion right which is exercisable within 60 days. Notification should be made (except in certain circumstances) within five trading days of the date on which such person, upon the exercise of the right referred to in (i) or (ii) above, acquires or disposes of shares which cause his or her aggregate shareholding to exceed or fall below the relevant thresholds.

Cross-ownership between listed companies may not exceed 2.0% of their respective voting shares. Similarly, cross-ownership between a listed company and an unlisted company may not exceed 2.0% of the shares of the listed company (or 5.0%, provided that the 2.0% threshold has been exceeded following an agreement authorized in advance by the shareholders of both companies) or 10.0% of the voting shares of the unlisted company. Any shares held in excess of these levels (including the shares held through subsidiaries, fiduciaries or intermediaries) may not be voted on and must be sold by one of the companies as specified by applicable law.

The foregoing provisions in relation to cross-ownership do not apply when the thresholds are exceeded following a public tender offer aimed at acquiring at least 60.0% of the company's ordinary shares.

Shareholder Agreements

Pursuant to the Unified Financial Act, shareholders' agreements governing voting rights or the right to sell the shares of a listed company, or any other right which grants a dominant influence over the company, must be (i) reported to CONSOB within five days of the agreement's execution, (ii) published in abridged form in a daily newspaper within 10 days of the agreement's execution and (iii) filed with the relevant companies registry (Registro delle Imprese) within 15 days of the agreement's execution. Failure to comply with these requirements renders such shareholders' agreement null and void.

Any shareholders' agreement of the type described above may have a maximum term of three years or, if executed for an unlimited term, can be terminated by a party upon six months' prior notice. In the case of a public tender offer, a party to these agreements is free to withdraw from them without notice, such withdrawal being effective only in the event that the relevant shares are actually sold.

Tender Offers in Italy

Pursuant to Article 106 of the Unified Financial Act, any person that, in any way, acquires more than 30.0% of the voting stock of a listed company must commence a public tender offer for the entire voting stock of the listed company. Similarly, any person who – having more than 30.0% of the voting stock of a listed company without at the same time exercising majority voting rights at ordinary shareholders' meetings – acquires by way of acquisition or exercise of subscription or conversion rights during a 12-month period more than 3.0% of the ordinary capital must commence a public tender offer for the entire voting stock of the company. The offer must be launched within 30 days from the date on which the 30.0% threshold was exceeded, and must be launched at a price not lower than the average of: (x) the weighted average of the market price for the shares in the previous 12 months; and (y) the highest price paid for the shares by the offeror in the same period. CONSOB has established a number of exemptions from the duty to launch a tender offer through the implementing regulations. Such exemptions include, among other things, (a) when a third party or parties exercise(s) the majority voting rights in ordinary shareholders' meetings; (b) when a party exceeds the threshold as a result of shares transferred to it by certain related parties; and (c) when the threshold has been exceeded by a party following the exercise of pre-emptive or conversion fights.

Article 107 of the Unified Financial Act provides that the acquisition of an interest of more than 30.0% of the voting stock of a company does not trigger the obligation to launch a 100.0% tender offer if the person concerned has exceeded the threshold as a result of a public tender offer launched for 60.0% or more of the voting stock of the company, provided that: (i) the tender offer has been approved by the majority of the relevant shareholders of the company (excluding, for the purpose of calculating such majority, the offeror, the shareholder which holds an absolute or relative majority shareholding which exceeds 10.0%, as well as persons which act in concert with the offeror); and (ii) the offeror (or its subsidiaries, affiliates, directors or managers and other persons connected to it by virtue, among other things, of shareholders' agreements) has not acquired more than 1.0% of the voting stock of the company in the preceding 12 months; and (iii) after having received satisfactory evidence that the terms of (i) and (ii) have been complied with, CONSOB has ruled that a mandatory bid need not be made. However, upon completion of the tender offer, the offeror will nonetheless be obliged to launch an offer for 100.0% of the voting stock if, in the course of the subsequent 12 months, (i) it (or its affiliates) has purchased more than 1.0% of the voting stock of the company; or (ii) the company has resolved on a merger or demerger.

For the purpose of the above paragraphs in this heading "Tender Offers in Italy" only, the term "voting stock" means capital stock, however held, which assigns voting rights with respect to shareholders' resolutions concerning the appointment, annulment of the appointment, or liability of our directors.

Finally, the Unified Financial Act provides that anyone holding more than 90.0% of the voting stock of a company must launch an offer for the remaining shares, unless an adequate distribution of the shares is resumed so as to ensure proper trading within a period of four months. Any person who, following a tender offer for 100.0% of the voting stock, holds more than 98.0% of such ordinary stock, is entitled to acquire the residual shareholding during a period of four months upon conclusion of the tender offer if it has declared in the offering documentation its intention to make such acquisition.

In the event of a breach of these rules, voting rights relating to the entire shareholding may not be exercised and the shares exceeding the relevant threshold must be sold within 12 months.

EXCHANGE CONTROLS

The following is a summary of relevant Italian laws in force as at the date of this offering circular. This is not a comprehensive description of all exchange control considerations that may be relevant to a decision to purchase shares.

There are currently no exchange controls in Italy. Residents and non-residents of Italy may hold foreign currency and securities of any kind within and outside of Italy. Non-residents may invest in Italian securities without restriction and may export cash, instruments of credit and securities, in both foreign currency and €, representing interest, dividends, other asset distributions and the proceeds of any dispositions. However, Italian law imposes certain procedural requirements.

Italian legislation implementing EC Directive No. 88/361 contains updated reporting and record-keeping requirements on the free movement of capital. Such legislation requires that transfers into or out of Italy of cash or securities in excess of €12,500 are reported in writing to the Italian Exchange Office (Ufficio Italiano Cambi) by residents or non-residents that effect such transfers directly, or by credit institutions and other intermediaries that effect such transactions on their behalf. In addition, credit institutions and other intermediaries effecting such transactions on behalf of residents or non-residents of Italy are required to maintain records of such transactions for five years. Such records may be inspected at any time by Italian tax and judicial authorities. Non-compliance with these reporting and record-keeping requirements may result in administrative fines or, in the case of false reporting and certain cases of incomplete reporting, criminal penalties. The Italian Exchange Office is required to maintain reports for a period of ten years and may use them, directly or indirectly through other government offices, to police money laundering, tax evasion and any other unlawful activity.

Individuals, non-profit entities and certain partnerships that are tax residents of Italy must disclose in their annual tax declaration (i) all investments held abroad and foreign financial assets that generate foreign source income taxable in Italy, held at the end of each tax year, if exceeding in the aggregate €12,500, as well as (ii) the total amount of transfers to, from, within, and between countries other than Italy relating to such foreign investments or financial assets accrued during each tax year, if exceeding in the aggregate €12,500. This latter disclosure described in (ii) above is required even if, at the end of the taxable period, the above-mentioned persons no longer own the relevant foreign investments or financial assets. The above disclosure obligations are not required for foreign financial assets deposited for management or administration by qualified Italian financial intermediaries, contracts executed through qualified Italian financial intermediaries or for deposit and current accounts, provided that any income derived from such foreign financial assets is collected through the same intermediaries. Corporate residents of Italy are exempt from the above disclosure requirements with regard to their annual tax declarations, as they must disclose this information in their financial statements.

We cannot assure you that the present regulatory environment in or outside Italy will endure or that particular policies presently in effect will be maintained, although Italy is required to maintain certain regulations and policies by virtue of its membership in the EU and other international organizations and by virtue of its adherence to various bilateral and multinational agreements.

TAXATION OF ORDINARY SHARES

This taxation summary only addresses certain material Italian tax consequences for shareholders in connection with the offering of our Shares. This summary does not discuss every aspect of taxation that may be relevant to a shareholder, does not discuss any specific tax consequences for a particular taxpayer under any special circumstances or for a taxpayer who is subject to special treatment under any applicable law and is not intended to be applicable in all respects to all categories of investors. This summary does not discuss the treatment of our Shares held in connection with a permanent establishment or fixed base through which a non-Italian investor carries on business or performs personal services in Italy.

The statements herein regarding taxation are based on the Italian law in force as of the date of this Offering Circular, which is subject to possible changes that may have retroactive effect. A change to such law may invalidate the contents of this summary, which will not be updated to reflect changes in laws.

*Law No. 80 of April 7, 2003 for the reform of the Italian tax system has empowered the Italian Government to introduce — within a two-year period — a general reform of the tax regime of financial income and of taxation of individuals and corporations that may impact on the current tax regime in respect of the shares, as summarized below. Part of this reform has been enacted by Legislative Decree No. 344 of December 12, 2003, effective as of January 1, 2004 ("Decree 344"). This summary takes into account also the amendments introduced by Law Decree No. 203 of September 30, 2005 ("Decree No. 203") Furthermore, on March 18, 2005, the Italian Council of Ministers has approved a draft of Legislative Decree (*Correttivo IRES*), currently pending for necessary approval from the Italian Parliament, that provides for some amendments to such part of reform that may impact on the current tax regime of the purchase, ownership and disposal of the shares, summarized below. Finally, further amendments to the tax regime of the shares as decribed below are contained in the bill of financial law (disegno di legge finanaziaria 2006), approved on September 29, 2005, by the Italian Council of Ministers, which is currently under the examination of the Italian Parliament.*

Prospective investors should consult their tax advisors regarding their particular personal tax consequences of acquiring, owning and disposing of shares.

Taxation of dividends

The current tax treatment of dividends is provided for by Presidential Decree No. 917 of December 22, 1986 ("ITC") and Presidential Decree No. 600 of September 29, 1973 ("Decree No. 600"), both as amended and restated, can be summarized as follows.

Italian resident shareholders

When the shareholder is an Italian resident individual not engaged in a business activity to which the shares are effectively connected, dividends paid on ordinary shares that are registered in the centralized deposit system managed by Monte Titoli (such as the shares of Eurotech S.p.A.), not representing a "qualified" participation, are subject to a substitutive tax ("*imposta sostitutiva*") applied at a final rate of 12.5%.

As regards Eurotech, whose shares will be listed on the Italian Stock Exchange, a participation in Eurotech is considered as "qualified" if the shares (other than saving shares) securities and/or rights through which shares may be acquired held by a person amount to more than (i) 2% of the shares with voting rights in the ordinary shareholders' meeting, or (ii) more than 5% of the share capital.

The above-mentioned 12.5% *imposta sostitutiva* does not apply if an Italian resident individual shareholder declares in a timely manner upon collection of dividends that the dividends received are connected (i) with a business activity in which the individual is engaged or (ii) with a "qualified" participation in Eurotech (as defined above) held by the individual.

Dividends paid to Italian resident individual shareholders (i) on shares representing a “qualified” participation in Eurotech (even though not held in connection with a business activity) and (ii) on shares (either representing a “qualified” or a “non-qualified” participation in Eurotech) held by Italian resident individual shareholders in connection with a business activity, contribute to determine the overall taxable income of the recipient for personal income tax purposes (“IRPEF”), limited to 40% of the amount thereof.

Dividends paid to Italian residents who are exempt from corporate income tax are subject to a 27% final substitutive tax.

The substitutive tax on dividends on shares, where applicable, is collected by the Italian resident intermediary with which the shares are deposited that participates in the Monte Titoli system, or by non-resident intermediaries participating in the Monte Titoli system (directly or through a non-Italian centralized deposit system in turn participating in the Monte Titoli system), through a fiscal representative to be appointed in Italy.

The 12.5% does not apply where shares representing a “non-qualified” participation held not in connection with entrepreneurial activity are held in a discretionary investment portfolio managed by an authorized intermediary pursuant to the so-called discretionary investment portfolio regime provided for by Article 7 of Legislative Decree 21 November 1997, No. 461, as amended (“*Risparmio Gestito*” regime as described under “Capital Gains”, below). In such a case, dividends will not be subject to substitutive tax, but will contribute to determine the annual net accrued result of the portfolio, which is subject to an *ad hoc* substitutive tax of 12.5%.

The 12.5% substitutive tax regime described herein does not apply where shares representing a “non-qualified” participation held not in connection with entrepreneurial activity are held in a discretionary investment portfolio managed by an authorized intermediary pursuant to the so-called discretionary investment portfolio regime provided for by Article 7 of Legislative Decree 21 November 1997, No. 461, as amended (“*Risparmio Gestito*” regime as described under “Capital Gains”, below). In such a case, dividends will not be subject to substitutive tax, but will contribute to determine the annual net accrued result of the portfolio, which is subject to an *ad hoc* substitutive tax of 12.5.%.”

In addition to the foregoing, the tax regime described above does not apply to the following subjects:

- *Corporate investors* – Dividends paid to Italian resident corporations or similar commercial entities (including permanent establishments in Italy of foreign entities to which the shares are effectively connected), are not subject to withholding tax and/or substitutive tax and contribute to determine the overall taxable business income of the recipient for corporate income tax (“IRES”, currently applying at a rate equal to 33%) purposes, for 5% of the amount thereof.

- *Pension funds* – Italian pension funds, subject to the tax regime set forth by articles 14, 14-ter and 14-quarter, of Legislative Decree No. 124 of April 21, 1993 (“Pension Funds”), are subject to an 11% substitutive tax on their annual net accrued result. Dividends distributed by Eurotech S.p.A. to Pension Funds will be included in the calculation of such annual net accrued result.

- *Investment Funds* – Italian investment funds (which includes *Fondo Comune d’Investimento in Valori Mobiliari*, or *Società di Investimento a Capitale Variabile – SICAV*), as well as Luxembourg investment funds regulated by article 11-*bis* of Law Decree No. 512 of September 30, 1983 (collectively, “Funds”), are subject to a 12.5% substitutive tax on their annual net accrued result. Dividends distributed by Eurotech S.p.A. to Funds will contribute to determine such yearly net accrued result. Pursuant to Law Decree No. 269 of September 30, 2003, converted, with amendments, by Law No. 326 of November 24, 2003 (“Decree 269”), effective as of October 2, 2003, the substitutive tax rate applicable to Funds is reduced to 5% in the case of Funds mainly investing in small-medium companies listed on a regulated market of an EU member state. Please note, however, that such regime has been qualified by the European Commission as “State aid” (*aiuto di Stato*), incompatible with art. 87 of the EC Treaty (and Italy has been requested to delete this regime with retroactive effects).

- *Real estate investment funds* – Pursuant to Decree 269, starting from January 1, 2004, Italian real estate investment funds (“Real Estate Funds”) are exempt from tax and, subject to certain exceptions, Article 41-*bis*, paragraph 9, of Decree 269 has also introduced a 12.5% withholding tax applicable in certain cases on proceeds from the participation in Italian Real Estate Funds.

- *Non-Italian Resident shareholders* – Dividends paid on ordinary shares that are registered in the centralized deposit system managed by Monte Titoli (such as the shares of Eurotech S.p.A.) to non-resident shareholders without a permanent establishment in Italy to which the shares are effectively connected are subject to a 27% final substitute tax (12.5% on saving shares).

The substitutive tax is not applied on dividends received by international entities or institutions that are exempt from Italian taxation pursuant to international law or agreements entered into force in Italy.

Under domestic Italian law, provided that *ad hoc* refund procedure is duly and timely implemented according to the conditions and terms established by law, non-resident shareholders without permanent establishment in Italy to which the shares are effectively connected who own shares, other than saving shares, may recover from the Italian tax authorities up to 4/9 of the Italian substitute tax withheld on dividends by providing evidence of full payment of income tax on such dividends in their country of residence in an amount at least equal to the total refund claimed. Expenses and extensive delays have been encountered by non-residents seeking refunds from the Italian tax authorities As an alternative to such refund procedure, reduced rates of substitute tax on dividends may apply to non-resident shareholders without permanent establishment in Italy to which the shares are effectively connected, who are entitled to, and promptly comply with, procedures for claiming benefits under a double taxation treaty entered into by Italy with the non-Italian resident shareholder’s country of residence (each, a “Treaty”). Italy has entered into Treaties with over 60 foreign countries, including all members of the EU, Argentina, Australia, Brazil, Canada, Japan, New Zealand, Norway, Switzerland, the United States and some countries in Africa, the Middle East and the Far East. It should be noted, however, that tax relief is not available under most Treaties, unless otherwise specifically provided, to a non-resident beneficial owner that is a tax-exempt entity or, with a few exceptions, a partnership or a trust.

In order to enable a non-resident shareholder to obtain the reduced rate of substitutive tax pursuant to an applicable Treaty, the intermediary with whom the shares are deposited required to apply the substitutive tax must be provided in a timely manner with:

- a declaration from the beneficial owner that contains all the data that identifies such person as being the beneficial owner of the shares and indicates the existence of the conditions necessary for the application of the Treaty, as well as the elements that are necessary in order to determine the applicable Treaty tax rate; and

- a certification by the tax authorities of such beneficial owner’s country of residence stating that the beneficial owner is a resident of that country for purposes of the applicable Treaty. This certification is valid until March 31 of the year following submission.

Subject to timely filing of the required documentation, the 27% substitute tax would not apply (or, if paid, could be refunded from the Italian tax authorities provided that an *ad hoc* refund procedure is duly and timely implemented) if the non-resident shareholder is entitled to benefit from the so-called EU “Parent-Subsidiary” Directive (Council Directive 90/435(EC of July 23, 1990), as implemented in Italy. For such purposes, the following requirements must be met: (i) the shareholder must have one of the forms listed in the Annex to the Directive; (ii) the shareholder must be resident, for tax purposes, in an EU country; (iii) the shareholder must be subject to one of the taxes listed in the Annex to the Directive, without benefiting from tax exemptions and/or tax incentives which are not limited in space or time; (iv) the shareholder must directly own at least 25% of the capital of Eurotech S.p.A.; and (v) the participation under (iv), above, must be held by the shareholder for at least one year with no interruption. Should the shareholder be controlled, directly or indirectly, by one or more persons resident outside the EU, the exemption from substitutive tax would apply only provided that adequate evidence is provided that the shareholder has not been set up for the exclusive or main purpose of benefiting from such exemption.

The substitutive tax on dividends on shares paid to non-Italian resident shareholders, where applicable, at a rate of 27% or at a reduced rate under the Treaties entered into by Italy, is collected by the Italian resident intermediary with which the shares are deposited that participates in the Monte Titoli system, or by non-resident intermediaries participating in the Monte Titoli system (directly or through a non-Italian centralized deposit system in turn participating in the Monte Titoli system), through a fiscal representative to be appointed in Italy.

Capital Gains

Italian resident shareholders

In general, pursuant to Legislative Decree no. 461 of November 21, 1997, as amended, the capital gains tax (“**CGT**”) regime is applicable to capital gains realized through on the disposal and/or the redemption of shares constituting the disposal of a “non qualified” participation, by Italian resident individuals (not engaged in a business activity to which such shares are effectively connected) and certain other persons, regardless of whether such shares are held outside Italy. As a general rule, CGT is levied at a rate of 12.5%, on capital gains realized upon disposal of a “non-qualified” participation. Capital gains realized by the aforesaid persons on the disposal of shares representing a “qualified” participation contribute to determine the overall taxable income of such persons for income tax purposes, limited to 40% of the amount thereof. The disposal of a “qualified” participation in a corporation listed on a regulated market (as Eurotech) is considered to occur when a beneficial owner:

- owns shares (other than saving shares), securities and/or other rights through which shares may be acquired representing, in the aggregate, a “qualified” participation as defined under “Taxation of dividends – Italian Resident Shareholders”; and

- in any twelve-month period following the date the ownership test under (i) is met, such beneficial owner engages in the disposal of shares securities and/or rights through which shares may be acquired that individually, or aggregated constitute a “qualified” interest that individually or in the aggregate constitute a “qualified” participation, as defined under “Taxation of Dividends – Italian Resident Shareholders”, above.

Taxpayers can opt for one of the three following regimes in order to pay the 12.5% CGT on capital gains □ealized upon disposal of a “non-qualified” participation:

- *Tax declaration regime* (*“Regime della Dichiarazione”*), the holder of the shares must assess the overall capital gains □ealized on each transfer of shares in a certain tax year, net of any incurred capital loss, in his annual income tax return and pay the CGT as assessed, together with the income tax due for the same tax period. Losses in excess of any capital gains may be carried forward against capital gains of the same kind realized in each of the following four fiscal years. As such regime constitutes the ordinary regime, the taxpayer must apply it whenever he does not opt for any of two other regimes described below;

- *Non-discretionary investment portfolio regime* (“*Risparmio Amministrato”*), the holder of the shares may elect to pay the CGT separately on capital gain □ealized on each sale, transfer or redemption of the shares. Such separate taxation of capital gains is allowed subject to (a) the shares being deposited with Italian banks, SIMs or other authorized intermediaries and (b) an express election for the *Risparmio Amministrato* regime provided for by Article 6 of Legislative Decree No. 461/1997 being timely made in writing by the relevant shareholder. The *Risparmio*

Amministrato lasts for the entire fiscal year and, unless revoked prior to the end of such year, will be deemed valid also for the subsequent fiscal year. The intermediary is responsible for accounting for CGT in respect of capital gains realized on each sale, transfer or redemption of the shares, as well as in respect of capital gains realized at the revocation of its mandate. Where a particular sale, transfer or redemption of the shares results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realized on assets held by the holder of the shares with the same intermediary within the same relationship of deposit, in the same fiscal year and in the following fiscal years up to the fourth. Under the *Risparmio Amministrato* regime, the holder of the shares is not required to declare the gains in its annual income tax return and remains anonymous;

- *Discretionary investment portfolio regime* (*"Risparmio Gestito"*), if the shares are part of a portfolio managed by an Italian asset management company and option is made for the *Risparmio Gestito* regime provided for by Article 7 of Legislative Decree No. 461/1997, capital gains will not be subject to CGT but will contribute to determine the annual net accrued result of the portfolio. Such annual net accrued result of the portfolio, even if not realized, is subject to an *ad hoc* 12.5% substitutive tax, required to be applied on behalf of the holder of the shares by the asset management company. Any losses of the investment portfolio accrued at year-end may be carried forward against net positive results accrued in each of the following fiscal years, up to the fourth following fiscal year. Under such regime, the holder of the shares is not required to declare the gains in its annual income tax return and remains anonymous.

Corporate investors (including banks and insurance companies)

Capital gains realized by Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the shares are effectively connected) on the disposal or redemption of the shares will form part of their aggregate business income subject to IRES. Banks and insurance companies may be subject to an additional local tax ("IRAP"), at the relevant applicable rate. The capital gains are calculated as the difference between the sale price and the relevant tax basis of the shares. Upon fulfillment of certain conditions, the gains may be taxed in equal installments over up to five fiscal years.

However, pursuant to Decree No. 203, starting on or after October 4, 2005, capital gains realized by Italian resident corporate entities (including permanent establishments in Italy of foreign entities to which the shares are effectively connected) on the disposal of a participation do not contribute to determine their taxable income for IRES purposes, limited to 5% of the amount thereof, provided that the following conditions are met: (i) the participation is accounted for as fixed asset (*immobilizzazioni finanziarie*) in the first financial statements closed during the holding period; (ii) the participation is held at least starting from the first day of the eighteenth month preceding the disposal, (iii) the company in which the participation is held carries on an actual business activity and is not resident in a tax haven jurisdiction, in both cases, with no interruption starting from at least the beginning of the third fiscal year prior to the disposal. The condition that the company in which the participation is held carries on an actual business activity is not required to be met for such exemption regime to apply if the participated company is listed on a regulated market. In this respect, one should note that the Italian Government has proposed an amendment to Decree No. 203, quoted, according to which the above exemption (equal to 95 per cent.) should be reduced to 91 per cent. of capital effective from the publication in the Italian Official Gazette of the Law that converts with amendments such Decree into Law and further reduced to 84 per cent. of capital gains starting from January 1, 2007.

Funds

Capital gains on shares held by Funds will contribute to determine the annual net accrued results of the Funds, which are subject to a 12.5% substitute tax (see "*Taxation of Dividends – Italian Resident Shareholders*" above). However, Funds with less than 100 participants (and no more than 50% of the participants that are certain "qualified" entities) which hold qualified participations (consisting of participations representing more than 10% of shares with voting rights in a company listed on a regulated market) are subject to substitutive tax at a higher 27% rate on the portion of their annual net accrued results attributable to such qualified participations.

Pension Funds

Capital gains on shares held by Pension Funds will contribute to determine the annual net accrued results of the Pension Funds, which are subject to an 11% substitutive tax (see "*Taxation of Dividends – Italian Resident Shareholders*" above).

Real Estate Funds

The same considerations as set out under "*Taxation of Dividends – Italian Resident Shareholders*" above, will apply.

Non-Italian resident shareholders

Capital gains realized by non-resident holders, whether individuals or corporations, without a permanent establishment in Italy to which the shares are effectively connected on the disposal of shares constituting the disposal of a "non-qualified" participation, as defined above, are not subject to tax in Italy, regardless of whether the shares are held in Italy, subject to the condition that the shares are listed on a regulated market.

In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-resident holders without a permanent establishment in Italy to which the shares are effectively connected, who hold the shares with an Italian authorized financial intermediary and elect to be subject to the *Risparmio Gestito* regime or are subject to the *Risparmio Amministrato* regime, may be required to produce in due time to the Italian Authorized financial intermediary appropriate self-declaration that they are not resident in Italy for tax purposes.

Capital gains realized by non-resident holders (not having a permanent establishment in Italy to which the shares are effectively connected) on the disposal of shares constituting the disposal of a "qualified" participation, as defined above, contribute to determine the overall taxable income of such holders for Italian income tax purposes, limited to 40% of the amount thereof.

However, the application of any provision of a Treaty executed by Italy which grants a more favourable tax treatment is not precluded. The majority of Treaties entered into by Italy, in accordance with the OECD model, provide that capital gains realized from the disposal of shares are subject to tax only in the seller's country of residence, which in the case of non-Italian resident sellers, is not Italy. Such a provision is also applicable to non-resident individuals.

Therefore, if the non-Italian resident seller (i) is a resident, for tax purposes, of a country which has signed a Treaty with Italy that, with reference to the taxation of capital gains arising from the disposal of shares, is in accordance with the OECD model; and (ii) is fully eligible for benefits under any such Treaty, the capital gain realized from the disposal of shares will not be subject to taxation in Italy pursuant to the provisions of the applicable Treaty, whether the interest disposed of is "qualified" or "non-qualified".

Non-resident holders without a permanent establishment in Italy to which the shares are effectively connected who hold the shares in Italy with an Italian authorized financial intermediary and elect for the *Risparmio Gestito* regime or are subject to the *Risparmio Amministrato* regime may be required to promptly provide appropriate documentation (including a certificate of residence issued by the tax authorities of their country of residence) establishing that the above-mentioned conditions of non-taxability of capital gains realized pursuant to the applicable Treaty have been satisfied, in order to be exempted from Italian taxation on capital gains under the applicable Tax Treaty.

Transfer tax

Pursuant to Royal Decree no. 3278 of December 30, 1923, as amended and restated by Legislative Decree no. 435 of November 21, 1997 (**Decree no. 435/1997**), transfers of shares executed in Italy may be subject to the transfer tax regime described below *(tassa sui contratti di borsa*):

- contracts entered into directly between private parties or with the participation of entities other than banks and persons who are authorized to perform investment services pursuant to Legislative Decree No. 415 of July 23, 1996, as superseded by Legislative Decree No. 58 of February 24, 1998, or stockbrokers ("Authorized Intermediaries"): €0.0720 for every €51.65 (or part thereof) of the price of shares;

- contracts between private parties, with the participation of Authorized Intermediaries, or between private parties and Authorized Intermediaries: €0.02580 for every €51.65 (or part thereof) of the price of the shares; and

- contracts between Authorized Intermediaries: €0.00620 for every €51.65 (or part thereof) of the price of the shares. The transfer tax is not levied in the following cases:

- contracts entered into on regulated markets;

- contracts relating to securities which are admitted to listing on regulated markets and finalized outside such markets and entered into:

  (i) between Authorized Intermediaries;

  (ii) between Authorized Intermediaries and non-Italian residents; or

  (iii) between Authorized Intermediaries, also non-Italian residents, and undertakings for collective investment of savings income;

- contracts relating to public sale offers (*offerte pubbliche di vendita*) for the admission to listing on a regulated market; or relating to securities already admitted to listing on such market;

- contracts having a consideration not higher than €206.58; or

- securities lending transactions and any contracts having the same economic purpose.

The change of depository (for example, Clearstream, Euroclear or Monte Titoli) not involving a transfer of the ownership of the transferred securities will not trigger Italian transfer tax.

For transfer tax purposes, transfers of shares to or by Italian residents are considered as executed in Italy for presumption of law. Moreover, contracts of transfer of shares executed outside Italy between non-Italian residents will have juridical effect (*efficacia giuridica*) in Italy to the extent that transfer tax is paid.

Inheritance and gift tax

According to Law No. 383 of October 18, 2001 ("Law No. 383"), Italian inheritance and gift tax, previously generally payable on transfer of securities on death or by gift, has been abolished as of October 25, 2001.

However, for donees other than spouses, direct descendants or ancestors and other relatives within the fourth degree, if and to the extent that the value of the gift to any such donee exceeds €180,759.91, the gift of shares may be subject to the transfer taxes that would ordinarily apply had the shares been transferred for consideration and limited to the excess thereof. In this respect, it has to be noted that the

Italian tax authorities have expressed the view that the above described *tassa sui contratti di borsa* should not be considered as a "transfer tax ordinarily applicable" to transfers for consideration.

Moreover, an anti-avoidance rule is provided by Law No. 383 for any gift of assets (such as shares) which, if sold for consideration, would give rise to capital gains subject to Italian CGT. In particular, if the donee sells shares for consideration within five years from the receipt thereof as a gift, the donee will be required to pay the relevant Italian CGT, where applicable, as if the gift had never taken place.

PLAN OF DISTRIBUTION

The Global Offering

The Global Offering consists of the Institutional Offering and the Public Offering. Mediobanca – Banca di Credito Finanziario S.p.A. is acting as the Global Co-ordinator of the Global Offering.

The Institutional Offering consists of an offering by the Global Co-ordinator to professional investors in Italy and institutional investors outside Italy (excluding Australia, Canada, Japan and the United States) in compliance with Regulation S under the Securities Act (together, the "**Institutional Investors**"), through their respective selling agents. Mediobanca – Banca di Credito Finanziario S.p.A. is acting as the lead manager and bookrunner of the Institutional Offering.

The Public Offering consists of the Retail Offering, the Employee Offering and the Agent Offering. The Public Offering consists of an Italian public offering of a minimum of 1,730,400 Shares to retail investors exclusively in Italy. The Retail Offering consists of a public offering of Shares in a minimum amount of not less than 20% of the aggregate number of Shares offered under the Public Offering. The Employee Offering consists of an offering of up to 114,400 Shares to our Employees. The Agent Offering consists of an offering of up to 6,500 Shares to certain of our Agents. Mediobanca – Banca di Credito Finanziario S.p.A. is acting as the lead manager of the Public Offering.

For the purposes of the Employee Offering, "**Employees**" shall mean the employees of the Company or its controlled companies (whether direct or indirect, pursuant to article 93 of the Unified Financial Act) who are, in each case, as at the date of September 30, 2005, (i) Italian residents, (ii) either employed pursuant to (a) a subordinated working contract for an unlimited or limited duration or (b) a training contract (*contratto di formazione e lavoro*) and (iii) recorded in the employer's books (*libri matricola*) pursuant to Italian law.

For the purposes of the Agent Offering, "**Agents**" shall mean agents of the Company or its controlled companies (whether direct or indirect, pursuant to article 93 of the Unified Financial Act) who are, in each case, as at September 30, 2005, (i) Italian residents and (ii) employed by the Group pursuant to an agency contract.

Institutional Investors will not be entitled to participate in the Public Offering.

The Global Offering is not subject to any condition other than the listing of the Shares on MTAX.

Prior to the Global Offering, there has been no public market for our Shares. The Offering Price has been determined by negotiations among the Company, the Selling Shareholder and the Global Co-ordinator.

The Offered Shares

The Offered Shares will consist of (i) not more than 7,450,000 new Shares (in respect of which were excluded any rights of subscription thereto of the existing shareholders under Article 2441, fifth paragraph, of the Italian Civil Code) to be issued by the Company, the issue of which was authorised at an extraordinary meeting of the shareholders of the Company on July 21, 2005, and (ii) not more than 1,202,000 Shares, which are currently in issue, to be sold by the Selling Shareholder.

The option rights referred to above were excluded due to (i) the necessity to make the Shares available to the public, (ii) the necessity to create liquidity within the market in order to trade the Shares effectively on MTAX-Star and (iii) the Company's interest in becoming a listed company which it believes will enable it to access financial markets in order to secure new financial resources necessary to develop its structural and strategic plans, and the reinforcement of the Company's financial structure necessary to support the Company's activity development programs.

Over-allotment Option

The Selling Shareholder has granted the Global Co-ordinator, as bookrunner and manager, an option to place an amount of shares equivalent to 15% of the aggregate number of Offered Shares at the offering price, less applicable commissions, to cover any over-allotments or for stabilization activities. This option (the "Over-allotment Option") may be exercised, in whole or in part, during the period of 30 days from the date of commencement of trading of the shares. In connection with this Over-allotment Option, the Selling Shareholder has also granted to the Global Co-ordinator an option to purchase up to 1,297,992 shares on or after the closing date of the Global Offering pursuant to the Institutional Underwriting Agreement. This option may be exercised once, in whole or in part, within the period of 30 days from the date of commencement of trading of the shares. In the event that the option to borrow the shares is exercised, the Global Co-ordinator shall have all rights of ownership with respect to the borrowed shares during the over-allotment period but shall not be obligated to exercise the Over-allotment Option.

Revocation of the Global Offering

The Company, the Selling Shareholder and the Global Co-ordinator may agree to revoke the Public Offering and/or the Institutional Offering, in whole or part, upon giving prompt notice of such revocation to CONSOB and to the public through a notice published in a daily financial newspaper with nationwide circulation in Italy prior to the payment for the Offered Shares by the subscribers if: (i) at the end of the Offer Period the amount of Shares in respect of which applications have been received are less than the amount the Offered Shares, or (ii) the Institutional Offering fails either for lack of applications for subscription or as a result of the underwriting commitments in relation to the Shares which form part of the Institutional Offering ceasing to be valid; (iii) the underwriting commitments provided for in the Retail Underwriting Agreement are not taken up in full.

Upon the occurrence of certain extraordinary events (in accordance with generally accepted practice in the international markets and as more particularly described below) after the date of this Offering Circular and prior to the end of the Offer Period, the Company, the Selling Shareholder and the Global Co-ordinator may agree to suspend the Public Offering whereupon the Public Offering shall be void. Such decision will be promptly notified to CONSOB and to the public through a public announcement in a daily financial newspaper with nationwide circulation in Italy within the first day of the Offer Period. Events which may lead to such a suspension of the Public Offering include the following: (i) if the political, economical, financial, monetary, legal, or market (whether national or international) is subject to severe disruption, or (ii) if the financial or economic situation of the Company, its controlled companies or the companies within the Group becomes such that it would cause the failure of the Global Offering or it would prejudice the completion of the Global Offering, or (iii) in the event that the Retail Underwriting Agreement is not executed.

The Public Offering will in any case be withdrawn in the event that the Italian Stock Exchange fails to admit the Shares, or revokes such admission, for trading on MTAX, by informing CONSOB and the Italian public through publication of a notice in a daily financial newspaper with nationwide circulation in Italy by the end of the day following that on which we received notice from the Italian Stock Exchange revoking admission of the Shares for trading.

The eighth paragraph, of Article 30 of the Unified Financial Act will not apply to public offers of shares with voting rights traded in stock markets; nor, according to CONSOB orientation, to public offer of listed shares which have not yet commenced trading. Article 30 of the Unified Financial Act sixth paragraph, provides that the contracts subscribed outside the placement agents' office by their financial agent has to be suspended for seven days starting from the subscription date.

Allocation of Shares

If demand from the Public Offering or the Institutional Offering exceeds the number of Shares being offered in the Public Offering or the Institutional Offering, respectively, a portion of the Shares initially offered in one offering may be reallocated to the other offering.

The Lead Manager will announce the results of the Global Offering no later than five business days following the end of the Offer Period by publishing a notice in a daily financial newspaper with nationwide circulation in Italy. Copies of such notice will be concurrently sent to CONSOB and the Italian Stock Exchange. The Lead Manager will, within two months of such notice, transmit to CONSOB the results of its enquiry as to compliance with the placement procedures, allocation criteria and global results criteria in accordance with the applicable regulations.

The Underwriting Agreements

The Institutional Underwriting Agreement: Under the terms of an underwriting agreement to be dated on or prior to the end of the Offer Period (the "**Institutional Underwriting Agreement**") between the Company, the Selling Shareholder and the Global Co-ordinator, the Global Co-ordinator has agreed, either to procure purchasers, or purchase, as the case may be, up to 6,921,600 of the Offered Shares less an amount of the Shares equal to those Shares underwritten pursuant to the Retail Underwriting Agreement, at a price of €3.40 per Share.

The obligations of the Global Co-ordinator under the Institutional Underwriting Agreement will be ineffective or may be revoked in certain circumstances, including the following: (i) the severe disruption to the political, economic, financial, monetary, legal, or market condition (national or international) or a change in the financial or economic situation of the Company or the Group such that, in the opinion of the Global Co-ordinator, it would cause the failure of the Global Offering or would prejudice the completion of the Institutional Offering, (ii) a material breach by the Company and/or Selling Shareholder of their respective obligations under the Institutional Underwriting Agreement; (iii) the failure by the parties thereto to execute the Retail Underwriting Agreement or the Retail Underwriting Agreement is rescinded or ceases to be effective; (iv) any of the representations and warranties of the Selling Shareholder and/or the Company under the Institutional Underwriting Agreement are not true, complete and accurate; (v) the failure to obtain authorisation of the listing of the Shares from the Italian Stock Exchange or the revocation of any such authorisation.

We and the Selling Shareholder have given certain representations and warranties to the Global Co-ordinator and have agreed to indemnify the Global Co-ordinator against certain liabilities in connection with the offer and sale of the Shares under the Institutional Offering. The Institutional Underwriting Agreement provides that the obligations of the Global Co-ordinator are subject to certain conditions precedent and entitles the Global Co-ordinator to terminate it in certain circumstances. In addition, the Institutional Offering and the Public Offering are each conditioned on the closing of the other.

The Retail Underwriting Agreement: The Shares which are being offered under the Retail Offering are being offered and sold to the public through a syndicate of Italian banks and financial institutions (the "**Retail Managers**" and, together with the Global Co-ordinator, the "**Managers**"). A list of the Retail Managers will be available at CONSOB, at the offices of the Company and the Retail Managers, and through publication of a notice in a daily financial newspaper with nationwide circulation in Italy no later than the fifth business day prior to the start of the Offer Period. Similar notice will also be given with respect to the identity of the Retail Managers through whom applications for Shares under the Public Offer may be made on-line.

The Shares which are being offered under the Employee Offering and the Agent Offering will be offered and sold exclusively through Friulcassa S.p.A., as Employee and Agent Manager.

The Retail Managers will underwrite the sale and purchase of an amount of Shares not less than the minimum amount thereof offered under the Public Offering pursuant to an underwriting agreement (the "**Retail Underwriting Agreement**") to be entered into prior to the commencement of the Public Offering between the Company, the Selling Shareholder, and the Retail Managers.

The obligations of the Retail Managers under the Retail Underwriting Agreement will be ineffective or may be revoked in certain circumstances, including the following: (i) the severe disruption to the political, economic, financial, monetary, legal, or market condition (national or international) or a change in the financial or economic situation of the Company or the Group such that, in the opinion of the Global Co-ordinator, it would cause the failure of the Global Offering or would prejudice the completion of the Public Offering, (ii) a material breach by the Company and/or Selling Shareholder of their respective obligations under the Retail Underwriting Agreement; (iii) the failure by the parties thereto to execute the Institutional Underwriting Agreement or the Institutional Underwriting Agreement is rescinded or ceases to be effective; (iv) any of the representations and warranties of the Selling Shareholder and/or the Company under the Retail Underwriting Agreement are not true complete and accurate; (v) the failure to obtain authorisation of the listing of the Shares from the Italian Stock Exchange or the revocation of any such authorisation.

Underwriting and Management Commissions: The Company and the Selling Shareholder will pay a selling concession commission (the "**Selling Commission**") not exceeding 5% of the net proceeds of the Global Offering to the Global Co-ordinator. As at the date of this Offering Circular, the exact figure of the Selling Commission is not known. The Selling Commission and the total amount of expenses incurred in connection with the Global Offering will be published in a daily financial newspaper with nationwide circulation in Italy by way of an "Integrated Notice" on the date on which the definitive pricing and results of the Global Offering are announced.

Lock-up Agreements

Pursuant to the Lock-up Agreements, the Company and certain of its shareholders have each agreed, during the period of 12 months (for Roberto Siagri, Dino Feragotto, Roberto Chiandussi, Giampietro Tecchiolli, Giorgio Pezzulli, THE S.r.l., Massimo Mauri and Friulia Finanziaria Regionale Friuli Venezia Giulia S.p.A. ("**Principal Shareholders**") and 6 months (for Giovanni Saladino, Umberto Lago, Finanziaria 2008 S.r.l e Paolo Vicentini) respectively, in each case following the date on which trading of the Shares commences, not to, directly or indirectly, offer, sell, contract to sell or issue or otherwise dispose of any shares of the same class or series as the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive Shares or any such substantially similar securities, or purchase or sell any option or other guarantee or enter into any swap, hedge or other agreement that would have similar economic consequences to the foregoing, or to participate in increases or issuance of securities convertible or exchangeable for shares or similar instruments which will grant substantially similar rights to those of the Offered Shares, in each case without the prior written consent of the Global Co-ordinator (such consent not to be unreasonably withheld).

These arrangements do not apply to Shares, the shares pursuant to the Over-allotment Option, the shares issued pursuant to the Company's incentive and/or stock option plans and disposals of shares required by any applicable laws and regulations.

Listing

On November 9, 2005, CONSOB gave formal approval, or *nulla osta*, for the publication of the Italian *Prospetto Informativo* in connection with the Public Offering. We expect trading of our Shares on MTAX-Star to start on or about November 30, 2005. The actual date of commencement of trading will be published by the Italian Stock Exchange in accordance with subsection 6 of Article 2.4.3 of the rules of the Italian Stock Exchange, together with the indication of the specific trading segment of the ordinary shares.

Stabilisation

In connection with the Global Offering, Mediobanca – Banca di Credito Finanziario S.p.A., in its capacity as stabilising manager, either in its own name and for its own account or in the name and for the account of the Managers, may over-allot Shares or effect transactions that stabilise, maintain or otherwise affect the market price of the Shares at a level which might not otherwise have been obtained in the open market. These transactions may be effected on the MTAX-Star or otherwise. Such stabilising, if commenced, may be discontinued at any time. These transactions may include bids or purchases made for the purpose of preventing, reducing or delaying a drop in the price or value of the Shares, while the Global Offering is in progress or subsequently, up to the date that is 30 days after the date of the commencement of trading, and may include short sales and purchases to cover short positions created by short sales, as permitted by applicable law and regulations. Short sales may involve the sale by the Global Co-ordinator of a greater number of Shares than it has been required to purchase in connection with the Global Offering. These transactions may be effected on any exchange where the Shares are listed or traded, on the over-the-counter market or elsewhere. As a result of these transactions, the price of the Shares may be higher than the prices which might otherwise prevail in the open market.

SELLING RESTRICTIONS

General

No action has been or will be taken in any jurisdiction, other than Italy, that would permit a public offering of the Shares, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Company or the Shares, in any jurisdiction where action for this purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction.

United States

The Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this section have the meaning given to them by Regulation S under the Securities Act.

The Shares are being offered and sold outside the United States in reliance on Regulation S. Accordingly, each Institutional Manager has represented and agreed that it has not offered or sold the Shares, and it will not offer or sell the Shares: (i) as part of its distribution at any time other than outside the United States in accordance with Rule 903 of Regulation S; and (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Shares in the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the Global Offering, an offer or sale of Shares within the United States by a dealer (whether or not participating in the Global Offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Institutional Manager has represented and agreed that: (i) it has not offered or sold and will not offer or sell any Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses) or otherwise in circumstances which would result in there being an offer to the public in the United Kingdom (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 and the Financial Services Authority in the United Kingdom with respect to anything done by it in relation to the Shares offered in, from or otherwise involving the United Kingdom; and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the sale of the Shares to a person who is of a kind described in Articles 19, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or is a person to whom such document may otherwise be lawfully issued or passed on.

Italy

Neither the Global Co-ordinator nor any of its affiliates, nor any person acting on its or their behalf (i) has offered or sold or distributed any offering material, and will not offer or sell or distribute any offering material, directly or indirectly, in Italy or to a resident in Italy other than to a professional investor as defined in the relevant Italian regulations and (ii) any such offer or sale or any distribution or any rendering of advice in respect of an investment in the Shares within Italy shall be conducted either by securities dealing firms ("Società di Intermediazione Mobiliare" or "SIMs") or by authorized banks or investment firms as defined by Legislative Decree No. 58 of February 24, 1998 as amended, and CONSOB Regulation No. 11522 of July 1, 1998 as amended.

Other jurisdictions

Each Institutional Manager represents and agrees that it will not offer or sell, directly or indirectly, the Shares in, or to any resident of, Australia, Canada or Japan.

TRANSFER RESTRICTIONS

If you purchase our Shares under Regulation S you will, by purchasing our Shares offered in the Global Offering, be considered to have represented and agreed with us as follows:

(i) You acknowledge (or if you are a broker-dealer, your customer has confirmed to you that such person acknowledges) that our Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except under an exemption from or in a transaction not subject to the registration requirements of the Securities Act; and

(ii) You certify that: (a) upon delivery of our Shares, you will be the beneficial owner of our Shares and (i) you are not a U.S. person (as defined in Regulation S), are located outside the United States (within the meaning of Regulation S) and have acquired, or will have acquired, our Shares outside the United States (within the meaning of Regulation S), (ii) you are not an affiliate of us or a person acting on behalf of such an affiliate, and (iii) you are not in the business of buying and selling securities; or (b) if you are a broker-dealer acting on behalf of your customer, your customer must have confirmed that, (i) upon delivery of our shares, such customer will be the beneficial owner of such Shares, (ii) such customer is not a U.S. person (as defined in Regulation S) and is located outside the United States (within the meaning of Regulation S), (iii) such customer is not an affiliate of us or a person acting on behalf of one of our affiliates, and (iv) such customer is not in the business of buying and selling securities.

Further, until 40 days after the Global Offering starts, an offer or sale of Shares within the United States by any dealer (whether or not participating in the Global Offering) may violate the registration requirements of the Securities Act.

VALIDITY OF THE SHARES

The validity of the Shares will be opined on for us and for the Global Co-ordinator by d'Urso Munari Gatti Studio Legale Associato, Italian counsel to us, the Selling Shareholder and the Global Co-ordinator. Certain U.S. legal matters will be opined on for us by Fried, Frank, Harris, Shriver & Jacobson (London) LLP, U.S. counsel to us, and or the Global Co-ordinator by Fried, Frank, Harris, Shriver & Jacobson (London) LLP, U.S. counsel to the Global Co-ordinator.

INDEPENDENT ACCOUNTANTS

Our financial statements as at and for each of the three years ended December 31, 2004, 2003 and 2002 included in this Offering Circular have been audited by Reconta Ernst & Young S.p.A. of via Romagnoi 18/A, Cap. 00196, Rome, independent auditors, as stated in their report included in this Offering Circular.

EUROTECH S.P.A.

CONSOLIDATED FINANCIAL STATEMENTS

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AUDITOR'S REPORT

To the Board of Directors
Eurotech S.p.A.

We have audited the accompanying consolidated balance sheets of Eurotech S.p.A. and its subsidiaries as of December 31, 2002, 2003 and 2004 and the related consolidated statements of operations, cash flows and shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of certain consolidated subsidiaries representing approximately 11.7% of consolidated total assets at December 31, 2004 and consolidated revenue constituting approximately 5.2% in 2004 of the related consolidated totals. Those statements were audited by other auditors whose report have been furnished to us and our opinion, insofar as it relates to data included for such subsidiaries, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Commission). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Eurotech S.p.A. and its subsidiaries as of December 31, 2002, 2003 and 2004 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with Italian accounting principles.

Treviso, Italy
Septembre 2, 2005

Reconta Ernst & Young S.p.A.

Eurotech S.p.A

Consolidated Balance Sheets
At December 31, 2002, 2003 and 2004
(Thousands of Euro)

	December 31,		
	2002	2003	2004
ASSETS			
Intangible assets	883	2,803	4,099
Property, plant and equipment	1,763	1,888	1,931
Other non current assets	33	30	55
Total non current assets	**2,679**	**4,721**	**6,085**
Inventory	2,298	2,854	4,662
Contracts in progress			
Trade receivables	5,459	6,208	5,726
Other current assets	548	952	648
Cash and cash equivalents	22	902	2,560
Tota current assets	**8,327**	**10,916**	**13,596**
Total assets	**11,006**	**15,637**	**19,681**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	425	425	1,247
Retained earnings	4,145	4,130	3,167
Net profit (loss) for the year	14	(256)	200
Group shareholders' equity	**4,584**	**4,299**	**4,614**
Minority capital and reserves	575	527	446
Minority profit (loss) for the year	(48)	29	(14)
Minority interests	**527**	**556**	**432**
Total shareholders' equity	**5,111**	**4,855**	**5,046**
Long-term debt	1,240	3,568	3,516
Convertible notes	0	0	2,500
Employees' benefits	334	437	574
Other non current liabilities	25	139	139
Total non current liabilities	**1,599**	**4,144**	**6,729**
Trade payables	1,992	3,455	4,539
Short-term borrowings	1,501	2,102	1,902
Taxes payable	290	395	442
Other current liabilities	513	686	1,023
Total current liabilities	**4,296**	**6,638**	**7,906**
Total liabilities	**5,895**	**10,782**	**14,635**
Total liabilities and shareholders' equity	**11,006**	**15,637**	**19,681**
Memorandum accounts	**1,245**	**3,931**	**6,454**

See accompanying notes

Eurotech S.p.A.

Consolidated Statements of Operations
For the years ended December 31, 2002, 2003 and 2004
(Thousands of Euro)

	2002	2003	2004
Sales and service revenue	**8,249**	**11,723**	**18,811**
Operating costs:			
Cost of materials	(3,880)	(5,817)	(8,648)
Services	(1,719)	(2,343)	(3,410)
Rent and leases	(132)	(182)	(286)
Payroll	(2,150)	(3,138)	(5,235)
Accruals and other costs	(145)	(139)	(181)
Other revenue	651	814	826
Profit before depreciation and amortization, finance costs and taxes	**874**	**918**	**1,877**
Depreciation and amortization	(603)	(675)	(863)
Operating profit	**271**	**243**	**1,014**
Share of profit of associate	(72)	(45)	9
Finance costs	(120)	(274)	(501)
Finance income	59	75	84
Profit before taxes	**138**	**(1)**	**606**
Income tax expense	(172)	(226)	(420)
Net profit (loss) for the year	**(34)**	**(227)**	**186**
Minority interest	**(48)**	**29**	**(14)**
Group net profit (loss) for the year	**14**	**(256)**	**200**

See accompanying notes

Eurotech S.p.A.

Consolidated Statements of Cash Flows
For the years ended December 31, 2002, 2003 and 2004
(Thousands of Euro)

	2002	2003	2004
Cash flows from operating activities:			
Group net profit (loss) for the year	**14**	**(256)**	**200**
Adjustments to reconcile Group net profit (loss) to net cash provided by operating activities:			
Minority interest	(48)	29	(14)
Depreciation and amortization	603	675	863
Provision for doubtful accounts	25	26	20
Share of profit of associate	72	45	(9)
Provision for employees' benefits	98	103	137
Deferred taxes	(56)	(44)	(19)
Change in current assets and laibilities			
Trade receivables	(1,042)	(211)	1,462
Other current assets	2,415	(256)	490
Inventory	515	(151)	(1,144)
Trade payables	(1,611)	1,112	598
Other current liabilities	(160)	224	24
Total adjustments and changes	**811**	**1,552**	**2,408**
Net cash provided by operating activities	**825**	**1,296**	**2,608**
Cash flow from investing activites			
Disposal of intangible assets	110	9	0
Dispodal of property, plant and equipment	17	59	36
Addtion to propeprty, plant and equipment	(92)	(722)	(338)
Addition to intangible assets	(189)	(200)	(334)
Net change in financial assets	0	(48)	(10)
Acquisition of business net of cash acquired	(689)	(1,889)	(1,441)
Net cash used in investing activities	**(843)**	**(2,791)**	**(2,087)**
Cash flow from financing activities			
Share capital increase	0	0	163
Proceeds from long-term debt	0	2,769	3,150
Reimbursement of long-term debt	(8)	(365)	(2,136)
Net cash provided by (used in) investing activities	**(8)**	**2,404**	**1,177**
Effect of changes in exchange rates on cash	0	(29)	(40)
Increase (decrease) of cash and cash equivalents	**(26)**	**880**	**1,658**
Cash and cash equivalents at beginning of the year	**48**	**22**	**902**
Cash and cash equivalents at the end of the year	**22**	**902**	**2,560**

See accompanying notes

Eurotech S.p.A.
Consolidated Statement of Shareholders' Equity
For the years ended December 31, 2002, 2003 and 2004
(Thousands of Euro)

	Share capital	Legal reserve	Paid-in capital	Translation adjustment	Other reserves	Net profit (loss) for the year	Group shareholders' equity	Minority capital and reserves	Minority profit (loss) for the year	Total minority interest	Total shareholders' equity
Balance January 1, 2002	425	13	3,816	0	134	202	4,590	0	0	0	**4,590**
Allocation of prior year result		10			192	(202)	0			0	0
Effect of first time consolidation					(20)		(20)	575		575	555
Net profit (loss) for the year 2002						14	14		(48)	(48)	(34)
Balance December 31, 2002	**425**	**23**	**3,816**	**0**	**306**	**14**	**4,584**	**575**	**(48)**	**527**	**5,111**
Allocation of prior year result		6			8	(14)	0	(48)	48	0	0
Other				(29)			(29)			0	(29)
Net profit (loss) for the year 2003						(256)	(256)		29	29	(227)
Balance December 31, 2003	**425**	**29**	**3,816**	**(29)**	**314**	**(256)**	**4,299**	**527**	**29**	**556**	**4,855**
Allocation of prior year result		1			(257)	256	0	29	(29)	0	0
Increase of share capital	822		(659)				163			0	163
Other				(40)	(8)		(48)	(110)		(110)	(158)
Net profit (loss) for the year 2004						200	200		(14)	(14)	186
Balance December 31, 2004	**1,247**	**30**	**3,157**	**(69)**	**49**	**200**	**4,614**	**446**	**(14)**	**432**	**5,046**

See accompanying notes

Description of business

Eurotech S.p.A. (“Eurotech” or the “Company”) and its subsidiaries (together with the Company, the “Group”) operate in the research, development, manufacturing and distribution activities of microcomputers (“NanoPC”) since 1992. Starting 1999 a new business activity was added: the research, development, manufacturing and distribution of high capacity computers (“HPC” or “Supercomputer”).

The Group manufactures NanoPC and related modules and electronic systems principally for use in the defense, transportation, medical and industrial activities. HPC are utilized by university departments, research institutions and computing centers.

The Group operates principally in the Italian and European markets and in Northern America, through the following consolidated subsidiaries: Eurotech S.p.A., I.P.S. Sistemi Programmabili S.r.l. and Neuricam S.p.A. in Italy, Erim Développement S.A.S. in France, Eurotech Oy in Finland and Parvus Corp. in the U.S.A.

Structure and content of the consolidated financial statements

The Group does not exceed the quantitative limits required by the Italian legislation for the preparation of consolidated financial statements. However, the Group has prepared consolidated financial statements as of and for the years ended December 31, 2002, 2003 and 2004 in connection with the process for the listing of the shares of the Company on the Italian Stock Exchange, as required by the Regulation 809/2004/UE.

Such consolidated financial statements which consist of consolidated balance sheets and consolidated statements of operations, cash flows and shareholders’ equity and explanatory notes, have been prepared in accordance with the current Italian legislation and with the accounting principles issued by the Italian accounting profession and are presented in accordance with a format which is normally applied in international practice, as allowed by the Italian accounting principle n. 12. The explanatory notes include all information required by the current legislation and accounting principles, presented in accordance with the scheme of presentation of these financial statements.

In detail, the classification of the balance sheet and the statement of operations is as follows:

i) non current assets include assets due after twelve months, including property, plant and equipment, intangibles and investments;
ii) current assets include assets due whithin twelve months;
iii) non current liabilities include liabilities due after twleve months, including long-term debt and employee termination benefit;
iv) current assets include payables due within 12 months, including the current portion of long-term debt.

The presentation of the statement of operations is by nature and presents income before depreciation and amortization, financial income and expenses, extraordinary income and losses, operating profit, profit before income taxes and net profit.

Financial statements included in consolidation

The financial statements used for consolidation are those prepared by the boards of directors of the subsidiaries and approved by the shareholders, except for Parvus Corp. that prepared the financial statements for the periods October 1, 2002 – 30 September 2003 and October

1, 2003 – 31 December 2004 and Eurotech Finland OY that prepared the financial statements for the period June 1, 2004 – December 31, 2004 (although its closing date was August 31, 2004). With respect to Parvus Corp. for the period from August 1, 2003 (date of acqusition) to December 31, 2003 and from January 1, 2004 to December 31, 2004 specific financial statements for purposes of consolidation were prepared. Accordingly the closing date for the consolidated financial statements is the closing date of all consolidated companies, included Parvus Corp.

The financial statements of the subsidiaries, where necessary, are adjusted to conform to the accounting principles applied by the Company, which follow those required by the law governing consolidated financial statements, as modified by the reform of the corporate law, and those issued by the Italian accounting profession.

Consolidated companies

The consolidated financial statements of the Group as of December 31, 2002, 2003 and 2004 consolidate the financial statements of the Company and of all subsidiaries in which the Company owns, directly or indirectly, the majority of the shares or capital quotas and of the voting rights.

At December 31, 2002 the consolidated financial statements include:

- Eurotech S.p.A., the parent company that operates in the NanoPC and HPC sectors; the Company also develops new products for the Group;
- Neuricam S.p.A., 51.55% subsidiary, which carries out research and development project related to innovative technological solutions to widen the range of products offered by the Group. The company was incorporated with some scientist of the Istituto per la Ricerca Scientifica e Tecnologica" of Trento ("IRST") to implement the result of the research projects carried out by IRST in the intelligent sensor field;
- I.P.S. Sistemi Programmabili S.r.l., acquired in December 2002 and 80% owned, which operates in the NanoPC sector with the I.P.S. trademark. At December 31, 2002 it has been consolidated for balance sheet purposes only, since the Company was acquired at the end of the year.

During 2003 the following companies entered into consolidation: the U.S. company Parvus Corporation and a newly incorporated company ETH Lab S.r.l:

- Parvus Corporation, 100% owned by Eurotech S.p.A. operates in the American market in the NanoPC sector;
- ETH Lab S.r.l. 99,90% owned by Eurotech S.p.A., substantially not operating, will carry out research and development projects for the Group;

During 2004 two companies were acquired in the second semester, Erim Développement S.A.S. and Eurotech Finland Oy (formerly Vikerkaar Oy):

- Erim Développement S.A.S., holding company fully owned by Eurotech, has a 100% interest in Erim S.A. that operates in the French market in the NanoPC sector;
- Eurotech Finland Oy (formerly Vikerkaar Oy), fully owned by Eurotech, that sells Group's products in the Scandinavian market and in China.

During 2004 an additional quota equal to 12.09% of Neuricam S.p.A. was acquired by the Company, increasing the ownership to 63.59%.

In addition, the Company owns two investmens in associated companies, equal to 42.74% in Ascensit S.r.l., incorporated in 2000, and to 24.82% in Emilab S.r.l., incorporated in 1998. These investments are accounted for in accordance with the equity method of accounting.

Consolidation criteria

Significant consolidation criteria follow:

- all balance sheet and statement of operations line items of the consolidated companies are included in consolidation, the value of the investments in the subsidiaries is eliminated against the net equity of the subsidiaries; minority interests, if any, are recognized;
- the acquisitions of majority investments from third parties are accounted for by the purchase method of accounting and the excess of purchase price paid for the acquisition over the fair value of the identifiable tangible and intangible assets acquired, less liabilities assumed, is allocated to goodwill;
- if the fair value of the acquired net assets is higher than the purchase cost, after having reduced the value of long-term assets, the remaining difference is allocated to equity reserves, unless such difference is specifically accrued to cover risks and expected future losses;
- all significant intercompany transactions and balances are eliminated; dividends and unrealized intercompany profits and gains and losses arising from transactions between Group companies are also eliminated. The related tax effects of the above-mentioned eliminations are recognised in consolidation;
- the translation into Euro of the financial statements of the foreign subsidiary Parvus Corporation, expressed in US Dollars, has been made, with respect to balance sheet line items, at the exchange rates in effect at year end (except for net equity which is translated at historical rates) and, for statement of operations line items, at the average rate of the year (or, in 2003, of the period of ownership during such year); the applied exchange rates follow:

Financial statements	Year-end rate	Average rate
2003	1.2630	1.1605
2004	1.3621	1.2439

Significant accounting policies

Intangible assets

Intangible assets are stated at purchase or production cost including accessory costs. Intangible assets are reported net of accumulated amortization and consist of:

Category	Amortization period
Start-up costs	5 years
Research and development costs	4 - 5 years
Licenses and software	3 years
Trade marks and konw-how	10 years
Goodwill and consolidation differences	5-10 years
Web-site costs	3 year

Start-up costs

Start-up costs, after approval by the statutory auditors, are capitalized and amortized over a period of five years.

Research and development costs

Research and development costs are charged to the statement of operations when incurred. A portion of such costs, with expected future utility, when incurred in connection with a specific project, are capitalized at the time when their recovery is reasonably certain. After the initial recognition, such costs are deducted by the related amortization, computed over the period covered by expected revenue from the project. The carryin gvalue of such costs is periodically reviewed for impairment.

Licenses
Licenses relate pricncipally to acquired application software, amortized over three years.

Trade marks and know-how
These costs capitalized relate principally to costs incurred for the defense of trade marks and are amortized over ten years.

Goodwill and consolidation differences
Goodwill and consolidation differences relate to the excess of purchase price over the net equity of the entities acquired and are amortized over five to ten years. Goodwill related to the acquired business of Ascensit S.r.l. is amortized over five years, and consolidation differences related to the acquisitions of the subsidiaries Parvus Corporation, Neuricam S.p.A., I.P.S. S.r.l., Erim Développement S.A.S. and Eurotech Finland Oy are amortized over ten years, excpet for Neuricam S.p.A. which is amortized over five years. The period of ten years, which is higher than the ordinary period of five years required by the Italain legislation, is applied due to the fact that such consolidation differences relate to the acquisition of entities which are leader in their respective sectors and have a consolidated customers' basis. Goodwill and consolidation differences are written-down in case of permanent impairment: the original values are restored in case the impairment ceases to exist.

Web-site costs
These costs capitalized relate to personnel costs for the development of the Group's web-site and are amortized over three years.

Property, plant and equipment
Property, plant and equipment are recorded at historical construction or acquisition cost including direct accessory costs. Cost of capital improvements that extend the useful life of the assets are capitalised and depreciated according to their residual useful life. Depreciation is computed on the historical cost basis of the assets using the straight-line method over the estimated useful lives of the related assets, as follows:

Applied depreciation rates are as follows

Category	***Depreciation rates***
Land and building	*3%*
Plant and machinery	*10%-12%*
Industrial and commercial tools	*25%*
Production tools	*25%*
Furniture and fixture	*12%*
Office electronic machinery	*20%*
Vehicles	*20%-25%*

Property, plant and equipment are written-down in case of permanent impairment: the original values are restored in case the impairment ceases to exist.

Property, plant and equipment acquired through financial lease contracts are accounted for as owned assets and depreciated accordingly. In the liability side of the balance sheet a corresponding financial debt is recorded; such debt is decreased by the installments paid. The statement of operations reports interest expense and depreciation on the leased assets.

Investments

Investments consist of investments in associated companies accounted for in accordance with the equity method. Investments in other entities are at cost written-down in case of permanent impairment: the original value is restored in case the impairment ceases to exist. Financial receivables included in investments are reported at their estimated net realizable value.

Inventories

Inventories are valued at the lower of the weighted average purchase or production cost or market value. The cost of semifinished products and finished products inludes material and external manufacturing costs.

Accounts receivable

Accounts receivable are stated at their estimated net realisable value.

Other securities

Other securities are stated at the lower of the purchase or subscription cost and market value.

Cash and cash equivalents

Cash and cash equivalents consist of bank deposits and cash on hand and are stated at their nominal value.

Accruals and deferrals

Accruals and deferrals refer to portions of costs and revenue related to more than one year in accordance with the accrual basis.

Provision for risks and charges

Provisions for risks and charges cover certain estimated losses and charges, considered definite or probable, for which the date of disbursement or the amount to be disbursed are not known at balance sheet date. The provisions reflect the best estimate based on the available information. Possible risks are not accrued, but disclosed in the notes to the financials.

Employees' benefits

The liability for employees' benefits is computed in compliance with civil laws and labour contracts in force in the countries where the Group operates. For the Italian employees, the liability is computed in accordance with Italian severance pay statutes and an employee benefit is accrued for service to date and is payable immediately upon separation. The termination indemnity liability is based on each employee's length of service, employment category and remuneration. The termination liability is adjusted annually by a cost-of-living index provided by the Italian Government. There is no vesting period or funding requirement associated with the liability. The liability recorded in the balance sheet is the amount to which the employee would be entitled if the employment terminates immediately.

Accounts payable

Accounts paybale are stated at their nominal value.

Convertible bonds

Convertible bonds are stated at nominal value. Related interest are accounted for in accordance with the accrual basis. At conversion date, converted bonds are deducted from the amount of bonds and added to capital for the amount of the shares issued. Eventual conversion costs are included in financial expenses of the statement of operations when incurred.

Memorandum accounts
Memorandum accounts include risks, commitments and guarantees. Commitments for hedging instruments to cover interest rates' fluctuations are reported at their notional amount. Products of third parties in the Group's premises are stated at their selling price.

Revenue recognition
Revenue is net of returns, discounts and premiums. In addition, revenue is net of taxes directly related to sales of services and products. Revenue from sale of raw materials and finished products is recognized when the property is transferred, which normally is when delivery or shipment is made. Financial revenue is recongized on the accrual basis.

Investment grants
Grants received for the purchase of property, plant and equipment and intangbile assets are deducted from the carrying amount of the related assets and recognized in income over the useful life of the assets. Grants are recognized when the formal resolution of grant is issued by the granting entity and all conditions are complied with. The same criteria are used for the recognition of grants related to specific expenses incurred by the Group.

Recognition of cost and expenses
Costs and expenses are accounted for in accordance with the accrual basis

Income taxes
Current income taxes are provided for on the basis of the estimated amount to be payable based on the tax laws in force in the countries where the Group operates. Deferred income taxes are accounted for under the liability method and reflect the tax effects of all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. A valuation allowance is recognized to value deferred tax assets for which it is reasonably certain that some portion or all of the deferred tax asset will not be realized. Deferred tax liabilities are not recognized when the libilitiy is expected not to be paid. Accordingly, no deferred tax laibilities are provided for on equity reserves subject to taxation in case of distribution when such distribution is not forecasted.

Translation of amounts denominated in foreign currencies
Accounts receivable and payable denominated in foreign currencies are recorded at the exchange rate in effect at the date of the transaction; assets and liabilities denominated in foreign currencies are recorded at the prevailing rate at the balance sheet date and any resulting gain or loss is credited or charged to income. The eventual net income deriving from unrealized exchange gains is subsequently set aside to an equity reserve.

Derivative contracts
The Group utilizes derivative financial instruments in order to manage the interest rate risk arising from long-term financial debts. The premium or discount is recorded on an accrual basis. The interest differential on the interest rate swap agreements is accounted for as an adjustment to the interest expense. Derivative contracts at the balance sheet date are valued consistently with the underlying assets and liabilities. Derivative financial instruments are reported in the memorandum accounts at inception date at their notional amount. At year end the instruments which do not fullfill the hedging requirements are marked to market. Losses resulting from market values are recognized in the statement of operations.

Significant events

The Group during the years form 2002 to 2004 has acquired several entities. Major data related to the acquisitions follow:

(Thousands of Euro)	IPS S.r.l.	Parvus	Erim	Eurotech

Subsidiary acquired		**Corp.**	**Développement Sas**	**Finland OY**
Country	Italy	USA	France	Finland
Purchase price, incuding accessory costs	831	1,949	1,453	175
Date of acquisition	Dec. 2002	July 2003	October 2004	August 2004
Percentage acquired	80%	100%	100%	100%
Net equity acquired	422	407	8	112
Excess of purchase price over net equity acquired	409	1,542	1,445	63
Net equity acquired, net of cash acquired	831	1,889	1,217	62

In addition, in 2004 the Company acquired a further portion, equal to 12.09% of Neuricam S.p.A. for Euro 163 thousand, against an accounting portion of net equity acquired of Euro 123 thousand.

ASSETS

Intangible assets

Intangible assets at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	**Dec. 31, 2002**			**Dec. 31, 2003**			**Dec. 31, 2004**		
	Cost	**Acc. Amorti-zation**	**Net book value**	**Cost**	**Acc. Amorti-zation**	**Net book value**	**Cost**	**Acc. Amorti-zation**	**Net book value**
Start-up costs	229	(107)	122	243	(148)	95	327	(205)	122
Development costs	496	(383)	113	634	(460)	174	932	(600)	332
Goodwill and consolidation differences	514	(21)	493	2,056	(147)	1,909	3,603	(402)	3,201
Licenses and software	547	(413)	134	723	(636)	87	783	(693)	90
Other intangibles	91	(84)	7	122	(98)	24	210	(132)	78
In progress	14	0	14	352	0	352	150	0	150
Total intangibles	**1,891**	**(1,008)**	**883**	**4,310**	**(1,507)**	**2,803**	**6,185**	**(2,086)**	**4,099**

Movements in intangible assets for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)

	Jan. 31, 2002	**Additions**	**Disposals**	**New companies**	**Depre-ciation**	**Other**	**Dec. 31, 2002**
Start-up costs	126	32	0	5	(41)	0	122
Development costs	68	0	(96)	194	(53)	0	113
Goodwill and consolidation differences	0	514	0	0	(21)	0	493
Licenses and software	58	54	0	240	(218)	0	134
Other intangibles	32	6	(14)	0	(17)	0	7
In progress	0	0	0	14	0	0	14
Total intangibles	**284**	**606**	**(110)**	**453**	**(350)**	**0**	**883**

(Thousands of Euro)	**Jan. 31, 2003**	**Additions**	**Disposals**	**New companies**	**Depre-ciation**	**Other**	**Dec. 31, 2003**
Start-up costs	122	14	0	0	(41)	0	95
Development costs	113	138	0	0	(77)	0	174
Goodwill	0	180	0	0	(18)	0	162
Consolidation differences	493	1,542	0	0	(126)	0	1,909
Licenses and software	134	49	(22)	32	(120)	14	87
Other intangibles	7	3	(1)	24	(9)	0	24
In progress	14	338	0	0	0	0	352
Total intangibles	**883**	**2,264**	**(23)**	**56**	**(391)**	**14**	**2,803**

(Thousands of Euro)	**Jan. 31, 2004**	**Additions**	**Disposals**	**New companies**	**Depre-ciation**	**Other**	**Dec. 31, 2004**
Start-up costs	95	84	0	0	(57)	0	122
Development costs	174	298	0	0	(140)	0	332
Goodwill	162	0	0	0	(36)	0	126
Consolidation differences	1,909	1,547	0	0	(255)	0	3,201
Licenses and software	87	71	0	(1)	(67)	0	90
Other intangibles	24	90	0	(2)	(34)	0	78
In progress	352	(202)	0	0	0	0	150
Total intangibles	**2,803**	**1,888**	**0**	**(3)**	**(589)**	**0**	**4,099**

Start-up costs

Start-up costs in 2002 and 2003 consist of incorporation costs, costs incurred for capital increases and costs for the opening of new offices in Germany and China. The addtions for the year 2004 relate to costs incurred for the launch of the network appliance products.

Development costs

Development costs relate to to internal personnel costs and other direct costs incurred for the development of new products or applications in the field of computers, nano systems, wearablePC, nanoPC, network appliance and supercomputers.

Year 2002

The additions, which are net of grant received, relate to the subsidiary Neuricam S.p.A. incurred through 2001. Neuricam S.p.A. is consolidated for the first time in 2002. These costs include consultants' and employees' costs for the research projects related to innovative products. In 2002 a grant from the Province of Trento, equal to Euro 469 thousand, was received for these activities. The grant, for the portion related to the costs capitalized, equal to Euro 169 thousand, has been deducted from such capitalized development costs.

Year 2003

The additions relate to consultants' and employees' costs incurred by the Company for the development of the network appliance products, under the brand name Ascensit.

Year 2004

The additions relate to employees' costs incurred by Neuricam S.p.A. for the project of development of innovative products in the field of intelligence vision applicable to the following sectors of activity: safety, automotive, home automation and industrial control. Costs capitalized are net of Euro 165 thousand, related to the portion of a grant from the Province of Trento.

Goodwill

Goodwill relates to the amount paid for the acquisition of the business Ascensit, in July 2003 for Euro 180 thousand, amortized over a 5 years period.

Consolidation differences

Year 2002

Consolidation differences relate to the excess of the purchase price paid over the fair value of the net equity acquired at the date of acquisition with respect to Neuricam S.p.A. and I.P.S. S.r.l.. The consolidation difference related Neuricam S.p.A., equal to Euro 106 thousand is amortized over 5 years, while the difference related to I.P.S. S.r.l., equal to Euro 408 thousand, is amortized over 10 years from the the date of acquisition.

Year 2003

The addition in 2003 of Euro 1,542 thousand relates to the excess of purchase price over the fair value of net equity acquired of Parvus Corporation, which is amortized over 10 years.

Year 2004

The addition in 2004 of Euro 1,547 thousand relates to the excess of purchase price over the fair value of net equity acquired of Erim Développement S.A.S. and Eurotech Finland Oy, amortized over a period of 10 years.

Software, trade marks license rights and licenses

Software principally relates to costs incurred for the purchase of systems and programmes used over a period of years for the management of the Group's operations, including the research activity.

Costs capitalized for trade marks relate to the expenses for their registration in Europe and in the Unites States of America.

Costs capitalized for license rights relate to costs incurred for the acquisition of license rights for internal projects, while license costs relate to the purchase of licenses for the utilization of software.

Other intangible assets

Other intangible assets relate to employees' costs incurred for the website and amortized over 3 years.

Intangible assets in progress

Year 2003

At December 31, 2003 intangibles in progress include Euro 98 thousand for the website and Euro 254 thousand of development costs.

Year 2004

Additions for the year 2004 relate for Euro 120 thousand (net of transfer to other categories of intangibles for Euro 322 thousand) emplyees' and materials' costs for a projects of development of new products in the field of wearablePC.

Property, plant and equipment

Property, plant and equipment at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002			Dec. 31, 2003			Dec. 31, 2004		
	Cost	Acc. Depreciation	Net book value	Cost	Acc. Depreciation	Net book value	Cost	Acc. Depreciation	Net book value
Land and buildings	598	(94)	504	608	(112)	496	600	(119)	481
Plant and machinery	58	(27)	31	66	(31)	35	88	(38)	50
Industrial and commercial tools	875	(652)	223	1,355	(1,036)	319	1,450	(1,117)	333
Other	526	(258)	268	808	(525)	283	965	(601)	364
Leased assets	764	(27)	737	775	(55)	720	758	(82)	676
In progress	0	0	0	36	0	36	28	0	28
Total property, plant and equipment	**2,821**	**(1,058)**	**1,763**	**3,648**	**(1,759)**	**1,889**	**3,889**	**(1,957)**	**1,932**

Yera 2002

Movements in property, plant and equipment for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	Jan. 31, 2002	Additions	Disposals	New companies	Depre-ciation	Other	Dec. 31, 2002
Land and buildings	0	0	0	504	0	0	504
Plant and machinery	25	6	(2)	7	(5)	0	31
Industrial and commercial tools	202	144	(10)	41	(155)	1	223
Other	179	102	(5)	58	(66)	0	268
Leased assets	0	0	0	764	(27)	0	737
In progress	50	(50)	0	0	0	0	0
Total property, plant and equipment	**456**	**202**	**(17)**	**1,374**	**(253)**	**1**	**1,763**

Neuricam S.p.A. e I.P.S. S.r.l., consolidated for the first time in 2002, increased net property, plant and equipment by Euro 610 thousand.

Property, plant and equipment include Euro 737 thousand under financial lease contracts, of which Euro 43 thousand related to furniture and fixture, Euro 694 thousand related to land and buildings located in Amaro (Province of Udine), manufacturing site of the Company.

The property building of the subsidiary I.P.S. S.r.l., accounted for Euro 504 thousand, is covered by a guarantee of Euro 310 thousand for long-term debt.

Year 2003

(Thousands of Euro)	Jan. 31, 2003	Additions	Disposals	New companies	Depre-ciation	Other	Dec. 31, 2003
Land and buildings	504	0	0	8	(16)	0	496
Plant and machinery	31	10	0	(1)	(4)	0	36
Industrial and commercial tools	223	79	(33)	184	(155)	17	315
Other	268	64	(95)	77	(81)	52	285
Leased assets	737	11	0	0	(28)	0	720
In progress	0	36	0	0	0	0	36
Total property, plant and equipment	**1,763**	**200**	**(128)**	**268**	**(284)**	**69**	**1,888**

Parvus Corporation, acquired in July 2003, and consolidated for the first time in 2003, increased net property, plant and equipment by Euro 268 thousand.

Property, plant and equipment include Euro 720 thousand under financial lease contracts, of which Euro 35 thousand related to furniture and fixture, Euro 685 thousand related to land and buildings located in Amaro (Province of Udine), manufacturing site of the Company.

The property building of the subsidiary I.P.S. S.r.l., accounted for Euro 496 thousand, is covered by a guarantee of Euro 310 thousand for long-term debt.

Year 2004

(Thousands of Euro)	Jan. 31, 2004	Additions	Disposals	New companies	Depre-ciation	Other	Dec. 31, 2004
Land and buildings	496	1	(7)	(2)	(9)	2	481
Plant and machinery	36	17	0	5	(7)	0	51
Industrial and commercial tools	315	157	(31)	(8)	(132)	28	329
Other	285	179	(15)	13	(99)	3	366
Leased assets	720	0	(17)	0	(27)	0	676
In progress	36	(8)	0	0	0	0	28
Total property, plant and equipment	**1,888**	**346**	**(70)**	**8**	**(274)**	**33**	**1,931**

Property, plant and equipment include Euro 676 thousand of assets acquired through financial leases of which Euro 27 thousand related to furniture and fixtures and and Euro 649 thousand for land and buildings located in Amaro (Province of Udine), manufacturing site of the Company.

The property building of the subsidiary I.P.S. S.r.l., accounted for Euro 481 thousand, is covered by a guarantee of Euro 310 thousand for long-term debt.

Other non current assets

Other non current assets at December 31, 2002, 2003 and 2004 consist of:

Year 2002

(Thousands of Euro)	December 31, 2002					
	Beginning value	Additions	Disposals	Other	Final value	% of ownership
Associated companies						
Ascensit S.r.l.	79			(67)	12	42.74%
Neuricam S.p.A.	536	295	(831)		0	consolidated
Emilab S.r.l.	17			(5)	12	24.82%
Total associated companies	632	295	(831)	(72)	24	
Other investments						
Consorzio nazionale imballaggi	0				0	
Cosint	2				2	
Consorzio nazionale fidi	1				1	
Total other investments	3				3	
Total investments	635	295	(831)	(72)	27	
Financial receivables	4	2			6	
Total other non current assets	639	297	(831)	(72)	33	

An additional portion equal to 7.13% of the investment in Neuricam S.p.A., was acquired in 2002. The additional acquisition lead to the control of the acquiree.

Associated companies relate to Ascensit S.r.l. and Emilab S.r.l., incorporated, respectively, 2000 and in 1998, and owned, respectively, at 42.74% and 24.82%. Such investments are accounted for in accordance with the equity method.

In December 2002, 80% of I.P.S. S.r.l. was acquired. I.P.S. S.r.l. and consolidated.

The amount of associated companies decreased in 2002 for Euro 72 thousand, of which Euro 67 thousand in application of the equity method to Ascensit S.r.l., due to the losses incurred in the period.

Year 2003

(Thousands of Euro)	December 31, 2003					
	Beginning value	Additions	Disposals	Other	Final value	% of ownership
Associated companies						
Ascensit S.r.l.	12			(12)	0	42.74%
Emilab S.r.l.	12				12	24.82%
Total associated companies	24	0	0	(12)	12	
Other investments						
Consorzio nazionale imballaggi	0				0	
Cosint	2				2	
Consorzio nazionale fidi	1				1	
Total other investments	3				3	
Total investments	27	0	0	(12)	15	
Financial receivables	6		9		15	
Total other non current assets	33	0	9	(12)	30	

The amount of associated companies decreased in 2003 for Euro 12 thousand, in application of the equity method to Ascensit S.r.l., due to the losses incurred in the period. The investment has been written down to zero and a provision set-up for Euro 33 thousand, equal to the portion of net deficit of the investee.

Year 2004

(Thousands of Euro)	December 31, 2004					
	Beginning value	Additions	Disposals	Other	Final value	% of ownership
Associated companies						
Ascensit S.r.l.	0				0	42.74%
Emilab S.r.l.	12			4	16	24.82%
Total associated companies	12	0	0	4	16	
Other investments						
Consorzio nazionale imballaggi	0				0	
Cosint	2				2	
Consorzio nazionale fidi	1				1	
Total other investments	3				3	
Total investments	15	0	0	4	19	
Financial receivables	15	21			36	
Total other non current assets	30	21	0	4	55	

The amount of associated companies increased in 2004 for Euro 4 thousand, in application of the equity method to Emilab S.r.l..

Other receivables

Other receivables over 12 months relate to guarantee deposits on rent contracts.

Inventories

Inventories at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Raw materials, gross	*1,090*	*1,070*	*1,670*
Less allowance for obsolete and slow moving items		*(81)*	*(30)*
Raw materials, net	1,090	989	1,640
Semifinished products and work in process		119	533
Finished products, gross	*1,298*	*1,816*	*2,605*
Less allowance for obsolete and slow moving items	*(110)*	*(75)*	*(121)*
Finished product	1,188	1,741	2,484
Advances	20	5	5
Total inventories	**2,298**	**2,854**	**4,662**

Movements in the allowance for obsolete and slow moving items for the years ended December 31, 2002, 2203 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
January 1,	**0**	**110**	**156**
Provisions	110	5	44
Other		75	
Utilization	0	(34)	(50)
December 31,	**110**	**156**	**151**

Years 2002 and 2003

In 2003 inventories increased due to the new consolidated company Parvus Corporation (for Euro 310 thousand) and to increased production volumes.

Other movements in 2003 relate to the allowance for raw materials of Parvus Corporation.

The utilization of the allowance in 2003 relate to materials scrapped by the Company.

Year 2004

In 2004 inventories increased due to the new consolidated companies Erim Développement ed Eurotech Finland Oy (for Euro 628 thousand) and to increased production volumes.

The utilization of the allowance in 2004 relate to materials scrapped by Parvus Corporation.

Trade receivables

Trade receivables at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Trade receivables	5,539	6,312	5,842
Allowance for doubtful accounts	(80)	(104)	(116)
Total	**5,459**	**6,208**	**5,726**

Movements in the allowance for doubtful accounts for the years ended December 31, 2002, 2203 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
January 1,	**44**	**80**	**104**
Provisions	25	26	18
Other	11	0	(6)
Utilization	0	(2)	0
December 31,	**80**	**104**	**116**

Year 2002

Receivables trade include Euro 576 thousand of notes receivables not yet due at December 31, 2002.

Year 2003

In 2003 trade receivables increased due to the new consolidated company (Parvus Corporation for Euro 231 thousand) and to the sale of supercomputers at the end of the year.

Receivables trade include Euro 1,105 thousand of notes receivables not yet due at December 31, 2003.

Year 2004

In 2004 trade receivables decreased by Euro 482 thousand with respect to the prior year, while revenue increased significantly, due to the sale of receivables to financial institutions for Euro 3,792 thousands.

Receivables trade include Euro 795 thousand of notes receivables not yet due at December 31, 2004.

Other current assets

Other current assets at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Other securities	0	140	0
Grants to be received	30	149	14
Advances to suppliers	14	76	15
Tax receivables	168	250	151
Deferred tax assets	97	202	218
Other receivables	141	57	59
Prepaid expenses	98	78	191
Total	**548**	**952**	**648**

Other securities

Other securities in 2003 include monetary funds acquired by the Company and sold in 2004.

Receivables for grants to be received

Receivables for grants to be received at December 31, 2003 relate to a grant of Euro 149 thousand of the Company on a project approved in accordance with a regional law.

Tax receivables

Tax receivables relate to the advance paid for local taxes (IRAP) and government income taxes (IRES) and for value added tax (VAT).

Deferred tax assets

Deferred tax assets at Decemebr 31, 2002, 2003 and 2004 consists of:

(Thousand of Euro)	Dec. 31, 2002			Dec. 31, 2003			Dec. 31, 2004		
	Temporary differences	Tax effect %	Taxes	Temporary differences	Tax effect %	Taxes	Temporary differences	Tax effect %	Taxes
Deferred tax assets									
Entertainment expenses	4	37.25%	1	7	37.25%	2	6	37.25%	2
Accumulated depreciation	0	37.25%	0	0	37.25%	0	63	37.25%	23
Allowance for obsolescence	0	37.25%	0	0	37.25%	0	44	37.25%	17
Taxes deductible when paid	0	37.25%	0	0	37.25%	0	4	37.25%	2
Fees not paid to directors and consultants	33	33.00%	11	26	33.00%	9	26	33.00%	8
Other temporary differences	0	39.00%	0	227	39.00%	88	94	39.00%	36
Maintenance expenses	3	37.25%	1	7	37.25%	2	5	37.25%	2
Indemnity for employees' retirement							57	33.33%	19
Consolidation adjustments	223	37.25%	83	160	37.25%	60	206	37.25%	77
Deferred tax assets			**96**			**161**			**186**
Tax loss carryforward			**0**			**41**			**32**
Tax loss carryforward of prior years			**0**			**0**			**0**
Total deferred tax assets			**96**			**202**			**218**
Deferred tax liabilities									
Accumulated depreciation	0	0.00%	0	156	39.00%	61	128	39.00%	50
Interest for late payments not collected	0	0.00%	0	0	33.00%	0	25	33.00%	8
Total deferred tax liabilities			**0**	**156**		**61**	**153**		**58**
Net deferred taxes			**96**			**141**			**160**
Temporary differences excluded from computation of deferred taxes									
Tax loss carryforward	38			60			61		
Other	1			0			0		
Accumulated depreciation	15			30			0		
Total	**54**			**90**			**61**		

Prepaid expenses

Prepaid expenses at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Accrued income	15	5	8
Prepaid expenses	83	73	148
Deferred issuance costs	-	-	35
Total	**98**	**78**	**191**

The increase of preapid expenses in 2004 relate to higher deferred costs for utilities and the new consolidated companies.

Deferred issuance costs relate to the convertible notes issued in 2004.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2002, 2003 and 2004 conssit of :

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Deposits with banks	18	898	2,551
Checks	0		5
Cash on hand	4	4	4
Totale	**22**	**902**	**2,560**

Year 2003

The increase in cash and cash equivalents in 2003 relates to the new acquired subsidiary (Parvus Corporation for Euro 113 thousand) and to the receipt of governement grants at year end.

Year 2004

The increase in cash and cash equivalents in 2004 relates to the new acquired subsidiaries (Erim Développement S.A.S. and Eurotech Finland Oy, Euro 648 thousand) and to the cash received for the sale of receivables in December 2004.

Shareholders' equity

The movements of shareholders' equity for the year sended December 31, 2002, 2003 and 2004 are reported in the Statement of Shareholders' Equity.

On July 29, 2004 the share capital has been increased by Euro 802 thousand (increasing the par value of the shares from Euro 0.52 to Euro 1.00) with a corresponding reduction in paid-in capital. In addition, on the same date, a further increase was effected, through a payment form the shareholders and issue of 19,620 new ordinary shares, par value Euro 1.00 each, and the payment of paid-in capital for Euro 143 thousand. Following the increase, the sahre capital consist of 1,246,912 ordinay shares, issued and paid, par value Euro 1.00 each.

The translation adjustment derives from the consolidation of the financial statements of Parvus Corporation, expressed in U.S. Dollars.

Non current liabilities

Non current liabilities at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Long-term debt	1,240	3,568	3,516
Convertible bonds	-	-	2,500
Employees' benefit	334	437	574
Other non current liabilities	25	139	139
Total non current liabilities	**1,599**	**4,144**	**6,729**

Long-term debt

Long-term debt at December 31, 2004 consists of:

Lender (Thousands of Euro)	Company	Due date	Interest	Balance on 31.12.2004	Short term within 12 months	Total Medium and Long Term	Mid term Over 12 months	Long term More than 5 years
Current outstandings				**488**	**488**		**-**	**-**
SIMEST	Eurotech S.p.A.	04/06/2010	2.83%	123	12	111	98	12
IMI San Paulo	Eurotech S.p.A.	01/01/2007	3.70%	187	92	95	95	0
Leasing Finanziario	Eurotech S.p.A.	01/03/2013	4.75%	687	61	626	277	349
ANDVAR IDA	Gruppo Erim	31/12/2005	n.a.	102	102	0		
Total Other financings				**1,099**	**267**	**832**	**470**	**361**
Banco di Brescia	Eurotech S.p.A.	31/12/2006	5.37%	44	22	22	22	
Total Gruppo Banca Lombarda				***44***	***22***	***22***	***22***	
Banca Pop. Vicenza	Eurotech S.p.A.	30/09/2007	3.10%	92	33	59	59	
Total Gruppo Banca Pop. Vincenza				***92***	***33***	***59***	***59***	
Banca Intesa	Eurotech S.p.A.	30/06/2008	3.30%	1,185	325	860	860	
Banca Intesa	I.P.S. Sist. Progr. S.r.l.	30/06/2009	euribor 3m +1.8%	79	16	63	63	
Banca Pop. Friuladria	Eurotech S.p.A.	31/12/2007	2.93%	498	160	338	338	
Baco Ambros. Van	Eurotech S.p.A.	31/01/2005		9	9	0	0	
Total Gruppo INTESA				***1,771***	***510***	***1,261***	***1,261***	
Unicredit	Eurotech S.p.A.	31/12/2005	euribor 3m + 2.0%	56	56	0	0	
Unicredit	Eurotech S.p.A.	30/06/2009	euribor 3m + 2.0%	500	0	500	500	
Total Gruppo Unicredit				***556***	***56***	***500***	***500***	
Friulcassa	Eurotech S.p.A.	31/07/2008	5.75%	609	146	463	463	
Total Gruppo IMI San Paolo				***609***	***146***	***463***	***463***	
Key Bank	Parvus Corporation	02/09/2005	5.18%	43	43	0	0	
Key Bank	Parvus Corporation	02/09/2006	5.42%	43	24	19	19	
Key Bank	Parvus Corporation	02/09/2007	6.57%	95	33	62	62	
Key Bank	Parvus Corporation	02/09/2008	5.10%	34	8	26	26	
Total Key Bank				***215***	***108***	***107***	***107***	
Banque Pop. de Lyon	Gruppo Erim	30/06/2006	4.20%	152	76	76	76	
Créd. Comm. de France	Gruppo Erim	30/04/2006	4.20%	120	60	60	60	
Crédit Lyonnais	Gruppo Erim	30/06/2006	4.20%	272	136	136	136	
Total bank debt				**3,831**	**1,146**	**2,685**	**2,685**	**0**
Total other financing and bank debt				**4,930**	**1,414**	**3,516**	**3,155**	**361**
Total debt				**5,418**	**1,902**	**3,516**	**3,155**	**361**

Other long-term debt consist of:

- a priviledged interest rate long-term loan from SIMEST to the Company for Euro 123 thousand (of which Euro 110 thousand long-term) expiring in 2010, for the opening of the new office in Shanghai (China);
- a priviledged interest rate long-term loan from IMI San Paolo to the Company for Euro 187 thousand (of which Euro 95 thousand long-term) expiring in 2007, for scientific research project in accordance with a specific Italiana law;
- Euro 687 thousand (of which Euro 626 thousand long-term), for lease installment on the real estate lease with S.B.S. Leasing S.p.A., accounted for in accordance with the financial method related to land and building of the manufacturing site of the Company located in Amaro (province of Udine, Italy), and related furniture and fixtures and electronic machinery, expiring in 2013;
- a regional long-term debt granted by ANVAR IDA to the subsidiary Erim Développement S.A.S. for Euro 102 thousand expiring in 2005, for a research project.

Long-term loans form bank principally consist of:

- loan from Banca Intesa for Euro 1,185 thousand to the Company (of which Euro 860 thousand long-term at December 31, 2004) expiring in 2008 for the acquisition of Parvus Corporation;
- loan from Banca Popolare Friuladria for Euro 498 thousand to the Company (of which Euro 338 thousand long-term) expiring in 2007 for the acquisition of I.P.S. S.r.l.;

- loan from Banca Popolare Friulcassa for Euro 608 thousand to the Company (of which Euro 463 thousand long-term) expiring in 2008 for the acquisition of Parvus Corporation;
- loan from Unicredit for Euro 500 thousand to the Company) of which Euro 500 thousand long-term) expiring in 2009 in order to consolidate the existing short-term borrowings;
- guaranteed long-term loan of Euro 79 thousand from Banca Intesa to I.P.S. S.r.l. (of which Euro 63 thousand long-term), guaranteed by the property building;
- loan from Crédit Lyonnais for Euro 272 thousand (of which Euro 136 thousand long-term) to Erim Développement S.A.S., expiring in 2006;
- loan from Crédite Agricole C. for Euro 120 thousand (of which Euro 60 thousand long-term) to Erim Développement S.A.S., expiring in 2006;
- loan from Banque Pop. Loire et L. for Euro 152 thousand (of which Euro 76 thousand long-term) to Erim Développement S.A.S., expiring in 2006;
- three loans from Key Bank for Euro 215 thousand ($ 292 thousand) to Parvus Corporation.

Convertible notes

On July 29, 2004 Euro 2,500 thousand convertible notes were issue. The notes are due on June 30, 2006 and, based on the resolution of the shareholders' meeting of July 21, 2005, may be converted on the basis of variable conversion rates, based on the forecasted price of the shares on the date of their expected listing on the stock market. The notes which will not be converted, in case of listing of the shares, will receive a premium of Euro 30.00 each.

Employees' benefits

Employees' benefits at December 31, 2002, 2003 and 2004 consist of :

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Employees' leaving indemnity	334	437	517
Employees' retirement fund	0	0	57
Total employees' benefits	**334**	**437**	**574**

Movements in employees' leaving indemnity at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
January 1,	**129**	**334**	**437**
Provisions	99	123	136
Other movements	111	12	0
Utilisation	-5	-32	-56
December 31,	**334**	**437**	**517**

Other movements at December 31, 2002 relate to employees' leaving indemnity at the date of acquisition of Neuricam S.p.A. and I.P.S. S.r.l., consolidated for the first time in 2002.

Employees' retirement fund relates to the amount that Erim Développement S.A.S. will pay to the employees in case the employees are still in the Company on their retirement date. Movements follow:

Employees' retirement fund	
Balance at acquisition date	58
Present value	(1)
Balance at December 31, 2004	**57**

Other non current liabilities

Other non current liabilities at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Provision for risks and charges	25	78	81
Deferred tax laibilities	0	61	58
Other non current liabilities	**25**	**139**	**139**

Accruals for future risks

Accruals for future risks at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Selling agents' commission fund	9	15	23
Selling agents' fund	16	20	20
Guarantee reserve	0	9	9
Future risks	0	34	29
Total funds for costs and future risks	**25**	**78**	**81**

Deferred tax liabilities

Deferred tax liabilities principally include deferred tax liabilities of Parvus Corporation on the differences between the reporting and the tax depreciation. The detail is reported under the paragraph Deferred tax aassets.

Current liabilities

Current liabilities at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Trade payables	1,992	3,455	4,539
Short-term borrowings	1,501	2,102	1,902
Taxes payable	290	395	442
Other current liabilities	513	686	1,023
Total current liabilities	**4,296**	**6,638**	**7,906**

Trade payables

Trade payables at December 31, 2004 consist of Euro 4.539 thousand, with an increase of Euro 1,084 thousand from December 31, 2003 and of Euro 2,547 thousand from December 31, 2002 principally due to the newly consolidated companies and the increase of the volume of production.

Short-term borrowings

At December 31, 2004 short-term borrowings consist of Euro 1,902 thousand: they relate for Euro 489 thousand to short-term credit lines utilized by I.P.S. S.r.l. and Parvus Corporation and for Euro 1,413 thousand to the short-term portion of long-term debt. Details of such short-term portions are reported above in the table of long-term debt.

Taxes payable

Taxes payable principally relate to the liabilitiy for current income taxes, net of advances paid.

Other current liabilities

Other current liabilities at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	**Dec. 31, 2002**	**Dec. 31, 2003**	**Dec. 31, 2004**
Social contributions	114	115	245
Other	385	514	648
Accrued expenses	14	57	130
Other current liabilities	**513**	**686**	**1,023**

Other payables

Other payables at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	**Dec. 31, 2002**	**Dec. 31, 2003**	**Dec. 31, 2004**
Employees	129	189	238
Vacation pay	174	223	226
Directors	33	21	25
Other	49	81	159
Total other payables	**385**	**514**	**648**

Other minor payables at December 31, 2002 consist of Euro 51 thousand for the acquisition of Eurotech Finland OY and Euro 30 thousand for grants received in excess of the assigned amount, to be reimbursed.

Accruals

Accruals at December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	**Dec. 31, 2002**	**Dec. 31, 2003**	**Dec. 31, 2004**
Accrued expenses	14	47	46
Deferred income		10	84
Total accrued expenses	**14**	**57**	**130**

Accrued liabilities principally relate to interest on loans. Deferred income of Euro 84 thousand at December 31, 2004 include the portion related to future periods of the “Up front” premium of Euro 83 thousand, recognized by a bank for the renegotiation of an interest rate swap contract.

MEMORANDUM ACCOUNTS

Memorandum accounts as of December 31, 2002, 2003 and 2004 consist of:

Menorandum accounts **(Thousands of Euro)**	**Dec. 31, 2002**	**Dec. 31, 2003**	**Dec. 31, 2004**
Guarantees			
To third parties	413	751	1,784
Mortgages	55	55	83
Risks			
Receivables sold	0	0	118
Commitments and products of third parties			
Products of third parties on consignment	466	315	1,315
Investments to be acquired	63	63	63
Own products at third parties' premises			
Tooling	248	248	264
Derivative contracts			
Interest rate swaps	0	2,500	2,827
Total memorandum accounts	**1,245**	**3,931**	**6,454**

Guarantees to third parties

The guarantees, equal to Euro 1,784 thousand at December 31, 2004, relate to guarantees given by banks to third parties in favour of the Group for Euro 974 thousand and by the subsidiary Neuricam S.p.A. to the Provincia Autonoma di Trento for Euro 554 thousand.

Other guarantees to third parties

The guarantee, equal to Euro 83 thousand at December 31, 2004 consist of a cash deposit for the loan given by Simest.

Receivables sold without recourse

They relate to the portion of the receivable from Thetis S.p.A., sold without recourse to Intesa Mediofactoring in the last quarter of the year, but due after 12 months and thus not covered by the guarantee.

Commitments

Commitments relate to products of third parties on consignment, equal to Euro 1,315 thousand at December 31, 2004 relate to finishe dproducts sold, but on consignment in the Company’s warehouse. The risks on these products have been transferred to the cliente.

Further the Company is committed to acquire the reamining 20% of the share capital of the subsidiary I.P.S. S.r.l..

Own products on consignment

Own goods on consignment relate to tools for the production of electronic apparatus used by thrid party manufacturers.

Derivative contracts

The Company entered two interest rate swap contracts, for a notional amount of Euro 1,500 thousand, to cover the interest rate risk on long-term dent at December 31, 2004. Major terms of the contracts follow:

- firs contract for a notional amount of Euro 250 thousand, entered into on September 26, 2002 with Banca Popolare di Vicenza and due on September 30, 2005 for which the

Company pays to the bank twice the 12 months CHF libor rate less 0.20% and the bank pays to the Company the 3 months Euribor rate;

- second contract ofr a notional amount of Euro 1,250 thousand, entered into on April 28, 2004 wiht Unicredit Banca d'Impresa due on April 30, 2010, renegotiated from a prior contract. The contract requires that every quarter, starting April 30, 2004, the bank pays the Company an interest rate linked to an harmonized index of consumer goods in the Euro area, while the Company pays to the bank for the period April 30, 2004 – April 28, 2006 the following rate:

  i) if the 6 months Euribor rate is lower than 1.80%, the 6 months Euribor rate is paid
  ii) if the 6 months Euribor rate is within 1.80% and 3%, the 1.80% rate is paid
  iii) if the 6 months Euribor rate is higher or equal to 3%, the 6 months Euribor rate is paid plus 0.50%

The mark to market at December 31, 2004 of these contracts shows negative differences by Euro 0.4 thousand and Euro 55 thousand. When the contract with Unicredit Banca d'Impresa was renegotiated, the Company received an "up front" amount of Euro 83 thousand, which was deferred over the life of the new contract.

The Company on August 8, 2003 entered into an option collar contract with Banca Intesa due on August 12, 2008 for a notional amount of Euro 1,000 thousand. The contract has a Cap rate of 4,5% and a variable Floor rate (2.15% the first year, 3.10% the second year and 3.95% until the due date). When the reference tax (Euribor 3 months) is within the defined channel, the Company and the bank exchange the 3 months Euribor rate, if the Euribor rate exceeds Cap or Floor, the Company pays the corresponding fix rate and receives the Euribor rate. This contract was entered in order to cover the Euro 1,500 thousand loan with the same bank entered in 2003 for the acquisition of Parvus Corporation. The mark to market at December 31, 2004 shows a negative difference of approximately Euro 35 thousand.

Further, the subsidiary Erim Développement SAS entered into an option collar contract on September 28, 2000 with a pool of French banks: Crèdit Lyonnais (50%), Banque Populaire de Lyon (28%) and Crèdit Commercial de France (22%). The contract has a fixed Cap rate at 6% if the Euribor rate is within 6% and 8%. Further a fixed Floor rate is 3.5%. This instrument satisfies the requirements to be considered an hedging instrument on the exchange rates on the existing loans: the structure of the notional reflects the amortization plan of the underlying loan, showing a partial coverage at all reimbursement dates. The option, with a residual notional amount of Euro 327 thousand at December 31, 2004 is due on June 30, 2006.

Revenue

Revenue for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	2002		2003		2004	
Commercial sales	420	5.1%	940	8.0%	2,162	11.5%
Industrial sales	7,190	87.2%	10,114	86.3%	16,291	86.6%
Services	640	7.8%	669	5.7%	358	1.9%
Totale sales and service	8,249	100.0%	11,723	100.0%	18,811	100.0%

Commercial revenue relate to sale of components to suppliers, to be manufactured and subsequently resold to the Company.

Revenue by geographic area for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	2002		2003		2004	
Geographical area						
Europe Union	7,753	94.0%	9,772	83.4%	13,270	70.5%
United States of America	6	0.1%	1,366	11.7%	4,485	23.8%
Other	490	5.9%	585	5.0%	1,056	5.6%
Total revenue	8,249	100.0%	11,723	100.0%	18,811	100.0%

Cost of materials

Cost of materials for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	2002	2003	2004
Purchases of raw materials, semi-finished and finished materials	3,346	5,978	9,178
Changes in inventory of raw materials	445	300	(21)
Changes in inventory of semi-finished and finished materials	89	(461)	(509)
Total cost of materials	**3,880**	**5,817**	**8,648**

Other operating costs

Other operating costs for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	2002	2003	2004
Services	1,719	2,343	3,410
Rent and leases	132	182	286
Payroll	2,150	3,138	5,235
Accruals and other costs	88	100	120
Other revenue	(547)	(696)	(775)
Total other operating costs	**3,542**	**5,067**	**8,276**

Services

Services for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	6 months 2004	Year 2004	6 months 2005
Industrial services	405	925	988
Commercial services	409	1,021	682
General and administrative services	621	1,534	885
Total services	**1,435**	**3,480**	**2,555**

Rent and leases

Rent and lease, equal to Euro 132 thousand in 2002, Euro 182 thousand in 2003 and Euro 286 thousand in 2004, principally relate to rent and lease cost for the manufacturing, commerical and administrative sites of the Group.

Labour cost

Labour cost for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	2002	2003	2004
Wages and salaries	1,575	2,489	4,405
Social contributions	451	509	672
Employees' leaving indemnity	95	123	141
Retirement fund	0	6	0
Other	29	11	17
Total labour cost	**2,150**	**3,138**	**5,235**

The increase in labour cost in 2003 and 2004 reflect the newly acquired companies and the increase in the volume of activity.

Employees for the years ended December 31, 2002, 2003 and 2004 consist of:

Employees	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Executives	1	1	2
White collars employees	58	96	124
Blu collar employees	13	30	27
Total	**72**	**127**	**153**

Provisions and other costs

Provisions and other costs for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	**2002**	**2003**	**2004**
Allowance for doubtful accounts	25	26	20
Provisions	4	6	8
Other costs	59	68	92
Total provisions and other costs	**88**	**100**	**120**

Other revenue

Other revenue for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	**2002**	**2003**	**2004**
Grants	517	200	350
Increases for internal projects	8	443	367
Other revenue	17	53	58
Total other revenue	**542**	**696**	**775**

Grants in 2002 for Euro 517 thousand relate for Euro 134 thousand to grants to the Company in accordance with a regional law and for Euro 383 thousand to grants by the Province of Trento to the subsidiary Neuricam S.p.A., of which Euro 300 thousand to the portion of the grant for research cost of prior years, Euro Euro 29 thousand for grants by the same Province and for the remaining Euro 54 thousand to other minor grants.

Grants in 2003 for Euro 200 thousand relate for Euro 161 thousand to grants to the Company in accordance with a regional law and for Euro 39 thousand to other minors grants in favour of the subsidiary Neuricam S.p.A..

Grants in 2004 for Euro 350 thousand relate for Euro 45 thousand to grants to the Company in accordance with a regional law and for Euro 300 thousand to grants from the Province of Trento to the subsidiary Neuricam S.p.A. for research costs of the year 2004 and of prior year sand for the remaining Euro 5 thousand to minor grants.

The increase for internal projects aand constructions in 2003 for Euro 443 thousand relates for Euro 95 thousand to employees' costs for the development of new products of network appliances under the trade mark Ascensit, for Euro 70 thousand to employees' cost for the development of the web-site, for Euro 27 thousand for the costs incurred for the construction of certain tooling for testing of finished products by the Company, for Euro 222 thousand to employees' costs of the subsidiary Neuricam for certain projects financed by a local law and for Euro 29 thousand to employees' costs incurred by the subsidiary I.P.S. S.r.l. for the new industrial computer I.P.S. 340.

The increase for internal projects and constructions in 2004 for Euro 367 thousand relates for Euro 107 thousand to employees' costs and material costs for the development of new products in the filed of wearable PC by the Company and for Euro 23 thousand for the costs incurred for the construction of certain tooling for testing of finished products by the Company, for Euro 183 thousand to employees' costs of the subsidiary Neuricam S.p.A. for certain projects financed by a local law and for Euro 29 thousand to employees' costs incurred by the subsidiary I.P.S. S.r.l. for the the new industrila computer I.P.S. 425 and 555/625.

Depreciation and amortization

Depreciation and amortization for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	2002	2003	2004
Depreciation	350	391	589
Amortization	253	284	274
Total depreciaiton and amortization	**603**	**675**	**863**

Net financial costs

Net financial costs for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	2002	2003	2004
Valuation of associated companies at equity	**(72)**	**(45)**	**9**
Bank interest and interest on long-term debt	80	148	262
Interest on convertible bond			33
Factoring costs			17
Differential of rates on interest rate swaps			88
Losses on foreign currencies		91	77
Interest on financial leases	40	35	24
Interest expense	**120**	**274**	**501**
Bnak interest income	2	0	2
Differential of rates on interest rate swaps			11
Gains on foreign currencies		15	9
Interest from financial activities	48	50	54
Other financial income	9	10	8
Interest income	**59**	**75**	**84**

Investments accounted for under the equity method are Ascensit S.r.l. and Emilab S.r.l.

Ascensit S.r.l. was written-down in 2002 for Euro 67 thousand to recognize the portion of its loss for the period and in 2003 for Euro 45 thousand to recognize, in addition to the loss for the period, the elimination of the unrealized intragroup gain for the sale of a businees to the parent company. In 2005 the investment was revalued by Euro 5 million.

Emilab S.r.l. was written-down in 2002 by Euro 5,000. In 2004 it was revalued up by Euro 4,000.

Interest expenses in 2003 amount to Euro 274 thousand and in 2002 to Euro 120 thousand, with an increase of Euro 154 thousand due to higher long-term debt for the acquisitions. Interest in 2004 amoun to Euro 501 thousand with an increase of Euro 277 thousand, principally due to the renegotiation of certain Interest Rate Swaps.

Interest income in 2003 amount to Euro 75 thousand, Euro 59 thousand in 2002, with an increase of Euro 59 thousand, principally due to gains on foreign currencies. In 2004 interest income amount to Euro 84 thousand with an increase of Euro 9 thousand, principally due to the portion of the “upfront” fee recognized for the renegotiaiton of the Interest Rate Swap.

Extraordinary items

Extraordinary items for the years ended December 31, 2002, 2003 and 2004 consist of:

(Thousands of Euro)	2002	2003	2004
Extraordinary income	109	118	51
Extraordinary expenses	(57)	(39)	(61)
Total extraordinary, net	**52**	**79**	**(10)**

Extraordinary income consists of:

(Thousands of Euro)	2002	2003	2004
Prrior years' revenue	22	118	44
Other income	87		7
Extraordinary income	**109**	**118**	**51**

Other income in 2002 includes principally a grant for projects of Neuricam S.p.A. of prior periods.

Extraordinary expenses consist of:

(Thousands of Euro)	2002	2003	2004
Prrior years' costs	25	16	42
Taxes related to prior years	32	23	10
Other extraordinary expenses			9
Extraordinary expenses	**57**	**39**	**61**

Income taxes

Income taxes consist of:

(Thousands of Euro)	2002	2003	2004
Income before income taxes	138	(1)	606
Income taxes	172	226	420
Percentage	**124.6%**	**n.s.**	**69.3%**

The following table shows a breakdown of taxes, showing differences between current and deferred taxes, and between Italian and foreign taxes.

(Thousands of Euro)	2002	2003	2004
IRES (Italian current tax)	103	96	168
IRAP (Italian current tax)	125	144	186
Current foreign taxes	0	36	67
Total current taxes	228	276	421
Deferred Italian taxes	(56)	23	(64)
Deferred foreign taxes	0	(73)	63
Total deferred taxes	(56)	(50)	(1)
TOTAL INCOME TAXES	**172**	**226**	**420**

The reconciliation between the statutory tax rate and the effective tax rate is presented with respect to the Government income taxes ("IRES" in Italy) which are computed starting from the accounting profit before taxes, For the Regional Italian income tax ("IRAP"), no reconciliation is presented because its computation is performed starting from a basis different from the accounting income before taxes

The following table summarizes the reconciliation between the statutory tax rate and the effective tax rate:

(Thousands of Euro)		**2002**	**2003**	**2004**
Italian statutory tax rate		34%	34%	33%
Earnings before tax		138	(1)	606
Taxes at the Italian statutory rate		47	(0)	200
Difference between the Italian statutory rate and the foreign tax rates		0	(24)	(64)
Permanent differences:				
Exempt income		(105)	(23)	
Non-deductible costs		113	242	358
Tax losses not considered recoverable			84	
Other differences			(12)	(71)
	Subtotal	8	291	287
Other differences				
Tax losses not considered recoverable in prior years		(25)	(20)	(60)
Other negative differences		(20)	(15)	(30)
Other positive differences		58	1	
	Subtotal	13	(34)	(90)
Taxable income		159	232	739
Current taxes		102	132	235
Deferred taxes		(48)	(53)	9
Total taxes, excluding IRAP		54	79	244
Current taxes IRAP		125	144	186
Deferred taxes IRAP		(8)	3	(10)
Total IRAP taxes		118	147	176
Total income taxes		172	226	420
Effective tax rate		**124.6%**	**n.s.**	**69.3%**

The primary reasons for the changes to the effective tax rate of the group are as follows:

- Changes in deferred tax assets (39% for Parvus and 33.33% for Erim);
- Tax exemptions;
- Non-deductible costs;
- Limitation in the deductibility of tax losses in our US subsidiary; and
- Tax loss carryforwards of prior years.

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL DATA RESTATED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") FOR THE PURPOSE OF THEIR INCLUSION IN THE ITALIAN LISTING PROSPECTUS

To the Board of Directors
Eurotech S.p.A.

1. We have audited the accompanying financial data restated in accordance with IFRS, comprising the consolidated balance sheet as of December 31, 2004 and the consolidated statement of income, cash flows and shareholders' equity for the year ended December 31, 2004 and the related explanatory notes of Eurotech S.p.A. and its subsidiaries (the "Eurotech Group"). These financial data derive from the consolidated financial statements of the Eurotech Group as of December 31 2004, prepared in accordance with Italian regulations governing the criteria for the preparation of the financial statements, which we had previously audited and on which we issued our auditor's report dated September 2, 2005. The financial data restated in accordance with IFRS have been prepared for their inclusion in the Italian listing prospectus for the admission of the shares of the Eurotech Group to the Italian stock exchange (Nuovo Mercato, segment Techstar). The scope of these financial data is to present the financial position and the results of operations of the Eurotech Group as of December 31, 2004 and for the year then ended in accordance with the measurement and valuation criteria required by IFRS and adopted by the European Commission, as described in Note 1. These financial data restated in accordance with IFRS are the responsibility of the management of the Eurotech Group. Our responsibility is to express an opinion on these data based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial data restated in accordance with IFRS are materially misstated and if such financial data, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures included in the financial data identified in paragraph 1, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The audit of the financial statements of certain consolidated subsidiaries, which respectively represent approximately 9.6% of consolidated total assets and approximately 5.9% of consolidated total revenues, is the responsibility of other auditors.

3. In our opinion, the financial data restated in accordance with IFRS, identified in paragraph 1 above, have been prepared in accordance with the principles and the criteria described in Note 1 and, accordingly, for the sole purpose of their inclusion in the Italian Listing Prospectus and in the Offering Circular, as required by Rule 809/204/CE, they give, in all material respects, a true and fair view of the effects of the application of IFRS to the financial position of the Eurotech Group at December 31, 2004 and to the results of its operations for the year then ended.

4. As described by management in Note 1, as required by Rule 809/2004/CE and by Recommendation 05-054b of the Committee of European Securities Regulators ("CESR"), the financial data restated in accordance with IFRS:

i) have been prepared on the basis of principles which could differ from those in effect at December 31, 2005 and, accordingly, such data could differ from the data utilized as comparative data in the first financial statements prepared in application of the IFRS principles;

ii) being prepared solely for their inclusion in the Italian Listing Prospectus and in the Offering Circular, do not include comparative information and necessary explanatory notes which would be required for a complete presentation of the financial position and results of operations of the Eurotech Group in accordance with IFRS and, accordingly they may not be considered a first time application of IFRS.

Treviso, Italy,
September 2, 2005

Reconta Ernst & Young S.p.A.

Eurotech S.p.A.

Consolidated Balance Sheet

At December 31, 2004

(Thousands of Euro)

	December 31, 2004 IFRS
ASSETS	
Intangible assets	5,306
Property, plant and equipment	2,223
Other non current assets	293
Total non current assets	**7,822**
Inventory	5,250
Trade receivables	8,402
Other current assets	419
Cash and cash equivalents	2,560
Total current assets	**16,631**
Total assets	**24,453**
LIABILITIES AND SHAREHOLDERS' EQUITY	
Share capital	1,247
Retained earnings	3,548
Net profit (loss) for the year	647
Group shareholders' equity	**5,442**
Minority capital and reserves	625
Minority profit (loss) for the year	(69)
Minority interests	**556**
Total shareholders' equity	**5,998**
Long-term debt	3,516
Convertible notes	2,465
Employees' benefits	550
Other non current liabilities	754
Total non current liabilities	**7,285**
Trade payable	4,011
Short-term borrowings	5,694
Taxes payable	442
Other current liabilities	1,023
Total current liabilities	**11,170**
Total liabilities	**18,455**
Total liabilities and shareholders' equity	**24,453**

See accompanying notes

Eurotech S.p.A.

Consolidated Statement of Income

For the year ended December 31, 2004

(Thousands of Euro)

	2004 IFRS
Sales and service revenues	**16,649**
Operating costs:	
Cost of materials	(6,486)
Services	(3,480)
Rent and leases	(286)
Payroll	(5,212)
Accruals and other costs	(172)
Other revenue	973
Profit before depreciation and amortization, finance costs and taxes	**1,986**
Depreciation and amortization	(529)
Operating profit	**1,457**
Share of profit of associate	9
Finance costs	(517)
Finance income	84
Profit before taxes	**1,033**
Income tax expense	(455)
Net profit (loss) for the year	**578**
Minority interest	**(69)**
Group net profit (loss) for the year	**647**

See accompanying notes

Eurotech S.p.A.

Consolidated Statement of Cash Flows
For the year ended December 31, 2004
(Thousands of Euro)

	2004 IFRS
CASH FLOWS FROM OPERATING ACTIVITIES:	
Group net profit (loss) for the year	**647**
Adjustments to reconcile Group net profit (loss) to net cash provided by operating activities:	
Minority interest	(69)
Depreciation and amortization	529
Provision for doubtful accounts	20
Share of profit of associate	(9)
Provision for employees' benefits	130
Deferred taxes	226
Change in current assets and liabilities:	
Trade receivables	(1,894)
Other current assets	479
Inventory	(1,609)
Trade payables	1,028
Other current liablilities	24
Total adjustments and changes	**(1,145)**
Net cash used in operating activities	**(498)**
CASH FLOW FROM INVESTING ACTIVITIES	
Disposal of property, plant and equipment	36
Disposal of intangible assets	84
Addition to property, plant and equipment	(999)
Addition to intangible assets	(317)
Net change in financial assets	(46)
Acquisition of business net of cash acquired	(1,441)
Net cash used in investing activities	**(2,683)**
CASH FLOW FROM FINANCING ACTIVITIES	
Share capital increase	163
Reimbursement of long-term debt	2,784
Net change in short-term borrowings	(1,860)
Advances for factoring of trade receivables	3,792
Net cash provided by investing activities	**4,879**
Effect of changes in exchange rates on cash	(40)
Increase of cash and cash equivalents	**1,658**
Cash and cash equivalents at beginning of the year	**902**
Cash and cash equivalents at the end of the year	**2,560**

See accompanying notes

Eurotech S.p.A.

Consolidated Statement of Shareholders' Equity
For the year ended December 31, 2004
(Thousands of Euro)

	Share capital	Legal reserve	Paid-in capital	Translation adjustment	Other reserves	Net profit (loss) for the period	Group shareholders' equity	Minority capital and reserves	Minority profit (loss) for the period	Total minority interest	Total shareholders' equity
Balance January 1, 2004	**425**	**29**	**3,816**	**(29)**	**697**	**(256)**	**4,682**	**737**	**29**	**766**	**5,448**
Allocation of prior year result		1			(257)	256	0	29	(29)	0	0
Increase of share capital	822		(659)				163			0	163
Other				(40)	(10)		(50)	(141)		(141)	(191)
Net profit (loss) for the year 2004						647	647		(69)	(69)	578
Balance December 31. 2004	**1,247**	**30**	**3,157**	**(69)**	**430**	**647**	**5,442**	**625**	**(69)**	**556**	**5,998**

Eurotech S.p.A.

December 31, 2004

Restated in conformity with IFRS

Premise

The accompanying statements present the financial information prepared in accordance with International Financial Reporting Standards ("IFRS") and the effect that the transition to IFRS has, with reference to the financial year 2004, on the consolidated financial condition, on the consolidated financial performance and on the consolidated cash flow.

To that end the following have been prepared:

- IFRS consolidated balance sheet at December 31, 2004, IFRS consolidated income statement for the year ended December 31, 2004, IFRS consolidated cash flow statement and statement of consolidated shareholders' equity for the year ended December 31, 2004;
- Explanatory notes describing the basis of transition for the first-time application of IFRS and the other IFRS chosen by the Eurotech Group;
- reconciliations of consolidated shareholders' equity and consolidated net income under previous GAAP to consolidated shareholders' equity and consolidated net income under IFRS at:
    - the date of transition to IFRS (January 1, 2004); and
    - at December 31, 2004 and for the year then ended;
- IFRS consolidated balance sheets at January 1, 2004 and at December 31, 2004, IFRS consolidated income statement for the year ended December 31, 2004 and consolidated cash flow statement for the year 2004, as well as a summary of the adjustments to the balance sheet, income statement and cash flow statement prepared in accordance with Italian GAAP;
- comments on the reconciliations;

Basis of presentation of IFRS financial information for the year 2004

The objective of the financial information for the year 2004 prepared according to IFRS is to present the consolidated financial position of Eurotech S.p.A. and subsidiaries at December 31, 2004, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with IFRS approved by the European Commission, described in this paragraph and in the explanatory notes to the above mentioned consolidated financial information.

The IFRS consolidated balance sheet and the IFRS consolidated income statement have been obtained from the consolidated data, prepared in accordance with the provisions of Italian law, by making the appropriate IFRS adjustments and reclassifications to reflect the changes in the presentation, recognition and valuation required by IFRS.

Adjustments have been made to conform with IFRS standards in effect to September 2, 2005. The approval process on the part of the Commission and the adaptations and interpretations of the official bodies in charge of these activities is still in progress.

Taking into account Regulation (EC) 80/2004 and Committee of European Securities Regulators ("CESR")'s recommendation 05-054b, IFRS consolidated balance sheet at December 31, 2004, IFRS consolidated income statement for the year ended December 31, 2004, IFRS consolidated cash flow statement and statement of changes in consolidated shareholders' equity during the year 2004 have been prepared solely for purposes of inclusion in the Italian Listing Prospectus to present the consolidated financial position of Eurotech S.p.A. and subsidiaries at December 31, 2004, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with IFRS. At the time of the preparation of the first complete IFRS consolidated financial statements at December 31, 2005, new IFRS standards and IFRIC interpretations could be in effect that may be allowed to be applied at an earlier date. For these reasons, the data presented in the accounting statements and in the reconciliations could change, for purposes of their utilization as the comparative figures for the first complete consolidated financial statements prepared in accordance with IFRS.

The financial information according to IFRS solely for purposes of inclusion in the Italian Lisitng Prospectus and in the Offering Circular and therefore it does not include all of the statements, comparative information and disclosures which would be necessary for a full presentation of the financial position and results of operations of the Eurotech Group as of and for the year ended December 31, 2004 in accordance with IFRS.

For purposes of the presentation of the effects of the transition to IFRS and to satisfy the rules for disclosure indicated in paragraphs 39 a) and b) and 40 of IFRS 1 concerning the effects of the first-time application of IFRS, the Eurotech Group has followed the example contained in IFRS 1.

The effects of the transition to IFRS are the result of changes in accounting principles and, consequently, as required by IFRS 1 are reflected in the opening shareholders' equity at the date of transition (January 1, 2004). In the transition to IFRS, the estimates previously formulated in accordance with Italian GAAP have been maintained, unless the adoption of IFRS accounting standards has required the formulation of estimates in accordance with different methods.

Rules for the first-time application, accounting options elected in the first time adoption of IFRS accounting standards chosen by the Eurotech Group

The restatement of the opening consolidated balance sheet at January 1, 2004 and of the consolidated financial statements for the year ended December 31, 2004 have also required the following preliminary decisions by Eurotech Group among the options provided by IFRS:

- financial statement presentation: the "current/non-current" classification has been adopted for the balance sheet, which is generally applied by industrial and commercial enterprise, while the classification of expenses by nature has been chosen for the income statement.
- optional exemptions provided by IFRS 1 upon first-time application of IFRS at January 1, 2004:
    - valuations of a land and of a building at fair value as the deemed cost;
    - business combinations: for purposes of the first-time application of IFRS to any business combination, the purchase method set out in IFRS 3 has been applied prospectively beginning from January 1, 2004. This has also necessitated the interruption of the process of amortization of goodwill and/or of differences on consolidation recorded at January 1, 2004;
    - employee benefits: the Eurotech Group elected to recognize all cumulative actuarial gains and losses that existed at January 1, 2004, even if it decided to use the corridor approach for later actuarial gains and losses;
    - financial instruments: the Eurotech Group has decided to adopt IAS 32 and IAS 39 starting from January 1, 2005 and has applied Italian GAAP to financial instruments that are within the scope of IAS 32 and IAS 39 in preparing the opening IFRS consolidated balance sheet at January 1, 2004, the IFRS consolidated income statement for the year ended December 31, 2004 and the IFRS consolidated balance sheet at December 31, 2004.

- accounting treatments chosen from the accounting options provided by IFRS:
    - inventories: in accordance with IAS 2, the cost of inventories should be determined by using the FIFO method or the weighted average cost method. The Eurotech Group has chosen to use the weighted average cost method for each movement;
    - valuation of tangible assets and intangible assets: subsequent to the initial recording at cost, IAS 16 and IAS 38 provide that these assets may be valued at cost (and depreciated/amortized) or at fair value. The Eurotech Group has chosen to adopt the cost method;

Main impact on the consolidated opening balance sheet at January 1, 2004 and on the 2004 consolidated financial statements deriving from the adoption of IFRS

The differences arising from the application of IFRS compared to Italian GAAP as well as the choices made by the Eurotech Group among the accounting options provided by IFRS described above, require a restatement of the accounting data prepared in accordance with the Italian regulations governing financial statements, whose effects on shareholders' equity and consolidated net income are summarized in the following statements. Information on the adjustments made to the balances prepared in accordance with Italian GAAP to conform to IFRS standards is presented in the following paragraphs.

Eurotech S.p.A.

December 31, 2004

Restated in conformity with IFRS

Reconciliations of consolidated shareholders' equity at January 1, 2004 and at December 31, 2004 and consolidated net income for the year 2004 under previous GAAP to consolidated shareholders' equity at January 1, 2004 and at December 31, 2004 and consolidated net income for the year 2004 under IFRS

(in thousand of Euro)	Shareholders' equity at 1° January 2004	Shareholders' equity at 31 December 2004	Net income for the year 2004
TOTAL AMOUNT (ATTRIBUTABLE TO THE PARENT COMPANY AND TO MINORITY INTERESTS) ACCORDING TO ITALIAN GAAP	4.855	5.046	186
less: minority interests	(556)	(432)	14
ATTRIBUTABLE TO THE PARENT COMPANY ACCORDING TO ITALIAN GAAP	4.299	4.614	200
ADJUSTMENTS TO ITEMS OF THE FINANCIAL STATEMENTS ACCORDING TO ITALIAN GAAP:			
1. Business combinations			
1.1 Customer lists	-	570	(30)
1.1 Goodwill and differences on consolidation	-	(134)	291
1.2 Provisions	-	(19)	(1)
1.3 Reassessment of the useful life of tangible fixed assets	-	10	-
Total business combinations	-	427	260
2. Development costs			
2.1 Capitalization of development costs	707	1.158	451
2.2 Write off of development costs that do not meet the criteria for capitalization under IAS 38	(19)	(15)	4
2.3 Reassessment of the useful life of capitalized develpoment costs	78	85	7
Total development costs	766	1.228	462
3. 3. Write off of start-up and expansion costs	(123)	(122)	1
4. 4. Write off of other intangible assets	(3)	(5)	(2)
5. 5. Write off of trademark registration costs	(19)	(22)	(3)
6. Land and building	268	262	(6)
7. Factoring transactions	-	-	-
8. Deferred tax assets	-	20	20
9. Employee severance indemnities	17	24	7
10. Convertible bond			
11.Government grants			
11.1 Grants related to income	38	24	(14)
11.2 Grants related to assets	-	(288)	(288)
Total Government grants	38	(264)	(302)
12. Revenue recognition – Sales of components	-	-	-
13. Reclassification of deferred tax assets	-	-	-
Tx effect on reconciling items	(351)	(596)	(45)
Minority interests on reconciling items	(210)	(124)	55
ATTRIBUTABLE TO THE PARENT COMPANY ACCORDING TO IAS/IFRS	4.682	5.442	647

Reconciliations of consolidated balance sheets at January 1, 2004 and at December 31, 2004 and consolidated income statement and cash flow statement for the year 2004 under previous GAAP to consolidated balance sheets at January 1, 2004 and at December 31, 2004 and consolidated income statement and cash flow statement for the year 2004 under IFRS

In addition to the reconciliations of shareholders' equity at January 1, 2004 and December 31, 2004, net income for the year 2004 accompanied by comments on the adjustments made to the balances prepared in accordance with Italian GAAP, the consolidated balance sheets at January 1, 2004 and December 31, 2004, the consolidated income statement and the consolidated cash flow statement for the year 2004 are attached wherein the following is presented for each item in individual columns:

- amounts according to Italian GAAP reclassified in accordance with IFRS formats;
- adjustments and reclassifications to conform to IFRS standards;
- adjusted amounts according to IFRS;

Eurotech S.p.A.

December 31, 2004

Restated in conformity with IFRS

Reconciliations of consolidated balance sheets under previous GAAP to consolidated balance sheets under IFRS at January 1, 2004 and at December 31, 2004

CONSOLIDATED BALANCE SHEET (Thousands of Euro)	January 1, 2004 Ita Gaap	Reclassifications IFRS	Adjustments IFRS	January 1, 2004 IFRS
ASSETS				
Intangible assets	2.803	(24)	258	3.037
Property, plant and equipment	1.888	24	268	2.180
Other non current assets	30	202		232
Total non current assets	**4.721**	**202**	**526**	**5.449**
Inventory	2.854	123		2.977
Trade receivables	6.208	(680)		5.528
Other current assets	952	(202)		750
Cash and cash equivalents	902			902
Total current assets	**10.916**	**(759)**	**0**	**10.157**
Total assets	**15.637**	**(557)**	**526**	**15.606**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital	425			425
Retained earnings	4.130		383	4.513
Net profit (loss) for the period	(256)			(256)
Group shareholders' equity	**4.299**	**0**	**383**	**4.682**
Minority capital and reserves	527		210	737
Minority profit (loss) for the period	29			29
Minority interests	**556**	**0**	**210**	**766**
Total shareholders' equity	**4.855**	**0**	**593**	**5.448**
Long-term debt	3.568			3.568
Convertible notes	0			0
Employees' benefits	437		(17)	420
Other non current liabilities	139		351	490
Total non current liabilities	**4.144**	**0**	**334**	**4.478**
Trade payable	3.455	(557)	(401)	2.497
Short-term borrowings	2.102			2.102
Taxes payable	395			395
Other current liabilities	686			686
Total current liabilities	**6.638**	**(557)**	**(401)**	**5.680**
Total liabilities	**10.782**	**(557)**	**(67)**	**10.158**
Total liabilities and shareholders' equity	**15.637**	**(557)**	**526**	**15.606**
Memorandum accounts	**3.931**			

Eurotech S.p.A.

December 31, 2004

Restated in conformity with IFRS

CONSOLIDATED BALANCE SHEET (Thousands of Euro)	December 31, 2004 Ita Gaap	Reclassifications IFRS	Adjustments IFRS	December 31, 2004 IFRS
ASSETS				
Intangible assets	4.099	(20)	1.227	5.306
Property, plant and equipment	1.931	20	272	2.223
Other non current assets	55	218	20	293
Total non current assets	**6.085**	**218**	**1.519**	**7.822**
Inventory	4.662	588		5.250
Trade receivables	5.726	2.676		8.402
Other current assets	648	(253)	24	419
Cash and cash equivalents	2.560			2.560
Total current assets	**13.596**	**3.011**	**24**	**16.631**
Total assets	**19.681**	**3.229**	**1.543**	**24.453**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital	1.247			1.247
Retained earnings	3.167		381	3.548
Net profit (loss) for the period	200		447	647
Group shareholders' equity	**4.614**	**0**	**828**	**5.442**
Minority capital and reserves	446		179	625
Minority profit (loss) for the period	(14)		(55)	(69)
Minority interests	**432**	**0**	**124**	**556**
Total shareholders' equity	**5.046**	**0**	**952**	**5.998**
Long-term debt	3.516			3.516
Convertible notes	2.500	(35)		2.465
Employees' benefits	574		(24)	550
Other non current liabilities	139		615	754
Total non current liabilities	**6.729**	**(35)**	**591**	**7.285**
Trade payable	4.539	(528)		4.011
Short-term borrowings	1.902	3.792		5.694
Taxes payable	442			442
Other current liabilities	1.023			1.023
Total current liabilities	**7.906**	**3.264**	**0**	**11.170**
Total liabilities	**14.635**	**3.229**	**591**	**18.455**
Total liabilities and shareholders' equity	**19.681**	**3.229**	**1.543**	**24.453**

Memorandum accounts	**6.454**

Eurotech S.p.A.

December 31, 2004

Restated in conformity with IFRS

Reconciliations of consolidated income statement under previous GAAP to consolidated income statement under IFRS for the year 2004

CONSOLIDATED STATEMENTS OF OPERATIONS (Thousands of Euro)	31/12/2004 Ita Gaap	Reclassifications IFRS	Adjustments IFRS	31/12/2004 IFRS
Revenue	18.811	(2.162)		16.649
Operating costs:				
Usage of materials	(8.648)	2.162		(6.486)
Services	(3.410)		(70)	(3.480)
Rent and leases	(286)			(286)
Payroll	(5.235)		23	(5.212)
Accruals and other costs	(120)	(51)	(1)	(172)
Other revenue	775	51	147	973
Profit before depreciation and amortization, finance costs and taxes	**1.887**	**0**	**99**	**1.986**
Depreciation and amortization	(863)		334	(529)
Svalutazioni di immobilizzazioni	0			0
Operating profit	**1.024**	**0**	**433**	**1.457**
Share of profit of associate	9			9
Finance costs	(501)		(16)	(517)
Finance income	84			84
Extraordinary costs and expenses	(10)	10		
Profit before taxes	**606**	**10**	**417**	**1.033**
Income tax expense	(420)	(10)	(25)	(455)
Net profit (loss) for the period	**186**	**0**	**392**	**578**
Minority interest	**(14)**		**(55)**	**(69)**
Group net profit (loss) for the period	**200**	**0**	**447**	**647**

Eurotech S.p.A.

December 31, 2004

Restated in conformity with IFRS

Reconciliations of consolidated cash flow statement under previous GAAP to consolidated cash flow statement under IFRS for the year 2004

CONSOLIDATED STATEMENT OF CASH FLOWS (Thousands of Euro)	December 31, 2004 ITA Gaap	Reclassification IFRS	Adjustments IFRS	December 31, 2004 IFRS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Group net profit (loss) for the year	**200**		**447**	**647**
Adjustments to reconcile Group net profit (loss) to net cash provided by operating activities:				
Minority interest	(14)		(55)	(69)
Depreciation and amortization	863		(334)	529
Provision for doubtful accounts	20			20
Share of profit of associate	(9)			(9)
Provision for employees' benefits	137		(7)	130
Deferred taxes	(19)	(29)	274	226
Change in current assets and liabilities:				
Trade receivables	1.462	(3.356)		(1.894)
Other current assets	490	51	(62)	479
Inventory	(1.144)	(465)		(1.609)
Trade payables	598	29	401	1.028
Other current liablilities	24			24
Total adjustments and changes	**2.408**	**(3.770)**	**217**	**(1.145)**
Net cash provided by (used in) operating activities	**2.608**	**(3.770)**	**664**	**(498)**
CASH FLOW FROM INVESTING ACTIVITIES				
Disposal of property, plant and equipment	36			36
Disposal of intangible assets	0	84		84
Addition to property, plant and equipment	(341)	(1)	(657)	(999)
Addition to intangible assets	(346)	16	13	(317)
Net change in financial assets	(10)	(16)	(20)	(46)
Acquisition of business net of cash acquired	(1.441)			(1.441)
Net cash used in investing activities	**(2.102)**	**83**	**(664)**	**(2.683)**
CASH FLOW FROM FINANCING ACTIVITIES				
Share capital increase	163			163
Reimbursement of long-term debt	3.150	(366)		2.784
Net change in short term borrowings	(2.121)	261		(1.860)
Factoring of trade receivables	0	3.792		3.792
Net cash provided by (used in) investing activities	**1.192**	**3.687**	**0**	**4.879**
Effect of changes in exchange rates on cash	(40)		0	(40)
Increase (decrease) of cash and cash equivalents	**1.658**	**0**	**0**	**1.658**
Cash and cash equivalents at beginning of the period	**902**			**902**
Cash and cash equivalents at the end of the period	**2.560**			**2.560**

Explanatory notes to the adjustments to the balance sheets at January 1, 2004 and December 31, 2004, to the income statement and to the cash flow statement for the year 2004

The individual adjustments are presented in the table before taxes and minority interests while the relative tax effects and those on minority interests are shown cumulatively as two separate adjusting items.

A commentary is presented here on the IFRS adjustments made to Italian GAAP amounts.

Business combinations

As mentioned above, the Group elected to apply the business combinations exemption granted by IFRS 1 and therefore did not apply IFRS 3 to business combinations that occurred prior to the transition date of January 1, 2004. The acquisitions of the 100% interest in Erim Développement S.A.S. and in Eurotech Finland Oy (formerly known as Vikerkaar Oy) have been accounted for using the purchase method.

Moreover, according to IFRS 3, goodwill and differences on consolidation are no longer amortized systematically in the income statement but are subject to a test, carried out at least annually, in order to identify any impairment in value. To this end, cash generating units have been identified to which the relative goodwill has been allocated. Impairment tests have been carried out which have substantially confirmed the amounts recorded under Italian GAAP.

The impact of the application of IFRS 3 is an increase in total shareholders' equity of Euro 427 thousand at December 31, 2004 (entirely attributable to the Parent Company), before a negative tax effect of Euro 187 thousand, due to an increase in intangible assets with a finite useful life (customer lists) and in tangible fixed assets amounting to Euro 570 thousand and Euro 10 thousand respectively, to a decrease in goodwill amounting to Euro 134 thousand and to the increase in other non current liabilities amounting to Euro 19 thousand; the total pre-tax income for the year reports an increase of Euro 260 thousand (entirely attributable to the Parent Company) due to the elimination of amortization of goodwill and differences on consolidation amounting to Euro 291 thousand, to the amortization of intangible assets with a finite useful life (customer lists) recognized as part of the allocation of the cost of the acquisition of the 100% interest in Erim Développement S.A.S. of Euro 30 thousand and to recognized provisions of Euro 1 thousand.

Development costs

Under Italian GAAP applied research and development costs may alternatively be capitalized or charged to operations when incurred. Eurotech Group has mainly expensed research and development costs when incurred. Capitalized research and development costs have been amortized over a maximum period of 5 years in accordance with the Italian Civil Code..

IAS 38, Intangible Assets, requires that research costs be expensed, whereas development costs that meet the criteria for capitalization must be capitalized and then amortized from the start of production over the economic life of the related products.

Under IFRS, the Group has capitalized development costs related to design and development of innovative products in the field of intelligent vision modules and systems, of miniaturized ultra low power computers modules and systems for personal and mobile usage and in new family of rugged mobile computer systems, net of related depreciation, using the retrospective approach in compliance with IFRS 1; capitalized development costs that do not meet the criteria for capitalization under IAS 38 have been written off. Moreover the Group has restated the carrying amount of capitalized development costs by amortizing such costs from the start of production over the economic life of the related products, using the retrospective approach in compliance with IFRS 1. This different accounting treatment has the following impact:

• at January 1, 2004: an increase in total shareholders' equity of Euro 766 thousand (of which Euro 502 thousand is attributable to the Parent Company) before a negative tax effect of Euro 285 thousand (of which Euro 187 thousand is attributable to the Parent Company) due to an increase in intangible assets of Euro 766 thousand as a result of the capitalization of development costs amounting to Euro 707 thousand, of the write off of capitalized development costs that do not meet the criteria for capitalization under IAS 38 amounting to Euro 19 thousand and of the restatement of the carrying amount of capitalized development costs by amortizing such costs from the start of production over the economic life of the related products amounting to Euro 78 thousand;
• at December 31, 2004: an increase in total shareholders' equity of Euro 1,228 thousand (of which Euro 977 thousand is attributable to the Parent Company) before a negative tax effect of Euro 457 thousand (of which Euro 364 thousand is attributable to the Parent Company) due to an increase in intangible assets of Euro 1,228 thousand as a result of the capitalization of development costs amounting to Euro 1,158 thousand, of the write off of capitalized development costs that do not meet the criteria for capitalization under IAS 38 amounting to Euro 15 thousand and of the restatement of the carrying amount of capitalized development costs by amortizing such costs from the start of production over the economic life of the related products amounting to Euro 85 thousand; the total pre-tax income for the year reports an increase of Euro 462 thousand (of which Euro 391 thousand is attributable to the Parent Company) due to the capitalization of development costs expensed under Italian GAAP amounting to Euro 409 thousand and to lower amortization amounting to Euro 53 thousand resulting from the effect of higher amortization of development costs capitalized in the opening IFRS balance sheet at January 1, 2004 and lower amortization deriving from the revision of the useful life of capitalized development costs, before a negative tax effect of Euro 172 thousand (of which Euro 146 thousand is attributable to the Parent Company).

Write off of start-up and expansion costs

In accordance with IFRS, start-up and expansion costs incurred in relation to transactions regarding share capital are directly deducted from the reserves in shareholders' equity at the date of the transaction; the other start-up and expansion costs, since the requirements for their recognition in intangible assets have not been met, are charged to the income statement. The impact of these different accounting treatments is the following:
• at January 1, 2004: a decrease in total shareholders' equity of Euro 123 thousand (entirely attributable to the Parent Company), before a positive tax effect of Euro 46 thousand (for the recognition of deferred tax assets), due to a decrease in intangible assets of Euro 123 thousand;
• at December 31, 2004: a decrease in total shareholders' equity of Euro 122 thousand (entirely attributable to the Parent Company), before a positive tax effect of Euro 45 thousand (for the recognition of deferred tax assets), due to a decrease in intangible assets of Euro 122 thousand; the total pre-tax income for the year reports an increase of Euro 1 thousand due to lower amortization of Euro 57 thousand and higher purchases of external services of Euro 56 thousand before a relative negative tax effect of Euro 0,4 thousand.

Write off of other intangible assets

Under Italian GAAP the Group capitalizes as intangible assets certain costs that IFRS require to be expensed when incurred since the identifiably criterion under IAS 38 has not been met.

This different accounting treatment has the following impact:

• at January 1, 2004: a decrease in total shareholders' equity of Euro 3 thousand (of which Euro 2 thousand is attributable to the Parent Company), before a positive tax effect of Euro 1 thousand (for the recognition of deferred tax assets), due to a decrease in intangible assets of Euro 3 thousand;
• at December 31, 2004: a decrease in total shareholders' equity of Euro 5 thousand (of which Euro 3 thousand is attributable to the Parent Company), before a positive tax effect of Euro 2 thousand (for the recognition of deferred tax assets), due to a decrease in intangible assets of Euro 5 thousand; the total pre-tax income for the year reports a decrease of Euro 2 thousand due to lower amortization of Euro 1 thousand and higher purchases of external services of Euro 3 thousand before a relative positive tax effect of Euro 1 thousand.

Write off of trademark registration costs

Under Italian GAAP the Group capitalizes and amortizes over their estimated useful life the costs incurred for the registration of the trademarks that IFRS require to be expensed when incurred since related to internally generated trademarks.

This different accounting treatment has the following impact:

• at January 1, 2004: a decrease in total shareholders' equity of Euro 19 thousand (of which Euro 17 thousand is attributable to the Parent Company), before a positive tax effect of Euro 7 thousand (for the recognition of deferred tax assets), due to a decrease in intangible assets of Euro 19 thousand;
• at December 31, 2004: a decrease in total shareholders' equity of Euro 22 thousand (of which Euro 19 thousand is attributable to the Parent Company), before a positive tax effect of Euro 8 thousand (for the recognition of deferred tax assets), due to a decrease in intangible assets of Euro 22 thousand; the total pre-tax income for the year reports a decrease of Euro 3 thousand due to lower amortization of Euro 7 thousand and higher purchases of external services of Euro 10 thousand, before a relative positive tax effect of Euro 1 thousand.

Land and building

As mentioned above, the Eurotech Group has elected to use the fair value of a land and of a building at the date of transition to IFRS (January 1, 2004) as deemed cost.
Moreover, in accordance with Italian GAAP, land appurtenant to buildings is depreciated together with the same buildings, while in accordance with IFRS it must be classified separately and no longer depreciated. The impact of the different accounting treatment is the following:
• at January 1, 2004: an increase in total shareholders' equity of Euro 268 thousand (Euro 214 thousand is attributable to the Parent Company), before a negative tax effect of Euro 100 thousand related to deferred taxes of the same amount (Euro 80 thousand is attributable to the Parent Company), due to an increase in net non current tangible assets of Euro 268 thousand equal to the difference between the fair value of the land and of the building and their carrying value at the transition date;
• at December 31, 2004: an increase in total shareholders' equity of Euro 262 thousand (Euro 210 thousand is attributable to the Parent Company), before a negative tax effect of Euro 98 thousand related to deferred taxes of the same amount (Euro 78 thousand is attributable to the Parent Company), due to an increase in net non current tangible assets of Euro 262 thousand; the total pre-tax income for the year reports a decrease of Euro 6 thousand (Euro 5 thousand is attributable to the Parent Company) due to the combined effect of higher depreciation of building and elimination of depreciation of land, before a relative positive tax effect of Euro 2 thousand.

Factoring transactions

At the end of 2004 the Eurotech Group sold a significant portion of its trade accounts receivable through factoring transactions. Factoring transactions may be with or without recourse on the seller; certain factoring agreements without recourse imply a continuing significant exposure to the receivables cash flow.

Under Italian GAAP, all receivables sold through factoring transactions with recourse (suggested method) and without recourse have been derecognized.

IFRS allow for the derecognition of a financial asset when, and only when, the risks and rewards of the ownership of the assets are substantially transferred: consequently, all portfolios sold with recourse, and the majority of those sold without recourse, since risks and rewards have not been substantially transferred, have been reinstated in the IFRS balance sheet.

The impact of this treatment is an increase in net financial debt at December 31, 2004 of Euro 3,792 thousand attributable to the recording of a short term financial payable (advance received) of Euro 3,792 thousand, with an increase in trade accounts receivable for the same amount.

Deferred taxes

The recognition of deferred tax assets in accordance with IFRS, which were not recorded under Italian GAAP because the conditions of reasonable certainty were not met, under IFRS, at December 31, 2004, determines an increase in total shareholders' equity and in total net income of Euro 20 thousand (entirely attributable to the Parent Company), with the recognition of an asset for deferred taxes of the same amount.

Employee severance indemnities

Italian GAAP require recognition of the liability for employee severance indemnities ("TFR") based on the nominal liability matured to the end of the reporting period, in accordance with the statutory regulations in force; under IFRS, TFR falls under the category of defined benefit plans subject to actuarial valuation (taking into account mortality, foreseeable changes in salaries/wages, etc.) to express the present value of the benefit, payable upon termination of employment, that employees have matured up to the balance sheet date. Under IFRS, all actuarial gains and losses have been recognized at the date of transition to IFRS. The impact of this different accounting treatment is as follows:

• at January 1, 2004: an increase in total shareholders' equity of Euro 17 thousand (entirely attributable to the Parent Company), before a negative tax effect of Euro 6 thousand (to provide for deferred taxes), due to a decrease in the liability for employee severance indemnities of Euro 17 thousand;
• at December 31, 2004: an increase in total shareholders' equity of Euro 24 thousand (entirely attributable to the Parent Company), before a negative tax effect of Euro 8 thousand (to provide for deferred taxes) due to a decrease in the liability for employee severance indemnities of Euro 24 thousand; total pre-tax income increases by Euro 7 thousand as a result of lower personnel expenses of Euro 7 thousand, before a negative tax effect of Euro 2 thousand.

Convertible bond

In accordance with art. 2426 n. 7 of the Italian Civil Code, issue discounts are deferred and amortized over the loan period; under IFRS, any issue discounts is recognized as a reduction of the loan. The impact of this different accounting treatment is a decrease in other current assets at December 31, 2004 of Euro 35 thousand, with a decrease in convertible bond for the same amount.

Government grants

According to Italian GAAP government grants are recognized only when the favorable formal decision by the government authority is received and the conditions attaching to the grant have been fulfilled. The Eurotech Group has recognized government grants when obtaining probative documentation about their collectability. IFRS 20 requires that government grants should be recognized only when there is a reasonable assurance that the entity will comply with the condition attaching to them and the grants will be received.

Under IFRS the Group has recognized grants related to assets and grants related to income when there was a reasonable assurance that the entity would have complied with the condition attaching to them and the grants would have been received.

This different accounting treatment has the following impact:

• at January 1, 2004: an increase in total shareholders' equity of Euro 38 thousand (Euro 20 thousand is attributable to the Parent Company), before a negative tax effect of Euro 14 thousand (to provide for deferred taxes), due to a decrease in intangible assets of Euro 363 thousand and a decrease in current liabilities of Euro 401 thousand as a result of the recognition of a grant related to assets of Euro 363 thousand and of a grant related to income of Euro 38 thousand;

• at December 31, 2004: a decrease in total shareholders' equity of Euro 264 thousand (Euro 164 thousand is attributable to the Parent Company), before a positive tax effect of Euro 98 thousand related to deferred taxes (Euro 61 thousand is attributable to the Parent Company), due to a decrease in intangible assets of Euro 288 thousand as a result of the recognition of a grant related to assets in the opening balance sheet at January 1, 2004, net of the amount recognized in the profit and loss for the year, and of the increase in other current assets of Euro 24 thousand resulting from recognizing a grant related to income. The total pre-tax income for the year reports a decrease of Euro 302 thousand (Euro 149 thousand is attributable to the Parent Company) due to the combined effect of derecognizing a grant that was deducted from purchases of external services and recognizing a grant related to income, before a relative positive tax effect of Euro 112 thousand (Euro 56 thousand is attributable to the Parent Company).

Revenue recognition – Sales of components

Under Italian GAAP, the recognition of disposals is based primarily on legal and contractual form (transfer of legal title).

Under IFRS, when the seller maintains a continuous involvement in the assets being sold and the consideration agreed between the entity and the buyer is not collected, the transaction is not recognized as revenue.

Consequently, the sales of components made by the Group to outside contractors that carry out their processing on the components and then sell the processed components to the Group, do not meet the criteria for revenue recognition.

The application of IAS 18 has the following impact:

- at January 1, 2004: a decrease in trade accounts payable of Euro 557 thousand and an increase in inventories of Euro 123 thousand set off by a decrease in trade accounts receivable of Euro 680 thousand;

- at December 31, 2004: a decrease in trade accounts payable of Euro 528 thousand and an increase in inventories of Euro 588 thousand set off by a decrease in trade accounts receivable of Euro 1,116 thousand; the income statement reports a decrease in revenues of Euro 2,162 thousand and a decrease in purchases of materials and semi-finished goods for the same amount.

Deferred tax assets

According to Italian GAAP, deferred tax assets are shown as part of current assets, whereas IAS 1 requires deferred tax assets to be shown as part of non current assets.

This different accounting treatment has the following impact:

• at January 1, 2004: a decrease in other current assets of Euro 202 thousand and an increase in other non current assets for the same amount;
• at December 31, 2004: a decrease in other current assets of Euro 218 thousand and an increase in other non current assets for the same amount.

AUDITOR'S REPORT

To the Board of Directors
Eurotech S.p.A.

We have audited the accompanying consolidated balance sheet of Eurotech S.p.A. and its subsidiaries as of June 30, 2005 and the related consolidated statements of operations, cash flows and shareholders' equity for the six-month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of certain consolidated subsidiaries representing approximately 7.3% of consolidated total assets and consolidated revenue constituting approximately 14.5% of the related consolidated totals. Those statements were audited by other auditors whose report have been furnished to us and our opinion, insofar as it relates to data included for such subsidiaries, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Commission). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

With respect to the comparative consolidated data of the prior year, restated in conformity with IFRS, reference is made to our report dated September 2, 2005. The comparative consolidated data for the six months ended June 30, 2004 are unaudited.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above, for the purposes of inclusion in the Italian Listing Prospectus and in the Offering Circular, as required by Rule 809/2004/CE, give, in all material respects, a true and fair view of the consolidated financial position of Eurotech S.p.A. and its subsidiaries as of June 30, 2005 and the consolidated result of their operations and their cash flows for the six-month period then ended, in conformity with the criteria and principles defined in article 81 of the Issuers Rule n. 11971/1999 adopted by CONSOB in its Statement n. 14990 of April 14, 2005.

Treviso, Italy
Septembre 2, 2005

Reconta Ernst & Young S.p.A.

Eurotech S.p.A.

Consolidated Statements of Operations
For the six months ended June 30, 2005 and 2004 and for the year ended December 31, 2004
(Thousands of Euro)

	Six months ended June 30, 2004 IFRS - Unaudited	Year ended December 31, 2004 IFRS	Six months ended June 30, 2005 IFRS
Sales and service revenue	**6,784**	**16,649**	**11,000**
Operating costs:			
Cost of materials	(3,420)	(6,486)	(5,022)
Services	(1,435)	(3,480)	(2,555)
Rent and leases	(104)	(286)	(195)
Payroll	(2,342)	(5,212)	(3,704)
Accruals and other costs	(78)	(172)	(102)
Other revenue	334	973	609
Profit before depreciation and amortization, finance costs and taxes	**(261)**	**1,986**	**31**
Depreciation and amortization	(205)	(529)	(430)
Operating profit	**(466)**	**1,457**	**(399)**
Share of profit of associate	5	9	6
Finance costs	(245)	(517)	(317)
Finance income	35	84	139
Profit before taxes	**(671)**	**1,033**	**(571)**
Income tax expense	176	(455)	96
Net profit (loss) for the period	**(495)**	**578**	**(475)**
Minority interest	**(71)**	**(69)**	**(86)**
Group net profit (loss) for the period	**(424)**	**647**	**(389)**

See accompanying notes

Eurotech S.p.A

Consolidated Balance Sheets
At December 31, 2004 and June 30, 2005
(Thousands of Euro)

	December 31,2004 IFRS	FTA IAS 32-39	January 1, 2005 Restated	June 30, 2005 IFRS
ASSETS				
Intangible assets	5,306		5,306	5,928
Property, plant and equipment	2,223		2,223	2,345
Other non current assets	293		293	696
Total non current assets	**7,822**	**0**	**7,822**	**8,969**
Inventory	5,250		5,250	6,325
Contracts in progress	0		0	626
Trade receivables	8,402		8,402	8,967
Other current assets	419		419	733
Cash and cash equivalents	2,560		2,560	654
Tota current assets	**16,631**	**0**	**16,631**	**17,305**
Total assets	**24,453**	**0**	**24,453**	**26,274**
			0	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital	1,247		1,247	1,247
Retained earnings	3,548	5	3,553	4,253
Net profit (loss) for the period	647		647	(389)
Group shareholders' equity	**5,442**	**5**	**5,447**	**5,111**
Minority capital and reserves	625		625	593
Minority profit (loss) for the period	(69)		(69)	(86)
Minority interests	**556**	**0**	**556**	**507**
Total shareholders' equity	**5,998**	**5**	**6,003**	**5,618**
Long-term debt	3,516		3,516	3,148
Convertible notes	2,465	(18)	2,447	2,458
Employees' benefits	550		550	598
Other non current liabilities	754	(4)	750	889
Total non current liabilities	**7,285**	**(22)**	**7,263**	**7,093**
Trade payables	4,011		4,011	5,377
Short-term borrowings	5,694		5,694	4,244
Taxes payable	442		442	319
Other current liabilities	1,023	17	1,040	3,623
Total current liabilities	**11,170**	**17**	**11,187**	**13,563**
Total liabilities	**18,455**	**(5)**	**18,450**	**20,656**
Total liabilities and shareholders' equity	**24,453**	**0**	**24,453**	**26,274**

See accompanying notes

Eurotech S.p.A.

Consolidated Statements of Cash Flows
For the six months ended June 30, 2005 and for the year ended December 31, 2004

(Thousands of Euro)

	Year 2004 IFRS	Six months 2005 IFRS
Cash flows from operating activities:		
Group net profit (loss) for the year	**647**	**(389)**
Adjustments to reconcile Group net profit (loss) to net cash provided by operating activities:		
Minority interest	(69)	(86)
Depreciation and amortization	529	430
Provision for doubtful accounts	20	25
Share of profit of associate	(9)	(6)
Provision for employees' benefits	130	48
Deferred taxes	226	(336)
Change in current assets and liabilities		
Trade receivables	(1,894)	(590)
Other current assets	479	(314)
Inventory	(1,609)	(1,701)
Trade payables	1,028	1,366
Other current liabilities	24	2,460
Total adjustments and changes	**(1,145)**	**1,296**
Net cash provided by (used in) operating activities	**(498)**	**907**
Cash flow from investing activites		
Disposal of property, plant and equipment	36	
Disposal of intangible assets	84	139
Addtion to propeprty, plant and equipment	(999)	(897)
Addition to intangible assets	(317)	(277)
Net change in financial assets	(46)	(66)
Acquisition of business net of cash acquired	(1,441)	
Net cash used in investing activities	**(2,683)**	**(1,101)**
Cash flow from financing activities		
Share capital increase	163	
[ ]		26
Reimbursement of long-term debt		(1,802)
Net change in short term borrowings	4,716	
Net cash provided by (used in) investing activities	**4,879**	**(1,776)**
Effect of changes in exchange rates on cash	(40)	64
Increase (decrease) of cash and cash equivalents	**1,658**	**(1,906)**
Cash and cash equivalents at beginning of the period	**902**	**2,560**
Cash and cash equivalents at the end of the period	**2,560**	**654**

See accompanying notes

Eurotech S.p.A.

Consolidated Statement of Shareholders' Equity

For the six months ended June 30, 2005

(Thousands of Euro)

(Thousands of Euro)	Share capital	Legal reserve	Paid-in capital	Translation adjustment	Other reserves	Net profit (loss) for the period	Group shareholders' equity	Minority capital and reserves	Minority profit (loss) for the period	Total minority interest	Total shareholders' equity
Balance December 31, 2004	**1,247**	**30**	**3,157**	**(69)**	**430**	**647**	**5,442**	**625**	**(69)**	**556**	**5,998**
Effect of application of IAS 32-39					5		5			0	5
Allocation of prior year result		3			644	(647)	0	(69)	69	0	0
Other				64	(11)		53	37		37	90
Net profit (loss) for the six months						(389)	(389)		(86)	(86)	(475)
Balance June 30, 2005	**1,247**	**33**	**3,157**	**(5)**	**1,068**	**(389)**	**5,111**	**593**	**(86)**	**507**	**5,618**

See accompanying notes

IAS/IFRS accounting principles adopted to prepare the consolidated financial statements for the six months ended June 30, 2004 and 2005

The consolidated financial statements for the six months ended June 30, 2005 of the Eurotech Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective at September 2, 2005 which could differ from IFRS effective at December 31, 2005 because of future guidance by the European Commission regarding the endorsement of IFRS or new IFRS and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting principles adopted at June 30, 2005 are consistent with those adopted at December 31, 2004 and June 30, 2004, except for financial instruments within the scope of IAS 32 and IAS 39. The Eurotech Group has decided to adopt IAS 32 and IAS 39 starting from January 1, 2005. Consequently comparative financial figures that are within the scope of IAS 32 and IAS 39 have been restated accordingly.

The effect of adopting IAS 32 and IAS 39 on the opening balance sheet at 1 January 2005 is summarized as follow:

- derivatives are recorded at fair value
- financial assets and financial liabilities other than derivatives are measured at amortized cost; accordingly issue costs are expensed over the relevant period;
- the amount of the convertible bond is allocated between the liability component and the equity component. In particular on the issue of the convertible bonds, the fair value of the liability component is determined by discounting future cash flows using a market rate for an equivalent non-convertible bond; this amount is carried as a long-term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of issue costs. The value of the conversion option is not changed in subsequent years.

Scope of consolidation

The consolidated financial statements comprise the financial statements of Eurotech S.p.A. ("Eurotech" or the "Company") and of its Italian and foreign subsidiaries (together with the Company the "Group" or the "Eurotech Group") from the date control over such subsidiaries begins until the date that control ceases. Control exists when Eurotech has the majority of voting rights or has the power, directly or indirectly, to govern, also through contractual agreements, the financial and operating policies of an enterprises so as to obtain benefits from its activities.

At June 30, 2005, the Group's companies consolidated on a line-by-line basis are as follows:

- Eurotech that operates in the NanoPC and High Performance Computer sectors. The company also develops new products for the Group;
- Neuricam, owned 63.59% by the Group, carries out research and development project related to innovative technological solutions to widen the range of products offered by the Group. The company was incorporated with some scientist of the Istituto per la Ricerca Scientifica e Tecnologica" of Trento ("IRST") to implement the result of the research projects carried out by IRST in the intelligent sensor field;
- I.P.S. Sistemi Programmabili S.r.l., owned 80% by the Group, was purchased in December 2002 and operates in the NanoPC sector with I.P.S. trademark;
- Parvus Corp., fully owned by Eurotech, operates in the American market in the NanoPC sector;
- ETH Lab S.r.l., owned 99.90% by Eurotech, carries out research and development projects for the Group since the beginning of 2005;
- Erim Développements S.A.S., holding company fully owned by Eurotech, has a 100% interest in Erim S.A., that operates in the French market in the NanoPC sector;

- Eurotech Finland Oy, fully owned by Eurotech, that sells Group's products in the Scandinavian market and in China.

The investments in associates are accounted for under the equity method of accounting. Associates are entities in which the Group has significant influence and which are neither a subsidiary nor a joint venture. The share of the results of operations of the associates are recognized from the date on which the significant influence begins until the date such influence ceases. When the Group's share of losses of an associate, if any, exceeds the carrying amount of the related investment on the Group's balance sheet, the carrying amount of the investment is reduced to zero and further losses are not recognized except to the extent that the Group has incurred obligations in respect of the associate.

Significant Accounting Policies

Basis of consolidation

The financial statements of subsidiaries are prepared, using accounting policies consistent with the parent company. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intra-group balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealized profits and losses resulting from transactions with associates are eliminated for the amount attributable to the Group. Unrealized losses are eliminated unless costs cannot be recovered.

Translation to the presentation currency

As at the reporting date, the assets and liabilities of the subsidiaries whose functional currency is different from Euro are translated into Euro at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year (source: Italian Exchange Office). The exchange differences arising on the retranslation are taken directly to a separate component of equity.

The financial statements used for the translation are those expressed in the functional currency of the subsidiaries.

Intangible assets

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is not amortized and is measured at cost less any accumulated impairment losses. Goodwill arising on the acquisition of associates is not separately recognized, but is included in the carrying value of associates.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.
As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Impairment losses on goodwill are not reversed under any circumstances.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

In the context of IFRS first-time adoption, the Group elected not to apply IFRS 3 (Business Combinations) retrospectively to the business combinations that occurred before January 1, 2004; as a consequence, goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous Italian GAAP amounts, subject to being tested for impairment at that date.

Development costs

Costs incurred for the development of new products are recorded as an asset only if all the following conditions are met: the existence of the ability of the Group to measure reliably the expenditure attributable to the asset during the development phase and the technical feasibility, expected prices and volumes show that the development costs will generate future economic benefits. Capitalized development costs comprise only expenditures that can be attributed directly to the development process. Capitalized development costs are amortized on a systematic basis from the start of production over the estimated product or service life.

The other development costs are charged to the statement of income in the period in which they are incurred.

Other intangible assets

Intangible assets with finite useful lives are capitalized at purchase or manufacturing cost. Amortization is charged on assets with finite lives on a straight-line basis over their estimated useful lives. Intangible assets are tested for impairment annually using the same approach explained later on for property, plant and equipment; useful lives are also examined on an annual basis and adjustments, where applicable are made on a prospective basis.

Intangible assets acquired from a business acquisition are recognized at fair value as at the date of acquisition separately from goodwill, to the extent their fair value can be measured reliably.

Property, plant and equipment

Property, plant and equipment is stated at cost, comprising any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; the initial cost also includes any relevant expected costs of dismantling and removing the item to the extent the Group has a present obligation to dismantle and remove the item. Significant parts of an asset with different useful lives are accounted for separately. Land, including land appurtenant to the buildings, which has an unlimited life is not depreciated.

A building, revalued at January 1, 2004 (IFRS transition date) or before this date, is stated at fair value at the transition date, which represents the deemed cost of the asset.

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value, determined according to an approach described later on in this note.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	3%
Machinery and installations	10%-12%
Industrial and commercial equipment	25%
Production equipment	25%
Furniture and fixtures	12%
Office equipment	20%
Motor vehicles	20%-25%

Assets lives are reviewed at the end of each reporting period and the effects of changes in estimated life, if any, are recognized prospectively.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement in the impairment, depreciation and amortization expenses line item. If there are indications that previously recognized impairment losses has disappeared or reduced, the Group determines the recoverable amount of assets to quantify the reversal.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

Equity investments held-to-maturity

Equity investments other than those in subsidiaries and associates, that are intended to be held-to-maturity, are initially recognized at cost and subsequently are measured at amortized cost. The amortized cost is represented by the initial amount of the financial instrument net of repayments of principal already received, adjusted for impairment losses, determined with the same approach described above for property, plant and equipment. Impairment losses are recognized in the income statement. If there are indications that previously recognized impairment losses has disappeared or reduced, the Group determines the recoverable amount of equity investments to quantify the reversal; the reversal may not raise the carrying value above the figure it would have stood if no impairment had originally been recognized. When the Group’s share of losses of an equity investments other than those in subsidiaries and associates, if any, exceeds the carrying amount of the related investment on the Group’s balance sheet, the carrying amount of the investment is reduced to zero and further losses are not recognized except to the extent that the Group has incurred obligations in respect of the equity investment.

Other non current assets

Non current receivables and other non current assets that are intended to be held-to-maturity are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the transaction. Subsequently, they are measured at amortized cost using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument. Amortized cost is represented by the initial amount of the financial instrument net of repayments of principal already received, adjusted (up or down) on the basis of the amortization of any differences between the initial amount and the maturity amount, minus any write-down for impairment and uncollectibility.

Inventories

Inventories, except for construction contracts, are valued at the lower of cost and net realizable value, the cost being determined on a weighted average cost (by single movement) basis. Net realizable value is the estimated selling price in the ordinary course of business.

Construction contracts

Construction contracts are recognized in accordance with the stage of completion method, in order to recognize revenue and costs in the income statement in the period in which the work is performed. The stage of completion of contracts in progress is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. The gross amount due from customers for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings is presented as an asset in the balance sheet; the gross amount due to customers for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses) is presented as a liability in the balance sheet.

Contract revenue comprises the amount of revenue initially agreed with customers, together with any variations, claims and incentive payments as long as it is probable that they will result in revenue and can be measured reliably. As soon as the Group considers that it is probable that the contract costs will exceed contract revenue, it recognize the expected loss as an expense immediately.

Trade receivables

Trade receivables, whose terms are consistent with market conditions, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. The estimate for doubtful debts is made with reference to the present value of expected future cash flows.

Investments held for trading or available for sale

Investments held for trading or available for sale are initially recognized, on the basis of the trading date, at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. When market prices are not available and the fair value cannot be measured reliably, investments held for trading or available for sale with fixed maturity are measured at amortized cost using the effective interest method; when such financial assets have no fixed maturity they are measured at acquisition cost.

Gains or losses on available-for-sale investments are recognized as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

If there are indications that previously recognized impairment losses has disappeared or reduced, the Group determines the recoverable amount of investments available for sale other than equity investments, to quantify the reversal to recognize in the income statement; the reversal may not raise the carrying value above the figure it would have stood if no impairment had originally been recognized.

If there are indications that previously recognized impairment losses has disappeared or reduced, the Group determines the recoverable amount of equity investments available for sale, to quantify the reversal to recognize as a separate component of equity; the reversal may not raise the carrying value above the figure it would have stood if no impairment had originally been recognized.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, gross of outstanding bank overdrafts.

Financial liabilities

Trade payables

Trade payables, whose terms are consistent with market conditions, are recognized and carried at original invoice amount.

Other financial liabilities

Other financial liabilities other than derivatives are initially recognized at cost, being the fair value of the consideration received net of transaction costs associated with the liabilites. After initial recognition other financial liabilities other than derivatives are subsequently measured at amortized cost using the effective interest method. Other financial liabilities hedged by derivative instruments aiming at managing the exposure to changes in fair value of the liabilities are measured at fair value in accordance with hedge accounting principles provided by IAS 39; gains and losses arising from re-measurement at fair value, to the extent of the effective hedged portion, due to changes in relevant hedged risk, are recognized in the statement of income and are offset by the effective portion of the loss or gain arising from re-measurement at fair value of the hedging instrument.

Derivative financial instruments

The Company uses derivative products to manage its exposure to fluctuations in interest rates relating to specific financial liabilities. It is not Group policy to enter into derivatives contracts for speculative purposes. However for derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship and the hedge is expected to be highly effective. Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability that is attributable to a particular risk, the gain or loss from re-measuring the hedging instrument at fair value is recognized in the statement of income. The gain or loss on the hedged item, to the extent of the portion attributable to the hedged risk, adjusts the carrying amount of the hedged item and is recognized in the statement of income.
Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of a recognized asset or liability or a highly probable forecasted transaction, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in a specific equity reserve. The cumulative gain or loss is removed from equity and recognized in the statement of income at the same time as the hedged transaction affects the statement of income. The gain or loss associated with that part of a hedge that has become ineffective is recognized in the statement of income immediately.

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Employee benefits

The Group provides post–employment benefits plans, both defined benefit plans (staff severance provision) and other long-term benefits plans (long-service leave) for the benefit of employees. These benefits are attributed to the periods in which the obligation to provide post-employment benefits arises.

The Group' s obligation in respect of defined benefits plans, net of plan assets, is calculated using actuarial assumptions by estimating the amount of future benefits earned in return for services rendered; the Group's obligation is determined by independent actuaries. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized gains and losses for each individual plan exceed 10% of the grater of the present value of the Group's obligation or the fair value of plan assets (corridor mechanism).

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount provided is the best estimate of the expenditure required to settle the obligation or to transfer it to a third party at the balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Convertible bonds

Convertible bonds are recognized by splitting the liability portion and the call option: the liability portion is recognized among the financial liabilities net of issue costs. The corresponding disbursement on those bonds are charged as interest expense in the income statement. On the issue of the convertible bonds, the fair value of the liability component is determined by discounting future cash flows using a market rate for an equivalent non-convertible bond; this amount is carried as a long-term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of issue costs. The value of the conversion option is not changed in subsequent years.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Grants related to income are deferred and classified as other liabilities, and are recognized in the income statement over the period necessary to match them with the related costs which they are intended to compensate for.

Grants received for the purchase of property, plant and equipment are deducted from the carrying amount of the related assets and recognized in income over the useful life of the assets.

Grants related to expenses or losses already incurred, or for the purpose of giving immediate financial support to the Group with no future related costs, are recognized in income when they become receivables.

Assets held under finance lease

Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability; the finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets held under finance leases are depreciated over their useful lives.

Leases where the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease expenditures are charged to the statement of income over the lease term.

Revenue and expenses

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue (fair value) can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognized:

- Sale of goods: revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.
- Rendering of services: revenue from rendering of services is recognized by reference to the stage of completion. Stage of completion is measured by reference to the method used for construction contracts. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Interest

Interest income and expenses are recognized as the interest accrues to the net carrying amount of the financial asset or liability, using the effective interest method.

Dividends

Revenue is recognized when the shareholders' right to receive the payment is established.

Income tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Foreign currency translation

The functional and presentation currency of the Eurotech Group is the Euro. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Use of estimates

The preparation of consolidated financial statements and related notes in accordance with IAS/IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Estimates are used in many areas, including accounting for provisions for doubtful accounts receivable, obsolete and slow-moving inventories, depreciation and amortization, asset impairment, employee benefits, taxes, other provisions and contingencies. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected immediately in the statement of income.

Earnings per share

Basic earnings per share is calculated by dividing the net income of the Group attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period.

For diluted earnings per ordinary share, the weighted average number of shares outstanding is adjusted by assuming the subscription of all potential shares having a dilutive effect. The Group net income is also adjusted to reflect the impact of these transactions net of the related tax effects.

Information by business segment

The primary information of the Group is by business segment and the secondary by geographical area. The business segments, as reported above, consist of nanoPC and HPC. No significant intersegment transactions exist. Geographical areas, by origin, are Italy, France, the United States and Other Countries.

Thousands of Euro	**June 30, 2004**			**June 30, 2005**		
	nanoPC	**HPC**	**Total**	**nanoPC**	**HPC**	**Total**
Revenue	6,551	233	6,784	9,811	1,189	11,000
Ebitda	(183)	(78)	(261)	66	(35)	31
Ebit	(366)	(100)	(466)	(342)	(57)	(399)
Operating loss			(210)			(399)
Net finacial expenses			(210)			(178)
Share of profit of associates			5			6
Loss before taxes			(671)			(571)
Income tax benefit			176			96
Net loss			(495)			(475)

Thousands of Euro	**December 31, 2004**			**June 30, 2005**		
	nanoPC	**HPC**	**Total**	**nanoPC**	**HPC**	**Total**
Segment assets	23,349	705	24,054	24,240	1,492	25,732
Investments in associates	19		19	79		79
Other assets not allocated			380			463
Total assets	23,368	705	24,453	24,319	1,492	26,274
Segment liabilities	18,450		18,450	19,082	1,552	20,634
Other liabilities not allocated						22
Total liabilities	18,450		18,450	19,082		20,656
Additions to property, plant and equipment	639		639	276		276
Additions to intangible assets	358		358	854	43	897
Additions to financial assets						60
Amortization and depreciation	529		529	430		430

Thousands of Euro	**December 31, 2004**				
	Italy	**France**	**USA**	**Other countries**	**Total**
Segment assets	17,837	4,356	2,031	210	24,434
Investments in associates	19				19
Total assets	17,856	4,356	2,031	210	24,453
Additions to property, plant and equipment	475	12	133	19	639
Additions to intangible assets	344		14		358

Thousands of Euro	**June 30, 2005**				
	Italy	**France**	**USA**	**Other countries**	**Total**
Segment assets	17,928	3,478	4,585	204	26,195
Investments in associates	79				79
Total assets	18,007	3,478	4,585	204	26,274
Additions to property, plant and equipment	127	21	128		276
Additions to intangible assets	851		46		897
Additions to financial assets	60				60

Revenue

Revenue for the six months ended June 30, 2004 and 2005 consist of:

(Thousands of Euro)	6 months 2004		6 months 2005	
Sales of products	6,605	97.4%	10,758	97.8%
Services	179	2.6%	242	2.2%
Totale sales and services	6,784	100.0%	11,000	100.0%

Revenue by geographic area for the six months ended June 30, 2004 and 2005 consist of:

(Thousands of Euro)	6 months 2004		6 months 2005	
Geographical area				
Europe Union	4,538	66.9%	7,539	68.5%
United States of America	2,130	31.4%	3,400	30.9%
Other	116	1.7%	61	0.6%
Total revenue	6,784	100.0%	11,000	100.0%

Cost and revenues

Cost of materials

Cost of materials for the six months ended June 30, 2004 and 2005 consist of:

(Thousands of Euro)	6 months 2004	6 months 2005
Purchases of raw materials, semi-finished and finished materials	4,463	6,092
Changes in inventory of raw materials	(460)	(312)
Changes in inventory of semi-finished and finished materials	(583)	(758)
Total cost of materials	3,420	5,022

Services

Services for the six months ended June 30, 2004 and 2005 and for the year ended December 31, 2004 consist of:

(Thousands of Euro)	6 months 2004	Year 2004	6 months 2005
Industrial services	788	925	988
Commercial services	447	1,021	682
General and administrative services	713	1,534	896
Total services	**1,948**	**3,480**	**2,566**

Rent and lease

Rent and lease, equal to Euro 195 thousand for the six months ended June 30, 2005 (Euro 104 thousand for the six months ended June 30, 2004) principally relate to rent and lease cost for the manufacturing, commerical and administrative sites of the Group.

Reference is to the paragraph Contingnencies and commitments for the information non cancellable future lease installments.

Labour

Labour costs for the six months ended June 30, 2004 and 2005 and for the year ended December 31, 2004 consist of:

(Thousands of Euro)	6 months 2004	Year 2004	6 months 2005
Wages and salaries	1,897	4,405	2,955
Social contributions	389	672	598
Employees' leaving indemnity	50	118	97
Retirement fund		0	0
Other	6	17	54
Total labour cost	**2,342**	**5,212**	**3,704**

Employees at June 30, 2005 and 2004 and at December 31, 2004 consist of:

Employees	6/30/2004	12/31/2004	6/30/2005
Executives	1	2	2
White collars employees	96	124	127
Blu collar employees	30	27	31
Total	**127**	**153**	**160**

Other revenue

Other revenue for the six months ended June 30, 2004 and 2005 and for the year ended December 31, 2004 consist of:

(Thousands of Euro)	6 months 2004	Year 2004	6 months 2005
Grants	0	89	6
Increases for internal projects	214	767	555
Other revenue	120	109	48
Total other revenue	**334**	**965**	**609**

The increase for internal projects and constructions in the six months ended June 30, 2005, equal to Euro 555 thousand, for Euro 432 thousand relates to employees' costs and material costs for the development of new products in the filed of NanoPC, computers, modules and systems; for Euro 33 thousand for the costs incurred for the development of a new mobile router in the transportation sector of the subsidiary parvus Corp.; for Euro 80 thousand to employees' costs of the subsidiary Neuricam S.p.A. for certain projects financed by a local law and for Euro 10 thousand to employees' costs incurred by the subsidiary I.P.S. S.r.l..

Provisions and other costs

Provisions and other costs for the six months ended June 30, 2004 and 2005 and for the year ended December 31, 2004 consist of:

(Thousands of Euro)	6 months 2004	Year 2004	6 months 2005
Allowance for doubtful accounts	25	20	25
Provisions	0	8	5
Other costs	53	144	72
Total provisions and other costs	**78**	**172**	**102**

Depreciation and amortization

Depreciation and amortization for the six months ended June 30, 2004 and 2005 and for the year ended December 31, 2004 consist of:

(Thousands of Euro)	6 months 2004	Year 2004	6 months 2005
Depreciation	87	261	275
Amortization	118	268	155
Total depreciation and amortization	**205**	**529**	**430**

Valuation of associated companies at equity

The valuation of the associated companies in accordance with the equity method determined a higher value of Euro 6 thousand for the six months ended June 30, 2005.

Financial income and expenses

Financial income and expenses for the six months ended June 30, 2004 and 2005 and for the year ended December 31, 2004 consist of:

(Thousands of Euro)	6 months 2004	year 2004	6 months 2005
Bank interest and interest on long-term debt	130	262	132
Interest on convertible bond	0	33	67
Factoring costs	0	17	39
Differential of rates on interest rate swaps	85	88	18
Losses on foreign currencies	0	77	13
Interest on financial leases	30	24	18
	0	16	30
Interest expense	**245**	**517**	**317**
Bnak interest income	8	2	2
Differential of rates on interest rate swaps	3	11	21
Gains on foreign currencies	0	9	84
Interest from financial activities	0	54	23
Other financial income	24	8	9
Interest income	**35**	**84**	**139**

Income taxes for the period

Income taxes for the six months ended June 30, 2005 and 2004 consist of:

(Thousands of Euro)	6 months 2004	6 months 2005
Loss before taxes	(671)	(571)
Income tax benefit	(176)	(96)
Income tax benefit as a percentage of loss before taxes (effective tax rate)	**26.2%**	**16.8%**

The following table shows a breakdown of taxes, showing differences between current and deferred taxes, and between Italian and foreign taxes:

(Thousands of Euro)	6 months 2004	6 months 2005
CURRENT IRES TAXES	0	28
CURRENT IRAP TAXES	34	50
CURRENT FOREIGN TAXES	21	49
Current taxes	**55**	**127**
DEFERRED ITALIAN TAXES	(239)	(219)
DEFERRED FOREIGN TAXES	8	(4)
Total deferred tax benefit	(231)	(223)
Total net income tax benefit	**(176)**	**(96)**

The reconciliation between the statutory tax rate and the effective tax rate is presented with respect to the Government income taxes ("IRES" in Italy) which are computed starting from the accounting profit before taxes, For the Regional Italian income tax ("IRAP"), no reconciliation is presented because its computation is performed starting from a basis different from the accounting income before taxes.

The following table summarizes the reconciliation between the statutory tax rate and the effective tax rate:

(Thousands of Euro)		6 months 2004	6 months 2005
Italian statutory tax rate		33%	33%
Earnings before tax		(671)	(570)
Taxes at the Italian statutory rate		(221)	(188)
Difference between the Italian statutory rate and the foreign tax rates		0	43
Permanent differences:			
Exempt income		(7)	(16)
Non-deductible costs		59	85
	Subtotal	52	69
Other differences			
Other negative differences		(73)	0
Other positive differences		20	0
	Subtotal	13	(34)
Taxable income		(672)	(458)
Current taxes		21	77
Deferred taxes		(243)	(228)
Total tax benefit, excluding IRAP		(222)	(151)
Current taxes IRAP		34	50
Deferred taxes IRAP		12	5
Total IRAP taxes		46	55
Total income taxes		(176)	(96)
Effective tax rate		**26.2%**	**16.8%**

Deferred income taxes

Deferred income taxes at December 31, 2004 and June 30, 2005 consist of:

	Consolidated balance sheet	
	Dec. 31, 2004	June 30, 2005
Deferred tax assets:		
Accumulated depreciation	23	30
Inventory obsolescence	17	17
Costs deductible in future years	50	59
Tax loss carryforwards	57	384
IFRS adjustments	20	51
Consolidation entries	71	33
Total deferred tax assets	**238**	**574**
Deferred tax liabilities:		
Accumulated depreciation	50	56
IFRS adjustments	406	510
Consolidation entries	190	170
Other	4	14
Total deferred tax liabilities	**650**	**750**

Earnings per share

Basic earnings per share is calculated by dividing the net income of the Group attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period.

For diluted earnings per ordinary share, the weighted average number of shares outstanding is adjusted by assuming the subscription of all potential shares having a dilutive effect. The Group net income is also adjusted to reflect the impact of these transactions net of the related tax effects.

The number of shares utilized for the computation of earnings per share has been computed on the basis of the number of shares after the stock split from the unit value of Euro 1,00 to Euro 0.25, followed by the capital increase deriving from the transfer of reserves to capital and assigning to the shareholders a new share for each owned share, as resolved by the Extraordinary Shareholders' Meeting of July 21, 2005.

Basic and diluted earnings per share, computated as described above, follow:

Thousands of Euro	June 30, 2004	Dec. 31, 2004	June 30, 2005
Net income (loss) attributable to the shareholders' of the Parent company	(424)	647	(389)
Interest on convertible bonds		40	68
Related tax effect		(13)	(22)
Net income (loss) diluted, attributable to the shareholders' of the Parent company	(424)	674	(343)
Average number of shares, for basic computation	9,818,336	9.884.172	9.975.296
Average number of shares, for diluted computaiton	9,818,336	10.387.505	11.175.296
Net income (loss) per share, basic	(0.043)	0.065	(0.039)
Nett income (loss) per share, diluted	(0.043)	0.065	(0.039)

ASSETS

Intangible assets

Intangible assets at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004			June 30, 2005		
	Cost	Acc. Amorti-zation	Net book value	Cost	Acc. Amorti-zation	Net book value
Development costs	714	(304)	410	1,797	(449)	1,348
Goodwill and consolidation differences	3,178	(148)	3,030	3,178	(148)	3,030
Licenses and software	734	(670)	64	942	(725)	217
Other intangibles	774	(148)	626	774	(222)	552
In progress	1,014	0	1,014	619	0	619
Total intangibles	**6,594**	**(1,288)**	**5,306**	**7,490**	**(1,562)**	**5,928**

Movements in intangible assets for the period from January 1, 2005 to June 30, 2005 consist of:

(Thousands of Euro)	Jan. 31, 2005	Additions	Reclass.	Depre-ciation	Other	June 30,2005
Development costs	410	779	304	(145)	0	1,348
Goodwill and consolidation differences	3,030	0	0	0	0	3,030
Licenses and software	64	208	0	(56)	1	217
Other intangibles	626	0	0	(74)	0	552
In progress	1,014	(91)	(304)	0	0	619
Total intangibles	**5,306**	**896**	**0**	**(275)**	**1**	**5,928**

Internally generated development costs are capitalized net of grants received. These intangibles have a definite life and, accordingly, are amortized over a period of 5 to 7 years from the date of completion of the related project. The useful life is computed on the basis of the estimated cycle of utilization of the developped product. These intangibles are tested for impairment when indicators of reduction of value exist.

Licenses and software, principally include costs incurred in the semester for the development of the new ERP system by the Company and the US subsidiary Parvus Corp. Software is amortized over three years.

Goodwill relates for Euro 162 thousand to the purchase of the business of Ascensit and for Euro 3,030 thousand to the excess of the purchase price paid over the fair value of net assets acquired of the wholly consolidated subsidiaries. Starting January 1, 2004 goodwill is not amortized but tested annually for impairment.

Goodwill has been tested for impairment. Goodwill deriving from the business combinations has been allocated to the cash generating unit NanoPC and subsequentely tested for impairment. The recoverable amount has been based on the value in use, utilizing a discounted cash flow methodology over a business plan of three years projected to five years. The discount rate applied to the future cash flows was 7.8%

No impairment has been recognized in the period.

Goodwill consist of, by entity and or business:

(Thousand of Euro)	Dec. 31, 2004	June 30, 2005
Neuricam	72	72
IPS	367	367
Parvus	1,478	1,478

Erim	1,050	1,050
Eurotech Finland	63	63
Ascensit	162	162
Book value of goodwill	3,192	3,192

Other intangibles include the net book value of Euro 510 thousand (Euro 570 thousand at December 31, 2004) related to the customer list acquired through the business combination with the French group Erim in 2004. The customer list is amortized over 5 years, based on the estimate of its useful life by the directors. The remaining Euro 12 thousand relate to the value of the intangible internally generated and relates to the internally constructed web-site, which is amortized over three years.

In progress includes Euro 440 thousand of personnel costs and materials for the development project of new products by the Company in the filed of wearablePC and for certain development projects of new products and systems of the category NanoPC and for Euro 129 thousand to costs for a project financed by a local law.

Property, plant and equipment

Property, plant and equipment at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004			June 30, 2005		
	Cost	Acc. Amorti-zation	Net book value	Cost	Acc. Amorti-zation	Net book value
Land and buildings	759	(16)	743	759	(24)	735
Plant and machinery	88	(38)	50	93	(43)	50
Industrial and commercial tools	1,450	(1,107)	343	1,346	(948)	398
Other	998	(614)	384	1,342	(852)	489
Leased assets	758	(82)	676	726	(96)	630
In progress	28	0	28	43	0	43
Total property, plant and equipment	**4,081**	**(1,857)**	**2,224**	**4,308**	**(1,963)**	**2,345**

Movements in property, plant and equipment follow:

(Thousands of Euro)	Jan. 31, 2005	Additions	Reclass.	Depre-ciation	Other	June 30,2005
Land and buildings	743	0	0	(11)	3	735
Plant and machinery	50	6	2	(5)	0	50
Industrial and commercial tools	343	109	(205)	(61)	221	398
Other	384	145	203	(63)	(175)	489
Leased assets	676	1	0	(14)	0	630
In progress	28	15	0	0	0	43
Total property, plant and equipment	**2,224**	**276**	**0**	**(155)**	**48**	**2,345**

The increase in industrial and commercial tools relates to the purchase of new instruments for the manufacturing department of Amaro (Province of Udine) and of the subsidiaries Erim SAS and Parvus.

Other increases principally for the purchase of computer and of systems for the internal information system of the Company, in addition to furniture and fixteure of the US subsidiariy Parvus.

Property, plant and equipment include Euro 630 thousand of assets acquired through financial leases of which Euro 24 thousand related to furniture and fixtures and Euro 606 thousand for land and buildings located in Amaro (Province of Udine), manufacturing site of the Company.

Land and buidlings equal to Euro 735 thousand includes land and building of the subsidiary I.P.S. S.r.l.. Such value has been redetermined at the date of transition to IFRS based on the fair value at that date, supported by an independent appraisal and assuming such value, as determined by IFRS 1, as a substitute of cost. Such property building is covered by a guarantee of Euro 310 thousand for long-term debt.

Associated companies

The Company owns a 42.74% investment in the associated company Ascensit S.r.l., incorporated in 2000, a 24.82% investment in Emilab S.r.l., incorporated in 1998 and a 40% investment in Delos S.r.l., formed in 2005.

These associated companies are not listed. The closing date for these companies is the same closing date of the Company.

Movements in associated companies for the six months ended June 30, 2005 follow:

(Thousands of Euro)	June 30, 2005					
	Beginning value	Additions	Disposals	Other	Final value	% of ownership
Associated companies						
Ascensit S.r.l.	0				0	42.74%
Emilab S.r.l.	16				16	24.82%
Delos		40			40	40.00%
Total associated companies	16	40	0	0	56	
Other investments						
Consorzio nazionale imballaggi	0				0	
Cosint	2				2	
Consorzio nazionale fidi	1				1	
Inasset S.r.l.		20			20	18.18%
Total other investments	3	20	0	0	23	
Totale investments	19	60	0	0	79	

Additional information on associated companies follow:

Thousands of Euro	December 31, 2004			June 30, 2005			
	Emilab S.r.l.	Ascensit S.r.l.	Total	Emilab S.r.l.	Ascensit S.r.l.	Delos	Total
Portion of balance sheet of the associated company:							
Current assets	73	25	98	82	26	21	129
Non current assets	63	6	69	90	7	5	101
Current liabilities	(61)	(16)	(78)	(41)	(23)		(64)
Non current liabilites	(25)		(25)	(57)			
Net assets	**49**	**15**	**64**	**74**	**9**	**25**	**109**
Portion of revenue and net income of the associated company:							
Revenue	122	6	128	69	3		71
Net income	1	8	9	8	2		1o
Carrying value of the investment	**16**	**0**	**16**	**16**	**0**	**40**	**56**

Other non current assets

Movements in non current assets for the six months ended June 30, 2005 follow:

(Thousands of Euro)	June 30, 2005				
	Beginning value	Additions	Disposals	Other	Final value
Deferred tax assets	238	336			574
Other financial receivables	36	7			43
Total other non current assets	293	403	0	0	696

Movements in deferred tax assets are reported in the paragraph Income taxes above.

Other financial receivables principally consist of guarantee deposits.

Inventories

Inventories at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Raw materials, gross	*2,258*	*2,582*
Less allowance for obsolete and slow moving items	*(30)*	*(42)*
Raw materials, net	2,228	2,540
Semifinished products and work in process	*533*	462
Finished products, gross	*2,605*	*3,434*
Less allowance for obsolete and slow moving items	*(121)*	*(121)*
Finished product	2,484	3,313
Advances	*5*	10
Total inventories	**5,250**	**6,325**

The increase in inventories is due to the normal production cycle: at June 30, 2005 inventories include finished products which were delivered immediately to customers after the balance sheet date.

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
January 1,	**156**	**151**
Provisions	44	112
Other	0	
Utilization	(50)	(100)
December 31,	**151**	**163**

The allowance for obsolete and slow moving items refers to obsolete material, not recoverable, of the subsidiary Parvus Corp.. During the six months ended June 30, 2005, the allowance has been fully utilized and subsequentely provided for Euro 42 thousand. During the same period the Company has scrapped finished products for approximately Euro 70 thousand. The allowance for obsoilete and slow moving items at June 30, 2005 is stated at approximately at the same level it was at December 31, 2004..

Contracts in progress

Contracts in progress at June 30, 2005 of Euro 626 thousand principally consist of HPC Apenext. Advances received are reported in other current liabilities.

Trade receivables and other current assets

Trade receivables

Trade receivables at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Trade receivables	8,518	9,108
Allowance for doubtful accounts	(116)	(141)
Total	**8,402**	**8,967**

Movements in the allowance for doubtful accounts follow:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
January 1,	**104**	**116**
Provisions	18	25
Other	(6)	0
December 31,	**116**	**141**

Trade receivables do not carry interest and are normally due in 90 days.

Trade receivables at June 30, 2005 include Euro 804 thousand of notes receivable not yet due at balance sheet date and Euro 1,023 thousand of of receivables sold without recourse to primary financial institutions for which the related risks and rewards were not transferred.

Other current assets

Other current assets at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Grants to be received	38	24
Advances to suppliers	15	92
Tax receivables	151	306
Other receivables	59	72
Prepaid expenses	156	239
Total	**419**	**733**

Tax receivables refer to VAT receivable from the Italian authorities. VAT receivables do not carry interest and are normally collected on a monthly basis.

Other receivables for Euro 60 thousand principally relate to debit balances with suppliers.

Prepaid expenses and accrued income at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Accrued income	8	41
Prepaid expenses	148	198
Total	**156**	**239**

Accrued income relates principally interest.

Preapid expenses relate for Euro 54 thousand to costs incurred for scientifc researches by scientific entities and prepaid expenses for utilities.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Deposits with banks	2,551	651
Checks	5	0
Cash on hand	4	3
Totale	**2,560**	**654**

Bank deposits carry interest at variable rates.

The fair value of liquid funds is Euro 654 thousand (Euro 2,560 thousand at December 31, 2004).

Cash and cash equivalents decreased from December 31, 2004 to June 30, 2005 by Euro 1,906 thousand due to the utilization of cash generated by the sale of receivables at year end.

At June 30, 2005 the Italian companies of the Group have lines of credit still available for utilization for Euro 6,794 thousand (Euro 6,048 thousand at December 31, 2004).

Shareholders' equity

Movements in shareholders' equity are reported in the Statement of shareholders' equity.

On July 29, 2004 the share capital has been increased by Euro 802 thousand (increasing the par value of the shares from Euro 0.52 to Euro 1.00) with a corresponding reduction in paid-in capital. In addition, on the same date, a further increase was effected, through a payment form the shareholders and issue of 19,620 new ordinary shares, par value Euro 1.00 each, and the payment of paid-in capital for Euro 143 thousand. Following the increase, the share capital consist of 1,246,912 ordinay shares, issued and paid, par value Euro 1.00 each.

The translation adjustment derives from the consolidation of the financial statements of Parvus Corporation, expressed in U.S. Dollars.

Other reserves include retained earnings of the Company.

Minority interest relate to the interest owned by third parties in Neuricam S.p.A. e I.P.S. S.r.l.

The shareholders' meeting of July 21, 2005 has resolved to modify the rules applicable to the convertible bonds issued on July 29, 2004, giving the faculty to convert the shares also before the listing of the Company's shares on the stock market in Italy or in foreign countries, on the basis of a conversion rate of 60 shares for each convertible note.

The application of IAS 32 and IAS 39 at January 1, 2005 lead to biforcate the value of the debt component from the value of the equity component.

The fair value of the debt component was fixed, at the date of issue, to be Euro 2,487 thousand, through the discounting of the future cash flows contractually agreed (capital and interest) at the equivalent interest rate of 4.9%.; such amount is classified in non current liabilities and is adjusted by the method of amortized cost. The valuation lead to an adjustment of Euro 40 thousand at January 1, 2005. The difference between nominal value at issue date equal to Euro 2.500 thousand and the value of the liability, equal to Euro 2,487 thousand is attributed to conversion option, which is accounted for in net equity for Euro 13 thousand.

LIABILITIES

Long-term debt and short-term borrowings

Long-term debt and short-term borrowings consist of:

Lender (Thousands of €)	Company	Due date	Interest	Balance on 30.06.2005	Short term within 12 months	Total Medium and Short-term	Mid term Over 12 months	Long term Over 5 years
Current outstandings			**4.1% (*)**	**2,758**	**2,758**	**-**	**-**	**-**
SIMEST	Eurotech S.p.A.	04/06/2010	2.83%	123	25	98	**98**	0
IMI San Paolo	Eurotech S.p.A.	01/01/2007	3.70%	187	142	45	45	0
Leasing Finanziario	Eurotech S.p.A.	01/03/2013	4.75%	640	61	579	276	303
Other financings				**950**	**228**	**722**	**419**	**303**
Banco di Brescia	Eurotech S.p.A.	30/12/2006	5.37%	33	22	11	**11**	0
Total Gruppo Banca Lombarda				***33***	***22***	***11***	***11***	***0***
Friulcassa	Eurotech S.p.A.	31/07/2008	5.75%	537	148	389	389	0
Total Gruppo IMI San Paolo				***537***	***148***	***389***	***389***	***0***
Banca Intensa	Eurotech S.p.A.	30/06/2008	3.30%	1,025	331	694	694	0
Banca Intensa	I.P.S. Sist. Progr. S.r.l.	30/06/2009	euribor 3m + 1.8%	71	11	60	60	0
Banca Intensa	I.P.S. Sist. Progr. S.r.l.	31/05/2010	4.66%	99	10	89	89	0
Banca Pop. Friuladria	Eurotech S.p.A.	31/12/2007	2.93%	419	150	269	269	0
Total Gruppo INTESA				***1,614***	***502***	***1,112***	***1,112***	***0***
Key Bank	Parvus Corporation	02/09/2005	5.18%	16	16	0	0	0
Key Bank	Parvus Corporation	02/09/2006	5.42%	35	28	7	7	0
Key Bank	Parvus Corporation	02/09/2007	5.67%	89	38	51	51	0
Key Bank	Parvus Corporation	02/09/2008	5.10%	33	10	23	23	0
Key Bank	Parvus Corporation	02/09/2009	6.20%	15	5	10	10	0
Total Key Bank				***198***	***97***	***91***	***91***	***0***
Banca Pop. Vicenza	Eurotech S.p.A.	30/06/2007	3.10%	76	33	43	43	0
Total Gruppo Banca Pop. Vicenza				***76***	***33***	***43***	***43***	***0***
Unicredit	Eurotech S.p.A.	31/12/2005	euribor 3m + 2.0%	28	28	0	0	0
Unicredit	Eurotech S.p.A.	30/06/2008	euribor 3m _ 2.0%	500	0	500	500	0
Unicredit	Eurotech S.p.A.	30/04/2010	euribor 3m + 1.6%	350	70	280	280	0
Total Gruppo Unicredit				***878***	***98***	***780***	***780***	***0***
Crédite Lyonnais	Gruppo Erim	30/06/2006	4.20%	136	136	0	0	0
Créd. Comm. de France	Gruppo Erim	30/04/2006	4.20%	60	60	0	0	0
Banque Po. De Lyon	Gruppo Erim	30/06/2006	4.20%	76	76	0	0	0
Accrued liabilities				86	86	0	0	0
Total bank debt				**3,684**	**1,258**	**2,426**	2,426	**0**
Total other financings and bank debt				**4,634**	**1,486**	**3,148**	**2,845**	**303**
Total debt				**7,392**	**4,244**	**3,148**	**2,845**	**303**

*This rate represents the average rate computed at the end of the relevant period under the technical form SBF and financing for the sale of trade receivables.

Bank overdafts

Bank overdrafts are not guaranteed.

Other loans

Other loans consist of:

- Euro 640 thousand (of which Euro 579 thousand long-term), for lease installment on the real estate lease with S.B.S. Leasing S.p.A., accounted for in accordance with the financial method related to land and building of the manufacturing site of the Company located in Amaro (province of Udine, Italy), and related furniture and fixtures and electronic machinery, expiring in 2013;
- a priviledged interest rate long-term loan from SIMEST to the Company for Euro 123 thousand (of which Euro 98 thousand long-term) expiring in 2010, for the opening of the new office in Shanghai (China);
- a priviledged loan from IMI San Paolo to the Company for Euro 187 thousand (of which Euro 45 thousand long-term) due in 2007, on a scientific project in accordance with a specific law.

Bank loans

Bank loans relate principally to:

- loan from Banca Intesa for Euro 1,025 thousand to the Company (of which Euro 694 thousand long-term at December 31, 2004) expiring in 2008 for the acquisition of Parvus Corporation;
- loan from Banca Popolare Friuladria for Euro 419 thousand to the Company (of which Euro 269 thousand long-term) expiring in 2007 for the acquisition of I.P.S. S.r.l.;
- loan from Banca Popolare Friulcassa for Euro 536 thousand to the Company (of which Euro 388 thousand long-term) expiring in 2008 for the acquisition of Parvus Corporation;
- loan from Unicredit for Euro 500 thousand to the Company) of which Euro 500 thousand long-term) expiring in 2009 in order to consolidate the existing short-term borrowings;
- guaranteed long-term loan of Euro 71 thousand from Banca Intesa to I.P.S. S.r.l. (of which Euro 60 thousand long-term), guaranteed by the property building;
- loan from Crédit Lyonnais for Euro 136 thousand to Erim Développement S.A.S., expiring in 2006;
- loan from Crédite Agricole C. for Euro 60 thousand to Erim Développement S.A.S., expiring in 2006;
- loan from Banque Pop. Loire et L. for Euro 76 thousand to Erim Développement S.A.S., expiring in 2006;
- three loans from Key Bank for Euro 188 thousand (of which Euro 91 thousand long-term) to Parvus Corporation;
- a new loan obtained in 2005 for Euro 99 thousand (of which Euro 89 thousand long-term) from Banca Intesa by the subsidiary I.P.S. S.r.l., due in 2010;
- a new loan of obtained in 2005 from Unicredit for Euro 350 thousand by the Company (of which Euro 280 thousand long-term) due in 2010 to support the development of new products.

Convertible notes

On July 29, 2004 Euro 2,500 thousand convertible notes were issue. The notes are due on June 30, 2006 and, based on the resolution of the shareholders' meeting of July 21, 2005, may be converted on the basis of variable conversion rates, based on the forecasted price of the shares on the date of their expected listing on the stock market. The notes which will not be converted, in case of listing of the shares, will receive a premium of Euro 30.00 each.

The notes carry interest at the 4.5% annual rate, payable semiannually on June 30 and December 31.

Employees' benefits

Employees' benefits at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Employees' leaving indemnity	493	531
Employees' retirement fund	57	67
Total employees' benefits	**550**	**598**

Employees' leaving indemnity

With the introduction of IFRS the Italian employees' leaving indemnity is a defined benefit obligation to account for in accordance with IAS 19 and, accordingly, must be valued in accordance with actuarial techniques.

Employees' retirement fund

The employees' retirement fund relate to the French subsidiary Erim SAS, that will pay to the employee this fund when the employee reaches retirement age within the Company..

With the introduction of IFRS the French employees' retirement leaving indemnity is a defined benefit obligation to account for in accordance with IAS 19 and, accordingly, must be valued in accordance with actuarial techniques.

Actuarial gains and losses are immediately recorded and the corridor method is not applied.

Provision for risks and charges

Provision for risks and charges at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Selling agents' commission fund	23	28
Selling agents' fund	20	0
Guarantee reserve	28	35
Future risks	29	24
Total funds for costs and future risks	**100**	**87**

Current liabilities

Current liabilities at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Trade payables	4,011	5,377
Short-term borrowings	5,694	4,244
Taxes payable	442	319
Other current liabilities	1,040	3,623
Total current liabilities	**11,187**	**13,563**

Trade payables

Trade payables at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Third parties	4,006	5,338
Associated companies	5	39
Total trade payables	4,011	5,377

Trade payables do not carry interest and are normally paid in 90-120 days.

Short-term borrowings

Reference should be made above to the section related to Long-term debt and Short-term borrowings.

Taxes payable

Taxes payable principally include the liability for income taxes of the prior year and withholding taxes on labour and consultants' fees.

The existing balance at the end of a period is normally paid in the following month.

Other current liabilities

Other current liabilities at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Social contributions	245	213
Other	648	3,247
Interest Rate Swap	17	51
Accrued expenses	130	112
Other current liabilities	**1,040**	**3,623**

Social contributions relate to liabilities of the current semester with social securitiy entities which are normally paid at the beginning of the following semester.

Other at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Employees	238	341
Vacation pay	226	470
Directors	25	32
Advances on contracts in progress	-	1,021
Advances from customers	-	917
Other	159	466
Total other payables	**648**	**3,247**

Advances on contracts in progress for Euro 1,021 thousand relate to advances received on contract HPC Apenext in progress at June 30, 2005.

Advances from customers for Euro 917 thousand relate to amounts received for supplies to be performed.

The amount of Interest Rate Swap at June 30, 2005 refers to the fair value of the collar hedging instrument which was not an effective hedge at that date. In accordance with the transition rules for the applicaiton of IAS/IFRS principles, the negative difference resulting from the application of the fair value at January 1, 2005, computed in accordance with IAS 32 and IAS 39, was accounted for in net equity.

Accrued expenses and deferred income at December 31, 2004 and June 30, 2005 consist of:

(Thousands of Euro)	Dec. 31, 2004	June 30, 2005
Accrued expenses	46	90
Deferred income	84	22
Total accrued expenses	**130**	**112**

Contingencies and commitments

Operating leases – Non cancellable future minimum lease installments

The Group has entered into several operating lease contracts for the rent of buildings (utilized as operating sites of the Group) and for the use of vehicles. Rent of buildings have a an average period from 6 to 9 years, which can be renewed. The renewal is an option of the lessee. Leases of vehicles are over an average period of three years.

Non cancellable future minimum lease payments at June 30, 2005 amount to Euro 669 thousand of which Euro 233 thousand due in 2005 and Euro 446 thousand in the following five years.

Capital commitments

At June 30, 2005 the Company is committed to acquire the remaining 20% of the capital quotas of the subsidiary I.P.S. S.r.l..

Gurantees given

At June 30, 2005 guarantees given consist of:

- cash deposit of Euro 83 thousand as a guarantee for certain guarantees issued by a bank to Simest in connection with a loan granted by Simest to the Company;
- guarantee of Euro 554 thousand given by a bank to certain local authorities for the subsidiary Neuricam S.p.A.;
- mortgage on the property building of the subsidiary I.P.S. S.r.l. to guarantee the long-term debt from Banca Intesa to the subsidiary. The amount of the mortgage is Euro 310 thousand;
- guarantees given by certain banks to third parties on behalf of Group companies for Euro Euro 809 thousand.

Related parties

Transactions with related parties non eliminated in consolidation refere to transactions with associated companies and members of the Board of Directors and Statutory Auditors, which are reported below.

Transactions with associated companies are as follows:

Thousands of Euro	**June 30, 2005**		
	Emilab S.r.l.	**Ascensit S.r.l.**	**Total**
Purchases	7		7
Financial receivables		20	20
Paybales			9

The Group paid fees and recognized benefits to the Directors and Statutory Auditors as follows:

Thousands of Euro	**June 30, 2005**		
	Fees for the appointment	**Other fees**	**Benefits**
Roberto Siagri, President	49	2	1
Dino Ferragotto, Director	42	2	
Massimo Mauri, Director	2	6	
Giampietro Tecchioli, Director	17	29	
Claudio Siciliotti, Statutory Auditor	5	4	

Subsequent events

After June 30, 2005, following the decision of the Shareholders' meeting of June 8, 2005, the Company started the required activities for the listing on the Italian Stock Exchange (Nuovo Mercato, segment Techstar).

The Extraordinary Shareholders' meeting of July 21, 2005 has resolved to:

a) modify the rules applicable to the convertible bonds issued on July 29, 2004, giving the faculty to convert the shares also before the listing of the Company on the stock market in Italy or in foreign countries, on the basis of a conversion rate of 60 shares for each convertible note;

b) increase capital by Euro 150 thousand through the issue of 150 thousand new shares par value Euro 1.00 each (that, due to the subsequent stock split and capital increase through transfer from the equity reserves, become 1,200,000 new shares Euro 0.25 each).

The same Extraordinary Shareholders' meeting has approved further capital increases, without preferential subscription rights subject to the the admission of the shares of the Company to the Nuovo Mercato - segment TechStar, organized and managed by Borsa Italiana S.p.A., and to the stock option plan for employees and directors of the Group's companies.

Eurotech S.p.A.

Unaudited Interim Consolidated Financial Statements As of and for the nine months ended September 30, 2005 and 2004

Eurotech S.p.A.

Consolidated Statements of Operations
For the nine months ended September 30, 2004 and 2005

(Thousands of Euro)

(Thousands of Euro)	**30/09/2004 IFRS**	**30/09/2005 IFRS**
	Unaudited	
Sales and service revenue	9,671	19,839
Operating costs:		
Cost of materials	(4,251)	(9,554)
Services	(2,198)	(4,088)
Rent and leases	(169)	(303)
Payroll	(3,506)	(5,139)
Accruals and other costs	(118)	(101)
Other revenue	490	934
Profit before depreciation and amortization, finance costs and taxes	**(81)**	**1,588**
Depreciation and amortization	(322)	(671)
Operating profit	**(403)**	**917**
Share of profit of associate	7	14
Finance costs	(328)	(554)
Finance income	46	194
Profit before taxes	**(678)**	**571**
Income tax expense	153	(402)
Net profit (loss) for the period	**(525)**	**169**
Minority interest	**(92)**	**(83)**
Group net profit (loss) for the period	**(433)**	**252**

See accompanying notes

Eurotech S.p.A.

Consolidated Balance sheets
As December 31, 2004 and September 30, 2005 and 2004

(Thousands of Euro)

	12/31/2004 IFRS	FTA IAS 32-39	1/1/2005 Restated	9/30/2005 IFRS	9/30/2004 IFRS
				Unaudited	
ASSETS					
Intangible assets	5,306		5,306	6,296	3,507
Property, plant and equipment	2,223		2,223	2,436	2,196
Other non current assets	293		293	704	746
Total non current assets	**7,822**	**0**	**7,822**	**9,436**	**6,449**
Inventory	5,250		5,250	6,329	3,699
Contracts in progress	0		0	1,567	398
Trade receivables	8,402		8,402	6,083	5,481
Other current assets	419		419	1,479	671
Cash and cash equivalents	2,560		2,560	3,732	2,594
Tota current assets	**16,631**	**0**	**16,631**	**19,190**	**12,843**
Total assets	**24,453**	**0**	**24,453**	**28,626**	**19,292**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital	1,247		1,247	2,794	1,247
Retained earnings	3,548	5	3,553	5,201	3,601
Net profit (loss) for the year	647		647	252	(433)
Group shareholders' equity	**5,442**	**5**	**5,447**	**8,247**	**4,415**
Minority capital and reserves	625		625	593	772
Minority profit (loss) for the year	(69)		(69)	(83)	(92)
Minority interests	**556**	**0**	**556**	**510**	**680**
Total shareholders' equity	**5,998**	**5**	**6,003**	**8,757**	**5,095**
Long-term debt	3,516		3,516	2,987	5,737
Convertible notes	2,465	(18)	2,447	0	2,250
Employees' benefits	550		550	663	500
Other non current liabilities	754	(4)	750	1,046	693
Total non current liabilities	**7,285**	**(22)**	**7,263**	**4,696**	**9,180**
Trade payables	4,011		4,011	7,765	2,520
Short-term borrowings	5,694		5,694	3,128	1,195
Taxes payable	442		442	514	210
Other current liabilities	1,023	17	1,040	3,766	1,092
Total current liabilities	**11,170**	**17**	**11,187**	**15,173**	**5,017**
Total liabilities	**18,455**	**(5)**	**18,450**	**19,869**	**14,197**
Total liabilities and shareholders' equity	**24,453**	**0**	**24,453**	**28,626**	**19,292**

See accompanying notes

Eurotech S.p.A.

Consolidated Statements of Cash Flows
For the nine months ended September 30, 2005
and for the year ended December 31, 2004
(Thousands of Euro)

	12/31/2004	9/30/2005
	IFRS	IFRS
		Unaudited
Cash flows from operating activities:		
Group net profit (loss) for the year	**647**	**252**
Adjustments to reconcile Group net profit (loss) to net cash provided by operating activities:		
Minority interest	(69)	(83)
Depreciation and amortization	529	671
Provision for doubtful accounts	20	26
Share of profit of associate	(9)	(14)
Exchange differences	0	40
Provision for employees' benefits	130	113
Deferred taxes	226	(23)
Change in current assets and liabilities		
Trade receivables	(1,894)	2,293
Other current assets	479	(1,060)
Inventory	(1,609)	(2,646)
Trade payables	1,028	3,754
Other current liabilities	24	2,790
Total adjustments and changes	**(1,145)**	**5,861**
Net cash provided by (used in) operating activities	**(498)**	**6,113**
Cash flow from investing activites		
Disposal of property, plant and equipment	36	38
Disposal of intangible assets	84	120
Addtion to propeprty, plant and equipment	(999)	(1,416)
Addition to intangible assets	(317)	(496)
Net change in financial assets	(46)	(70)
Acquisition of business net of cash acquired	(1,441)	
Net cash used in investing activities	**(2,683)**	**(1,824)**
Cash flow from financing activities		
Share capital increase	163	2,487
[ ]		17
Reimbursement of long-term debt	4,716	(5,702)
Net change in short term borrowings		
Net cash provided by (used in) investing activities	**4,879**	**(3,198)**
Effect of changes in exchange rates on cash	(40)	81
Increase (decrease) of cash and cash equivalents	**1,658**	**1,172**
Cash and cash equivalents at beginning of the period	**902**	**2,560**
Cash and cash equivalents at the end of the period	**2,560**	**3,732**

See accompanying notes

Consolidated statement of shareholders' equity

(Thousands of Euro)	Share capital	Legal reserve	Paid-in capital	Translation adjustment	Other reserves	Net profit (loss) for the perioc	Group shareholders equity	Minority capital and reserves	Minority profit (loss) for the perioc	Total minority interest	Total shareholders' equity
Balance December 31, 2004	**1,247**	**30**	**3,157**	**(69)**	**430**	**647**	**5,442**	**625**	**(69)**	**556**	**5,998**
Effect of application of IAS 32-39					5		5			0	5
Allocation of prior year result		3			644	(647)	0	(69)	69	0	0
Conversion of bonds	150		2,350		(13)		2,487			0	2,487
Capital increase	1,397		(1,397)				0				0
Other				81	(20)		61	37		37	98
Net profit for the nine months						252	252		(83)	(83)	169
Balance September 30, 2005	**2,794**	**33**	**4,110**	**12**	**1,046**	**252**	**8,247**	**593**	**(83)**	**510**	**8,757**

Eurotech S.p.A.

Notes to the unnaudited interim financial statements

September 30, 2004 and 2005

Basis of Presentation

The accompanying interim consolidated financial statements of Eurotech S.p.A. (''Eurotech'' or the "Company") , consolidate all Italian and foreign subsidiaries of the Eurotech group (the ''Eurotech Group'' or the ''Group'') as of September 30, 2005 and for the nine months then ended.

The accompanying interim consolidated financial statements are unaudited, however, in the opinion of management, all adjustments necessary for a fair presentation of the Group's financial position at September 30, 2005, its results of operations for the nine months ended September 30, 2005 and 2004, its cash flows for the nine months ended September 30, 2005 and its changes in shareholders' equity for the nine months ended September 30, 2005, have been made. These financial statements should be read in conjunction with the Group's audited consolidated financial statements as of June 30, 2005, and for the six months then ended preapred in accordance with IFRS.

The Group's results of operations for the nine months ended September 30, 2005, are not necessarily indicative of its operating results for the full year. It should be noted that the market in which the Group operates is characterized by high seasonality.

Revenue

Revenue for the nine months ended September 30, 2004 and 2005 consist of:

(Thousands of Euro)	9 months 2004		9 months 2005	
Sales of products	9,367	96.9%	19,726	99.4%
Services	304	3.1%	113	0.6%
Totale sales and services	9,671	100.0%	19,839	100.0%

Revenue by geographic area for the nine months ended September 30, 2004 and 2005 consist of:

(Thousands of Euro)	9 months 2004		9 months 2005	
Geographical area				
Europe Union	6,029	62.3%	13,404	67.6%
United States of America	3,325	34.4%	5,667	28.5%
Other	317	3.3%	768	3.9%
Total revenue	9,671	100.0%	19,839	100.0%

ANNEX A

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ITALIAN GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS WITH RESPECT TO THE CONSOLIDATED FINANCIAL STATEMENTS OF EUROTECH S.p.A. AT DECEMBER 31, 2002 AND 2003

As described in section "Presentation of Our Financial Information in this Offering Circular", starting January 1, 2005, we have prepared our consolidated financial statements in accordance with IFRS. With respect to the year ended December 31, 2004, based on the CONSOB rules applicable to new registrants, we have also prepared consolidated financial statements restated in accordance with IFRS. Prior to such date, we prepared our financial statements in accordance with Italian GAAP. Accordingly, our consolidated financial statements as of and for each of the two years ended December 31, 2002 and 2003 are prepared in accordance with Italian GAAP.

Italian GAAP differ from IAS/IFRS in respects which might be material to the financial information included in this offering circular with respect to the years 2002 and 2003.

The major qualitative differences between Italian GAAP and IAS/IFRS with respect to our consolidated financial statements for the years 2002 and 2003 are reported and commented below. This summary is intended only as an identification of the possible changes which could occurr in the preparation of the consolidated financial statements in accordance with IAS/IFRS.

In making an investment decision, investors must rely upon their own examination of the consolidated financial statements, the terms of the offering and the financial information included herein. Potential investors should consult their own professional advisors for an understanding of the differences between Italian GAAP and IAS/IFRS and how those differences might affect the financial information related to the years 2002 and 2003 included in this offering circular.

Certain significant differences between Italian GAAP and IAS/IFRS relevant to the consolidated financial statements are summarized below. However, this summary does not purport to provide a comprehensive analysis, including quantification, of such differences but rather it is a listing of potential differences in accounting principles related to the consolidated financial statements.

We have not quantified these differences, nor undertaken a reconciliation of the Italian GAAP consolidated financial statements to IAS/IFRS for the years 2002 and 2003. Had we undertaken any such quantification or reconciliation, other potentially significant accounting differences may have come to our attention which are not identified below. Accordingly, we can provide no assurance that the identified differences in the summary below represent all of the principal differences relating to the consolidated financial statements. Further, no attempt has been made to identify future differences between Italian GAAP and IAS/IFRS resulting from prescribed changes in accounting standards.

Finally, no attempt has been made to identify all future differences between Italian GAAP and IAS/IFRS that may affect the consolidated financial statements as a result of transactions or events that may occur in the future.

First time application of IAS/IFRS

IFRS 1 provides for the technical rules for the transfer to IAS/IFRS. IFRS 1 allows certain priviledges and establishes certain limited exceptions to the general retroactive rule for the first time application. The transition to IAS/IFRS requires the selection of the accounting principles and their identification for the first time application. In addition, IFRS 1 requires that all effects deriving from the first time application of IAS/IFRS be accounted for in net equity as of the transition date.

Business combinations and goodwill

Italian GAAP

Under Italian GAAP goodwill and consolidation differences of the Group relate principally to the excess of the purchase price over the fair value of the entities acquired. Goodwill and consolidation differences are subject to amortization.

IAS/IFRS

IFRS 3 requires that business combinations be accounted for in accordance with the purchase method. This method calls for the identification of the acquirer in the business combination and for the determination of both the cost of the acquisition and the fair value of all the assets and liabilities acquired. To this end, a company has to value specifically any intangible asset acquired (in this area, IFRS 3 provides a list of possible intangibles, such as brands, technologies, customer lists, customer relationships, order backlog etc.). Goodwill is determined as the difference between the cost of the business combination (including accessory expenses) and the fair value of the share of the net assets acquired. Any goodwill arising from this exercise, together with other long-lived intangibles that should be recorded, does not have to be amortised but has to be tested for impairment on every reporting date.

IFRS 1 at the time of the first application of IAS/IFRS requires to test for impairment all tangible and intangible assets, including goodwill, reported in the opening IAS/IFRS balance sheet. In addition, IAS 38 requires that in presence of indicators of impairments (such as the loss of significant market shares, changes in the technological, legal or economic environment), at every reporting date, intangible assets be tested utilising a methodology of comparison between the recoverable amounts of the asset or the cash generating unit ("CGU"), or the consistent combination of certain CGU, and the reporting value of the assets or the CGU. Goodiwll must be allocated to the CGU. IAS 36 defines the recoverable amount as the higher between the value in use of the asset or the CGU (computed on the basis of the discounted cash flows) and the net realisable value.

Development costs

Italian GAAP

Under Italian GAAP applied research and development costs may alternatively be capitalized or charged to operations when incurred. We have mainly expensed research and development costs when incurred. Capitalized research and development costs are amortized over a maximum period of 5 years.

IAS/IFRS

IAS 38, Intangible Assets, requires that research costs be expensed, whereas development costs that meet the criteria for capitalization must be capitalized and then amortized from the start of production over the economic life of the related products.

Other intangible assets (excluding goodwill)

Italian GAAP

Under Italian GAAP we capitalize as intangible assets such as start-up and expansion costs incurred in relation to transactions regarding share capital, certain purchase cost of computer programmes and costs incurred for the registration of the trademarks. These capitalized costs are subject to amortization.

IAS/IFRS

Under IAS/IFRS, the rules provided for by IAS 38 with respect to intangible assets could result in the write-down of certain intangible assets reported in the consolidated financial statements. IAS 38, as modified by IFRS 3, permits the accounting for intangible assets only when certain specific requirements are met. In addition, periodic impairment tests are required by IAS 36. Start-up costs and costs incurred for the registration of trade marks do not meet such requirements and are to be expensed. Costs incurred for, capital increases are to be deducted from shareholders' equity.

Land and buildings

Italian GAAP

In accordance with Italian GAAP, land covered by buildings is depreciated together with the same buildings.

IAS/IFRS

In accordance with IFRS, land it must be classified separately and no longer depreciated.

Deferred taxes

Italian GAAP

Under Italian GAAP deferred tax assets are recognized if the conditions of reasonable certainty are met. In addition, according to Italian GAAP, deferred tax assets are shown as part of current assets. IAS 1 requires deferred tax assets to be shown as part of non current assets.

IAS/IFRS

Under IFRS deferred tax assets are recognized if their recoverability is probable. In addition, IAS 1 requires deferred tax assets to be shown as part of non current assets.

Employee severance indemnity

Italian GAAP

Under Italian GAAP, employee severance indemnity ("TFR") is accrued, net of advances paid, in accordance with civil and labour laws, on the basis of the entire amount that would be payable to the employees if they left the company at year-end, without taking into account future leaving or discounting the liability.

IAS/IFRS

Under IAS/IFRS, employee benefit obligations must be accrued on an actuarial basis to recognize the cost of the benefit over the employment period.

Government grants

Italian GAAP

According to Italian GAAP government grants are recognized only when the favorable formal decision by the government authority is received and the conditions attaching to the grant have been fulfilled.

IAS/IFRS

IFRS 20 requires that government grants should be recognized only when there is a reasonable assurance that the entity will comply with the condition attaching to them and the grants will be received.

Revenue recognition – Sales of components

Italian GAAP

Under Italian GAAP, the recognition of disposals is based primarily on legal and contractual form (transfer of legal title).

IAS/IFRS

Under IFRS, when the seller maintains a continuous involvement in the assets being sold and the consideration agreed between the entity and the buyer is not collected, the transaction is not recognized as revenue. Consequently, the sales of components made by the Group to outside contractors that carry out their processing on the components and then sell the processed components to the Group, could not meet the criteria for revenue recognition.

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