EUROTECH

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Consolidated Half-Yearly Financial Report

at 30 June 2011

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

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in the 'Investors' section of
www.eurotech.com

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

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EUROTECH GROUP

Corporate information

Board of Directors	
Chairman	Roberto Siagri
Vice Chairman	Giampietro Tecchiolli
Director	Sandro Barazza [1,2]
Director	Giovanni Bertolone [2]
Director	Giancarlo Grasso [2]
Director	Chiara Mio [2,3,4]
Director	Maria Cristina Pedicchio [2,3,4]
Director	Cesare Pizzul [2,3,4,5]
Director	Giovanni Soccodato [2]

The Board of Directors currently in office was appointed by the Ordinary General Meeting of 28 April 2011, and will remain in office until approval of the financial statements for 2013.

Board of Statutory Auditors	
President	Claudio Siciliotti
Statutory Auditor	Michela Cignolini
Statutory Auditor	Giuseppe Pingaro
Substitute Auditor	Lorenzo Ginisio
Substitute Auditor	Michele Testa

The Board of Statutory Auditors currently in office was appointed by the Ordinary General Meeting of 28 April 2011. It will remain in office until approval of the financial statements for 2013.

Independent Auditor	
	Reconta Ernst & Young SpA

The independent auditor was appointed for the three-year period 2005-2007 by the Ordinary General Meeting of 21 July 2005. This term was extended by shareholders for the period 2008-2013 at the Annual General Meeting of 7 May 2007.

Corporate name and registered offices of the parent company	
	Eurotech SpA Via Fratelli Solari 3/A 33020 Amaro (UD), Italy Udine Companies Register number 01791330309

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

Information for shareholders

The ordinary shares of Eurotech SpA, the Parent Company of the Eurotech Group, have been listed in the STAR segment of the Milan stock market since 30 November 2005.

Share capital of Eurotech SpA at 30.06.11

Share capital	€8,878,946.00
Number of ordinary shares (without nominal unit value)	35,515,784
Number of savings shares	-
Number of Eurotech SpA treasury shares	420,140
Stock market capitalisation (based on the share's average price in June 2011)	€72 million
Stock market capitalisation (based on the share's reference price at 30 June 2011)	€72 million

Performance of Eurotech SpA shares

Absolute performance of EUROTECH SpA shares
01.01.2011 – 30.06.2011

The line graph shows the share's performance based on daily reference prices

The candle chart shows the share's daily maximum and minimum prices

Report on operations

Introduction

The annual consolidated financial statements for the Eurotech Group are prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission as per the procedure indicated in Article 6 of the EC Regulation no. 1606/2002 of the European Parliament and European Council dated 19 July 2002.
This half-yearly financial report for the six months ended as of 30 June 2011 was prepared pursuant to IAS 34 – Interim Financial Reporting and Article 154-*ter* of the Consolidated Law on Finance (TUF). This consolidated half-yearly financial report does not include all the information required for preparation of the consolidated annual financial statements; it must therefore be read in conjunction with the consolidated annual financial statements as of 31 December 2010.
Unless otherwise stated, data are expressed in thousands of euro (€ '000).

Performance highlights

Income statement highlights

OPERATING RESULTS €'000	1H 2011	%	1H 2010	%
SALES REVENUES	41,164	100.0%	41,823	100.0%
GROSS PROFIT MARGIN	21,191	51.5%	21,486	51.4%
EBITDA	(598)	-1.5%	503	1.2%
EBIT	(4,332)	-10.5%	(3,386)	-8.1%
PROFIT (LOSS) BEFORE TAXES	(5,369)	-13.0%	(4,764)	-11.4%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(5,409)	-13.1%	(4,963)	-11.9%

Balance sheet and financial highlights

PATRIMONIAL DATES	at June 30, 2011	at December 31, 2010	at June 30, 2010
Non-current assets	**121,866**	**130,996**	**137,044**
- of which net intangible assets	111,584	120,328	125,329
- of which net tangible assets	5,845	6,582	7,006
Current assets	**62,878**	**79,750**	**73,102**
TOTAL ASSETS	**184,744**	**210,746**	**210,146**
Group shareholders' equity	**118,470**	**131,518**	**136,262**
Minority interest	**0**	**3,966**	**3,819**
Non-current liabilities	**34,153**	**39,086**	**34,526**
Current liabilities	**32,121**	**36,176**	**35,539**
TOTAL LIABILITIES AND EQUITY	**184,744**	**210,746**	**210,146**

€'000	at June 30, 2011	at December 31, 2010	at June 30, 2010
NET FINANCIAL POSITION	**16,786**	**8,640**	**5,262**
NET WORKING CAPITAL	**29,922**	**30,213**	**25,940**
NET INVESTED CAPITAL*	**135,256**	**144,124**	**145,343**
CASH FLOW DATA			
Cash flow generated (used) in operations	(2,042)	3,185	4,301
Cash flow generated (used) by investment activities	(6,229)	(14,377)	(12,560)
Cash flow generated (used) by financing activities	(4,044)	4,953	(189)
Charge in the conversion difference	(1,436)	2,066	3,203
TOTAL CASH FLOW	**(13,751)**	**(4,173)**	**(5,245)**

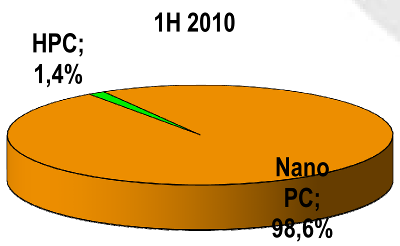
(*) Non-current non-financial assets, plus working capital, less non-current non-financial liabilities.

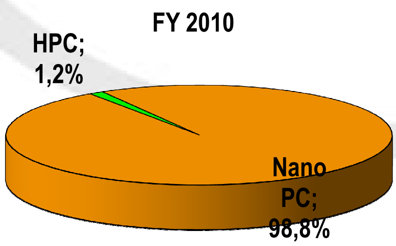
Employee headcount

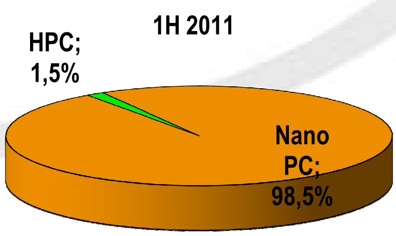
	at June 30, 2011	at December 31, 2010	at June 30, 2010
NUMBER OF EMPLOYEES	492	455	480

Revenues by business line

(€'000)	NanoPC				High Performance Computer				Total			
	1H 2011	1H 2010	% YoY Change	FY 2010	1H 2011	1H 2010	% YoY Change	FY 2010	1H 2011	1H 2010	% YoY Change	FY 2010
Sales revenues	40,554	41,230	-1.6%	98,073	610	593	2.9%	1,196	41,164	41,823	-1.6%	99,269







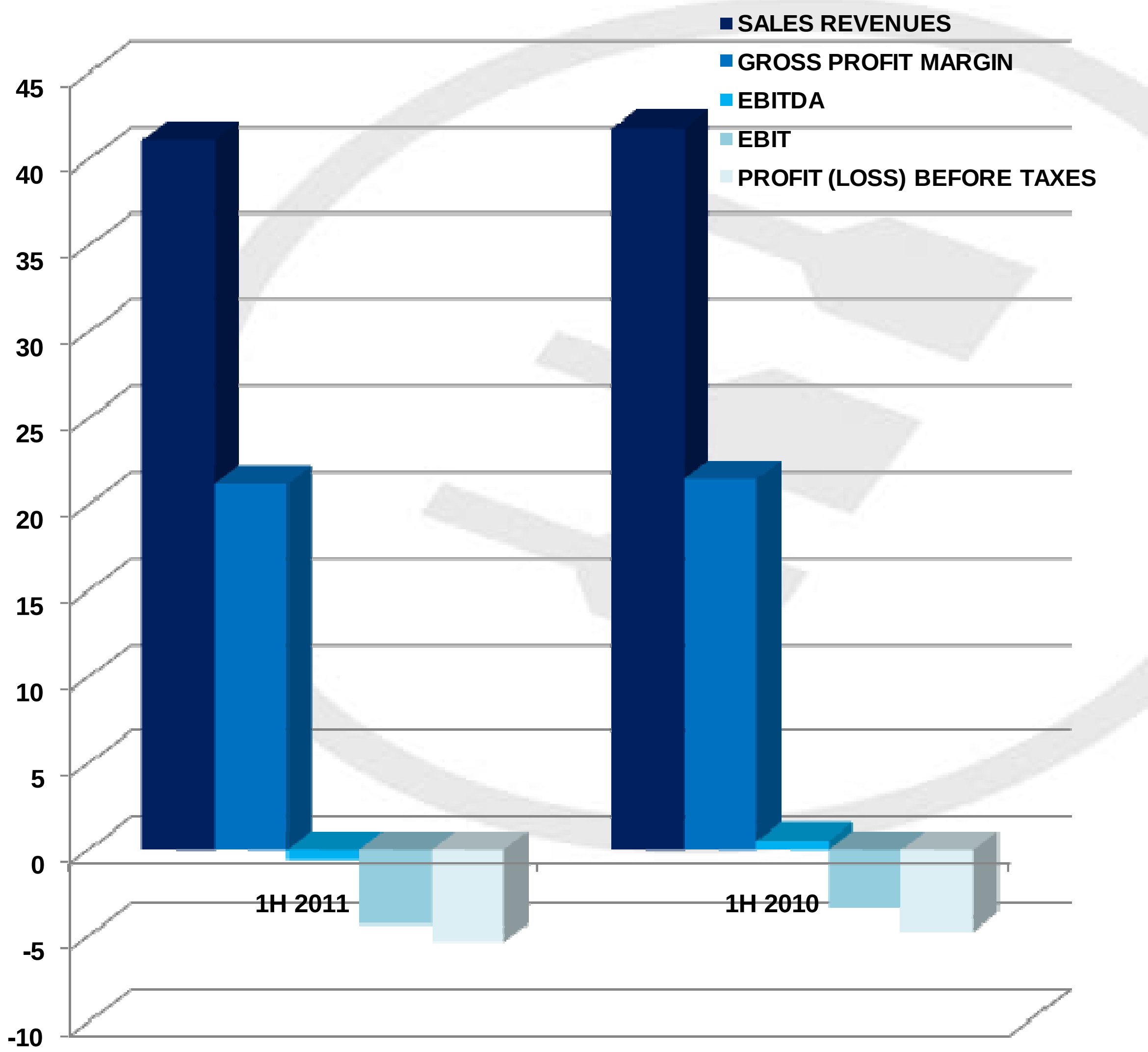
The Group's business lines are 'NanoPC' and 'HPC' (high performance computers). The NanoPC line comprises miniaturised electronic modules and systems for the transport, aerospace, defence, security, industrial and medical sectors, while the HPC line consists of computers with high-performance computing capability, currently targeting universities, research institutes and computing centres. The business volumes of the HPC segment are influenced by the cyclical purchasing model used by customers operating in this segment.

Given the current strong predominance of the NanoPC business, it was decided to provide only for this line a detailed view by geographical region, relative to the various Group entities and according to how these entities are monitored by senior management. No significant transactions took place between business lines.
Group geographical regions in the NanoPC segment are defined according to the location of Group assets and operations. They are currently identified as: Europe, North America and Asia.

Revenues of NanoPC line by business region

(€' 000)	NordAmerica			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change
Third party Sales	16,403	19,772		12,105	9,832		12,046	11,626		0	0		40,554	41,230	
Infra-sector Sales	994	788		3,926	3,742		157	143		(5,077)	(4,673)		0	0	
Total Sales revenues	17,397	20,560	-15.4%	16,031	13,574	18.1%	12,203	11,769	3.7%	(5,077)	(4,673)	-8.6%	40,554	41,230	-16%

Performance chart



The Eurotech Group

Eurotech is a global company, based in Italy and with operating locations in Europe, North America, and Asia. It is a Group with a strong international orientation, where the dominant language is English and sales are generated on three continents.

The technological paradigm followed by Eurotech is that of 'Pervasive Computing'. The pervasive concept combines three key factors: miniaturisation of 'intelligent' devices, i.e. devices capable of processing information; their diffusion in the real world (inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment); and the possibility of connecting them to each other in a network and communicating.

Within this overall vision, Eurotech works on the research, development, engineering, and marketing of miniaturised computers for special applications (NanoPCs) and of high-performance supercomputers (HPCs). NanoPCs and HPCs are the two major classes of devices that, by connecting to and co-operating with each other, form the pervasive computing infrastructure commonly known as the 'pervasive grid' or 'cloud'.

In the NanoPC segment, the Group's offering differs according to the positions of the various products in the value stack. The NanoPC is typically a miniature computer that can take the form of:

- an embedded board, typically used as a component in OEM products
- an application-ready subsystem or platform, used as elements of integrated systems
- a ready-to-use device employed in a great variety of application settings, often as support for the provision of value-added services.

NanoPCs also include intelligent sensors, also known as 'smart dust', which, in combination with other types of NanoPC, help to create platforms that can connect the real and digital worlds.

All these NanoPCs have wireline or wireless communication channels to ensure their interconnection. It is this combination of computing and communication capabilities that makes Eurotech's NanoPCs key elements of the pervasive scenario that the company wants to create.

The Group's NanoPC offering is used in many types of applications, both conventional and emerging. Eurotech is most active in the transport, defence, security, aerospace, industrial, medical and logistics sectors. The feature common to many of our customers in all these sectors is they are seeking not only a supplier but also a centre of technological competence – and they often see in Eurotech a partner for innovating their products and their way of doing business. They want to reduce their time-to-market and focus on their core businesses. They often need solutions for harsh operating conditions and for mission-critical applications, or supplies assured for long periods.

In the HPC segment, Eurotech designs and creates supercomputers with huge computing capacity via mass connection of miniaturised computers. Until not long ago, these high-performance computers were targeted at cutting-edge research institutes, computing centres and universities, but now there is growing interest in the area of industry and services, for applications in advanced sectors such as nanotechnologies, biotechnologies and cyber security.

From the time of its foundation in 1992, Eurotech has focused its business model on four guiding principles, which, like four pillars, have underpinned its growth and development and continue to do so. These are:

- excellence within market standards
- a 'fabless' production model, i.e. with production volumes mainly outsourced
- evolution of the business model towards the finished product ready for use, i.e. closer to the application scenario of the purchaser or end-customer
- strong interaction with the academic and basic-research worlds.

Eurotech's primary aim has been to excel within sector standards, a principle that it applied right from the start. In other words it understood that, to supply its customers with solutions that both performed well and were open to the future, excellence could not be achieved only with proprietary solutions, but as far as possible with state-of-the-art solutions remaining compliant to the standards, which were themselves evolving.

Eurotech's second strength is the adoption of a fabless production model, i.e. featuring the almost total absence of production facilities. Within the value chain, Eurotech performs research, development, engineering, prototyping, quality control and logistics. Production of NanoPCs is nearly all performed on an outsourced basis by contract producers. Only in the case of HPCs assembly is done in-house, as this is considered to be a strategically important activity.

The third key element of the business model is constant attention to the ongoing evolution of systems integration, i.e. from just boards (or hardware) to systems (hardware with a specific enclosure), to application-ready platforms (a combination of boards, systems and middleware, i.e. a layer of software that speeds up application development and

permits disconnection of the software developer from the hardware), and even to ready-to-use devices (products already able to perform a specific function and which do not require any programming).
The last – but not least important – component of the business model is the network of external relations with universities and research centres. This "knowledge network" fuels innovation and helps to keep Eurotech solutions at the state-of-the-art level of technologies and standards available.

At 30 June 2011 the Eurotech Group consisted of the following companies:

Company name	Business	Share capital	Group % ownership
Parent company			
Eurotech SpA	Operates in the NanoPC sector with its main focus on the Italian market and the global HPC market. In organisational terms, it is the coordinating holding company at Corporate level	€8,878,946	
Subsidiaries and companies consolidated on a line-by-line basis			
Eurotech Inc.	Operates in the US NanoPC market, with a focus on the industrial, medical and transport sectors	USD 26,500,000	100.00%
Eurotech Ltd.	Operates in the NanoPC segment and is active primarily in the UK	GBP 33,333	100.00%
E-Tech USA Inc.	Holding company that controls 100% of Eurotech Inc. and Dynatem Inc.	USD 8,000,000	100.00%
Eurotech Finland Oy	Handles the sale and marketing of Group products in Scandinavian countries	€508,431	100.00%
Eurotech France S.A.S.	Operates in the French NanoPC market	€795,522	100.00%
Saee S.r.l.	Active in technological solutions in the field of sensor networks and wireless applications	€15,500	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Operates in the NanoPC sector with the IPS brand, and also operates in the high-tech security sector with the ETH Security brand	€51,480	100.00%
Parvus Corp.	Operates in the US NanoPC market, mainly in the defence sector	USD 119,243	100.00%
ETH Devices S.r.o.	Operates in the Eastern European NanoPC sector, particularly in the handheld segment	€10,000	100.00%
Dynatem Inc.	Operates in the US NanoPC market	USD 1,000	100.00%
EthLab S.r.l.	Has handled research and development on the Group's behalf since 2005	€115,000	99.99%
Advanet Inc.	Operates in the Japanese NanoPC market	JPY 72,440,000	90.00% (1)

(1) 100% is taken into account for consolidation purposes; the company holds the remaining 10% as treasury shares.

Operating performance

OPERATING RESULTS €'000		1H 2011	%	1H 2010	%
SALES REVENUES		41,164	100.0%	41,823	100.0%
GROSS PROFIT MARGIN	(*)	21,191	515%	21,486	514%
EBITDA	(**)	(598)	-15%	503	12%
EBIT	(***)	(4,332)	-10.5%	(3,386)	-8.1%
PROFIT (LOSS) BEFORE TAXES		(5,369)	-13.0%	(4,764)	-114%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(5,409)	-13.1%	(4,963)	-119%

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

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

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

Group revenues decreased by 1.6%, or €659 thousand, from €41.82 million in the first half 2010 to €41.16 million in the first half 2011. Revenues in the period were affected by both a slowdown in new US orders and deferral of turnover in the Japanese market after the earthquake in March.
The recovery in orders seen early in the second half-year, however, suggests that the second six months will be an improvement on the same period last year.
The macroeconomic situation requires constant monitoring of the performance of the various economies world-wide, but given the Group's international presence on three continents, we can mitigate local effects and grasp opportunities where these occur.
The substantial efforts made in the past three years to create an integrated and cohesive Group have also proved useful in this respect, and the recent inclusion of Dynatem Inc. as the catalyst of further synergies, both technical and commercial, between the US and Japan, is another reason for optimism about the months to come.

Before commenting on detail on the income statement figures, it should be noted that some figures are affected by purchase price allocation accounting[A] relating to the business combinations of the Arcom Group and Applied Data Systems Inc. (now combined in Eurotech Inc.) and the Advanet Group.

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

- depreciation, amortisation and impairment: €1,623 thousand (€1,630 thousand for 30 June 2010), equal to the higher amortisation charged to the higher value attributed to intangible assets (customer relationships, trademark and order backlog)
- financial income and expenses: solely in relation to 30 June 2010, €60 thousand in financial income due to recalculation of the discounting of the option, and €1,381 thousand in financial charges deriving from exchange rate differences (mostly realised). resulting from payment of the liability to acquire 23.3% of the capital of Advanet Inc. following the exercise of the put option
- lower income taxes: €670 thousand (€671 thousand at 30 June 2010) resulting from the tax effect on adjustments made

Actual results with and without the effect of purchase price allocation are summarised below:
- EBIT would be €-2.71 million rather than €-4.33 million
- the pre-tax result would be €-3.75 million rather than €-5.37 million
- the Group net result would be €-4.46 million rather than €-5.41 million.

Gross profit in the period was in line with the same period of 2010 and the gross profit margin was higher than at end-2010, at 51.5%. The stability of gross profit, apart from some changes due to the mix of products sold on the basis of application areas and geographical markets, shows that the Group is able to maintain target margins and demonstrates its focus on containing the cost of materials.

Operating costs as a percentage of revenues decreased from 56.6% in the first half 2010 (€23.66 million) to 55.6% (€22.90 million) in the first half 2011. This performance had a positive effect on Group EBITDA.
The cost rationalisation measures launched in recent years continued in the first half of 2011, although this was combined with continuing investment in activities expected to provide a return in the coming years. Moreover, we continue to keep an overall structure already able to sustain higher levels of turnover.

EBITDA in the periods under review decreased from €0.5 million in the first half of 2010 to €-0.6 million in the first half of 2011. EBITDA as a percentage of revenues decreased from 1.2% in 1H10 to -1.5% in 1H11. The difference mainly reflects lower turnover and a smaller contribution from other revenues (which in 1H10 included a capital gain for the sale of equity interests for €0.6 million, grants totalling €0.2 million and an increased effect of cost adjustments for capitalisations), only partly offset by reduced operating costs.

EBIT decreased from €-3.39 million in the first half of 2010 to €-4.33 million in the first half of 2011. EBIT as a percentage of revenues in the first six months of this year was -10.5%, compared with -8.1% in the same period of 2010. This performance reflects the EBITDA result described above and depreciation and amortisation booked to the income statement in 1H11. The depreciation and amortisation arose both from operating assets that became subject to depreciation in 1H11 and from non-monetary PPA effects relating to the acquisitions of Eurotech Inc. (formerly Applied Data Systems Inc. and Arcom Control Systems Inc.) and the Advanet Group. The effect on EBIT of the higher value attributed as a result of PPA was €1.62 thousand in 1H11, similar to the same period of 2010.

The financial result was affected by the trend in net financial position, as well as by foreign exchange differences caused by the trend in foreign currencies. The significant losses and gains booked for the period were influenced by purchases and sales in US dollars carried out by UK subsidiary Eurotech Ltd., the effects of which are largely neutralized. Overall, the foreign exchange difference had a cost effect of €365 thousand in the period, while interest reduced the financial result by €533 thousand.

A pre-tax loss of €5.37 million was registered for the first half of 2011 (compared with a loss of €4.76 million in the first six months of 2010). This performance was influenced by the factors outlined above. The impact on the pre-tax result of PPA and valuation of the put option (for 2010 only) was €1.62 million in 1H11 and €2.95 million in 1H10.

The Group registered a net loss of €5.41 million in the first half of 2011, compared with a net loss of €4.96 million in the same period last year. This performance not only reflects the pre-tax result, but is due to the impact of the tax burden on the Group’s various units.
Due to the acquisition by Advanet of treasury shares amounting to 10% of the capital at the beginning of the year, the minority interests on the Japanese group are no longer represented.
Total PPA effects on the Group's net result in 1H11 amounted to €0.95 million (€2.21 million in 1H10).

As indicated in the explanatory notes to the condensed half-yearly consolidated financial statements (note D), the Group discloses segment information based on the product segments in which it develops its activity (NanoPCs and HPCs) and, exclusively in the NanoPC segment, based on the regions in which the various Group companies operate and are currently monitored. These are defined by the location of goods and operations carried out by individual Group companies. These segments are: Europe, North America and Asia.

- higher net profit attributable to minority interests: solely relative to 30 June 2010, €71 thousand stemming from the effect of PPA attributed to minority interests.

More specifically, the trend in revenues and margins in the individual business areas and changes in the reporting period are shown below.

(€'000)	NanoPC			High Performance Computer			Total		
	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change
Sales and service revenue by segment									
Sales and service revenue by segment	40,554	41,230	1.7%	610	593	-2.8%	41,164	41,823	1.6%
Ebitda by segment	-446	788	-276.7%	-152	-285	87.5%	-598	503	-184.1%
Ebit by segment	-3,907	-2,883	-26.2%	-425	-503	18.4%	-4,332	-3,386	-21.8%
Total EBIT							-4,332	-3,386	-21.8%
Net finance income (expense)							-898	-480	-46.5%
Shares of associates' profit (loss)	-139	-898					-139	-898	546.0%
Profit before tax of continuing operations							-5,369	-4,764	-11.3%
Income tax							-40	-263	557.5%
Net profit (loss)							-5,409	-5,027	-7.1%

The NanoPC segment is divided by region as follows:

(€' 000)	North America		Europe		Asia		Correction, reversal and elimination			Total		
	1H 2011	1H 2010	1H 2011	1H 2010	1H 2011	1H 2010	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change
Third party Sales	16,403	19,772	12,105	9,832	12,046	11,626	0	0		40,554	41,230	
Infra-sector Sales	994	788	3,926	3,742	157	143	(5,077)	(4,673)		0	0	
Total Sales revenues	17,397	20,560	16,031	13,574	12,203	11,769	(5,077)	(4,673)	-8.6%	40,554	41,230	-16%
Gross profit	8,015	9,643	6,146	5,812	7,430	6,579	(563)	(599)	-6.0%	21,028	21,435	-19%
Gross profit margin - %	46.1%	46.9%	38.3%	42.8%	60.9%	55.9%				51.9%	52.0%	
EBITDA										(446)	788	-156.6%
EBITDA margin - %										-1.1%	1.9%	
EBIT										(3,907)	(2,883)	35.5%
EBIT margin - %										-9.6%	-7.0%	
Profit before taxes										(5,369)	(4,261)	-26.0%
Profit before taxes - %										-13.2%	-10.3%	

North American revenues totalled €17.4 million in the first half of 2011, compared with €20.6 million in the first half of 2010, a decrease of 16.9%. The change reflects the slowing of the US economy in the first half-year, leading to a contraction in orders. The US defence market has also been affected by delays in allocations of funds due to government policy.
Meanwhile, revenues in the European business area increased from €13.6 million in the first half of 2010 to €16.0 million in the first half of 2011, i.e. by 18.1%, including interregional revenues. This was due to an increase in turnover in the UK.
Asia also saw a slight increase of 3.7%, from €11.8 million to €12.2 million, on the back of the steady recovery in the semiconductor segment and despite the effects of the earthquake, which has meant the deferral of some orders over the next six to nine months.

Analysing revenues by the main business lines, the HPC segment was again very limited in the period under review. Orders for the next half-year will increase revenues for the full-year 2011. The market is growing, although still characterised by substantial orders with a limited number of customers, and the Aurora product that was recently launched remains a cutting-edge product, particularly due to its low energy consumption and heat efficiency.
The NanoPC segment registered a slight decrease in revenues of 1.6%, to €40,554 thousand in the first half of 2011 compared with €41,230 thousand in the first half of 2010, as previously mentioned.

The breakdown of revenues by type is as follows:

SALES BY TIPE	1H 2011	%	1H 2010	%
Industrial revenues	39,534	96.0%	40,538	96.9%
Services revenues	1,630	4.0%	1,285	3.1%
TOTALE SALES AND SERVICE REVENUES	41,164	100.0%	41,823	100.0%

The regional revenue breakdown based on customer location is as follows.

BREAKDOWN BY GEOGRAPHIC AREA	1H 2011	%	1H 2010	%	var. %
European Union	8,114	19.7%	8,063	19.3%	0.6%
United States	18,764	45.6%	18,347	43.9%	2.3%
Japan	12,037	29.2%	11,312	27.0%	6.4%
Other	2,249	5.5%	4,101	9.8%	-45.2%
TOTAL SALES AND SERVICE REVENUES	41,164	100.0%	41,823	100.0%	-1.6%

Revenues generated by Group companies in the US grew by 2.3%, accounting for 45.6% of total turnover.
The Japanese region saw revenue growth of 6.4% despite domestic problems arising due to the earthquake, buoyed by the recovery in the semiconductor equipment market.
In Europe, still in terms of customer location, revenues were largely flat, accounting for close to 20% of the total.

Balance sheet

Non-current assets

(€'000)	at June 30, 2011	at December 31, 2010	Changes
Intangible assets	111,584	120,328	(8,744)
Property, Plant and equipment	5,845	6,582	(737)
Investments in affiliate companies	279	308	(29)
Investments in other companies	249	230	19
Deferred tax assets	1,522	1,658	(136)
Other non current financial assets	226	236	(10)
Medium/long term borrowing allowed to affiliates companies and other Group companies	1,211	636	575
Other non-current assets	950	1,018	(68)
Total non-current assets	**121,866**	**130,996**	**(9,130)**

The "non-current assets" item in the previous table decreased from €130,996 thousand in 2010 to €122,866 thousand in 1H11. The decrease reflects changes in tangible and intangible assets due to the different conversion rate used for financial statements denominated in foreign currency and for PPA calculated in the currency of the foreign entity.

The Group's main investments were as follows:

(€'000)	at June 30, 2011	at December 31, 2010	at June 30, 2010
Intangible assets	1,055	3,089	2,046
Property, plant and equipment	311	1,056	476
TOTAL MAIN INVESTMENTS	1,366	4,145	2,522

Current assets

(€'000)	at June 30, 2011	at December 31, 2010	Changes
Inventories	25,171	21,587	3,584
Contracts in progress	689	257	432
Trade receivables	22,248	28,971	(6,723)
Income tax receivables	1,965	1,879	86
Other current assets	2,805	3,305	(500)
Cash & cash equivalents	10,000	23,751	(13,751)
Total current assets	**62,878**	**79,750**	**(16,872)**

The "current assets" item shows a decrease from €79,750 thousand in the first half of 2010 to €62,878 thousand in the first half of 2011.

The decrease in liquidity mainly reflects the use of €2,369 thousand to acquire 10% of the shares of Advanet and €954 thousand to acquire US company Dynatem Inc.. There was also a reduction in trade receivables in the reporting period, which reflected both receipts and an increase in inventories to respond to expected sales volumes in the second half of the year.

Working capital

Working capital, which comprises current assets net of cash and cash equivalents and non-financial current liabilities, underwent the following changes in the reporting period:

(€'000)	at June 30, 2011	at December 31, 2010	Changes
Inventories	25,171	21,587	3,584
Contracts in progress	689	257	432
Trade receivables	22,248	28,971	(6,723)
Income tax receivables	1,965	1,879	86
Other current assets	2,805	3,305	(500)
Current assets	*52,878*	*55,999*	*(3,121)*
Trade payables	(16,369)	(18,824)	2,455
Income tax liabilities	(252)	(1,214)	962
Other current liabilities	(6,335)	(5,748)	(587)
Current liabilities	*(22,956)*	*(25,786)*	*2,830*
Net working capital	**29,922**	**30,213**	**(291)**

Working capital was down slightly compared with 31 December 2010, mainly reflecting the decrease in trade receivables owing to greater turnover concentration at the end of the year than at the end of the first half-year, partly offset by increased inventories and work in progress (mainly to respond to expected sales volumes in the second half of 2011), and by reduced trade and income tax payables.

Net financial position

The net financial position at the end of both periods is broken down in the following table.

(€'000)		at June 30, 2011	at December 31, 2010
Cash & cash equivalents	A	(10,000)	(23,751)
Cash equivalent	**B=A**	**(10,000)**	**(23,751)**
Other current financial assets	C	0	0
Derivative instruments	D	213	339
Short-term borrowing	E	8,756	8,985
Business aggregation liabilities	F	196	1,066
Short-term financial position	**G=C+D+E+F**	**9,165**	**10,390**
Short-term net financial position	**H=B+G**	**(835)**	**(13,361)**
Medium/long term borrowing allowed to affiliates companies	I	(1,211)	(636)
Other non current financial assets	K	(226)	(236)
Medium/long term borrowing	L	19,058	22,873
Medium-/long-term net financial position	**M=I+J+K+L**	**17,621**	**22,001**
(NET FINANCIAL POSITION) NET DEBT	**N=H+M**	**16,786**	**8,640**

The reduction in non-current debt is due to the repayment of portions of loans, while the reduction of current debt is due to the payment to the former shareholders of Applied Data Systems Inc. (now Eurotech Inc.) of the sum held in escrow.

The change in cash reflects the payment of portions of loans, the disbursements arising from investments made, the use of available cash for ordinary operations, as well as the different exchange rate used to convert the available cash of some foreign companies, which reduced the value of the cash entered.

Cash flow

(€'000)	at June 30, 2011	at December 31, 2010	at June 30, 2010
Cash flow generated (used) in operations	(2,042)	3,185	4,301
Cash flow generated (used) in investment activities	(6,229)	(14,377)	(12,560)
Cash flow generated (used) in financial activities	(4,044)	4,953	(189)
Change in the conversion difference	(1,436)	2,066	3,203
Increase (decrease) in cash & cash equivalents	(13,751)	(4,173)	(5,245)
Opening amount in cash & cash equivalents	23,751	27,924	27,924
End of period in cash & cash equivalents	10,000	23,751	22,679

Investments and research and development

At 30 June 2011, technical investments (tangible assets) in equipment and instruments amounted to €198 thousand and investments in other assets to €113 thousand.
During the period, the Group worked on industrial research and development and on technological innovation for both new products and improvements to processes.
The research led to the development of new products/applications in the field of computers and embedded systems, high-integration and low-consumption PCs, network appliances and HPCs. It also led to further improvements in product quality with the aim of reducing production costs, consequently boosting corporate competitiveness. New product development costs of €999 thousand were capitalised in the reporting period (compared with €1,708 thousand in the first half of 2010).

Competitive scenario, outlook and future growth strategy

The integration and stronger relationships between the companies of the Group, its global positioning and its sound balance sheet and financial position mean that it remains competitive in a continually changing market and that the outlook for 2011 is still positive, despite continuing market uncertainty in some segments and regions. The Group's strategic development will continue, following guidelines similar to those already applied in previous years. The implementation of the strategic plan specifically includes the following actions:

- in NanoPCs, the development and offering of high-added-value new products/solutions, with a particular focus on creating application-ready platforms (systems) and ready-to-use products
- in both NanoPCs and HPCs, a focus on products/solutions increasingly closer to the paradigm of pervasive computing or cloud computing
- the strengthening of commercial activities, with a particular focus on indirect as well as direct sales channels
- heightened integration between individual Group companies, particularly in Asia, to achieve greater operating effectiveness, benefiting from the economies of scale achievable, and consolidating the Eurotech brand image

- the continuous monitoring of opportunities for new acquisitions to extend and/or consolidate the Group's presence in specific markets/sectors.

Treasury shares of the Parent Company owned by the Parent Company or subsidiaries

The Parent Company, Eurotech SpA, held 420,140 treasury shares at the end of the reporting period. No transactions took place in the first half of 2011.

Information on Sovreingn Exposures

In keeping with Consob Notice no. DEM/11070007 dated August 5, 2011 (which is based on ESMA Statement 2011/266 of July 28, 2011) on the information regarding listed companies' exposures to sovereign debt securities to be included in financial statement we advised that the Group does not own sovereign debt securities.

Significant events after the reporting period

No other significant events took place after the end of the half-year.

Condensed half-yearly consolidated financial statements at June 30, 2011

Consolidated statement of financial position

(€'000)	Notes	at June 30, 2011	at December 31, 2010
ASSETS			
Intangible assets	1	111,584	120,328
Property, Plant and equipment	2	5,845	6,582
Investments in affiliate companies	3	279	308
Investments in other companies	3	249	230
Deferred tax assets	25	1,522	1,658
Other non current financial assets		226	236
Medium/long term borrowing allowed to affiliates companies and other Group companies	4	1,211	636
Other non-current assets		950	1,018
Total non-current assets		**121,866**	**130,996**
Inventories	5	25,171	21,587
Contracts in progress	6	689	257
Trade receivables	7	22,248	28,971
Income tax receivables	8	1,965	1,879
Other current assets	9	2,805	3,305
Cash & cash equivalents	10	10,000	23,751
Total current assets		**62,878**	**79,750**
Total assets		**184,744**	**210,746**
LIABILITIES AND EQUITY			
Share capital		8,879	8,879
Share premium reserve		136,400	136,400
Other reserves		(26,809)	(13,761)
Group shareholders' equity	12	**118,470**	**131,518**
Equity attributable to minority interest	12	**0**	**3,966**
Total shareholders' equity	12	**118,470**	**135,484**
Medium-/long-term borrowing	14	19,058	22,873
Employee benefit obligations		1,507	1,681
Deferred tax liabilities	25	11,231	12,307
Other non-current liabilities		2,357	2,225
Total non-current liabilities		**34,153**	**39,086**
Trade payables	15	16,369	18,824
Short-term borrowing	14	8,756	8,985
Derivative instruments	28	213	339
Income tax liabilities	8	252	1,214
Other current liabilities	16	6,335	5,748
Business combination liabilities	E	196	1,066
Total current liabilities		**32,121**	**36,176**
Total liabilities		**66,274**	**75,262**
Total liabilities and equity		**184,744**	**210,746**

Consolidated income statement

INCOME STATEMENT (€'000)	Note	1H 2011	1H 2010
Revenues from sales of products and services	D	41,164	41,823
Other revenues	22	117	971
Cost of materials	17	(19,973)	(20,337)
Service costs	19	(7,973)	(8,606)
Lease & hire costs		(1,185)	(1,174)
Payroll costs	20	(12,847)	(13,292)
Other provisions and other costs		(900)	(590)
current assets	21	999	1,708
Depreciation & amortisation	23	(3,734)	(3,877)
Asset impairment	23	0	(12)
Operating profit		**(4,332)**	**(3,386)**
Share of associates' profit of equity		(139)	(898)
Finance expense	24	(3,598)	(2,759)
Finance income	24	2,700	2,279
Profit before taxes		**(5,369)**	**(4,764)**
Income tax	25	(40)	(263)
Net profit (loss) before minority interest		**(5,409)**	**(5,027)**
Minority interest		**0**	**(64)**
Group net profit (loss) for period		**(5,409)**	**(4,963)**
Base earnings (losses) per share	13	**(0.154)**	**(0.141)**
Diluted earnings (losses) per share	13	**(0.154)**	**(0.141)**

Consolidated statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME (€'000)	Note	1H 2011	1H 2010
Net profit (loss) before minority inerest (A)		**(5,409)**	**(5,027)**
Other elements of the statement of comprehensive income			
Net profit (loss) from Cash Flow Hedge		126	(44)
Tax effect		0	0
		126	*(44)*
Foreign balance sheets conversion difference		*(7,810)*	*20,613*
Exchange differences on equity method		*(43)*	*(53)*
Exchange differences on equity investments in foreign companies		(1,509)	3,226
Tax effect		0	0
		(1,509)	*3,226*
After tax comprehensive profit (loss) (B)		*(9,236)*	*23,742*
Comprehensive net result (A+B)		**(14,645)**	**18,715**
Comprehensive minority interest		**0**	**641**
period		**(14,645)**	**18,074**

Statement of changes in equity

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2009	8,879	39	136,400	8,213	(23,010)	(458)	(2,226)	(1,340)	(9,601)	116,896	3,178	120,074
2009 Result allocation	-	-	-	-	(9,601)	-	-	-	9,601	-	-	-
Profit (loss) as at June 30, 2010	-	-	-	-	-	-	-	-	(4,963)	(4,963)	(64)	(5,027)
Comprehensive other profit (loss)												
- Hedge transactions	-	-	-	-	-	(44)	-	-	-	(44)	-	(44)
- Foreign balance sheets conversion difference	-	-	-	19,908	-	-	-	-	-	19,908	705	20,613
- Exchange differences on equity method	-	-	-	-	(53)	-	-	-	-	(53)	-	(53)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	3,226	-	-	3,226	-	3,226
Comprehensive result	-	-	-	*19,908*	*(53)*	*(44)*	*3,226*	-	*(4,963)*	*18,074*	*641*	*18,715*
Minority purchase	-	-	-	-	1,292	-	-	-	-	1,292	-	1,292
Balance as at June 30, 2010	8,879	39	136,400	28,121	(31,372)	(502)	1,000	(1,340)	(4,963)	136,262	3,819	140,081
(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Exchange rate differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Equity attributable to Minority interest	Total shareholders' equity
Balance as at December 31, 2010	8,879	39	136,400	25,938	(31,203)	(339)	(777)	(1,340)	(6,079)	131,518	3,966	135,484
2010 Result allocation	-	-	-	-	(6,079)	-	-	-	6,079	-	-	-
Profit (loss) as at June 30, 2011	-	-	-	-	-	-	-	-	(5,409)	(5,409)	-	(5,409)
Comprehensive other profit (loss)												
- Hedge transactions	-	-	-	-	-	126	-	-	-	126	-	126
- Foreign balance sheets conversion difference	-	-	-	(7,810)	-		-	-	-	(7,810)	-	(7,810)
- Exchange differences on equity method	-	-	-	-	(43)	-	-	-	-	(43)	-	(43)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	(1,509)	-	-	(1,509)	-	(1,509)
Comprehensive result	-	-	-	*(7,810)*	*(43)*	*126*	*(1,509)*	-	*(5,409)*	*(14,645)*	-	*(14,645)*
Minority purchase	-	-	-	-	1,597	-	-	-	-	1,597	(3,966)	(2,369)
Balance as at June 30, 2011	8,879	39	136,400	18,128	(35,728)	(213)	(2,286)	(1,340)	(5,409)	118,470	-	118,470

Cash flow statement

CONSOLIDATED CASH FLOW STATEMENT (€'000)	at June 30, 2011	at June 30, 2010
CASH FLOWS GENERATED BY OPERATIONS:		
Group net profit	**(5,409)**	**(4,963)**
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:		
Minority interests	0	(64)
Depreciation & amortization intangible assets, property, plant and equipn	3,734	3,889
Write-down of receivables	133	117
Interest income	(43)	(148)
Affiliated companies booked at equity	139	898
Cost for bringing up-to-date and exchange adjustment for put option	0	1,321
Provision for (use of) long-term employee severance indemnities	(174)	211
Provision for (use of) risk provision	(28)	267
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability	(940)	1,199
Changes in current assets and liabilities		
Trade receivables	6,763	1,730
Other current assets	438	1,249
Inventories and contracts in process	(3,373)	(5,096)
Trade payables	(2,823)	2,201
Other current liabilities	(459)	1,490
Total adjustments and changes	**3,367**	**9,264**
Cash flow generated (used) in operations	**(2,042)**	**4,301**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sales of tangible and intangible assets	2	81
Interest income	43	148
Purchase of intangible fixed assets	(1,055)	(2,046)
Purchase of tangible fixed assets	(311)	(476)
Decreases (Increases) other financial assets	(565)	(503)
Net investments in long-term investments and non-current assets	46	(119)
Minority interest purchase	(2,369)	(9,645)
Pay outstanding debt for business combinations prior years	(1,066)	0
Business acquisition net of cash acquired	(954)	0
Cash flow generated (used) in investment activities	**(6,229)**	**(12,560)**

CONSOLIDATED CASH FLOW STATEMENT (€'000)	at June 30, 2011	at June 30, 2010
CASH FLOW FROM FINANCING ACTIVITIES:		
Loans taken	0	1,100
Increases (decreases) short term loan	(851)	769
Repaid loans medium/long term	(3,193)	(2,058)
Cash flow generated (absorbed) by financial assets	**(4,044)**	**(189)**
Changes in the conversion difference	(1,436)	3,203
Increases (decreases) in cash & cash equivalents	**(13,751)**	**(5,245)**
Opening amount in cash & cash equivalents	**23,751**	**27,924**
Cash & cash equivalents at end of period	**10,000**	**22,679**
Interest paid	**591**	**515**
Income taxes paid (get)	**1,144**	**(374)**

Explanatory notes to financial statements

A – Corporate information

The publication of the condensed half-yearly consolidated financial statements of Eurotech SpA for the six months ended 30 June 2011 was authorised by resolution of the Directors on 29 August 2011. Eurotech SpA is a joint stock company incorporated and domiciled in Italy.
Eurotech is a group active in the research, development, and marketing of miniaturised computers for special tasks (NanoPCs) and computers with high-performance computing capability (HPCs). For further information, see note D.

B – Basis of preparation and IFRS compliance

The annual consolidated financial statements for the Eurotech Group are prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission as per the procedure indicated in Article 6 of the EC Regulation no. 1606/2002 of the European Parliament and European Council dated 19 July 2002.
These condensed half-yearly consolidated financial statements for the six months ended 30 June 2011 were prepared pursuant to IAS 34 – Interim Financial Reporting and Article 154-*ter* of the TUF. These condensed half-yearly consolidated financial statements do not include all the information required to prepare the consolidated annual financial statements. This report should therefore be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2010.
Preparation of interim financial statements requires senior management to make estimates and assumptions that affect the amounts of reported revenues, costs, assets and liabilities and disclosure concerning contingent assets and liabilities as at the interim reporting date. If in future these estimates and assumptions, which are based on management's best possible evaluation, were to differ from actual circumstances, they would be amended accordingly in the period when such circumstances materialised. For a fuller description of the Group's most important evaluation processes, readers should refer to the content of chapter C – "Discretionary evaluations and relevant accounting estimates" – of the Consolidated Annual Financial Report at 31.12.10.
We also point out that some evaluation processes – in particular the more complex ones such as calculation of any impairment of non-current assets – are generally performed in full only when annual financial statements are drawn up, i.e. when all and any information required is available. The exceptions to this are cases when impairment indicators exist such as to require immediate testing for any impairment.
Income taxes are recognised according to the best estimate of the weighted average tax rate expected for the full financial year.
The accounting principles used to prepare the condensed half-yearly consolidated financial statements are the same as those used at 31 December 2010, except for the adoption, from 1 January 2011, of the following new standards and interpretations:

IAS 24 – Related party disclosures (Revised). The IASB has issued an amendment to IAS 24 that clarifies the definition of a related party. The new definition stresses symmetry in identifing related parties and defines more clearly the circumstances in which persons and directors with strategic responsibilities must be deemed related parties. The amendment also introduces an exemption from general requirements for disclosure on related parties for transactions with governments and with entities under the control, joint control or significant influence of governments, as well as the entity itself. The adoption of the changes has had no effect on the Group's financial position or performance.

IAS 32 – Financial instruments: Presentation (Amendment). The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants. as equity instruments. This amendment is applicable if the rights are given pro rata to all of the existing owners af the same class of an entity's non derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment has had no effect on the Group's financial position or results.

IFRIC 14 – Prepayments of a minimum funding requirement (Amendment). The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment allows a prepayment of future service cost by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements in Europe. The amendment has therefore had no effect on the Group's financial position or results.

Improvements to IFRS (issued in May 2010)
In May 2010 the IASB issued a third series of improvements to the standards, mainly to eliminate inconsistencies and to clarify the terminology used. Each standard sets out specific transitional rules. The adoption of the following improvements have entailed changes to accounting procedures but had no effect on the Group's financial and capital situation or results:
IFRS 3 - Business combinations. The options available for measuring non-controlling interests (NCI) were amended. It is possible to measure at fair value, or alternatively in relation to the proportional share of the identifiable net assets of the acquiree, only the components of non-controlling interests that represent an effective equity interest guaranteeing the holder a proportional share of the net assets of the company in the event of liquidation. All the other components must be measured at fair value at acquisition date. This amendment had no effect on the Group's capital and financial situation or results.
IFRS 7 – Financial instruments: Disclosures. The amendment aims to simplify and improve disclosure by, respectively, reducing the volume of disclosure in relation to guarantees held and requiring greater qualitative disclosure for better contextualisation of the quantitative portion. The Group reflects the change to disclosure requirements in the explanatory notes.
IAS 1 – Presentation of financial statements. The amendment clarifies that an analysis of each of the other components of the statement of comprehensive income may be included, alternatively, in the statement of changes to shareholders' equity and in the explanatory notes to the financial statements. The Group provides this analysis in the statement of changes in shareholders' equity.
IAS 34 – Interim financial reporting. The amendment requires additional disclosure for fair value and changes in the classification of financial assets, as well as changes in potential assets and liabilities in the interim financial statements. The Group has shown these changes in explanatory note 27.
The amendments to the following standards have had no impact on the Group's accounting procedures, financial position or results:

- *IFRS 3 – Business combinations*. The amendment clarifies that potential considerations deriving from business combinations prior to adoption of IFRS 3 (as revised in 2008) are booked in accordance with IFRS 3 (2005)
- *IFRS 3 – Business combinations.* Share-based payments (voluntarily replaced or not replaced) and their accounting treatment in the context of a business combination
- *IAS 27 – Consolidated and separate financial statements*. Application of the rules of transition in IAS 27 (revised in 2008) to the standards consequently amended
- *IFRIC 13 – Customer loyalty programmes.* In measuring the fair value of rewards, an entity must take into account discounts and incentives that would otherwise by offered to customers not taking part in loyalty programmes.

The Group did not adopt early any other standard, interpretation or improvement issued but not yet in force.

The condensed half-yearly consolidated financial statements are drawn up in euro, rounding amounts to the nearest thousand. The financial statements consist of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and the following explanatory notes.

The data used for consolidation have been taken from the income statements and balance sheets prepared by the Directors of individual subsidiaries. These figures have been appropriately amended and restated as necessary to align them with international accounting procedures and with uniform group-wide classification procedures.

C – Scope of consolidation

The condensed half-yearly consolidated financial statements include the half-yearly financial statements of the Parent Company, Eurotech SpA, and of the Italian and foreign subsidiaries over which Eurotech has the right to exercise control, directly or indirectly (through subsidiaries and associates), determining their financial and operating decisions, and the right to obtain related benefits.
Subsidiaries are consolidated starting on the date when control was effectively transferred to the Group and cease to be consolidated from the date on which control is transferred outside the Group
The companies included in the basis of consolidation on a line-by-line basis at 30 June 2011 are as follows:

Company name	Registered office		Share capital	Group % ownership
Parent company				
Eurotech SpA	Via Fratelli Solari, 3/A – Amaro (UD)	€	8,878,946	
Subsidiary companies consolidated line-by-line				
Dynatem Inc.	Mission Viejo (USA)	USD	1,000	100.00%
ETH Devices S.r.o.	Bratislava (Slovakia)	€	10,000	100.00%
Eurotech Inc.	Columbia (USA)	USD	26,500,000	100.00%
Eurotech Ltd.	Cambridge (UK)	GBP	33,333	100.00%
E-Tech USA Inc.	Columbia (USA)	USD	8,000,000	100.00%
Eurotech Finland Oy	Helsinki (Finland)	€	508,431	100.00%
Eurotech France S.A.S.	Venissieux Cedex (France)	€	795,522	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Via Piave, 54 – Caronno Varesino (VA)	€	51,480	100.00%
Parvus Corp.	Salt Lake City (USA)	USD	119,243	100.00%
Saee S.r.l.	Via Fratelli Solari, 5 Amaro (UD)	€	15,500	100.00%
EthLab S.r.l.	Via Dante, 78 – Trento	€	115,000	99.99%
Advanet Inc.(2)	Okayama (Japan)	JPY	72,440,000	90.00% (1)

(1) The formal ownership percentage is 90%, but since Advanet itself owns treasury shares amounting to 10% of the share capital, it is 100% consolidated.
(2) On 1 April 2011, Japanese indirect subsidiary Spirit 21 Inc. was merged by incorporation with Advanet Inc..

The following affiliated companies are consolidated at equity:

Affiliated companies consolidated at equity		
Chengdu Vantron Technology Inc.	Chengdu (China)	43.75%
Delos S.r.l., in liquidation	Via Roberto Cozzi 53 – Milan	40.00%
Isidorey Llc	Columbia (USA)	40.00%
eVS embedded Vision Systems S.r.l.	Ca' Vignal2, Strada Le Grazie 15 – Verona	32.00%
Emilab S.r.l.	Via Jacopo Linussio, 1 – Amaro (UD)	24.82%
UTRI Srl	Via del Follatolo, 12 – Trieste	21.31%

The main changes with regard to subsidiaries and affiliates compared with 31 December 2010 are as follows:
- 01/04/2011: Spirit 21 Inc. was merged by incorporation with its parent company, Advanet Inc., which owned 100% of its capital
- 20/05/2011: Advanet Inc. purchased treasury shares representing 10% of its share capital
- 01/06/2011: 100% of US company Dynatem Inc. was acquired through the subsidiary E-tech USA Inc., which operates in the NanoPC segment. For more details, see explanatory note E.

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

Currency	Average 1H 2011	As of June 30, 2011	Average at 2010	As of December 31, 2010	Average 1H 2010	As of June 30, 2010
British pound sterling	0.86818	0.90255	0.85784	0.86075	0.87000	0.81745
Japanese Yen	114.96992	116.25000	116.23857	108.65000	121.31968	108.79000
USA Dollar	1.40325	1.44530	1.32572	1.33620	1.32683	1.22710

D – Segment reporting

The Group is divided into NanoPC and HPC business segments for reporting purposes. In view of the cyclicality typical of our clients in the HPC segment and its current low contribution to total Group turnover, we have chosen to provide disclosure only for the NanoPC segment, divided into regions according to the various Group entities and monitoring by senior management.
The Group's regions in the NanoPC segment are defined according to the location of Group assets and operations. These regions are: Europe, North America and Asia.
Management monitors the EBIT of the individual business units separately for the purposes of resources allocation and performance assessment.

Business segments

The following table shows revenue data, based on Group results, for 1H11 and 1H10 respectively.

(€'000)	NanoPC			High Performance Computer			Total		
	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change
Sales and service revenue by segment									
Sales and service revenue by segment	40,554	41,230	1.7%	610	593	-2.8%	41,164	41,823	1.6%
Ebitda by segment	-446	788	-276.7%	-152	-285	87.5%	-598	503	-184.1%
Ebit by segment	-3,907	-2,883	-26.2%	-425	-503	18.4%	-4,332	-3,386	-21.8%
Total EBIT							-4,332	-3,386	-21.8%
Net finance income (expense)							-898	-480	-46.5%
Shares of associates' profit (loss)	-139	-898					-139	-898	546.0%
Profit before tax of continuing operations							-5,369	-4,764	-11.3%
Income tax							-40	-263	557.5%
Net profit (loss)							-5,409	-5,027	-7.1%

The breakdown of revenues for the NanoPC segment is as follows:

(€' 000)	North America			Europe			Asia			Correction, reversal and elimination			Total		
	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change	1H 2011	1H 2010	%YoY Change
Third party Sales	16,403	19,772		12,105	9,832		12,046	11,626		0	0		40,554	41,230	
Infra-sector Sales	994	788		3,926	3,742		157	143		(5,077)	(4,673)		0	0	
Total Sales revenues	17,397	20,560	-15.4%	16,031	13,574	18.1%	12,203	11,769	3.7%	(5,077)	(4,673)	-8.6%	40,554	41,230	-16%
Gross profit	8,015	9,643	-16.9%	6,146	5,812	5.7%	7,430	6,579	12.9%	(563)	(599)	-6.0%	21,028	21,435	-19%
EBIT													(3,907)	(2,883)	35.5%

The following table shows assets and investments in the Group's individual business segments at 31 June 2011 and 31 December 2010.

(€'000)	NanoPC		High Performance Computer		Total	
	1H 2011	31.12.2010	1H 2011	31.12.2010	1H 2011	31.12.2010
Assets and liabilites						
Segment assets	180,438	205,632	2,741	2,798	183,179	208,430
Investments in associate & other companies	528	538	0	0	528	538
Unallocated assets					1,037	1,778
Total assets	**180,966**	**206,170**	**2,741**	**2,798**	**184,744**	**210,746**
Segment liabilities	64,956	74,537	1,318	725	66,274	75,262
Unallocated liabiities					0	0
Total liabilities	**64,956**	**74,537**	**1,318**	**725**	**66,274**	**75,262**
Other segment information						
Investments in tangible assets	1,055	1,056	0	0	1,055	1,056
Investments in intangible assets	311	2,605	0	484	311	3,089
Depreciation & amortisation	3,461	7,748	273	387	3,734	8,135

Segment assets at 30 June 2011 do not include equity interests in affiliates and other businesses (€0.5 million) and the current tax of the Parent Company (€1.0 million).

Assets and investments in the NanoPC segment by region are shown in the following table:

(€' 000)	North America		Europe		Asia		Correction, reversal and elimination		Total	
	1H 2011	31.12.2010	1H 2011	31.12.2010	1H 2011	31.12.2010	1H 2011	31.12.2010	1H 2011	31.12.2010
Activities by sector	52,592	58,376	58,432	42,831	105,366	115,949	(35,708)	(11,524)	180,682	205,632
Investments	947	2,088	225	1,413	194	160	0	0	1,366	3,661

E – Business combinations and Minority interests

Dynatem Inc. acquisition

On 01 June 2011, the Eurotech Group acquired 100% of the voting shares of Dynatem Inc. (an unlisted company based at Mission Viejo, California, in the US), which specialises in the development and industrial production of personalised and standard boards. The consolidated half-yearly report commented on in this document includes the results of Dynatem Inc for the period since the acquisition date (one month).

The total cost of the acquisition was €1,042 thousand (USD1.5 million), comprising a cash payment of €846 thousand (USD 1.2 million) and a residual debt tied to an escrow for €196 thousand (USD 283 thousand). All the relative costs directly attributable to the acquisition – totalling €56 thousand – have been booked to the income statement under administrative expenses.

It should be noted that the price allocation of €730 thousand (USD1.05 million) that is currently entirely attributed to goodwill is not definitive and might therefore change. The higher value is due to expected synergies and other benefits arising from the integration of the goods and business of the new subsidiary with those of the Group.

(€'000)	Value recognized for acquisition	Book value
ASSETS		
Intangible assets	10	10
Property, Plant and equipment	32	32
Other non-current assets	3	3
Inventories	643	643
Trade receivables	173	173
Other current assets	24	24
Cash & cash equivalents	167	167
Total assets	**1,052**	**1,052**
LIABILITIES		
Other non-current liabilities	(13)	(13)
Debiti verso Fornitori	(368)	(368)
Short-term borrow ings	(275)	(275)
Other current liabilities	(84)	(84)
Total liabilities	**(740)**	**(740)**
Fair value of net assets	**312**	
Goodwill generated by acquisition	**730**	
Cost of the Acquisition	**1,042**	

(€'000)	Liquidity used
Cost of the Acquisition	1,042
Subsidiary's net liquidity	108
Destined Net liquidity for the acquisition	**1,150**
Amounts to be cash out	(196)
Net liquidity used	**954**

Acquisition of minority interests in Advanet Inc.

On 31 March 2011, the Parent Company acquired, through the subsidiary Advanet, the remaining 10% shareholding in Advanet Inc. from the minority shareholder. The acquisition took place through the acquisition of treasury shares of the subsidiary Advanet. Payment was made in cash.

The price of €2,369 thousand (JPY 257,375 thousand) paid for the shareholding was less than the carrying amount of the share of net assets acquired (€3,966 thousand). The difference of €1,597 thousand was attributed to Group equity.

F – Breakdown of main balance sheet captions and items

1 – Intangible assets

The table below shows the changes in the historical cost and accumulated amortisation of intangible assets in the reporting period:

(€ '000)	DEVELOPMENT COSTS	GOODWILL	SOFTWARE TRADEMARKS PATENTS	ASSETS UNDER CONSTRUCTION & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	11,264	83,647	25,854	1,727	37,793	160,285
Previous years' impairment	(601)	(640)	(11,108)	(67)	-	(12,416)
Previous years' amortisation	(6,437)	(166)	(4,218)	-	(16,720)	(27,541)
OPENING BALANCE	4,226	82,841	10,528	1,660	21,073	120,328
Purchases	115	-	50	890	-	1,055
Increases due to business combination	-	730	47	-	-	777
Other changes	(379)	(5,384)	(1,470)	(100)	(2,376)	(9,709)
Transfers	697	-	5	(697)	(5)	-
Amortisation in period	(1,029)	-	(187)	-	(1,624)	(2,840)
amortisation due to business combination	-	-	(37)	-	-	(37)
Transfers amortisation	-	-	(5)	-	5	-
Other changes in cumulative impairment	(4)	-	724	11	-	731
Other changes in cumulative amortisation	190	-	90	-	999	1,279
TOTAL CHANGES	(410)	(4,654)	(783)	104	(3,001)	(8,744)
Purchase or production costs	11,697	78,993	24,486	1,820	35,412	152,408
Impairment	(605)	(640)	(10,384)	(56)	-	(11,685)
Cumulative amortisation	(7,276)	(166)	(4,357)	-	(17,340)	(29,139)
CLOSING BALANCE	3,816	78,187	9,745	1,764	18,072	111,584

The decrease in intangible assets was mainly due exchange rate effects, particularly on goodwill, trademarks, and customer relationships posted at the time of purchase price allocation, and to amortisation reported in the first half-year. The value of intangible assets decreased from €120,328 thousand last year to €111,584 thousand in 1H11.

Investments totalling €1,055 thousand were made in the first six months of the year, mainly relating to the Group's new-product development projects, most of which are included in assets under construction.

Other changes, other changes in cumulative write-downs and cumulative depreciation and amortisation refer to the exchange differences accrued on the beginning balances of the values expressed in foreign currency, particularly in relation to the "goodwill" item and the "other intangible assets" item, which includes the value of customer relationships defined at the time of purchase price allocation.

Goodwill refers to the higher value paid, when fully consolidated subsidiaries were acquired, in excess of the fair value of the assets and liabilities acquired. As of 1 January 2004, goodwill is no longer amortised but is instead tested at least annually for impairment.

For the annual impairment test porposes, individual goodwill and assets with indefinite lives – carried as a result of business combinations – have been allocated to their respective cash-generating units (CGUs). These CGUs generally correspond to the legal entity or group of companies to which reference is made to check for any impairment.

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

Cash generating units	at June 30, 2011		at December 31, 2010	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Group	47,972	9,109	51,327	9,747
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	22,027	-	23,821	-
Eurotech Ltd. (ex Arcom Ltd.)	4,839	-	5,074	-
Eurotech France S.a.s.	1,051	-	1,051	-
Dynatem Inc.	730	-	-	-
Parvus Corp.	1,478	-	1,478	-
Other	90	-	90	-
TOTAL	**78,187**	**9,109**	**82,841**	**9,747**

The change in the respective carrying amounts of the Advanet Group, Eurotech Inc. and Eurotech Ltd. is due to the fact that they are expressed in the functional currency of foreign operations and are consequently converted at the end of each reporting period using the spot exchange rate at that time.

At 30 June 2011, in view of the outcome of impairment tests carried out when the financial statements to 31 December 2010 were prepared, and changes during the period in the external indicators and internal values originally used to estimate the recoverable amounts of the individual cash-generating units, compared with those for some reference markets, given the persisting uncertainty about provisional data for the current year, management did not believe it necessary to perform another full impairment test on the carrying amount of goodwill and the indefinite useful life of the trademark, except in the case of the cash-generating unit CGU Eurotech Inc.. For the latter, the recoverable amount was calculated according to the value in use calculated using a cash flow projection based on a 2011-2013 business plan, revised prudentially by management. In particular, to take into account the current market conditions in which the Company is operating, and also in view of the results for 1H11 and the order backlog at the date of this half-yearly report, the first year of the plan, which constituted the first year of the three-year plan previously approved by the Board of Directors, was revised and resized by comparison with the forecasts used at the time of the budget. The revised provisional figures for 2012 and 2013 reflect the effects of the prototyping already completed and the advanced negotiations in progress with certain major customers, with the expectation that a positive outcome will mean a substantial increase in the subsidiary's turnover and related results.

The WACC was calculated using the beta coefficient, recalculated using the lever effect deriving from the debt/equity ratio expected from the CGU.

Taking into account the assumptions revised according to the 2011-2013 business plan of Eurotech Inc. and the use of the main parameters identified for the specific reference market, the value in use deriving from the impairment test carried out did not demonstrate any need to reduce the goodwill allocated to the relative CGU.

Generally, as was the case at 31 December 2010, management also assumed in their assessments that, although some external indicators (particularly Eurotech's stock market performance) might signal net asset impairment, there was no need to carry out any write-downs. We believe that the market's performance reflects the international economic situation, recently accentuated by the US crisis; furthermore, its performance has not been significantly different in 2011 from that of the index for the sector in which Eurotech operates. Future developments at the Eurotech group and expectations for the coming years based on existing orders, stakeholder relations and products currently in the portfolio, as well as products developed, particularly in recent years, are regarded by the Directors as important factors in support of their decision not to change the values posted.

2 – Property, plant and equipment

The following table shows changes in the historical cost and accumulated depreciation and the value of the assets in the period under review:

(€ '000)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL & COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION & ADVANCES	LEASED ASSETS	TOTAL PROPERTY, PLANT & EQUIPMENT
Purchse of production cost	749	7,981	2,963	7,152	11	935	19,791
Previous year's depreciation	(81)	(5,681)	(2,594)	(4,611)	-	(242)	(13,209)
OPENING BALANCE	**668**	**2,300**	**369**	**2,541**	**11**	**693**	**6,582**
Purchases	12	145	53	101	-	-	311
Disposals	-	-	-	(2)	-	-	(2)
Increases due to business combination	-	27	212	125	-	-	364
Other changes	-	(723)	(81)	(658)	-	-	(1,462)
Transfers	8	(559)	1,362	(805)	(6)	-	-
Depreciation in period	(8)	(308)	(144)	(422)	-	(12)	(894)
Reversal of cumulative depreciation	-	-	-	-	-	-	-
amortisation due to business combination	-	(17)	(194)	(121)	-	-	(332)
Transfers amortisation	(2)	104	(907)	805	-	-	-
Other changes in cumulative amortisation	-	793	73	412	-	-	1,278
TOTAL CHANGES	**10**	**(538)**	**374**	**(565)**	**(6)**	**(12)**	**(737)**
Purchase or production cost	769	6,871	4,509	5,913	5	935	19,002
Cumulative depreciation	(91)	(5,109)	(3,766)	(3,937)	-	(254)	(13,157)
CLOSING BALANCE	**678**	**1,762**	**743**	**1,976**	**5**	**681**	**5,845**

The "other changes" item, which refers both to the cost and the value of the relative cumulative depreciation, relates to the different exchange rate at which the values of foreign entities were converted at 30 June 2011 compared with that applied at 31 December 2010.
Purchases made in 1H11 related mainly to computers, office equipment and industrial equipment.
The item "fixed assets under lease" includes €681 thousand for the assets subject to the lease contract, booked using the financial method, relating to land and buildings located in Amaro (UD), the Company's production site.

3 – Investments in affiliates and other companies

The following table shows changes in investments in affiliates and other companies in the reporting period:

	at June 30, 2011						
(€'000)	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	%OWNERSHIP
Investments in associate companies:							
Chengdu Vantron Technology Inc.	227	-	-	-	(37)	190	43.75%
Delos S.r.l.	21	-	-	-	-	21	40.00%
Isidorey Llc	-	-	-	-	-	-	40.00%
Emilab S.r.l.	52	8	-	-	-	60	24.82%
eVS embedded Vision Systems S.r.l.	8	-	-	-	-	8	32.00%
UTRI S.p.A.	-	-	-	-	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	**308**	**8**	**-**	**-**	**(37)**	**279**	
Investments in other companies:							
Cosint	2	-	-	-	-	2	
Consorzio nazionale fidi	0	-	-	-	-	-	
ALC Consortium	3	-	-	-		3	
Consorzio Ecor' IT	2	-	-	-	-	2	
Consorzio Aeneas	5	-	-	-	-	5	
Inasset S.r.l.	11	34	-	-	-	45	4.44%
Veneto Nanotech S.p.a.	10	-	-	-	-	10	
Kairos Autonomi	195	-	-	-	(15)	180	19.00%
Others	2	-	-	-	-	2	
TOTAL INVESTMENTS IN OTHER COMPANIES	**230**	**34**	**-**	**-**	**(15)**	**249**	

The item “write-ups/write-downs” relates to application of the equity accounting method to investments in associates. In the case of Isidorey LLC, application of this method led to a €147 thousand increase in the provision for losses accounted for on 31 December 2010, which was included in provisions for risks and charges.

The “other changes” item refers to the different exchange rate used to convert the carrying values of the equity interests at 30 June 2011 compared with the rate used on 31 December 2010.

UTRI SpA, as indicated at 31 December 2010, is undergoing a debt restructuring plan pursuant to Article 182-*bis* of the Budget Law. On the basis of this the carrying amount of the equity interest of €779 thousand was already deemed non-recoverable at the time of preparation of the financial statements to 31 December 2010, as was a €538 thousand financial loan contracted with Eurotech.

Eurotech owns the following investments in associates to which the equity accounting method is applied:

- a 43.75% shareholding in Chengdu Vantron Technology, following the purchase of the shares in 2007 and a sale of shares in December 2009 and 2010
- a 24.82% shareholding in Emilab Srl, created in 1998
- a 40% shareholding in Delos Srl, which was created during the first half of 2005 and placed in liquidation in July 2010
- a 32% shareholding in eVS embedded Vision Systems Srl, created in the first half of 2007
- a 21.32% shareholding in UTRI Srl, following a capital increase and the purchase of shares in 2007 and 2008
- a 40% shareholding in Isidorey Llc, created in January 2010, held via E-Tech USA.

4 – Medium-/long-term loans to affiliates and other Group companies

The amount of €1,211 thousand represents financing loans to support the operations of affiliate Isidorey Llc. for €934 thousand (USD 1,350 thousand) and Kairos Autonomi Inc. for €277 thousand (USD 400 thousand).

5 - Inventories

The following table shows the inventory breakdown at the end of the periods under review:

(€'000)	at June 30, 2011	at December 31, 2010
Raw & auxiliary materials and consumables - gross	7,689	6,710
Inventory write-down provision	(1,083)	(768)
Raw & auxiliary materials and consumables - net	**6,606**	**5,942**
Work in process and semi-finished goods - gross	10,222	8,539
Inventory write-down provision	(319)	0
Work in process and semi-finished goods	**9,903**	**8,539**
Finished poducts and goods for resale - gross	9,644	7,998
Inventory write-down provision	(1,034)	(936)
Finished products and goods for resale - net	**8,610**	**7,062**
Advances	**52**	**44**
TOTAL INVENTORIES	**25,171**	**21,587**

At 30 June 2011 inventories totalled €25,171 thousand, net of inventory write-downs totalling €2,436 thousand. The value of inventories increased compared with the end of 2010, mainly due to growth to respond to orders existing at the end of the half-year.

6 – Work in progress

The following table provides information on work in progress at the reporting date:

(€'000)	at June 30, 2011	at December 31, 2010
Contract revenues recognised as revenue in the period	655	574
Contract costs bome as at balance-sheet date	470	493
Profits recognised as at balance-sheet date	**185**	**81**
Down payments received	163	0
Gross amount owed to customer for contractual work	0	30
Gross amount owed by customer for contractual work	689	287
Contract costs and proits recognised as at balance-sheet date	655	574
Revenues recognised in previous periods	1,944	1,593
Billing based on completion status	1,910	1,910
Gross amount owed by customer for contractual work	**689**	**287**
Gross amount owed to customer for contractual work	**-**	**30**

7 – Trade receivables

The following table shows the breakdown of trade receivables and the respective adjustment reserves at 31 December 2010 and 30 June 2011:

(€'000)	at June 30, 2011	at December 31, 2010
Trade receivables - customers	22,986	29,675
Trade receivables - affiliate companies	78	9
Doubtful debt provision	(816)	(713)
TOTAL TRADE RECEIVABLES	22,248	28,971

Note that, at balance sheet date, the Group did not feature significant concentrations of credit risk. It is believed that these receivables are collectable within 12 months. Trade receivables are non-interest bearing and generally fall due 90-120 days after invoice date.

Trade receivables, before the relative impairment provision, decreased by €6,680 thousand compared with 31 December 2010. The decrease was mainly due to regular as-due payment of trade receivables, as well as to the different distribution of sales in the half-year compared with the usual situation in the final months of the year.
Receivables include €710 thousand in bank receipts presented subject to collection, but not yet due at year end.

At year-end 2010 and during 2011 no transactions to sell receivables took place.

Receivables are shown net of doubtful debt provision of €816 thousand. There was a marked increase of €103 thousand in the period due to the combined effect of the provision of €133 thousand in the period to cover, individually, the amount of the receivables at their presumed realisable value and the difference due to the exchange rate used. No use was made of the provision during the half-year. The Group's policy is to specifically identify receivables to be written down, meaning that provisioning posted reflects specific write-downs.

8 – Income tax receivables and payables

Income tax receivables are receivables from individual governments for direct taxation (IRES and income taxes in the various countries) likely to be recovered within the next year as well as receivables for withholdings made by the US companies due to the payment of interest charges on infragroup loans and dividends distributed to the Parent Company.

Income tax payables are made up of current taxes relating to the period still to liquidate and represent the amounts that the companies must pay to the tax authorities of the respective countries. These payables are calculated according to the tax rates currently in force in each country. The entire amount at 30 June 2011 relates to foreign taxes. At the end of 2010, foreign taxes totalled €990 thousand and Italian taxes €224 thousand.

9 – Other current assets

The following table shows the breakdown of other current assets at 31 December 2010 and at 30 June 2011:

(€'000)	at June 30, 2011	at December 31, 2010
Amounts receivable for grants	200	203
Advance payments to suppliers	136	88
Tax receivables	1,079	1,497
Other receivables	255	268
Accrued income and prepaid expenses	1,135	1,249
TOTAL OTHER CURRENT ASSETS	2,805	3,305

Tax receivables mainly consist of receivables for indirect (VAT) taxation. VAT receivables do not bear interest and are generally settled with the competent tax authority on a monthly basis.

10 – Cash & cash equivalents

The following table shows the breakdown of cash and cash equivalents at 31 December 2010 and at 30 June 2011:

(€'000)	at June 30, 2011	at December 31, 2010
Bank and post office deposits	9,964	23,706
Cash and valuables in hand	36	45
TOTAL CASH & CASH EQUIVALENTS	10,000	23,751

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents is €10,000 thousand (€23,751 thousand at 31 December 2010). The item includes the amount of €196 thousand for the escrow deposit relating to the outstanding amount booked with other payables to the former owners of Applied Data Systems Inc..

Cash and cash equivalents decreased by €13,751 thousand compared with 31 December 2010, due to the acquisition of treasury shares by Advanet, the acquisition of Dynatem Inc, the payment of instalments on loans falling due in the first half-year and investments in tangible and intangible assets made in the period, as well as cash flows used in operations. Note that the decreases were further accentuated by the weakness of the US dollar and the yen against the euro, in which most of the Group's deposits are denominated.

11 – Net financial position

The Group's net financial position is shown below:

(€'000)		at June 30, 2011	at December 31, 2010
Cash & cash equivalents	A	(10,000)	(23,751)
Cash equivalent	**B=A**	**(10,000)**	**(23,751)**
Other current financial assets	C	0	0
Derivative instruments	D	213	339
Short-term borrowing	E	8,756	8,985
Business aggregation liabilities	F	196	1,066
Short-term financial position	**G=C+D+E+F**	**9,165**	**10,390**
Short-term net financial position	**H=B+G**	**(835)**	**(13,361)**
Medium/long term borrowing allowed to affiliates companies	I	(1,211)	(636)
Other non current financial assets	K	(226)	(236)
Medium/long term borrowing	L	19,058	22,873
Medium-/long-term net financial position	**M=I+J+K+L**	**17,621**	**22,001**
(NET FINANCIAL POSITION) NET DEBT	**N=H+M**	**16,786**	**8,640**

12 – Equity

The following table shows the breakdown of shareholders' equity at 31 December 2010 and at 30 June 2011:

(€'000)	at June 30, 2011	at December 31, 2010
LIABILITIES AND EQUITY		
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(26,809)	(13,761)
Group shareholders' equity	**118,470**	**131,518**
Equity attributable to minority interest	**0**	**3,966**
Total shareholders' equity	**118,470**	**135,484**

The share capital at 30 June 2011 was made up of 35,515,784 ordinary shares, wholly subscribed and paid up, with no nominal value.

The balance of the issuer's legal reserve at 30 June 2011 amounted to €39 thousand and was formed by earnings allocated until the financial year (FY) that ended on 31 December 2005.

The share premium reserve, which relates entirely to the Parent Company, is shown at a total amount of €136,400 thousand.

The positive translation reserve of €18,128 thousand is generated by inclusion in the condensed half-yearly consolidated financial statements of the balance sheets and income statements of US subsidiaries Parvus Corp., Eurotech Inc., Dynatem Inc and E-Tech USA Inc., as well as of UK subsidiary Eurotech Ltd. and Japanese subsidiary Advanet Inc..

The “other reserves” item was negative by €35,728 thousand and, as well as other reserves, consisted of the Parent Company’s surplus reserve, formed by losses carried forward, allocations of retained earnings from prior years and other reserves of different origin. The reserve changed during the period due to the booking to equity of €1,597 thousand for the acquisition of the minority interests of 10% of the capital of Advanet Inc..

The cash flow hedge reserve, which includes cash flow hedges based on IAS 39, was negative by €213 thousand and decreased by €126 thousand before tax, which was not recognised due to absence of the necessary prerequisites.
The foreign exchange reserve in which – based on IAS 21 – foreign exchange differences relating to infragroup foreign-currency loans that constitute part of a net investment in foreign operations are recognised, was negative by €2,286 thousand and increased by €1,509 thousand before tax, and was again not recorded due to the absence of the prerequisites.

At the end of the reporting period the parent company, Eurotech SpA, held 420,140 treasury shares. Their number remained unchanged compared with 31 December 2010 and they had no effect either on the income statement or on the balance sheet.

The portion of equity attributable to minority interests at 30 June 2011 was cancelled due to the purchase of treasury shares by subsidiary Advanet Inc., which essentially means 100% ownership of the Japanese subsidiary. At 31 December 2010, equity attributable to minority interests totalled €3,966 thousand.

13 – Basic and diluted earnings (loss) per share

Basic earnings (loss) per share (EPS) are calculated by dividing the income of the reporting period appertaining to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the reporting period, net of treasury shares.

During the periods compared no capital operations took place leading to EPS dilution.

The following table shows the earnings and information on the shares used to calculate base and diluted EPS.

	at June 30, 2011	at June 30, 2010
Net income (loss) attributable to parent company shareholders	(5,409,000)	(4,963,000)
Weighted average number of ordinary shares including own shares	35,515,784	35,515,784
Own shares	(420,140)	(420,140)
Weighted average number of ordinary shares except own shares	35,095,644	35,095,644
Net income (loss):		
- per share	(0.154)	(0.141)
- per share diluted	(0.154)	(0.141)

14 – Borrowings

The following table shows the breakdown of short and medium-/long-term borrowings at 30 June 2011:

LENDER	COMPANY	BALANCE ON 31.12.2010	BALANCE ON 30.06.2011	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		3,154	2,303	2,303	-	-	-
Finance Lease	Eurotech S.p.A.	337	285	107	178	178	-
Finance Lease	I.P.S. Sist.Progr. S.r.l.	33	28	12	16	16	-
Anvar	Eurotech France	665	565	-	565	565	-
TOTAL OTHER FINANCINGS		1,035	878	119	759	759	-
Banca Pop. Friuladria	Eurotech S.p.A.	7,000	6,000	2,000	4,000	4,000	-
Total Credit Agricole		***7,000***	***6,000***	***2,000***	***4,000***	***4,000***	**-**
Veneto Banca	Eurotech S.p.A.	164	-	-	-	-	-
Veneto Banca	Eurotech S.p.A.	755	507	507	-	-	-
Total Veneto Banca		***919***	***507***	***507***	**-**	**-**	**-**
Cassa di Risparmio del FVG	Eurotech S.p.A.	8,000	7,500	1,000	6,500	6,500	-
Total Gruppo INTESA - SAN PAOLO		***8,000***	***7,500***	***1,000***	***6,500***	***6,500***	**-**
The Chugoku Bank Ltd	Advanet Inc.	1,079	884	884	-	-	-
Total The Chugoku Bank Ltd		***1,079***	***884***	***884***	**-**	**-**	**-**
Cassa Rurale della Valle dei Laghi	EthLab S.r.l.	391	371	42	329	180	149
Total Credito Coperativo Banks		***391***	***371***	***42***	***329***	***180***	***149***
Unicredit	EthLab S.r.l.	87	66	43	23	23	-
Unicredit	Eurotech S.p.A.	10,193	9,305	1,858	7,447	7,447	-
Total Gruppo Unicredit		***10,280***	***9,371***	***1,901***	***7,470***	***7,470***	**-**
TOTAL BANK DEBT - (c)		27,669	24,633	6,334	18,299	18,150	149
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		28,704	25,511	6,453	19,058	18,909	149
TOTAL DEBT - [(a) + (b) + (c)]		31,858	27,814	8,756	19,058	18,909	149

In the first half of 2011, no new loans were taken out, and €3,193 thousand in medium-/long-term loan instalments falling due were repaid.

15 – Trade payables

The table below shows the breakdown of trade payables at 31 December 2010 and at 30 June 2011:

(€'000)	at June 30, 2011	at December 31, 2010
Third parties	16,240	18,793
Affiliate companies	129	31
TOTAL TRADE PAYABLES	**16,369**	**18,824**

Trade payables at 30 June 2011 came to €16,369 thousand, representing a decrease of €2,455 thousand compared with 31 December 2010.

Trade payables are non-interest bearing and, on average, are settled 90-120 days after invoice date.

16 – Other current liabilities

The following table shows the breakdown of other current liabilities at 31 December 2010 and at 30 June 2011:

(€'000)	at June 30, 2011	at December 31, 2010
Social contributions	469	470
Other	3,998	3,867
Advances from customers	1,123	838
Other tax liabilities	233	0
Gross amount owed to customer for contractual work	0	36
Accrued expanses	512	537
TOTAL OTHER CURRENT LIABILITIES	**6,335**	**5,748**

Other payables

The "other payables" item includes amounts payable to employees for salaries as well as for holidays and paid leaves of absence accruing and not taken by employees as at reporting date.

G – Breakdown of key income statement items

17 – Costs of raw & auxiliary materials and consumables used

(€'000)	1H 2011	1H 2010
Purchases of raw materials, semi-finished and finished products	23,432	22,357
Changes in inventories of raw materials	1,279	1,255
Change in inventories of semi-finished and finished products	(4,738)	(3,275)
TOTAL COST OF MATERIALS	19,973	20,337

The item "costs of raw and auxiliary materials and consumables used" shows a 1.8% decrease in the reporting period, from €20,337 thousand in 1H10 to €19,973 thousand in 1H11. The decrease is due to sales performance in the period and the dynamic of acquisitions during the year.

18 – Other operating costs net of cost adjustments

(€'000)	1H 2011	1H 2010
Service costs	7,973	8,606
Rent and leases	1,185	1,174
Payroll	12,847	13,292
Accruals and other costs	900	590
Cost adjustments for in-house generation of non-current assets	(999)	(1,708)
Operating costs net of cost adjustments	21,906	21,954

The item "other operating costs, net of cost adjustments for internal increases", rose from €21,954 thousand in 1H10 to €21,906 thousand in 1H11.

19 – Service costs

(€'000)	1H 2011	1H 2010
Industrial services	2,587	2,869
Commercial services	2,110	2,080
General and administrative costs	3,276	3,657
Total costs of services	**7,973**	**8,606**

In the periods under review, service costs decreased by 7.3%, from €8,606 thousand to €7,973 thousand.

20 – Payroll costs

(€'000)	1H 2011	1H 2010
Wages, salaries, and Social Security	12,627	13,108
Severance indemnities	159	178
Retirement benefit and similar obligations	6	6
Other costs	55	0
Total cost of personnel	**12,847**	**13,292**

Payroll costs decreased in the reporting period. This was due to action taken in the first half of 2010.

As the following table shows, the Group's workforce grew at the end of the periods under review, from 480 in 1H10 to 492 in 1H11, up 37 compared with 31 December 2010. The change reflects not only the inclusion of Dynatem within the Group (with 19 staff members) but also an increase in the workforce, particularly in Japan, mainly in response to the relocation of the manufacture of HPC screens, previously produced by external contractors, to the region.

Employees	1H 2011	FY2010	1H 2010
Managers	23	23	18
Clerical w orkers	378	346	388
Line w orkers	91	86	72
TOTAL	**492**	**455**	**480**

21 – Cost adjustments for internal increases

At 30 June 2011 the item “in-house generation of non-current assets” was €999 thousand (compared with €1,708 thousand at 30 June 2010) and refers entirely to capitalisation of costs for internal staff, materials and services incurred for certain new-product development projects in the area of computers, systems, NanoPC modules and HPCs. More specifically, if these costs had been deducted from the corresponding income statement item, there would have been a reduction of €165 thousand in materials costs (€195 thousand at 30 June 2010), €656 thousand in payroll costs (€815 thousand at 30 June 2010) and €178 thousand in service costs (€699 thousand at 30 June 2010).

22 – Other revenues

(€'000)	1H 2011	1H 2010
Government grants	0	231
Sundry revenues	117	740
Total other revenues	**117**	**971**

The “other revenues” item at 30 June 2010 included €560 thousand in proceeds from the sale of the entire stake held in Japanese affiliate Union Arrow Technologies Inc..
The “grants” item for 30 June 2010 refers mainly to research and development activities which receive funding from local governments and services provided in the past by consultants for the internationalisation process of the Parent Company.

23 – Amortisation, depreciation and write-downs

(€'000)	1H 2011	1H 2010
Amortisation of intangile assets	2,840	2,935
Amortisation of property, plant and equipment	894	942
Write-down of fixed assets	0	12
Total amortisation and depreciation	**3,734**	**3,889**

Depreciation and amortisation decreased from €3,889 thousand in the first half of 2010 to €3,734 thousand in the first half of 2011. The change was mainly due to the reduced impact of amortisation/depreciation of both tangible and intangible assets.

Amortisation relating to PPA wholly referred to customer relationships (€1,623 thousand, compared with €1,630 thousand at 30 June 2010).

24 – Financial income and charges

The outcome of the Group's finance operations is summarised as follows:

(€'000)	1H 2011	1H 2010
Exchange-rate losses	3,007	863
Exchange-rate losses from PUT option	0	1,381
Interest expenses	430	337
Expenses on derivatives	137	159
Other finance expenses	24	19
Financial charges	3,598	2,759

(€'000)	1H 2011	1H 2010
Exchange-rate gains	2,644	2,071
Interest income due to the discounting	0	60
Interest income	43	148
Other finance income	13	0
Financial incomes	2,700	2,279
Net financial income	(898)	(480)

The increase in the "interest expense" item reflects the higher debt held by the Group at 30 June 2011 compared with the same period a year earlier. The decrease in interest income was due to less available cash and a reduced rate received on deposits.

The significant exchange rate gains and losses booked for the period were influenced by the purchases and sales in US dollars carried out by UK subsidiary Eurotech Ltd., the effects of which are largely neutralised.

25 – Income tax for the period

Income taxes for the period ended 30 June 2011 totalled €40 thousand (of which €275 thousand for current taxes and €235 thousand for net deferred tax assets), compared with a total tax charge of €263 thousand at 30 June 2010 (of which €1,143 thousand for current taxes and €880 thousand for net deferred tax assets), decreasing by €223 thousand.

(€'000)	1H 2011	1H 2010
IRES (Italian corporate income tax)	68	0
IRAP (Italian Regional business tax)	0	0
Foreign current income taxes	207	1,143
Total current income tax	**275**	**1,143**
Net (prepaid) deferred taxes: Italy	1	22
Net (prepaid) deferred taxes: Non-italian	(236)	(902)
Net (prepaid) deferred taxes	**(235)**	**(880)**
TOTAL INCOME TAXES	**40**	**263**

Deferred tax assets at 30 June 2011 amounted to €1,522 thousand (31.12.10 = €1,658 thousand). The change by comparison with 31 December 2010 was due to the exchange rate effect and to the net effect of temporary differences created and reversed in 1H11.
The provision for deferred tax at 30 June 2011 amounted to €11,231 thousand (31.12.10 = €12,307 thousand). The decrease was mainly due to the exchange rate effects on values expressed in USD and JPY, relating to the values assigned at the time of price allocation.

H – Other information

26 – Related party disclosures

The condensed half-yearly consolidated financial statements include the half-yearly financial statements of Eurotech SpA and the half-yearly accounts of the subsidiaries indicated in the following schedule:

Name	Location	Currency	%of ownership 30.06.2011	%of ownership 31.12.2010
Subsidiaries				
Parvus Corp.	United States	USD	100.00%	100.00%
I.P.S. Sistemi Programmabili S.r.l.	Italy	Euro	100.00%	100.00%
ETH Lab S.r.l.	Italy	Euro	99.99%	99.99%
Eurotech Finland Oy	Finland	Euro	100.00%	100.00%
Eurotech France S.A.S.	France	Euro	100.00%	100.00%
Eurotech Ltd.	UK	GBP	100.00%	100.00%
E-Tech Inc.	United States	USD	100.00%	100.00%
Eurotech Inc.	United States	USD	100.00%	100.00%
ETH Devices S.r.o.	Slovakia	Euro	100.00%	100.00%
Saee S.r.l.	Italy	Euro	100.00%	100.00%
Dynatem Inc.	USA	USD	100.00%	-
Advanet Inc.	Japan	Yen	90,00% (1)	90,00%
Spirit21 Inc.	Japan	Yen	(2)	90,00%
Affiliated companies				
Chengdu Vantron Technologies Inc.	China		43.75%	43.75%
Delos S.r.l.	Italy		40.00%	40.00%
Isidorey Llc	United States		40.00%	40.00%
eVS embedded Vision Systems S.r.l.	Italy		32.00%	32.00%
Emilab S.r.l.	Italy		24.82%	24.82%
Utri S.p.A.	Italy		21.32%	21.32%

(1) The percentage owned is 90%, while the consolidation percentage is 100% due to the treasury shares held by the company.
(2) A company merged by incorporation in 2011.

Below we present related-party transactions, not eliminated during consolidation, and compensation accrued in the period for Directors and Statutory Auditors for offices held at Eurotech SpA and in other consolidated companies in compliance with the requirements of Article 78 of Consob Regulation no. 11971/99 as subsequently amended.

RELATED PARTIES	Revenues to related parties	Interest to related parties	Purchases from related parties	Financial receivables to related parties	Receivables from related parties	Payables from related parties
Associated companies						
Chengdu Vantron Technology Inc	18	-	69	-	6	113
Isidorey Llc	-	9	-	943	71	-
Emilab S.r.l.	-	-	13	-	-	16
eVS embedded Vision Systems S.r.l.	-	-	16	-	-	-
Utri S.r.l.	-	-	-	-	1	-
Total	**18**	**9**	**98**	**943**	**78**	**129**
Other related parties						
Wulfenia	-	-	9	-	-	4
Gruppo Finmeccanica	397	-	54	-	475	56
Kairos Autonomi	-	6	-	283	-	-
Total	**397**	**6**	**63**	**283**	**475**	**60**

			at June 30, 2011			
Name		Expiration	Fees for the appointment	Other fees	Benefits	Bonus
Siagri Roberto	President	In charge up to 31.12.2013 financials	168	8	2	-
Tecchiolli Giampietro	Vice President - Director	In charge up to 31.12.2013 financials	113	9	1	-
Barazza Sandro	Director	In charge up to 31.12.2013 financials	4	58	1	-
Bertolone Giovanni	Director	In charge up to 31.12.2013 financials	4	-	-	-
De Toni Alberto Felice	Director up to April 28, 2011		7	-	-	-
Grasso Giancarlo	Director from April 28, 2011	In charge up to 31.12.2013 financials	1	-	-	-
Mio Chiara	Director	In charge up to 31.12.2013 financials	11	-	-	-
Pedicchio Maria Cristina	Director from April 28, 2011	In charge up to 31.12.2013 financials	3	-	-	-
Pizzul Cesare	Director	In charge up to 31.12.2013 financials	11	-	-	-
Soccodato Giovanni	Director	In charge up to 31.12.2013 financials	4	-	-	-
Tucci Maurizio	Director up to April 28, 2011		2	-	-	-
Siciliotti Claudio	President of Board of Statutory Auditors	In charge up to 31.12.2013 financials	23	-	-	-
Cignolini Michela	Statutory Auditor	In charge up to 31.12.2013 financials	15	-	-	-
Pingaro Giuseppe	Statutory Auditor	In charge up to 31.12.2013 financials	15			
TOTAL			381	75	4	-

Lastly, the following is information on equity interests held in the company and its subsidiaries by members of the management and supervisory bodies, general managers and managers with strategic responsibilities, as well as by their spouses not legally separated and their minor children, directly or via companies controlled, trustee companies or via an interposed third party, as shown by the shareholder register, notifications received and other information acquired from the members of the management and supervisory bodies, general managers, and strategically accountable managers in compliance with the requirements of article 79 of Consob Regulation 11971/19 99 as subsequently amended and Annex 3C of the same regulation.

		at June 30, 2011								
Name		Company	Possessory title	Share at January 1,	Share acquired in the period	Share acquired in the period	Share disposed in the period	Share at the end of the period	of which shares at the end of the period	
Siagri Roberto	President	Eurotech	Ownership	2,500,531	-	-	-	2,500,531	1,040,371	
Tecchiolli Giampietro	Director	Eurotech	Ownership	191,015	-	-	-	191,015	-	
Barazza Sandro	Director	Eurotech	Ownership	-	2,000			2,000	-	
Bertolone Giovanni	Director	Eurotech	Ownership	-	-	-	-	-	-	
De Toni Alberto Felice	Director up to April 28, 2011	Eurotech	Ownership	6,003	-	-	-	-	-	
Grasso Giancarlo	Director from April 28, 2011	Eurotech	Ownership	-	-	-	-	-	-	
Mio Chiara	Director	Eurotech	Ownership	-	-	-	-	-	-	
Pedicchio Maria Cristina	Director from April 28, 2011	Eurotech	Ownership	-	-	-	-	-	-	
Pizzul Cesare	Director	Eurotech	Ownership	-	-	-	-	-	-	
Soccodato Giovanni	Director	Eurotech	Ownership	-	-	-	-	-	-	
Tucci Maurizio	Director up to April 28, 2011	Eurotech	Ownership	-	-	-	-	-	-	
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	20,000			-	20,000	10,000	(*)
Cignolini Michela	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	-	
Pingaro Giuseppe	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	-	

(*) Shares owned indirectly by Pronet S.r.l.

27 – Financial risk management: objectives and policies

The Group's financial instruments, other than derivative contracts, include bank loans in their various technical forms, finance leases, short-term and on-demand bank deposits, and trade payables. These instruments are intended to finance Group operations. The Group has several other receivable and payable financial instruments at its disposal, such as trade receivables arising from operations and liquidity. The Group also has derivative transactions in place, mainly interest rate swaps and collars. The objective is to manage interest rate risks caused by Group transactions and by its sources of finance.

In accordance with Group procedures, no speculative derivatives have been entered into.

The main risks generated by the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk, and credit risk. The Board of Directors has reviewed and agreed to the procedures for managing these risks, as summarised below.

Interest rate risk
Group exposure to the risk of interest rate fluctuations mainly involves medium-term obligations taken on by the Group, featuring variable interest rates linked to various indices. The Group entered into interest rate swap contracts during the half-year and in previous years (some of which still exist), which provide for recognition of a floating rate against payment

of a fixed rate. The type of contract is designated to hedge changes in the interest rates in place on some loans. Group policy is to maintain between 30% and 60% of its loans at a fixed rate. As at 30 June 2011, not considering loans already in place with Japanese companies, for which the interest rate is limited, approximately 44% of Group loans had a fixed interest rate (in 2010 the percentage was 50%).

Exchange rate risk

In view of the significant investment transactions in the USA, Japan and the UK, with substantial foreign currency cash flows from business and financial operations, the Group's financial statements could be significantly affected by changes in the USD/EUR, JPY/EUR and GBP/EUR exchange rates. In the reporting period, no foreign exchange hedges were executed because of the uneven USD, GBP and JPY flows, particularly taking into account that the individual subsidiaries tend to operate in their respective functional currencies in their respective core markets.

About 83.8% of sales of goods and services (2010: 84.8%) and 75.3% (2010: 78.1%) of the cost of goods purchases and the operating costs of the Group are denominated in a different currency from the functional currency used by the Parent Company to draw up these condensed consolidated half-yearly financial statements.

Product and component price risk

Group exposure to price risk is not significant.

Credit risk

The Group trades only with known and reliable customers. The Group's policy is to check the creditworthiness grade of customers that request extended payment arrangements. In addition, the balance of receivables is monitored during the year so that the amount of non-performing positions is not significant. Only some receivables from major customers are insured due to the reduction in credit granted in recent years by insurance companies.

Financial assets are recognised in the financial statements net of write-downs calculated according to the risk of counterparty default, taking into account the information available on the customer's level of solvency and historical data.

There is no significant concentration of credit risk in the Group.

Credit risk concerning other Group financial assets, which include cash and equivalents and financial instruments, presents a maximum risk equal to the book value of these assets in the event of insolvency of the counterparty.

Liquidity risk

The objective of the Group is to strike a balance between maintenance of funds and flexibility through the use of overdrafts, loans, and finance leases, as well as via equity financing in the market.

Group policy states that no more than 40% of loans must fall due within 12 months.

At 30 June 2011, according to the balances reported in the financial statements, 31.4% of the Group's financial payables will fall due within one year (28.5% in 2010), based on the original plans.

Fair value hierarchy

All financial instruments carried at fair value are categorised in three categories, defined as follows:

Level 1: Quoted market prices

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (not marketed observable)

At 30 June 2011 the Group held the following financial instruments measured at fair value:

(€'000)	Notional value at June 30, 2011	Fair valute at June 30, 2011 (debit)	Fair valute at June 30, 2011 (credit)	National value at December 31, 2010	Fair valute at December 31, 2010 (debit)	Fair valute at December 31, 2010 (credit)
Cash flow hedge						
Contracts Interest Rate Sw ap (IRS)	10,116	0	(213)	8,596	0	(339)

All the assets and liabilities measured at fair value at 30 June 2011 can be placed in the second fair value category. In addition, in the first half of 2011 there were no transfers from Level 1 to Level 2 or Level 3 or vice versa.

28 – Derivative instruments

Fair value

The book value and the fair value by category of all Group financial instruments booked in the financial statements do not show significant differences worth representing.
The fair value of derivatives and of loans obtained has been calculated by discounting expected cash flows to present value applying prevailing interest rates. The fair value of other financial assets has been calculated using market interest rates.

Interest rate risk

Interest on financial instruments classified as variable-rate instruments is recalculated periodically during the financial year. Interest on financial instruments classified as fixed-rate instruments is kept constant until the maturity date of the instruments concerned.

Hedging

Cash flow hedges

At 30 June 2011, the Group holds three interest rate swap contracts (for a notional residual total of €10.1 million) signed in previous years and the current year and designated as instruments to hedge the risk of interest rate variations.

	Due date	*Fixed rate*	*Floating rate*	*Market value (€'000)*
Interest rate swap contracts				
€ 4.652.405	30.12.15	4,08%	Euribor 6 month	(200)
€ 1.714.284	30.06.14	2,21%	Euribor 6 month	(1)
€ 3.750.000	31.12.15	2,52%	Euribor 6 month	(12)

Interest rate swap contract terms were negotiated to coincide with the terms of the underlying commitments.
The booking at fair value of the above financial instruments based on the cash flow hedge had an overall negative impact of €312 thousand, entered directly to equity, with a net positive effect in the half-year of €78 thousand for existing contracts and of €48 thousand for contracts completed by 30 June 2011.

29 – Events after the reporting period

No significant events took place after the closing of the condensed consolidated half-yearly financial statements at 30 June 2011.

30 – Business seasonality

The sector in which the Group operates does not feature any significant seasonal trends. Notwithstanding this, the Group has historically featured a greater concentration of revenues in the second part of the year. These higher sales are primarily due to customers' scheduling and are confirmed by the Group's current order book.

Attestation of condensed consolidated half-yearly financial statements

Pursuant to Article 154-*bis*, part IV, Chapter III, Part IV, Title III, Chapter II, Section V-*bis*, of Legislative Decree 58 of 24 February 1998: "Consolidated Law on Finance, in accordance with Articles 8 and 21 of Decree no. 52 of 6 February 1996".

1) We the undersigned, Roberto Siagri, Chief Executive Officer, and Sandro Barazza, Corporate Financial Reporting Manager of Eurotech SpA, herewith attest, having also taken into account the requirements of Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented, that:
   - the administrative and accounting procedures for the preparation of the condensed consolidated half-yearly financial statements in the period from 01.01.11 to 30.06.11 are appropriate for the nature of the business and have been effectively applied.

2) No significant matters have arisen in this respect.

3) We also attest that the condensed consolidated half-yearly financial statements:
   a) correspond to the results in the corporate books and accounting records
   b) were prepared in compliance with the international accounting standards (IFRSs) recognised in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council, of 19 July 2002
   c) provide a fair and true representation of the balance sheet, business performance and financial status of the group of entities included in the scope of consolidation.

4) The interim report on operations contains references to the important events occurring in the first six months of the financial year and to their impact on condensed consolidated half-yearly financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year, as well as information on significant related-party transactions.

Amaro (UD), 29 August 2011

Eurotech SpA

Signed Roberto Siagri
Chief Executive Officer

Signed Sandro Barazza
Financial Reporting Manager

Independent auditor's report

ERNST & YOUNG

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Eurotech S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes, of Eurotech S.p.A. and its subsidiaries (the "Eurotech Group") as of June 30, 2011. Management of Eurotech S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 30, 2011 and on August 27, 2010, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Eurotech Group as of June 30, 2011 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, August 29, 2011

Reconta Ernst & Young S.p.A.
Signed by: Claudio Passelli, Partner

This report has been translated into the English language solely for the convenience of international readers