

EUROTECH: FIRST HALF OF 2006 CONFIRMS STRONG GROWTH OF REVENUES (+115% YoY) AND EBITDA

- REVENUES = +115.00% YoY FROM € 11 MILLION IN 1st HALF OF 2005 (1H05) TO €23.65 MILLION IN 1st HALF OF 2006 (1H06)
- EBITDA = UP FROM € 31 THOUSAND TO € 1.67 MILLION, WITH MARGIN ON SALES UP FROM 0.28% IN 1H05 TO 7.09% IN 1H06
- EBIT = +372.43% FROM € -399 THOUSAND TO € 1,087 THOUSAND. EBITDA MARGIN ON SALES UP FROM -3.63% IN 1H05 TO +4.60% IN 1H06
- PRE-TAX RESULT = +222.42% from € -571 THOUSAND TO €699 THOUSAND WITH MARGIN ON SALES UP FROM -5.19% IN 1H05 TO +2.96% IN 1H05.

Amaro (UD), 20 September 2006.

Today the Board of Directors of Eurotech SpA, under the chairmanship of Roberto Sigari, approved consolidated midyear interim results as at 30 June 2006 (1H06).

The midyear report approved shows strong growth of the Group, which is active in the research, development, production and marketing of miniaturised computers (NanoPCs) and of computers featuring high-performance computing capability (High Performance Computers – HPCs).

The Eurotech Group, notwithstanding absorption of non-recurring costs caused by allocation of the purchase price for acquisition of the Arcom Group, featured growth of the key operating and balance sheet indicators over the same period in the previous year (1H05).

Consolidated Highlights (€ '000)	1st Half 2005	1st Half 2006 Operations	% Chg	Acquisition purchase price allocation	1st Half 2006 Reported
SALES	11,000	23,650	115.00%		23,650
EBITDA	31	1,676	5,306.45%	482	1,194
EBIT	(399)	1,087	372.43%	857	230
PROFIT BEFORE TAX	(571)	699	222.41%	857	(158)

GROUP 1H06 RESULTS

Revenues grew by 115.00%, i.e. € 12.65 million (mn), rising from € 11.00 mn in 1H05 to €23.65 mn in 1H06.

This growth was achieved both organically (41.30% points) and by virtue of the acquisition completed at the beginning of April 2006 of the Arcom Group.

EBITDA in 1H06 amounted to € 1.68 mn (€ 1.19 mn if one considers costs due to purchase price allocation of the business combination, recognised in accounts as required by IFRS 3, relating to acquisition of the stake in the Arcom Group).

The significant EBITDA increase reflects the policies implemented to achieve enhanced exploitation of the operating organisation, achieved thanks to revenue growth. EBITDA margin on sales rose from 0.28% in 1H05 to 7.09% in 1H06.

EBIT increased by 372.43% YoY, rising – before purchase price allocation of € 857 thousand - from € -399 thousand in 1H05 to € 1,087 thousand in 1H06. EBIT margin on sales rose from -3.63% in 1H05 to 4.60% in 1H06. This trend was substantially attributable to EBITDA improvement.

The net finance result featured a negative YoY change of € 210 thousand. This item - positive as regards ordinary operations – was adversely impacted by expense of € 409 thousand for the EUR/USD foreign exchange difference, connected with the contractual commitments (envisaging a USD 24-mn performance deposit) made on 3 February 2006 for acquisition of the Arcom Group.

Profit before tax improved by € 1.27 mn, going from a pre-tax loss of € -571 thousand in 1H05 to a pre-tax profit of € 699 thousand in 1H06 before € 857 thousand of purchase price allocation. This performance was positively influenced by the Group's EBIT performance and negatively by non-recurring finance expense (EUR/USD exchange-rate effect on the purchase of USD 24 mn for acquisition of the Arcom Group).

The Group's bottom-line result improved significantly, progressing from a loss of € -389 thousand in 1H05 to a loss of € -77 thousand in 1H06 without considering the purchase price allocation effect. The Group's bottom-line performance would have been even better – i.e. with a profit of € 196 thousand – if the non-recurring effect of finance expense relating to the foreign currency acquisition of stakes in the Arcom Group's companies were not to be considered.

EXPECTED BUSINESS PROGRESS AND FUTURE GROWTH STRATEGY

The Group's strategic development will continue, pursuing the guidelines already applied in previous years, i.e.

- Development and marketing – in the nanoPC field – of new products/solutions featuring higher added value (headed by systems) with special attention to creation of off-the-shelf products
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- Once again in the nanoPC field, focus on standard and custom-made products, highly integrated (systems) and specialised according to their respective outlet markets
- Strengthening of commercial activities with specific reference to coverage of strategic geographical areas
- Growth of the Group also via new acquisitions.

ATTACHMENTS: FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (€ '000)	1st H 2005		1st H 2006		change (b-a)	
	(a)	%	(b)	%	amount	%
Sales revenue	11.000	100,0%	23.650	100,0%	12.650	115,0%
Cost of material	(5.022)	-45,7%	(12.287)	-52,0%	(7.265)	144,7%
Gross profit	5.978	54,3%	11.363	48,0%	5.385	90,1%
Services costs	(2.555)	-23,2%	(4.976)	-21,0%	(2.421)	94,8%
Lease & hire costs	(195)	-1,8%	(410)	-1,7%	(215)	110,3%
Payroll costs	(3.704)	-33,7%	(5.900)	-24,9%	(2.196)	59,3%
Other provisions and costs	(102)	-0,9%	(115)	-0,5%	(13)	12,7%
Other revenues	609	5,5%	1.232	5,2%	623	102,3%
EBITDA	31	0,3%	1.194	5,0%	1.163	n.s.
Depreciation & Amortisation	(430)	-3,9%	(964)	-4,1%	(534)	124,2%
Asset impairment	0	0,0%	0	0,0%	0	n/a
EBIT	(399)	-3,6%	230	1,0%	629	157,6%
Share of associates' profit at equity	6	0,1%	0	0,0%	(6)	-100,0%
Finance expense	(317)	-2,9%	(966)	-4,1%	(649)	204,7%
Finance income	139	1,3%	578	2,4%	439	315,8%
Profit before tax	(571)	-5,2%	(158)	-0,7%	413	-72,3%
Income tax	96	0,9%	(551)	-2,3%	(647)	n.s.
Net profit before minority interest	(475)	-4,3%	(709)	-3,0%	(234)	49,3%
Minority interest	(86)	-0,8%	(88)	-0,4%	(2)	2,3%
Group net profit (loss)	(389)	-3,5%	(621)	-2,6%	(232)	59,6%

CONSOLIDATED INCOME STATEMENT – RECONCILIATION OF OPERATING AND REPORTED DATA

INCOME STATEMENT €'000)	1st H 2006	%	Effect of purchase price allocation	1st H 2006 Operations	%
SALES REVENUES	23.650	100,0%		23.650	100,0%
COST OF MATERIALS	(12.287)	-52,0%	482	(11.805)	-49,9%
GROSS PROFIT	11.363	48,0%	482	11.845	50,1%
OTHER OPERATING COSTS	(11.401)	-48,2%		(11.401)	-48,2%
OTHER OPERATING REVENUES	1.232	5,2%		1.232	5,2%
EBITDA	1.194	5,0%	482	1.676	7,1%
DEPRECIATION & AMORTISATION	(964)	-4,1%	375	(589)	-2,5%
EBIT	230	1,0%	857	1.087	4,6%
FINANCE EXPENSE	(388)	-1,6%		(388)	-1,6%
PROFIT (LOSS) BEFORE TAXES	(158)	-0,7%	857	699	3,0%
INCOME TAX	(551)	-2,3%	(313)	(864)	-3,7%
NET PROFIT (LOSS) BEFORE MINORITIES	(709)	-3,0%	544	(165)	-0,7%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(621)	-2,6%	544	(77)	-0,3%

CONSOLIDATED BALANCE SHEET

(Thousands of Euro)	31/12/2005	30/06/2006	Changes (b-a)
ASSETS			
Intangible assets	6.235	27.851	21.616
Property, Plant and equipment	2.550	3.742	1.192
Investments in associate and other companies	82	92	10
Deferred tax assets	1.008	1.449	441
Other non-current assets	22	44	22
Total non-current assets	9.897	33.178	23.281
Inventories	6.004	11.780	5.776
Contracts in progress	2.044	801	(1.243)
Trade receivables	7.267	11.917	4.650
Other current assets	2.090	3.213	1.123
Cash & cash equivalents	25.584	15.168	(10.416)
Totale current assets	42.989	42.879	(110)
Total assets	52.886	76.057	23.171
LIABILITIES AND EQUITY			
Share capital	4.656	4.656	0
Reserves	26.734	27.936	1.202
Net profit (loss) for period	1.064	(621)	(1.685)
Group shareholders' equity	32.454	31.971	(483)
Minority capital and reserves	593	428	(165)
Minority profit (loss) for period	(42)	(88)	(46)
Equity attributable to minority interest	551	340	(211)
Total shareholders' equity	33.005	32.311	(694)
Medium-/long-term borrowing	2.597	17.244	14.647
Employee benefit obligations	481	539	58
Deferred tax liabilities	324	3.921	3.597
Other non-current liabilities	75	277	202
Total non-current liabilities	3.477	21.981	18.504
Trade payables	9.572	13.609	4.037
Short-term borrowing	2.639	4.235	1.596
Tax liabilities	392	1.041	649
Other current liabilities	3.801	2.880	(921)
Total current liabilities	16.404	21.765	5.361
Total liabilities	19.881	43.746	23.865
Total liabilities and equity	52.886	76.057	23.171

NET FINANCIAL POSITION

(Thousands of Euro)	30/06/2005	31/12/2005	30/06/2006
Cash & cash equivalents	654	25.584	15.168
Short-term borrowing	(4.244)	(2.639)	(4.235)
Short-term net financial position	(3.590)	22.945	10.933
Convertible bond loan	(2.458)	0	0
Medium-/long-term borrowing	(3.148)	(2.597)	(17.244)
Medium-/long-term net financial position	(5.606)	(2.597)	(17.244)
NET FINANCIAL POSITION	(9.196)	20.348	(6.311)

CASH FLOWS

(Thousands of Euro)	31/12/2005	30/06/2006
Net cash provided by (used in) operating activities	7.020	400
Net cash provided by (used in) investing activities	(2.126)	(24.936)
Net cash provided by (used in) financing activities	18.016	14.222
Effect of change in exchange rates	114	(102)
Increase (decrease) of cash and cash equivalents	23.024	(10.416)
Cash and cash equivalents at beginning of the period	2.560	25.584
Cash and cash equivalents at the end of the period	25.584	15.168

NET WORKING CAPITAL

(Thousands of Euro)	30/06/2005	31/12/2005	30/06/2006	Changes
		(a)	(b)	(b-a)
Inventories	6.325	6.004	11.780	5.776
Contracts in progress	626	2.044	801	(1.243)
Trade receivables	8.967	7.267	11.917	4.650
Other current assets	733	2.090	3.213	1.123
Current assets	16.651	17.405	27.711	10.306
Trade payables	(5.377)	(9.572)	(13.609)	(4.037)
Tax liabilities	(319)	(392)	(1.041)	(649)
Other current liabilities	(3.623)	(3.801)	(2.880)	921
Current liabilities	(9.319)	(13.765)	(17.530)	(3.765)
Net working capital	7.332	3.640	10.181	6.541

THE EUROTECH GROUP

Eurotech (ETH.MI) operates in the research, development, production and marketing of miniature computers (Nano-PC) and high performance computers (HPC).

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