



EUROTECH: LETTER OF THE PRESIDENT ROBERTO SIAGRI TO SHAREHOLDERS

Amaro (Italy), 16 March 2009

Letter to shareholders

Dear Shareholders,

To sum up the year 2008 in a single sentence, we could say that it has been a year of synergies and strategic agreements. A year that made us more global and stronger.

The year just passed was the first year since listing in which we did not make any acquisitions and we concentrated our energies internally, to create the conditions for a new phase of organic growth.

We began the year by preparing the ground for major consolidation of the Group structure, and of US subsidiaries in particular: the merger of ADS with Arcom to create Eurotech Inc. This operation was announced in April at the Embedded Systems Conference in California, then finalised in July. On one hand, the formation of Eurotech Inc represents a key step in establishing the Eurotech brand at international level, and on the other, it has allowed us to harmonise the processes of American operations and implement valuable synergies, with a positive impact on structure costs and consequently on margins.

Following up this operation we decided to use a single "Eurotech" brand in all the sectors of the North American market other than defence and consequently to dismiss the ADS and Arcom brands. We chose then to write down the residual value posted for these brands, with a reduction in amortization of €10.8 million.

The second significant event of the year was the signing of the co-marketing agreement with Intel for the joint promotion of Aurora, our new generation of HPCs (High Performance Computing) based on the new multicore Intel Xeon® series processors with high performances and low power consumption. With this new generation of supercomputers (available for deliveries from the second half of 2009) we expect a lot of interest and important returns, thanks also to the excellent price/performance ratio that our technicians have been able to obtain.

On the low-power Intel Atom™ series processors we based the development of our new embedded modules named Catalyst and Proteus, born to address the growing demand of Mobile Internet Devices (MID) in the application fields in which we act. We began to sell these new products in the second half of 2008, gaining very positive feedback from the market and the award from Intel as company with the best pipeline of design-opportunities in the embedded market.

The third noteworthy event of 2008 was the entry of Finmeccanica in our shareholder structure, defined in May, then formalised following the certificate of no impediment from the American authorities (CFIUS) at the beginning of November. With this operation, Finmeccanica became an important industrial ally and from this point onward we expect the industrial and technological relationship between the two Groups to become steadily stronger, allowing both parties to take advantage of the respective strengths.



EUROTECH: LETTER OF THE PRESIDENT ROBERTO SIAGRI TO SHAREHOLDERS

Now, I would like to briefly comment on the 2008 economic and financial results.

The year closed with consolidated turnover of € 91.7 million, in line with our latest forecasts. The Gross Margin stood at 55%, an increase in comparison with 49.8% in 2007, thanks to the combined effect of the business model based on the sale of high value products and the good work carried out in integrating and harmonising the management processes of purchased materials among all the Group's subsidiaries. Group Ebitda too increased considerably in 2008: despite some non recurrent cost components, Ebitda was recorded at 6.5% of consolidated revenues for the year, compared to 2.5% in 2007. Net of non recurrent components and the non monetary effects of price allocation, adjusted EBITDA stood at 8.5%. The index was impacted by the improvement of the gross profit margin and also by the minor operating costs, particularly as a result of synergies implemented in the United States with the creation of Eurotech Inc. As proof of the fact that the Group, as a whole, reached a high level of efficiency, during the course of 2008, operating activities generated a positive cash flow of more than € 6 million.

Now, we'll have a look at a 2009 so marked by considerable changes.

In regard to the embedded computers market, we can expect an almost unavoidably concentration phase and a reduction in the number of players, with the consequent creation of wider spaces to move. Regarding HPCs, we expect new kinds of use and hence a broader diffusion in medical and industrial fields. In short, a broader use of supercomputers, due to the new performance levels achieved by products like Aurora in terms of consumption, size and price.

As a global company we see many opportunities in this climate to expand our market presence, consolidate our brand strength and reinforce our position in the condensed group of leading players.

We have cash & cash equivalents, we generate cash and are therefore able to sustain our growth in a harmonic and secure way. In such a historical moment, when many will be forced to reduce investments in research and innovation, we – thanks to a well-established, careful and prudent model of innovation management – will be able to continue our forward-looking investments without losing sight of the present. Therefore we won't passively sit and wait for events to happen: on the contrary we'll try to take advantage of this moments acting countertrend, with an offensive tactic instead of a defensive one.

Moreover, in the current scenario our financial stability is increasingly becoming a key factor to be able to support in the best possible way our customers and partners in projects and supplies with multi-year duration and/or significant value.

In other words, we feel we are well equipped to take advantage of the development potential that each wave of change consistently brings. The first quarter of the year will probably not be a strong one, but the acceleration of orders collection we are experiencing since February indicates to us that we'll hit also revenues and margins targets we have defined for 2009. For several months now, we have worked to leverage on our presence in anti-cyclical sectors such as the defence, transport and the medical sectors,



EUROTECH: LETTER OF THE PRESIDENT ROBERTO SIAGRI TO SHAREHOLDERS

and we now are beginning to reap the fruits of our efforts, as corroborated by a few orders acquired and announced recently.

Finally, let's look at our vision for the future in terms of the next few years.

As I mentioned last year, from the end of the 20th Century we have been part of the revolution of new digital information and communication technologies, an irreversible revolution and one destined to alter greatly the scope of companies and of the actual individual. Current recession will lead to nothing but an acceleration of the ongoing revolution, since only a massive use of technology will allow to bring the industrial sector and the services sector to a new level of efficiency. Moreover, the computer is becoming increasingly integrated with man and with the real world: from the computer in a room and on the desk to ever more portable and mobile computers, to the modern wearable computers and network of miniaturised sensors able to make the surrounding environment "intelligent". So, since crisis never let things stay as they are, whenever macroeconomic conditions will be stable again we'll assist to a change in the dominant paradigm both in industry and services. Everything surrounding us will have to become more "intelligent" and "interconnected", in order to be better managed and better used, with an increase of efficiency and a reduction of wastes.

With nearly seven billion people on the planet it's necessary to do more with less. This change requires more technology as well as an increase in the number of miniaturized computers and high capacity computers: and with this in mind, in 2008 Eurotech laid the framework to seize the emerging opportunities, possible thanks to its portfolio of technology and products, engineered to build a better world. With our computers our customers and partners can in fact build:

- more efficient, economical and reliable infrastructures and machines for industry, defence, and the transportation and medical fields;
- communication networks that link humans and computers, improving security, efficiency and response time for distribution services and fundamental assistance and prevention services.

In conclusion, nowadays Eurotech already has technology and skills to collect and convey into the world wide web real world data: from on-board vehicle parameters in operation to system functioning related data, from the environmental conditions of particular areas being monitored to information on individuals' physiological parameters. We are able to build pervasive technology platforms capable of enabling an entire range of added value services and functions in the transport, defence, industrial and medical sectors.

Computers, ever more powerful, smaller and tightly interconnected, that generate the pervasive calculation net known as the "GRID" will give rise to a "computational exoskeleton" where computers, as they disappear from our sight, will evolve to operate anywhere there is a wireless IP connection. These connections and ubiquitous computers will make the planet more visible and, thanks to the expansion of the global reality, more liveable and sustainable. This is Eurotech's vision and can be summarized in the three words that represent the three driving fundamentals of the pervasive scene: Disappearing, Connecting, Augmenting.



EUROTECH: LETTER OF THE PRESIDENT ROBERTO SIAGRI TO SHAREHOLDERS

Our ability to look towards the future, our continued investment in innovation and the dedication of our people will not only allow us to overcome this recession but above all, they will make us stronger and better positioned to seize the opportunities that pervasive and ubiquitous computing will have to offer.

signed by
Roberto Siagri
President & CEO

Company contacts:

Investor relations

Andrea Barbaro
Tel. +39 0433 485411
e-mail: a.barbaro@eurotech.com

Corporate Press Office

Cristiana della Zonca
Tel. +39 0433 485411
e-mail: c.dellazonca@eurotech.com

International Press Office

Giovanni Sanfelice di Monteforte
Barabino & Partners UK Plc.
Tel.: +44 (0)20 71526425
e-mail: G.Sanfelice@barabino.co.uk