



EUROTECH: LETTER OF THE PRESIDENT ROBERTO SIAGRI TO SHAREHOLDERS

Amaro (Italy), 15 March 2010

Letter to Shareholders

Dear Shareholders,

in one sentence, 2009 can be described as a year of discontinuity, efficiency and responsible rationalization.

For the first time in our history we did not experience a year of growth. Anyway, an *Annus Horribilis*, as defined by economists and journalists, was needed in order to stop, momentarily, our growth. The industrial sector was hardest hit by the recession worldwide and regarding our Group this was reflected above all, as we will demonstrate later, by a fall in sales in the semiconductor equipment sector.

During the year we continued Group re-organization, concentrating our attention on the European structure, overcoming subdivisions in local units to build a more integrated and harmonious structure. The key element of the new approach lies in the separation between development and production on one side and marketing and sales on the other. This has allowed us to focus the development and production structures on families of products and to instead, unite sales structure on a European base, thereby defining, within this sales structure, specialization for each market sector: transport, defense and industrial. We have, however, maintained in each nation where we are present, local sales resources for the management of historic businesses or businesses unique to that zone.

2009 also witnessed the launch of Aurora, our innovative high performance supercomputing architecture that also features low energy consumption and is based on Intel processors. Aurora's launch came in two events: in June at the International Supercomputing Conference in Hamburg, where Aurora was received by the public with great enthusiasm and in November at the corresponding Supercomputing Conference in Portland. Here Aurora literally catalyzed visitors' attention and according to journalist reviews was among "things to remember" from the event. By July, just one month after its official debut, we received the first order for an HPC of the Aurora family and we forecast new orders throughout 2010.

During the year we worked swiftly for the consolidation of the sales model towards larger orders, a fundamental step to permit the first line of the P&L to grow, in a significant way, without drastically changing the sales model and sales channel. Moreover, in 2009 Eurotech managed to enter in the list of the suppliers of important companies, particularly in the US medical sector and even if the results were not immediately visible in the form of sales revenues, we secured promising design-win and, above all, we built high potential supply relationships.

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Our low consumption architecture like Catalyst, Isis and Proteus based on the Atom series of Intel processors began to generate volume sales in various application sectors, following Intel's award received by Eurotech in 2008 as the company with the best pipeline of design-opportunity in our market.

Finally, thanks to an appropriate level of company equity, we have continued our investment. On one side, in our core business of boards and embedded modules and, on the other side, on finished products and on software, thereby creating a platform that will allow all our devices to communicate and easily exchange data taking advantage of the Internet and Software-as-a-Service infrastructures. This investment will permit our customers to simply and quickly build pervasive computing and communication infrastructures that are in a position to enable and support high value-added applications and services.

Now, let me dedicate a few words on the economic and financial results of 2009.

The year ended with consolidated revenues of 83,5 million Euro, with a single digit percentage turndown with respect to 2008, in line with tendency shown throughout 2009. The reduction of revenues is largely linked to the crash of investments in the semiconductor sector, where there was a world-wide reduction of 50% in new production plant expenditures. Regarding the other markets in which the Group operates, revenues were almost the same and if we exclude from proceeds sales in the semiconductor sector, we experienced revenues nearly in line with 2008. The Gross Profit Margin was 51,4%, a result that confirms Eurotech's capacity to put into practice a business model based on valued products. The difference from 55% of 2008 can be explained by a mix of products sold considerably different, a result of the reduction of the relative weight of Japanese sales revenues and the increase in the US zone.

Group Ebitda for 2009 was 1,3 million Euro, which means that the careful reduction of fixed costs introduced during the year have alleviated the impact on the Ebitda coming from the reduction of revenues and it allowed us to secure in any case positive results.

True to our approach which aims to create value for all shareholders in the medium and long term, we acted on our costs with responsibility with regards to the people that every day within the company dedicate their manpower and intellectual skills, and by paying attention to not put our future potential growth at risk.

Let's take a look at what 2010 holds for us.

The world economy in the beginning of the year is still subject to some aftershocks. Many at the beginning of 2009 expected a shorter and less serious economic crisis with signs of recovery by the second half of last year. Caution is therefore mandatory and it is important to have flexible strategies and to take quick action. Again this year we will be committed to make the Group even more efficient and effective, and in particular we

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will concentrate on the optimization of our operations in Asia, after 2008 when we focused on USA and 2009 when Europe was the focus.

The sector which caused us to suffer in 2009, the semiconductor one, repeatedly shows positive signs: all the principal market research organizations, from IDC to Gartner, agree on the fact that there will be a double digit recovery, hypothesis supported by various announcements by some major players in the sector like Samsung and Toshiba which presented plans with increases in investment with respect to last year.

Instead the sectors which offered more satisfaction in 2009, that is the healthcare and medical fields, are demonstrating to be immune to the economic crisis, with some design-win from last year that should translate this year in sales volume. In 2009 much investment has been injected in this sector to reduce costs and increase the quality of service and more is expected for 2010.

Growth in the defense sector continues, in particular in the US: eight of the top ten largest suppliers to the DoD are already our customers and this will allow us to have easier access to recently announced budget increases, in particular in the area of unmanned vehicles, where Parvus is already a known player. Moreover, the consolidated affirmation of the net-centric approach to military operations continues to create, as in 2009, promising business opportunities for our rugged communication devices like switches and routers.

Regarding the transport sector, in 2009 there were no significant variations and revenues were nearly in line with the previous year. From the design-win collected, generate also thanks to government stimulus injected in the economy, we expect a more dynamic and satisfactory 2010.

Organizations like ours which are ready to come out of the crisis should rapidly recover lost ground as soon as the economy gains strength.

With our hardware and software platforms and our ready-to-use solutions we are able to allow our customers to more quickly take advantage of the recovery, because we can reduce their time-to-market and allow them to develop more advanced and competitive products.

To conclude, let me take a moment to talk about the future that awaits us in the next few years.

We are witnessing the surpassing of the classic limits of the net that, coming out of the digital world, connect to the real world: tag and sensors in fact, paired to objects, can unequivocally identify the object and gather information in real time about environmental and functional parameters. With a mini computer attached, anything can become an asset capable of being monitored: from a chair to a meter, from a bag of plasma to a living being. From an internet of computers we are constantly moving towards what is known as "internet of things". Thanks to the ever increasing possibility for miniaturized computers to communicate, especially wirelessly, every object can potentially generate a data flow with which it is possible to develop a series of innovative applications based on localization and contextualization, that in the future are predicted to pervade

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our society in a variety of fields. We are entering the era of the smart computer and smart devices and higher computing power while still miniaturized is sought. In this new phase it is necessary to integrate and mix hardware, software and the communication network technology. Eurotech is ready to seize these new opportunities thanks to the investments made and the capabilities acquired: our Edge Controllers e Mobile Access Routers are in fact an example of a mix of those three key factors and represent fundamental anchor in the management of the communication interfaces between the real world and the digital world, between “intelligent” objects and the Cloud Computing infrastructure across the IP backbone. The internet is ever more a giant data flow that must be properly transported, managed and aggregated so that they can free their potential. Even our investments in software are going in this direction and they put us in a position to benefit from the trends that are being established.

After experiencing and surviving this 2009 in which the average revenue loss for companies was estimated to be near 30%, I can say that Eurotech demonstrated a resilience even to the perfect storm. The low debt and the cash availability allowed us to manage the surges of the world economy without sacrificing our will to build a sustainable company. And now, counting on all of your support and solidarity, it's time to set sail again.

signed by
Roberto Siagri
President & CEO

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