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EUROTECH S.p.A.
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Letter to Shareholders

Dear Shareholders,

summing up our 2010 in one sentence, we can say it has been the year of getting back on track.

We have in fact left behind the temporary stop of 2009, caused by the global crisis, and we have started again a double-digit growth. We know that the aftermath of what happened to the world economy did not fully depleted in 2010, but we noticed signs of recovery in all geographic areas in which we operate, albeit with different intensity and timing.

A common element in all areas has been the re-start of the industrial sector, and in our case this meant primarily a recovery in Japan's sector of semiconductor equipment, a sector that had suffered particularly in 2009 and caused most of the contraction of Group turnover.

In last year's letter I had also anticipated that for the transport sector we were expecting 2010 to be a more lively year, thanks also to Governments' interventions to support the economy. And it went that way: precisely in the transport sector we won two important contracts, the first one of 7.5 million dollars in the U.S. by King County Metro Transit and the second one of 10 million dollars in UK by Cubic Transportation.

These two contracts also testify the evolution of the current sales model towards larger orders: the growth of the average value of the order is a key factor to make our revenue grow without a proportional increase of the cost of our sales structure, for the benefit of the viability of the company.

During the year we continued to work to create an increasingly integrated and efficient Group, concentrating our efforts in the Asian area. In fact, we took the opportunity of the realization of the put&call option on a further 25% of the share capital of Advanet to push on the accelerator regarding the integration of our Japanese subsidiary with the rest of the Group. The consolidation of our position in Advanet gave us the opportunity to create at organizational level the best conditions to stimulate on the one hand the cross-selling in Japan of our European and American products, on the other hand the synergies on design and production of products belonging to the high-end part of our offering.

We also continued the consolidation of the global structure set in 2008 and 2009, to push even further the achievement of two objectives: specialization of local developments and maximization of cross-selling between geographical areas.

An important step in the search for greater efficiency has been the concentration of European manufacturing operations in the Italian plant: doing so we have aligned the European structure with the American and Asian ones and we have completed the path of consolidating operations into one site for each continent.

Let me now comment briefly on the financial results of 2010.

The year closed with a consolidated turnover of 99.3 million Euros, touching the threshold of 100 million beyond which the leverage on operating costs, which are mainly fixed, becomes more visible.

The revenue growth was achieved while maintaining a gross margin above 50%, which is the target of our business model: this result confirms once again the ability of Eurotech to compete on the value for Customers and establish with them relations of partnership for innovation rather than mere supply of components. The steadiness of the first margin is more significant if we consider that the situation of shortage of electronic components (chips) continued throughout the course of 2010, with inevitable consequences on purchase prices.

Group EBITDA for 2010 was 7.4 million Euro, equal to about 7.4% of sales. This is certainly not the target of profitability that we want and we can reach, but it is a significant achievement that demonstrates how the actions of activation of synergies brought forward from 2008 to today are bearing fruit.

The "industrial machine" works with increasing efficiency and its costs are under control, something that is also the prerequisite to generate a significant cash flow, which is important to support our double-digit growth path.

Let's now take a look at what lies ahead for 2011.

The order book at the end of February for the current year shows an increase of 30% over the same period of 2010 and the total order book is nearly 50% higher than that seen last year. These figures thus confirm the upward trend already seen in the consolidated results as at December 31st and give us moral to continue to work in the drawn direction.

Caution is a must in any case: the signs of uncertainty on the socio-political scenario that are characterizing the Mediterranean area in the last months, which generated an increase in the cost of oil, introduce elements of uncertainty on the cost of both energy and raw materials that need to be properly taken into account. As we did in the past two years, therefore, while we hope for the best we continue to work on alternative scenarios keeping a high attention on costs.

Even with this necessary preamble, the overall scenario of the global economy presents interesting prospects for Eurotech.

The recent cuts in the defense budget announced in the U.S. are targeted mainly at new projects and are in fact leading to greater investment in upgrade programs and technology refresh of existing infrastructure, and especially of vehicles. Parvus is already active in this business and should therefore be well positioned to benefit from the current scenario of the U.S. defense market.

In the transport sector we can continue to leverage on our experience in the supply of Mobile Access Routers (MAR) as enablers of wireless communications between the central control station and several on-board systems, such as vehicle diagnostics and surveillance cameras, in order to turn every vehicle into a monitored asset. There are also new initiatives supported by public investments aimed at making more efficient and secure the existing infrastructure and this scenario can open interesting new opportunities for Eurotech.

For the industrial sector we expect a consolidation of the recovery: even though the recent earthquake that has hit hard the northeastern part of Japan adds some uncertainties to our overall picture in the short term, in 2010 the order intake in that specific area has benefited from the recovery even more than revenues and therefore we are confident that 2011 will continue to be a good year for this sector.

Also the medical sector continues to show good prospects and we should be able to capitalize on relationships built over the last two years with several important players both in the U.S. and in Japan.

Finally, looking across the board the various sectors, our ultra low-power architectures based on Intel Atom™ processors on the one hand are generating the expected sales volumes and on the other hand are gathering important design-wins, which should further support the sales volumes in the medium term.

To conclude, I would like to say a few words about the future that awaits us in the next few years.

We are witnessing the merger of the digital world with the real world: by associating sensors to an object you can in fact generate real-time information on its characteristic parameters and the context in which it is placed. In this way everything can potentially generate a data stream and thus become an asset that can be monitored via web: from a vending machine to a box of medicine, from an agricultural vehicle to a bag of plasma. But to make the step from an "Internet of computers" to what is called "Internet of things" you must handle the connection interface between real world and digital world, between sensors and web, between devices and Cloud. And it is here that we are now a step ahead of many others: the solution Everyware™ Device Cloud (EDC), which we launched last November, has received the "Best Electronic Design 2010" award from Electronic Design magazine in the category "Cloud Embedded Computing". This achievement capitalizes on the result obtained in 2009 by the

platform Everyware™ Software Framework (ESF), which shared the award for best software with the Google Android platform. The Everyware™ Device Cloud, exploiting the ESF middleware, enables companies to quickly connect distributed devices through the IT infrastructure of cloud, thus eliminating the time and initial costs of building a dedicated IT infrastructure.

Thanks to the ever growing diffusion of miniaturized and interconnected computers, and thanks to the availability on-demand of scalable IT infrastructures, we are entering the era of "smart services", i.e. innovative services provided via web and based on localization and contextualisation of objects and individuals in the real world. In order that these smart services pervade our society in various fields of application, you must create easy to use enabling platforms, able to integrate and mix hardware, software and networking technologies. Eurotech is ready to seize the new opportunities related to the development of the "Internet of things", thanks to the investments made and the skills acquired: in fact, our Edge Controllers and Mobile Access Routers with ESF and EDC combine the three key factors and represent a fundamental element for the acceleration of the interconnection between real world and digital world, between "intelligent" objects and the Cloud Computing infrastructure through the IP backbone.

We are moving towards a dematerialization of the solutions, where the "weight" of the SW is gradually increasing compared to that of the HW. The trend in the paradigms of use of devices and applications is clearly going towards the "as-a-service" mode, because it helps breaking down the entry barriers on the time and cost of new implementations, increasing at the same time the scalability of applications. Also Eurotech can benefit from these trends because of its offer of Device Data Management through the Cloud: thanks to the investments made on SW platforms, all our HW platforms and devices can easily communicate and exchange data using the infrastructure made of Internet and the Softwares-as-a-service, allowing our customers to easily build fast and flexible IT infrastructures that can enable and support asset monitoring applications. This should allow us to go beyond the traditional sectors in which we historically operate and to move into sectors such as logistics and security which have been only marginally addressed so far.

Now that sales and operating margins have returned to their pre-crisis levels, I can say that Eurotech is ready to break new barriers and reach a size and a profitability beyond any results previously reached by the sum of the Group's companies in their history.

We are back on track, and to better address our path of sustainable development we count on the support of you all.

March 15th, 2011

signed by
Roberto Siagri
President & CEO

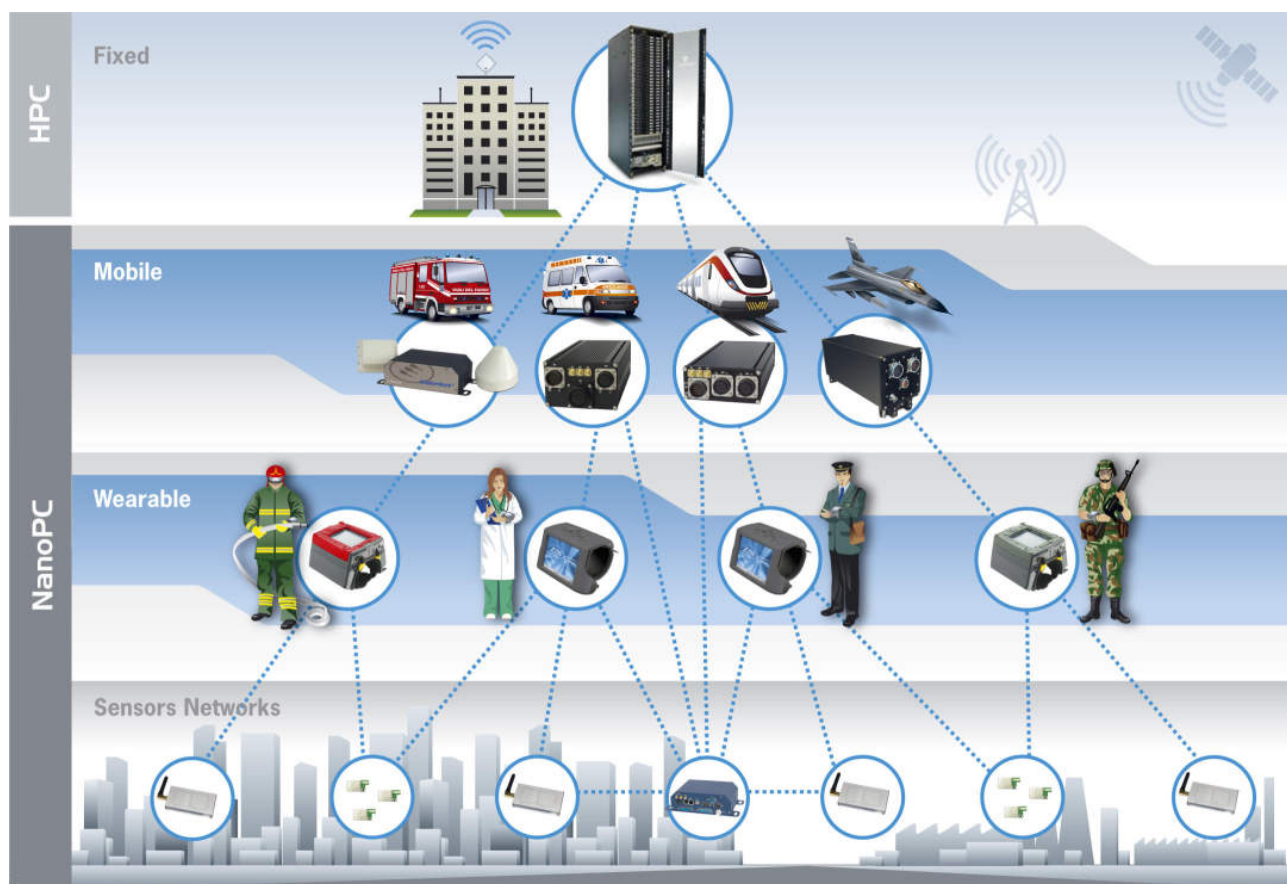
Eurotech Group Profile

Getting to know Eurotech

Eurotech is a global company based in Italy with offices in Europe, North America and Asia. The Group has a strong international focus: its primary operating language is English and its sales are distributed on three continents.

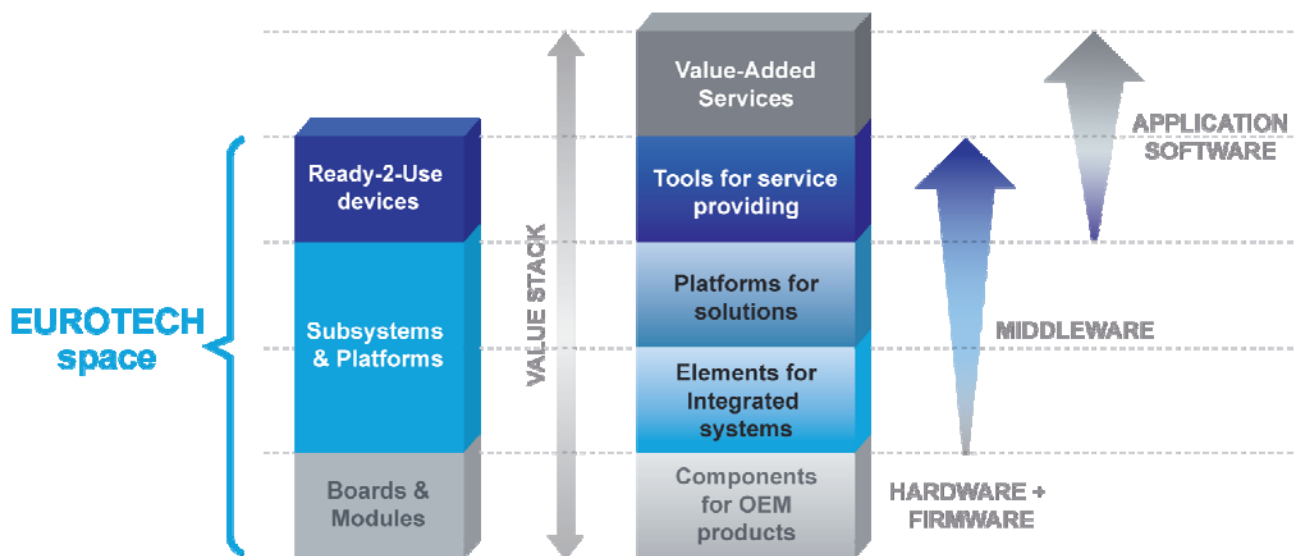
The technological paradigm followed by Eurotech is “pervasive computing”. The concept of pervasive computing combines three key factors: the miniaturisation of “intelligent” devices, which are capable of processing information; their spread in the real world – in buildings and machinery, on board vehicles, on persons and in the environment; and their ability to network and communicate.

In this perspective, Eurotech engages in research, development, marketing and selling of miniaturised computers for special uses (NanoPC) and of supercomputers with high computing capacity (HPC). NanoPCs and HPCs are the two major classes of devices that, by connecting to and co-operating with each other, form that pervasive computing infrastructure commonly known as the “pervasive computing grid” or “cloud”.



The Group's various products in the NanoPC segment are distinguished according to their value stack. Typically, a NanoPC is a computer in miniature consisting of:

- an embedded electronic board that is typically used as a component of OEM products
- a sub-system or an application-ready platform used as an element of an integrated system
- ready-2-use devices used in all sorts of applications, frequently in support of value added services.



All of these NanoPCs have wireline or wireless communication channels to assure their interconnection. This combination of processing and communication capabilities enables Eurotech's NanoPCs to become key elements in the pervasive scenario that the firm plans 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, industrial, medical and logistics sectors. What many of our customers in all these sectors are seeking is not just a supplier but also an expert technology centre, and they frequently find that Eurotech is the right partner for innovating their products and way of doing business. They want to reduce their time-to-market and focus on their core activities. They often need solutions for heavy-duty usage conditions and mission critical applications, or long-term supply guarantees.

In the HPC segment, Eurotech designs and builds supercomputers with very high computing power and energy efficiency, that are created through the massive interlinking of high performance miniaturised computers. These supercomputers – typically targeting advanced research centres, computing centres, and universities – are turning out to be indispensable for exploration in the scientific field and in advanced sectors such as nanotechnology, biotechnology, and subatomic physics. Moreover, Eurotech foresees for the near future an important impact in the medical and industrial sectors as well.

Right 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, i.e.:

- excellence within market standards
- a fabless production model
- evolution of its business model towards ready-to-use products (closer to the end-customer's applications)
- strong interaction with the academic and basic-research worlds.

Firstly, Eurotech immediately aimed to excel within industry standards. In other words it understood that, to supply its customers with solutions that both performed well and were open to the future, excellence must not be achieved only with proprietary solutions, but as far as possible with state-of-the-art solutions remaining faithful to the standards, which are themselves evolving.

Eurotech's second strength is 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 manufacturers. Only in the case of HPCs is assembly 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 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 application software 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.



The Eurotech Group in figures

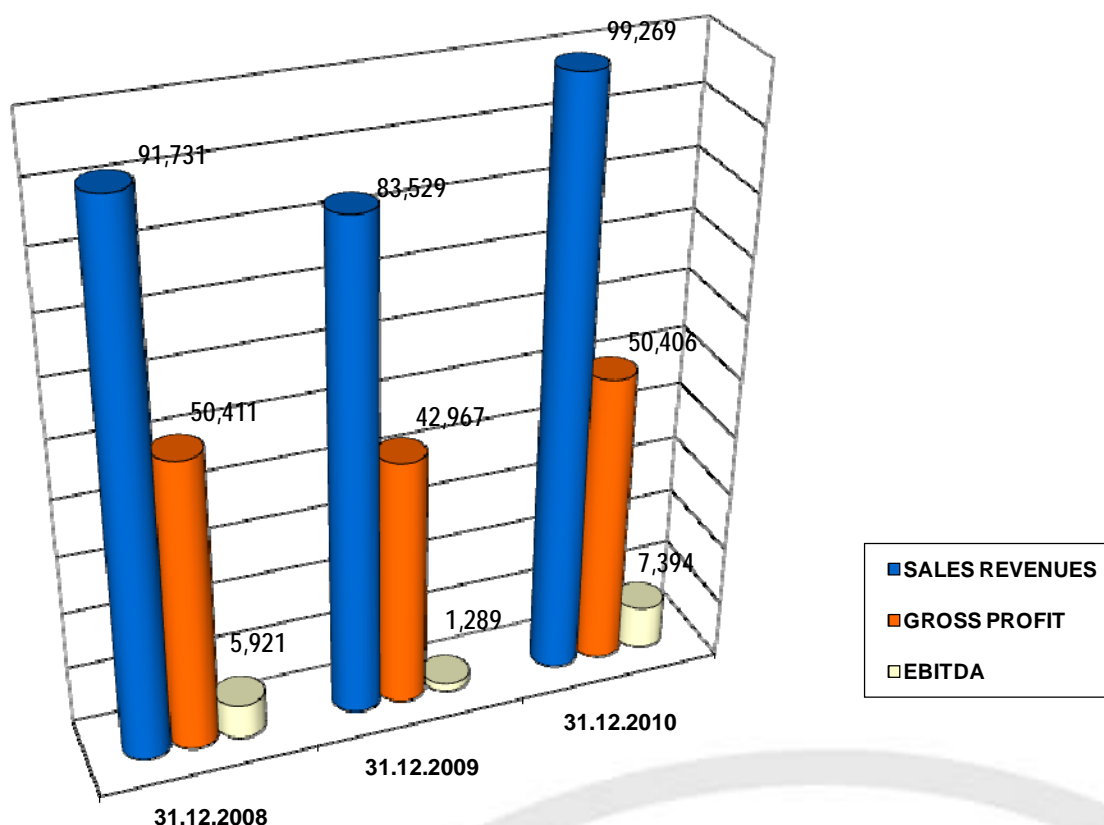
Premise

The Eurotech Group's business and financial results for FY2010 and comparative periods have been drawn up according to the international accounting and financial reporting standards (IAS/IFRS) issued by the International Accounting Standards Board and endorsed by the European Union. Unless specified otherwise, the figures are stated in thousands of euros.

Group business and financial results

	FY2010	%	FY2009	%	FY 2008	%
OPERATING RESULTS €'000						
SALES REVENUES	99,269	100.0%	83,529	100.0%	91,731	100.0%
GROSS PROFIT MARGIN	50,406	50.8%	42,967	51.4%	50,411	55.0%
EBITDA	7,394	7.4%	1,289	1.5%	5,921	6.5%
EBIT (*)	(741)	-0.7%	(6,632)	-7.9%	(13,524)	-14.7%
PROFIT (LOSS) BEFORE TAXES	(3,813)	-3.8%	(8,991)	-10.8%	(15,679)	-17.1%
GROUP NET PROFIT (LOSS) FOR THE PERIOD	(6,079)	-6.1%	(9,601)	-11.5%	(12,708)	-13.9%

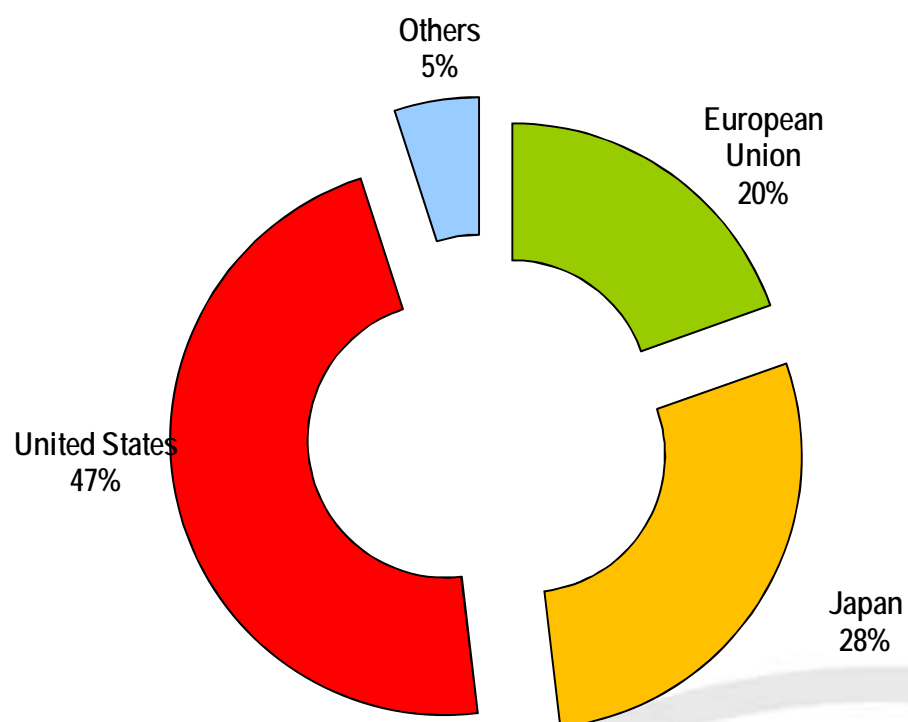
(*) The difference between EBIT and EBITDA as at 31.12.2008 is significantly affected by a non-recurring and non-cash effect which derives from the write-off of the brands ADS and Arcom.



Revenues breakdown by business segment

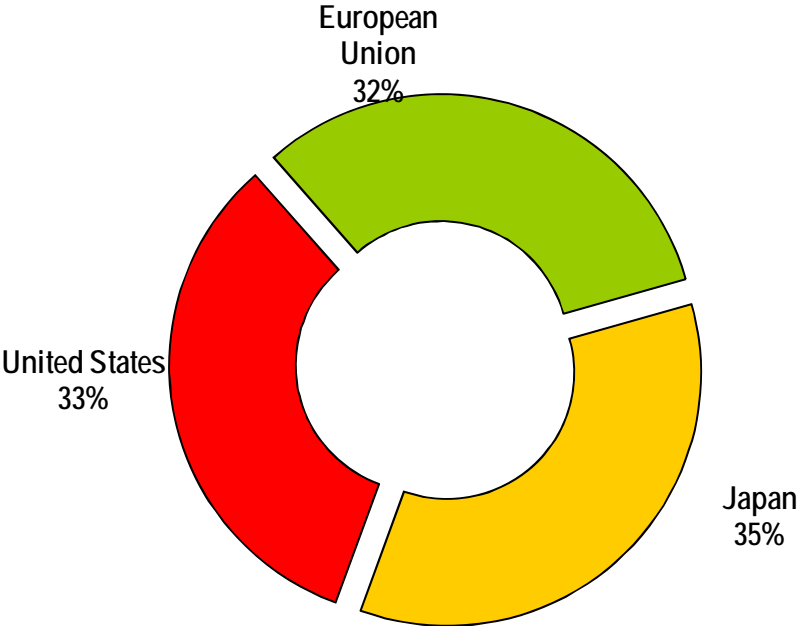
(€000)	NanoPC			High Performance Computer			Total		
	FY2010	FY 2009	% YoY Change	FY2010	FY 2009	% YoY Change	FY2010	FY 2009	% YoY Change
Sales revenues	98,073	82,682	18.6%	1,196	847	41.2%	99,269	83,529	18.8%
SALES BY BUSINESS SEGMENT	FY2010	%	FY 2009	%	FY 2008	%	FY2007	%	
NanoPC	98,073	98.8%	82,682	99.0%	91,413	99.7%	74,385	97.2%	
High Perf. Computer	1,196	1.2%	847	1.0%	318	0.3%	2,152	2.8%	
TOTALE SALES AND SERVICE REVENUE	99,269	100.0%	83,529	100.0%	91,731	100.0%	76,537	100.0%	

Sales volumes in the High Performance Computer business segment are impacted by the high cyclicity that historically has characterized the purchasing behaviour of our current customers: this explains the scant contribution made by HPC to Group revenues in last years.

FY2010 sales revenues breakdown by geographical area*Group employees*

	at December 31, 2010	at December 31, 2009	at December 31, 2008	at December 31, 2007
NUMBER OF EMPLOYEES	455	530	586	624

FY2010 geographical breakdown of employees



Milestones in our history

1992-1994: the “ideas factory”

- 1992** A group of young technicians found Eurotech Srl, based on the idea of miniaturising the PC and using it in as yet unexplored applications. An “ideas factory” model and “fabless” (without a factory), open to Europe – and to the world - (Euro) and to new technologies (tech).
- 1993** Development of the first product based on the PC/104 standard for embedded PCs.
- 1994** Friulia SpA, development finance company of the Friuli-Venezia-Giulia Region, buys into the company, subscribing a capital increase.

1995-2000: from laboratory to firm

- 1995** Eurotech becomes the first producer in the world to launch a PC/104 module on the market based on the Intel 32-bit 486DX processor.
- 1997** Start of the internationalisation strategy's implementation via the first partnerships with European distributors. Eurotech creates one of the world's first 3U boards based on the Intel Pentium processor and compactPCI platform.
The HQ is moved to Amaro (province of Udine in North-East Italy) and the company becomes a joint-stock company (Italian acronym = SpA).
- 1998** Eurotech completes the range of products based on the compactPCI standard and starts production of a new line based on the PC/104Plus standard.
The company Neuricam SpA is set up, a spin-off of the Trento institute for scientific and technological research (IRST). The aim is to design and produce integrated circuits capable of complex image elaboration directly on chips, thus providing neural processors, CMOS digital cameras, and intelligent sensors.
The internationalisation strategy continues with the start of sales in the USA, Asia, and Australia.
- 1999** Activity of the HPC (High Performance Computers) Strategic Business Unit starts with creation of APEmille supercomputers. Designed by the INFN (the Italian national institute of nuclear physics), this was the result of the APE (Array Processor Experiment) project, which aimed to develop a computer capable of processing 1,000 billion operations per second (1 TeraOps).
- 2000** The USA commercial branch is set up.
Launch on the HPC market of clusters based on compactPCI systems.

2001-2007: external growth and internationalisation

- 2001** The venture capital fund First Gen-e of Meliorbanca Spa and Friulia, as merchant bank, become shareholders of Eurotech following a capital increase.
Eurotech inaugurates a new production site in Amaro (province of Udine).
Development starts of the new generation of APEnext HPCs
- 2002** Activities start in China and a commercial office is opened in Shanghai.
The IPS S.r.l. company of Varese is acquired, permitting extension of the product offering to the industrial sector.
- 2003** Acquisition of the Parvus company of Salt Lake City (Utah) is completed in order to consolidate and expand our presence in the USA.

- 2004** Eurotech first acquires the Finnish company Vikerkaar, renamed Eurotech Finland, so as to cover the North European and Chinese markets, and then the French company Erim (based in Lyon), thus entering what is a strategic market for the Group.
- 2005** Eurotech presents APENext, the generation of supercomputers following APEmille, able to provide computing capacity 10 times higher than that of the previous model.
- A research centre is activated in China at the NJUT (Nanjing University of Technology) together with sponsorship at the same university of a new course on design of embedded systems.
- The Scientific Committee is set up, dedicated to the study and identification of trends in future technological scenarios. Its members are prominent figures of major universities and research institutes. Co-ordinated from inside Eurotech by the CTO Giampietro Tecchiolli, their task is to cover, manage and develop the Eurotech Group's "knowledge network".
- Eurotech is chosen as technological partner for supercomputing architectures and systems for the 5-year period 2005-2010 by the LITBIO (Laboratory for Interdisciplinary Technologies in Bioinformatics) consortium, founded by the Italian University & Research Ministry.
- On 30 November, Eurotech SpA, the parent company of the Eurotech Group, is listed in the Star (high performance equities segment) of the Milan Bourse. The global offer is of 8,652,000 shares. Of these 7,450,000 shares are new shares, whilst 1,202,000 are existing shares put up for sale by the venture capital fund First Gen-e, which, at the time of listing, leaves the shareholder group. The remaining 1,297,992 shares owned by First Gen-e prior to the IPO go to form the greenshoe, wholly exercised in view of the very high subscription rate of investors. At the end of the IPO, the total number of share rises to 18,625,296 and there is cash-in from the capital increase of €25.3 million.
- 2006** Eurotech launches the project for development in the Trento area of ETH Lab, the Group's research centre. As part of the project, a co-operation agreement is signed between Trento University, ITC-IRST, and Eurotech to activate a series of research activities in the pervasive and ubiquitous computing sector.
- Acquisition is completed of the Arcom Group, consisting of 100% of the share capital of the companies Arcom Control Systems Ltd based in the UK (Cambridge) and Arcom Control Systems Inc based in the USA (Kansas City).
- The French subsidiary Erim changes its name to Eurotech France.
- In June Eurotech's Board of Directors decides to increase share capital via the issuance of ordinary shares for a total value of €109.2 million
- Presentation of the first prototype of the Zypad, a revolutionary wrist-worn computer that is the result of a technological effort combining circuit miniaturisation, integration of various hardware functions, consumption optimisation, and ergonomic requirements.
- Zypad wins the prize for the most innovative product presented at the 2006 Soldier Technologies Conference in London.
- Eurotech signs a partnership agreement with Finmeccanica SpA, with the aim of exploiting Eurotech's ability to innovate and to develop new-frontier technologies and Finmeccanica's international leadership as a supplier of complex solutions and systems to the aerospace, defence, security, transport, and energy sectors.
- In September, Eurotech attempts to acquire Radstone Technology Plc, launching a PTO on 100% of the British company's shares. The Group's action attracts the attention of its competitor GE Fanuc, which launches a higher counterbid and purchases Radstone. Following this move, Eurotech in any case achieves a result, making a capital gain of €1.3 million, net of purchase costs, thanks to sale to GE Fanuc of the Radstone shares already purchased thus far.
- Eurotech inaugurates the new base in Amaro (province of Udine) on 31 October. The facility, of an area of over 2,000 sqm, has been designed paying the utmost attention to the environment. Thanks to installation of a system of photovoltaic modules, the new Eurotech site is also an example of sustainable building.
- Eurotech invests in the UGV (Unmanned Ground Vehicles) sector, subscribing some 20% of the share capital of the US company Kairos Autonomi. The company, active in the research and development of integrated systems for driverless vehicles, is headed by George (Troy) A. Takach Jr., who had previously founded Parvus.
- The wearable PC obtains the prestigious Frost & Sullivan award for the most innovative product at the 2006 edition of "Ambient Intelligence".

Eurotech reaches an agreement with IBM to integrate IBM Lotus Mobile Connect software inside NanoPC devices.

- 2007** Eurotech completes its acquisition of Applied Data Systems, Inc. ("ADS"), a company based in Maryland (USA). Through this acquisition, Eurotech also receives 65% of the equity of Chengdu Vantron Technology Ltd, a Chinese R&D company operating in the NanoPC sector.

Eurotech and Selex Communications, a Finmeccanica Group company, sign a commercial agreement for the international sale of wearable computers. Selex Communications become Eurotech's exclusive partner for sales of the Zypad wearable computer to Finmeccanica Group companies and, in Italy, to customers in the defence sector and the police, fire-fighting, quasi-military police, finance police and penitentiary police forces. This agreement is a first important result of the partnership agreement signed by Eurotech and Finmeccanica in July 2006.

Eurotech unveils Janus, the world's first computing platform capable of achieving the astounding number of 8 PetaOps, i.e. 8 million billion operations per second. It does so by consuming just 10kWh and occupying a volume of just 2 cubic metres. Janus is the result of Italo-Spanish co-operation, which, since the second half of 2005, involved leading research centres, i.e. the Physics Departments of Ferrara University and the University of Rome "La Sapienza," the Instituto de Biocomputacion y Fisica de Sistemas Complejos (BIFI) at Zaragoza, Zaragoza University, the Instituto de Investigacion en Ingenieria of Aragon and the Universidad Complutense of Madrid and the Universidad de Extremadura of Badajoz.

Eighteen months after joining the Eurotech Group, Arcom UK changes name to become Eurotech Ltd.

Eurotech announces completion of the acquisition of 65% of the shares of Advanet, a Japanese company based in Okayama, and its subsidiaries, Spirit 21, Vantec and Advanet R&D (together, the "Advanet Group"). The purchase agreement also provides for a put & call mechanism for the remaining 35% of the shares of Advanet.

The Civil Protection & Rescue Service (Protezione Civile) of the Friuli-Venezia-Giulia Region choose Eurotech as its partner for development and testing of a fully wearable and non-invasive computerised visualisation, computing, and communication system for operators working in extreme conditions. The aim is to combine the field experience of the Protezione Civile with Eurotech's technologies to equip operators in future with a sort of "personal mini-operations centre," enabling them to receive real-time information (maps, data, etc.) useful for rescue work and also optimising mission co-ordination and management.

Eurotech invests in mini- and micro-UAVs (Unmanned Aerial Vehicles), by acquiring a 21% equity interest in the company U.T.R.I. S.p.A. In consequence, Eurotech has further strengthened its presence in the emerging market for unmanned vehicles.

2008-Today: integration and synergies

- 2008** The MBTA – Massachusetts Bay Transport Authority – choose the RiderNet Wi-Fi platform for the pilot "Wi-Fi Commuter Rail Connect Program", the first US project aiming to provide wireless internet access on trains.

The Zypad wrist computer is chosen by US company ProCat Management Service as the basis for PickRight, the solution developed by ProCat to streamline product picking processes in large distribution centres.

Janus, the new supercomputer designed by a pool of Italian and Spanish researchers and built by Eurotech in laboratories at its Ethlab research centre in Trento, is presented at the European Centre for Theoretical Studies in Nuclear Physics and Related Areas (ECT) in Trento. Giorgio Parisi, one of the most important figures in the international scientific community, also participates in presenting the Janus project. At the moment of its launch. Janus proves to be the smallest, fastest and most energy efficient supercomputer in performing the specific computing functions for which it was designed.

The innovative Catalyst Module is born, based on the brand new Intel® Atom™ processor. The size of a playing card, the Catalyst Module set a record in the segment of embedded boards based on the Intel® Atom™ processor, with a power consumption of about 3W and peak consumption of less than 5W.

Eurotech announces at the Embedded System Conference in April that its US subsidiaries Applied Data Systems and Arcom would be merged into a single company: Eurotech Inc. – a key step in the process of

integration of the Eurotech Group after the major acquisitions carried out over the last few years. On July 1st Eurotech announces the completion of the merger of Arcom and ADS: Eurotech Inc. is officially up and running.

In May, the Finmeccanica Board of Directors approves the acquisition of about 11.1% of Eurotech stock from some of its founding shareholders (Dino Feragotto, Roberto Chiandussi and Giorgio Pezzulli) at a price of EUR 4.60 per share. The aim of acquiring this stake in Eurotech is to strengthen the strategic partnership that began in July 2006. The acquisition of the 11.1% stake is completed in November and the Eurotech Board of Directors co-opts three new directors representing Finmeccanica.

Eurotech and Intel initiate a joint venture to develop HPC systems. Under the multi-year technological co-operation agreement, signed during the visit to Italy of Pat Gelsinger, Vice President and General Manager of the Intel Digital Enterprise Group, the two companies will work together to develop HPC (High-Performance Computing) systems based on Intel processors that will satisfy the computing requirements of medical, industrial and scientific users.

Eurotech's wearable technology bring to fruition the first applications for remote assistance for senior citizens: the Zypad wrist computer and the innovative ZTag pendant become key components of the innovative remote care solution for senior citizens implemented in the Region of Abruzzo by Selex Service Management, a Finmeccanica Group company.

At the ceremony held for the Business Connections Award given by Intel's Embedded Communications Alliance (ECA), Eurotech receives the 2008 Prize for Excellence for the best "Growth in co-selling of the Intel® Atom™ Processor". This extremely prestigious prize reflects the quantity and variety of opportunities pursued by Eurotech in many diverse sectors throughout the United States, including the medical, military, industrial and biometric applications sectors.

2009 Eurotech receives the Platinum Award 2008 from VDC Research Group in the Embedded Board Vendor category. End-users place Eurotech at the highest level (platinum), based on more than 45 assessment criteria. The prize highlights Eurotech's outstanding ability to offer users of its solutions a comprehensive service including technical support, experience and reliability.

Eurotech joins PROSPECT e.V. (PRoMotion of Supercomputing and PEtaComputing Technologies), a leading European consortium for the development and use of next-generation supercomputers, headed by three of Europe's biggest supercomputer consumers: the Jülich Supercomputing Centre, the Barcelona Supercomputing Centre and the Leibniz-Rechenzentrum Garching.

Eurotech announces a scientific, industrial and commercial partnership agreement to target the growing market for supercomputers in Russia and the CIS. The partners in the agreement are: RSC SKIF, a Russian company active in production and marketing; the Program Systems Institute (PSI), the largest HPC research institute in the Russian Academy of Sciences (RAS); Eurotech, which will provide its brand new supercomputer architecture (Aurora); and Intel, which will support the partners by providing processors and assisting with marketing and development.

At the International Supercomputer Conference (ISC) 2009 in Hamburg, Eurotech unveils Aurora, a revolutionary HPC system for installations of any size, up to several petaflops. The advanced technology on which the system is based makes possible unprecedented levels of performance, setting records for carbon footprint reduction and slashing the TCO (total cost of ownership) for installations of any size, offering energy savings of up to 60% with its new direct liquid cooling system, which cuts out the additional costs of traditional cooling systems and fully exploits all available wattage.

Military Embedded Systems magazine, which specialises in analysis of COTS technologies for various military programmes, selects the DuraCOR 820 for its Editor's Choice Award, based on the subsystem's resilience in hostile environments.

US subsidiary Parvus announces a successful maiden flight for the ACMC (Aurora Common Mission Computer) control unit equipping Excalibur, a new unmanned combat air vehicle (UCAV). Excalibur is the third Aurora Flight Sciences programme to use Parvus' ACMC units. The other Aurora tactical operating systems that use these units include the GoldenEye 80 systems.

Advanet receives official confirmation from the JAEA (Japanese Atomic Energy Agency) and KEK (the High Energy Accelerator Research Organisation) of its contribution to the creation of J-PARC in Ibaraki Prefecture in Japan, one of the world's biggest proton accelerator facilities.

Eurotech announces an agreement with DynaVox Mayer-Johnson to produce DynaVox Xpress™, the world's first mobile augmentative communication device, which helps people affected by conditions such as autism,

motor neurone disease and Down's syndrome, or who have suffered a stroke, paralysis or brain injury, to communicate with their carers and take part in educational and work activities.

Eurotech signs a contract with GE Healthcare to supply embedded computers for medical equipment that will enable nursing staff to manage clinical notes more quickly and accurately.

Eurotech joins the United Nations Global Compact, a strategic policy initiative for businesses that are committed to ensuring that markets, trade, business and finance produce economic and social benefits everywhere in the world. The initiative involves a commitment to align operations and strategies with ten fundamental principles in the areas of human rights, work, environment and the fight against corruption. The Global Compact involves both the public and private sectors, and is the world's most important initiative focusing on sustainability and corporate citizenship. Once again, Eurotech has demonstrated its willingness to defend and promote the fundamental principles in which it strongly believes and which it has always applied. Respect for people and their dignity, full compliance with laws and regulations and environmental protection are Eurotech's key values. In pursuing growth and innovation, considerable attention has been paid to promoting quality of life, in all its aspects, and to the protection of the environment in which we operate: it is no coincidence that Eurotech technologies are designed and built to have the lowest environmental impact possible, so that 'smart & green' is not just an ideal, but a reality.



Significant events in 2010

FEBRUARY

ZyWAN router deployed in Regional SmartGrid applications in the US

Eurotech announces an agreement with a major electricity company serving more than two million customers to supply ZyWAN cellular routing modems to support SmartGrid initiatives: the project calls for installation of ZyWAN units at base stations throughout the grid, to manage power flow and wirelessly connect with smart meters for business and residential customers.

The ZyWAN routers wirelessly transmit the smart meter readings and diagnostic measurements to the operational control centre. Using the ZyWAN unit gives the utility a reliable, high-performance network access point for a comprehensive view of its grid. This SmartGrid application of Eurotech's ZyWAN provides near real-time management of customers' power usage and offers optimum customer service while maintaining operational efficiency for the utility. Benefits for end-customers include: automatic meter readings with no need for home visits; more rapid response to meter service requests; online access to tools to monitor energy use; and new tariff options tailored to customer lifestyles to allow for better management of consumption and bills.

MARCH

Eurotech announces the launch of the Aurora AU-5600, the "green" supercomputer based on the latest Intel® Xeon® 5600 processor.

Aurora AU-5600, the next-generation, highly energy-efficient petaflops supercomputer, is launched following introduction of the Intel Xeon 5600 processor by Intel, making Eurotech one of the very first market leaders offering an HPC platform to adopt it. Like other products in the Aurora family, the Aurora AU-5600 uses the liquid cooling solution designed by Eurotech for its HPC products, thus achieving maximum calculation density and reliability.

Eurotech and AuroraScience announce installation of an Aurora AU-5600 HPC system at LISC in Trento

Eurotech and the AuroraScience Collaboration announce their joint programme to install an Aurora AU-5600 system at LISC, a planned Interdisciplinary Laboratory for Computational Science, a joint initiative by the Bruno Kessler Foundation and the University of Trento. AuroraScience is a research project that serves as a point of convergence for computational science and computing architecture, where a wide range of scientific partners take a comprehensive approach to the challenge of defining next-generation, high-performance computers for scientific and technological applications. The AuroraScience project is funded by the Trento provincial authority and INFN. The facility based on the Aurora AU-5600 will initially offer 20 tflops. Because it uses the Aurora liquid cooling system, it will also be one of the "greenest" facilities: the heat produced by the computer will be reused to heat the data processing centre, substantially reducing operational costs and environmental effects.

Eurotech wins USD 7.5 million contract with King County Metro Transit in the US

The contract involves delivery of Dura MAR Mobile Access Routers for more than 1,000 buses in the Seattle area. With this deployment, King County enables wireless communications with various onboard systems, such as vehicle diagnostics, GPS and fare collection, through a single router installed on each bus. Eurotech's DuraMAR will be used to seamlessly connect vehicles to the agency's IP network, transferring electronic fare payments and other operational data to and from buses in transit, providing seamless network roaming for transit signal operation and the display of bus departure information on electronic signs on selected routes, and improving passenger safety by supporting the expanded use of onboard digital video cameras. Under the contract, Eurotech will deliver the DuraMAR to King County Metro Transit in 2010 and 2011, with the option to provide additional routers for public safety vehicles and up to six years of extended warranty support.

JULY

Eurotech wins USD 10m contract to supply embedded computers for electronic ticketing systems

The contract with Cubic Transportation, the world's leading turnkey solution provider of automated fare collection systems for public transport, will deploy Eurotech computers in the electronic ticketing systems of the public transport network of one of Europe's biggest capitals. More than 20,000 Eurotech computers will be installed on buses and at station access points throughout the network. Each unit will interface directly with a smart card reader and relay individual passenger and route information to the central fare management system. The successful introduction of this single-board computer demonstrates not only Eurotech's technical capabilities in embedded solutions, but is also

testament to its ability to build design partnerships with its customers and find practical solutions to the challenges that companies face during complex projects.

SEPTEMBER

Eurotech and Wind River announce collaboration to speed embedded application development

The strategic collaboration will support joint sales, marketing and distribution of Embedded Development Kits, which enable embedded developers to begin application development in less than one hour, when traditional systems require days or even weeks. The two companies thus aim to bring the ready-to-use PC experience to the embedded market.

As part of the Wind River On-Board Program, Eurotech will offer Embedded Development Kits with board support packages of Wind River's embedded Linux operating system specifically validated for Eurotech's Intel® Atom™ processor-based hardware, to help equipment manufacturers save time and money on application integration for faster, more efficient time-to-market. Eurotech is one of the founding members of the Wind River On-Board Program ecosystem, validating multiple embedded computing boards and platforms from Eurotech's product line, including the Catalyst LP computer-on-module and the Helios platform. The use of preintegrated hardware components enables OEMs to spend more time on developing differentiated products than on integrating third-party technologies, reducing overall project risk and getting their projects to market faster.

OCTOBER

New appointment to the Board of Directors of Eurotech SpA.

The Board of Directors of Eurotech SpA formally acknowledges the resignations of Non-Executive Director Filippo Bagnato and co-opts Giovanni Bertolone as Non-Executive Director. Mr Bertolone is Central Director of Operations at Finmeccanica, with responsibility at parent company level for marketing, international programmes, research and development, industrial competitiveness and customer satisfaction.

NOVEMBER

Eurotech increases its shareholding in the Japanese subsidiary Advanet to 90%

With the acquisition of the remaining 1.7% of the share capital of its Japanese subsidiary Advanet, Eurotech has fully exercised the planned option to purchase 25% of the capital of the Japanese company (the option is described in the disclosure document drawn up pursuant to Article 71 of the Regulation approved by Consob Resolution 11971/99, as subsequently amended and supplemented, which was issued on 15 November 2007. See this document for further information). Taking into account the transactions that have already occurred, announced to the market on 15 June 2010 (11.8% of the share capital) and 22 June 2010 (11.5% of the share capital), the exercising of the option on 25% of Advanet's capital cost JPY 1,114,809,631, or €10.0 million, in total.

Eurotech launches a new family of cloud-enabled handheld rugged computers (HRC)

The HRC-4200 and HRC-3100 devices can connect to the Eurotech cloud platform so that customers can create end-to-end data solutions providing immediate data visibility throughout their organisations without the need to buy, set up and maintain IT infrastructure. Customers using this feature of the HRC-4200 and HRC-3100 get immediate business value from data collected at any time and from any location.

The HRC-4200 is a rugged, powerful handheld computer with a large colour display, designed for use in a wide range of mobile applications, combining high performance and efficient operation. The HRC-4200 is the ideal device for mobile users needing to collect, process and communicate data at the point of activity, wherever this may be.

The integrated bar code scanner and highly sensitive GPS receiver can be used for fleet management and to provide customers with proof of delivery (POD). It also supports on-screen signature capture and the use of an integrated Smart Card reader.

Eurotech HRC-3100 is a rugged, handheld and ergonomically designed mobile computer. Its small, compact, lightweight design and its high IP rating (IP54) make the HRC-3100 ideal for use in a wide range of applications such as retail stores, warehousing, field services and supply and production chains.

DECEMBER

Eurotech joins Cisco Solution Technology Integrator programme

As a Solution Technology Integrator, Eurotech will have access to Cisco engineering and sales resources, to ensure a smooth development and validation process to bring Eurotech's products to transportation agencies, municipalities and solutions integrators quickly.

As a member of Cisco's Solution Technology Integrator programme, Eurotech will be able to offer its customers a product that takes full advantage of Cisco's mobile access technology, which is a sector standard. Building the DuraMAR

family on Cisco technology has always been an important selling point; this agreement builds on Eurotech's longstanding relationship with Cisco and further enhances the value and quality the group delivers to customers seeking next-generation solutions.

EVERYWARE™ DEVICE CLOUD wins 2010 Best Electronic Design award for embedded cloud computing

The Eurotech Everyware™ Device Cloud wins the Embedded – Cloud Computing category, as reported in the December 9 issue of *Electronic Design*. With the 2010 Best Electronic Design award for the Everyware Device Cloud, Eurotech is building on the success of its Everyware Software Framework (ESF), which won the Best Software Award in 2009. Eurotech shared the 2009 award with Google's Android platform, highlighting the potential for open source-based development. The Everyware Device Cloud now builds on ESF middleware so that businesses can connect dispersed devices quickly over the cloud, rather than wasting time understanding the IT infrastructure process.

Parvus awarded AS9100 aerospace quality certification

AS9100 encompasses all ISO 9001 requirements with additional quality and safety standards. Accredited ISO registrar Eagle Registrations Inc. assessed Parvus and found it in full compliance with all aspects of this globally recognised quality standard. Parvus received a rare audit score of 100%.

AS9100 was established by the International Aerospace Quality Group (IAQG) to make significant quality and safety improvements in the sector and reduce costs throughout the value stream. AS9100 is rapidly becoming a commercial requirement in the aerospace sector, and many leading manufacturers, including Boeing, now demand AS9100 compliance from their suppliers.



Vision

Computers will be increasingly miniaturized and interconnected. They will merge with the surroundings of everyday life until they become indistinguishable from them, to improve our sensorial and perceptive capabilities.



If we observe the progress of computing technology, it is not difficult to see a clear meta-trend. That trend goes from a computer for many people (the mainframe computer) to a computer for just one person (the personal computer) and, lastly, to many interconnected computers for everyone (PDAs, smartphones, e-books, satellite navigators, Wi-Fi routers, smart tags, multimedia kiosks, digital cameras, ATMs, etc.). Yesterday's computers filled entire rooms due to their size. Tomorrow's computers will invisibly "fill" entire rooms due to their number.

We will no longer use computers as separate devices. They will be sophisticated elements that will give us the means of amplifying external reality and our ubiquity via the Web and via the Cloud. Progress will be such that we will no longer see computers as computers, but as an integral part of our world, as an extension of ourselves. This is what we mean when we talk about the disappearance or invisibility of computers, i.e. that they will become a part of our surroundings and will escape our attention.

All of us can see that there are computers in telephones, household appliances, machinery, cars and in a host of devices and equipment used daily. This ubiquitous presence is not, however, enough. We must not simply make our devices more intelligent or more powerful from the point of view of computation – we have to give them the ability to "perceive" the world. The pervasive computing grid, which today we call Cloud, must be fuelled by data coming from the real world – and the network of wireless sensors is the missing link. When this gap has been bridged, we will finally have an extension of our five senses. We will be able to virtually extend ourselves, going from a human body with good processing ability but lacking sensors to a "hyper body" with a wealth of sensors and outstanding processing ability.

"This will be a time when all human beings on our planet will be able to converse meaningfully with ubiquitous and semi-intelligent technological systems, and use them daily to solve a vast range of very real human problems."

(John Smart, founder and president of the Acceleration Studies Foundation)

"We'll have augmented real reality. The computers will be watching what you watch, listening to what you're saying, and they'll be helping. So if you look at someone, little pop-ups will appear in your field of view, reminding you of who that is, giving you information about them, reminding you that it's their birthday next Tuesday."

(Ray Kurzweil, American inventor and futurist)

Mission

Integrate the state of the art of computing and communication technologies to develop innovative applications, able to provide a competitive advantage to our customers.
Improve everyday life, making it simpler, safer and more pleasant through the ubiquitous and pervasive use of technology.



"The purpose of a computer is to help you do something else". This memorable quote from Mark Weiser sums up of the essence of the usefulness for human beings of the spread of miniaturised and interconnected computers throughout our surroundings.

We see this as a means of relieving man from risky, tiring, distasteful or simply boring activities. We like to give our work an aim that preserves and encapsulates a natural attention to the human and social dimension.

"Ubiquitous computing just might help to free our minds from unnecessary work, and connect us to the fundamental challenge that humans have always had: to understand the patterns in the universe and ourselves within them."

(Mark Weiser, former chief researcher at Xerox PARC)

"It is not about computers anymore. It is about living."
Nicholas Negroponte, co-founder of MediaLab at the MIT and of WIRED magazine

The pervasiveness and ubiquity of miniaturised and interconnected computers means that it is no longer a question of computers – in terms of objects or tools – but is increasingly a question relating to everyday life.

The possibility given by computers to amplify our senses and reality enables us to look at the world from a new angle.

Currently existing technologies can really change the man/computer relationship, making the two's co-existence increasingly symbiotic. Thanks to digital technologies, humans will be able to increase their potential without sacrificing their security and quality of life. The more integrated they are in everyday life, the more effective digital technologies will be.

Valori

Social responsibility is essential for the entire Eurotech Group. Our objective has always been to combine competitiveness and honesty. In pursuing growth, innovation and business results, we also dedicate the utmost attention to promoting the quality of life, employment standards, and human rights.

We are also very attentive to the environment in which we operate and we work on the basis of objectives indicated by international sustainable-development conventions: for these reasons we joined the Global Compact, the largest initiative of sustainability and corporate citizenship in the world, promoted by the United Nations.

Besides aiming for ongoing reinforcement of structural capital, we work very hard on developing human, relational and social capital. We do so because we consider it an investment fundamental for assuring competitiveness, stability and longevity for the entire Group.

This commitment is reflected in the policies and attitudes of our management, which encourages creativity and innovation and adopts operating approaches based on the ethics of relations.

We place great importance on the quality of our management team, with the aim of aiding communication, the exchange of ideas and creation of a strong group identity.

We invest in people, in enhancement of their "key" skills, and in their continuous training and development. We cultivate and champion creation of a work environment based on reciprocal respect and trust and on the safeguarding of health and safety in the workplace.

We believe our tasks include that of assuring all workers the same job and professional opportunities, and equitable treatment based on merit.

In Eurotech, we also want to give the right space to all those people who have ideas, passion, and determination.

We recognise and encourage development of each employee's ability together with teamwork, so that the energy and creativity of individuals is fully expressed in achievement of shared, group-wide successes.

"On a group of theories you can found a school – but on a group of values you can found a culture, a civilisation, a new way for men to live together."
(Ignazio Silone, Italian writer and politician)

"A man without ideals is like a ship without a rudder."
(Mahatma Gandhi)

Business model

The four key elements of the Eurotech model

Even before creating Eurotech, its founders had it clear in their minds that – to compete successfully in such an effervescent market as that of embedded computers in the 1990s – it was vitally important to manage to emerge. To be able to embark on a growth course, Eurotech had to get out of the scrum very fast indeed. And it had to do so without needing huge initial capital. This was why, right from the start, focusing on excellence seemed to be the key to standing out from the crowd, disposing of great intellectual capital but of little economic capital.

For Eurotech this term – excellence – meant a combination of innovation and quality. But that combination as such was not enough. What was needed was an even more distinctive connotation of excellence, one that, above all, worked as well as possible for achievement of sound growth. Because of this, it was immediately clear to everyone that excellence had to be sought remaining within sector standards.

Given this, instead of investing in proprietary or totally customised solutions, Eurotech immediately believed in the standards' strength as a launch pad to project the entire company into the future. The founders had understood from the very outset that it was not enough to give customers high-performance products. Those products also had to be open to the future evolution of technology – which looks set to be overwhelming – whilst also saving on investments in software, which are the largest part of any implementation. Standards could therefore permit innovation based on continuity, endowing products with the prospect of relative compatibility with future discoveries without having to rewrite the software application from scratch. Although retaining the ability and skills to develop customised solutions for special uses or customers, Eurotech chose right from the start to seek excellence with solutions representing the state of the art of the most universally recognised standards.

Today Eurotech, also thanks to its policy of acquiring complementary companies, not only covers all the main electrical and mechanical standards of reference for the embedded market (PC/104, PC/104plus, cPCI, cPCI Express, VME, EPIC, EBX, COM Express and PMC), but also a multi-platform offering, as it is able to supply modules and processor boards with x86, PowerPC and ARM architecture.

The second important choice immediately made – and one which has turned out to be a winner – was to be an “ideas factory” without a “machinery factory”. This is an approach called “fabless”. This means that Eurotech stands out for the absence of nearly all plants and equipment for volume production. Within the value chain, Eurotech performs research, development, engineering and prototyping, quality control and logistics. This means that, for NanoPCs, production departments work solely on producing prototypes and small series, part of product testing (when volume makes outsourcing uneconomical), and on any reworks. As regards supercomputers (HPCs), once again all production of boards, and sometimes of subsystems, is outsourced, whilst final assembly, testing, and burn-in are performed in-house.

After the acquisition of Advanet, the Group also found itself endowed with a small amount of production capacity, which, however, does not exceed 20% of total capacity and is focus on high-end products. The Group thus continues to keep in-house limited production capacity for low-volume production, for prototypes, and for any works considered to be strategic. Production on a large scale is instead nearly all outsourced to contract manufacturers, who then send the products to our Group's various companies for final functional testing and quality control.

The third key element of Eurotech's model is constant monitoring of systems' integration and of the dynamics of the value chain.

In the 1980s the value chain of products based on digital technologies was very long. Numerous components were needed to produce a complete system. They were all specialised and each step in the value chain required specific and specialised players. In practice, those who worked on boards were very far removed from the final customer. But already at that time, there was a clearly evident trend towards integration of the various components (as described by Moore's Law concerning the exponential increase in the number of transistors that it is possible to place in an integrated circuit) and a consequent reduction in the number and specialisation of players in the value chain. Consequently, the distance from the end-user was also decreasing and this meant that the business approach had to adapt accordingly.

Boards changed from being finished products to become increasingly often system components. Given the increase in system complexity and the increasing standardisation of functions, hardware and operating system have increasingly become an inseparable combination. Today, from mere hardware we have progressed to application-ready platforms (ARPs), consisting of casings that encapsulate hardware, the operating system and middleware, an essential element today for those who want to transfer XML, SOAP, web service, and SOA applications to platforms with different

architectures. In future, with the increase in function standardisation, the move will increasingly be towards addition to such platforms of even more software and of possible accessories, to create ready-to-use (R2U) devices.

A further effect of the progressive integration of systems is the changing prospects for man/machine interaction: while in the beginning, the low degree of integration put the focus on machines, it has now shifted to human needs and necessities. Thanks to advances in miniaturisation, the computer is becoming increasingly integrated with man and the real world: from the desk-bound PC we have moved to increasingly portable computers, including wearable computers and networks of miniaturised sensors able to make our surroundings "intelligent". It is therefore now a requirement to create systems and interfaces enabling man not to notice interaction with machines (seamless interface): the computer thus becomes invisible, in the sense that man does not perceive its presence. Eurotech's idea for the future is therefore increasingly to create R2U products that fully integrate with the user's surroundings and personal space, but which, at the same time, do not monopolise his attention and do not force him to interrupt what he is doing. The use of new products and processes based on this concept of invisibility is still in the very early stages in many sectors, and there is scope for providing incentives to create major growth opportunities.

Another trend that is shaping the way in which computers interact between themselves and with people relates to the success of digital information and communication technologies. Since the end of the 20th century, we have been witnessing an irreversible revolution that will lead to profound changes both in society and in individuals. The recent global recession will serve to accelerate the revolution under way, as only the large-scale use of technology will be able to lead the manufacturing and services sectors to new levels of efficiency. Over the next few years we will see a paradigm shift: everything around us will have to become more "intelligent" and "interconnected" so that it can be better managed and better used, increasing efficiency and reducing waste.

With some seven billion people on the planet we will have to do a lot more with a lot less. This shift will rely increasingly on technology, on ever-smaller, interconnected, high-performance computers. Eurotech already has the solutions and competencies to gather data from the real world and put it on the web: from onboard parameters of vehicles on the move to the operating data of plant installations; and from the environmental conditions of specific monitored areas to information on individuals' physiological parameters. We can build pervasive technology platforms that provide a full range of value-added services and functions in the transport, defence, industrial, medical and logistics sectors.

Increasingly powerful, smaller and closely-interconnected computers will generate the pervasive computing grid that we call the "cloud", and will give rise to a "computer exoskeleton", whereby computers, hidden from view, will acquire the ability to be anywhere there is a wireless IP connection. These ubiquitous and interconnected computers will increase the world's visibility, making it more pleasant and sustainable as a result.

The fourth key element of Eurotech's business approach originates from awareness that technologies and products are like human beings: they struggle to grow at the beginning, then grow very fast, after which they reach a plateau and in the end inexorably decline. It is therefore necessary to renew both products and their underlying technologies periodically. And this is indeed the purpose of continuous innovation.

There is, however, intrinsic difficulty in understanding which will be the next driver technology or the next winning product. To do so it is necessary to try, test, and explore. It also has to be said that this exploration of virgin paths may not even produce any type of result at all. Some paths may in fact turn out not to be feasible or, more simply, not economically viable. If the life cycle tells us that sooner or later our product will decline, the question is: among the many technological alternatives, not all of which are winners, which is the right one? Some technologies are doomed to die before they even get to market; others instead will enter the market and will determine its development. In order to maintain our technological leadership, we have to explore as many evolutionary scenarios as possible. To do so, combining efficacy and moderate costs, we use outside partnerships. Because of this, we have set up many relationships with universities and research centres – and in 2005 set up a Scientific Committee to manage this "knowledge network". And it is all based on two fundamentals, i.e. sharing of the development model and sharing of evolutionary scenarios. It is a win/win relationship: the university does research on topics that will not remain in a drawer because they are "sponsored" by a company – and the company can lever a network of researchers with a capacity for parallel exploration of different scenarios that it would otherwise be impossible to create.

Strategic approach to innovation

When one talks of innovations, there are generally two types of approach, i.e. technology-push and market-pull. The first approach starts from what technology is able to give, whilst the second starts from what the market demands or is

able to absorb. They are two opposing approaches – but they can be effectively combined. And that is what we have chosen to do in Eurotech.

For a company like ours, which very much bases its success on technological innovation and on anticipating demand, it is essential that research be driven by a technology-push approach. Only with this approach is it possible to maintain technological leadership and continue developing state-of-the-art solutions. To make the technology-push approach more effective and efficient, the network of outside relations with the “knowledge network” is vitally important. This permits parallel exploration, at limited cost, of several alternative paths. The centre of gravity of technology-push research is therefore very much skewed towards the outside world, with a target outside/inside ratio of 80-20. Given this, in order to maintain an effective hold over research, it is important that control be centralised at parent-company level.

The development part is a different matter. In order to effectively launch research results on the market, it is important to focus on an approach that indeed starts from what the markets want or may appreciate. In a word, the right approach for development is market/pull. Moreover, whilst research benefits from the simultaneous existence of several open fronts, development has to converge towards a product or product family – and it is therefore advisable to limit dispersion of energy and outside interference. Another peculiarity of development is that it necessarily features the entry into play of the specifics of sectors and geographical areas – and centralised control would not permit adequate understanding/exploitation of such specifics. Because of this, development is decentralised and distributed among the various Group companies. By so doing, each of them can conjugate a given product idea in the best way, understand/exploit local specifics, and turn research results into a commercial success.

Straegic approach to growth

In Eurotech, we quickly initiated an external growth strategy, with the aim of achieving critical mass (or tipping point) on a fast-track basis. To grow fast we had to achieve equally fast entry of markets that for us were new, like France, the UK or USA. Starting from scratch, without a customer base and without a brand reputation in those markets, increased risks and the time needed. This is why we have used the acquisition lever: we wanted to grow at a rate of 50% YoY and to maintain that pace we needed acceleration factors that could be found only by going beyond the original company's boundaries.

In the period from 2002 to 2007 we made significant acquisitions and achieved a CAGR of 55.9%. Today we have a company size that places us among the top 10 players in the embedded computers market and this change in scale also enables us, among other things, to look at growth from a new, stronger perspective.

Our approach is based on three strategic guidelines.

The first guideline is the combined growth:

- firstly internally driven, leveraging on group synergies and looking at new types of customers, new sectors and new geographies. On the internal front, we have accumulated, by virtue of the acquisitions completed, organic growth potential that has only partly been expressed, and which have now to be expressed.
- tactically externally driven, once again exploiting the acquisition lever and looking at acquisitions as catalysts of organic growth. There are still many acquisition opportunities and it is therefore important to continue monitoring them to be ready to take them.

The second strategic guideline of the approach to growth is the constant enhancement of the Eurotech brand's reputation. To do this we are working on three fronts:

1. consolidation of corporate identity and promotion of Eurotech's brand
2. corporate visibility thanks to innovative solutions
3. agreements with major industrial and commercial partners.

The third guideline is the maintenance of technological leadership, that is essential to keep faith with our mission of creating innovative solutions that integrate the state of the art of computing and communication technologies. The levers we use are the investments in R&D, the co-operation with research centres and universities, and the acquisition of minority interests in start-ups active in technologies and sectors featuring high potential.

Strategic approach to market

The Eurotech Group's sales model has historically featured clear predominance of the direct channel. This choice was justified, on the one hand, by the desire to maintain a direct relationship with the market and, on the other, by the need to build a strong brand before approaching the market via indirect channels.

Today the growth of our brand recognition is spurring increased use of indirect channels to approach the market. This combination of the direct and indirect sales models goes well with the evolution of our product offering. We are triggering a kind of virtuous circle: the increased strength of the Eurotech brand attracts resellers and brokers, who in our offering find ever-increasing availability of application-ready platforms and ready-to-use products, i.e. of solutions that, on one side are able to benefit more than boards and systems from the specific characteristics of the indirect channel, and on the other side open the path towards commercial partnerships in which Eurotechs provides the computing and communication platforms capable of enabling and supporting the applications or the services of the partner.

Our strategic approach to the market therefore envisages strengthening of indirect sales alongside direct sales.



Products

The essence of Eurotech products

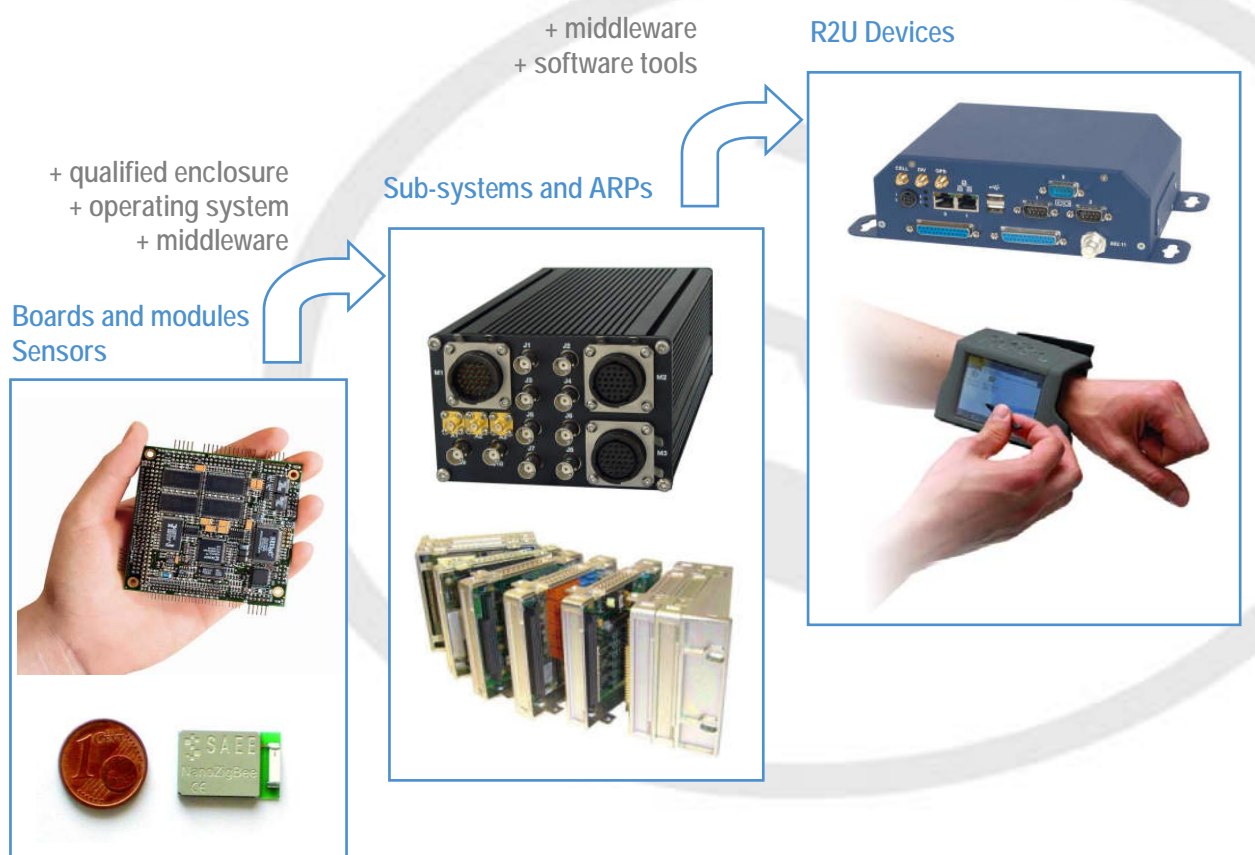
Embedded technology is the basic technology of Eurotech projects. It is an enabling technology, in that it permits miniaturisation. It is the technology on which Eurotech based its foundation and that continues to be in the Group's DNA.

Over the years, two changes have above all coloured the evolution of the embedded computer scenario. Firstly, software has increasingly joined hardware, becoming integrated with it and creating a now inseparable symbiosis. Secondly, the communication dimension has joined the processing dimension.

In each phase of our history we have constantly explored new ways of using computers. In more recent years, it is their growing pervasiveness that has stimulated our creativity. Computers interconnected on a large and small scale enable us to amplify reality, not merely visualise or virtualise it. Today the possibility offered by computers to generate enhanced-reality situations enables us to look at the world from a different angle.

Today the technological paradigm followed by Eurotech is "pervasive computing". With respect to the embedded concept, the pervasive concept involves not only miniaturisation, but also the environmental distribution of devices and their possibility of communicating, thus creating an infrastructure called the "pervasive computing Grid". The pervasive Grid is a new environment in which computers of various sizes (i.e. portable computers, wearable computers, and sensors inserted in everyday objects and in surroundings) and HPCs (high-performance computers) are interconnected by means of a modular and easily expandable communication infrastructure (BAN, PAN, LAN, and WAN).

In this perspective, the Eurotech Group develops and markets Pervasive Computing Devices. These are devices that comprise, among their key components, the embedded boards with which Eurotech was born, even though they are increasingly concealed inside application-ready platforms (ARPs) or ready-to-use (R2U) systems.



Right from the start, Eurotech products have had the highly distinctive characteristic of being able to be used in particularly harsh and challenging conditions, i.e. extreme temperatures, extremely changeable temperatures, humidity,

vibrations, and shocks – all natural conditions of use for our solutions. That is why we have a long tradition of application in rugged environments such as the military, aerospace, and transport sectors.

The durability and reliability of Eurotech products makes them suitable for all uses where malfunctioning is not an option and must not happen, that is to say where anomalous operation or breakdowns may cause major economic damage. This is why our customers include companies that make extremely high-precision industrial machinery or plants required to assure extremely high levels of productivity without sacrificing product quality or without machine outages.

All Eurotech products draw on our continuous research and on the experience that we have built up over the years in the technological fundamentals of miniaturisation, low consumption, and durability. They are all able to meet the strictest standards of reference, such as MIL-810, EN-50155, EN-61373, UN-ECE reg.10, and IP67, etc.



Markets

Our typical customer

The Eurotech Group distributes and markets its solutions globally, both directly and via qualified partners. The Group's customers operate in a variety of sectors, both conventional and emerging, and therefore have different needs. The majority of our customers nevertheless choose us because they see in our Group the ideal supplier or partner to meet some recurrent specific needs.

More specifically, our customers feature increasingly demanding requirements in terms of:

- Low consumption, for devices able to operate for long periods powered by a battery
- Minimum heat generation
- Compact formats and sizes
- Wireless connections (Wi-Fi, GPS, 3G, Bluetooth, ZigBee etc.)
- Durability, for solutions able to withstand harsh environments from all points of view, i.e. temperature, humidity, vibrations, and shocks, etc.
- Superior reliability
- Compliance with specific homologation standards, such as, for example, MIL810, EN50155, EN61373, and ECE, etc.

Besides these functional requisites, our customers also seek in Eurotech a centre of technological competence. They want to reduce their time to market and focus on their core activities. They often need solutions for mission-critical applications, supply of which must be assured for long periods. Because of this, they appreciate our Long Life Cycle, which we achieve also via a Form-Fit-Function approach.

Applications

The Eurotech Group's **NanoPC** offering is structured in lines of products and solutions dedicated to specific market segments:

- Transportation
- Logistics
- Industrial
- Medical
- Healthcare
- First responders
- Security
- Defence
- Aerospace

Even though they are based on the same technologies, Eurotech's products and solutions are employed in many specific application environments, both conventional and emerging. Here are some examples:

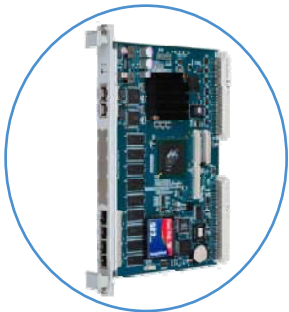
MASS
TRANSPORTATION



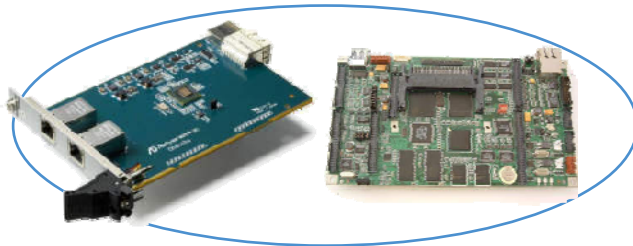
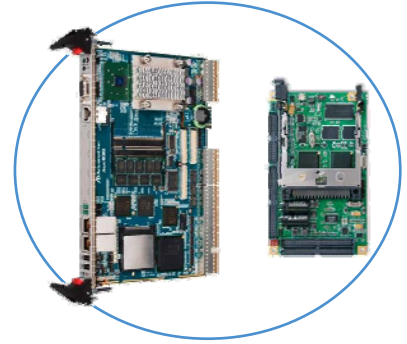
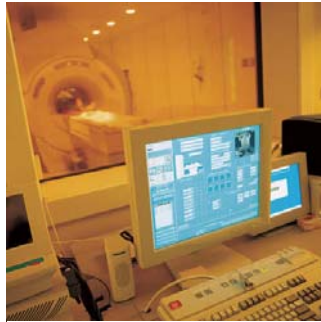
LOGISTICS



MACHINE
AUTOMATION



PROCESS
CONTROL

**MEDICAL &
HEALTHCARE****INSTRUMENTATION
TEST &
MEASUREMENT****DEFENCE AND
AEROSPACE**

Our HPC offering targets research centres, computing centres, and universities requiring extremely high processing capacity, occupying limited space and with minimisation of power consumption. Our compact low-consumption HPCs are demonstrating their usefulness for exploration in the scientific field and in advanced industrial and medical sectors, such as nanotechnology and biotechnology.

**COMPUTING
CENTERS**

(pictures of Eurotech's HPCs)

Corporate information

Board of Directors	
Chairman	Roberto Siagri
Vice Chairman	Giampietro Tecchiolli
Director	Giovanni Soccodato ^{1 2}
Director	Maurizio Tucci ^{1 2}
Director	Sandro Barazza ^{1 2 3}
Director	Chiara Mio ^{1 4 5}
Director	Alberto Felice De Toni ^{1 4 5 6}
Director	Cesare Pizzul ^{1 4 5}
Director	Giovanni Bertolone ^{1 7}

The Board of Directors currently in office (following cooptation on 19 October 2010) was appointed by the Ordinary Shareholders' Meeting of 5 May 2008 and supplemented by the Ordinary Shareholders' Meeting of 27 April 2009. It will remain in office until shareholder approval of the financial statements for the year ended 31 December 2010.

Board of Statutory Auditors	
President	Claudio Siciliotti
Statutory auditor	Michela Cignolini ²
Statutory auditor	Giuseppe Pingaro ²
Substitute statutory auditor	Marco Rubatto
Substitute statutory auditor	Lorenzo Spinnato ²

The Board of Statutory Auditors currently in office was appointed by shareholders at the Ordinary Shareholders' Meeting of 5 May 2008 and supplemented by shareholders at the Ordinary Shareholders' Meeting of 27 April 2009. It will remain in office until shareholder approval of the financial statements for the year ended 31 December 2010.

Independent Auditor	
	Reconta Ernst & Young S.p.A.

The Independent Auditor was appointed for the three-year period 2005-2007 by the Ordinary Shareholders' Meeting of 21 July 2005. This term was extended for the period 2008-2013 at the Ordinary Shareholders' Meeting of 7 May 2007.

Corporate name and registered officers of the parent company	
	Eurotech S.p.A. Via Fratelli Solari, 3/A 33020 Amaro (UD) Udine Company Register no. 01791330309

¹ Non-executive directors.

² Appointed by the Ordinary Shareholders' Meeting of 27 April 2009.

³ Financial Reporting Manager as of 29 May 2008.

⁴ Member of the Remuneration Committee, the Internal Control Committee and the Committee for Related Party Transactions.

⁵ Independent Directors pursuant to the Corporate Governance Code issued by the Italian Corporate Governance Committee for Listed Companies.

⁶ Lead independent Director.

⁷ Coopted on 19 October 2010 and in office until the next Shareholders' Meeting.

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 31 December 2010

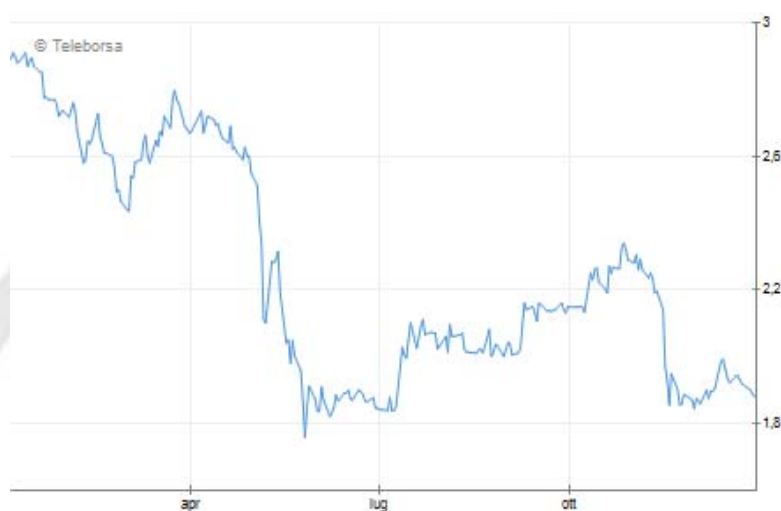
Share capital	€8,878,946.00
Number of ordinary shares (without nominal unit value)	35,515,784
Number of savings shares	--
Number of Eurotech SpA treasury shares	420,140
Stock market capitalisation (based on the share's average price in December 2010)	€67million
Stock market capitalisation (based on the share's reference price at 31.12.10)	€67 million

Performance of Eurotech SpA shares

Absolute performance of EUROTECH SpA shares

01.01.2010 – 31.12.2010

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



Management report

Introduction

The Eurotech Group's results in the 2010 financial year and the comparative period were drawn up according to the IASs/IFRSs issued by the International Accounting Standards Board and endorsed by the European Union. Unless otherwise stated, data are expressed in thousands of euro (€ '000).

The Eurotech Group

The Eurotech Group operates in the sector of research, development, production and marketing of miniaturised computers for special uses (NanoPCs) and high-performance computers (HPC).

"NanoPCs" and "HPCs" are therefore the business lines identified. In the NanoPC segment, the Group's product offering consists of miniaturised electronic modules and systems currently targeting the defence, transport, logistics, medical, and industrial sectors.

In the HPC segment the Group's product offering consists of highly energy-efficient supercomputers which currently target universities, research institutions, and computing centres.

At 31 December 2010 the Eurotech Group consisted of the following companies:

Company name	Business	Share capital	% ownership
<i>Parent company</i>			
Eurotech S.p.A.	Operates in the NanoPC segment with a predominant focus on the Italian market as well as in the High Performance Computers market on a worldwide basis. From an organizational point of view, it serves as holding company at the corporate level	Euro 8,878,946	
<i>Subsidiaries</i>			
Eurotech Inc	Operates in the US market in the NanoPC segment with focus on industrial, medical and transportation 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.	USD 8,000,000	100,00%
Eurotech Finland Oy	Handles the sale and marketing of Group products in Scandinavian countries	Euro 508,431	100,00%
Eurotech France S.A.S.	Active in the French market in the NanoPC segment	Euro 795,522	100,00%
I.P.S. Sistemi Programmabili S.r.l.	Operates in the NanoPC segment under the IPS brand and in the security sector featuring high-end technology with the ETH Security brand	Euro 51,480	100,00%
Parvus Corp.	Operates in the US NanoPC market especially in the defence market.	USD 119,243	100,00%
Sae S.r.l.	Active in technological solutions in the field of sensor networks and wireless applications	Euro 15,500	100,00%
ETH Devices S.r.o.	Company operating in the Eastern European in the nanoPC segment, especially in the segment of handheld devices	Euro 10,000	100,00%
EthLab S.r.l.	Handles research and development on the Group's behalf since 2005	Euro 115,000	99,99%
Advanet Inc.	Operates in the Japanese NanoPC market	JPY 72,440,000	90,00% (1)
Spirit 21 Inc.	Primarily performs purchase, production and product inspection activities on behalf of its direct parent company Advanet Inc.	JPY 10,000,000	90,00% (1)

(1) The acquisition agreement also provides for a put and call mechanism for the remaining 10% of Advanet shares exercisable by 2012 at an as yet undefined price, depending on the market value.



Operating performance

		FY2010	%	FY2009	%
OPERATING RESULTS €'000					
SALES REVENUES		99,269	100.0%	83,529	100.0%
GROSS PROFIT MARGIN (*)		50,406	50.8%	42,967	51.4%
EBITDA	(**)	7,394	7.4%	1,289	1.5%
EBIT	(***)	(741)	-0.7%	(6,632)	-7.9%
PROFIT (LOSS) BEFORE TAXES		(3,813)	-3.8%	(8,991)	-10.8%
GROUP NET PROFIT (LOSS) FOR THE PERIOD		(6,079)	-6.1%	(9,601)	-11.5%

(*) Gross profit is the difference between revenues from sales of goods and services and use of raw materials.

(**) Result before depreciation, amortisation and impairment of assets, valuation of equity interests in affiliates using the equity method, financial income and charges and income tax for the year (EBITDA).

(***) Operating result (EBIT) before valuation of equity interests in affiliates using the equity method, financial income and charges and income tax for the year.

Group revenues grew by 18.8% (€15.74 million), rising from €83.53 million in 2009 to €99.27 million in 2010.

This increase, which took place throughout the year, confirms the recovery in revenues after business volumes fell year-on-year in 2009, for the first time in the Company's history, due to the global economic climate.

The Group's international presence was an important factor in mitigating the negative effects of the recession, and today the distribution on three continents allows Eurotech to benefit from the positive effects of the economic upturn in all of the three regions in which it is present.

Even though it's not yet possible to state that the effects of the economic climate fully depleted in 2010, a recovery in the global macroeconomic situation can be seen in all of the areas in which the Group operates. There were differences between the various countries and sectors in terms of both the intensity of the recovery and its development over time during the course of the year.

An increase in both revenues and orders was registered in the North American region, and the same was true of the European region overall, albeit to a lesser extent. Orders grew more markedly than revenues in Japan, although revenues also increased. In specific terms, orders in North America and Europe were boosted by two large contracts in the transport sector worth \$7.5 million and \$10 million respectively.

The final quarter of 2010, as has been usual in recent years, was a strong one in terms of sales revenues, with a particular concentration in December. As a result of this performance, the second half of the year accounted for some 58% of total annual revenues (53% in 2009).

The first unit of the new-generation supercomputer, named Aurora, was delivered in 2010, and other positive revenue developments are expected in this business area in 2011.

After halting in 2009 due to the global crisis, Eurotech's trend of growth started again in 2010, with improved revenues and operating margins compared with the pre-crisis period.

The crisis was also an opportunity to step up the consolidation of the various Group companies into a single and harmoniously integrated entity. This led to an overall improvement in Group efficiency, giving rise to better and more positive operating margin results.

Before commenting in detail on income statement figures, it should be noted that some figures are affected by purchase price allocation accounting^A in relation to the business combinations of the Arcom Group, Applied Data Systems Inc. and the Advanet Group.

Actual results with and without the effect of purchase price allocation are summarised below:

- EBIT would be €2.63 million rather than €-0.74 million;
- the pre-tax result would be €0.75 million rather than €-3.81 million;
- the net loss would be €3.05 million rather than €6.08 million.

Gross profit remained in line with the quarterly results throughout 2010 and with management expectations at the start of the year, coming in at 50.8%, slightly less than the 51.4% registered in 2009 but higher than 50%, the target level in Eurotech's business model. Some variation in gross profit is natural, since it also depends on the mix of products sold, which generate different levels of profit according to their type, the sectors in which they are used and the markets in which they are sold.

Generally speaking, the stability of gross profit demonstrates the validity of the Group's business model, which is based on the sale of high value products and continued attention to curbing COGS, in a global electronics market still widely characterised by a shortage of electronic parts (chips). Action taken to integrate and harmonise processes for managing purchased materials among the Group's companies also continues to create the positive results expected.

Before adjustments for internal increases, operating costs as a percentage of revenues decreased from 54.3% (€45.37 million) to 47.6% (€47.25 million) in the reporting period, with positive effects on Group EBITDA.

Also in 2010 management pursued its focus on consolidating the synergies between the various Group companies activated in previous years, by implementing strategies to limit fixed costs and rationalising existing resources, while paying close attention to maintaining a complex structure already able to sustain higher turnover levels.

EBITDA grew substantially (by more than €6 million), from €1,289 thousand in 2009 to €7,394 thousand in 2010. EBITDA as a percentage of revenues increased from 1.5% in 2009 to 7.4% in 2010, returning to the levels registered before the global economic crisis. This performance was mainly due to increased revenues as well as reduced operating costs in some regions.

EBIT improved in the period, rising from €-6,632 thousand in 2009 to €-741 thousand in 2010. EBIT as a percentage of revenues was -0.7% in 2010 compared with -7.9% in 2009.

2010 EBIT benefited from both the positive EBITDA performance described above and from depreciation and amortisation in the 2010 income statement. The depreciation and amortisation derived from operating assets that became subject to depreciation in 2010 and from the non-monetary effects of PPA 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 values attributed as a result of purchase price allocation in 2010 was €3,368 thousand, compared to €3,052 thousand in 2009.

^A Specifically, the effects of purchase price allocation accounting relating to business combinations of the Arcom Group, Applied Data Systems Inc. and the Advanet Group may be summarised as follows:

- depreciation, amortisation and impairment: €3,368 thousand (€3,052 thousand for 2009), equal to the higher amortisation charged to the higher value attributed to intangible assets (customer relationships);
- financial expenses: income expenses of €80 thousand relating to redetermination of the option (financial expenses for interest payable of €676 at 31 December 2009) and financial expenses of €1.278 thousand resulting from realized foreign exchange differences (€261 thousand at 31 December 2009) deriving from the payment of the liability for the purchase of a 25% in Advanet Inc. following the exercise of a put option;
- lower income taxes: €1,387 thousand (€1,249 thousand for 2009) resulting from the tax effect on adjustments made;
- higher net profit attributable to minorities: €148 thousand (€132 thousand for 2009) resulting from the effect of purchase price allocation attributable to minorities on adjustments made.

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. This income was affected by the increase in the spread between interest rates payable and receivable, as well as the careful use of cash in individual Group companies. Financial income was also significantly affected by the valuation of the option on 25% of Advanet Inc., which was exercised in several tranches between June and October 2010; the total value of this effect is €1,198 thousand. This negative financial component derives from the combined effect of entry to the income statement of interest income from discounting the foreign currency liability (booked in December 2007) for €80 thousand and a negative exchange rate differential of €1,278 thousand in total due to the appreciation of the Japanese yen against the euro at the time the payments were made.

The pre-tax result improved from €-8,991 thousand in 2009 to €-3,813 thousand in 2010. This performance was influenced by the factors described above. The impact on the pre-tax result of PPA and charges relating to the put option (in 2009 and in 2010) was €4.57 million in 2010 and €3.99 million in 2009.

The Group registered a net loss of €9.601 thousand in 2009, compared with a net loss of €6,079 thousand in 2010. This performance not only reflects the change in the pre-tax result, but is mainly due to the effects of the tax burden on the Group's various units (more details are provided in Note 32) and to a lesser extent to the portion of profit attributable to third parties. Total PPA effects on the Group's net result came to €3.03 million in 2010 and €2.61 million in 2009.

As indicated in the explanatory notes to the consolidated financial statements (Note F), the Group discloses segment information based on the product segment 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 that are currently monitored. These are defined by the location of goods and operations carried out by individual Group companies. The regions identified within the Group are: Europe, North America and Asia.

Changes in revenues and margins for individual business segments and the relative changes in the periods under review are set out below.

(€000)	NanoPC			High Performance Computer			Total		
	FY2010	FY 2009	% YoY Change	FY2010	FY 2009	% YoY Change	FY2010	FY 2009	% YoY Change
Sales revenues	98,073	82,682	18.6%	1,196	847	41.2%	99,269	83,529	18.8%
Gross profit	50,214	42,810	17.3%	192	157	22.3%	50,406	42,967	17.3%
EBITDA	7,786	1,886	312.8%	(392)	(597)	-34.3%	7,394	1,289	473.6%
EBITDA margin - %	7.9%	2.3%		-32.8%	-70.5%		7.4%	1.5%	
EBIT	38	(5,926)	-100.6%	(779)	(706)	10.3%	(741)	(6,632)	-88.8%
EBIT margin - %	0.0%	-7.2%		-65.1%	-83.4%		-0.7%	-7.9%	

An analysis of revenues by main segment shows that the HPC line is not significant in the years under review owing to the cyclicity of the business of the customers operating in this sector, which is also characterised by large orders from a limited number of customers, generally from the world of science and research.

NanoPC revenues were €98,073 thousand in 2010 and €82,682 thousand in 2009, representing an increase of 18.6%. The increase was mainly due to increased sales in North America and Japan.

For the NanoPC segment, the regional breakdown is as follows:

(€ 000)	NorthAmerica			Europe			Asia			Correction, reversal and elimination			Total		
	FY2010	FY2009	%YoY Change	FY2010	FY2009	%YoY Change	FY2010	FY2009	%YoY Change	FY2010	FY2009	%YoY Change	FY2010	FY2009	%YoY Change
Third party Sales	47,608	40,563		21,307	18,477		29,158	23,642		0	0		98,073	82,682	
Infra-sector Sales	1,986	1,710		10,436	2,997		267	1,657		(12,689)	(6,364)		0	0	
Total Sales revenues	49,594	42,273	17.3%	31,743	21,474	47.8%	29,425	25,299	16.3%	(12,689)	(6,364)	-99.4%	98,073	82,682	18.6%
Gross profit	22,565	19,361	16.5%	11,916	10,182	17.0%	16,184	14,092	14.8%	(451)	(825)	-45.3%	50,214	42,810	17.3%
Gross profit margin - %	45.5%	45.8%		37.5%	41.7%		55.0%	55.7%					51.2%	51.8%	
EBITDA													7,786	1,886	312.8%
EBITDA margin - %													7.9%	2.3%	
EBIT													38	(5,926)	-100.6%
EBIT margin - %													0.0%	-7.2%	

North American revenues rose by 17.4%, from €40.6 million in 2009 to €47.6 million in 2010. As well as the exchange rate difference, this growth was due to both the recovery in the industrial sector and the contribution of anti-cyclical sectors (medical, transport and defence).

Europe also registered growth: revenues rose from €18.5 million in 2009 to €21.3 million in 2010, an increase of 15.3%.

Finally, the Asian region registered a revenue increase of about 23%, from €23.6 million to €29.2 million, returning to 2008 levels. This growth was due to both an upturn in the semiconductor equipment segment, which underwent a period of stagnation in 2009, and internal initiatives to find new customers.

The breakdown of revenues by type shows broad stability in revenues from services, while industrial revenues rose in line with the trend in overall revenues.

SALES BY TYPE	FY2010	%	FY 2009	%
Industrial revenues	96,602	97.3%	80,907	96.9%
Services revenues	2,667	2.7%	2,622	3.1%
TOTAL SALES AND SERVICE REVENUE	99,269	100.0%	83,529	100.0%

The regional breakdown of revenues by customer location is shown below:

BREAKDOWN BY GEOGRAPHIC AREA	FY2010	%	FY 2009	%	var. %
European Union	19,411	19.6%	18,485	22.1%	5.0%
United States	46,577	46.9%	38,436	46.0%	21.2%
Japan	28,344	28.6%	22,459	26.9%	26.2%
Other	4,937	5.0%	4,149	5.0%	19.0%
TOTAL SALES AND SERVICE REVENUE	99,269	100.0%	83,529	100.0%	18.8%

Revenues in the US rose by €8.14 million (21.2%). The increase demonstrates the recovery in the US region, where some anticyclical segments (e.g. medical and defence) pursued a trend of growth that began in 2009, while the industrial segment showed signs of a (somewhat patchy) recovery.

Apart from the exchange rate trend, revenue growth in Japan was due to an upturn in the semiconductor segment, which came to a halt in 2009. Revenues increased by €5.89 million in this region.

In Europe, the 5.0% growth registered was due to an improvement in UK and French business, while Italy saw a continuation of the downturn linked to stagnation in markets specific to this area, such as public transport.

(€'000)	FY2010	%of sales	FY2009	%of sales	var. %
Purchases of raw materials, semi-finished and finished products	49,872	50.2%	40,150	48.1%	24.2%
Changes in inventories of raw materials	5,197	5.2%	6,654	8.0%	-21.9%
Change in inventories of semi-finished and finished products	(6,206)	-6.3%	(6,242)	-7.5%	-0.6%
TOTAL COST OF MATERIALS	48,863	49.2%	40,562	48.6%	20.5%

Consumption of raw and auxiliary materials and consumables, shown in the table above, rose from €40,562 thousand in 2009 to €48,863 thousand in 2010. An increase of 20.5% was recorded in the period, reflecting the 18.8% increase in revenues. The increases are not completely proportionate as a direct result of the persistent scarcity of electronic parts (chips) which influenced prices and supply policies. As a percentage of revenues, consumption of raw and auxiliary materials and consumables was therefore slightly higher in 2010, at 49.2%, compared with 48.6% in 2009.

(€'000)	FY2010	%of sales	FY2009	%of sales	var. %
Service costs	17,042	17.2%	15,529	18.6%	9.7%
Rent and leases	2,377	2.4%	2,088	2.5%	13.8%
Payroll	26,447	26.6%	25,694	30.8%	2.9%
Accruals and other costs	1,385	1.4%	2,063	2.5%	-32.9%
Cost adjustments for in-house generation of non-current assets	(2,790)	-2.8%	(2,604)	-3.1%	7.1%
Operating costs net of cost adjustments	44,461	44.8%	42,770	51.2%	4.0%

As a percentage of revenues, other operating costs, net of cost adjustments for internal increases, declined from 51.2% in 2009 to 44.8% in 2010.

In absolute terms, these net operating costs increased by 3.9%, from €42,770 thousand in 2009 to €44,461 thousand in 2010, mainly due to a different exchange rate for the translation of the financial statements. Cost containment during the year led to rationalisation, particularly in the area of personnel costs, which is more clearly visible in the financial statements in local currency. Although they declined in percentage terms, service costs rose in absolute terms, in response to the increase in revenues.

The trend in service costs is shown below.

(€'000)	FY2010	%	FY2009	%	var. %
Industrial services	4,864	56.5%	5,109	32.9%	-4.8%
Commercial services	4,582	53.2%	3,843	24.7%	19.2%
General and administrative costs	7,596	88.3%	6,577	42.4%	15.5%
Total costs of services	17,042	100.0%	15,529	100.0%	9.7%
% impact on sales	17.2%		18.6%		

Service costs rose from €15,528 thousand in 2009 to €17,042 thousand in 2010, an increase of 9.7%. As a percentage of revenues, service costs declined by about 17.2% between 2009 and 2010. In absolute terms, the increase was due in part to the costs of sustaining turnover and in part to the use of a different currency conversion rate for the financial statements of the foreign companies.

Industrial costs fell from €5,109 thousand in 2009 to €4,864 thousand in 2010, mainly due to cost savings on industrial services and a reduction in costs incurred for the industrialisation of new products.

Commercial services costs rose by 19.2%, from €3,843 thousand in 2009 to €4,582 thousand in 2010. The increase was due to a major sales & marketing drive and the different exchange rates used for the translation of the financial statements.

Finally, general costs rose by 15.5%, from €6,577 thousand in 2009 to €7,596 thousand in 2010. In this case there was also a conversion rate effect, combined with an increase in certain fixed costs for operations.

Lease and hire costs were largely unchanged, at about 2.5% of revenues. In absolute terms, these costs rose from €2,088 thousand in 2009 to €2,377 thousand in 2010, due to the costs of new lease agreements.

(€'000)	FY2010	%	FY2009	%	var. %
Wages, salaries, and Social Security	26,093	98.7%	25,304	98.5%	3.1%
Severance indemnities	353	1.3%	382	1.5%	-7.6%
Retirement benefit and similar obligations	0	0.0%	7	0.0%	-100.0%
Other costs	1	0.0%	1	0.0%	0.0%
Total cost of personnel	26,447	100.0%	25,694	100.0%	2.9%
% impact on sales	26.6%		30.8%		

Payroll costs rose by 2.9% in the period, mainly due to the effects of the translation of the financial statements.

Payroll costs as a percentage of revenues fell from 30.8% in 2009 to 26.6% in 2010.

As the schedule below shows, the number of employees at the Group fell during the period under review, from 530 in 2009 to 455 in 2010. This reduction was due to the reorganisation of existing Group resources and is more consistent with the current business model. The reduction also reflects the deconsolidation of 42 staff of Chengdu Vantron Technologies Inc., which has not been included in the Group's scope of consolidation since 31 December 2009.

Staff on the management team and who head management teams at the individual subsidiaries have been extrapolated from the "office staff" item.

Employees	Average 2010	FY2010	Average 2009	FY2009
Manager	20.0	23	18	19
Clerical workers	374.4	346	447.3	429
Line workers	82.4	86	82.8	82
TOTAL	476.8	455	548.0	530

	FY2010	%	FY2009	%	var. %
(€'000)					
Doubtful debt provision	509	36.8%	734	35.6%	-30.7%
Other Provisions	0	0.0%	38	1.8%	-100.0%
Other costs	876	63.2%	1,291	62.6%	-32.1%
Total accruals and other costs	1,385	100.0%	2,063	100.0%	-32.9%
% impact on sales	1.4%		2.5%		

The "doubtful accounts" item refers to provisions made during the years under review to cover any trade receivables that cannot be collected.

The "miscellaneous operating charges" item includes losses on receivables for €44 thousand (€245 thousand at 31 December 2009).

As a percentage of revenues, other provisions and other costs fell from 2.5% in 2009 to 1.4% in 2010.

	FY2010	%	FY2009	%	var. %
(€'000)					
Government grants	233	16.1%	318	29.1%	-26.7%
Sundry revenues	1,216	83.9%	774	70.9%	57.1%
Total other revenues	1,449	100.0%	1,092	100.0%	32.7%
% impact on sales	1.5%		1.3%		

The "other income" item increased by 32.7% in the reporting period, from €1,092 thousand in 2009 to €1,449 thousand in 2010; €585 thousand of the increase was due to non-recurring income deriving from the sale of the entire equity interest of 40% held in the Japanese company Union Arrow Technologies Inc.

Other revenues rose from 1.3% in 2009 to 1.5% in 2010 as a percentage of total revenues.

(€'000)	FY2010	%	FY2009	%	var. %
Amortisation of intangible assets	5,964	73.3%	5,541	70.0%	7.6%
Amortisation of property, plant and equipment	1,887	23.2%	1,664	21.0%	13.4%
Write-down of fixed assets	284	3.5%	716	9.0%	-60.3%
Total amortisation and depreciation	8,135	100.0%	7,921	100.0%	2.7%
% impact on sales	8.2%		9.5%		

Depreciation and amortisation increased from €7,205 thousand in 2009 to €7,851 thousand in 2010. This change is due to increased amortisation of capitalised development costs and amortisation of investments in the period.

As in 2009, asset write-downs in 2010 refer to some projects posted to the "development costs" item for products that did not achieve the market success initially forecast.

Depreciation, amortisation and write-downs of assets as a percentage of revenues fell from 9.5% in 2009 to 8.2% in 2010.

Equity investments in affiliates carried a cost of €405 thousand in 2009 and €1,630 thousand in 2010. The change in the reporting period derives for €1,318 thousand from the adjustment to the presumed realisable value of the shares held in the affiliate UTRI SpA, which presented a debt restructuring plan pursuant to article 182-bis of the Budget Law. The impairment test led to the values entered in fixed assets related to the subsidiary being fully written down (€779 thousand for the carrying value of the equity interest and €539 thousand for the outstanding loan to the affiliate).

	FY2010	FY2009	change %
(€'000)			
Exchange-rate losses	2,451	1,756	39.6%
Exchange-rate losses from PUT option	1,278	261	389.7%
Interest expenses	744	998	-25.5%
Interest expenses due to the discounting	0	676	-100.0%
Expenses on derivatives	305	217	40.6%
Other finance expenses	44	46	-4.3%
Financial charges	4,822	3,954	22.0%

	FY2010	FY2009	change %
(€'000)			
Exchange-rate gains	3,034	1,349	124.9%
Interest income due to the discounting	80	0	n/a
Interest income	262	631	-58.5%
Other finance income	4	20	-80.0%
Financial incomes	3,380	2,000	69.0%
Net financial income	(1,442)	(1,954)	-26.2%
% impact on sales	-1.5%	-2.3%	

The increase in financial charges, which rose from €3,954 thousand in 2009 to €4,822 thousand in 2010, was mainly due to exchange losses related to the acquisition of 25% of Advanet after the put option was exercised by shareholders, as well as exchange losses related to the performance of the US dollar and the pound sterling.

Financial income also rose, from €2,000 thousand in 2009 to €3,380 thousand in 2010. The change was due to both the exchange rate effect and reduced interest income due to fewer cash resources.

Net charges from financial operations as a percentage of revenues fell to about 1.5% in 2010 from 2.3% in 2009.

	FY2010	%of sales	FY2009	%of sales	var. %
(€'000)					
Pre-tax result	(3,813)	-3.8%	(8,991)	-10.8%	-57.6%
Income taxes	(2,200)	-2.2%	(481)	-0.6%	357.4%
Income taxes as a percentage of profit before taxes (effective tax rate)	-57.7%		-5.3%		

The pre-tax result improved and the loss was substantially reduced, from €8,991 thousand in 2009 to €3,813 thousand in 2010. This improvement, as already mentioned, was due to increased turnover and sustained gross profit. The pre-tax result as a percentage of revenues improved from -10.8% in 2009 to -3.8% in 2010. Income tax as a percentage of the pre-tax result in the period under review reflects tax trends at the consolidated companies, as well as the lack of recognition of deferred tax assets on the accrued reportable losses of each company, since to date the prerequisites for recognition do not exist.

The schedule below breaks down the income tax sustained by Group companies for both years under review, distinguishing between current tax and deferred tax assets and liabilities, and between taxes due under Italian law and those due under foreign law.

(€'000)	FY2010	%of sales	FY2009	%of sales	var. %
IRES (Italian corporate income tax)	43	0.1%	0	0.0%	n.a.
IRAP (Italian Regional business tax)	168	0.3%	17	0.0%	888.2%
Foreign current income taxes	3,020	4.6%	2,795	3.3%	8.1%
Total current income tax	3,231	4.9%	2,812	3.4%	14.9%
Net (prepaid) deferred taxes: Italy	2	0.0%	(13)	0.0%	-115.4%
Net (prepaid) deferred taxes: Non-italian	(1,033)	-1.6%	(2,318)	-2.8%	-55.4%
Net (prepaid) deferred taxes	(1,031)	-1.6%	(2,331)	-2.8%	-55.8%
TOTAL INCOME TAXES	2,200	3.3%	481	0.6%	357.4%

Balance sheet

Non-current assets

(€'000)	at December 31, 2010	at December 31, 2009	Changes
Intangible assets	120,328	106,170	14,158
Property, Plant and equipment	6,582	6,858	(276)
Investments in affiliate companies	308	1,381	(1,073)
Investments in other companies	230	243	(13)
Deferred tax assets	1,658	1,172	486
Other non current financial assets	236	236	0
Medium/long term borrowing allowed to affiliates companies	636	511	125
Other non-current assets	1,018	791	227
Total non-current assets	130,996	117,362	13,634

The "non-current assets" item increased from €117,362 thousand in 2009 to €130,996 thousand in 2010. Most of this increase is due to an increase in intangible assets due to the different exchange rate applied in translating the assets of foreign companies. For more details, see section G1 of the notes to the consolidated financial statements. The net decrease in the value of equity interests in affiliates of €1,073 is due to impairment of the full carrying value of UTRI SpA, the sale of some of the shares of Chinese company Chengdu Vantron Technology Inc. and the complete sale of Japanese company Union Arrow Technology Inc., owned by the subsidiary Advanet.

The Group's main investments break down as follows:

(€'000)	at December 31, 2010	at December 31, 2009	Chg.
Intangible assets	3,089	3,182	(93)
Property, plant and equipment	1,056	860	196
Investments	0	245	(245)
TOTAL MAIN INVESTMENTS	4,145	4,287	(142)

Current assets

(€'000)	at December 31, 2010	at December 31, 2009	Changes
Inventories	21,587	17,060	4,527
Contracts in progress	257	819	(562)
Trade receivables	28,971	23,035	5,936
Income tax receivables	1,879	5,627	(3,748)
Other current assets	3,305	1,882	1,423
Cash & cash equivalents	23,751	27,924	(4,173)
Total current assets	79,750	76,347	3,403

The "current assets" item increased from €76,347 thousand in 2009 to €79,750 thousand in 2010.

The net increase in current assets is specifically due to an increase in inventories in response to difficulties with sourcing some parts and an increase in trade receivables due to the high turnover registered in the final quarter, which more than offset a decrease in income tax receivables following the repayment to the US subsidiary of a tax credit of €2.3 million and a decrease in the cash used in supporting ordinary operations and to acquire 25% of Advanet Inc. (for €10,182 thousand).

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 December 31, 2010 (b)	at December 31, 2009 (a)	Changes (b-a)
Inventories	21,587	17,060	4,527
Contracts in progress	257	819	(562)
Trade receivables	28,971	23,035	5,936
Income tax receivables	1,879	5,627	(3,748)
Other current assets	3,305	1,882	1,423
Current assets	55,999	48,423	7,576
Trade payables	(18,824)	(14,171)	(4,653)
Income tax liabilities	(1,214)	(1,766)	552
Other current liabilities	(5,748)	(4,855)	(893)
Current liabilities	(25,786)	(20,792)	(4,994)
Net working capital	30,213	27,631	2,582

Working capital increased by €2,582 thousand due to an increase in inventories and trade receivables, only partially offset by a reduction in tax credits and increased trade payables. Working capital as a percentage of revenues nevertheless decreased, from 33.1% in 2009 to 30.4% in 2010.

Net financial position

The Group had net debt of €8,640 thousand at 30 December 2010, compared with net debt of €10,109 thousand at 31 December 2009.

The net financial position at the end of both periods is broken down in the schedule below.

(€'000)		at December 31, 2010	at December 31, 2009
Cash & cash equivalents	A	(23,751)	(27,924)
Cash equivalent	B=A	(23,751)	(27,924)
Other current financial assets	C	0	0
Derivative instruments	D	339	458
Short-term borrow ing	E	8,985	24,488
Business aggregation liabilities	F	1,066	10,428
Short-term financial position	G=C+D+E+F	10,390	35,374
Short-term net financial position	H=B+G	(13,361)	7,450
Medium/long term borrow ing allowed to affiliates companies	I	(636)	(511)
Business aggregation liabilities	J	0	989
Other non current financial assets	K	(236)	(236)
Medium/long term borrow ing	L	22,873	2,417
Medium-/long-term net financial position	M=I+J+K+L	22,001	2,659
(NET FINANCIAL POSITION) NET DEBT	N=H+M	8,640	10,109

At 31 December 2009, short-term financial liabilities (pursuant to IAS 1.65) included the medium- to long-term portion (€17,193 thousand) of two outstanding loans, for which one of the covenants in the loan agreements was not respected on the basis of the consolidated figures reported at 31 December 2009. In 2010 the lending institutions released a waiver letter in which they formally expressed their willingness to continue the loan relationship on the basis of the original amortisation plan, implementing only one increase on the interest spread applied. At 31 December 2010 the Group complied with the financial covenants contained in the existing loan agreements.

The medium- to long-term financial position, which was negative, increased from €2,659 thousand in 2009 to €22,001 thousand in 2010 due to both the realignment of the loan exposure (€17,193 thousand) and the arrangement of new loans for €9,100 thousand, a portion of which was used to acquire the Advanet shareholding.

In 2010 the Group fully exercised, in several tranches between June and October, the call option on 25% of the share capital of the Advanet Group. The acquisition of this shareholding required a financial disbursement, including charges sustained to complete the transaction, of €10,182 thousand (¥1,135 million), less than the amount estimated at 31 December 2009, which was €10,428 thousand (¥1,389 million).

Overall indebtedness to banks amounts to €31,858 thousand, €8,985 of which is payable in the short term, comprising outstanding loans of €28,704 thousand and current account overdrafts of €3,154 thousand at end-2010.

Cash flow

(€'000)	at December 31, 2010	at December 31, 2009
Cash flow generated (used) in operations	3,185	(2,835)
Cash flow generated (used) in investment activities	(14,377)	(3,649)
Cash flow generated (used) in financial activities	4,953	(3,727)
Change in the conversion difference	2,066	(549)
Increase (decrease) in cash & cash equivalents	(4,173)	(10,760)
Opening amount in cash & cash equivalents	27,924	38,684
End of period in cash & cash equivalents	23,751	27,924

Operations generated positive cash flows of about €3.2 million (compared with negative flows of €2.8 million in 2009), due mainly to the rise in turnover.

Investments were significantly affected by the completion of the acquisition of the Advanet shareholding, and to a lesser extent by investments in the development of new products in the field of embedded modules and systems and internal investments in industrial and commercial equipment and hardware.

Finally, cash flows deriving from financial activities mainly resulted from new loans obtained, partially offset by the repayment of short-term portions of medium-term loans.

Infragroup relations and transactions with related parties

Within the scope of transactions aimed at routine management of the business of the Eurotech Group and the search for new production and commercial synergies, the Group companies maintain reciprocal commercial relations whereby they sell products and services to some Group companies and buy products and services from the same companies. Relations between Group companies are governed by market conditions, taking into account the quality of the goods and services provided. The outstanding balances at the reporting date are not supported by guarantees, do not generate interest (except loans) and are settled in cash. No guarantees, whether given or received, exist in relation to related party receivables and payables. In the period ended 31 December 2010, the Group did not make doubtful debt provisions for sums payable by related parties, except for the write-down following the impairment test on the affiliate UTRI SpA, which reduced the receivable posted by €539 thousand. This valuation is performed every year by examining the financial position of the related parties and the market in which they operate.

Some of the Group companies also have service relations with the Parent Company, which provides administrative, tax, corporate, business and strategic services for Eurotech Group subsidiaries. The reciprocal services and obligations between the subsidiaries and the Parent Company are governed by a specific master service contract.

Relations with related parties include transactions arising in the course of normal business and financial relationships with companies in which the Directors of the Company or its subsidiaries have senior positions, and in relations with the Finmeccanica Group, which owns 11.08% of the capital of Eurotech SpA. These transactions are regulated under market conditions.

Information on related party transactions, as required by Consob Resolution 6064293 of 28 July 2006, are described in Note 33 of the consolidated financial statements.

Based on the information received from Group companies, no unusual or atypical transactions took place as defined by Consob in its notice 6064293 of 28 July 2006.

The schedule below shows 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 spouses not legally separated and underage children, directly or through subsidiaries, trust companies or third parties, taken from the shareholders' register, notifications received and other information acquired by the members of the management and supervisory bodies, general managers and managers with strategic responsibilities, pursuant to article 79 of Consob Regulation 11971/99 as subsequently amended.

		at December 31, 2010							
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	Share at the end of the period indirectly
Siagri Roberto	President	Eurotech	Ownership	2,500,531	-	-	-	2,500,531	1,040,371
Tecchiolli Giampaetro	Director	Eurotech	Ownership	191,015	-	-	-	191,015	-
De Toni Alberto Felice	Director	Eurotech	Ownership	6,003	-	-	-	6,003	-
Mio Chiara	Director	Eurotech	Ownership	-	-	-	-	-	-
Pizzul Cesare	Director	Eurotech	Ownership	-	-	-	-	-	-
Barazza Sandro	Director	Eurotech	Ownership	-	-	-	-	-	-
Bagnato Filippo Nicola	Director up to September 18, 2010	Eurotech	Ownership	-	-	-	-	-	-
Bertolone Giovanni	Director from October 19, 2010	Eurotech	Ownership	-	-	-	-	-	-
Soccodato Giovanni	Director	Eurotech	Ownership	-	-	-	-	-	-
Tucci Maurizio	Director	Eurotech	Ownership	-	-	-	-	-	-
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	20,000	-	-	-	20,000	10,000 (*)
Cignolini Michela	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	-
Giuseppe Pingaro	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	-

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

Reconciliation statement of results for the year and shareholders' equity

The schedule below shows the reconciliation of net income and consolidated shareholders' equity of the Issuer at 31 December 2010 and 31 December 2009:

(€'000)	Profit (Loss) 12/31/2010	Shareholders' Equity 12/31/2010	Profit (Loss) 12/31/2009	Shareholders' Equity 12/31/2009
Financial report of the Parent Company	(523)	107,711	(9,221)	108,116
Group share of shareholders' equity and pro-quota value in consolidated companies	4,590	(51,091)	1,012	(54,169)
Minority purchase	-	22	-	(1,426)
Differential arising from consolidation	-	62,946	-	53,056
Customer relationship	(2,774)	18,701	(2,576)	17,697
Trademark	-	9,747	-	7,953
Reversal of Impairment of equity transactions	(5,109)	-	1,635	-
Effect of valuing equity investments using the net equity method	(179)	(589)	(405)	(373)
Elimination of unrealised internal profit on inventories	(5)	(30)	(19)	(25)
Exchange differences on equity investments in foreign companies	(1,449)	-	651	-
Offset dividends	(1,724)	-	(1,392)	-
Other minor differences	-	-	(226)	-
Tax effects on consolidation adjustments listed above	1,160	(11,933)	1,069	(10,755)
Consolidated financial statements	(6,013)	135,484	(9,472)	120,074

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. There was no change in this figure in 2010.

Investments and research and development

At 31 December 2010, technical investments (tangible assets) in equipment and instruments totalled €370 thousand, investments in other assets were €640 thousand and investments to purchase user and software licences were €249 thousand.

During the period, the Group invested in industrial research and development and technological innovation for new products and improving current processes.

Research resulted in the development of new products/applications in the field of computers and embedded systems, high-integration and low-consumption computers, network appliances and supercomputers. Research also led to improvements in the quality of products, the creation of new products, reduced manufacturing costs and a resulting increase in company competitiveness. We capitalised new-product development costs in the period totalling €2,790 thousand. About 18% of these costs relate to the development of new HPC technologies, about 18% were generated for completion of the Wrist Wearable PC project (specifically the "rugged" (reinforced) version, specially designed for use in extreme conditions) and about 16% related to the development of new products based on Intel's new ultra-low-power architectures. The remaining investment of about 48% went to various areas, including hardware and software and the execution of projects launched in previous years.

Main risks and uncertainties to which the Group is exposed

Risks connected to general economic conditions

The global macroeconomic situation affects the balance sheet, business performance and financial status of the Group. The Group's presence in various regions of the world enables it to spread risk and to benefit from any positive situations arising in some regions in relation to or before other regions.

The Group's presence in anticyclical sectors such as healthcare, defence and transport also supports Group business in periods when general economic circumstances are less than positive and when sectors such as industry and trade are more affected by reduced consumption.

Furthermore, leaving aside slow economic growth or recession, other economic conditions such as fluctuating raw materials prices or reduced spending on infrastructure may negatively affect the markets in which the Group operates, and may, in combination with other factors, have a significant impact on the Group's business outlook, operating performance and/or financial situation.

Risks connected to exchange rate and interest rate fluctuations

The Eurotech Group operates at global level and has invested in countries such as the US, Japan and the UK, deriving cash flows from these countries that are not consistent. In addition, the individual foreign subsidiaries tend to operate on their respective core markets with the respective functional currencies. Owing to these considerations, exchange rate hedging operations are not carried out, despite the fact that the consolidated financial statements are affected by exchange rate fluctuations when the financial statements of companies outside the eurozone are translated.

The Group is exposed via medium-term, variable-rate loans, particularly in Europe and to a lesser extent in Japan. The Group uses hedging instruments to mitigate the effects of interest rate variations.

Steep exchange rate or interest rate fluctuations may have an impact on the Group's business performance and financial results.

Risks connected to liquidity and required financial resources

In view of its current net financial position, the Group plans to meet requirements for expiring financial payables with available cash and cash flows from operations.

The Group believes that, in order to generate positive cash flow, as it did in 2010, it must maintain its turnover at at least the current level and focus on the cost containment strategy launched in 2009.

Group strategy is to maintain the available cash invested in at-sight or very short-term bank deposits, dividing the deposits between a sufficient number of selected banking counterparties operating in various regions.

Since the Group has implemented measures designed to maintain adequate levels of working capital and cash, any contraction in sales volumes may have a negative effect on the cash-generating capacity of the Group's operational units. The Group may therefore find it necessary to arrange further loans and/or refinancing of existing debt, including in unfavourable market conditions, with a general reduction in available financing sources and higher costs. Any difficulties in raising such financing could have a negative effect on the Group's business outlook, as well as on its operational results and/or its financial position.

Risks connected to management

The Group's success largely depends on the ability of certain Executive Directors and other members of management to run the Group and the individual local entities efficiently. Loss of the services of an Executive Director or other key resources without adequate replacement, and any inability to attract and retain new and qualified resources, could have negative effects on the Group's outlook, business performance and operating and financial results.

Risks connected to competitiveness in the sectors in which the Group operates

With some exceptions, the Group's markets are competitive in terms of product quality, innovation, reliability and customer support.

The Group's success will depend on its ability to maintain and build on its share of the markets in which it operates and/or to expand into new markets with innovative products and high quality standards ensuring profit levels similar to those on its current markets.

In recent years competition has become more intense, particularly in terms of price, especially in the embedded screens and modules segment and to a lesser extent in ready-to-use systems and devices.

If the Group were not able to offer more competitive and innovative products than its competitors, the Group's market share could decline, with a negative effect on the profitability and operating and financial results of the Eurotech Group.

Risks connected to customers

In some regions, the Group operates with a limited number of customers. Due to this dependency on certain customers, the loss of these large customers or a significant reduction in the turnover generated from them could have a negative impact on the Group's sales revenues and profitability.

Generally speaking, these customers are not the end-users of our products. Any lack of success of products into which our products are incorporated, and any difficulty experienced by our customers in selling the products that we design or produce for them, could have a negative effect on sales and margins.

Adverse economic conditions in markets where our customers may sell or use our products would lead to a reduction in supplies to these customers. Some of these markets are characterised by intense competition, rapid technological change and economic uncertainty. The Group's exposure to economic cycles and related fluctuations in demand from these customers could have a negative effect on revenues and therefore on the Group's financial situation.

In addition, a decision by some customers to make the products supplied by us in-house would reduce supplies to these customers and therefore sales revenues and profitability.

Risks connected to environmental policy

The Group's businesses and products have to comply with national, community and international environmental legislation. This legislation is becoming increasingly stringent in the countries where the Group operates.

The potential risk to which the Group is subject relates to the processing of electric and/or electronic parts that, pursuant to new legislation, could become unusable in production or separately saleable.

The consequent disposal of such products, or of others that have become obsolete due to technological advances, incurs increasingly high costs.

In order to comply with legislation in force, the Eurotech Group envisages having to continue to sustain costs that may rise in future years.

Risks connected to relations with employees and suppliers

In some of the countries in which the Group operates, employees are subject to various laws and/or collective employment agreements that guarantee them – including by means of local and national representation – the right to be consulted on certain questions, such as workforce reductions. Such laws and/or collective employment agreements applicable by the Group could affect Group flexibility in the redefinition and/or strategic repositioning of its operations. Any unagreed decisions could lead to problems in workforce management.

In addition, the Group acquires raw materials and parts from numerous suppliers and depends on the services and products supplied by other companies external to the Group. Collaboration between producers and suppliers is normal in the segments in which the Group operates, and while this leads to economic benefits in the forms of reduced costs, it also means that the Group has to rely on these suppliers, with the consequent possibility that difficulties they experience (whether due to external or internal factors), including financial difficulties, could have negative repercussions on the Group's business outlook, as well as its operating results and/or its financial situation.

Risks connected to development activity

The Group conducts major research and development projects that can last for more than 24 months. Development activities believed to be capable of producing future benefits in terms of revenues are posted as intangible fixed assets. Not all development activities may lead to production at a level that allows for complete recoverability of the posted asset. When products related to capitalised development activities do not achieve the success expected, the impact on expected Group revenues and profits is determined, as well as whether the asset has to be written down.

Risks connected to the capacity to offer innovative products

The success of the Group's businesses depends on its ability to maintain or increase its share of the markets in which it operates, and/or to expand into new markets with innovative products of a high standard of quality ensuring adequate levels of profitability. More specifically, if the Group were unable to develop and offer more innovative and competitive products than its main competitors, including in terms of price, quality and functionality, or if there were delays in the development of new innovative products, the Group's market share could contract, with a negative impact on the Group's business outlook as well as its operating results and/or financial situation.

Risks and uncertainties connected to goodwill and assets with an indefinite life

The Group carries out impairment tests on goodwill and other intangible assets with an indefinite useful life, at least annually and during the course of the year if there are indications of loss in value. The test requires an estimate of the value in use of the cash generating unit to which the goodwill and other intangible assets with an indefinite useful life are attributed, based in turn on the estimated expected cash flows of the unit and on the discounting of these flows at an appropriate rate.

In view of the general macroeconomic picture and the key sectors in which the Group operates, there is intrinsic uncertainty in estimating the cash flows used to test the assets for impairment. This uncertainty could give rise to the risk of failure to write down goodwill and intangible assets with an indefinite useful life, due to possible overestimation of future cash flows.

Disclosure on the environment and on personnel

Although the Group does not carry out activities that could impact local areas or the environment, it has always tried to operate in line with national and international best practice, in accordance with the rationale of risk prevention and reducing and minimising environmental impacts.

The Eurotech Group has always paid close attention and been highly committed to questions of employee safety, spreading a culture of safety within the organisation, minimising risk exposure in every activity and conducting activities to control, prevent and protect against risk exposure.

There have been no major work-related accidents at the Eurotech Group, and there is currently no risk of work-related illness.

Events after the reporting period

No significant events took place after the reporting date.

Report on corporate governance and ownership structure

The information required by article 123-*bis*, paragraphs 1 and 2 of Legislative Decree 58 of 24 February 1998 as amended and supplemented can be found in Annex 1 of this report.

Subsidiaries created and regulated according to the laws of states outside the European Union

The Board of Directors hereby declares that conditions for listing exist pursuant to article 36 of Consob Regulation 16191/2007 (the "Stock Market Regulation"). In this regard, note that at 31 December 2010 the subsidiaries created and regulated under the laws of countries outside the European Union, pursuant to article 36, paragraph 2 of the above Regulation, are the US companies Eurotech Inc., Parvus Corp. and E-Tech USA Inc. and the Japanese companies Advanet Inc. and Spirit21 Inc., and that the requirements set out in paragraph 1 of the same article exist for these subsidiaries.

Competitive scenario, outlook and future growth strategy

Thanks to the integration and strengthened relations between the Group's various companies, the global positioning of individual subsidiaries, as well as the Group's balance sheet and financial solidity, the outlook for 2011 is positive, even though market conditions in some sectors remain uncertain.

The Group will pursue strategic development in 2011, along guidelines similar to those adopted in the last few years. The implementation of the strategic plan specifically includes the following actions:

- in the field of NanoPCs, the development and offering of new products/solutions with greater added value, with a particular focus on the creation of application-ready platforms (systems) and ready-to-use products;
- in the field of both NanoPCs and HPCs, a focus on products/solutions increasingly closer to the paradigm of pervasive computing or ubiquitous computing;
- the intensification of commercial activities, particularly as regards indirect and direct sales channels; further integration between individual Group companies to increase operating efficiency, benefit from possible economies of scale and consolidate the Eurotech brand image;
- the continuous monitoring of opportunities for new acquisitions to extend the Group's presence in specific markets.

EUROTECH SpA

Report on corporate governance and ownership structure

pursuant to article 123-*bis* of the Consolidated Finance Act (TUF)

Issuer: EUROTECH SpA

Website: www.eurotech.com

Reporting period: financial year 2010

Report approval date: 15 March 2011

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* * *



GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code for listed companies, approved by the Corporate Governance Committee in March 2006 and promoted by Borsa Italiana SpA; available online at www.borsaitaliana.it, under Borsa Italiana - Regulations - Corporate Governance.

Civ. Code/ C.C.: the Italian Civil Code.

Board/ Board of Directors: the Board of Directors of the Issuer.

Eurotech, Issuer or Company: the issuer of listed shares to which the Report refers.

Financial year: the financial year to which the Report refers.

Stock Market Regulation Instructions: instructions for the regulation of the markets organised and managed by Borsa Italiana SpA.

MTA: the Mercato Telematico Azionario (screen-based equities market) organised and managed by Borsa Italiana SpA.

Stock Market Regulation: regulations for the markets organised and managed by Borsa Italiana SpA.

CONSOB Issuer Regulation: regulations issued by CONSOB with resolution 11971 in 1999, relating to issuers.

Report: the Corporate Governance report that the company is obliged to prepare, pursuant to articles 123-*bis* and 89-*bis* of the TUF and 89-*bis* of the CONSOB Issuer Regulation.

TUF: Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act).

To our Shareholders,

As Chairman of the Board of Directors of Eurotech and on behalf of the Board, pursuant to articles 123-*bis* of the TUF and 89-*bis* of the CONSOB Issuer regulation, I wish to provide you with the following information on the corporate governance system adopted by the Company in compliance with the principles set out in the Corporate Governance Code.

The following Annual Report will provide you with mandatory information regarding concrete implementation of the Corporate Governance Code for the financial year ended 31 December 2010.

The information and data set out in this document will be updated annually by the Board of Directors, in future reports on compliance with the Corporate Governance Code.

1. ISSUER PROFILE

Eurotech is a global company, based in Italy with operating locations in Europe, North America, and Asia. The group is active in the research, development, construction and marketing of miniaturised computers (NanoPCs) and high-performance computers featuring high computing capacity (HPCs). The technological paradigm used by Eurotech is pervasive computing, which combines three key elements: (1) miniaturisation of 'intelligent' devices, i.e. devices capable of processing information; (2) their spread in the real world (inside buildings and equipment, on board vehicles, worn by people, and disseminated in the environment); and (3) their ability to connect with each other in a network and communicate. NanoPCs and HPCs are the two major classes of devices that, by connecting to and cooperating with each other, form the pervasive computing infrastructure commonly known as the 'pervasive GRID' or 'pervasive cloud'. Eurotech is most active in the transport, defence, industrial and medical sectors. A common feature of many of our customers is that they are seeking a centre of technological expertise – 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 sector, Eurotech develops supercomputers aimed at advanced research institutes, computing centres and universities. These supercomputers are proving indispensable in advanced sectors such as nanotechnology, biotechnology and subatomic physics. We also expect to see a significant effect on the medical and industrial fields in the near future.

Eurotech is organised according to the traditional model of corporate governance, with a Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

The Company's accounts are audited by a specialised firm specifically retained by the Shareholders' Meeting.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1 OF THE TUF)

a) Share capital

At the date of this Report, the share capital amounts to €8,878,946.00, fully subscribed and paid up, divided into 35,515,784 ordinary shares with no nominal value. The Company holds 420,140 treasury shares in its portfolio, representing 1.184% of the share capital.

The shares are indivisible and dematerialised.

The classes of stock comprising the share capital are summarised in Table 1 attached to this Report.

Stock option plan for employees and Directors

At the date of this Report, there were no stock option plans in existence for the employees or Directors of the Issuer, its parent companies or subsidiaries.

b) Restrictions on the transfer of shares

There are no restrictions on the transfer of shares.

c) Significant shareholdings

The significant direct or indirect shareholdings existing at the date on which this Report was approved, according to the shareholder register, information provided pursuant to article 120 of the TUF and other information available to the Company, are summarised in Table 1 attached to this Report.

d) Shares granting special rights

There are no securities in existence that confer special control rights.

e) Employee shareholdings: voting mechanism

No system of employee shareholdings exists.

f) Restrictions on voting rights

There are no restrictions on voting rights.

g) Shareholder agreements

To the Issuer's knowledge, there is in existence between Finmeccanica S.p.A. ("**FNM**") and Roberto Siagri and Giampietro Tecchiolli an agreement containing provisions relating to article 122 of the TUF (the "**Shareholders' Agreement**") that governs their dealings as shareholders in the Issuer, including provisions relating to the governance of the Company and the rules relating to the sale and purchase of shareholdings in the Company owned by the same, which was signed on 26 May 2008 and came into effect on 5 November 2008.

The provisions of the Shareholders' Agreement refer to a consultation agreement, a voting syndicate, an agreement that puts limits on the transfer of financial instruments and an agreement relating to the joint exercise of a dominant influence, pursuant to article 122, paragraphs 1 and 5, letters a), b) and d) of the TUF.

The agreement covers a total of 6,628,006 ordinary shares in the Company, equivalent to 19.66% of the share capital, including: (a) 2,500,530 shares owned by Roberto Siagri, equivalent to 7.04% of the share capital; (b) 191,015 shares owned by Giampietro Tecchiolli, equivalent to 0.54% of the share capital; and (c) 3,936,461 shares owned by FNM, equivalent to 11.08% of the share capital.

For more information on the Shareholders' Agreement, see the extract and subsequent notices published in accordance with the law.

h) Change of control clauses

On 19 December 2007, a loan agreement was signed with Unicredit Banca d'Impresa SpA for €15,000,000. One of the agreement's covenants imposes a limit on "change of control/ownership", obliging the Company to notify the bank of any changes in the legal or ownership structure (e.g. form, capital, Directors, Statutory Auditors and shareholders, mergers (including by incorporation), demergers, disposals and transfers), administration, assets and liabilities or financial position (e.g. bond issues), or change in the operating and technical situation, as indicated in the figures, items and documents provided when the loan was requested, and of any facts that might change the current structure and organisation of the Company in any way. This covenant will be verified annually and certified by the Company. Failure to comply with this covenant will allow the bank to increase the interest spread by 50 bp if it does not exercise its right to terminate the agreement.

i) Delegations of authority to increase the share capital and authorisations for the purchase of treasury shares

In 2010 the Board of Directors was not granted powers to increase the share capital, pursuant to article 2443 of the Civil Code, or to issue equity instruments.

The Ordinary Shareholders' Meeting of 27 April 2010, pursuant to articles 2357 and 2357-ter of the Civil Code, article 132 of the TUF and the related implementation provisions, resolved:

- (A) to authorise the purchase and sale of treasury shares for the purposes envisaged in market practice relating to the purchase of treasury shares to create a "bank of shares", permitted by CONSOB pursuant to article 180, paragraph 1, letter c) of the TUF with resolution 16839 of 19 March 2009, and therefore (i) for the possible use of the shares as payment in extraordinary transactions, including share swaps with other parties in transactions in the Company's interest, or (ii) for the use of the purchased shares to service programmes to distribute, for consideration or free of charge, options on shares or shares to Directors, employees or partners of the Company or its subsidiaries, as well as programmes to assign free shares to shareholders, and therefore:
1. to authorise, pursuant to article 2357 of the Civil Code, the purchase, in one or more tranches, during a period of 18 months from the date of approval by the Ordinary Shareholders' Meeting, of ordinary Eurotech shares up to a maximum number that, taking into account the ordinary Eurotech shares held at any time by the Company and its subsidiaries, does not in total exceed the upper limit set out under applicable laws in force, for a consideration in accordance with the operational conditions established by the above market practices, including those relating to volumes pursuant to article 5, paragraphs 2 and 3 of Regulation (EC) 2273/2003 of 22 December 2003, provided that the unit price is no lower than 15% less and no higher than 15% more than the official price recorded by the Eurotech share on the stock market trading day preceding each purchase transaction, or, in cases where purchases are carried out through public purchase or exchange offers, at a price no lower than 15% less and no higher than 15% more than the official price recorded by the Eurotech share on the stock market trading day preceding the public announcement; to mandate the Board of Directors to identify the respective quantities of shares to purchase in relation to each of the purposes listed above, before launching the individual purchase programmes;
 2. to mandate the Board of Directors, and the Chairman and Chief Executive Officer acting on the Board's behalf, to purchase shares under the terms and for the purposes described above, conferring the broadest possible powers to carry out share purchase transactions pursuant to this resolution, as well as any other formality related to these purchases, including the delegation of tasks to intermediaries authorised pursuant to law and with the power to appoint special attorneys, at the pace deemed most advantageous for the Company, in compliance with the

legislation in force and using the methods set out in article 144-*bis*, paragraph 1, letters a) and b) of the CONSOB Issuer Regulation, and therefore in accordance with the parity of treatment of shareholders, pursuant to article 132 of the TUF;

3. to authorise the Board of Directors, and the Chairman and Chief Executive Officer acting on the Board's behalf, to sell, pursuant to article 2357-*ter* of the Civil Code, in one or more tranches, treasury shares purchased on the basis of this resolution or in the Company portfolio, by selling these shares on- or off-market, in compliance with the legal and regulatory provisions currently in force and for the purposes set out in this resolution, using the terms, methods and conditions of disposal of the treasury shares deemed most advantageous for the Company, conferring the broadest possible powers to perform share sale transactions pursuant to this resolution, as well as any other formality related to these sales, including the delegation of tasks to intermediaries authorised pursuant to law and with the power to appoint special attorneys, provided that (a) disposals carried out as part of extraordinary transactions, including equity exchanges with other parties, may take place at the price or value that is congruous and in keeping with the transaction, according to the characteristics and nature of the transaction and also taking account of market performance; and that (b) disposals of treasury shares to service programmes to distribute, for consideration or free of charge, options on shares or shares to Directors, employees and partners of the Company or its subsidiaries, as well as programmes to assign free shares to shareholders, may take place at a price established by the competent corporate bodies as part of these programmes, taking account of market performance and applicable legislation, including tax law; all such disposals must be carried out in compliance with the terms and methods, also operational, established under the applicable provisions of CONSOB resolution 16839 of 19 March 2009. Authorisation pursuant to this point is granted without time limits;
- (B) to ensure, in accordance with the law, that the purchases covered by this authorisation do not exceed the limits of distributable earnings and available reserves as recorded in the most recent annual report approved at the time the transaction is carried out, and that, at the time of the purchase and sale of treasury shares, the necessary accounting information has been recorded, in compliance with the applicable laws and accounting standards.

At the date of this Report, the Company owns 420,140 treasury shares, equivalent to 1.184% of the share capital, acquired on the basis of the resolution of the Ordinary Shareholders' Meeting of 7 May 2007. The value of these shares recorded in the financial statements is €1,045,350.33.

j) Management and coordination

Eurotech is not subject to management and coordination pursuant to article 2497 *et seq.* of the Civil Code.

For further information pursuant to article 123-*bis* of the TUF, please see the following sections of this Report:

- information required by article 123-*bis*, paragraph 1, letter i) relating to agreements between the Company and the Directors that provide for compensation in the event of resignation or dismissal without just cause or in the event that the employment relationship ends due to a public purchase offer, is provided in Section 9 of the Report;
- information required by article 123-*bis*, paragraph 1, letter l) relating to the appointment and replacement of Directors and amendments to the Company bylaws, where these differ from the applicable laws and regulations as supplemented, is provided in Section 4.1 of the Report;

- information required by article 123-bis, paragraph 2, letter b) relating to the main features of the risk management and internal control systems is provided in Sections 10 and 11 of the Report;
- information required by article 123-bis, paragraph 2, letter c) relating to information on the operational mechanisms of the Shareholders' Meeting, its main powers, shareholder rights and how these are exercised, is provided in Section 16 of the Report;
- information required by article 123-bis, paragraph 2, letter d) relating to information on the composition and functioning of the management and supervisory bodies and their committees is provided in Sections 4, 6, 7, 8, 10, 13 and 14 of the Report.

3. COMPLIANCE

Eurotech has adopted the principles contained in the Corporate Governance Code, which is available on the website of Borsa Italiana at www.borsaitaliana.it.

Eurotech SpA and its subsidiaries are not subject to non-Italian legal provisions that influence the Company's corporate governance structure.

4. BOARD OF DIRECTORS

4.1. Appointment and replacement of Directors

The provisions of the Issuer's bylaws governing the composition and appointment of the Board of Directors are designed to ensure compliance with the provisions of Legislative Decree 27 of 27 January 2010, concerning implementation of Directive 2007/36/EC, relating to the exercising of certain rights of the shareholders of listed companies. Amendments to bring the bylaws up to date with the new legislation were approved by the Board meeting of 21 December 2010, at which time the Board of Directors also updated the bylaws to take account of the provisions of Legislative Decree 39/2010 (relating to auditing). With regard to the nature and scope of the proposed amendments, note that the changes relate only to necessary updates to bring the bylaws into line with the legislative amendments, and that (also in relation to the limits of competence of the management body pursuant to article 2365, paragraph 2 of the Civil Code) the changes to the bylaws are to be regarded as provisional pending a more organic and far-reaching change with a subsequent resolution by the Extraordinary Shareholders' Meeting.

Pursuant to article 14 of the Company bylaws, the Board of Directors has no fewer than five and no more than 11 members. The Ordinary Shareholders' Meeting determines their number at the time of appointment. If the number of Directors has been set at a level lower than the maximum limit, the Shareholders' Meeting may increase this number during the Board's term. Directors must satisfy the requirements envisaged by law and other applicable measures, and a minimum number of Directors, corresponding to the legal minimum, must satisfy the independence requirements envisaged in article 148, paragraph 3 of the TUF.

Note that, since it is listed on the STAR Segment of the MTA, the Issuer is obliged to have a sufficient number of Independent Directors on its Board of Directors in order to continue to qualify, and therefore to fulfil the criteria established by article IA.2.10.6 of the Stock Market Regulation, which make provision for: at least two Independent Directors for Boards of Directors with fewer than eight members; at least three Independent Directors for Boards of Directors with nine to 14 members; and at least four Independent Directors for Boards of Directors with more than 14 members.

The Directors serve for a term of three years, expiring on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term. They may be re-elected at the end of their mandate.

Article 14 of the Company bylaws in force stipulates a list voting system for the appointment of Directors. The lists must be presented by shareholders following the procedures specified below, in which the

candidates are listed in numerical order.

The lists that are submitted and signed by the shareholders must be lodged with the registered office of the Company and made available to anyone who requests them, at least 25 days before the first call of the Shareholders' Meeting, and will be subject to other forms of notice in accordance with the laws in force.

Shareholders, including those party to shareholders' agreements pursuant to article 122 of the TUF, the Parent Company, subsidiaries, and companies subject to joint control pursuant to article 93 of the TUF, must not, directly, or through an intermediary or a trust company, submit more than one list or participate in the preparation of more than one list, and must not vote for different lists. Candidates are restricted to one list only, on penalty of disqualification. Acceptances and votes cast in breach of this rule will not be assigned to any list.

Only those shareholders who, either alone or together with other shareholders submitting lists, own a total of voting shares that represent at least 2.5% of the voting capital at the Ordinary Shareholders' Meeting, or representing any other percentage established by legal and regulatory provisions, may submit lists. With resolution 17633 of 26 January 2011, CONSOB set the minimum shareholding for submitting lists of candidates for the election of the Issuer's Board of Directors at 4.5% of the share capital, for the year ended 31 December 2010.

Each list must be filed by the above deadlines, together with the following documentation:

- (i) statements in which the individual candidates accept their candidacy and certify, under their own responsibility, that there are no grounds for their ineligibility or incompatibility, and that they satisfy the requirements for the respective positions;
- (ii) *curricula vitae* setting out the personal details and professional qualifications of each candidate, indicating any reasons why the candidate qualifies as independent.

Proof of ownership of the equity interest required for submission of the list, declared according to the terms and methods provided for in the laws and regulations currently in force.

Lists not submitted according to the above rules shall be considered null and void.

The Board of Directors shall be elected as follows:

- a) all Directors to be elected but one shall be taken from the list receiving the highest number of votes, and they shall be elected in the numerical order of listing;
- b) the remaining Director is taken from the minority list with no direct or indirect links with the shareholders submitting or voting for the list described in point a) above and receiving the second highest number of votes. If the minority list referred to in point b) does not receive a percentage of votes that is at least equal to one half of those required for submitting the lists, pursuant to article 14.3 of the bylaws, all the Directors to be elected shall be taken from the list referred to in point a).

If the candidates elected using the methods described above do not ensure the appointment of the minimum number of Directors fulfilling the independence requirements established for Statutory Auditors by article 148, paragraph 3 of the TUF prescribed by law in relation to the total number of Directors, the non-independent candidate elected last in numerical order on the list receiving the greatest number of votes, pursuant to point a) above, will be replaced by the first independent unelected candidate in numerical order on the same list, or, failing this, by the first independent unelected candidate in numerical order on the other lists, according to the number of votes obtained by each list. This procedure shall be applied until the Board of Directors comprises a number of members that complies with the requirements set out in article 148, paragraph 3 of the TUF, equal to at least the minimum prescribed by law. Finally, if this procedure does not ensure the final result indicated above, the vacant position shall be filled by shareholders' resolution passed with a relative majority, following the submission of candidates satisfying the aforementioned requirements.

If a single list is submitted or if no list is submitted, the Shareholders' Meeting passes a resolution by legal majority, without complying with the procedure described above.

If one or more Directors' positions become vacant during the year, and providing that the majority of the remaining Directors were elected by the Shareholders' Meeting, the following provisions of article 2386 of the Civil Code apply:

- a) the Board of Directors shall fill the vacant positions with individuals on the list from which the departing Director was elected, and the Shareholders' Meeting shall pass a resolution with a legal majority, in compliance with the same criterion;
- b) if the aforementioned list does not contain any more candidates who have not been previously elected or candidates satisfying the envisaged prerequisites, or if it is not possible for any reason to comply with the provisions of point a) above, the Board of Directors shall fill the vacancy as the Shareholders' Meeting shall subsequently decide, by legal majority without a voting list. In any event, the Board of Directors and the Shareholders' Meeting shall appoint replacements in order to ensure the presence of as many Independent Directors as necessary to comply with current legal minimums. If the majority of Directors appointed by the Shareholders' Meeting resign or leave office for other reasons, the remaining Directors must call a Shareholders' Meeting to fill the vacant positions.

If one or more Directors' positions are vacated during the year, the provisions of law shall apply to their replacement if the Shareholders' Meeting does not resolve to reduce the number of Directors set in accordance with the aforementioned procedures. If the majority of Directors appointed by the Shareholders' Meeting resign or leave office for other reasons, the remaining Directors must call a Shareholders' Meeting to fill the vacant positions.

In accordance with the provisions of article 14.2 of the Company bylaws, the current Directors satisfy the applicable regulations or legislation.

Amendments to the Company bylaws

Amendments to the Company bylaws must be made by resolution of the Extraordinary Shareholders' Meeting through a legal majority vote.

Pursuant to article 19 of the bylaws, the Board of Directors is responsible for passing resolutions on the following matters, in compliance with article 2436 of the Civil Code: (i) simplified mergers and demergers, pursuant to articles 2505, 2505-*bis*, 2506-*ter*, final paragraph of the Civil Code; (ii) relocation of the Company's registered office within Italy; (iii) capital reductions in the event of redemption; and (iv) updating the Company bylaws to comply with regulatory provisions, without prejudice to the fact that these resolutions may also be adopted by the Extraordinary Shareholders' Meeting.

4.2. Composition

There were no changes to the composition of the Board of Directors during the year ended 31 December 2010, apart from those specified below.

On 5 May 2008, the Ordinary Shareholders' Meeting, after expiry of the mandate of the previous board, appointed a new Board of Directors comprising Roberto Siagri, Dino Feragotto, Massimo Mauri, Giampietro Tecchioli, Roberto Chiandussi, Giorgio Pezzulli, Alberto Felice De Toni, Cesare Pizzul and Chiara Mio. On this occasion, as provided for in article 14.3 of the Company bylaws, the Shareholders' Meeting voted by legal majority without using the list voting system, at the proposal of shareholder Giorgio Pezzulli.

The Board of Directors was expanded by cooptation pursuant to article 2386 of the Civil Code at its meetings of 8 August 2008 (which appointed Sandro Barazza to replace resigning member Massimo Mauri) and 14 November 2008 (which appointed Filippo Bagnato, Giovanni Soccodato and Maurizio Tucci to replace resigning members Dino Feragotto, Roberto Chiandussi and Giorgio Pezzulli).

On 27 April 2009, the Ordinary Shareholders' Meeting ratified the appointment of Sandro Barazza, Filippo Nicola Bagnato, Giovanni Soccodato and Maurizio Tucci, formerly elected by cooptation and therefore in office until the following Shareholders' Meeting. In particular, Filippo Nicola Bagnato, Giovanni Soccodato and Maurizio Tucci were appointed at the proposal of the shareholder Finmeccanica S.p.A. (a party to the Shareholders' Agreement described in Section 2, letter g) of the Report), while Sandro Barazza was appointed at the proposal of shareholder Roberto Siagri (also a party to the Shareholders' Agreement).

On 16 September 2010, Director Nicola Filippo Bagnato resigned, and on 19 October 2010, the Board appointed Giovanni Bertolone by cooptation, pursuant to article 2386 of the Civil Code.

The current Board of Directors, which will remain in office until approval of the financial statements for the year ended 31 December 2010, is composed of the following nine members: Roberto Siagri, Giampietro Tecchiolli, Sandro Barazza, Alberto Felice de Toni, Chiara Mio, Cesare Pizzul, Giovanni Bertolone, Giovanni Soccodato and Maurizio Tucci.

The *curricula vitae* of the Directors are held at the Issuer's registered office and can be viewed in the Investors section of its website at www.eurotech.com.

Table 2 attached to this Report lists the members of the Board of Directors in post at the date of this Report, and provides information on the position held and the date this position was assumed; it also indicates whether the Director is non-executive or independent, the Director's percentage attendance of Board meetings and the number of director/auditor positions held by each Director in other companies listed on regulated markets (including abroad), in financial companies, banks, insurance companies or large companies.

Maximum number of positions allowed in other companies

All members of the Board of Directors are required to take decisions in an informed, independent manner with the aim of creating value for shareholders, and are committed to dedicating the time necessary to discharge their functions diligently. Accordingly, each candidate for a Director's position shall first determine whether he/she can discharge the assigned duties with due care and effectiveness when accepting a position at the Company, particularly in view of the number of director/statutory auditor positions held at other companies listed on regulated markets in and outside Italy, in financial companies, banks, insurance companies, or large companies, and the overall commitment required by these other positions. Each member of the Board of Directors must also inform the Board of Directors if he/she has accepted positions as director or statutory auditor in such companies, so that full disclosure thereof may be provided in the annual report on operations.

The Board of Directors does not deem it necessary to impose preset limits on numbers of positions held by Eurotech Directors in the management and supervisory bodies of other companies. It is understood, however, that it is the duty of each Director to assess whether director/auditor positions held in other companies listed on regulated markets, financial, banking, insurance or large-scale companies is compatible with diligent performance of the tasks assumed as a Director of Eurotech. At its meeting of 15 March 2010, the Board, after reviewing the positions currently held by board members in other companies, decided that the number and nature of these positions do not interfere and are compatible with the effective performance of their roles as Directors of the Issuer.

With regard to the positions held by Eurotech Directors (including Directors whose mandates expired during the year) in other listed companies and in financial, banking, insurance or large-scale companies, the following table shows the main activities carried out by members of the Board of Directors outside the company, in accordance with application criterion 1.C.2. of the Corporate Governance Code:

Name and surname	Company	Management and supervisory positions
Roberto Siagri	EUROTECH S.p.A. (Italy - Amaro (UD)) (Eurotech S.p.A. Group)	Chairman of the Board of Directors
	E-Tech Inc. (USA) (Eurotech Group)	Chairman of the Board of Directors
	Eth Devices SO (SK) (Eurotech Group)	Executive Director
	Advanet Inc. (Japan) (Eurotech Group)	Director

	Eurotech Finland Oy (Finland) (Eurotech Group)	Chairman of the Board of Directors
	ETHLab Srl (Eurotech Group)	Director
	Parvus Corp. (USA) (Eurotech Group)	Director
	Eurotech France S.A (Eurotech Group)	Director
	Nextra Gen Srl	Sole Director
Giampietro Tecchioli	ETHLab S.r.l. (Eurotech Group)	Chairman of the Board of Directors
	Eurotech France SA (Eurotech Group)	Chairman of the Board of Directors
	Eth Devices SO (Eurotech Group)	Executive Director
	Assisted Living Consortium (ALC)	Vice Chairman and Director
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Vice Chairman and Director
	E-Tech USA Inc. (Eurotech Group)	Director
	Advanet Inc. (Japan) (Eurotech Group)	Director
	Eurotech Ltd (Eurotech Group)	Director
	EVS – Embedded Vision Systems (Eurotech Group)	Director
	Istituto di Genomica Avanzata di Udine (IGA)	Executive Director
Sandro Barazza	IPS – Sistemi Programmabili S.r.l. (Eurotech Group)	Executive Director
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech Group)	Director
	Eurotech Inc. (USA) (Eurotech Group)	Director
	Parvus Corp. (USA) (Eurotech Group)	Director
	Eurotech Ltd (UK) (Eurotech Group)	Director
	Eurotech Finland Oy (Finland) (Eurotech Group)	Director
	Advanet Inc. (Japan) (Eurotech Group)	Director
	UTRI Unmanned Technologies Research Institute - SpA (Eurotech Group)	Director
	Eurotech France S.A. (France) (Eurotech Group)	Director
	Spirit 21 Inc. (Japan) (Eurotech Group)	Statutory Auditor
Chiara Mio	Colorprint	Substitute Auditor
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech Group)	Director
	CO.MEC Distretto della Componentistica e della Meccanica SCRL	Director
	MCZ S.p.A.	Statutory Auditor
Alberto Felice De Toni	The Business Games S.r.l.	Chairman of the Board of Directors
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Director
	Associazione Vicino/Lontano	Member of the Executive Board
Filippo Nicola Bagnato	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Director
	Selex Service Management S.p.A.	Director
	Alenia Aeronautica S.p.A.	Director
	IVECO - OTO MELARA SCARL	Director
	Finmeccanica Consulting Srl	Director
	ATR	Director
Giovanni Soccodato	Alenia Aeronautica S.p.A.	Director
	Elsag Datamat S.p.A.	Director
	Selex Sistemi Integrati S.p.A.	Director
	Fondazione Ricerca & Imprenditorialità	Supervisory Board member
	Telespazio Holding S.r.l.	Director
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Director
	BDI DRS Technologies, Inc.	Director
	MB MBDA B.V.	Director
Tucci Maurizio	Thales Alenia Space SAS	Supervisory Board member
	Banca Impresa Lazio	Chairman
	Alitalia Maintenance Systems SpA	Chairman and Chief Executive Officer
	Finmeccanica SpA	Senior Advisor to the Chairman and Chief Executive Officer
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Director
	Fondazione Musica per Roma	Director

	Investimenti S.p.A.	Director
	Professor of Corporate Organization at LUMSA University – Rome	Director
Cesare Pizzul	FORT S.r.l. (Italy – Sossano (VI))	Director
	SUNSHINE S.p.A. (Italy – Sossano (VI))	Director
	EUROTECH S.p.A. (Italy - Amaro (UD)) (Eurotech S.p.A. Group)	Director
	Syrion BVBA (Belgium - Hoogstraaten Meer)	Director
	WULFENIA BUSINESS CONSULTING GmbH (Austria - Klagenfurt)	Sole Director
	WULFENIA CONFIDA doo (Croatia - Rijeka)	Executive Director
	TEHNOGIPS DOO (Croatia - Rijeka)	Executive Director
	MULTIKOMP DOO (Croatia - Rijeka)	Executive Director
	Antwerp Corporate Management BVBA (Belgium - Hoogstraaten Meer)	Executive Director
	WULFENIA CONSULTING BELGIUM (Belgium - Hoogstraaten Meer)	Executive Director
Giovanni Bertolone	Finmeccanica S.p.A.	Central Operation Director
	CIRA S.c.p.A.	Director
	Finmeccanica Consulting S.r.l.	Director
	Fondazione Ricerca & Imprenditorialita'	Management Board Member
	Iveco – Oto Melara Societa' consortile r.l.	Director
	AnsaldoBreda S.p.A.	Director
	Unione Industriale Torino	Director
	EUROTECH SpA (Italy - Amaro (UD)) (Eurotech SpA Group)	Director

4.3. Role of the Board of Directors

The Board of Directors plays a key role in the Company organisation. It develops and is responsible for strategic and organisational policies, and verifies the existence of the controls necessary for monitoring performance of the Company and the companies of the Eurotech Group.

The Board of Directors is vested with full authority for Company management and may accordingly resolve or carry out all those acts deemed necessary or useful for implementation of the corporate purpose, with the exception of what is reserved by law or the Company bylaws for the Shareholders' Meeting.

The Board of Directors is also responsible for resolving on the following matters, in compliance with Section 2436 of the Civil Code:

- (i) simplified mergers and demergers, pursuant to articles 2505, 2505-*bis* and 2506-*ter*, last paragraph, of the Civil Code;
- (ii) establishment or closure of branch locations;
- (iii) relocation of the registered office within Italy;
- (iv) indicating which Directors have been made legal representatives;
- (v) reducing the share capital following redemption;
- (vi) amending the Company bylaws in line with regulatory provisions;

without prejudice to the fact that these resolutions may also be taken by the Extraordinary Shareholders' Meeting.

On 15 May 2008, the Company's Board of Directors assumed exclusive responsibility for the following matters, in addition to the resolutions indicated above and without prejudice to matters that cannot be delegated by law:

- (i) examining and approving the strategic, business and financial plans of the Company and the corporate structure of the group that it heads; specifically, this includes examination and approval of

the business plan and annual investment budget, as well as additions and/or changes to the same documents in an amount exceeding 20% of what was originally envisaged;

- (ii) granting and revoking delegations of authority to the Chief Executive Officers; defining the limits and procedures for exercising the delegations of authority, as well as the reports to be made by the Chief Executive Officers on how these were exercised; appointing Group company General Managers;
- (iii) after receiving the opinion of the Board of Statutory Auditors, determining the remuneration of the Chief Executive Officers and those with special duties, as well as subdividing the total remuneration owed to individual Directors if the Shareholders' Meeting has not provided for this; determining the pay and compensation of Group company General Managers;
- (iv) defining the terms and conditions for the stock option or stock grant plans and identifying plan beneficiaries;
- (v) monitoring general operating performance; while carrying out this function, the Board of Directors carefully assesses potential conflicts of interest, considers the information received from the Chief Executive Officers and periodically compares the results achieved with budget targets;
- (vi) examining and approving transactions having a specific impact on operating results, equity and the financial position pursuant to the CONSOB regulations governing listed companies;
- (vii) examining and approving related party transactions;
- (viii) acquiring or disposing of assets or a set of strategic assets that are instrumental to the Company's activity;
- (ix) purchasing or selling interests or equity investments in other companies, and purchasing, selling or leasing businesses, business units and real estate;
- (x) monitoring the adequacy of the general organisational and administrative structure of the Company and Group put in place by the Chief Executive Officers;
- (xi) establishing, registering and renewing mortgages and liens granted either to third parties by the Company or by third parties to the Company; permitting cancellations and limitations on mortgages granted either to third parties by the Company or by third parties to the Company; waiving and subrogating mortgages, including the legal aspects, and carrying out any other mortgage transaction, granted either to third parties by the Company or by third parties to the Company, while releasing public registrars from any and all liability;
- (xii) hiring, suspending and dismissing executives, concluding the relevant agreements, determining compensation, duties and any deposits, and fulfilling all obligations inherent in and arising from management of these relationships.

In 2010, the Board, in line with the recommendations of the Code:

- examined and approved the strategic, business and financial plans of the Issuer and the Group that the Issuer heads;
- examined and approved the corporate governance system of the Issuer and the structure of the Group that the Issuer heads, drafting and adopting the Company's corporate governance rules and the Group's governance guidelines;
- assessed, on at least a quarterly basis, the adequacy of the organisational, administrative and general accounting structure of the Issuer and the strategically important subsidiaries put in place by the Chief Executive Officer, with a particular focus on the internal control system and the management of conflicts of interest according to the procedures adopted by the Issuer in this regard. In carrying out this activity the Board received, according to individual cases, the support of the Internal Control Committee, the Compliance Officer and the Financial Reporting Manager, and made use of procedures and audits, including those set out in Italian Law 262/2005. During its meeting of 15 March 2011, the Board, on the basis of the calculations of the Internal Control Committee, assessed

the Company's organisational, administrative and general accounting structure and expressed a positive opinion on the internal control system and, more generally, on the corporate governance system of the Company and the Group that the Issuer heads.

- after examining the proposals of the Remuneration Committee and consulting the Board of Statutory Auditors, determined the compensation of the Chief Executive Officers and other Directors holding specific positions, and subdivided the total remuneration for individual Directors, where the Shareholders' Meeting had not done so;
- evaluated, on at least a quarterly basis, overall operation performance, taking into account, in particular, the information received by the delegated bodies, and comparing the results achieved with projections on a regular basis;
- examined and approved in advance, in accordance with current regulations, (i) transactions of the Issuer and its subsidiaries with strategic, business, asset or financial importance for the Issuer; (ii) transactions in which one or more Directors have an interest on their own behalf or on behalf of third parties, and (iii) more generally, related party transactions; for more information on the management of conflicts of interest and related party transactions of the Issuer, see Section 12 below.

The Shareholders' Meeting has not authorised any exemptions from the provisions relating to competitors laid down in article 2390 of the Civil Code.

Pursuant to article 17 of the Company bylaws, a majority of current Directors must be in attendance for resolutions to be valid. Resolutions are passed by a majority of the voting members, with the abstaining members not being included in the calculation.

Pursuant to article 19.2 of the Company bylaws, the Board of Directors – within the limits imposed by law or the bylaws – may delegate its own authority and powers to the Executive Committee and may also appoint one or more Chief Executive Officers to whom to delegate authority and powers.

The same article envisages that the Executive Committee, the Chief Executive Officer or the Chief Executive Officers if appointed, must adequately and promptly report to the Board of Directors and the Board of Statutory Auditors at least once every quarter on the exercise of the delegated authority and activities performed, the general operating performance and business outlook, and the most significant transactions in terms of scale and characteristics carried out by the Company and its subsidiaries. Pursuant to article 21 of the Company bylaws, the Board of Directors may appoint an Executive Committee, setting its term and number of members in advance. The Chairman and Vice Chairman or Vice Chairmen (if more than one and if appointed) are *ex-officio* members of the Committee.

Pursuant to article 22 of the Company bylaws, the procedures for the calling of meetings and the functioning of the Executive Committee, without prejudice to the provisions of applicable regulations or the Company bylaws – are defined by the specific Regulations approved by the Board of Directors.

Board meetings

Board meetings are chaired by the Chairman or, if he/she is absent or prevented from attending, by the sole Vice Chairman or, if there are several Vice Chairmen, the one with the greatest seniority in that position who is in attendance and, if they have the same seniority, the oldest in age. The Chairman – or the person acting for him/her in the cases set out above – calls the Board meetings, sets their agenda and moderates their proceedings, ensuring that the Directors are promptly provided with the necessary documents and information pursuant to article 16 of the Company bylaws. The Chairman also chairs the Shareholders' Meeting, performing the roles and functions set out in article 10.2 of the Company bylaws.

The Board of Directors meets regularly, and whenever the Chairman deems necessary, or when it is requested by the Chief Executive Officer or at least three board members. Board meetings may also be called by two Statutory Auditors, upon notification to the Chairman of the Board of Statutory Auditors.

The Board of Directors held eight meetings during 2010, on: 15 March, 14 May, 30 July, 27 August, 19 October and 12 November and two on 21 December.

The meetings were duly minuted.

The average meeting duration was one hour.

The members of the Board of Directors and the Board of Statutory Auditors regularly attended these meetings.

At least four meetings are planned for the current year, according to the calendar of Board meetings (previously communicated to the market and Borsa Italiana SpA in accordance with regulatory provisions). In addition to the meeting held on 15 March to approve the draft financial statements and the consolidated financial statements, the Board of Directors is scheduled to meet on the following dates:

- 13 May (approval of the first-quarter results to 31.03.11);
- 29 August (approval of the first-half results to 30.06.11);
- 14 November (approval of the third-quarter results to 30.09.11);

The financial calendar is available in Italian and English in the Investors section of the Company website at www.eurotech.com.

4.4. Delegated bodies

a) Chairman of the Board of Directors

Pursuant to article 25 of the Company bylaws, the Chairman is the legal representative of the Company and has power of signature for it. If the Chairman is absent or prevented from attending, these powers are exercised by the Vice Chairman or Vice Chairmen, according to the provisions of the bylaws. The Chief Executive Officer(s), if appointed, is/are also legal representatives of the Company, within the limits of the delegated authority.

The Board meeting held on 23 May 2008 granted Roberto Siagri, Chairman of the Board of Directors, full powers of representation and ordinary management with free power of signature, including those in the following (non-exhaustive) list, to carry out and supervise the organisation and management of the Company and its subsidiaries:

Legal representative:

- representation of the Company before any third party;
- representation of the Company, either actively or passively, before the administrative and financial civil and penal authorities, at every order and level of jurisdiction, including for judgements of revision and appeal, appointing and terminating as necessary lawyers, attorneys and experts, filing complaints and making applications to take part in proceedings as a civil party. Settling and reconciling judgements and withdrawing from proceedings; submitting disputes for arbitration and carrying out all formalities related to arbitration judgments;
- filing all reports or declarations that the Company must submit pursuant to law;
- delegation of authority and conferring special and/or general powers of attorney to establish acts or categories of acts within the scope of the powers conferred.

Shareholders' Meetings:

- as the Company's representative, discussion and settlement of all administrative matters before any authority and agency, ministry or state entity, signing petitions and appeals, requesting and collecting refunds;
- representation of the Company before all authorities, agencies or entities with jurisdiction over tax matters;
- filing of all reports or declarations that the Company must submit pursuant to law;
- signing and filing tax returns and declarations.

Administrative and tax representative:

- signing and submitting petitions, appeals, objections and reservations against tax assessments, arranging and defining practice in all tax matters, requesting and collecting refunds;
- participation in inspections by the tax police and any other authority, signing the relevant reports;
- filing of all reports or declarations that the Company must submit pursuant to law;
- requesting, from any competent authority, administrative and public safety licences, particularly trade licences, including registration thereof in his/her own name as the Company's legal representative.

Representative to CONSOB and Borsa Italiana SpA

- representation of the Company before CONSOB and the market management companies, including in any proceedings that might have been filed with them, with the authority to draft notices and/or any other document pursuant to legal and regulatory provisions;
- filing of all reports or declarations that the Company must submit pursuant to law.

Trademarks and patents:

- depositing, abandoning, limiting and expanding invention patents for ornamental, utility and industrial models for factory and commercial trademarks in Italy and internationally, protecting them in administrative venues, performing all necessary acts pursuant to the laws in force, appointing correspondents for this purpose and granting them all necessary powers;
- representation of the company in all matters regarding the depositing, registration, and cancellation of patent, trademark and utility model rights.

Representation in associated companies:

- the exercising of voting rights and representation of the Company at Shareholders' Meetings, in consortia or other entities in which the Company has equity interests, and the exercising of all the Company's other rights in relation to its interest in these other companies, consortia or other entities, delegating authority to third parties as necessary;
- representation of the Company to subsidiaries or foreign affiliates, as well as representatives and customers outside Italy in general, and before foreign bodies and authorities in general.

Employees:

- recruitment, suspension and termination of employees, with the exception of executives, executing the relevant agreements, defining remuneration, duties and any bonds, and satisfying all relevant obligations consequent upon administration of employment relationships;
- execution, amendment and termination of agreements with external consultants and freelance employees;
- representation of the Company before trades unions, with the power to settle disputes;
- representation of the Company before all authorities, entities and institutes with regard to labour matters;
- representation of the Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations;

Contracts of sale and exchange:

- participation in tenders held by state agencies and public and private entities in Italy and abroad, for the supply of goods and services in general, submitting bids and, if the contract is awarded, granting

authority for signing the contracts for each individual tender or bid for amounts up to € 5,000,000.00 (five million/00);

- execution and approval of all documents and agreements relating to the transfer of goods and provision of services, with the exception of capital assets, connected with the Company's activity, for a value of up to € 5,000,000.00 and/or with a duration of three years or more;
- examination, amendment, approval and cancellation of contracts of sale and exchange, including those that envisage the receipt of commissions, finished and semi-finished products, raw materials and goods for performing corporate activities for a value of up to Euro 2,500,000.00;

Agency agreements:

- examination, amendment, approval and cancellation of agency, commercial licensing or sub-licensing, commission and bailment agreements.

Company management agreements:

- examination, amendment, approval, execution and termination of any document and agreement necessary for management of the Company whose individual value is less than € 1,000,000.00 and whose duration is less than three years;
- examination, amendment, approval, execution and termination of partnership agreements with universities and research institutes and joint venture agreements, except, in the latter case, where the Board of Directors is exclusively responsible for transactions with a specific impact on the operating results, equity and financial position pursuant to CONSOB regulations for listed companies;
- examination, amendment, approval, execution and termination of lease agreements, including finance leases and commercial leases and subleases for the use of goods in the amount of up to € 500,000.00 and with a duration of up to nine years;
- requesting all forms of new loans and credit lines from banks, amending, approving and cancelling loans in euro and/or foreign currency, with the power to sign the related documentation for amounts of up to € 2,500,000.00 for each loan and/or credit line, with a total annual limit of € 5,000,000.00, excluding financial transactions in countries on the blacklist kept by the Ministry of Economic Affairs;
- execution of all transactions with factoring companies, including the execution of agreements, sale of receivables and/or acceptance of sales by suppliers, the establishment of guarantees, collection orders, discounting and anything else connected with factoring relationships;
- examination, amendment, approval and cancellation of supply contracts in general, including service agreements, work agreements and similar provision of goods and all relevant and consequent acts for an amount equal to or less than € 1,000,000.00 per single agreement, other than the sale of goods, provision of services and participation in tenders as described in the previous two points;
- definition of guidelines for cash pooling operations, such as, but not limited to, opening and closing of deposit accounts, swaps, negotiation of interest rates, the commencement and termination of operating mandates and, in general, all similar transactions.

Vehicles:

- representation of the Company before all authorities and entities, signing all documents regarding the legal status of vehicles and authorising the driving of Company vehicles by employees or third parties.
- the purchase, sale and exchange, up to a limit of € 100,000.00, of any land transport vehicle, executing the related formalities with the competent public automotive registers, including the arrangement and cancellation of mortgages.

Financial transactions and relations with banks:

- within the limits of the granted credit lines, execution of any debit or credit transaction on the Company's current accounts at banks and post offices in Italy and abroad, excluding countries on the

blacklist published by the Ministry of Economic Affairs; issuing, endorsing and collecting bank cheques and having issued, endorsing and collecting banker's drafts;

- issuing, receiving and endorsing bills of exchange; having issued, accepting and endorsing merchandise notes;
- execution or release of security deposits in cash or securities;
- depositing public or private securities with banks, in custodian, trust or pledge accounts; withdrawing them by issuing a receipt in release thereof;
- rental and cancellation of the rental of safe deposit boxes, with the power to open them and remove their contents;
- issuing bills of exchange and endorsements only to suppliers and for legal transactions, accepting bills only from suppliers and only if issued on legally compliant orders.

Administrative matters:

- collection of postal and telegraph money orders and issuance of the related receipts;
- collection of postal packets, registered and insured letters from any post office and issuance of the related receipts;
- giving and accepting security deposits;
- executing all customs clearance transactions, making and withdrawing the required deposits and all other matters with the Customs Offices, signing all documents as necessary.

Endorsement and collection of negotiable instruments

- negotiating, signing for and collecting bills (paper and IOUs), promissory notes, cheques and any other trade instrument or bill, signing the relevant documents, endorsements and receipts;
- endorsement of bills, cheques and all other negotiable instruments for collection;
- filing protests, issuing orders to pay, taking preventive and enforcement measures and handling their revocation if necessary.

Correspondence and other documents:

- signing all Company correspondence;
- issuing, signing and issuing receipts for invoices and debit and credit memoranda, and receiving them;
- signing and issuing waybills and transport bills, and receiving them.

Collection of receivables:

- demands for receivables, collection and withdrawal of cash and cash equivalents for any reason from any bank, entity or person, issuance of receipts and releases;
- issuance of bills to customers and other debtors;
- serving notices of placement in default and having bank protests issued;
- taking enforcement and preventive measures, obtaining injunctions, orders, attachments and seizures, registration of court mortgages and claims on merchandise, including the merchandise held at third party locations, and revoking those acts;
- filing bankruptcy petitions, representing the mandating Company in bankruptcy proceedings, filing the relevant credit claims, certifying their effective existence, voting in arrangement, demanding final and partial distributions and participating in procedures for arrangements with creditors and receivership, and carrying out all acts involved in those procedures.

Special mandates:

- within the limits of his/her powers, granting mandates and special powers of attorney to Company employees and third parties that authorise them to execute specific transactions and classes of

transaction in the name of and on behalf of the Company, using the power of Company signature to do so, and revoking these mandates as necessary;

- even if not expressly specified here, anything else appropriate and necessary on behalf of the mandating Company, with no exceptions except for those specified, with the foregoing list of powers to be regarded as standard but not mandatory. All of the foregoing authority is granted with promise of full ratification and approval and full exemption from liability for any party.

Specific activities:

- execution, amendment and termination of agreements for the purchase of spaces and/or systems for advertising services and advertising, promotion and experimentation materials; agreements for the Company's advertising activity and market research.

* * *

In addition to the powers listed above, which are representative and not exhaustive, all the operating powers of the Board of Directors, with the exception of those that cannot be legally delegated or those for which the Board of Directors has exclusive responsibility, and those assigned to the Company's Executive Committee, with the power of legal representation and free power of signature.

b) Vice Chairman and Executive Director

The Board meeting held on 23 May 2008 granted Giampietro Tecchiolli, Vice Chairman of the Board of Directors, full powers of representation and ordinary management with free power of signature, including those in the following (non-exhaustive) list, to carry out and supervise the organisation and management of the Company and its subsidiaries:

Legal representative:

- representation of the Company before any third party;
- representation of the company before any Italian or foreign judicial or administrative authority, at any level of jurisdiction, in disputes of any nature and with any party;
- deciding on and pursuing actions in any judicial, civil, criminal and administrative venue, at any level of jurisdiction, whether as a plaintiff or as a defendant;
- delegation of authority and conferring special and/or general powers of attorney to establish acts or categories of acts within the scope of the powers conferred.

Shareholders' Meetings:

- as the Company's representative, discussing and settling all administrative matters with any authority and agency, ministry or state entity;
- representation of the Company before all authorities, agencies or entities with jurisdiction over tax matters;
- filing of all reports or declarations that the Company must submit pursuant to law;
- signing and filing tax returns and declarations.

Trademarks and patents:

- depositing, abandoning, limiting and expanding invention patents for ornamental, utility and industrial models for factory and commercial trademarks in Italy and internationally, protecting them in administrative venues, carrying out all necessary acts pursuant to the laws in force, appointing correspondents for this purpose and granting them all necessary powers;

- representation of the company in all matters regarding the depositing, registration, and cancellation of patent, trademark and utility model rights.

Representation in associated companies:

- the exercising of voting rights and representation of the Company at Shareholders' Meetings, in consortia or other entities in which the Company has equity interests; the exercising of all the Company's other rights in relation to its interest in these other companies, consortia or other entities and delegation of authority to third parties as necessary;
- representation of the Company to subsidiaries or foreign affiliates, as well as representatives and customers outside Italy in general, and before foreign bodies and authorities in general.

Employees:

- representation of the Company before all authorities, entities and institutes with regard to labour matters;
- representation of the Company before all social security and insurance institutions, satisfying the obligations imposed by applicable labour laws and regulations.

Contracts of sale and exchange:

- participation in tenders held by state agencies, public and private entities in Italy and abroad, for the supply of goods and services in general, submitting bids and, if the contract is awarded, granting authority for signing the contracts for each individual tender or bid for an amount up to €2,000,000.00;
- execution of all documents and agreements relating to the sale of goods, with the exclusion of capital goods, and the provision of services related to the Company's activity whose value is less than €1,000,000.00 and whose duration is less than three years.
- examination, amendment, approval and cancellation of contracts of sale and exchange, including those providing for the receipt of commissions, finished and semi-finished products, raw materials and goods for performing corporate activities for a value of up to €1,000,000.00;

Company management agreements:

- execution of all documents and agreements necessary for management of the Company whose individual value is less than €250,000.00 and whose duration is less than three years;
- execution and termination of partnership agreements with universities and research institutes.

Vehicles:

- representation of the Company before all authorities and entities, signing all documents regarding the legal status of vehicles and authorising the driving of Company vehicles by employees or third parties.
- the purchase, sale and exchange of all land transport vehicles, with a limit of €50,000.00;

Financial transactions and relations with banks:

- issuing, receiving and endorsing bills of exchange; having issued, accepting and endorsing merchandise notes.

Administrative matters:

- collection of postal and telegraph money orders and issuance of the related receipts;
- collection of postal packets, registered and insured letters from any post office and issuance of the related receipts;

- giving and accepting security deposits;
- executing all customs clearance transactions, making and withdrawing the required deposits and all other matters with the Customs Offices, signing all documents as necessary.

Endorsement and collection of negotiable instruments

- negotiating, signing for and collecting bills (paper and IOUs), promissory notes, cheques and any other trade instrument or bill, signing the relevant documents, endorsements and receipts;
- endorsement of bills, cheques and all other negotiable instruments for collection;
- filing protests, issuing orders to pay, taking preventive and enforcement measures and handling their revocation if necessary.

Correspondence and other documents:

- signing all Company correspondence;
- issuing, signing and issuing receipts for invoices, debit and credit memoranda, and receiving them;
- signing and issuing waybills and transport bills, and receiving them.

Collection of receivables:

- demands for receivables, collection and withdrawal of cash and cash equivalents for any reason from any bank, entity or person, issuance of receipts and releases;
- issuance of bills to customers and other debtors;
- serving notices of placement in default and having bank protests issued;
- taking enforcement and preventive measures, obtaining injunctions, orders, attachments and seizures, registration of court mortgages and claims on merchandise, including the merchandise held at third party locations, and revoking those acts;
- filing bankruptcy petitions, representing the mandating Company in bankruptcy proceedings, filing the relevant credit claims, certifying their effective existence, voting in arrangement, collecting final and partial distributions, participating in procedures for arrangements with creditors and receivership and carrying out all acts involved in those procedures.

Special mandates:

- within the limits of his/her powers, granting mandates and special powers of attorney to Company employees and third parties that authorise them to execute specific transactions and classes of transaction in the name of and on behalf of the Company, using the power of Company signature to do so, and revoking these mandates as necessary;
- even if not expressly specified here, whatever else is appropriate and necessary on behalf of the mandating Company, with no exceptions except for those specified, with the foregoing list of powers to be regarded as standard but not mandatory. All of the foregoing authority is granted with promise of full ratification and approval and full exemption from liability for any party.

Specific activities:

Within the scope of the strategic guidelines issued by the Board of Directors, the coordination of Company research and development, specifically:

- taking the necessary initiatives to realise company and Group research and development programmes;
- taking all necessary measures to promote the study, design and completion of new products, with the collaboration of all elements of Company and Group organisation as defined in the Company and Group organisational chart, and using the creative talents and experience of all personnel;
- coordinating Group research and development activities, reporting on these to the Executive Committee once a month;

- chairing and coordinating the activities of the Scientific Committee.

Within the scope of the strategic guidelines issued by the Board of Directors, the coordination of Company research and development, specifically:

- taking the necessary initiatives to realise company and Group research and development programmes;
- monitoring public/publicly funded research projects, including international projects, and taking part in those of interest to the Company and the Group in accordance with the strategic guidelines set out by the Board of Administration and/or Chairman;
- taking all necessary measures to promote the study, design and completion of new products, with the collaboration of all elements of Company and Group organisation as defined in the Company and Group organisational chart, and using the creative talents and experience of all personnel.

During the year, the delegated bodies reported to the Board of Directors on the activities carried out while exercising the powers conferred on at least a quarterly basis and in such a way as to allow the Board to express an informed opinion on the matters submitted for examination.

c) **Executive Committee**

The Issuer's Board of Directors has not created an Executive Committee.

4.5. Other Executive Directors

With regard to article 2.C.1. of the Code, there are no other Executive Directors.

Pursuant to article 2.C.2. of the Code, the Chairman encourages the attendance of the Directors at meetings of the Board of Directors and Shareholders' Meetings, as well as their participation in other initiatives designed to enhance their knowledge of the situation and dynamics of the business, such as face-to-face meetings with key Group managers.

4.6. Independent Directors

Pursuant to the combined provisions of articles 147-ter (4) and 148 (3) of the TUF, in accordance with article 2.2.3(3)(k) of the Stock Market Regulation and article IA.2.10.6 of the Stock Market Regulation Instructions – both applicable to STAR-qualified issuers – and in accordance with Principle 3 of the Corporate Governance Code, the Board of Directors currently contains three Independent Directors – Alberto Felice De Toni, Chiara Mio and Cesare Pizzul – who:

- do not control the Company directly or indirectly, through subsidiaries, trust companies, or intermediaries, and cannot exercise significant influence over it;
- are not, directly or indirectly, party to any shareholders' agreement through which one or more persons can exercise control or significant influence over the Company;
- are not and have not during the past three financial years been key executives (i.e. the legal representative, the Chairman of the board of Directors, an Executive Director or manager with strategic responsibilities) of the Company, one of its strategic subsidiaries, a company subject to joint control with it or a company or entity that, either separately or jointly with others through a shareholders' agreement, controls the Company or can exercise significant influence over it;
- do not have and have not had during the previous year, directly or indirectly (e.g. through subsidiaries or companies in which they are key executives, in the sense set out in point (iii) above, or as the partner

- in a professional or consulting firm), a significant commercial, financial or professional relationship, or employment, with: (a) the Company, one of its subsidiaries or a key executive, in the sense set out in point (iii) above, at these companies; (b) a party that, either separately or jointly with others through a shareholders' agreement, controls the Company or – in the case of a company or entity – a key executive, in the sense set out in point (iii) above, at these companies;
- (v) without prejudice to point (iv) above, do not have freelance or employee working relationships, or other financial or professional relationships that could compromise their independence: (a) with the Company, its subsidiaries or parent companies, or with companies subject to joint control; (b) with Directors of the Company; (c) with spouses or relatives to the fourth degree of the Directors of the companies referred to in point (a) above;
 - (vi) do not receive and have not received during the last three financial years from the Company or a subsidiary or parent company, significant remuneration in addition to the fixed compensation as a Non-Executive Director of the Company, including participation in incentive plans linked to Company performance, including stock option plans;
 - (vii) have not been Directors of the Company for more than nine of the last 12 years;
 - (viii) are not Executive Directors at any other company where an Executive Director of the Company serves as Director;
 - (ix) are not shareholders or Directors of any company or entity within the network of the company responsible for auditing the accounts of the Company;
 - (x) are not close relatives of a person who is in one of the situations described in the preceding points, and are not spouses or relatives to the fourth degree of Directors of the Company, its subsidiaries, companies that control it and those subject to joint control with it.

Before the Ordinary Shareholders' Meeting that appointed the current Board of Directors, declarations attesting to the fulfilment of the requirements set out in the Corporate Governance Code for Independent Directors were deposited at the registered office of the Company.

The Board of Directors assesses compliance with these requirements using information that the interested parties are required to provide under their own responsibility and any other information available to it.

On 15 March 2011, the Board of Directors of Eurotech carried out the annual assessment pursuant to article 1.C.1(g) of the Corporate Governance Code, finding that the composition and functions of the Board of Directors are appropriate for the operating and organisational requirements of the Company. The presence of five Non-executive Directors, including three Non-Executive Independent Directors, from a total of nine Directors, ensures ideal numbers for the committees created within the Board of Directors. At its meeting of 15 March 2011, the Board of Directors verified that the Independent Directors currently in position fulfil the requirements for independence set out in Principle 3 of the Corporate Governance Code and article 148 (3) (b) and (c) of the TUF. The Board used the criteria set out in the Corporate Governance Code to carry out this assessment.

The Board of Statutory Auditors, pursuant to application criterion 3.C.5 of the Corporate Governance Code, has verified the correct application of the criteria and procedures used by the Board of Directors to assess the independence of its members; the results of this audit will be included in the Statutory Auditors' Report to the Shareholders' Meeting, pursuant to article 2429 of the Civil Code.

During the year, the Independent Directors worked together to maintain and promote an active dialogue with Directors with delegated powers and with the Director responsible for monitoring the Company's performance and the approach to its future results.

A meeting of the Independent Directors took place on 2 July 2010, during which operating performance was measured against planned performance.

4.7. *Lead Independent Director*

On 15 May 2008 the Board of Directors appointed Alberto Felice De Toni, an Independent Director, as Lead Independent Director, in order to enhance further the role of the Independent Directors in accordance with best practice in corporate governance. The Lead Independent Director is the contact for coordinating the requests and contributions of Independent Directors and may also call Independent Directors' meetings, either independently or at the request of the other Directors.

During the year, Lead Independent Director De Toni coordinated dialogue between the Independent Directors and the other members of the Board of Directors, particularly the Directors with delegated powers and the Financial Reporting Manager. This role was performed by activating discussion where necessary, monitoring the frequency of communication and encouraging information sharing, including outside formal meetings.

5. HANDLING OF CORPORATE INFORMATION

5.1. *Inside information*

At its meeting of 12 November 2010, the Company's Board of Directors approved the "Procedure for managing inside information" which updates the previous internal regulations on inside information adopted in 2005. The new procedure also governs methods and procedures for the external communication of documents and information relating to Eurotech, and specifically inside information, pursuant to articles 114 and 181 of the TUF, in accordance with recommendations made by CONSOB and Borsa Italiana SpA.

The procedure is designed to maintain the secrecy of inside information, while simultaneously ensuring that market disclosures of Company information are accurate, complete, appropriate, timely and non-selective.

The procedure generally confers responsibility for the management of inside information to the Company's delegated bodies, setting out specific procedures to be followed for the external communication of Company documents and information, with a particular focus on the disclosure of inside information, and meticulously governs the terms and conditions by which Company officers manage contacts with the press and other channels of mass communication (i.e. with financial analysts and institutional investors).

Specifically, pursuant to this procedure, the Chief Executive Officer, the Director of Administration, Finance and Control and the Issuer's Investor Relations department ensure the correct management of the diffusion of inside information to the market, overseeing compliance with the procedure.

The Investor Relations department, provided with information by Group senior management or aware of the salient facts concerning the Company or its subsidiaries, meets with the Director of Administration, Finance and Control and with the Business Affairs department to verify the obligations set out in law and in particular whether the information in question should be regarded as privileged.

In the event that information is deemed privileged or legislation in force stipulates that it must be communicated externally, the Investor Relations department prepares a press release with the assistance of the Corporate Communication department. Working with the Director of Administration, Finance and Control and with the assistance of the Business Affairs department, the Investor Relations department ensures that the press release complies with the relevant legislation in force.

The text of the press release must be submitted to the Chief Executive Officer and, if necessary, to the Board of Directors, for final approval before external release, following a declaration, if the information relates to the accounts, of the Financial Reporting Officer pursuant to article 154-*bis* of the TUF.

The press release is diffused according to the methods stipulated for the diffusion of regulated information. The Issuer also ensures that the press release is made available on the Company website

(www.eurotech.com) before the market opens on the day following its diffusion, and that it is available for a minimum period of five years.

To ensure management of the inside information within the Group, the regional Directors are notified of the above procedure and the Directors of operating activities at the Group's various facilities are also informed; these are, according to the case, Chief Executive Officers, Managing Directors or General Managers of the main subsidiaries, i.e. companies controlled by the Issuer that fall within its scope of consolidation.

The management of inside information relating to the subsidiaries is the responsibility of the regional Directors, who must promptly provide the Company's Investor Relations department with any information that, on their assessment, could qualify as privileged pursuant to the above procedure.

Once notified about the inside information by the Group's regional Directors, the Investor Relations department meets with the Director of Administration, Finance and Control and with the Business Affairs department to verify the obligations set out in law and in particular whether the information should be regarded as privileged.

5.2. Code of Conduct – Internal Dealing

With regard to the management of the disclosure obligations set out in the Internal Dealing regulations, pursuant to article 114, paragraph 7 of the TUF and articles 152-*sexies*, 152-*septies* and 152-*octies* of the CONSOB Issuer regulation, in force for listed companies since 1 April 2006, the Company's Board of Directors resolved on 28 March 2006 to adopt the procedure for compliance with internal dealing obligations (the "**Internal Dealing Procedure**"), which is designed to ensure maximum transparency and consistency of information disclosed to the market. At the meeting of 29 March 2007, the Eurotech Board of Directors amended the Internal Dealing Procedure by prohibiting certain persons from executing transactions during the 15 days prior to the Board meeting called to approve period accounts ("black-out period"), pursuant to article 2.2.3, paragraph 3, letter o) of the Stock Market Regulation, applicable to issuers with the STAR qualification, as recently amended.

No communications were made during the reporting period as there were no relevant transactions pursuant to the Internal Dealing regulations to communicate. However, all relevant information is available in the Investors section of the Company website at www.eurotech.com.

5.3. Register of persons possessing inside information

Specifically, regarding the obligation of listed issuers, the parties that control them and the persons that act in their name or on their behalf to set up and maintain a register of persons with access to inside information, pursuant to article 115-*bis* of the TUF and articles 152-*bis et seq.* of the Issuer regulation (the "**Register**"), the Company's Board of Directors resolved to establish the Register and approved the "Procedure for managing the register of persons with access to inside information," in effect since 1 April 2006. The Board of Directors then set up the group register of persons with access to inside information ("**Group Register**"), which replaces the register kept at Eurotech on behalf of all Eurotech Group companies, by Andrea Barbaro in his capacity as Group Register Officer.

6. COMMITTEES WITHIN THE BOARD OF DIRECTORS

The Remuneration Committee, the Internal Control Committee and the Committee for Related party transactions were set up within the Board of Directors. The Company has not set up either a committee to perform the functions of two or more committees as provided for in the Corporate Governance Code, or committees other than those provided for in the Corporate Governance Code.

7. APPOINTMENTS COMMITTEE

Considering the Issuer's size and organisational structure, the Board of Directors does not currently find it necessary to set up an Appointments Committee. Furthermore, following amendments to the bylaws in accordance with Law 262/2005, as subsequently amended, and the associated implementing regulations, the members of the Board of Directors are appointed by means of the voting list mechanism described above, and thus on the basis of candidate lists submitted by the shareholders in possession of the equity interests indicated in article 14 of the bylaws.

8. REMUNERATION COMMITTEE

The Company Board of Directors has set up a Remuneration Committee pursuant to article 2.2.3(3)(m) of the Stock Market Regulation, applicable to STAR-qualified issuers, and in accordance with the Corporate Governance Code. This Committee was set up pursuant to a resolution by the Board of Directors on 2 September 2005 and will hold office as long as the Board of Directors that appointed it is in office.

In accordance with the Corporate Governance Code, this Committee may only make proposals. In particular, the Chief Executive Officers remain responsible for defining the policies and remuneration levels for senior management.

In accordance with article 2.2.3(3)(m) of the Stock Market Regulation and Principles 5 and 7 of the Corporate Governance Code, the Committee exclusively comprises Non-executive Directors, most of whom are independent, and makes proposals to the Board of Directors in the absence of those directly affected by the proposals (i) for the remuneration, including any stock option plans, of the Chief Executive Officers and those with special duties, as well as (ii) on recommendation by the Chief Executive Officers, for determination of the principles governing the remuneration of Company senior management, without prejudice to the prerogative of the Board of Directors, pursuant to article 2389(2) of the Civil Code, to determine the remuneration of Directors with special duties.

The Committee also periodically reviews the criteria used to determine the remuneration of Company senior management and supervises their application on the basis of the information provided by the Chief Executive Officers, making general recommendations to the Board of Directors in this regard.

The Remuneration Committee held two meetings during the year, on 19 February and 12 November, which were duly minuted. The aim of the first meeting was to propose remuneration for Directors assigned special executive duties and managers, and the performance-related remuneration of key figures at the Company, while the aim of the second was to verify the principles of allocation of the performance-related compensation of the Chief Executive Officers and key people at the Group's associates.

The average meeting duration was one hour.

At least two meetings are scheduled for the current financial year: one was held on 19 February 2011 and the other is scheduled for May 2011.

In performing its functions, the Internal Control Committee was able to access the information and business operations necessary to carry out its duties and to make use of external consultants, under the terms established by the Board of Directors.

No financial resources were allocated to the Remuneration Committee since it makes use of the business resources and structures of the Issuer in carrying out its duties.

On 15 May 2008, the Board of Directors appointed the following Committee members: Cesare Pizzul (Chairman), Chiara Mio and Alberto Felice De Toni, all of whom are Independent Non-executive Directors.

9. DIRECTORS' REMUNERATION

As prescribed by article 20 of the Company bylaws, the members of the Board of Directors are entitled to annual compensation, determined by the Shareholders' Meeting for the entire period of their term, and

reimbursement of the expenses they incur on official business. After receiving the opinion of the Board of Statutory Auditors, the Board of Directors determines the remuneration of the Chairman, Vice Chairmen, Chief Executive Officers and members of the Executive Committee. Alternatively, the Shareholders' Meeting may determine a total amount for remuneration of all Directors, including those assigned special duties, with the allocation of that aggregate amount being determined by the Board of Directors upon consultation with the Board of Statutory Auditors.

A significant portion of the remuneration of the Executive Directors and Directors with strategic responsibility is linked to the operating results obtained by the Company and/or the achievement of specific targets set previously by the Board of Directors.

The remuneration of Non-executive Directors is based on the commitment required from each one, taking into account the participation of each on one or more committees. Their remuneration is not related to the operating results of the Company. The Non-executive Directors are not beneficiaries of share-based incentive plans.

The Shareholders' Meeting of 5 May 2008 resolved to set the total remuneration for the Board of Directors at € 900,000.00, to be divided according to subsequent resolution by the Board, including non-proportionally, and including the remuneration of Board members assigned special duties in the financial years 2008-2010.

The following table shows the compensation received by the members of the Board of Directors, as reported in the draft financial statements for the financial year ended 31 December 2010.

Name Surname	Office Held	Term of office	Office expires	31/12/2010			
				Emoluments to the office held at the Company preparing the accounts	Non-monetary benefits	Bonuses and other incentives	Other fees
Siagri Roberto	Chairman of the Board of Directors and Chief Executive Officer	01.01.2010 - 31.12.2010	Approval of 2010 Finan.Statements	337.000	9.600	3.429	97.750
Tecchiolli Giampietro	Vice Chairman and Director	01.01.2010 - 31.12.2010	Approval of 2010 Finan.Statements	227.000	9.600	1.508	39.100
Bagnato Filippo Nicola	Director	01.01.2010 - 18.09.2010	Approval of 2010 Finan.Statements	5.005			
Barazza Sandro	Director	01.01.2010 - 31.12.2010	Approval of 2010 Finan.Statements	7.000	108.270	2.477	22.214
Bertolone Giovanni	Director	01.01.2010 - 18.09.2010	Approval of 2010 Finan.Statements	1.419			
De Toni Alberto Felice	Director	01.01.2010 - 31.12.2010	Approval of 2010 Finan.Statements	20.273			
Mio Chiara	Director	01.01.2010 - 31.12.2010	Approval of 2010 Finan.Statements	20.273			
Pizzul Cesare	Director	01.01.2010 - 31.12.2010	Approval of 2010 Finan.Statements	20.273			
Soccodato Giovanni	Director	01.01.2010 - 31.12.2010	Approval of 2010 Finan.Statements	7.000			
Tucci Maurizio	Director	01.01.2010 - 31.12.2010	Approval of 2010 Finan.Statements	7.000			

9.1. Compensation for Directors in the event of resignation, termination or cessation of the employment relationship following a public purchase offer (pursuant to article 123-bis, paragraph 1, letter i) of the TUF)

There are no agreements between Eurotech and the Directors providing for the payment of indemnities in the event of resignation or termination/dismissal without just cause or cessation of the employment relationship following a public purchase offer.

10. INTERNAL CONTROL COMMITTEE

On 2 September 2005, the Board of Directors set up an Internal Control Committee with the functions prescribed by the Corporate Governance Code. It mandated the Chairman of the Board of Directors to define and adopt internal operating and administrative procedures that would ensure healthy and efficient company management.

In accordance with article 2.2.3(3)(n) of the Stock Market Regulation, applicable to STAR-qualified issuers, and article 8.C.3 of the Corporate Governance Code, the Internal Control Committee provides advice and proposals to the Board of Directors on the internal control system. It has the following specific duties:

- (i) assisting the Board of Directors in defining the guidelines for the internal control system;
- (ii) assisting the Board of Directors in conducting periodic audits of the adequacy and effective functioning of the internal control system;
- (iii) assessing the work plan prepared by the Compliance Officer and the periodic half-year reports submitted by him/her;
- (iv) in collaboration with the administrative officers of the Company and the Auditors, assessing the adequacy of the accounting principles used and their uniformity in the preparation of the consolidated financial statements;
- (v) assessing the proposals made by the independent Auditor for the auditing engagement, the work plan it prepared for the auditing task and the results set out in its report and letter of suggestions;
- (vi) reporting to the Board of Directors on Committee activities and the adequacy of the internal control system at least once every six months, upon approval of the financial statements for the full-year and the half-year report;
- (vii) carrying out the additional duties that the Board of Directors assigns to the Committee, particularly with regard to relations with the Independent Auditor.

At its meeting of 15 May 2008, the Board of Directors appointed the following members of the Internal Control Committee: Chiara Mio (Chairman), Cesare Pizzul and Alberto Felice De Toni, all of whom are Independent Non-executive Directors.

The Internal Control Committee reported to the Board of Directors on Committee activities and the adequacy of the internal control system at least once every six months, upon approval of the financial statements for the full-year and the half-year report;

All the members of the Internal Control Committee have appropriate accounting and financial experience. The Internal Control Committee held four meetings during the reporting period, on 19 February, 2 July, 30 September and 9 November, all of which were duly minuted.

During the financial year, changes to internal procedures and processes for monitoring risk in the current and successive reporting periods were analysed, as well as the situation regarding negotiations for equity interests in affiliates. A favourable opinion was given on the procedure for related party transactions, and on the periodical exchange of information with the Board of Statutory Auditors and with the planned Oversight Committee to allow any critical issues in the respective areas of responsibility to be brought up.

At least two meetings are planned for the current financial year; the dates of these will be set according to the requirements of the Company and the Internal Control Committee.

Parties who are not members of the Internal Control Committee may attend meetings at the invitation of the Committee Chairman.

In performing its functions, the Internal Control Committee has the power to access the information and business operations necessary to carry out its duties and to make use of external consultants, under the terms established by the Board of Directors.

No financial resources were allocated to the Internal Control Committee since it makes use of the business resources and structures of the Issuer in carrying out its duties.

11. INTERNAL CONTROL SYSTEM

The Board of Directors has set up an internal control system for auditing effective compliance with the internal operating and administrative procedures adopted to ensure healthy and efficient management and – where possible – identification, prevention and management of financial and operating risks and fraud against the Company.

The internal control system was organised and managed, throughout the financial year, by four bodies: the Board of Directors, the Executive Director responsible for overseeing the operation of the internal control system (the “**Delegated Director**”), the Compliance Officer and the Internal Control Committee (see Section 10 above).

The Board of Directors defines the guidelines for the internal control system, construed as a set of processes designed to monitor the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations, and the protection of Company assets.

Accordingly, the Board of Directors:

- (i) handles the prevention and management of Company and Group risks by defining internal control system guidelines that can ensure that these risks are properly identified and adequately measured, monitored, managed and assessed, in view of protecting corporate assets and healthy and fair corporate management, *inter alia*;
- (ii) assesses the adequacy, effectiveness and effective functioning of the internal control system on a periodic basis, and at least once annually.

On 15 March 2011, the Board of Directors reviewed the adequacy, efficiency and effective operation of the internal control system.

11.1. *Executive Director responsible for the internal control system*

The Delegated Director is responsible for:

- (i) identifying typical corporate risks, according to the characteristics of Company activity and the activity of its subsidiaries and the sector in which they operate;
- (ii) through the design, management and monitoring of the internal control system, implementing the guidelines established by the Board of Directors, reporting on its operations to the Board of Directors when requested. In order to carry out these functions, the Delegated Director relies on the assistance of the Compliance Officer.

The Board of Directors designated Vice Chairman and CEO Roberto Siagri as Delegated Director on 15 May 2008.

11.2. *Compliance Officer*

The Compliance Officer (who is not in charge of any operating area and does not report hierarchically to the heads of operating areas) is assigned the following duties:

- (a) assisting the Delegated Director in carrying out internal control functions;
- (b) reporting on his/her activities at least quarterly to the Delegated Director and at least once every six months to the Internal Control Committee and the Board of Statutory Auditors;

- c) attending meetings of the Board of Directors and the Internal Control Committee which he/she is invited to attend;
- (d) immediately informing the Delegated Director, the Board of Directors and the Internal Control Committee if risks for the Company or potential prejudice to it are revealed by the aforementioned periodic audits;
- (e) verifying that the internal control system is always adequate, fully operational and functioning. In order to carry out these duties, the Compliance Officer has direct access to all useful information relating to his/her functions and disposes of adequate resources.

The current Compliance Officer is Andrea Barbaro, who was appointed by the Board of Directors on 15 May 2008, at the proposal of the Delegated Director and following consultation with the Internal Control Committee.

The Compliance Officer had direct access during the reporting period to all information useful for performing his duties.

No financial resources were allocated to the Compliance Officer, since he makes use of the business resources and structures of the Issuer in carrying out his tasks.

No remuneration was allocated to the Compliance Officer.

In 2010 the Compliance Officer reported on his activities to the Internal Control Committee, the Board of Statutory Auditors and the Delegated Director.

The principal activities carried out during 2010 related to analysis of business risk and the auditing of corporate procedures regarding those risks.

11.3. Organisation model pursuant to Legislative Decree 231/2001

The Organisation, Management and Control Model (the “**Model**”) was approved on 29 March 2008 pursuant to Legislative Decree 231 of 8 June 2001.

The Model is based on the principles and guidelines set out in the:

- a) Stock Market Regulation;
- b) Corporate Governance Code;
- c) guidelines for drafting organisational, management and control models pursuant to Legislative Decree 231/01, approved by Confindustria on 7 March 2002, as subsequently amended.

The Model makes provision for the following:

1. Oversight Committee
 - a. designation of an existing body or establishment of a new body;
 - b. definition of the flow of information from and to the Oversight Committee.
2. Identification of the principal areas at risk of criminal offences (articles 24 and 25)
 - a. historical analysis;
 - b. identification of the principal corporate areas involved in possible cases of criminal offence;
 - c. identification of the persons concerned.
3. Risk assessment (articles 24 and 25)
 - a. identification and assessment of existing controls;
 - b. identification of any defects in controls.
4. Other parts of the Model
 - a. code of ethics;
 - b. organisational system;

- c. delegations of authority, including power of signature;
 - d. manual and IT procedures;
 - e. management control system;
 - f. information and training of personnel on the Model;
 - g. disciplinary system;
 - h. formalisation of the model summary document.
5. Model monitoring
- a. analysis of results and definition of corrective measures;
 - b. assisting the Supervisory Body in:
 - i. defining an audit plan;
 - ii. carrying out audits on the Model.

Since the Oversight Committee ceased to exist when the mandate of the previous Board of Directors expired, on 15 May 2008 Chiara Mio, Andrea Barbaro and Marco Polo were appointed as the new members of the Oversight Committee; they all fulfil the relevant legal requirements.

11.4. Independent Auditor

The Independent Auditor responsible for auditing the accounts is Reconta Ernst & Young SpA.

The auditing engagement was conferred at the Ordinary Shareholders' Meeting of 21 July 2005 for the three-year period including the financial years 2005, 2006 and 2007, and was extended for another six financial years (2008, 2009, 2010, 2011, 2012 and 2013) via a subsequent resolution by the Ordinary Shareholders' Meeting of 7 May 2007.

11.5. Financial Reporting Manager

Pursuant to article 19, paragraph 4 of the Company bylaws, as amended by resolution of the Shareholders' Meeting of 22 June 2007, the manager assigned to preparation of the company's accounts (the "**Financial Reporting Manager**") must be appointed by the Board of Directors of the Company following mandatory consultation with the Internal Control Committee. The Financial Reporting Manager must satisfy the professional requisites of specific expertise in the administration and accounting and must be granted adequate powers and resources to perform the above functions. He/she must be also be paid adequate compensation.

On 10 August 2007, the Board of Directors appointed Eros Goi as Financial Reporting Manager pursuant to article 154-*bis* of the TUF. On 23 May 2008, the Board of Directors conferred the position of Financial Reporting Manager on Sandro Barazza, following the resignation of Mr. Goi on 6 June 2008.

The Financial Reporting Manager is delegated full powers directly and/or indirectly related to the performance of the duties assigned to him/her, including the power to access all types of information and/or documents relating to the Company and/or Group companies as deemed relevant and/or appropriate for discharging the duties legally assigned to him/her.

Main features of the current risk management and internal control systems relating to the financial disclosure process pursuant to article 123-bis, paragraph 2, letter b) of the TUF

Introduction

According to the Corporate Governance Code, the internal control system comprises all the rules, procedures and organisational structures designed to allow, through an appropriate identification process, the measurement, management and monitoring of the main risks, for the healthy and proper management of the business, in line with pre-set objectives.

The definition provided in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) identifies the internal control system as a process designed to provide reasonable security in pursuing the objectives of efficiency and effectiveness in operating activities, reliable information in the financial statements and compliance with laws and regulations in force.

In line with the definitions described, the system for managing existing risk relating to Eurotech's financial disclosure process is one part of the Group's wider system of internal control.

Description of the main features of the current risk management and internal control system relating to the financial disclosure process

a) General operating principles of the internal control system

Eurotech's internal control system is based on the following key elements:

- Eurotech's Code of Ethics;
- clear business organisation with well-defined responsibilities;
- business policy and procedure;
- information systems (particularly relating to the objectives of a correct segregation of functions);
- management control and the directional reporting system;
- continuing training of company personnel;
- a structured and controlled external communication process.

Given the definitions of the internal control system provided above, control is intended to mean an action undertaken by a manager to increase the probability that pre-set objectives are achieved or to reduce the impact of any risks related to these objectives.

These controls may be exercised *ex-ante* (to prevent the occurrence of unwanted events), or *ex-post* (to identify and correct unwanted events that have taken place).

The company Directors and managers, within their respective areas of competence, are responsible for:

- Identifying and assessing risks to business operations;
- Defining and establishing policy, operating standards, procedures, systems and other tools to reduce the probability and/or impact of any risks to a the minimum;
- Issuing operating instructions for control processes and encouraging employees to carry out their tasks in a controllable and controlled way;
- Maintaining the adequacy and efficiency of the control processes established.

The four key objectives for control operations that every business manager is required to fulfil are:

1. Safeguarding business resources, including human and financial resources;
2. Ensuring the reliability of the data and information used internally or communicated externally;
3. Promoting efficient and effective actions;
4. Ensuring that senior management guidelines (including the budget, plans, policies and procedures) are respected and executed according to the laws and regulations under which the Company operates.

b) The internal control system in the financial disclosure process

Of the four objectives described in point a), the second and the fourth are closely connected to the financial disclosure process, which is mainly governed by the Chief Executive Officer and the Financial Reporting Manager pursuant to article 154-*bis* of the TUF.

In line with the operational principles of Eurotech's internal control system, the Chief Executive Officer and the Financial Reporting Manager carefully and scrupulously identify the main risks to the financial disclosure process every year. The risk identification process involves identifying the Group Companies and

the operating flows that are vulnerable to material errors or fraud, with reference to the business results in Eurotech's separate and/or consolidated financial statements.

In response to the risks identified and evaluated according to the probability that they will happen and the effects of this on the financial statements, appropriate control procedures are created, which are assessed at both the design and the operational stage. Assessment of the design of the control procedures helps to guarantee that they are appropriate for the risks for which they were created. Assessment of operational effectiveness over time ensures that the procedures continue to be appropriate throughout the financial disclosure period.

c) Roles and responsibilities within the internal control system

Apart from the duties of each company manager as described in point a), the main players in the system for the internal control of the financial disclosure process are as follows:

- The Chief Executive Officer and the Financial Reporting Manager pursuant to 154-*bis* of the TUF, who are responsible for defining and assessing specific control procedures governing risks involved in the process of drawing up the accounting documents;
- The Internal Control Committee, which analyses the results of the audit of the internal control system and reports periodically to the Board of Directors on the action to be taken;
- The Oversight Committee pursuant to Legislative Decree 231/01, which monitors for corporate offences pursuant to Legislative Decree 231/01, identifying risk scenarios and verifying first hand that control regulations have been respected. The Oversight Committee also monitors compliance with and application of the Group's code of ethics.

12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

On 19 October 2010, the Board of Directors assigned the Internal Control Committee, which comprises three Independent Directors, the task of issuing an opinion on the procedure for identifying, approving and managing related party transactions.

The Company's Board of Directors, at its meeting of 12 November 2010, following a positive opinion from the Internal Control Committee, adopted the Committee's regulations on related party transactions and a dedicated procedure for related party transactions (the "**Related Party Procedure**"). The procedure was adopted pursuant to the Regulation for Related Party Transactions, issued by CONSOB with resolution 17221 of 12 March 2010, as subsequently amended (the "**Regulation**"), implementing article 2391-*bis* of the Civil Code and articles 113-*ter*, 114, 115 and 154-*ter* of the TUF and in compliance with the recommendations of the Corporate Governance Code.

Note that the new Related Party Procedure has replaced the previous procedure adopted on the basis of application criterion 1.C.1.(f) of the Code. For details of the previous procedure, see the 2009 Report.

The Related Party Procedure governs the identification, approval and management of related party transactions. Specifically, the Related Party Procedure:

- governs methods for identifying related parties, defining methods and schedules for the preparation and updating of the list of related parties, and identifying the business departments involved;
- identifies rules to identify related party transactions before completion;
- regulates procedures for the execution of related party transactions by the Company, including via subsidiaries pursuant to article 2359 of the Civil Code or subject to management and coordination activity;
- establishes methods and a schedule for fulfilling the obligations of disclosure to the corporate bodies and the market.

In applying the Related Party Procedure, the Company also takes account of CONSOB communication DEM/10078683, published on 24 September 2010, which contains "Indications and guidelines for the implementation of the regulations on related party transactions adopted with resolution 17221 of 12 March 2010, as subsequently amended".

The Related Party Procedure came into force on 1 January 2011.

The Related Party Procedure and the related annexes can be found in the Investors section of the Issuer's website at www.eurotech.com.

Committee for Related Party Transactions

On 12 November 2010, the Board of Directors also resolved to create a Committee for Related Party Transactions, comprising Independent Directors and performing all the tasks set out in the Related Party Procedure.

The Committee for Related Party Transactions performs all the activities required by the Related Party Procedure. Specifically, the Committee for Related Party Transactions is authorised to release, before approval and/or execution of related party transactions, a non-binding reasoned opinion on the interest for the Company in performing these transactions, and the convenience and substantive correctness of the relative terms.

The Committee for Related Party Transactions meets at the registered office or in other locations mutually agreed by its members, whenever the Committee Chairman deems necessary, as frequently as required to fulfil the tasks assigned to the Committee or when a Committee member makes a reasoned request to the Chairman.

Members of the Board of Statutory Auditors may attend meetings of the Committee for Related Party Transactions; on a case-by-case basis, depending on the transaction concerned, persons authorised to approve and/or execute transactions (including persons tasked with leading discussions related to the transaction), and/or persons whose attendance is deemed useful in conducting the meeting, may also attend.

The Chairman of the Committee for Related Party Transactions is responsible for calling meetings and setting the agenda. At least three days' notice is given for meetings of the Committee for Related Party Transactions. The meeting may be called by fax or email. If the meeting is urgent (the Chairman must assess whether this is the case), it may be called by telephone with one day's notice. The Committee for Related Party Transactions may also validly meet without notice if all its members are present.

Meetings of the Committee for Related Party Transactions are valid if the majority of its members are present, and resolutions are made by majority of those present, with abstentions not included in the result.

Meetings may also take place via teleconferencing or videoconferencing systems, provided that all the participants can be identified and that they can follow the discussion, speak in real time as agenda items are being discussed and transmit and receive documents, and provided that the context of examination and resolution can be guaranteed. If these conditions exist, the meeting is regarded as taking place at the location of the Chairman and the Secretary. In the event of emergency, the Chairman has the power to communicate with the Committee members in writing, taking minutes of the resolutions adopted.

13. APPOINTMENT OF STATUTORY AUDITORS

Pursuant to article 26 of the Company bylaws, the Board of Statutory Auditors comprises three Statutory Auditors and two Substitute Auditors, who remain in office for three financial years. This mandate expires

at the date of the Shareholders' Meeting called to approve the financial statements for the last year of the mandate; auditors may be re-elected. The Statutory Auditors must satisfy the requirements, including those governing the possession of various positions at the same time, envisaged by law and other applicable provisions. Pursuant to article 1(3) of Ministry of Justice Decree 162 of 30 March 2000, research, development, production and marketing of software, systems, and devices in the IT, electronic and electro-mechanical sectors must be considered strictly related to Company activities.

The members of the Board of Statutory Auditors are appointed on the basis of lists submitted by shareholders. The candidates are listed in numerical order. The list comprises two sections: one for candidates for the post of Statutory Auditor and the other for candidates for the post of Substitute Auditor. Only those shareholders who, either individually or in combination with others, own voting shares equivalent to at least 2 (two) per cent of the voting capital at the Ordinary Shareholders' Meeting, or representing any other percentage that may be established or cited by statutory or regulatory provisions, may submit lists. With resolution 17633 of 26 January 2011, CONSOB set the minimum shareholding required for submitting lists of candidates for the election of the Issuer's supervisory body at 4.5% of the share capital, for the year ended 31 December 2010.

No shareholder, including shareholders in a relevant shareholders' agreement pursuant to article 122 of the TUF, or the controlling shareholder, subsidiaries or companies subject to joint control pursuant to article 93 of the TUF, may submit or participate in the submission of more than one list or vote for different lists, either directly or through an intermediary or trust company. No candidate may run on more than one list, on penalty of ineligibility. The lists may not include candidates who (without prejudice to any other cause of ineligibility or forfeiture) do not satisfy the requirements set out in any applicable laws or regulations that are envisaged in article 148(2) of the TUF. Outgoing Statutory Auditors may be re-elected. The submitted lists must be deposited at the registered office of the Company at least twenty-five days before the scheduled date of the Shareholders' Meeting on its first call, and mention thereof shall be made in the meeting notice, without prejudice to any other forms of public notice and procedures of deposit required pursuant to any applicable laws and regulations. If, when the deadline for the submission of lists has passed, only one list has been submitted, or only lists presented by shareholders with significant relationships pursuant to the applicable laws and regulations currently in force, lists may also be submitted within the time period stipulated by the applicable rules in force; in this case the minimum shareholding threshold is halved.

The lists must contain:

- a) information on the identities of the shareholders presenting the lists, indicating their total percentage shareholding;
- b) a statement by shareholders other than those that individually or jointly own a controlling or relative majority equity interest in the Company, attesting to the absence of relationships with the latter pursuant to current laws and regulations;
- c) complete information about the candidates' experience and qualifications, and statements from the candidates attesting to their satisfaction of legal requirements and acceptance of candidacy, as well as a list of any management and supervisory positions held at other companies.

Any list that does not comply with the foregoing requirements will be regarded as null and void.

The Statutory Auditors are elected as follows:

- 1) two Statutory Auditors and one Substitute Auditor are elected from the list receiving the highest number of votes at the Shareholders' Meeting, according to their numerical order of listing in the respective sections of the list;
- 2) one Statutory Auditor, who is appointed Chairman of the Board of Statutory Auditors, and a Substitute Auditor are elected from the list that receives the second highest number of votes at the Shareholders' Meeting and that, pursuant to applicable laws and regulations, is not directly or indirectly associated with the shareholders that submitted or voted for the list receiving the highest number of votes, according to

their numerical order of listing in the respective sections of the list. In the case of a tie vote between two or more lists, the most senior candidates in terms of age shall be elected.

A Statutory Auditor forfeits his/her position in the cases envisaged by law and regulation, and when the requirements established in the bylaws for his/her candidacy are no longer satisfied. When a Statutory Auditor's seat is vacated, it is filled by the Substitute Auditor elected on the same list as that of the former Statutory Auditor. However, the Board of Statutory Auditors must always be chaired by the Statutory Auditor elected on the minority slate. When the Shareholders' Meeting is required to appoint Statutory and/or Substitute Auditors to expand the Board of Statutory Auditors, it proceeds as follows: when Auditors elected from the majority list are to be replaced, the appointment is made by relative majority vote without list restrictions; when Auditors elected from the minority list are to be replaced, the Shareholders' Meeting makes the appointment by relative majority vote, choosing between the candidates on the same list as that of the outgoing Auditor. When this procedure does not permit, for any reason, the replacement of Auditors on the minority list, the Shareholders' Meeting will vote by relative majority; however, the results of this last vote may not include the votes of the shareholders who, according to the notices served pursuant to applicable laws and regulations, own directly or indirectly or jointly with other shareholders in a relevant shareholders' agreement pursuant to article 122 of the TUF, the relative majority of exercisable votes at the Shareholders' Meeting, or the votes of the shareholders that control, are controlled or are subject to joint control with them. The preceding provisions for election of Statutory Auditors do not apply at the Shareholders' Meetings where only one list is submitted or only one list is voted. In these cases the Shareholders' Meeting resolves by relative majority.

14. STATUTORY AUDITORS

There were some changes to the composition of the Board of Statutory Auditors during the reporting period.

On 5 May 2008, the Ordinary Shareholders' Meeting, following expiry of the previous supervisory body, appointed a new Board of Statutory Auditors, comprising: Claudio Siciliotti, Nicola Cavalluzzo and Lorenzo Ginisio as Statutory Auditors, and Michela Cignolini and Marco Rubatto as Substitute Auditors. On this occasion, as provided for in article 26 of the Company bylaws, the Shareholders' Meeting voted by legal majority without using the list voting system, at the proposal of shareholder Dino Feragotto.

Subsequently, on 24 September 2008, following the resignations of Statutory Auditors Nicola Cavalluzzo and Lorenzo Ginisio, Substitute Auditors Michela Cignolini and Marco Rubatto replaced them, pursuant to article 2401, paragraph 1 of the Civil Code, remaining in office until the next Shareholders' Meeting.

Following the above resignations, on 27 April 2009 the Shareholders' Meeting was called upon to expand the Board of Statutory Auditors, pursuant to article 2401, paragraph 1 of the Civil Code. Three Auditors were appointed: Giuseppe Pingaro, as Statutory Auditor, at the proposal of Finmeccanica SpA, which is a member of the shareholders' agreement previously described in Section 2, letter g) of the Report; Michela Cignolini, as Statutory Auditor, and Lorenzo Spinnato as Substitute Auditor, both at the proposal of Giampietro Tecchiolli, also a member of the shareholders' agreement.

The current composition of the Board of Statutory Auditors is shown in Table 3 attached to this Report.

With regard to disclosure obligations pursuant to article 78 of the CONSOB Issuer Regulation, the following table shows the compensation received by the Auditors during the financial year according to the criteria indicated in Annex 3C of the CONSOB Issuer Regulation.

Name Surname	Office Held	Term of office	Office expires	Emoluments to the office held at the Company preparing the accounts	Non-monetary benefits	Bonuses and other incentives	Other fees.
Siciliotti Claudio	Chairman	01.01.2010 - 31.12.2010	Approval of 2010 Finan.Statements	30.000			
Cignolini Michela	Statutory Auditor	01.01.2010 - 31.12.2010	Approval of 2010 Finan.Statements	20.000			
Pingaro Giuseppe	Statutory Auditor	01.01.2010 - 31.12.2010	Approval of 2010 Finan.Statements	20.000			

The *curricula vitae* of the Directors are held at the registered office and can be viewed in the Investors section of the Issuer's website at www.eurotech.com.

The following table shows the other positions held by members of the Board of Statutory Auditors at companies pursuant to Book V, Title V, Chapters v, vi and vii of the Civil Code.

Name and surname	Position at Eurotech	Company	Management and supervisory positions
Claudio Siciliotti	Chairman	Advanced Global Solution AGS SpA, Novara (NO)	Chairman of the Board of Statutory Auditors
		COAS Italia SpA, Ghemme (NO)	Chairman of the Board of Statutory Auditors
		Concast Technologies Srl, Udine (UD)	Chairman of the Board of Statutory Auditors
		Eurotech SpA, Amaro (UD)	Chairman of the Board of Statutory Auditors
		FriulanaGas SpA, Campoformido (UD)	Chairman of the Board of Statutory Auditors
		Germacar Auto SpA, Zoppola (PN)	Chairman of the Board of Statutory Auditors
		Gia SpA, Trecate (NO)	Chairman of the Board of Statutory Auditors
		Lextel SpA, Rome (RM)	Chairman of the Board of Statutory Auditors
		LIMACORPORATE SpA, Villanova di San Daniele (UD)	Chairman of the Board of Statutory Auditors
		SMS Concast Italia SpA, Udine (UD)	Chairman of the Board of Statutory Auditors
		Thermokey SpA, Teor – Rivarotta (UD)	Chairman of the Board of Statutory Auditors
		EF Fim SpA, Udine (UD)	Statutory Auditor
		FriulanaGas Srl, Campoformido (UD)	Statutory Auditor
		Prestitalia SpA, Rome (RM)	Statutory Auditor
		Sartogo SpA, Udine (UD)	Statutory Auditor
		Valagro SpA, Atessa (CH)	Statutory Auditor
		BP Sedie SpA, Buttrio (UD)	Substitute Auditor
		Cefin SpA, Pordenone (PN)	Substitute Auditor
		Finanziaria 2008 SpA, Udine (UD)	Substitute Auditor
		Germacar di Cesaro Sergio SpA, Pordenone (PN)	Substitute Auditor
		Germacar Immobiliare SpA, Zoppola (PN)	Substitute Auditor
		Germacar Udine SpA, Tavagnacco (UD)	Substitute Auditor
		Rizzani De Eccher SpA, Pozzuolo del Friuli (UD)	Substitute Auditor
		RTH Group SpA, Udine (UD)	Substitute Auditor
		Sager SpA, San Giovanni al Natisone (UD)	Substitute Auditor
		Stark SpA, Trivignano Udinese (UD)	Substitute Auditor
		Tardivello Gregorio & C. SpA, Udine (UD)	Substitute Auditor
		Congress Srl Unipersonale, Rome	Chairman of the Board of

		(RM)	Directors
		Hypo Alpe-Adria-Finance Srl, Udine (UD)	Chairman of the Board of Directors
		Delta Erre SpA, Padova (PD)	Director
		Koinos Cooperativa Informatica Organizzazione Servizi dei Dottori Commercialisti, Milan (MI)	Director
		Cirano Srl, Udine (UD)	Sole Director
		OIC – Organismo Italiano di Contabilità, Rome (RM)	Supervisory Director
Michela Cignolini	Statutory Auditor	Germacar di Cesaro Sergio SpA, Pordenone (PN)	Chairman of the Board of Statutory Auditors
		BP Sedie SpA, Buttrio (UD)	Statutory Auditor
		Cefin SpA, Pordenone (PN)	Statutory Auditor
		Concast Technologies Srl, Udine (UD)	Statutory Auditor
		Effezeeta SpA, Premariacco (UD)	Statutory Auditor
		Eurotech SpA, Amaro (UD)	Statutory Auditor
		Geber SpA, Tavagnacco (UD)	Statutory Auditor
		Germacar Auto SpA, Zoppola (PN)	Statutory Auditor
		RTH Group SpA, Udine (UD)	Statutory Auditor
		SMS Concast Italia SpA, Udine (UD)	Statutory Auditor
		Certicomm – Autorità Nazionale di Certificazione in liquidation, Rome (RM)	Substitute Auditor
		FriulanaGas SpA, Campoformido (UD)	Substitute Auditor
		FriulanaGas Srl, Campoformido (UD)	Substitute Auditor
		Germacar Immobiliare SpA, Zoppola (PN)	Substitute Auditor
		Germacar Udine SpA, Tavagnacco (UD)	Substitute Auditor
		Prestitalia SpA, Rome (RM)	Substitute Auditor
		Sager SpA, San Giovanni al Natisone (UD)	Substitute Auditor
		Tardivello Gregorio & C. SpA, Udine (UD)	Substitute Auditor
		Thermokey SpA, Teor – Rivarotta (UD)	Substitute Auditor
		Private Trust Company Srl, Milan (MI)	Chairman of the Board of Directors
		Giustidue Srl, Udine (UD)	Sole Director
Giuseppe Pingaro	Statutory Auditor	Eurotech SpA (Eurotech Group)	Statutory Auditor
		ICARUS S.c.p.a. (Torino)	Director

For information on the administrative and supervisory duties vested in the members of the Board of Statutory Auditors, see the figures published by CONSOB pursuant to article 144-*quinquiesdecies* of the CONSOB Issuer Regulation, in the Corporate Boards section of the website www.sai.consob.it.

The Board of Statutory Auditors held 8 (eight) meetings during 2010, on: 1 February, 29 and 31 March, 3 May, 19 July, 6 August, 25 October and 12 November.

The average meeting duration was about two hours.

Four meetings are planned for the current financial year, on 2 May, 1 August and 31 October. One was held on 7 February 2011.

The Board of Statutory Auditors has confirmed that its members still satisfy the independence requirements set out in the Corporate Governance Code provisions governing the independence of Directors. The results of this assessment will be included in the Statutory Auditors' Report to the Shareholders' Meeting, pursuant to article 2429 of the Civil Code.

Any Statutory Auditor who, on his/her own account or on behalf of third parties, has an interest in a given transaction by the Issuer, shall promptly provide the other Auditors and the Chairman of the Board of Directors with comprehensive information on the nature, terms, origin and scope of this interest. The Board of Statutory Auditors periodically monitors the independence of the Independent Auditor, verifying compliance with relevant regulatory provisions and the nature and scale of the services rendered. The results of the assessment are included annually in the report to the Shareholders' Meeting.

The Board of Statutory Auditors, pursuant to application criterion 10.C.4 of the Code, oversaw the independence of the auditing firm, verifying that the nature and scale of the various auditing services rendered to the Issuer and its subsidiaries by the Independent Auditor and by the entities in its network comply with the legislation in force.

In carrying out its duties, the Board of Statutory Auditors regularly collaborated with the Internal Control Committee through contact with the Compliance Officer.

Pursuant to article 27 of the Company bylaws, the Board of Statutory Auditors performs the functions delegated to it by law and other applicable regulatory provisions. In the case of the listing of the Company's shares on an Italian regulated market, the Board of Statutory Auditors also exercises all other duties and powers envisaged by special laws. The Directors must report to it in writing on a quarterly basis pursuant to article 150 of the TUF. The Board of Statutory Auditor meetings may also be held by conference call and/or video conference, on condition that: the Chairman and the person taking the meeting minutes are present at the same meeting location; and b) all participants can be identified and can follow the discussion, receive, transmit and read documents, and orally participate in real time on all matters. If these requirements are satisfied, the meeting of the Board of Statutory Auditors is considered to be held at the location of the Chairman and person taking the minutes.

The Company accounts are audited by a qualified Independent Auditor or firm of auditors (see point 11.4 above).

Note that Legislative Decree 39/2010 ("Implementation of Directive 2006/43/EC relating legal auditing of annual and consolidated accounts, which amends Directives 78/660/EEC and 83/349/EEC and which repeals Directive 84/253/EEC") assigned the functions of the internal control committee and auditing to the Board of Statutory Auditors, and specifically the functions of oversight of: (i) the financial disclosure process; (ii) the efficiency of the systems of internal control, internal auditing if applicable and risk management; (iii) the auditing of the annual accounts and the consolidated accounts; and (iv) the independence of the Independent Auditor or auditing firm, particularly with regard to the rendering of services not related to auditing to the entity subject to the account audit.

In particular, with reference to art. 7 of the Legislative Decree no. 39/2010, has been identified as a "modus operandi" the Advisors participation of the board meetings of the Committee for Internal Control in order to carry out the exchange of information useful to carry out the tasks entrusted by the rule in respect of specific areas of responsibility.

15. SHAREHOLDER RELATIONS

The Company believes that it has a specific interest, as well as duty to the market, in establishing a continuous dialogue based on mutual understanding of roles with shareholders and institutional investors in general. This dialogue must be conducted in compliance with the procedure governing external disclosure of corporate documents and information.

On 8 August 2008, the Company's Board of Directors appointed Andrea Barbaro as head of relations with institutional investors and other shareholders (Investor Relator), in order to ensure fair, continuous and complete communication in accordance with article 2.2.3.(3)(i) of the Stock Market Regulation, applicable

to STAR-qualified issuers. Nonetheless, the disclosure of information regarding the Company in the course of these relations must be made in compliance with the internal Inside Information Regulation.

Disclosure is also provided by the prompt publication of corporate documents on the Company website. On the website investors can freely consult, in Italian and English, all press releases issued to the market, the Issuer's periodical accounting documents, approved by the competent corporate bodies (annual financial report, half-year financial report, interim reports on operations), the Report on Corporate Governance and Ownership Structure and documentation distributed at meetings with professional investors, analysts and the financial community.

They can also find the Company bylaws, documentation provided for Shareholders' Meetings, communications related to internal dealing, this Report on corporate governance and any other document whose publication on the Issuer's website is mandatory under the applicable regulations.

16. SHAREHOLDERS' MEETING AND SHAREHOLDERS' RIGHTS

At its meeting of 21 December 2010, the Board of Directors updated the Company bylaws according to the provisions of Legislative Decree 27 of 27 January 2010, defining the implementation of Directive 2007/36/EC, relating to the exercising of certain rights of shareholders in listed companies.

Pursuant to article 8 of the current Company bylaws, only shareholders with voting rights may take part in the Shareholders' Meeting. Legitimacy of participation in the Shareholders' Meeting and the exercising of voting rights is established via communication to the Company by the intermediary legally authorised to keep the accounts, on the basis of records in the accounts as at the end of the accounting day on the seventh open market day preceding the date set for the Shareholders' Meeting in first call, and received by the Company in accordance with the law. Shareholders with voting rights may, by law, be represented by proxy.

Ordinary and Extraordinary Shareholders' Meetings are convened, by law, at the Company's registered office or at any other location indicated in the meeting notice, provided that it is within Italy.

Pursuant to article 6 of the Company bylaws, Ordinary and Extraordinary Shareholders' Meetings may be held via videoconference or teleconference with participants in more than one location, whether adjoining or remote, provided that the principles of collective decision-making, good faith and parity of shareholder treatment are respected.

Pursuant to article 7 of the Company bylaws, Ordinary and Extraordinary Shareholders' Meetings are called, according to legislation in force, by public notice on the Company's website, and, when this is required under applicable regulations, in the Official Gazette of the Republic of Italy or in the daily newspaper *Finanza e Mercati*, indicating the date, time and location of the first call, and of the second and third calls if necessary, as well as a list of items for discussion, without prejudice to any other provisions under laws in force and the Company bylaws.

The agenda for the Shareholders' Meeting is established by the person exercising the power to call the meeting, pursuant to law and the Company bylaws, or, if the meeting is called at the request of the shareholders, on the basis of the items to be discussed indicated in the request.

In the absence of a notice of meeting, the Shareholders' Meeting is validly convened and may make valid resolution when the entire share capital is represented and the majority of Directors in office and the majority of the Statutory Auditors are present.

Pursuant to article 9 of the Company bylaws, those with the right to participate in the Shareholders' Meeting, either on their own account or on behalf of others, may by law be represented by proxy. Electronic proxy notification may be sent, as indicated in the meeting notice, either via a message to the certified electronic mailbox at the address provided in the notice, or via the dedicated section of the Company's website.

Pursuant to article 11 of the Company bylaws, in order for the constitution and resolutions of the Shareholders' Meeting (whether Ordinary or Extraordinary) to be valid, the provisions of law and the Company bylaws must be observed. As well as the provisions of law and the Company bylaws, the Shareholders' Meetings are conducted according to the specific Shareholders' Meeting Regulation as approved by the Shareholders' Meeting.

In accordance with Principle 11.P.1 of the Corporate Governance Code, the Directors are required to encourage and facilitate the broadest possible participation of shareholders at Shareholders' Meetings. Since Company Shareholders' Meetings have always been held on an orderly basis, the Board of Directors does not currently deem it necessary to propose adoption of a specific regulation to govern the proceedings of Shareholders' Meetings.

The Directors and Statutory Auditors are also required to attend the Shareholders' Meetings, during which they are required to provide the shareholders with information regarding the Company in accordance with the rules governing price sensitive information.

As prescribed by article 10.2 of the bylaws, the Chairman of the Shareholders' Meeting is responsible for ascertaining the identity and legitimacy of those present, confirming that the Shareholders' Meeting was duly convened, and confirming the presence of a quorum of shareholders necessary for valid resolution. The Chairman is also required to moderate the proceedings, establish the voting procedures and verify the results of the votes.

At Shareholders' Meetings during the year, the Directors and Statutory Auditors, to ensure that shareholders took decisions falling within the scope of the meeting in an informed manner, provided shareholders with Company information in accordance with current regulations on price sensitive information.

Pursuant to article 3, paragraph 2 of the bylaws, in the event of a resolution to extend the term of the Company, shareholders who do not approve the resolution will not have the right of withdrawal.

According to the provisions of article 29 of the bylaws, the net profits identified in the financial statements, minus the portion allocable to the legal reserve up to the legal limit, are allocated by resolution of the Shareholders' Meeting. Specifically, the Shareholders' Meeting, at the proposal of the Board of Directors, may resolve to create and increase other reserves.

With regard to shareholders' rights that are not described in this Report, see the applicable laws and regulations currently in force.

At its meeting of 15 March 2011, pursuant to application criterion 11.C.6 of the Code, the Board did not find it necessary to propose to the Shareholders' Meeting amendments to the bylaws relating to the percentage established for the exercising of minority rights, insofar as, pursuant to article 144-*quater* of the CONSOB Issuer Regulation, for the submission of lists for the appointment of members of the Board of Directors and the Board of Statutory Auditors, articles 14 and 26 of the Issuer's bylaws stipulate respective thresholds of 2.5% and 2% of the voting capital or any different percentage established or prescribed by legal or regulatory provisions. Note in this regard that, with resolution 17633 of 26 January 2011, CONSOB set the minimum shareholding for submitting lists of candidates for the election of the Issuer's Board of Directors at 4.5% of the share capital, for the year ended 31 December 2010.

17. OTHER CORPORATE GOVERNANCE PRACTICES

The Issuer does not use corporate governance structures other than those set out in the legal and regulatory standards described in this Report.

18. CHANGES SINCE THE END OF THE REPORTING PERIOD

Eurotech has not made any changes to the corporate governance structure since the end of the reporting period.



TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE**SHARE CAPITAL STRUCTURE**

	No. of shares	% of the share capital	Listed (indicate the markets) / unlisted	Rights and obligations
Ordinary shares	35,515,784	100%	MTA/ STAR Segment	Every share entitles the shareholder to one vote. The rights and duties of shareholders are set out in articles 2346 <i>et seq.</i> of the Civil Code
Shares with restricted voting rights	0	0		
Shares with no voting rights	0	0		

SIGNIFICANT SHAREHOLDINGS

Reporting party	Direct Shareholder	% of ordinary capital	% of voting capital
Luca Vacchi	Cofiva Holding SpA	2.054 %	2.054 %
Roberto Siagri	Nextra Gen Srl	2.355 %	2.355 %
Roberto Siagri	Roberto Siagri	4.446 %	4.446 %
Finmeccanica SpA	Finmeccanica SpA	11.084 %	11.084 %

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES

BOARD OF DIRECTORS											Internal Control Committee		Remun. Committee		Eventual Appointments Committee		Eventual Executive Committee		Committee for Related party transactions	
Office	Members	In office since	In office until	List (M/m)*	Exec.	Non-exec.	Indep. re. Code	Indep. re. TUF	(%) **	Number of other positions ***	****	**	*** *	**	*** *	**	*** *	**	*** *	**
Chairman and Chief Executive Officer	Roberto Siagri	05/05/2008	Approval of financial statements at 31/12/2010		X				100	7										
Vice Chairman and Chief Executive Officer	Giampietro Tecchiolli	05/05/2008	Approval of financial statements at 31/12/2010		X				100	9										
Director Financial Reporting Manager	Sandro Barazza	27/04/2009	Approval of financial statements at 31/12/2010			X			100	9										
Director and Lead Independent Director	Alberto Felice De Toni	05/05/2008	Approval of financial statements at 31/12/2010			X	X	X	88	2	X	100	X	100					X	
Director	Cesare Pizzul	05/05/2008	Approval of financial statements at 31/12/2010			X	X	X	75	9	X	100	X	100					X	
Director	Chiara Mio	05/05/2008	Approval of financial statements at 31/12/2010			X	X	X	88	2	X	100	X	100					X	
Director	Giovanni Bertolone	19/10/2010	Approval of financial statements at 31/12/2010			X			100	7										
Director	Maurizio Tucci	27/04/2009	Approval of financial statements at 31/12/2010			X			50	6										
Director	Giovanni Soccodato	27/04/2009	Approval of financial statements at 31/12/2010			X			38	8										
-----DIRECTORS DEPARTED IN THE REPORTING PERIOD-----																				
	Name Surname																			
Director	Filippo Nicola Bagnato	27/4/2009																		

NB:

*This column indicates whether the member was elected from the majority list (M) or minority list (m). See Section 4.2 of the Report.

**This column indicates the respective percentage attendance of the Directors at meetings of the Board of Directors and the committees (no. of times attended/no. of meetings held during the effective mandate of the party concerned).

***This column indicates the number of Director/Auditor positions held by the party concerned at other companies.

**** This column indicates whether the member of the Board belongs to the committee (with an "X").

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors							
Office	Members	In office since	In office until	List (M/m)*	Independence re. Code	** (%)	Number of other positions ***
Chairman	Claudio Siciliotti	05/05/2008	Approval of financial statements at 31/12/2010		X	75%	32
Statutory Auditor	Michela Cignolini	27/04/2009	Approval of financial statements at 31/12/2010		X	100%	20
Statutory Auditor	Giuseppe Pingaro	27/04/2009	Approval of financial statements at 31/12/2010		X	62.5%	1
Substitute Statutory Auditor	Marco Rubatto	05/05/2008	Approval of financial statements at 31/12/2010				
Substitute Statutory Auditor	Lorenzo Spinnato	27/04/2009	Approval of financial statements at 31/12/2010				
-----STATUTORY AUDITORS DEPARTED IN THE REPORTING PERIOD-----							
Indicate the required <i>quorum</i> for presentation of the lists at the time of the last appointment: 2%							
Number of meetings held during 2010: 7							

NB:

*This column indicates whether the member was elected from the majority list (M) or minority list (m). See Section 14 of the Report.

**This column indicates the percentage attendance of the Statutory Auditors at meetings of the Board of Statutory Auditors (no. of times attended/no. of meetings held during the effective mandate of the party concerned).

***This column indicates the number of Director/Statutory Auditor positions at other companies held by the party concerned.

Consolidated financial statements at 31 December 2010 prepared according to international accounting standards

Consolidated balance sheet

(€'000)	Notes	at December 31, 2010	at December 31, 2009
ASSETS			
Intangible assets	1	120,328	106,170
Property, Plant and equipment	2	6,582	6,858
Investments in affiliate companies	3	308	1,381
Investments in other companies	3	230	243
Deferred tax assets	32	1,658	1,172
Other non current financial assets	11	236	236
Medium/long term borrow ing allow ed to affiliates compani	12	636	511
Other non-current assets	4	1,018	791
Total non-current assets		130,996	117,362
Inventories	5	21,587	17,060
Contracts in progress	6	257	819
Trade receivables	7	28,971	23,035
Income tax receivables	8	1,879	5,627
Other current assets	9	3,305	1,882
Cash & cash equivalents	10	23,751	27,924
Total current assets		79,750	76,347
Total assets		210,746	193,709
LIABILITIES AND EQUITY			
Share capital		8,879	8,879
Share premium reserve		136,400	136,400
Other reserves		(13,761)	(28,383)
Group shareholders' equity	13	131,518	116,896
Equity attributable to minority interest	13	3,966	3,178
Total shareholders' equity	13	135,484	120,074
Medium-/long-term borrow ing	15	22,873	2,417
Employee benefit obligations	16	1,681	1,609
Deferred tax liabilities	32	12,307	10,854
Other non-current liabilities	17	2,225	1,600
Business combination liabilities	19	0	989
Total non-current liabilities		39,086	17,469
Trade payables	18	18,824	14,171
Short-term borrow ing	15	8,985	24,488
Derivative instruments	35	339	458
Income tax liabilities	8	1,214	1,766
Other current liabilities	20	5,748	4,855
Business combination liabilities	19	1,066	10,428
Total current liabilities		36,176	56,166
Total liabilities		75,262	73,635
Total liabilities and equity		210,746	193,709

Consolidated income statement

INCOME STATEMENT (€'000)	Notes	FY2010	FY2009
Revenues from sales of products and services	F	99,269	83,529
Other revenues	27	1,449	1,092
Cost of materials	22	(48,863)	(40,562)
Service costs	24	(17,042)	(15,529)
Lease & hire costs	23	(2,377)	(2,088)
Payroll costs	25	(26,447)	(25,694)
Other provisions and other costs	26	(1,385)	(2,063)
current assets	28	2,790	2,604
Depreciation & amortisation	29	(7,851)	(7,205)
Asset impairment	29	(284)	(716)
Operating profit		(741)	(6,632)
Share of associates' profit of equity	31	(1,630)	(405)
Finance expense	30	(4,822)	(3,954)
Finance income	30	3,380	2,000
Profit before taxes		(3,813)	(8,991)
Income tax	32	(2,200)	(481)
Net profit (loss) before minority interest		(6,013)	(9,472)
Minority interest		66	129
Group net profit (loss) for period		(6,079)	(9,601)
Base earnings (losses) per share	14	(0.173)	(0.274)
Diluted earnings (losses) per share	14	(0.173)	(0.274)

Consolidated statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME (€'000)	Notes	FY2010	FY2009
Net profit (loss) before minority interest (A)		(6,013)	(9,472)
<i>Other elements of the statement of comprehensive income</i>			
Net profit (loss) from Cash Flow Hedge		119	(111)
Tax effect		0	0
		<u>119</u>	<u>(111)</u>
Foreign balance sheets conversion difference		<u>18,447</u>	<u>(4,518)</u>
Exchange differences on equity method		<u>(36)</u>	<u>16</u>
Exchange differences on equity investments in foreign companies		1,449	(652)
Tax effect		0	0
		<u>1,449</u>	<u>(652)</u>
<i>After tax comprehensive profit (loss) (B)</i>		<u>19,979</u>	<u>(5,265)</u>
Comprehensive net result (A+B)		13,966	(14,737)
Comprehensive minority interest		788	(40)
Comprehensive Group net profit (loss) for period		13,178	(14,697)

Statement of changes in consolidated shareholders' equity

(€'000)	Share capital	Legal reserve	Share premium reserve	Conversion reserve	Other reserves	Cash flow hedge reserve	Exchange differences reserve	Treasury shares	Profit (loss) for period	Group shareholders' equity	Minority interest capital & reserves	Profit (loss) of third parties	Equity attributable to Minority	Total shareholder's equity
Balance as at December 31, 2008	8,879	39	136,400	12,562	(7,852)	(347)	(1,574)	(1,340)	(12,708)	134,059	3,184	230	3,414	137,473
2008 Result allocation	-	-	-	-	(12,708)	-	-	-	12,708	-	230	(230)	-	-
2009	-	-	-	-	-	-	-	-	(9,601)	(9,601)	-	129	129	(9,472)
<i>Comprehensive other profit (loss)</i>														
- Hedge transactions	-	-	-	-	-	(111)	-	-	-	(111)	-	-	-	(111)
- Foreign balance sheets conversion difference	-	-	-	(4,349)	-	-	-	-	-	(4,349)	(169)	-	(169)	(4,518)
- Exchange differences on equity method	-	-	-	-	16	-	-	-	-	16	-	-	-	16
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	(652)	-	-	(652)	-	-	-	(652)
Comprehensive result	-	-	-	(4,349)	16	(111)	(652)	-	(9,601)	(14,697)	(169)	129	(40)	(14,737)
Minority purchase	-	-	-	-	(2,466)	-	-	-	-	(2,466)	-	-	-	(2,466)
Change in consolidation area	-	-	-	-	-	-	-	-	-	-	(196)	-	(196)	(196)
Balance as at December 31, 2009	8,879	39	136,400	8,213	(23,010)	(458)	(2,226)	(1,340)	(9,601)	116,896	3,049	129	3,178	120,074

(€'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	Minority interest capital & reserves	Profit (loss) of third parties	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	3,049	129	3,178	120,074
2009 Result allocation	-	-	-	-	(9,601)	-	-	-	9,601	-	129	(129)	-	-
2010	-	-	-	-	-	-	-	-	(6,079)	(6,079)	-	66	66	(6,013)
<i>Comprehensive other profit (loss)</i>														
- Hedge transactions	-	-	-	-	-	119	-	-	-	119	-	-	-	119
- Foreign balance sheets conversion difference	-	-	-	17,725	-	-	-	-	-	17,725	722	-	722	18,447
- Exchange differences on equity method	-	-	-	-	(36)	-	-	-	-	(36)	-	-	-	(36)
- Exchange differences on equity investments in foreign companies	-	-	-	-	-	-	1,449	-	-	1,449	-	-	-	1,449
Comprehensive result	-	-	-	17,725	(36)	119	1,449	-	(6,079)	13,178	722	66	788	13,966
Minority purchase	-	-	-	-	1,444	-	-	-	-	1,444	-	-	-	1,444
Balance as at December 31, 2010	8,879	39	136,400	25,938	(31,203)	(339)	(777)	(1,340)	(6,079)	131,518	3,900	66	3,966	135,484

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT (€'000)	at December 31, 2010	at December 31, 2009
CASH FLOWS GENERATED BY OPERATIONS:		
Group net profit	(6,079)	(9,601)
Adjustments to reconcile reported net profit with cash & cash equivalents generated (used) in operations:		
Minority interests	66	129
Depreciation & amortization intangible assets, property, plant and equipment	8,135	7,921
Write-down of receivables	509	734
Interest income	(262)	(631)
Gain on disposals investments	(585)	0
Affiliated companies booked at equity	1,630	405
Cost for bringing up-to-date and exchange adjustment for put option	1,198	937
Provision for (use of) long-term employee severance indemnities	72	(133)
Provision for (use of) risk provision	625	(321)
(Provision for) / use of deferred tax asset / Provision for (use of) deferred tax liability	967	(1,341)
Changes in current assets and liabilities		
Trade receivables	(6,445)	(1,706)
Other current assets	2,325	(592)
Inventories and contracts in process	(3,965)	2,287
Trade payables	4,653	(1,036)
Other current liabilities	341	113
Total adjustments and changes	9,264	6,766
Cash flow generated (used) in operations	3,185	(2,835)
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sales of tangible and intangible assets	35	200
Assignment for deconsolidation	0	(171)
Interest income	262	631
Purchase of intangible fixed assets	(3,089)	(3,182)
Purchase of tangible fixed assets	(1,056)	(860)
Chengdu Vantron Tech. Inc. transfer	0	42
Achivement from investments in associates	825	
Decreases (Increases) other financial assets	(663)	(28)
Net investments in long-term investments and non-current assets	(509)	(281)
Purchase of investments resulting from exercise of put option	(10,182)	0
Cash flow generated (used) in investment activities	(14,377)	(3,649)
CASH FLOW FROM FINANCING ACTIVITIES:		
Minority	0	(196)
Loans taken	9,100	450
Increases (decreases) short term loan	1,690	1,513
Repaid loans medium/long term	(5,837)	(5,494)
Cash flow generated (absorbed) by financial assets	4,953	(3,727)
Changes in the conversion difference	2,066	(549)
Increases (decreases) in cash & cash equivalents	(4,173)	(10,760)
Opening amount in cash & cash equivalents	27,924	38,684
Cash & cash equivalents at end of period	23,751	27,924
Interest paid	1,093	1,261
Income taxes paid (get)	298	4,624



Notes to the financial statements

A – Corporate information

The publication of the consolidated financial statements of Eurotech SpA for the year ended 31 December 2010 was authorised by resolution of the Board of Directors on 15 March 2011. Eurotech SpA is a joint stock company incorporated and domiciled in Italy. The Group has its registered office in Amaro, Italy.

Eurotech is a group active in the research, development, and marketing of miniaturised computers (NanoPCs) and high-performance computers featuring high computing capacity (HPCs). For further information, see Note F.

B – Reporting policies and IFRS compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and approved by the European Commission according to article 6 of EC Regulation 1606/2002 of the European Parliament and European Council of 19 July 2002 by 31 December 2010, as well as with the measures enacted to implement article 9 of Legislative Decree 38/2005. IFRSs include all international accounting standards that have been revised (IAS) and all the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).

Consolidated financial statements are based on recognition at cost, except for derivative financial instruments, which are normally recognised at fair value. Despite the difficult global economic situation, Eurotech found no significant uncertainties (as defined in paragraph 25 of IAS 1) related to business continuity, also taking into account actions taken to deal with the situation, and a larger order portfolio than in the previous year.

All accounting standards used are the same as those adopted for the period ended 31 December 2009, except for the following new or revised IFRSs or IFRICs, which were applied for the first time by the Group at 1 January 2009. Eurotech's adoption of the revised policies and interpretations had no effect on the Group's income statement or balance sheet, partly because the cases and instances they govern are not applicable to Group business, but only affect the presentation of the financial statements and disclosure:

- *IFRS 2 (Revised) – Share-based payments* – The IASB has issued an amendment to IFRS 2 which clarifies the scope and accounting treatment of group cash-settled share-based transactions. No accounting effects have arisen due to application of the amendment on 31 December 2010;
- *IFRS 3 – Business combinations and IAS 27 – Separate and consolidated financial statements* – IFRS 3 introduces significant changes in the accounting treatment of business combinations. The changes apply to the valuation of non-controlling interests, the accounting treatment of transaction costs and the initial recognition and subsequent valuation of contingent considerations and step acquisitions. These changes will impact the amount of goodwill recognised, results for the period in which the acquisition takes place and future results. IAS 27 stipulates that a change in the ownership structure of a subsidiary (without loss of control) must be booked as a transaction between owners in their role as owners. Therefore such transactions neither generate more goodwill, nor profits or losses. The main amendment also introduces changes to the accounting treatment of losses registered by subsidiaries and loss of control of subsidiaries. The changes introduced by IFRS 3 and IAS 27 relate to the acquisition or loss of control of subsidiaries and transactions with minority interests. No accounting effect has arisen following adoption of these accounting standards, since no new business combination has taken place.
- *IAS 39 – Financial instruments: recognition and measurement, eligible hedged items* – The amendment clarifies that an entity is permitted to designate a portion of changes in the fair value or cash flows of a financial instrument as a hedged item. The amendment also includes designation of inflation as hedged risk or as a portion of the risk in certain situations. This amendment has had no impact on the Group's financial position or performance, since it does not use these types of hedges.
- *IFRIC 17 – Distributions of non-cash assets to owners* – This interpretation provides guidance on the accounting treatment of agreements pursuant to which an entity distributes to shareholders assets not accounted for in available cash, such as distribution of reserves or dividends. The interpretation has had no effect on the Group.

The IASB has also issued the following standards or interpretations already adopted by the European Union, which the Group has not adopted in advance but the adoption of which is mandatory for accounting periods subsequent to 01 January 2011:

- *IFRIC 14 – Prepayments of a Minimum Funding Requirement* – On 15 November 2009, the International Financial Reporting Interpretations Committee (IFRIC) published amendments to Interpretation IFRIC 14 – Prepayments of a Minimum Funding Requirement. The aim of the changes to IFRIC 14 is to eliminate an unwanted consequence of IFRIC 14 in cases where an entity subject to a minimum funding requirement makes an early contributions payment for which, in certain circumstances, the entity making the prepayment has to book an expense. In cases where a defined-benefit plan is subject to a minimum funding requirement, the change to IFRIC 14 permits entities to treat the prepayment as an asset, as they would any other type of prepayment.
- *IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments* – On 26 November 2009, the International Financial Reporting Interpretations Committee (IFRIC) published Interpretation IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments, with the aim of providing guidance on the accounting treatment, by the debtor, of equity instruments issued to extinguish, entirely or partially, a financial liability following renegotiation of the relative terms. Companies must apply IFRIC 19 and the amendment to IFRS 1 in annual periods beginning on or after 30 June 2010.
- *IAS 24 – Related Party Disclosures* – On 4 November 2009, the International Accounting Standards Board (IASB), published the revised IAS 24 – Related Party Disclosures. The changes introduced under the revised IAS 24 simplify the definition of a related party, eliminate some inconsistencies and partially exempt public entities from disclosures on related party transactions. Companies must apply IAS 24 in annual periods beginning on or after 31 December 2010.
- *IFRS 3 – Business Combinations* – The amendment clarifies that the components of minority interests not giving the owner the right to receive a proportional share of the net assets of the subsidiary must be measured at fair value or according to the applicable accounting standards. Therefore, for example, an employee stock option plan must be measured, in the event of a business combination, in accordance with IFRS 2, and the equity component of a convertible bond instrument must be measured in accordance with IAS 32;
- *IFRS 7 – Financial Instruments: Disclosures* – The amendment emphasises the interaction between the qualitative and quantitative disclosure required by the standard with regard to the nature and extent of the risks inherent to financial instruments. This should help users of the financial statements to collate the information presented and to create a general description of the nature and extent of the risks deriving from financial instruments. In addition, required disclosure on financial assets that have expired but which have been renegotiated or written down, and disclosure related to the fair value of collateral, have been eliminated;
- *IAS 1 – Presentation of Financial Statements* – The amendment requires the reconciliation of changes in each component of shareholders' equity to be presented in the notes as well as in the financial statements.

The consolidated financial statements were drafted in euro, rounding amounts to the nearest thousand unless otherwise indicated. The financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' 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 policies and with uniform group-wide classification policies.

C – Discretionary evaluations and relevant accounting estimates

The preparation of the Group's financial statements requires all directors to make subjective assessments, estimates and assumptions that may affect the value of revenues, expenses, assets, liabilities and contingent liabilities at balance sheet date. However, uncertainties about such assumptions and estimates may determine effects which will require significant adjustments to the accounting value of said assets and/or liabilities.

Discretionary evaluations

In applying Group accounting policies, directors made decisions based on the following discretionary evaluations (not including those involving estimates) with a significant effect on the values posted in the financial statements:

Recognition of revenue – Sale of components - According to directors, sales of components made by the Group to outsourcers (which use these components in their operations and subsequently resell their products to the Group) imply

a continued relationship with the transferred assets and do not give rise to collection of the contracted consideration. Consequently, on the basis of IAS 18, these transactions are not recognised as sales.

Uncertainty in the estimates

The estimates at year-end are reviewed periodically and could lead to significant adjustments in the book value of the assets and liabilities within the subsequent financial period. Estimates are used to recognise:

Impairment of non-financial assets

At every balance sheet date, the Group tests for impairment of all non-financial assets.

Specifically, goodwill and other intangible assets with an indefinite useful life are submitted to review at least annually and during the year to check for impairment; this check requires the Group to make an estimate of the value in use of the cash generating unit to which goodwill and other intangible assets with a definite useful life are attributed, in turn based on the estimated cash flows expected from the unit, time-discounted at an appropriate rate

At 31 December 2010, the carrying value of goodwill was €82,841 thousand (€71,515 thousand in 2009). Further details are provided in Note 1.

Other non-financial assets are annually tested for impairment when there is evidence that the assets may be impaired.

In preparing calculations to determine value in use, directors need to estimate expected cash flows from operations or from the cash-generating unit and choose a discount rate that can adequately calculate the present value of these cash flows. Further details and a sensitivity analysis of key assumptions are provided in Note 1.

Deferred tax assets

Deferred tax assets are recognised against all temporary differences and tax losses carried forward, to the extent that future taxable profits are likely that can absorb said temporary differences or that can use said tax losses. The Board of Directors is required to make a significant discretionary evaluation to determine the amount of deferred taxes that can be posted. Directors have to determine the most likely timing and amount of future taxable profits and a planned strategy of future taxes payable.

At the balance sheet date of 31 December 2010, unrecognised tax losses carried by the Parent Company were estimated at €26,166 thousand (€19,535 thousand in 2009). For the entire Group, the carried amount of unrecognised tax losses is €29,785 thousand (€23,721 thousand in 2009).

Development costs

Development costs are capitalised as per the accounting standard described in Note E. Initial cost capitalisation is based on the Directors' assessment of the technical and economical feasibility of the project, normally when the project itself has reached a certain stage in the development plan and it is likely that the asset will generate future economic benefits. In order to determine capitalised amounts, Directors need to make assumptions about expected future cash flows from fixed assets, discount rates to be applied and periods in which benefits will accrue. At 31 December 2010, the best estimate of the carried amount of capitalised development costs was €5,869 thousand, of which €1,634 thousand in progress (€5,050 thousand in 2009, of which €1,406 thousand in progress).

Other items subject to estimates

Estimates are also used to recognise provisions for risks on receivables, for inventory obsolescence, amortisation, write-downs of assets, employee benefits, taxes, and provisions for risks and charges, to determine the total costs of jobs and the respective state of progress, in order to record deferred tax assets and allocate the purchase price of recent business acquisitions.

D – Scope of consolidation

The consolidated financial statements include the annual financial statements of the Parent Company, Eurotech SpA, and the Italian and foreign subsidiaries in which Eurotech directly or indirectly (through subsidiaries and affiliates) exercises control, makes financial and operating decisions and obtains the respective benefits.

The companies included in the basis of consolidation on a line-by-line basis at 31 December 2010 are as follows:

Company name	Registered office	Share Capital	Group % ownership
<i>Parent company</i>			
Eurotech S.p.A.	Via Fratelli Solari, 3/A – Amaro (UD)	Euro 8.878.946	
<i>Subsidiary companies consolidated line-by-line</i>			
Parvus Corp.	Salt Lake City (USA)	USD 119.243	100,00%
Eurotech France S.A.S.	Venissieux Cedex (France)	Euro 795.522	100,00%
Eurotech Finland Oy	Helsinki (Finlandia)	Euro 508.431	100,00%
I.P.S. Sistemi Programmabili S.r.l.	Via Piave, 54 – Caronno Varesino (VA)	Euro 51.480	100,00%
Eurotech Ltd.	Cambridge (UK)	GBP 33.333	100,00%
E-Tech USA Inc.	Salt Lake City (USA)	USD 8.000.000	100,00%
Sae S.r.l.	Via Fratelli Solari, 3/a – Amaro (UD)	Euro 15.500	100,00%
Eurotech Inc.	Columbia (USA)	USD 26.500.000	100,00%
Eth Devices S.r.o.	Bratislava (Slovakia)	Euro 10.000	100,00%
EthLab S.r.l.	Via Dante, 78 – Trento	Euro 115.000	99,99%
Advanet Inc.	Okayama (Japan)	JPY 72.440.000	90,00%
Spirit21 Inc.	Okayama (Japan)	JPY 10.000.000	90,00%

The following affiliated companies are consolidated at equity:

<i>Affiliated companies consolidated at equity</i>		
Chengdu Vantron Technology Inc.	Chengdu (China)	43,75%
Delos S.r.l.	Via Roberto Cozzi, 53 - Milano	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%
U.T.R.I. S.p.A.	Via del Follatolo, 12 – Trieste	21,31%

The main changes with regard to subsidiaries and affiliates compared with 31 December 2009 are as follows:

- On 29 January 2010, the company Isidorey Llc was created, with a registered office in Wilmington (USA). The company will develop software for device connection and remote management;
- On 1 April 2010, 40% of Union Arrow Technologies Inc. owned through Advanet Inc., was sold;
- On 15 June 2010, 11.8% of the share capital of the subsidiary Advanet was acquired, the first tranche of the put option on 25% of the Japanese company's capital;
- On 22 June 2010, a further 11.5% of the share capital of the subsidiary Advanet was acquired, the second tranche of the put option on 25% of the company's capital;
- On 22 July 2010, the liquidation of Delos Srl began;
- On 9 November 2010, the remaining 1.7% of the share capital of the subsidiary Advanet was acquired, completing the put option on 25% of the Japanese company's capital;
- On 14 December 2010, the company E-Tech UK Ltd. was closed;
- On 31 December 2010, 5.75% of the shares of Chengdu Vantron Technology Inc. were sold under an agreement that also provides for the sale further stakes each year, reaching 15% ownership by 31 December 2015.

E – Accounting standards and policies

Consolidation policies

Consolidation policies from 1 January 2010

The consolidated financial statements include the financial statements of Eurotech SpA (Parent Company) and its subsidiaries, prepared on 31 December every year. The financial statements of the subsidiaries are drawn up using the same accounting standards as for the Parent Company; any consolidation adjustments are carried out to make

consistent the items affected by the application of different accounting standards. All intragroup balances and transactions, including any unrealised profits deriving from relationships between Group companies, are completely eliminated. The portion pertaining to the Group of unrealised profits and losses with affiliates is eliminated. Unrealised losses are eliminated, except in cases where they represent impairment.

Subsidiaries are fully consolidated from the acquisition date, i.e. the date at which the Group acquires control, and cease to be consolidated on the date at which control is transferred outside the Group.

Losses are attributed to minority interests even when this gives rise to a negative balance for minority shareholdings.

Changes in the equity interest of the Parent Company in a subsidiary that do not involve loss of control are booked as equity transactions. Specifically, in the case of acquisitions of minority interests, the difference between the price paid and the book value of the portion of the net assets purchased is posted directly to equity.

If the Parent Company loses control of a subsidiary, it:

- ▶ eliminates the subsidiary's assets (including any goodwill) and liabilities;
- ▶ eliminates the carrying value of any minority interest in the former subsidiary;
- ▶ eliminates cumulative exchange rate differences recognised in equity;
- ▶ recognises the fair value of the payment received;
- ▶ recognises the fair value of any equity interest retained in the former subsidiary;
- ▶ recognises any profit or loss in the income statement;
- ▶ reclassifies the portion held by the Parent Company of the components previously posted to the statement of comprehensive income to the income statement or to retained earnings, as appropriate.

Consolidation policies from 01 January 2010

Some of the policies described above have been applied prospectively.

Furthermore, with regard to the above consolidation policies, in some circumstances the following differences are carried forward:

- ▶ Acquisitions of minority interests that took place before 1 January 2010 were booked using the entity concept method, according to which the difference between the price paid and the book value of the portion of the net assets acquired is posted directly to equity.
- ▶ Losses registered by the Group were attributed to minority interests until the balance of the latter was reduced to zero. Any further loss exceeding this value was attributed to the Group, unless the minority interests had an obligation to cover it. Losses registered before 1 January 2010 were not reallocated between the minority interests and the shareholders of the Parent Company.
- ▶ Once control has been lost, the Group books the retained portion of the equity interest according to its proportionate share of the net asset on the date at which control was lost. The carrying value of this shareholding at 1 January 2010 was not re-presented.

Conversion of foreign currency items and financial statements from non-euro currency

The consolidated financial statements are presented in euro, which is the functional and presentation currency used by the Group. Each Group entity determines its own functional currency, which is used to value the items in the individual financial statements.

Transactions in foreign currency are initially recognised at the exchange rate (in relation to the functional currency) in force at the transaction date. Monetary assets and liabilities denominated in foreign currency are converted to the functional currency at the exchange rate in force at balance sheet date. All exchange rate differences are posted to the income statement, except for differences deriving from loans in foreign currency that form part of a net investment in a foreign company, which are recognised directly in equity until the net investment is disposed of, at which time it is recognised in the income statement. Taxes and tax receivables attributable to exchange rate differences on these loans are also posted directly to equity. Non-monetary items valued at historic cost in foreign currency are translated using the

exchange rates in force at the date at which the transaction is initially recognised. Non-monetary items posted at fair value in foreign currency are converted using the exchange rate in force at the date of calculation of this value.

Any goodwill deriving from the acquisition of a foreign operation, and any changes in fair value that change the book values of the assets and liabilities deriving from the acquisition of this foreign operation, are booked as assets and/or liabilities of the foreign operation. These values are therefore expressed in the functional currency of the foreign operation and are translated at the exchange rate in force at balance sheet date.

Before 1 January 2005, the Group chose to treat goodwill, and any changes in fair value that change the book value of the assets and liabilities at the time of acquisition, as Group assets and liabilities. Therefore, these assets and liabilities are already expressed in the presentation currency or they are non-monetary items, and there is therefore no further translation difference.

The functional currency used by the US subsidiaries Parvus Corp., Eurotech Inc. and E-Tech USA Inc. is the US dollar; the functional currency used by the UK subsidiary Eurotech Ltd. is the pound sterling; the functional currency used by the Japanese subsidiaries Advanet Inc. and Spirit21 Inc. is the Japanese yen; and the functional currency used by the Chinese subsidiary Chengdu Vantron Technology Limited is the renminbi.

At balance sheet date, the assets and liabilities of these subsidiaries were translated to the presentation currency of the Eurotech Group (the euro) at the exchange rate in force on this date, while the income statement was converted using the average exchange rate for the year. Exchange rate differences arising from the conversion of income statement items at a different rate from that in force at balance sheet date, and those arising from the translation of opening equity at a different rate from that in force at balance sheet date, are recognised directly in equity and presented separately in a dedicated reserve. When a foreign company is disposed of, the cumulative exchange rate differences recognised in equity relating to that particular foreign company are posted to the income statement.

The schedule below shows the exchange rates used, as issued by the Italian Foreign Exchange Bureau:

Currency	Average at 2010	As of December 31, 2010	Average at 2009	As of December 31, 2009
British pound sterling	0.85784	0.86075	0.88810	0.89094
Japanese Yen	116.23857	108.65000	130.33660	133.16000
Renmimbi	n/a	n/a	9.52771	9.83500
USA Dollar	1.32572	1.33620	1.39478	1.44060

Accounting policies

The accounting standards and policies applied to prepare the consolidated financial statements for the year ended 31 December 2010 are shown below.

Intangible assets

Intangible assets acquired separately are initially capitalised at cost, while assets acquired through business combinations are booked at fair value. After initial posting, intangible assets are booked net of accumulated amortisation and accumulated value losses. Intangible assets produced in-house, except for development costs, are not capitalised and are reported in the income statement in the year in which they are incurred. The useful life of intangible assets is valued as definite or indefinite.

Intangible assets with a definite useful life are amortised throughout their useful life and submitted to congruence tests whenever there are indications of possible impairment. The period and method of amortisation to be applied are re-examined at the end of each financial year or more frequently as necessary. Changes in the expected useful life and the methods with which future economic benefits related to intangible assets are achieved by the Group are posted by modifying the period or method of amortisation, as adjusted, and treated as modifications of the accounting estimates.

Amortisation allowances of intangible assets with finite useful life are reported in the income statement in the cost category matching the function of the intangible asset.

Intangible assets with indefinite useful life are submitted to annual impairment testing on an individual or cash generating unit basis. No amortisation is reported for these assets. The useful life of an intangible asset with indefinite useful life is annually reviewed to verify the conditions underlying this classification. Otherwise, the useful life estimated is changed from indefinite to definite.

Profits or losses arising from the sale of an intangible asset are measured as the difference between the net proceeds of the sale and the carrying value of the intangible asset and are recognised in the income statement when the asset is eliminated.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are booked using the purchase method. The purchase cost is measured as the sum of the payment made at fair value at acquisition date and the amount of any minority interest in the acquiree. For every business combination, the acquirer must value any minority interest in the acquiree at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquiree. Acquisition costs are paid and classified in administrative expenses.

When the Group acquires a business, it must classify or designate the financial assets acquired or liabilities assumed in accordance with the contractual terms and financial conditions and other pertinent conditions existing at acquisition date. This includes establishing whether an embedded derivative must be separated from the primary contract.

If the business combination is carried out in more than one stage, the acquirer must recalculate the fair value of the equity interest previously held and valued using the equity method, recognising any resulting profit or loss in the income statement.

Any potential payment must be recognised by the acquirer at fair value at acquisition date. Changes in the fair value of the potential payment classified as an asset or liability shall be recognised, pursuant to IAS 39, in the income statement or as other components of comprehensive income. If the potential payment is classified in equity, its value must not be recalculated until its extinction is booked against equity.

Goodwill is initially valued at cost, calculated as the excess between the sum of the payment made and the amount recognised for minority interests, and the identifiable assets acquired and liabilities assumed by the Group. If the payment is less than the fair value of the net assets of the acquired subsidiary, the difference is posted to the income statement.

After initial recognition, goodwill is valued at the reduced cost of the accumulated impairment losses. For the purposes of the impairment test, goodwill acquired in a business combination must, at acquisition date, be allocated to every Group cash generating unit expected to benefit from the combination, aside from the fact that the other assets or liabilities of the acquired entity are assigned to these units.

If goodwill is allocated to a CGU and the entity sells part of the assets of this unit, the goodwill associated with the asset sold must be included in the carrying value of the asset when calculating the gain or loss deriving from the disposal. The goodwill associated with the asset sold must be calculated on the basis of the relative values of the asset sold and the portion retained by the CGU.

Business combinations before 1 January 2010

Differences by comparison with the above policies are set out below.

Business combinations were booked using the purchase method. Transaction costs directly attributable to the combination were regarded as part of the purchase cost. Minority interests were calculated according to the portion of the identifiable net assets of the acquiree pertaining to minorities.

Business combinations carried out in stages were booked at separate times. Each new acquisition of shares did not affect the goodwill previously recognised.

The potential payment was recognised if, and only if, the Group had a current obligation, and cash outflows were probable and the estimate could be reliably calculated. Subsequent changes to the potential payment were booked as part of goodwill.

On first-time adoption of IFRS, the Group decided to not apply IFRS 3 - Business Combinations retroactively to acquisitions made before 1 January 2004; as a result, goodwill generated on acquisitions prior to the date of transition to IFRS was maintained at the previous value, determined according to Italian accounting standards, subject to testing and adjustment for impairment.

Research and development costs

Research costs are recognised in the income statement at the time they are incurred.

Development costs incurred with reference to a specific project are only capitalised when the Group can demonstrate (a) that it is technically practicable to complete the fixed asset so as to make it available for use or for sale; (b) that it intends to complete the fixed asset for use or for sale; (c) the way in which it will probably generate future benefits; (d) the availability of technical, financial and all other resources needed to complete the asset; and (e) its ability to reliably determine the costs attributed to the asset throughout its development.

Capitalised developed costs are amortised over the period in which all future expected revenues will occur.

During the development period, the asset is re-examined annually to verify potential impairment. After the initial posting, development costs are assessed at cost, minus any other amortisation or accumulated losses. Amortisation of the asset begins as soon as development is completed and the asset becomes available for use.

All other development costs are reported in the income statement in the period they are incurred.

Patents and trademarks

Patents have been granted by the competent body for a minimum of ten years with renewal option by the Group if the patent continues to produce utility over time.

Trademarks acquired separately are initially recognised at cost inclusive of ancillary charges. Trademarks acquired through business combinations are recognised at their fair value measured at the acquisition date.

Following initial recognition, trademarks are recorded at cost, net of goodwill provisions and any accumulated impairment losses.

Trademarks with a definite useful life recognised in the balance sheet are amortised over a period of between 8 and 10 years and subject to impairment testing whenever a loss of value is indicated. Its useful life is reviewed on an annual basis.

Trademarks with an indefinite useful life are not amortised but are subject to impairment testing at least annually.

Registration costs in other countries of trademarks and patents developed internally are recorded in the income statement when they are incurred.

Other intangible assets

Other intangible assets purchased or produced internally are recorded as assets, in accordance with IAS 38 - Intangible Assets, when it is likely that the asset will generate future economic benefits and when the cost of the asset can be reliably determined.

Intangible assets with a definite useful life recognised within a business combination, such as customer relationships and order portfolios, are initially recognised at fair value at the date of acquisition, separately from goodwill, if this value can be reliably determined. After initial recognition, they are recognised net of related cumulative amortisation and of any impairment determined in the same way as for tangible assets. Customer relationships are amortised on a straight-line basis in a period of five to 10 years, while amortisation of the order book correlates to the processing of orders in the book at the time of acquisition.

Useful life is re-assessed annually, and any changes are applied prospectively as necessary.

Gains or losses arising from the sale of an intangible asset are measured as the difference between the net revenues from the sale and the carrying value of the intangible asset and are recognised in the income statement when the asset is eliminated.

Tangible assets

The value of property, plant and equipment is stated at historical cost, including any direct ancillary charges for making the asset suitable for the use for which it was intended, increased, where relevant and in the case of current obligations, by the current value of the estimated cost for disposal or removal of the asset. If significant portions of these tangible assets have different useful lives, these components are booked separately. Land, whether the site of buildings or free from construction, is not depreciated since it is considered to have an unlimited life.

The value of a building, subject to revaluation in periods prior to 1 January 2004 (the date of transition to IFRS), is recognised according to fair value at the transition date and this value is the replacement cost starting from that date (deemed cost).

Property, plant and equipment are listed net of respective accumulated depreciation and any impairment determined according to the methods described below. Depreciation is calculated on a straight-line basis, according to the estimated life of the asset for the company, which is re-examined annually and adjusted for changes on a case-by-case basis. The main technical amortisation rates used are based on the useful life of each individual item:

Buildings	33 years
Plant and machinery	from 7 to 10 years
Industrial and commercial equipment	from 4 to 6 years
Production equipment	from 4 to 6 years
Furniture and fixtures	from 7 to 10 years
Electronic office equipment	from 3 to 5 years
Automobiles and motor vehicles	from 4 to 5 years

The carrying value of tangible assets is tested for impairment if events or situational changes indicate that the carrying value cannot be recovered. If there is such an indication and if the carrying value exceeds the estimated realisable value, the assets are written down to reflect their realisable value. The realisable value of a tangible asset is the higher of its net selling price and value in use.

In determining value in use, estimated future cash flows are discounted to their current value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate cash flows independently, the realisable value is determined in relation to the cash-generating unit to which the asset belongs. Impairment is booked in the income statement under amortisation, depreciation and write-downs. The initial value is reinstated if the causes of impairment in previous financial years are no longer valid.

At the time of the sale or when future economic benefits no longer exist on the use of an asset, it is eliminated from the balance sheet and related losses or gains (calculated as the differences between the sale price and the carrying value) are reported in the income statement in the year of its elimination.

The outstanding value of the asset, useful life and methods applied are reviewed annually and adjusted if necessary at the end of every financial year.

Financial charges incurred for investments in assets for which there is generally a certain period of time to make the asset ready for use or sale (qualifying assets, pursuant to IAS 23 – Financial Charges) are capitalised and depreciated throughout the useful life of the class of assets to which they refer. Financial charges are recognised in the income statement as they are incurred.

Equity investment in affiliated companies

Equity investments in affiliated companies, in which the Eurotech Group has significant influence, are valued using the equity method. The income statement reflects the Group share of the results of the affiliated company. Equity investments in an affiliated company are booked in the income statement at cost, increased by subsequent changes pursuant to acquisition of the Group share in the net assets of the affiliate, according to the net equity method. Goodwill

relating to the affiliated company is included in the carrying value of the shareholding and is not subject to amortisation or to impairment testing.

The Group share of the results of the affiliate is recognised in the income statement. This share represents the profits of the affiliate attributable to shareholders, and therefore profits net of tax and the portions payable to the other shareholders of the affiliate.

If an affiliate enters adjustments directly in equity, the Group recognises its share and posts it, where applicable, in its statement of changes in shareholders' equity. Gains and losses arising from transactions between the Group and the affiliate are eliminated in proportion to the investment in the affiliate.

If the Group share of losses exceeds the carrying value of the equity investment, the latter is eliminated and the surplus is recorded in a special reserve in the amount in which the Group has legal or implicit obligations toward the subsidiary company to cover its losses or, in any event, to make payments on its behalf.

After applying the equity method, the Group assesses whether it is necessary to recognise a further impairment of its equity interest in the affiliate. The Group makes this assessment at every balance sheet date if there is objective evidence of impairment of the equity interest in the affiliate. If this is the case, the Group calculates the impairment as the difference between the recoverable value of the affiliate and the carrying value of the affiliate in its balance sheet, recognising this difference in the annual income statement and classifying it under "Group share of the results of affiliated companies".

When significant influence over the affiliate has been lost, the Group calculates and recognises any residual equity interest at fair value. Any difference between the carrying value of the equity interest at the date of loss of significant influence and the fair value of the residual interest and of the payments received must be posted to the income statement.

Affiliates end their financial year on the same date as the Group; when the accounting policies used do not comply with those used by the Group, they are adjusted at year-end to make them the same as those used by Group for transactions and events of the same nature and occurring in similar circumstances.

Equity investment in other companies

If the fair value of financial assets made up of equity investments in other companies cannot be measured at balance sheet date because the shares are not listed, they are valued at the purchase or subscription cost, after deducting capital refunds, which is adjusted for impairment using the methods described for tangible assets. If the reasons for a write-down cease to exist, equity investments valued at cost are written back to the initial value, and the effect is entered in the income statement. The risk deriving from any losses exceeding shareholders' equity is recorded in an appropriate provision to the extent to which it is committed to fulfil the legal or implicit obligations of the subsidiary company, or in any event to cover its losses.

Other non-current assets

Receivables and other long-term investments held until expiration date are booked at cost, represented by the fair value of the initial amount given in exchange, increased by applicable transaction costs. The initial carrying value is subsequently adjusted to take account of capital refunds and any write-downs or amortisation of the difference between the repayment value and the initial posted value. Amortisation is charged according to the effective internal interest rate, which is the rate that equalises, at the time of their initial recognition, the current value of expected cash flows and the initial posted value (amortised cost method).

Inventories

Inventories, except for work in progress, are stated at the lower of the purchase or production cost and the estimated realisable value represented by the amount that the company expects to obtain from their sale in the course of normal operations.

The cost of raw materials and finished products is calculated by applying the average weighted purchase cost for each transaction, including all ancillary purchase charges.

The production cost of finished and semi-finished products comprises the direct cost of raw materials and labour plus a portion of general production expenses calculated according to standard production capacity, excluding any financial charges.

Obsolete and/or slow-turnover inventories are written down based on their current potential use or on future realisation. The write-down is reversed in subsequent periods if the reason for maintaining it no longer exists.

Contracts in progress

Contracts in progress are valued according to the contractual amounts that have accrued with a reasonable degree of certainty, in accordance with the percentage-of-completion method, so as to attribute revenues and profits to the relevant individual accounting periods, in proportion to completion status. The progress of the contract is determined as the contract costs incurred for work performed to date as a proportion of the estimated total contract costs. The positive or negative difference between the value of the contracts accrued at year-end and the amounts billed is booked respectively under liabilities or assets in the balance sheet.

Contract revenues, in addition to contract considerations, include changes, price adjustments, and recognition of incentives to the extent to which it is probable that these represent actual revenues that can be reliably determined. Actual losses are recognised regardless of the state of progress of jobs.

Trade receivables and other receivables

Receivables included in current and non-current assets are initially recognised at fair value and then at amortised cost and adjusted for impairment.

Trade receivables whose expiration date falls within the normal commercial terms are not time-discounted and are booked at cost (identified by their face value), net of the respective impairment, which is booked to a specific reserve. Amounts considered uncollectible are estimated according to the current value of expected future cash flows. Impaired receivables are written off and reversed when they become uncollectible.

Impairment of financial assets

At every balance sheet date the Group tests for impairment of financial assets or groups of financial assets.

Assets determined using the amortised cost method

If there is an objective indication that a loan or receivable recognised at amortised cost may be impaired, the impairment is measured as the difference between the asset's carrying value and the present value of expected future cash flows (excluding future loan losses not yet incurred) discounted at the initial interest rate of the financial asset (i.e., the effective interest rate calculated at initial recognition). The carrying value of the asset is written down using a specific reserve and the impairment is recognised in the income statement.

If the impairment is reduced in subsequent periods and there is objective evidence that the reduction is due to an event occurring after the recognition of the impairment loss, the impairment may be reversed. Any impairment loss reversals are recognised in the income statement to the extent that the carrying value of the asset does not exceed the amortised cost at the date of reversal.

With regard to trade receivables, an impairment provision is made when there is objective evidence (e.g., the probability of default or significant financial distress of borrowers) that the group will not be able to recover all amounts due according to the original terms and conditions of the invoice.

Treasury shares

Treasury shares purchased are deducted from equity according to the relative purchase cost. The purchase, sale, issue or cancellation of the company's own equity instruments does not entail recognition of any gain or loss in the income statement.

Cash and cash equivalents

Cash and cash equivalents include ready cash, i.e., values that are either available on demand or which can be quickly liquidated, will give good results and do not have collection costs. For the purposes of the consolidated cash flow statement, cash was represented gross of bank overdrafts at balance sheet date.

Financial liabilities

Trade payables and other liabilities

Trade payables, whose expiration date falls within the normal commercial terms, are not time-discounted and are booked at cost (identified by their face value), net of the respective impairment, which is booked to a specific reserve.

Other liabilities included in both current and non-current assets are initially recognised at cost, which corresponds to the fair value of the liability, net of transaction costs directly attributed to the issue of the liability. Following initial recognition, financial liabilities are valued using the amortised cost criterion and the effective initial interest rate method.

Loans

All loans are initially recognised at the fair value of the amount received net of ancillary charges related to acquiring the loan. After initial recognition, loans are valued using the amortised cost criterion and the effective interest rate method. Every gain or loss is booked to the income statement when the liability is extinguished, unless this takes place through the amortisation process.

If a long-term loan agreement provision is breached at balance sheet date or prior to this date, with the result that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after balance sheet date and before approval of the financial statements for publication, not to demand payment due to breach of contract. The liability is classified as current at balance sheet date because the company does not have an unconditional right to defer settlement for at least 12 months after this date.

Derivative financial instruments

The Group uses derivative financial instruments such as interest-rate swaps in order to hedge any risk from fluctuations of interest rates. Such derivative financial instruments are initially recognised at fair value at the date they are entered into; their fair value is recalculated periodically. They are recognised as assets when their fair value is positive and as liabilities when it is negative. Pursuant to IAS 39, hedging derivative financial instruments are recognised based on hedge accounting standards only when:

- a) a formal designation exists and a hedging relationship report was prepared at the beginning of the hedging transaction;
- b) the hedging relationship is expected to be highly effective;
- c) the hedging relationship effectiveness can be reliably measured;
- d) the hedging relationship itself is highly effective in all accounting periods for which it was designated.

When derivative financial instruments are used to hedge the fair value of underlying instruments (so called fair value hedges, as in the case of hedging the fair value of fixed-rate assets/liabilities), they are recognised at fair value through the income statement; and the hedged instruments are adjusted accordingly for changes in fair value of the hedged risk.

When derivatives are cash-flow hedges, e.g. hedging the change in cash flows of assets and liabilities at a variable rate due to interest-rate fluctuations, changes in the fair value are initially recognised on the balance sheet and are then charged to the income statement consistent with the economic effects produced by the hedged transaction.

Consistent with strategy, the Group does not enter into speculative transactions on derivative instruments. In any event, if these transactions cannot be qualified as hedge transactions, they are registered as speculative transactions. Changes in the fair value of derivatives that do not meet the requirements for qualification as hedging instruments are recognised in the income statement.

Elimination of financial assets and liabilities

Financial assets

A financial asset (or where applicable, part of a financial asset or part of a group of similar assets) is eliminated from the financial statements when:

- rights to receive the cash flows from the asset are extinguished;
- the Group holds the right to receive cash flows from the asset, but has undertaken a contractual obligation to pay for them in full and immediately to a third party;
- the Group has transferred the right to receive cash flows from the asset and (a) has essentially transferred all the risks and benefits of ownership of the financial asset or (b) has not transferred nor retained the risks and benefits of the asset, but has transferred its control.

If the Group has transferred the rights to receive cash flows from an asset and has neither transferred nor held all the risks and benefits or has not lost control of them, the asset is recognised in the Group financial statements to the extent of its residual involvement in the asset. Residual involvement which takes the form of a guarantee on the transferred asset is valued at the lesser of the initial carrying value of the asset and the maximum value of the amount that the Group could be required to pay.

If the residual involvement takes the form of an option issued and/or acquired on the transferred asset (including the options regulated by cash or similar), the amount of Group involvement corresponds to the amount of the transferred asset that the Group can re-acquire; however, in the case of a put option issued on an asset measured at fair value (including options regulated in cash or with similar dispositions), the measure of residual involvement of the Group is limited to the lesser between the fair value of the transferred asset and the strike price of the option.

Financial liabilities

A financial liability is eliminated from the financial statements when the obligation underlying the liability is extinguished, voided or completed.

If an existing financial liability is replaced by another by the same lender, at substantially different conditions, or the conditions of an existing liability are essentially changed, this exchange or change is treated like an accounting elimination of the original liability and a new liability is recorded, posting to the income statement any differences between the accounting values.

Employee benefit obligations

Benefits guaranteed to employees, paid concurrent to or subsequent to the cessation of the employment relationship through defined benefit plans (employee severance indemnity accrued at 31 December 2010 or pension plans) or other long-term benefits (withdrawal indemnity) are recognised in the period when this right vests.

The Group implemented defined benefit and/or defined contribution pension plans, based on conditions and local practices in the countries where the Group operates.

Liabilities related to defined benefit programmes, net of any activities to service the plan, are determined based on actuarial assumptions and are recognised on an accrual basis consistent with the employment services necessary to obtain the benefits. The liabilities are valued by actuarial staff. The portion of cumulative net value of actuarial gains or losses in excess of the greater of 10% of the actuarial value of the defined benefit obligation and 10% of the fair value of

the plan asset at the end of the previous reporting period is amortised over the remaining average working life of employees (the corridor method). At first-time adoption of IFRSs, the Group decided to recognise all existing cumulative actuarial gains or losses, while having decided to use the corridor method for all actuarial gains or losses subsequently incurred. All costs stemming from retrospective services are recognised with the straight-line method over an average timeframe, until the rights to benefits vest.

Pursuant to amendments to severance indemnities under Law 296 of 27 December 2006 (2007 Budget Law), the severance indemnities of Italian companies accrued at 1 January 2007 or at the date employees choose the option they will exercise are included in the defined benefit plan category, both in the event of option for supplementary pension and option for allocation to the treasury fund at INPS. The accounting treatment of severance indemnities is now similar to that used for other types of pension scheme contributions.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover losses or liabilities of a stated nature or of a certain or probable existence, the amount or date of which was not identified at year-end. Provisions are recognised when there is a current obligation (legal or implicit) arising from a past event that necessitates an amount of resources to meet the obligation and a reliable estimate can be made of the amount of the obligation. When the Group believes that a provision to the reserve for risks and charges is partly or totally repaid, e.g. in the case of risks covered by insurance policies, the indemnity is only recognised as a separate item in the assets if, and only if, it is virtually certain. In this case, the cost of the provision in the income statement is stated net of the amount recognised for indemnity.

Provisions are booked at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties at the reporting date. If the effect of time-discounting the value of the cash is significant, provisions are determined by time-discounting expected future cash flows at a pre-tax discount rate that reflects the current market evaluation of the cost of money in relation to the time. When time-discounting is performed, the increase in the provision due as time passes is recognised as a financial charge.

Liabilities for decommissioning

An accrual for decommissioning expenses was made against costs that some foreign operations will incur in future periods for the decommissioning, demolition, dismantling and removal of some fixed assets at the end of their useful life. A credit to the plant and machinery entry was stated as a contra entry.

Decommissioning costs are carried at the present value of expected costs needed to settle the obligation, by using estimated cash flows and a pre-tax discount rate that reflects the specific risks related to the decommissioning liability.

The unwinding of the discount is recognised in the income statement as it occurs. Estimated cash flows are revised annually and adjusted as appropriate. Any change in cost estimates or in the discount rate applied are used to reduce the costs of the asset.

Grants

Grants made by public bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions provided for obtaining them are met.

If grants relate to cost components, they are recognised as income but are consistently spread out over the periods so that they refer to the costs they are intended to offset. If the grant is related to any activity or development activity whose value is recognised as a fixed asset, it directly reduces the value of the fixed assets.

Operating grants (granted in order to provide immediate self-financing to the business or as compensation for expenses and losses incurred in a prior financial year) are fully recognised in the income statement at the time when the conditions for posting are met.

Leasing

A contractual agreement is defined as a lease (or containing a leasing transaction) according to the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more

specific assets and if the agreement transfers the right to use this asset. A review is carried out after the start of the agreement only if one of the following conditions appears:

- a) there is a change in the agreement conditions, other than renewal or extension of the agreement;
- b) a renewal option is exercised or an extension is granted, unless the terms of the renewal or extension are not initially included in the terms of the lease transaction;
- c) there is a change in the conditions whereby adaptation depends on a specific activity; or
- d) there is a substantial change in the asset.

When a re-examination is carried out, the accounting treatment of the lease will begin or cease on the date at which the circumstances that have given rise to the review for scenarios a), c) or d) change and at the date of renewal or extension for scenario b).

Financial lease agreements that transfer to the Group all the risks and benefits associated with ownership of the leased asset are capitalised from the start date of the lease agreement at the fair value of the leased asset, or at the present value of lease payments if this is lower. Lease payments are apportioned between principal and interest in order to apply a constant periodic rate of interest on the remaining balance of the liability (principal). Financial expenses are charged to the income statement. Capitalised leased assets are depreciated on the shorter of the estimated useful life of the asset and the duration of the lease agreement, if it is not reasonably certain that the Group will obtain ownership of the asset at the end of the agreement.

Lease agreements in which the lessor essentially retains all the risks and benefits typical of ownership are classified as operating leases. Lease payments are charged to the income statement on a straight-line basis according to the duration of the agreement.

Revenues and costs

Recognition of revenues

Revenues are recognised in the measure in which it is possible to reliably determine the fair value and it is probable that the respective economic benefits will be used.

Depending on the type of transaction, revenues are recognised according to the specific criteria reported below:

- revenues from sales of goods are recognised when the significant risks and benefits of ownership of the goods are transferred to the buyer, generally at the date the goods are shipped;
- revenues for performing services are recognised according to the state of completion of the assets based on the criteria envisaged for contract work in progress. If it is not possible to reliably estimate the value of revenues, these are recognised up to the amount of the costs incurred that is deemed recoverable.

Interest

Revenues and expenses are recognised according to interest accrued on the net value of related assets and liabilities using the effective interest rate (the rate that discounts all future cash flows based on the expected useful life of the financial instrument to equal the net carrying amount of the financial asset).

Dividends

Dividends are reported when the shareholders' right to receive payment is established.

Income tax

Current tax assets and liabilities for the period and for all prior periods are carried at the amount expected to be recovered or to be paid to the tax authorities pursuant to tax legislation in force. Tax rates and fiscal provisions used to calculate the amount are as issued or substantially issued at the balance sheet date of 31 December 2010.

Current taxes relating to elements recognised directly in equity are recognised directly in equity and not in the income statement.

Deferred tax liabilities are calculated using the liability method on temporary differences at balance sheet date between tax amounts related to assets and liabilities and the amounts recognised in the balance sheet.

Deferred tax liabilities are recognised with regard to all taxable temporary differences, except for:

- when deferred tax assets arise from initial posting of goodwill or an asset and liability in a transaction which is not a business combination and which, at the time of the transaction, does not have an effect on income in the financial year calculated for the financial statements, nor on the income or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, affiliated companies and joint ventures, in the event that recharging temporary differences can be controlled and it is likely that it will not take place in the foreseeable future.

Deferred tax assets are recognised against tax losses carried forward to the extent that the company is likely to earn taxable income in the future which can make applicable the use of deductible temporary differences and fiscal losses carried forward, unless:

- the deferred tax asset related to temporary deductible differences arises from the initial recognition of an asset or liability in a transaction that is a business combination and which, at the time of the transaction, does not influence the profit for the year calculated for the purposes of the financial statements or gains or losses calculated for fiscal purposes;
- in the case of taxable temporary differences associated with equity investments in subsidiaries, affiliated companies and joint ventures, tax assets are recognised in the amount that temporary differences might be used in the immediate future and that there is adequate taxable income against which the temporary differences can be used.

The ability to recover the deferred tax assets for prepaid taxes is reviewed at the end of every year and is reduced if it is unlikely that sufficient income will be earned in the future to allow all or part of this credit to be used. Unrecognised deferred tax assets are reviewed annually at year-end and are recorded to extent to which taxable profit is likely to be sufficient to allow these deferred tax assets to be recovered.

Deferred tax assets and liabilities are recognised based on the tax rates expected to be applied during the year when these activities are realised or these liabilities extinguished, taking into account the rates in force and those issued or allocated at year-end.

Income taxes related to items posted to equity are directly recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if there is a legal right to offset current tax assets and liabilities and deferred income tax referring to the same taxable object and the same tax authorities.

F – Segment information

The Group's primary segmentation for reporting purposes is by business segment, with secondary segmentation by region. The business segments are the NanoPC and HPC (High Performance Computer) segments. In view of the cyclicity typical of our clients in the HPC segment and its current low relevance, we have chosen to provide disclosure on the NanoPC segment, divided by the regions in which the Group operates in various ways and based on which senior management monitors performance. There were no significant intragroup transactions between business segments.

Besides the HPC segment, the Group's regions in the NanoPC segment are defined according to the localisation of Group assets and operations. These segments 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 schedule below provides data on the Group's revenues and results and information on its assets and liabilities for the periods ended 31 December 2009 and 31 December 2010.

(€000)

	NanoPC			High Performance Computer			Total		
	FY2010	FY 2009	%YoY Chg	FY2010	FY 2009	%YoY Chg	FY2010	FY 2009	%YoY Chg
Sales and service revenue by segment									
Sales and service revenue by segment	98,073	82,682	18.6%	1,196	847	41.2%	99,269	83,529	18.8%
Ebitda by segment	7,786	1,886	-312.8%	-392	-597	-34.3%	7,394	1,289	-473.6%
Ebit by segment	38	-5,926	100.6%	-779	-706	-10.3%	-741	-6,632	88.8%
Total EBIT							-741	-6,632	88.8%
Net finance income (expense)							-1,442	-1,954	26.2%
Shares of associates' profit (loss)	-1630	-405					-1,630	-405	-302.5%
Profit before tax of continuing operations							-3,813	-8,991	57.6%
Income tax							-2,200	-481	-357.4%
Net profit (loss)							-6,013	-9,472	36.5%

Revenues generated by the NanoPC business rose by 18.6%, from €82,682 thousand in 2009 to €98,073 thousand in 2010. The increase was due to the economic recovery in the various regions.

Revenues generated by the HPC business rose from €847 thousand in 2009 to €1,196 thousand in 2010, due to new opportunities for the Parent Company's new developments and products.

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

(€ 000)

	NordAmerica			Europe			Asia			Correction, reversal and elimination			Total		
	FY2010	FY2009	%YoY Change	FY2010	FY2009	%YoY Change	FY2010	FY2009	%YoY Change	FY2010	FY2009	%YoY Change	FY2010	FY2009	%YoY Change
Third party Sales	47,608	40,563		21,307	18,477		29,158	23,642		0	0		98,073	82,682	
Infra-sector Sales	1,986	1,710		10,436	2,997		267	1,657		(12,689)	(6,364)		0	0	
Total Sales revenues	49,594	42,273	17.3%	31,743	21,474	47.8%	29,425	25,299	16.3%	(12,689)	(6,364)	-99.4%	98,073	82,682	18.6%
Gross profit	22,565	19,361	16.5%	11,916	10,182	17.0%	16,184	14,092	14.8%	(451)	(825)	-45.3%	50,214	42,810	17.3%
Gross profit margin - %	45.5%	45.8%		37.5%	41.7%		55.0%	55.7%					51.2%	51.8%	
EBITDA													7,786	1,886	312.8%
EBITDA margin - %													7.9%	2.3%	
EBIT													38	(5,926)	-100.6%
EBIT margin - %													0.0%	-7.2%	

The revenue performance by region reported above shows a generalised increase across the various regions, due to efforts to recover market share and business opportunities for forecast growth.

The schedule below shows assets and investments in the Group's individual business segments at 31 December 2010 and 31 December 2009.

(€000)	NanoPC		High Performance Computer		Total	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Assets and liabilities						
Segment assets	205,632	186,676	2,798	3,297	208,430	189,973
Investments in associate & other companies	538	1,624	0	0	538	1,624
Unallocated assets					1,778	2,112
Total assets	206,170	188,300	2,798	3,297	210,746	193,709
Segment liabilities	74,537	72,731	725	904	75,262	73,635
Unallocated liabilities					0	0
Total liabilities	74,537	72,731	725	904	75,262	73,635
Other segment information						
Investments in tangible assets	1,056	860	0	0	1,056	860
Investments in intangible assets	2,605	2,267	484	915	3,089	3,182
Depreciation & amortisation	7,748	7,823	387	98	8,135	7,921

Assets and investments in the NanoPC segment by region are shown in the schedule below:

(€ 000)	NordAmerica		Europe		Asia		Correction, reversal and elimination		Total	
	at December 31, 2010	at December 31, 2009	at December 31, 2010	at December 31, 2009	at December 31, 2010	at December 31, 2009	at December 31, 2010	at December 31, 2009	at December 31, 2010	at December 31, 2009
Activities by sector	58,376	50,709	42,831	47,792	115,949	96,162	(11,524)	(7,987)	205,632	186,676
Investments	2,088	1,481	1,413	1,558	160	89	0	0	3,661	3,128

Segment assets at 31 December 2010 do not include investments in affiliates and other companies (€538 thousand) and the current income taxes of the Parent Company (€1,778 thousand).

G – Breakdown of main balance sheet items

1 – Intangible assets

The schedule 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 CONSTRUCTIO N & ADVANCES	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Purchase or production cost	8,920	72,322	23,603	1,775	31,877	138,497
Previous years' impairment	(600)	(640)	(10,594)	(316)	-	(12,150)
Previous years' amortisation	(4,676)	(166)	(3,901)	-	(11,434)	(20,177)
OPENING BALANCE	3,644	71,516	9,108	1,459	20,443	106,170
Purchases	1,485	-	327	1,273	4	3,089
Disposals	-	-	(17)	-	-	(17)
Other changes	(195)	11,325	1,899	(225)	5,912	18,716
Impairment in period	(254)	-	-	(30)	-	(284)
Transfers	1,054	-	42	(1,096)	-	-
Amortisation in period	(1,860)	-	(732)	-	(3,372)	(5,964)
Reversal of cumulative amortisation	-	-	16	-	-	16
Other changes in cumulative impairment	253	-	(514)	279	-	18
Other changes in cumulative amortisation	99	-	399	-	(1,914)	(1,416)
TOTAL CHANGES	582	11,325	1,420	201	630	14,158
Purchase or production costs	11,264	83,647	25,854	1,727	37,793	160,285
Impairment	(601)	(640)	(11,108)	(67)	-	(12,416)
Cumulative amortisation	(6,437)	(166)	(4,218)	-	(16,720)	(27,541)
CLOSING BALANCE	4,226	82,841	10,528	1,660	21,073	120,328

The change in intangible assets was primarily caused by the effect of investments as well as exchange rate fluctuations and write-downs in the period.

Investments refer primarily to recognition of development costs by the Group companies and the costs incurred for the new Group IT system.

The "other changes" item refers 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 fixed assets" item, which includes the value of customer relationships defined at the time of allocation of the price of the acquisitions.

The "trademarks" item reflects write-downs on the ADS and Arcom trademarks following the decision made by Eurotech management in the final months of 2008 to no longer use these trademarks.

The "Advanet" trademark, which was booked at the time of acquisition of the Advanet Group, is still defined by management as an asset with an indefinite life, as its use for commercial and production purposes has no time limits, considering its characteristics and its position on the Japanese market. As a result, it is not subject to amortisation, but instead to annual impairment tests.

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. Goodwill is not subject to amortisation but is subject to annual impairment tests.

The increased development costs relative to internal activities carried out by the Group during the year are capitalised net of any contributions received. These fixed assets with a definite useful life are amortised on a straight-line basis based on the life cycle of the products developed, which is estimated at three to five years, beginning from the date of completion of the reference development project. This asset is subject to impairment tests whenever loss of value is indicated. Development costs capitalised in previous years were written down this year by €254 thousand because they referred to products that did not achieve market success within the timeframe initially estimated.

The "software, trademarks, patents and licences" item mainly includes the costs incurred to implement what became the Group's sole information system. Software is amortised on a straight-line basis over three financial years. The increase during the year was mainly due to costs incurred to acquire software licences for security systems and new products for these systems, as well as management programme licences.

The "assets in progress" item of €1,660 thousand includes €1,648 thousand in development costs (internal payroll, materials and services) related to new products in NanoPC models and systems, included the "rugged" version of the wrist worn computer, which were still in the project stage at year-end or for which production had not yet been launched. During the year, the Group made a write-down of €30 thousand for development costs capitalised in previous years relating to projects in progress, after deciding to abandon the manufacturing or manufacturing launch of the relative products and/or components used in them.

Book value of goodwill and the trademarks allocated to each of the cash generating units:

In order to carry out the annual impairment test, the posted individual goodwill and trademarks with an indefinite useful life acquired through business combinations were allocated to their respective cash flow generating units, corresponding to the legal entity or group of companies to which they refer to test for impairment.

Cash generating units	at December 31, 2010		at December 31, 2009	
	Goodwill	Trademark with an indefinite useful life	Goodwill	Trademark with an indefinite useful life
Advanet Group	51,327	9,747	41,880	7,953
Eurotech Inc. (ex Applied Data Systems e ex Arcom Inc.)	23,821	-	22,099	-
Eurotech Ltd. (ex Arcom Ltd.)	5,074	-	4,918	-
Eurotech France S.a.s.	1,051	-	1,051	-
Parvus Corp.	1,478	-	1,478	-
Other	90	-	90	-
TOTAL	82,841	9,747	71,516	7,953

The recoverable amounts of the individual CGU were calculated according to their value in use. To calculate the respective value, the cash flow projections from the 2011-2013 economic and financial plan were used, as approved by

directors on 15 March 2011, while cash flows beyond three years and for an unlimited time period were extrapolated by assuming cash flows similar to those of the third year of the financial plan approved. The plans were prepared in the respective functional currencies, and the consequent recoverable values were uniformly compared with the book values in foreign currency allocated to the various cash generating units. Sensitive elements of the approved financial plan were, if necessary, taken into account in calculating recoverable value.

The growth rate used was 1.5% (2009: 1.5%), less than the average long-term growth rate for the embedded PC segment forecast for the various core markets. The discount rate (WACC – Weighted Average Cost of Capital) applied to prospective cash flows varies within a range of 4.5% to 5.7%, calculated according to the country where the individual companies operate and the debt structure of each company and net of tax effects.

The key parameters used for impairment tests are as follows:

	ITA	JAP	USA	FIN	FRA	UK	SK
Risk free	4,09%	1,17%	3,17%	2,98%	3,11%	3,50%	4,37%
Total Market Premium	5,75%	5,75%	5,00%	5,00%	5,00%	5,00%	6,28%
- of which Country risk	0,75%	0,75%	-	-	-	-	1,28%
Beta unlevered	0,530	0,530	0,530	0,530	0,530	0,530	0,530
WACC	da 4,50% a 6,00%	4,76%	da 4,60% a 5,80%	5,80%	5,80%	5,70%	7,70%

The yield rates at the starting date of the budget reference period for 10-year government bonds were used for the risk free category.

The unlevered Beta of the Parent Company was used for all the CGUs considered.

The WACC of the individual CGUs was calculated by using the beta coefficient, recalculated using the leverage effect deriving from the debt/equity ratio of the individual CGUs.

Considering the assumptions made based on the business and financial plans for 2011-2013 and use of the principal parameters determined for the individual core markets, the values in use resulting from the impairment tests did not indicate that it was necessary to make further write-downs in the value of goodwill and trademarks with an indefinite life.

The recoverability of the values of intangible assets resulting from acquisition of the Advanet Group, Eurotech Ltd. and Eurotech Inc. appears to be conditional upon on the occurrence of possible changes in the key assumptions used to estimate them. Specifically, a negative change of 1% in the long-term growth rate could cause the carrying values to exceed their recoverable value. Furthermore, management believes that the long-term growth estimate for 2010 of 1.5%, the same as for 2009, is far below estimates for the Japanese and US embedded PC markets.

Generally, the directors 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. They believe that the market performance reflects the international economic situation and that it did not vary significantly during 2010 from the performance of the sector index to which Eurotech belongs. 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 schedule below 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
Purchase of production cost	773	6,599	2,727	6,277	33	896	17,305
Previous year's depreciation	(90)	(4,091)	(2,275)	(3,769)	-	(222)	(10,447)
OPENING BALANCE	683	2,508	452	2,508	33	674	6,858
Purchases	-	227	143	640	7	39	1,056
Disposals	-	(1)	(11)	(225)	-	-	(237)
Other changes	(24)	1,156	76	460	(1)	-	1,667
Transfers	-	-	28	-	(28)	-	-
Depreciation in period	(15)	(745)	(267)	(839)	-	(20)	(1,886)
Reversal of cumulative depreciation	-	1	10	192	-	-	203
Other changes in cumulative amortisation	24	(846)	(62)	(195)	-	-	(1,079)
TOTAL CHANGES	(15)	(208)	(83)	33	(22)	19	(276)
Purchase or production cost	749	7,981	2,963	7,152	11	935	19,791
Cumulative depreciation	(81)	(5,681)	(2,594)	(4,611)	-	(242)	(13,209)
CLOSING BALANCE	668	2,300	369	2,541	11	693	6,582

The "land and buildings" item of €668 thousand comprises the carrying value of land and buildings owned by the subsidiary IPS Sistemi Programmabili Srl and the costs incurred by the Parent Company for improvements to leased property.

The increases of €227 thousand in plant and machinery, €143 thousand in industrial and commercial equipment and €640 thousand in other fixed assets refer mainly to investments made to make the operations of the individual consolidated companies more efficient and effective.

The "fixed assets under lease" item comprises €693 thousand in assets under leasing agreements, booked using the financial method; including €655 thousand for land and buildings in Amaro (UD), the Company's production centre, and €38 thousand in other assets acquired during the year by the subsidiary IPS Sistemi Programmabili Srl.

The "other changes" item refers to exchange differences accrued on the opening balances of the values at cost and cumulative depreciation.

3 – Investments in affiliates and other companies

The schedule below shows changes in investments in affiliates and other companies in the reporting period:

at December 31, 2010							
(€'000)	INITIAL VALUE	INCREASES	DECREASES	WRITE-UPS /WRITE-DOWN	OTHER	EOP VALUE	%OWNERSHIP
Investments in associate companies:							
Chengdu Vantron Technology Inc.	284	-	(22)	(43)	8	227	43.75%
Delos S.r.l.	21	-	-	-	-	21	40.00%
Isidorey Llc	-	-	-	-	-	-	40.00%
Union Arrow Technologies Inc.	245	-	(245)	-	-	-	
Emilab S.r.l.	45	-	-	7	-	52	24.82%
eVS embedded Vision Systems S.r.l.	7	-	-	1	-	8	32.00%
UTRI S.p.A.	779	-	-	(779)	-	-	21.32%
TOTAL INVESTMENTS IN ASSOCIATE COMPANIES	1,381	-	(267)	(814)	8	308	
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.	36	-	-	(25)	-	11	4.44%
Veneto Nanotech S.p.a.	10	-	-	-	-	10	
Kairos Autonomi	183	-	-	-	12	195	19.00%
Others	2	-	-	-	-	2	
TOTAL INVESTMENTS IN OTHER COMPANIES	243	-	-	(25)	12	230	
TOTAL INVESTMENTS	1,624	-	(267)	(839)	20	538	

At 31 December 2010 Eurotech owned the following shareholdings in affiliates consolidated at equity:

- Emilab Srl = 24.82%, created in 1998;
- Delos Srl = 40%, created during the first half of 2005 and placed in liquidation during the reporting period;
- eVS embedded Vision Systems Srl = 32%, a spin-off from the University of Verona;
- UTRI SpA = 21.32%, following a series of share purchases in 2007 and 2008. This affiliate presented a debt restructuring plan in the reporting period pursuant to article 182-bis of the Budget Law. Based on considerations resulting from this decision, the full carrying value of the equity interest of €779 thousand was deemed non-recoverable, as was the loan granted by Eurotech, and posted to fixed assets in the amount of €538 thousand. Given the original cause, both the write-down of the carrying value of the equity stake and the write-down of the loan were entered in the income statement as part of the valuation of affiliates using the equity method.

- Chengdu Vantron Technology Inc., already consolidated and currently 43.75% owned following the sale of 5.75% of the share capital at year-end;
- Isidorey Llc, a US company 40% owned by E-Tech USA Inc. and created in January 2010. A provision of €248 thousand was included in the reserves for risks and charges to cover the Group portion of the losses generated in 2010 by the newly created affiliate.

The closing dates of the financial statements and the financial years of all the affiliates coincide with those of the Parent Company.

The schedule below shows the values of the assets, liabilities, revenues and annual results of equity interests in affiliates at 31 December 2009, as operating and financial information for year-end 2010 is not yet available:

(€'000)	At December 31, 2010							At December 31, 2009						
	Emilab	Delos	UTRI	evS	Isidorey	Vantron	TOTAL	Emilab	Delos	UTRI	evS	Union Arrow Tech.	Vantron	TOTAL
Share of the Associate's balance sheet:	(*)	(*)	(*)	(*)		(*)		(**)	(**)	(**)	(**)		(*)	
Current assets	274	105	1,250	80	34	803	2,547	281	117	1,406	145	n/a	803	2,752
Non current assets	238	10	3,148	6	11	31	3,444	225	74	2,715	7	n/a	31	3,052
Current liabilities	(253)	(15)	(3,349)	(48)	(25)	(208)	(3,898)	(320)	(117)	(2,979)	(121)	n/a	(208)	(3,745)
Non current liabilities	(53)	0	(484)	(13)	(636)	0	(1,186)	(7)	0	(59)	(8)	n/a	0	(74)
Net assets	206	100	565	25	(616)	626	906	179	74	1,083	23	0	626	1,985
Revenue	453	0	1,373	119	141	1,653	3,739	486	158	1,379	118	n/a	1,653	3,794
Profit (Loss)	28	26	(451)	2	(619)	176	(838)	37	(11)	(218)	12	n/a	176	(4)
Carrying amount of the investment	52	21	0	8	0	227	308	45	21	779	7	245	284	1,381
Reserve for losses on equity interests in affiliates	0	0	0	0	248	0	248	0	0	0	0	0	0	0

(*) FY2009

(**) FY2008

4 – Other non-current assets

The schedule below shows the breakdown of other non-current assets at 31 December 2010 and 31 December 2009:

(€'000)	at December 31, 2010	at December 31, 2009
Other non-current receivables	1,018	791

Other receivables main comprise security deposits that do not accumulate interest; the increase was mainly due to the translation of values presented in foreign currency and to new deposits paid.

5 - Inventories

The schedule below shows the breakdown of inventories at 31 December 2010 and 31 December 2009:

(€'000)	at December 31, 2010	at December 31, 2009
Raw & auxiliary materials and consumables - gross	6,710	5,764
Inventory write-down provision	(768)	(611)
Raw & auxiliary materials and consumables - net	5,942	5,153
Work in process and semi-finished goods	8,539	6,367
Finished products and goods for resale - gross	7,998	6,419
Inventory write-down provision	(936)	(919)
Finished products and goods for resale - net	7,062	5,500
Advances	44	40
TOTAL INVENTORIES	21,587	17,060

At 31 December 2010 inventories totalled €21,587 thousand, net of inventory write-downs totalling €1,704 thousand. The growth in inventories is due to production launched to process projected deliveries in the next few months and to the supply of parts to avoid a parts shortage.

The schedule below shows changes in the inventory write-down reserve in the periods under review:

CHANGES IN CUMULATIVE INVENTORY WRITE-DOWN PROVISION - € '000	at December 31, 2010	at December 31, 2009
OPENING BALANCE	1,530	1,410
Provisions	758	853
Other changes	56	(15)
Utilisation	(640)	(718)
CLOSING BALANCE	1,704	1,530

The "other changes" item refers to changes in the write-down reserves due to exchange differences.

The raw materials inventory write-down reserve of €768 thousand refers to obsolete or slow moving materials, whose full posted value some Group companies do not expect to recover.

The increase in the finished products write-down reserve was primarily to cover the risk of slow turnover of certain standard and custom finished products.

6 - Work in progress

The schedule below shows information related to work in progress at 31 December 2010 and 31 December 2009:

(€'000)	at December 31, 2010	at December 31, 2009
Contract revenues recognised as revenue in the period	574	948
Contract costs borne as at balance-sheet date	493	784
Profits recognised as at balance-sheet date	81	164
Down payments received	0	0
Gross amount owed to customer for contractual work	30	0
Gross amount owed by customer for contractual work	287	819
Contract costs and profits recognised as at balance-sheet date	574	948
Revenues recognised in previous periods	1,593	645
Billing based on completion status	1,910	774
Gross amount owed by customer for contractual work	287	819
Gross amount owed to customer for contractual work	30	-

The amount referring to down payments received is posted in the "other current liabilities" item in the "amounts owed to customers" sub-item.

7 – Trade receivables

The schedule below shows the breakdown of trade receivables and the respective adjustment reserves at 31 December 2010 and 31 December 2009:

(€'000)	at December 31, 2010	at December 31, 2009
Trade receivables - customers	29,675	24,184
Trade receivables - affiliate companies	9	2
Doubtful debt provision	(713)	(1,151)
TOTAL TRADE RECEIVABLES	28,971	23,035

Note that, at balance sheet date, the Group did not feature significant concentrations of credit risk. Trade receivables falling due within 12 months are normally non-interest bearing and generally fall due at 90/120 days.

Trade receivables increased by €5,936 thousand compared with 31 December 2009. This increase was mainly due to the concentration of revenues in the final months of 2010, compared with more uniform distribution in the previous year. Receivables include €659 thousand of cash orders presented subject to collection but not yet due at the end of the reporting period.

Receivables are shown net of doubtful debt provision of €713 thousand. Changes in doubtful debt provision in the years under review were as follows:

CHANGES IN CUMULATIVE DOUBTFUL DEBT PROVISION - € '000	at December 31, 2010	at December 31, 2009
OPENING BALANCE	1,151	453
Provisioning	509	734
Other changes	100	(32)
Utilisation	(1,047)	(4)
CLOSING BALANCE	713	1,151

Provisions of €509 thousand made during the year were necessary to adjust the value of individual receivables to their presumed realisable value. Group policy is to identify the individual receivables to be written down, and the allocations made reflect these specific write-downs. "Other changes" includes the effect of translating financial statements in foreign currency.

The decrease of €1,047 thousand in the provision is due to its use in writing down receivables that have become uncollectable.

At 31 December, trade receivables that were past due but not written down were as follows:

€ '000	Overdue but not write-off						
	Total	Not overdue	<30 days	30 - 60 days	60 - 90 days	90 - 180 days	Over 180 days
2009	23,035	16,241	4,402	868	315	557	652
2010	28,971	21,541	2,004	1,584	722	748	2,372

8 – Tax receivables and payables

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

The decrease of €3,748 thousand compared with 31 December 2009 is mainly attributable to a refund received as well as the offsetting of tax liabilities during the year.

Income tax payables are made up of current taxes relating to the year 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. Foreign tax payables were €990 thousand (€1,757 thousand in 2009), while Italian tax payables were €224 thousand (€9 thousand in 2009).

Income tax payables and receivables are offset if there is a legal right to do so.

9 – Other current assets

The schedule below shows the breakdown of other current assets at 31 December 2010 and 31 December 2009:

(€'000)	at December 31, 2010	at December 31, 2009
Amounts receivable for grants	203	208
Advance payments to suppliers	88	156
Tax receivables	1,497	448
Other receivables	268	359
Accrued income and prepaid expenses	1,249	711
TOTAL OTHER CURRENT ASSETS	3,305	1,882

Grants receivable relate to grants that will reasonably be received by Parent Company Eurotech SpA by the end of the following year for the development of new products and technologies carried out in previous years.

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

Prepaid expenses refer to costs incurred in advance for banking charges, maintenance fees, utilities, various services and insurance.

10 – Cash & cash equivalents

The schedule below shows the breakdown of cash and cash equivalents at 31 December 2010 and 31 December 2009:

(€'000)		
	at December 31, 2010	at December 31, 2009
Bank and post office deposits	23,706	27,879
Cash and valuables in hand	45	45
TOTAL CASH & CASH EQUIVALENTS	23,751	27,924

Bank deposits are mostly on demand and are remunerated at a variable rate of interest. The fair value of cash and cash equivalents is €23,751 thousand (€27,924 thousand at 31 December 2009).

Cash and cash equivalents decreased by €4,173 thousand by comparison with 31 December 2009, due to the combined effect of the use of cash to pay for the shares of Advanet Inc., as already mentioned, and to repay the short-term portion of medium- and long-term loans, aside from the increase due to the availability obtained due to the arrangement of new loans at year-end.

Cash and cash equivalents of €1,066 thousand are restricted by an escrow against the outstanding payable for acquisition of ex-Applied Data Systems Inc. (€989 thousand at 31 December 2009). This cash was used in January 2011 to pay the escrow related to the acquisition of the subsidiary.

11 - Other financial assets

The "other financial assets" item of €236 thousand is unchanged on the previous year and refers to transferral to a partner of the relevant share of a loan received by the French subsidiary as the lead company in a project financed in France.

12 – Net financial position

The schedule below shows the Group's net financial position at 31 December 2010 and 31 December 2009:

(€'000)		at December 31, 2010	at December 31, 2009
Cash & cash equivalents	A	(23,751)	(27,924)
Cash equivalent	B=A	(23,751)	(27,924)
Other current financial assets	C	0	0
Derivative instruments	D	339	458
Short-term borrow ing	E	8,985	24,488
Business aggregation liabilities	F	1,066	10,428
Short-term financial position	G=C+D+E+F	10,390	35,374
Short-term net financial position	H=B+G	(13,361)	7,450
Medium/long term borrow ing allow ed to affiliates companies	I	(636)	(511)
Business aggregation liabilities	J	0	989
Other non current financial assets	K	(236)	(236)
Medium/long term borrow ing	L	22,873	2,417
Medium-/long-term net financial position	M=I+J+K+L	22,001	2,659
(NET FINANCIAL POSITION) NET DEBT	N=H+M	8,640	10,109

Net debt stood at €8,640 thousand at 31 December 2010, down €1,469 thousand on the previous year.

At 31 December 2009, short-term financial liabilities (pursuant to IAS 1.65) included the medium- to long-term portion (€17,193 thousand) of two outstanding loans, for which one of the covenants in the loan agreements was not respected, according to the consolidated figures reported at 31 December 2009. In 2010 the lending institutions released a waiver letter in which they formally expressed their willingness to continue the loan relationship on the basis of the original amortisation plan, implementing only one increase on the interest spread applied. The portion of the financial liabilities reclassified in this way to the medium to long term during the year came to €17,193 thousand. At 31 December 2010 the Group complied with the financial covenants contained in the existing loan agreements.

In 2010 the Group fully exercised, in several tranches between June and October, the call option on 25% of the share capital of the Advanet Group. The purchase of these shares entailed a financial disbursement, including expenses incurred to complete the transaction, of €10,182 thousand (JPY1,134,686 thousand), which was less than the estimate of €10,428 thousand (JPY1,388,613 thousand) made at 31 December 2009.

Finally, during the year the Parent Company accessed new medium-term loans for €9,000 thousand to replenish liquidity used to acquire shares of the Japanese subsidiary Advanet and to sustain investments made.

Medium- to long-term loans to affiliates refers to the loan awarded to the newly created company Isidory Inc., in which the Group holds a 40% shareholding, active in cloud computing.

13 – Shareholders' equity

The schedule below shows the breakdown of shareholders' equity at 31 December 2010 and 31 December 2009:

(€'000)	at December 31, 2010	at December 31, 2009
Share capital	8,879	8,879
Share premium reserve	136,400	136,400
Other reserves	(13,761)	(28,383)
Group shareholders' equity	131,518	116,896
Equity attributable to minority interest	3,966	3,178
Total shareholders' equity	135,484	120,074

The share capital at 31 December 2010 was made up of 35,515,784 ordinary shares, wholly subscribed and paid up, with no nominal value.

The balance in the legal reserve of the issuer at 31 December 2010 came to €39 thousand and was formed by profit provisions made until the financial year ended at 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 €25,938 thousand is generated by inclusion in the consolidated financial statements of the balance sheets and income statements of the US subsidiaries Parvus Corp., Eurotech Inc. and E-Tech USA Inc., as well as of the UK subsidiary Eurotech Ltd. and the Japanese subsidiaries owned by the Group.

The "other reserves" item, negative for €31,203 thousand, comprises the surplus reserve of the Parent Company, formed of undistributed earnings from prior years and losses carried forward, as well as other reserves. This reserve changed during the period due to the posting to equity of the effect of the final valuation of the put option (exercised during the year by the shareholders of the Japanese company) on the 25% minority shareholding in Advanet Inc., for €1,444 thousand. In the previous year, the difference between the initial estimated price and the book value of the portion of net assets of Advanet Inc. acquired was posted directly to equity using the entity concept method. Consequently, the new estimated price of the minority interests subject to the put option was posted directly to equity. The €1,444 thousand fully neutralises the positive difference of €1,386 thousand charged to equity at year-end 2009 and reflects, for €58 thousand, the negative difference at acquisition date between the recalculated price and the carrying value of the portion of the net assets of Advanet Inc. acquired.

The cash flow hedge reserve, which includes cash flow hedge transactions pursuant to IAS 39, was negative for €339 thousand and decreased by €119 thousand gross of the tax effect, and was not recorded due to the absence of the relative 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 €777 thousand and increased by €1,449 thousand gross of the related tax effect, and was again not recorded due to the absence of the prerequisites.

The Parent Company Eurotech SpA held 420,140 treasury shares at the end of the year, unchanged on 2008.

Shareholders' equity attributable to minority interests consists of the share of equity and results pertaining to minority shareholders in the subsidiaries Advanet Inc. and Spirit21 Inc. At 31 December 2010 it amounts to €3,966 thousand.

14 – Base and diluted earnings (losses) per share

Base earnings (losses) per share (EPS) are calculated by dividing the income of the year pertaining to ordinary shareholders of the Parent Company by the average weighted number of ordinary shares in circulation during the year, net of own shares.

No equity transactions were reported in FY 2009 and 2010 that diluted earnings per share.

The schedule below shows earnings for the period and information on the shares used to calculate base and diluted EPS.

	at December 31, 2010	at December 31, 2009
Net income (loss) attributable to parent company shareholders	(6,079,000)	(9,601,000)
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	(0.173)	(0.274)
- per share diluted	(0.173)	(0.274)

15 - Borrowings

The schedule below shows the breakdown of medium- to long-term financial payables at 31 December 2010:

LENDER	COMPANY	BALANCE ON 31.12.2009	BALANCE ON 31.12.2010	SHORT TERM within 12 months	Total Medium and long-term	Mid term Over 12 months	Long term Over 5 years
CURRENT OUTSTANDINGS - (a)		1,731	3,154	3,154	-	-	-
SIMEST	Eurotech S.p.A.	23	-	-	-	-	-
Finance Lease	Eurotech S.p.A.	436	337	105	232	232	-
Finance Lease	I.P.S. Sist.Progr. S.r.l.	-	33	11	22	22	-
Anvar	Eurotech France	565	665	-	665	665	-
TOTAL OTHER FINANCINGS		1,024	1,035	116	919	919	-
Banca Pop. Friuladria	Eurotech S.p.A.	9,000	7,000	2,000	5,000	5,000	-
Total Credit Agricole		9,000	7,000	2,000	5,000	5,000	-
Veneto Banca	Eurotech S.p.A.	488	164	164	-	-	-
Veneto Banca	Eurotech S.p.A.	-	755	500	255	255	-
Total Veneto Banca		488	919	664	255	255	-
Cassa di Risparmio del FVG	Eurotech S.p.A.	-	8,000	1,000	7,000	-	-
Banca Intesa	I.P.S. Sist.Progr. S.r.l.	9	-	-	-	-	-
Total Gruppo INTESA - SAN PAOLO		9	8,000	1,000	7,000	-	-
The Chugoku Bank Ltd	Advanet Inc.	2,166	1,079	165	914	914	-
Total The Chugoku Bank Ltd		2,166	1,079	165	914	914	-
Cassa Rurale della Valle dei Laghi	EthLab S.r.l.	431	391	41	350	169	181
Total Credito Cooperativo Banks		431	391	41	350	169	181
Unicredit	EthLab S.r.l.	127	87	42	45	45	-
Unicredit	Eurotech S.p.A.	35	-	-	-	-	-
Unicredit	Eurotech S.p.A.	11,892	10,193	1,803	8,390	8,390	-
Total Gruppo Unicredit		12,054	10,280	1,845	8,435	8,435	-
Crédite Lyonnais	Eurotech France	1	-	-	-	-	-
TOTAL BANK DEBT - (c)		24,149	27,669	5,715	21,954	14,773	181
TOTAL OTHER FINANCING AND BANK DEBT - [(b) + (c)]		25,173	28,704	5,831	22,873	15,692	181
TOTAL DEBT - [(a) + (b) + (c)]		26,904	31,858	8,985	22,873	15,692	181

Bank overdrafts

Bank overdrafts are not backed by unsecured or secured guarantees and include uses with the technical form of "subject to collection" and loans granted by factoring companies.

Other loans

Other loans refer to:

- a residual debt of €337 thousand (€232 thousand of which medium- to long-term) for future lease payments for a property lease between the Parent Company and SBS Leasing SpA, which has been recognised as a finance lease and relates to the land and building in Amaro (UD) used for the Company's production facilities and related furnishings and electronic equipment. The lease expires in 2013;
- a residual debt of €33 thousand (€22 thousand of which medium- to long-term) for future payments on a lease agreement signed by the subsidiary IPS Sistemi Programmabili SpA, which has been recognised as a finance lease and relates to the purchase of furnishings for the new production facility in Rezzato (BS); the lease expires in 2013;
- a low-interest loan granted to the subsidiary Eurotech France SAS for €665 thousand (€665 thousand of which medium- to long-term) falling due in 2014, for R&D activities carried out. As the subsidiary Eurotech France SAS was the lead company in the project, this amount also includes the redistributed share to the project partners and amounts to €236 thousand, presented in financial assets.

Bank loans

Bank loans refer mainly to:

- a loan granted to the Parent Company by Banca Popolare Friuladria for €7,000 thousand (of which €5,000 thousand medium- to long-term) falling due in 2014 for the investment made to acquire, including through a subsidiary, the companies Arcom Control Systems Inc. (now merged with Eurotech Inc.) and Arcom Control Systems Ltd. (now Eurotech Ltd.). This loan is subject to covenants with annual verification based on the year-end financial statements. The covenants (which include early repayment or an increase in the interest rate spread), concern debt to equity, debt to EBITDA, financial charges and taxes, and the undertaking to maintain a shareholding of at least 70% in the Arcom Group for the entire duration of the loan; all covenants were respected at 31 December 2010;
- the outstanding portion (€164 thousand) of a loan granted by Veneto Banca to the Parent Company, fully payable in 2011, to finance the acquisition of the Arcom Group companies;
- a loan agreed in 2010 by Veneto Banca for an initial amount of €1,000 thousand, with €755 thousand outstanding at year-end (€255 thousand of which medium- to long-term) for management of the HPC division;
- a loan granted to the Parent Company by Cassa di Risparmio FVG for €8,000 thousand (€7,000 thousand of which medium- to long term), falling due in 2015, to finance the acquisition of 25% of the shares of the subsidiary Advanet. This loan is subject to covenants (which include the possibility of early repayment or increase in the interest rate spread) with annual verification based on the year-end financial statements. The covenants relate to debt to equity and debt to EBITDA. The ratios were respected at 31 December 2010;
- the outstanding portion (€87 thousand, of which €45 thousand medium- to long-term) of a loan granted by Unicredit to the subsidiary EthLab Srl, expiring in 2012, to finance the development of new products;
- the outstanding portion (€10,193, of which €8,390 medium- to long-term) of a loan granted to the Parent Company by Unicredit, expiring in 2015, to finance the acquisition, including through a subsidiary, the company Applied Data Systems Inc. (now Eurotech Inc.). This loan is subject to covenants (which include the possibility of early repayment or an increase in the interest rate spread) with annual verification based on the year-end financial statements. The covenants relate to debt to equity and debt to EBITDA. All the covenants were respected at the reporting date;
- a number of loans granted to Advanet Inc. by The Chugoku Bank Ltd. for a total residual amount of €1,079 thousand (€914 thousand medium- to long-term) remaining from the financial policy that the Japanese Group was implementing before the acquisition by Eurotech, in view of the low interest rate on the local market;
- the outstanding portion (€391 thousand, of which €350 thousand medium- to long-term) of a loan to EthLab Srl to acquire patents and know-how.

16 - Employee benefits

The schedule below shows the breakdown of employee benefits at 31 December 2010 and 31 December 2009:

	at December 31, 2010	at December 31, 2009
(€'000)		
Employees' leaving indemnity	429	423
Foreing Employees' leaving indemnity	1,164	1,083
Employees' retirement fund	88	103
TOTAL EMPLOYEES' BENEFITS	1,681	1,609

Defined benefit plans

The schedule below shows the breakdown of defined benefit plans at 31 December 2010 and 31 December 2009:

(€ '000)	Defined benefit plans			
	Italy		Japan	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Liabilities at start of period	423	470	1,083	1,176
Cost relating to present service	19	24	123	147
Finance expense	16	13	21	19
Other changes	0	0	254	(67)
Benefits paid out	(29)	(78)	(317)	(193)
Actuarial loss (gain) recognised	0	(6)	0	1
Liabilities at end of period	429	423	1,164	1,083

The defined benefit plans in force in Italy refer exclusively to employee severance indemnity. With adoption of the new International Accounting Standards (IAS), and especially IAS 19, employee severance indemnity is considered a defined benefit obligation whereby the liability is measured based on actuarial techniques. Pension plans in Japan are also considered as such and following the business combination the company valued the relative liability pursuant to IAS 19.

Gains and losses arising from the actuarial calculation based on the new assumptions starting from 1 January 2007 in relation to the employee severance indemnity and other defined benefit plans in place at year-end are charged to the income statement as a cost or revenue when the cumulated net value of the actuarial gains and losses not reported for each plan at the end of the previous year exceeds more than 10% of the higher value of obligations referring to defined benefit plans and the fair value of the assets referred to the plans at that date (so called "corridor method").

Also pursuant to the 2007 Budget Law, severance indemnities accrued as of 1 January 2007 or as of the option date to exercise by the employees are included in the category of defined benefit plans, both in the event of option for supplementary retirement and option for allocation to the treasury fund at INPS. The accounting treatment of severance indemnities is now similar to that used for other types of pension scheme contributions.

The key assumptions used in determining the current value of severance indemnities are illustrated below:

Actuarial assumption	Defined benefit plans			
	Italy		Japan	
	31-12-2010	31-12-2009	31-12-2010	31-12-2009
Discount Rate	4.58%	4.83%	1.30%	1.60%
Expected rates of future wages and salary increases	2.00%	3.00%	1.00%	1.00%
Expected rates of staff turnover	10.00%	10.00%	1.00%	1.00%
Duration	19	23	29	29

The schedule below summarises the change in the current value of the severance indemnities at the end of the period; as indicated in the accounting standards, these values might not correspond to the booked liability.

Variation of current value of the obligation (€'000)	Defined benefit plans			
	Italy		Japan	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Projected benefit obligation at January 1,	457	501	1,154	1,238
Current Service cost	19	24	123	147
Interest cost	16	13	21	19
Other changes	0	0	269	(67)
Pensions paid	(29)	(78)	(317)	(193)
Actuarial gains or losses	19	(3)	113	10
Projected benefit obligation at December 31	482	457	1,363	1,154

The Group's application of the corridor method in recording actuarial gains and losses for each defined benefit plan has created a difference between the current value of the obligation and the liability recorded. The schedule below shows the limits of the corridor compared with the cumulative actuarial gains and losses not recognised to determine the net actuarial gain or loss that must be reported in the following year.

Limits of the 'corridor' (€'000)	Defined benefit plans			
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Unrecognized actuarial gains or losses at January 1	37	32	70	52
Corridor at January 1	46	50	118	102
Difference (A)*	7	0	0	0
Duration	19	23	29	29
Recognized actuarial gains or losses (A/B)	0	0	1	1
Unrecognized actuarial gains or losses at January 1	37	32	70	52
Actuarial gains or losses per year	16	(1)	113	9
Subtotal	53	31	183	61
Recognized actuarial gains or losses	0	(6)	0	1
Unrecognized actuarial gains or losses at December 31	53	37	183	60

The following is the reconciliation of the current value of the obligation and the liability booked and the summary of the cost components recorded in the income statement.

(€ '000)	Defined benefit plans			
	Italy		Japan	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Projected benefit obligation	482	460	1,363	1,154
Unrecognized actuarial gains or losses	53	37	183	61
Other changes	0	0	(16)	(10)
Provisions for pensions charged to balance sheet	429	423	1,164	1,083
Current Service cost	19	24	123	147
Interest cost	16	13	21	19
Recognized actuarial gains or losses	0	(6)	0	1
Costs charged to income statement	35	31	144	167

Employee severance indemnity reserve

The employee severance indemnity reserve refers to the charge that the subsidiary Eurotech France SAS must pay employees if they are still employed by the subsidiary when they reach retirement age.

With adoption of IFRS, the indemnity falls into the category of other long-term benefits to employees to be booked according to IAS 19, and the respective liability is therefore calculated using actuarial techniques.

Actuarial gains and losses are immediately recorded and the corridor method is not used.

The schedule below shows the breakdown of the employee retirement reserve at 31 December 2010 and 31 December 2009:

	at December 31, 2010	at December 31, 2009
EMPLOYEES' RETIREMENT FUND on €'000		
JANUARY 1,	103	96
Provision	-	7
Utilization	(15)	-
Discounting back / Actuarial value	-	-
RESERVE AT THE END OF THE PERIOD	88	103

17 - Reserve for risks and charges

The schedule below shows the breakdown of the reserve for risks and charges at 31 December 2010 and 31 December 2009:

(€'000)	at December 31,	
	2010	2009
Selling agents' commission fund	37	34
Director termination fund	887	391
Guarantee reserve	454	463
Tax provision	70	-
Provision for risk investments	248	-
Generic risk reserves	-	130
Busting depreciable asset	529	582
TOTAL FUNDS FOR COSTS AND FUTURE RISKS	2,225	1,600

Supplementary customer indemnity provision

The supplementary customer indemnity provision is allocated based on the amounts envisaged by legislation and collective economic agreements regarding situations of interruption in the mandate given to agents. The effect of time-discounting the share of liabilities that will be liquidated beyond the next year is not expected to be significant.

Cumulative provision for directors' termination indemnity

The cumulative provision for directors' termination indemnity refers to the indemnity recognised for directors with powers set out in by the bylaws of the Company or its subsidiaries. This indemnity is generally paid in the year after the respective allocation and is provisioned for periodically for the relevant share. The amount reported refers only to the reserve recognised in the financial statements of the Japanese companies for directors with local responsibilities.

Product warranty provision

The product warranty provision is allocated based on the expectations of the charge to incur for non-fulfilment of the warranty commitment on products sold at year-end.

Tax risk reserve

The tax risk reserve is allocated according to assessment by Directors of the risk of legal proceedings resulting from tax investigations.

Reserve for losses on equity interests in affiliates

The reserve to cover losses on equity interests in affiliates is allocated for the Group share of the balance-sheet liability pertaining to affiliates. Specifically, the allocation for 2010 refers to the share of start-up losses made in 2010 by the newly created affiliate Isidory Inc., active in cloud computing.

Other risks reserve

The other risks reserve is allocated on the basis of expected costs to be incurred for risks related to legal disputes not yet settled and miscellaneous risks. During the reporting period the existing risks reserve was reversed because the risk for which the reserve was created had ceased to exist.

Asset disposal reserve

The asset disposal reserve was allocated in response to an obligation for future costs that a number of Japanese companies of the Group will incur in future years for the disposal, demolition, disassembly, and removal of a number of assets, and improvements to leased property, at the end of their useful lives or of the lease agreement.

The schedule below shows the changes in the reserve for risks and charges in the years under review:

	at December 31, 2010	at December 31, 2009
SELLING AGENTS' COMMISSION FUND on €'000		
JANUARY 1,	34	39
Provision	3	9
Utilization	-	(14)
RESERVE AT THE END OF THE PERIOD	37	34
DIRECTOR TERMINATION FUND on €'000		
JANUARY 1,	391	557
Provision	431	0
Other	117	(29)
Utilization	(52)	(137)
RESERVE AT THE END OF THE PERIOD	887	391

	at December 31, 2010	at December 31, 2009
GUARANTEE RESERVE on €'000		
JANUARY 1,	463	544
Provision	7	29
Other	46	(6)
Utilization	(62)	(104)
RESERVE AT THE END OF THE PERIOD	454	463
TAX PROVISION on €'000		
JANUARY 1,	0	0
Provision	70	0
Other	0	0
Utilization	0	0
RESERVE AT THE END OF THE PERIOD	70	-
RESERVE FOR LOSSES ON EQUITY INTERESTS IN AFFILIATES on €'000		
JANUARY 1,	0	0
Provision	248	0
Other	0	0
Utilization	0	0
RESERVE AT THE END OF THE PERIOD	248	-

	at December 31, 2010	at December 31, 2009
GENERIC RISK on €'000		
JANUARY 1,	130	216
Provision	0	0
Other	0	0
Utilization	(130)	(86)
RESERVE AT THE END OF THE PERIOD	-	130
BUSTING DEPRECIABLE ASSET on €'000		
JANUARY 1,	582	565
Other	134	95
Utilization	(192)	(83)
Discounting back / Actuarial value	5	5
RESERVE AT THE END OF THE PERIOD	529	582

18 - Trade payables

The schedule below shows the breakdown of trade payables at 31 December 2010 and 31 December 2009:

	at December 31, 2010	at December 31, 2009
(€'000)		
Third parties	18,793	13,907
Affiliate companies	31	264
TOTAL TRADE PAYABLES	18,824	14,171

Trade payables at 31 December 2010 came to €18,824 thousand, representing an increase of €4,653 thousand compared with 31 December 2009. Trade payables do not bear interest and, on average, are settled within 90-120 days.

19 – Payables for business combinations

Payables for business combinations, totalling €1,066 thousand, refers to a residual warranty debt to the shareholders of Applied Data Systems Inc. (now Eurotech Inc.) for the portion of the price bound to an escrow deposit, paid in January 2011.

The decrease reflects the payment made, in several tranches, during 2010 to acquire 25% of the shares of Advanet; the total price paid for this shareholding is €10,182 thousand.

20 – Other current liabilities

The schedule below shows the composition of other current liabilities at 31 December 2010 and 31 December 2009:

(€'000)	at December 31, 2010	at December 31, 2009
Social contributions	470	345
Other	3,867	2,779
Advances from customers	838	820
Other tax liabilities	0	590
Gross amount owed to customer for contractual work	36	18
Accrued expenses	537	303
TOTAL OTHER CURRENT LIABILITIES	5,748	4,855

Social security payables

Social security payables refer to amounts due for social security contributions accrued and pertaining to the year.

Other payables

The schedule below shows the breakdown of other payables at 31 December 2010 and 31 December 2009:

	at December 31, 2010	at December 31, 2009
(€'000)		
Employees	940	770
Vacation pay	845	791
Directors	193	32
Advances from customers	1,116	820
Grants advances	277	277
Other	496	89
TOTAL OTHER PAYABLES	3,867	2,779

Amounts payable to employees refer to salaries and wages for the month of December 2010 and payable in the following month, as well as bonuses awarded to some categories of employees. Liabilities for holidays and leaves of absence refer to holidays and leaves accrued and not used by employees at the reporting dates. These recent payables include related contributions.

The "customer down payments" item amounts to €1,116 thousand and refers to down payments charged to customers against future supplies.

Advances for contributions refer to prepayments made upon requests for contributions that were already accounted for and to be accounted for.

21 – Commitments and guarantees

Operating lease commitments – Group as tenant

The Group has entered into operating lease agreements for some buildings, used as operating offices for the Company and some of its subsidiaries and for some vehicles. Property leases have an average life of between 6 and 9 years, with renewal provisions. Renewals are an option that each company has on the property it holds.

Operating leases of motor vehicles have an average life of 3 years.

In 2006, an operating lease agreement was entered into on the property designated as administrative and technical offices for the Parent Company. This operating lease agreement has a duration of six years beginning on 1 September 2006 and stipulates that the Company can rescind with advance notice of 12 months to the lessor. The agreement also includes a purchase option on the property object of the agreement. This option can be exercised at any time at the end of six years of the agreement. The acquisition price will be determined by an expert appointed by the parties or by the court, and in any event, the price calculated must make reference to the provisions regarding how to determine sale prices of industrial buildings in force for industrial development consortia, especially Tolmezzo.

Future leases in relation to non-rescindable operating lease agreements in force at 31 December 2010 are as follows:

(€'000)	at December	
	31, 2010	31, 2009
Within 12 months	1,198	701
Over 12 months but within five years	2,203	2,687
Over 5 years	2,282	2,390

Warranties

The Eurotech Group has potential liabilities at 31 December 2010 deriving from sureties of €822 thousand granted by a number of credit institutions to Group companies.

H – Breakdown of key income statement items

22 – Costs of raw & auxiliary materials and consumables used

(€'000)	FY2010	
	FY2010	FY2009
Purchases of raw materials, semi-finished and finished products	49,872	40,150
Changes in inventories of raw materials	5,197	6,654
Change in inventories of semi-finished and finished products	(6,206)	(6,242)
TOTAL COST OF MATERIALS	48,863	40,562

The "raw and auxiliary materials and consumables used" item shows an increase due mainly to the rise in sales volumes.

23 – Other operating costs

	FY2010	FY2009
(€'000)		
Service costs	17,042	15,529
Rent and leases	2,377	2,088
Payroll	26,447	25,694
Accruals and other costs	1,385	2,063
Cost adjustments for in-house generation of non-current assets	(2,790)	(2,604)
Operating costs net of cost adjustments	44,461	42,770

24 – Service costs

	FY2010	FY2009
(€'000)		
Industrial services	4,864	5,109
Commercial services	4,582	3,843
General and administrative costs	7,596	6,577
Total costs of services	17,042	15,529

In the periods under review, service costs rose due to the different exchange rate used to translate financial statements outside the eurozone and to an increase in activity to generate higher sales and profits.

25 – Payroll costs

	FY2010	FY2009
(€'000)		
Wages, salaries, and Social Security	26,093	25,304
Severance indemnities	353	382
Retirement benefit and similar obligations	0	7
Other costs	1	1
Total cost of personnel	26,447	25,694

The increase in payroll costs in the period under review is due to the different exchange rate used to translate the financial statements of foreign companies, which offsets the reduction in the cost of salaries and wages resulting from the reduction in numbers of employees at some of the Group companies.

As the following schedule shows, the Group's workforce contracted from 530 at end-2009 to 455 at end-2010. The reduction also reflects the deconsolidation of 42 employees of Chengdu Vantron Technologies Inc., which has not been included in the Group's scope of consolidation since 31 December 2009.

Employees	Average 2010	FY2010	Average 2009	FY2009
Management	2.0	2	2.0	2
Clerical workers	392.4	367	465.3	446
Line workers	82.4	86	82.8	82
TOTAL	476.8	455	550.0	530

26 - Other provisions and costs

	FY2010	FY2009
(€'000)		
Doubful debt provision	509	734
Other Provisions	0	38
Other costs	876	1,291
Total accruals and other costs	1,385	2,063

The amounts in the "allowance for doubtful accounts" item refer to provisions made to the respective reserve to represent receivables at their realisable value. The "provisions" item includes allocations made for product warranties and miscellaneous risks.

The "miscellaneous operating charges" item includes losses on receivables for €44 thousand (€245 thousand at 31 December 2009).

27 – Other revenues

(€'000)	FY2010	FY2009
Government grants	233	318
Sundry revenues	1,216	774
Total other revenues	1,449	1,092

These entries refer 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. Other revenues include €585 thousand for non-recurring proceeds from the sale of the entire 40% shareholding in the Japanese company Union Arrow Technologies Inc..

28 – Cost adjustments for internally generated non-current assets

The "in-house generation of non-current assets" item at 31 December 2010 (€2,790 thousand) refers to €832 thousand in costs incurred in-house to develop new circuit boards for a high-performance, low-consumption processor, €499 thousand to develop products in the high-performance wearable PC range, €484 thousand for costs incurred by the subsidiary Eurotech Ltd. for developments related to new systems connected to the HPC strategic business unit, €273 thousand for costs incurred by Eurotech Ltd for new products, €157 thousand incurred by the subsidiary IPS Sistemi Programmabili Srl, mainly for personnel costs related to new surveillance systems, and €542 thousand for material and payroll costs incurred by the subsidiary Parvus Corp. to build new mobile routers for the transport and defence sector. Total adjustments for internal increases comprise €1,482 thousand in payroll costs (2009: €1,591 thousand), €910 thousand in service costs (2009: €789 thousand), €910 thousand in materials costs (2009: €224 thousand).

29 – Amortisation, depreciation and write-downs

(€'000)	FY2010	FY2009
Amortisation of intangible assets	5,964	5,541
Amortisation of property, plant and equipment	1,887	1,664
Write-down of fixed assets	284	716
Total amortisation and depreciation	8,135	7,921

The change was mainly due to increased amortisation of intangible assets, particularly development costs. Amortisation relating to PPA refers entirely to customer relationships, in the amount of €3,368 thousand (2009: €3,052 thousand).

The write-down in assets is entirely due to the reduced value of the "development costs" item, particularly for projects related to special products that have not achieved the market success expected.

30 – Financial charges and income

(€'000)	FY2010	FY2009
Exchange-rate losses	2,451	1,756
Exchange-rate losses from PUT option	1,278	261
Interest expenses	744	998
Interest expenses due to the discounting	0	676
Expenses on derivatives	305	217
Other finance expenses	44	46
Financial charges	4,822	3,954

(€'000)	FY2010	FY2009
Exchange-rate gains	3,034	1,349
Interest income due to the discounting	80	0
Interest income	262	631
Other finance income	4	20
Financial incomes	3,380	2,000
Net financial income	(1,442)	(1,954)

Financial charges increased by €868 thousand, from €3,954 thousand in 2009 to €4,822 thousand in 2010. The increase was due to the combined effect of an increase in exchange losses totalling €1,712 thousand and a reduction in interest expense for discounting to present value. Specifically, financial charges include exchange losses of €1,278 deriving from the calculation of the payable for the option on 25% of the capital of Advanet Inc., which was exercised in several tranches between June and October 2010, generated due to the appreciation of the yen against the euro taking place at the same time as the payments were made.

Financial income also increased by €1,380 thousand, from €2,000 thousand in 2009 to €3,380 thousand in 2010. This performance is due to the combined effect of an increase in exchange gains (particularly on EUR/JPY and EUR/USD exchange rates) which more than compensated for a decrease in interest income from on cash and bank balances used in 2010.

31 – Valuations of affiliates using the equity method

The net amount of €1,630 thousand includes €1,637 thousand for write-downs of shareholdings valued at equity. The write-down includes the impairment test on the affiliate UTRI SpA for €1,318 thousand in total and a provision of €248 thousand to the reserve for losses on equity interests in affiliates to adjust the value of the affiliate Isidorey LLC..

32 – Income tax for the period

Income taxes amount to €481 thousand in 2009 and €2,200 thousand in 2010.

	FY2010	FY2009
(€'000)		
Pre-tax result	(3,813)	(8,991)
Income taxes	(2,200)	(481)

The schedule below shows the breakdown in income taxes, distinguishing current taxes from deferred tax assets and liabilities and taxes related to Italian legislation from foreign taxes of Group companies:

	FY2010	FY2009
(€'000)		
IRES (Italian corporate income tax)	43	0
IRAP (Italian Regional business tax)	168	17
Foreign current income taxes	3,020	2,795
Total current income tax	3,231	2,812
Net (prepaid) deferred taxes: Italy	2	(13)
Net (prepaid) deferred taxes: Non-italian	(1,033)	(2,318)
Net (prepaid) deferred taxes	(1,031)	(2,331)
TOTAL INCOME TAXES	2,200	481

Income taxes totalled €2,200 thousand at 31 December 2010 (current taxes of €3,231 thousand and net deferred tax assets of €-1,031 thousand) compared with €481 thousand at 31 December 2009 (current taxes of €2,812 thousand and net deferred tax assets of €-2,331 thousand), representing an increase of €1,719 thousand.

Reconciliation of income taxes (IRES) applicable to Group pre-tax profit using the tax rate in force, and the effective rate for the periods ended 31 December 2009 and 31 December 2010, is as follows:

(€'000)	FY2010	FY2009
Italian statutory tax rate	27.50%	27.50%
Earning before tax	(3,813)	(8,991)
Taxes at the Italian statutory rate	(1,049)	(2,473)
Difference between the Italian statutory rate and the foreign tax rates	628	195
Adjustment of last year taxes	96	(173)
Write-off of last year deferred tax	0	30
Deferred tax on losses not booked	2,421	2,359
Deferred tax on losses not booked	(324)	0
Tax losses used related to previous year	(207)	0
Deferred tax on permanent differences not booked	(424)	258
Deferred tax assets related to last year tax losses	636	0
Non-taxable incomes/relief	(428)	(381)
Non-deductible costs	984	744
Other permanent differences	(302)	(92)
Real fiscal charge IRES	2,031	467
Current taxes	3,076	2,968
Deferred taxes	(1,140)	(2,328)
Income tax of last year	96	(173)
Real tax charge IRES	2,032	467
Current taxes IRAP	168	17
Deferred taxes IRAP	0	(2)
Real tax change IRAP	168	15
Total Real Fiscal Charge	2,200	482
Real Tax rate	-57.7%	-5.4%

Deferred tax assets and liabilities at 31 December 2010 and 31 December 2009 are shown below:

(€'000)	FY2010	FY2009
DEFERRED TAX ASSET		
Allowance for obsolete and slow moving inventory	294	238
Allowance for doubtful accounts	155	318
Allowance for guarantee reserve	40	40
Deductible expenses in subsequent years	1,783	1,011
Losses available to offset subsequent taxable profits	422	411
Equity method	132	132
IPO fees and costs	0	612
Effects of IFRS adoption	395	372
Offset taxes	(1,563)	(1,962)
TOTAL DEFERRED TAXES ASSETS	1,658	1,172
DEFERRED TAX LIABILITIES		
Depreciations	90	110
Effects of IFRS adoption	957	830
Tax effect on 'Price allocation'	12,781	11,813
Other temporary changes	42	63
Offset taxes	(1,563)	(1,962)
TOTAL DEFERRED TAX LIABILITIES	12,307	10,854

The Group has fiscal losses arising in the Parent Company and subsidiaries Eurotech Finland Oy and Sae Srl, Eurotech Inc. and IPS Sistemi Programmabili Srl for which deferred tax assets of more than €29.7 million (2009: €23.5 million) were not recognised, to be reported within the deadlines applicable in each country to offset future taxable profits of the companies in which these losses arise. No deferred tax assets were recognised in relation to these losses since it is not seen as likely that they can be used to compensate future taxable profits within the period of validity.

At 31 December 2010, there were no deferred tax liabilities, posted or unposted, for taxes on the undistributed earnings of certain subsidiaries or affiliates because there are no assumptions regarding distribution.

I – Other information

33 – Related-party transactions

The consolidated financial statements include the financial statements of Eurotech SpA and its subsidiaries shown in the schedule below:

Name	Location	Currency	%of ownership 31.12.2010	%of ownership 31.12.2009
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%
E-Tech UK Ltd.	UK	GBP	(2)	100.00%
ETH Devices S.r.o.	Slovakia	Euro	100.00%	100.00%
Sae S.r.l.	Italy	Euro	100.00%	100.00%
Advanet Inc.	Japan	Yen	90,00%	65% (1)
Spirit21 Inc.	Japan	Yen	90,00%	65% (1)
Affiliated companies				
Chengdu Vantron Technologies Inc.	China		43.75%	49.50%
Delos S.r.l.	Italy		40.00%	40.00%
Isidorey Llc	United States		40.00%	-
Union Arrow Technology Inc.	Japan		-	36.00%
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) As a result of valuation of a put option on the remaining 25% of share capital, the consolidation percentage was 90%

(2) Company closed

Note that in the case of the Japanese companies an acquisition agreement exists providing for a put and call mechanism for the remaining 10% of the shares of Advanet, exercisable in 2010, for a market price to be set according to a calculation mutually agreed by the parties or performed by an independent expert. The put option can be exercised by the minority shareholder in the event of death or invalidity during the options' period of validity.

Below is a list of transactions between related parties (in the period in which they were such), not eliminated during consolidation, and compensation accrued in favour of Directors and Auditors for the services provided to Eurotech SpA and to its subsidiaries pursuant to article 78 of Consob Issuer Regulation 11971/99, as amended, and Annex 3C of the same Regulation.

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	44	-	658	-	2	116
Isidorey Llc	23	7	-	515	7	-
Union Arrow Technology Inc.	100	-	1,602	-	-	- (*)
Emilab S.r.l.	-	-	89	-	-	21
eVS embedded Vision Systems S.r.l.	-	-	39	-	-	3
Utri S.r.l.	1	27	-	-	1	-

Total	168	34	2,388	515	10	140
Other related parties						
Wulfenia	3	-	25	-	-	3
Gruppo Finmeccanica	771	-	7	-	591	-
Total	774	-	32	-	591	3

(*) Value of transactions up to the date of sale of investment

			at December 31, 2010			
Name		Expiration	Fees for the appointment	Other fees	Benefits	Bonus
Siagri Roberto	President	In charge up to 31.12.2010 financials	337	10	3	98
Tecchiolli Giampietro	Vice President - Director	In charge up to 31.12.2010 financials	227	10	2	39
De Toni Alberto Felice	Director	In charge up to 31.12.2010 financials	20	-	-	-
Pizzul Cesare	Director	In charge up to 31.12.2010 financials	20	-	-	-
Mio Chiara	Director	In charge up to 31.12.2010 financials	20	-	-	-
Barazza Sandro	Director	In charge up to 31.12.2010 financials	7	108	2	22
Bagnato Filippo Nicola	Director up to September 18, 2010	In charge up to 31.12.2010 financials	5	-	-	-
Bertolone Giovanni	Director from October 19, 2010	In charge up to 31.12.2010 financials	7	-	-	-
Soccodato Giovanni	Director	In charge up to 31.12.2010 financials	7	-	-	-
Tucci Maurizio	Director	In charge up to 31.12.2010 financials	7	-	-	-
Siciliotti Claudio	President of Bord of Auditors	In charge up to 31.12.2010 financials	30	-	-	-
Cignolini Michela	Statutory Auditor	In charge up to 31.12.2010 financials	20	-	-	-
Giuseppe Pingaro	Statutory Auditor	In charge up to 31.12.2010 financials	20	-	-	-
TOTAL			727	128	7	159

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.

Name		at December 31, 2010							
		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	Share at the end of the period indirectly
Siagri Roberto	President	Eurotech	Ownership	2,500,531	-	-	-	2,500,531	1,040,371
Tecchiolli Giampietro	Director	Eurotech	Ownership	191,015	-	-	-	191,015	-
De Toni Alberto Felice	Director	Eurotech	Ownership	6,003	-	-	-	6,003	-
Mio Chiara	Director	Eurotech	Ownership	-	-	-	-	-	-
Pizzul Cesare	Director	Eurotech	Ownership	-	-	-	-	-	-
Barazza Sandro	Director	Eurotech	Ownership	-	-	-	-	-	-
Bagnato Filippo Nicola	Director up to September 18, 2010	Eurotech	Ownership	-	-	-	-	-	-
Bertolone Giovanni	Director from October 19, 2010	Eurotech	Ownership	-	-	-	-	-	-
Soccodato Giovanni	Director	Eurotech	Ownership	-	-	-	-	-	-
Tucci Maurizio	Director	Eurotech	Ownership	-	-	-	-	-	-
Siciliotti Claudio	President of Board of Auditors	Eurotech	Ownership	20,000	-	-	-	20,000	10,000 (*)
Cignolini Michela	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	-
Giuseppe Pingaro	Statutory Auditor	Eurotech	Ownership	-	-	-	-	-	-

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

34 – Financial risk management: objectives and criteria

The Group's financial instruments, other than derivative contracts, include bank loans in the various technical forms, financial leases, short-term and at-sight bank deposits. 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 had transactions in derivatives, mainly swap or collar transactions on interest rates. The objective is to manage interest rate risks caused by Group transactions and by its sources of finance.

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

The main risks generated by Group financial instruments are interest rate risks, exchange risks, liquidity risks and credit risks. The Board of Directors has reviewed and agreed to the policies 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. In previous years the Group signed interest rate swap contracts providing for recognition of a variable rate against payment of a fixed rate. The contracts are 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. At 31 December 2010, with the exception of newly issued loans, approximately half the loans of the Parent Company are fixed-rate (in 2009, the percentage was also 50%). Most of the outstanding loans of the Japanese companies are fixed-rate, since these are currently more convenient than variable-rate loans.

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 2010 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 84.8% of sales of goods and services (2009: 85.8%) and 78.1% (2009: 74.9%) 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 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. Maximum risk exposure is shown in Note 7. Only some of the receivables from our main customers are insured due to the reduction of the exposure granted by insurance companies in 2009.

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 31 December 2010, 28.5% of Group financial payables will accrue within one year (2009: 27.1%), based on the balances of the original plans.

Considering the current net financial position and the structure of working capital, the risk that the Group will be unable to honour its financial liabilities is very remote. The Company systematically controls liquidity risk by analysing a specific reporting system and the economic environment; the uncertainties that are a periodic feature of the financial markets require a particular focus on liquidity risk management. With this in mind, initiatives have been taken to generate financial resources with business operations and to maintain an adequate level of available liquidity, to ensure a normal level of operations and to respond to the strategic decisions of the next few years. The Group therefore plans to respond to the requirements of payables falling due and planned investments via flows from business operations, available cash and, as necessary, via bank loans and other forms of funding.

€ '000	Less 12 months	1 to 2 years	3 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	5,931	6,391	16,201	181	28,704
Trade payables and other liabilities	24,568	0	0	0	24,568
Business combination liabilities	1,066	0	0	0	1,066
Financial derivatives	65	69	205	0	339
Total as of December 31, 2010	31,630	6,460	16,406	181	54,677

Capital management

The aim of Group capital management is to ensure that adequate levels of the capital indicators are maintained in order to sustain the business and achieve maximum value for shareholders.

The Group manages the capital structure and modifies it according to changes in economic conditions. Group policy does not currently include the distribution of dividends. To maintain or upgrade the capital structure, the Group may reimburse capital or issue new securities.

No change was made to objectives, policies, or procedures in the years 2009 and 2010.

Currently, the Group still has cash on hand pursuant to increases in capital in 2006 to use for operations and for acquisitions, but the Group regularly checks the capital needs using a debt/capital ratio, comparing net debt to the total capital plus net debt. In view of the current world financial situation, the Group does not believe it is wise to incur further debt, despite the fact that the parameters set by management policies remain valid.

Group policies should aim to maintain this ratio between 20% and 40% (at 31 December 2010, the ratio was 6.6%). Group net debt includes interest-bearing loans and payables for investments in shareholdings, net of cash and cash equivalents. Capital includes the capital attributable to Parent Company shareholders, net of undistributed net profits.

	at December 31, at December 31,	
(€'000)	2010	2009
Other current and non current financial assets	(872)	(747)
Derivative instruments	339	458
Borrowing	31,858	26,905
Debiti per acquisto partecipazioni	1,066	11,417
Cash & cash equivalents	(23,751)	(27,924)
Net financial position	8,640	10,109
Group Equity	131,518	116,896
Group Equity	131,518	116,896
EQUITY AND NET FINANCIAL POSITION	140,158	127,005
<i>Net financial position on Equity</i>	<i>6.6%</i>	<i>8.6%</i>

35 – Financial Instruments

Fair value

Comparison of the carrying value and the fair value by category of all Group financial instruments booked in the financial statements does 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 31 December 2010, the Group held four IRS contracts (for a notional value of €8.6 million) signed during the last five years and designated as instruments to hedge the risk of interest rate changes.

	<i>Due date</i>	<i>Fixed rate</i>	<i>Floating rate</i>	<i>Market value (€'000)</i>
<i>Interest rate swap contracts</i>				
€3,500,000	30.06.11	3.95%	Euribor 6 month	(48)
€5,096,460	31.12.15	4.08%	Euribor 6 month	(291)

Interest rate swap contract conditions were negotiated to coincide with the conditions of the underlying commitments.

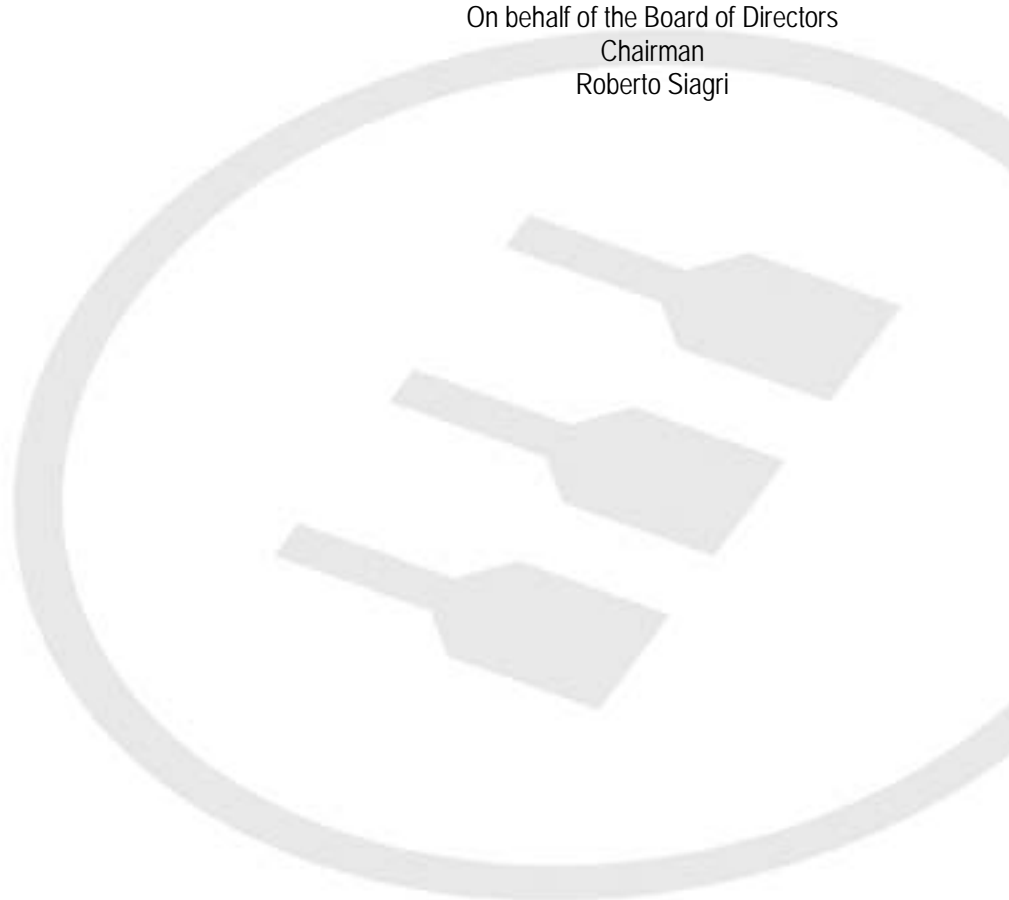
The accounting treatment of these financial instruments in 2010 entailed an increase in equity of €119 thousand and decreased the cash flow hedge reserve as a direct reduction of equity to €339 thousand.

36 - Events after the reporting period

There were no events of note subsequent to the end of the financial year.

Amaro, 15 March 2011

On behalf of the Board of Directors
Chairman
Roberto Siagri



Annex I - Information provided pursuant to Article 149-duodecies of the Consob Issuer Regulation

The schedule below has been prepared in accordance with article 149-*duodecies* of the Consob Issuer Regulation and shows the amounts paid in 2010 for auditing and other services provided by the independent auditing firm and entities that are a part of this firm's network.

(€000)	Service provider	Eurotech Group entity	2010 fees
Audit			
	Reconta Ernst & Young S.p.A.	Parent company - Eurotech S.p.	121,791
	Reconta Ernst & Young S.p.A.	Subsidiaries	24,145
	Rete Ernst & Young	Subsidiaries	365,387
Tax consultant			
	Rete Ernst & Young	Parent company - Eurotech S.p.	8,700
	Rete Ernst & Young	Subsidiaries	5,607
Other services			
	Rete Ernst & Young	Parent company - Eurotech S.p.	19,644
TOTAL			545,274

Certification of the Consolidated Financial Statements pursuant to Article 154-*bis* of Legislative Decree 58 of 24 February 1998

Amaro, 15 March 2011

1. We the undersigned, Roberto Siagri, the Chief Executive Officer and Sandro Barazza, the Financial Reporting Manager of Eurotech SpA, hereby attest, pursuant to article 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, to:
 - the adequacy in relation to the characteristics of the company and
 - the effective application of the administrative and accounting procedures for the preparation of the financial statements in the financial year 2010.
2. Assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements to 31 December 2010 is based on a model defined by Eurotech in keeping with the COSO framework (a document in the COSO Report) and taking into account the document "Internal Control over Financial Reporting – Guidance for Smaller Public Companies", both of which were prepared by the Committee of Sponsoring Organizations of the Treadway Commission and which represent an internationally recognised general framework of reference.
3. We furthermore attest that:
 - 3.1 The consolidated financial statements to 31 December 2010:
 - were prepared in accordance with the international accounting principles recognised by the European Community pursuant to EC Regulation 1606/2002 of the European Parliament and the European Council of 19 July 2002;
 - correspond to the results in the corporate books and accounting records;
 - provide a fair and true representation of the assets, liabilities, financial position and profit or loss of the Issuer and of all its consolidated companies.
 - 3.2 The report on operations includes a fair review of the development and performance of the business and the situation of Eurotech as the Issuer and of all its consolidated companies, together with a description of the principal risks and uncertainties that they face.

The Chief Executive Officer
Roberto Siagri

The Financial Reporting Manager
Sandro Barazza



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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders of
Eurotech S.p.A.

1. We have audited the consolidated financial statements of Eurotech S.p.A. and its subsidiaries, (the "Eurotech Group") as of and for the year ended December 31, 2010, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Eurotech S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by Consob (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 31, 2010.
3. In our opinion, the consolidated financial statements of the Eurotech Group at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Eurotech Group for the year then ended.
4. The management of Eurotech S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and the Company's Ownership Structure regarding the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the consolidated financial statements of the Eurotech Group as of December 31, 2010.

Treviso, March 30, 2011

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

Reconta Ernst & Young S.p.A.
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The image features a series of horizontal bands in various shades of blue and green, creating a layered, architectural effect. On the left side, a semi-circular arc is partially visible, suggesting a larger circular element. The background is a light, neutral tone with subtle gradients and faint, abstract shapes that complement the main graphic elements.